

# **A CROSS-CASE ANALYSIS ON MODELS OF FOOTBALL GOVERNANCE AND THE INFLUENCE OF SUPPORTER GROUPS**

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## **DECLARATION**

I declare that this thesis, “A cross-case analysis on models of football governance and the influence of supporter groups” is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been acknowledged.

## **Abstract**

As the football industry continues to reach unprecedented levels of economic growth, elite clubs continue to capitalise on the financial riches on offer across Europe's most popular leagues. In the quest for financial growth, historic clubs and their supporters continue to endure administration, bankruptcy and mismanagement at the hands of powerful owners. This has led supporters to call for a greater say in how their clubs are governed to safeguard their futures against over-commercialisation, unscrupulous investors and financial irregularities. A cross-case study of clubs in England, Spain and Germany, representing the three most wealthy leagues in world football, examines fundamental factors in models of football governance. The clubs studied are Everton, Athletic Bilbao and Schalke. The case study findings identify three new models of football governance: the "ghost" model at Everton; the "barrier to rights" model at Athletic Bilbao; and the "umbrella" model at Schalke. Additionally, the study investigates the role that supporters play in the way a club governs, and in so doing, explores the influence and relationship of different stakeholder groups.

The subsequent research findings identify five key issues in football governance that obstruct a meaningful relationship with supporters: 1) a lack of constitutional clarity leads to weak football governance; 2) a weakness exist around ungoverned roles on boards and executives; 3) there is weak governance knowledge of the role and responsibilities of supporters; 4) a lack of understanding on the benefits of supporter relations; 5) and that ungoverned groups of non-stakeholder supporters can weaken club operations. To address these issues, the study proposes the GLOVE model of football governance, which enable clubs to govern and capitalise on a meaningful relationship with their supporters. Football governance under the GLOVE model provides access to different stakeholder groups, types and relationships without compromising the integrity of the business. As a result, the model offers a framework of football governance that reinforces club-supporter relations with a collective responsibility for club operations, finances and decision making.

## **CHAPTER ONE – INTRODUCTION**

“I don’t have a team anymore. I don’t have a result to listen out for on the radio on a Saturday afternoon. Colleagues – mainly fans of Premier League teams – keep asking me if I have chosen a new club. More likely, I will just stop paying attention to the game altogether” (Guardian, 2019).

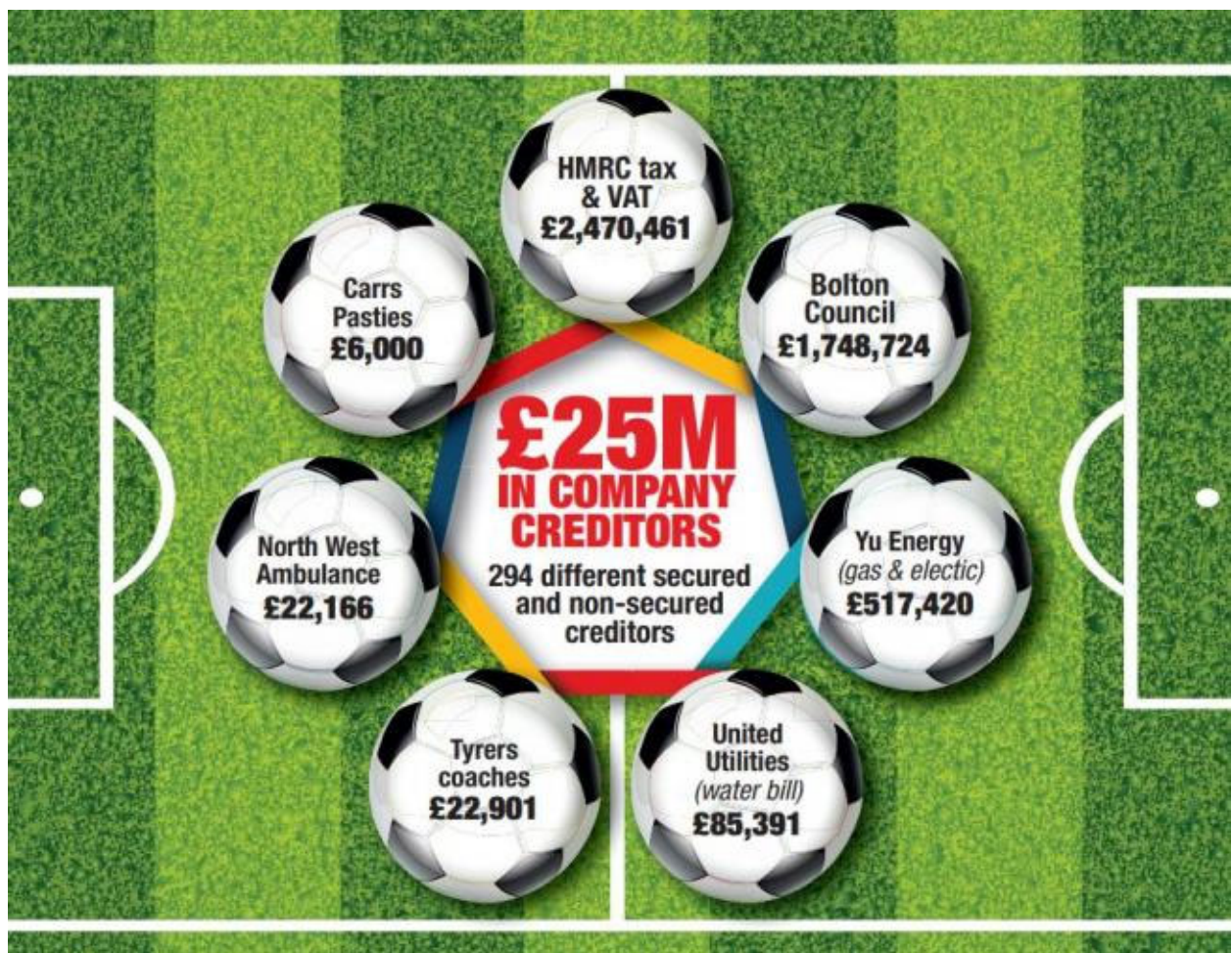
### **1.0 Research Background and Rationale**

In October 2019, Jeremy Corbyn, MP and the Leader of the Labour Party claimed that clubs are too important to be left in the hands of bad owners, who put their business interests ahead of everything else, marginalise supporters and even put the financial security of clubs at risk (Guardian, 2019). Similarly, Julian Knight the new chairman of parliament's powerful Digital, Culture, Media and Sport Select Committee claimed football has become for the most privileged and well off, which goes completely against the working-class roots of the game (Telegraph, 2020). These comments stem from the strength of feeling amongst football supporters, who feel they have borne the brunt of commercialisation at the hands of powerful owners or have even left to pick up the pieces when their club enters administration or liquidated. Evident in August 2019, when Bury FC was expelled from the English Football League (EFL) due to financial difficulties, which had a devastating effect on the local community and left supporters without a team to follow (ITV, 2019).

Cocieru, Delia & Katz (2019) claim that football supporters hold a unique relationship with the team they follow, who choose not to change their club allegiances, no matter how badly they are treated. This has led supporters to create phoenix clubs to start at the bottom of the footballing pyramid in the event of liquidation, rather than follow another team. For example, at Chester FC (2010), Darlington (2012) and Parma (2015). Hamil et al (2013) goes a step further and claims that supporters are the lifeblood of football. Yet, due to the rise in unscrupulous investors, clubs have been left on the brink of administration because of mismanagement and financial motives of self-interest, during their short time as owners (Cleland, 2017). Consequently, clubs continue to fail financially with supporters left to endure the knock-on effect of mismanagement, over-commercialisation, unscrupulous investors and financial irregularities.

This was the case at Bolton Wanderers before and after the club entered administration in the 2018-2019 season. From the beginning of Ken Anderson and Dean Holdsworth's reign as new owners in 2016, their takeover was surrounded by financial issues, board room disputes and internal legal proceedings. As the pair battled for sole control of club ownership rights in a high court case in 2017, key information was drawn into the public domain, which disclosed secure loans against the stadium, training ground and the hotel, which involved several third-party companies. During 2018, Bolton's financial issues and mismanagement started to have an impact on the supporters, as the club failed to pay outstanding bills, unsecured creditor payments and staff wages, running up debts of £25mn (Chart 1.1).

Figure 1.1. An Overview of Bolton Wanderers Creditors



Source: Bolton News, 2019.



The impact on Bolton supporters was immeasurable as unpaid wages (playing and no-playing staff) lead to the postponement of games on the grounds of safety, player strikes (Brentford, May 2019) and the welfare of the academy squad (Doncaster, August 2019); slipping the club into administration. This resulted in the club being imposed with a 12-point deduction and two-year transfer ban by the English Football League (EFL) as they were relegated into league one, with further point deductions for failing the play against Doncaster FC. Even the quest to take Bolton out of administration by the now new owners (Football Ventures) impacted directly on supporters, due to the numbers of secure parties' intent on protecting their financial interests, instead of the club's future. For example, former owner Eddie Davies Trust had £23mn secured against the stadium, local businessman Mike James had £6.5mn secured against the club's hotel and board director, Brett Warburton had £2.5mn secured against the training ground land. At the 11<sup>th</sup> hour, the 134-year-old club survived, leaving the club decimated, entering the new 2019/2020 football season relegated, with a 12-point deduction, a threat of future points deduction, without any senior players, under a transfer embargo, re-financed loans against the club, no season tickets or official kits and untold reputational damage. Yet, no matter how badly Bolton Wanderers have treated their supporters, these groups are grateful just to have a team to follow, no matter how poorly they are treated, or the circumstances they are left to endure in the aftermath of mismanagement.

The case at Bolton Wanderers is not an exception throughout the football industry, as the rise in commercialisation has contributed to many supporters feeling marginalised from decisions made by directors at board level (McLeod, 2018). Krabbenbos (2013) claims that football supporters are merely for the financial benefit of a club, purely to increase its revenue for an owner's benefit. This was the case at Manchester United when the Glazer Family brought the club in 2005 for a reported £790mn, as the club's shareholding is valued at 3.8bn on the New York stock exchange (Fobes, 2018). During the family 14-year reign at United, they continue to commercialise club relationships with its supporter groups, with year on year increases on match day experiences, merchandise and hospitality (EADF, 2019). Bolle (2015) explains that supporter felt their role within a club is purely a financial one, through commercial ticket and shirt sales, as this is the only way to build communication with their beloved club.

Undoubtedly, the role of football supporters is important to the management of their clubs, either as consumers (Pick & Gillett, 2018), customers (Garica, 2015), merely as followers (Giulianotti, 2002), protest groups (Hewer, Gannon & Cordina, 2017), or even as legitimate group of stakeholders (Anagnostopoulos, 2011). Yet, the diverse role of supporters within a club has continued to split options both in the academic literature and throughout the football industry on whether to engage or totally disregard the feelings of supporters from the way their club is governed. Evident when Liverpool FC owners, Fenway Sports Group (FSG) went on to claim their supporters were mere “customers as part of a chain of franchises” (Fenway Sports Management, 2016). In 2019, the owners at Liverpool went a step further to protect their investment within the club and took steps to trademark the word, Liverpool to protect against inauthentic products. This sparked outrage amongst Liverpool’s supporter groups and across the city, including mayor Joe Anderson and the local council. Supporter group, the Spirit of Shankly went on the claim the word ‘Liverpool’ is not for FSG or anybody else to own, as it belongs to the city of Liverpool and its people” (Guardian, 2019).

Rallying efforts, involving fundraising, lobbying, volunteering, campaigning, networking and ultimately taking control of the ailing clubs (Porter, 2019) have not just been confined to English clubs, but also across the most commercialised football league across Europe. Spanish football has also felt the effect of discord from its supporters, as the club look to capitalise on private investment against the wish of its members. This results from when the Spanish Government introduced the *Sociedades Anonimas Deportivas* (SAD) regulation to force football clubs into public limited ownership. Barajas & Rodriguez (2010) claim the SAD regulation affected how the clubs were governed, turning socios members into mere followers overnight, which forced owners to focus purely on financial performance. Consequently, supporters at SAD own clubs have taken part in protest and action against decisions made at board level, as they no longer have a say in business decisions, which has directly affected their relationship with the club. Evident at Alaves when supporter groups boycotted the kick-off and staged a mock funeral. Displaying banners that read football was dead, as the match against Levante was switched from a traditional Sunday kick-off to Monday night, so the club could receive additional income to screen the game live on TV.

Yet, four clubs kept their sports member status in La Liga, Real Madrid, Barcelona, Athletic Bilbao and Osasuna as they were deemed profitable at the time. However, there is a notable difference between the role that Spanish supporters hold in decisions at member-based clubs, which is depended on the club they follow. For example, supporters at Valencia have little or no say in the way their club makes commercial decisions, but supporter members at the FC Barcelona can vote in presidential elections and monitor financial budgets (Burns, 2011). However, members clubs of FC Barcelona and Real Madrid make decisions with an air of commercialisation and manage supporters as hyper-consumer, not with the respect of legitimate members (Llopis-Goig, 2012). While on the other hand, Athletic Bilbao continues to engage supporters with the ethos of a sports club and keeps a deep-rooted affiliation with its local communities, shown in Vaczi (2016) ethnography of Basque Fandom. Yet, even when supporters have a say as members, clubs still go bankrupt through the mismanagement by those in powerful positions. This was the case at Osasuna when ex-presidents Miguel Archanco and Patxi Izco and ex-board members Txuma Peralta, Angel Vizcay, Juan Pascual and Diego Maquiritain was found guilty of the misappropriation of funds, false accounting, falsifying documents and corruption, which sent the club into financial crisis (Diario De Navarra, 2017).

Similarly, German football has also had an influx of powerful owners and conglomerates who want to invest in Bundesliga clubs. German supporter groups are believed to hold legal responsibilities in the club with similar rights to prominent figures within the club (Chairman, CEO and Sporting Directors). A key factor behind the inclusion of supporters in German football is the 50+1 rule, which states the 51% of the voting rights should be owned by an association, not individuals or private companies. This gives supporters the legal right to scrutinise all decisions made at a senior level, mainly from a role on the supervisory board. German supporters feel the 50+1 rule continues to protect against the reckless action of owners and safeguards the democratic customs of German clubs. However, there is a growing realisation that the 50+1 rule is outdated, as multinational corporations continue to wrestle the majority of shares from supporter associations (Bundesliga, 2019). Furthermore, several German clubs have shown a blatant disregard for the 50+1 rule and are owned by global corporations, with no punishment from the German Football Association (Deutscher Fußball-Bund, DFB). For instance, Volkswagen's (Car Manufactures) control Wolfsburg FC, Bayer's (pharmaceutical) control Bayer Leverkusen and Red Bull Energy control RB Leipzig, which has affected historic relations between clubs and supporter groups.

This has been the case at TSG Hoffenheim, in a long-running battle for over a decade between the owner Dietmar Hopp and the different supporter groups, as his private ownership has led supporters to protest against the over-commercialisation across Germany football. After taking over the club under the 20+1 rule in 2014, Mr Hopp soon became the face of creeping commercialisation and the rise of backdoor ownership throughout Germany. Evident in 2017, when Cologne supporters drew the German Football Association's attention with personal insults aimed at Mr Hopp and his investment in Hoffenheim. This action was also replicated by Borussia Dortmund supporters in 2018 when their team travelled to the Rhein-Neckar-Arena (Hoffenheim's stadium). To avert any further action against the owner, Hoffenheim brought legal action against five supporters, who were convicted for defamation (death threats and offence chants) (DW, 2019). Throughout Germany, Hoffenheim and Leipzig have been labelled test tube clubs (newly formed through private financial wealth, without traditions), vilified and slandered by more traditional sets of supporters, in a proxy fight to protect their own right against future challenges of private ownership (De Waele et al., 2019).

This resistance to private ownership, commercialisation and mismanagement across football clubs has seen a rise in supporter ownership, to provide the "formal mechanism that allows supporters a greater say in how their clubs are run" (Martin, 2007, pp.636). Supporters can protect against the over-commercialisation, financial irregularities and mismanagement of clubs, as it places supporters at the heart of the club and facilitates democratic decisions making (Brown & Walsh, 2000; Kennedy & Kennedy, 2012; Morrow, 2015; Tobin, 2017). This has seen supporters create new clubs in the cases of FC Utd and AFC Liverpool, or via takeovers to keep the club in existence, as was the case at Portsmouth, Darlington and Exeter City. Even starting up phoenix clubs at the bottom of the football pyramid to save historic names and traditions, as in the cases of Chester FC, AFC Wimbledon and Leyton Orient. Yet, similar issues witnessed in the commercialised club also happen when supporter own their own clubs. Accusations of financial mismanagement, power struggles at board level, resignations and gagging orders have been reported at supporter-owned clubs (Guardian, 2016). These issues highlight a lack of the expertise or skillsets between a supporter's base needed to fill key management positions, particularly when controlling their own football club as non-profit organisations (Ward & Parnell, 2019).

This was the case when Portsmouth supporters relinquished their stake in the club in 2017 to wealthy American Billionaire, Michael Eisner of The Walt Disney Company, who paid £5.7m to become the club's majority shareholder (Portsmouth FC, 2017). The fallout from Portsmouth buyout highlights supporter groups do not have the finances to compete, or even to takeover well established professional football clubs, particularly in Europe's top leagues. Mick Williams, one of the founder members of the supporter's trust and club director claimed in a statement, "another round of fund-raising amongst the trust's member-shareholders will not necessarily generate the money needed to sustain the club" (Guardian, 2017).

Although several academic studies have advocated the model of mutual ownership, particularly to interject supporter into clubs, the realism is the rising levels of revenue and investment within the club has made it difficult to wrestle the ownership away from powerful owners and conglomerates. Even in the event, a professional football club does enter administration, there is a long line of investors, ready and waiting with the funds to capitalise on the clubs fixed assets and potential investment opportunities. This was certainly the case when Bolton Wanderers entered administration, as 30 potential parties were asked to show proof of funds of £25mn (Bolton News, 2019). It has become increasingly difficult for newly formed supporter trusts to raise the funds to even access a club's private information, never mind start the due diligence process, or even more unrealistic prove supporter groups can service the secure loans and ongoing monthly financial commitments run-up by previous owners. For example, in the case of Bury FC, where supporters (average attendance of 3,900) were asked to "chip in" to the tune of £4.2mn by owner Steve Dale to save the club from extinction, which failed when the club was liquidated in 2019 (Telegraph, 2019).

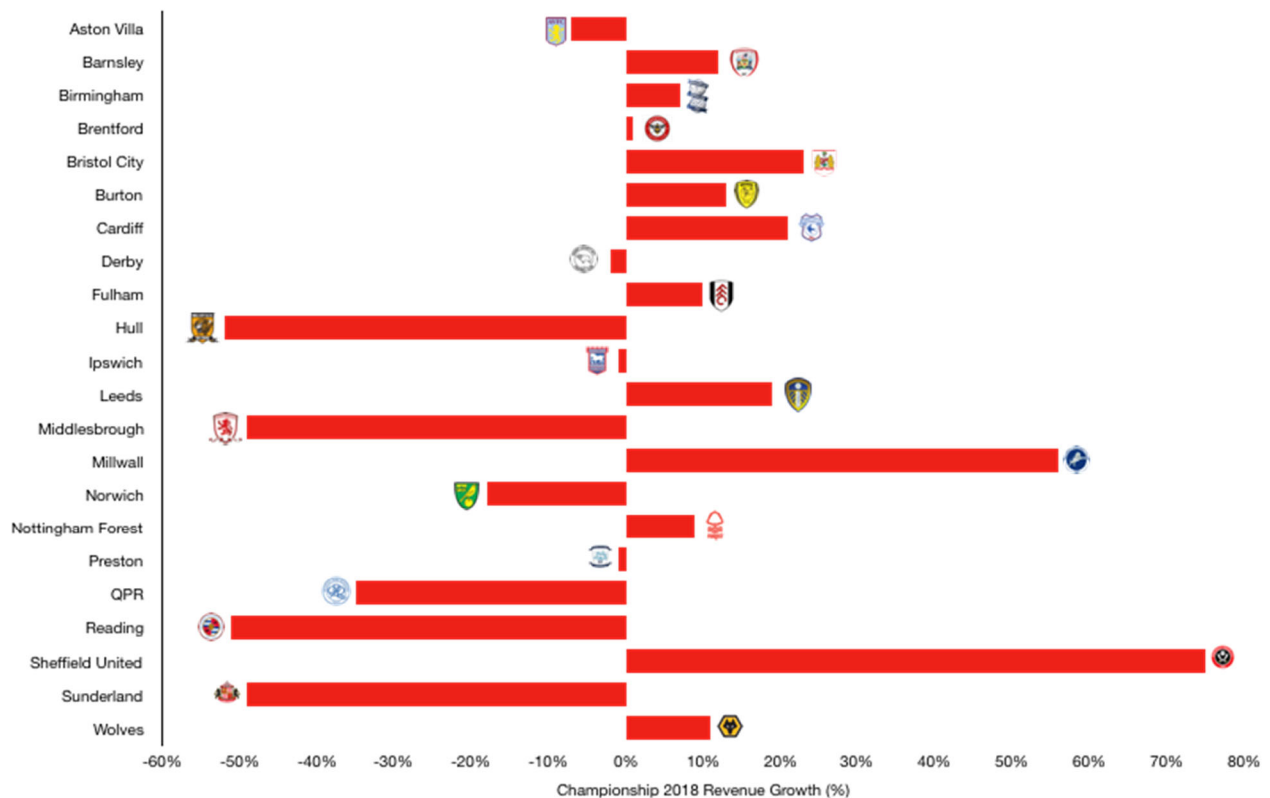
In recent years, Supporters Direct (started in England, but spread across Europe) has championed the role of supporters as the best set of stakeholders to monitor the actions of owners and club executives, going on to champion the importance of supporter/club relations. Yet, parliamentary debate, lobbying and legislation posturing by Members of Parliament have failed to change the attitude of powerful club owners towards football supporters, who continue to raise the price of season tickets and merchandise year on year without any meaningful dialogue, transparency or explanation (Maguire, 2019). This has certainly been the case at Charlton FC with the factious relationship between the owner Roland Duchatelet and their supporters. Supporter groups continue to claim all communication has broken down and there remains a lack of transparency by the executive management team, which has led to financial

issues in the club. This dispute between the owners and supporter groups has had a lasting effect on both sides of the relationship, with supporter missing the match through protests and the club left with an owner who claims, “investing in football was the mistake of my life” (*Talk Sport, 2019*).

In the season 2018/2019, Charlton was promoted from league one to the championship during this unprecedented tension between the club and its supporters. Continuous action from Charlton supporters has seemingly not affected the team’s performance on the field, but left the two factions at war, in what has been described as ‘the battle of the valley’. This supporter action against Roland Duchatelet forced him into selling the club to East Street Investment. An important question to arise from the sale of Charlton is whether the new owners will entrust supporter with critical decisions at board level, or inevitable makes their decisions to protect their personal investment and wealth. There is an argument that other industries and sectors do not include consumers and customers within business decision, but this may political change as MP and former Shadow Chancellor of the Exchequer, John McDonnell continues to lobby for regulative change in the way companies are governed in the future, emphasising on openness and transparency at board level. An independently commissioned report went on to explain how the Government could legislate to diversify ownership with the redistribution of power within companies, as “stakeholders, especially employees, consumers and pension scheme trustees, together with long-term committed shareholders should be represented on the board of large companies” (Labour Corporate Governance Review, 2018, pp. 2).

To achieve greater stakeholder representation, particularity in football clubs both the British Government and Supporters Direct has change tact away from supporter ownership with a push towards how clubs are governed and managed. There is an acceptance that the majority of football supporter will never be in the position to own a club, due to the rising level of debt in failing clubs and owner’s reluctance to share the rising financial revenue on offer throughout the game (Figure 1.2). This has led to parliamentary debates on how football governance can counteract the balance between the riches on offer throughout the game and the protection of clubs. In addition, Damian Collins, ex Chair of the Culture, Media and Sport Committee for three-years claimed good governance was necessary to protect clubs against the rising “financial instability and increasing levels of debt, which remains a serious problem throughout the football pyramid” (House of Commons Library, 2017).

Figure 1.2. Championship Club Growth 2018



Source: Football Financial News, 2019.

A cross-party football governance committee claimed “the governance of football is cumbersome and power lies with the clubs, especially in the Premier League. Real reform in relation to the ownership of clubs, transfers of players, the influence of fans, the role of agents and investment in the grassroots - amongst other issues has stalled” (Football Governance Committee, 2016). This has led to an increase with national supporter trusts and European movements, such as Football Supporters’ Federation, the Federation of Shareholders and Partners of Spanish Soccer, Unsere Kurve and across the UK & Europe, Supporters Direct. All these organisations have come together to lobby for a greater say in how their clubs are governed, towards a more inclusive relationship with owners to support the future success and sustainability of their clubs. Calls for a more inclusive way to govern football club has also come from owners, in order to find a better way to engage supporters in the daily management of clubs. Andy Holt, the owner and chairman of Accrington Stanley one of the football leagues founding clubs dating back to 1888 claims, “owners are expected to fund the game’s losses and claims the football authorities are not doing enough to fix the problem and there is a need to

find a way forward which is fan-friendly and financially viable” (Football Supporters’ Federation, 2019).

Making steps to achieve this, the England Supporters Direct and Football Supporter Federation have merged to become Football Supporters’ Association (FSA), bringing together political weight, funding and knowledge people. In October 2019, the FSA set out a resolution to the FA Council against the continued threat against the survival of several clubs throughout the English game, as these failings indicate that the current financial and governance regulatory framework in the professional and semi-professional game needs strengthening (FSA, 2019). As the debate continues across the football industry on the benefits of supporters being involved in decisions within their clubs, the evidence shows supporters are the lifeblood behind a club’s financial and social sustainability, either as customers, consumers or stakeholders (UEFA, 2019).

A changing political landscape toward board diversification in companies and the power of the newly formed supporter association and club trusts continue to add pressure on the industry to find a reasonable solution that includes supporters in how a club governs its business. Although, academic studies and numerous political commissioned football governance review have added to the football governance debate. Owners and their Board of Directors are unsure to the benefits of supporter inclusion, or even how to engage groups at different levels of a club’s governance structures. Recently, this has been evident at Blackpool, Charlton Athletic, Bolton, Bury, across Germany with the lax 50+1 rule, or in Spain with a mixed role for supporters. This has left supporters confused as to their relationship with their clubs, what groups they should join, or even whether to involve themselves in action to have a voice within the club. Therefore, a better understanding of different models of football governance will help to broaden the knowledge on the fundamental factors behind how a club governs and the effects this has on supporter relations and their influence. This thesis seeks to contribute to this understanding.



## **1.1. Research Questions**

- 1.1.1.** What are the fundamental factors behind a club's model of football governance?
- 1.1.2.** What salient influence (power, legitimacy and urgency) do different types of supporter groups have as stakeholders in models of football governance?

## **1.2. Research Aim**

To conduct a cross-case analysis on different models of football governance to contrast how multiple clubs classify the role of supporters and to understand the influence that these groups hold within different clubs.

## **1.3. Research Objectives**

- 1.3.1.** To identify and contrast models of football governance across different professional football clubs.
- 1.3.2.** To examine how different models of governance are constructed and to identify the roles and influence of supporter groups within each club
- 1.3.3.** To correlate the attributes of supporters across selected clubs to understand different levels of influence and the salient power of various groups, in conjunction with how a club governs.
- 1.3.4.** To develop a model of football governance that enhance relations between a club and its supporter groups without damage to a club's legal integrity of ownership.

## **1.4. Overview of the Chapters**

The study aims to identify and analyse different governance models, currently in operation throughout European football to understand how different clubs classify supporter relationships. (refer to chapter one). Firstly, the study reviews and discusses the existing knowledge already gathered on football governance, which explores how clubs control club operations with governance and how these effect supporter relations. These governance models provide an early indication of how clubs perceive the importance of supporter relationships and the role different groups hold across European clubs. While at the same time, the review investigates different types of supporter relations to understand the role of groups in the context of their own clubs. This pays particular attention to how managers use their power within clubs and operationalise the role of supporters in football. (refer to chapter two).

As a consequence, theme analysis provides codes and themes to understand the data captured on different types of salient relationships in football and how clubs have classified the influence of supporter groups within a club setting. To achieve this, case studies were selected as the research approach to explore different types of supporters and the relationship various groups hold as a result of how their club governs (refer to chapter three). This research conducts single cases with a set protocol on Everton, Athletic Bilbao and Schalke, as each club differs with the way they govern, this explores the nature and type of supporter relations, in terms each model of governance. These cases provide reports which contrast each model of football governance to establish different classifications of supporter relations and helps understand their influence (refer to chapters four to six).

Cross-case reports draw on the findings from the three case studies to provide a cross-analysis on the divergence between how the clubs govern and the different types of salient supporter relations within the respective clubs. (refer to chapter seven). The conclusion considers the impact of the single case studies, answers the research question, addresses the aims and objectives and explains the study's contributions to knowledge, particularly with the creation of the GLOVE model of football governance (refer to chapter nine).

## **CHAPTER TWO - LITERATURE REVIEW**

“Corporate Governance is about the way power is exercised over corporate entities. It covers the activities of the board and its relationships with the shareholders or members and those managing the enterprise as well as with external auditors, regulators and other legitimate stakeholders” (Tricker, 2015, p. 4).

### **2.0 Chapter Introduction**

The literature review aims to explore how governance has evolved within football and why clubs choose different models to manage their corporate affairs, stakeholder and supporter relations. The objective of the chapter is to understand how clubs select their chosen model of governance and how they manage supporters as part of a complex football industry. An insight into why clubs select different models of governance across Europe will offer an insight into the environmental conditions and how these can affect supporter relations. A closer look into how managers classify supporter relationships across football clubs draw on stakeholder theory of corporate governance to assess differences between the salient attributes of different groups. This investigates different models of football governance to understand a supporter’s salient influence, which provides an insight into the fundamental factors on why managers within clubs classify these relations so differently from club to club. An insight into a supporter’s salient influence helps to understand the nature of their relationship with owners and managers (administration) and how clubs decide which groups to govern, or to exclude.

### **2.1 The Principles of Corporate Governance**

Until the 1980s, corporate governance was a province of lawyers, in a world of specific rules based on the statutory rights of shareholders and the election of directors, but with little regard to what corporations actually do (Gilson, 1996). Consequently, the concept of corporate governance started to acknowledge the inner workings of an organisation to reflect the “systems, structures, practices, procedures and the corporate culture that organisations have in place to minimize risks and exposures and to optimize performance and accountability” (Bryson, 2016, p. 235). This moved the literature on corporate governance away from purely the statutory responsibilities of directors and shareholders and onto the performance of those tasked with managing organisational accountability and performance. Consequently, corporate governance started to rationalise how organisations manage their business affairs in a number

of complex areas, which now embraces the culture, ownership, different legal regimes and other structural differences within an organisation (Mallin, 2016).

## **2.2 Theories of Corporate Governance**

Corporate governance over time has been used to explain or describe the different crisis in various industries and sectors. Evident when Jensen and Meckling (1976) used the uncertainty that the financial recession placed on firms between 1973 and 1975 to amalgamate the theories of agency, property rights, finance and the ownership structure of a firm into one theory of managerial ownership. The authors use the new theory to explain that a firm's statutory responsibilities of ownership, which they argue should be separated away from managerial control to maximize decision making. The power of a principal-agent with ownership powers and managerial control was again thrust into the spotlight with the Maxwell Crisis in 1991, as Robert Maxwell, the sole owner had full control of the company to plunder the Mirror Group's pension scheme and assets for a reported £440mn (Aras, 2016). This resulted in the UK Government bailing out the company for £100mn to safeguard pension investments, this led to a lack of trust in public companies and the introduction of the UK's first Corporate Governance Code produced by the Cadbury report in 1992.

To combat the control and power of a principal-agent, the stewardship theory of corporate governance was used to empower managers to control companies, as a board of directors only held the legal responsibilities as owners. Yet, managers act as stewards to protect and maximise a shareholder's wealth through the power to perform, which utilises a company's core functions (Davis, Schoorman & Donaldson, 1997). A key theme throughout the stewardship literature is it refers the term stewards to subordinates, in the sense the power will always lie with the shareholder directors, no matter how much control board allows its appointed executives (Donaldson & Davis, 1991; Wasserman, 2006; Schillemans & Bjurström, 2019). However, the use of stewardship theory in corporate governance merely shifts the agency problems from owners over to managers, as the control of the company still resides with a few powerful individuals, either by ownership or appointment (Block, 1993).

Resource dependency theory of corporate governance acknowledges the need for environmental linkage between an organisation and its outside resource, which connects a company's external factors by co-operating the resources needed to survive (Pfeffer, 1972). This places the dependency onto the board of directors who absorb critical elements of the environmental uncertainty within the company (Yusoff & Alhaji, 2012). To achieve this, directors need to build external networks of information, so companies can draw on the experience and knowledge needed to deal with the transactional experiences throughout its life cycle (Rao, Al-Tahyaee & Syed, 2007). This variety of board members can provide multiple avenues of knowledge and experience to enhance company strategic and tactical performance (Siciliano, 1996). However, directors strive to minimise a company's dependency is tantamount to maximising power (Bode et al., 2011), which can often become over-dependent on structures, performance and power-sharing relationships that formed purely at board level (Combs et al., 2007).

An overview of the three most notable theories in corporate governance, agency, stewardship and resource dependency helps to understand organisations govern (Tourani-Rad & Ingley, 2011). Yet, all three theories require powerful individuals or groups to govern their said organisations. Agency theory explains the effect of a principal-agent as the main shareholder in a company and argues how governance can counterbalance their unlimited powers gained from ownership control (Fama & Jenson, 1983; Liang & Renneboog, 2018). Similarly, stewardship theories merely shift the balance of power from principal owner shareholders over to the executive director, who act as stewards but "do not have the skills, knowledge, time or resources to effectively monitor management" (Tourani-Rad & Ingley, 2011, pp.131). Even, resource-dependent theories strive for power maximization through interlocked boards, which can demonstrate power imbalance, ownership concentration and CEO ownership (Zona, Gomez-Mejia & Withers, 2018). However, all three theories revolve around the delegation of control by a board of directors, either through ownership powers, or non-executive and CEO appointments, which ultimately governs in the interests of shareholders.

### **2.3 Stakeholder Theory of Corporate Governance**

Stakeholder theory adopted by Corporate Governance in broad terms is managerial, but it does not necessarily presume that managers are the only rightful focus of corporate control and governance (Donaldson, 1995). As a consequence, stakeholder governance considers a wider group of constituents rather than focusing on shareholders, as the maximization of shareholder value become less self-evident (Mallin, 2013). Garcia-Torea, Fernandez-Feijoo & Cuesta (2016) claim corporate governance broadens with the emergence of different stakeholder groups, therefore a board of directors can increase their effectiveness with a move towards good governance mechanisms. The engagement of stakeholders throughout the organisation creates a sense of shared value (Charreaux & Desbrières, 2001) and through the strategic alignment of governance, people and culture (Vom Brocke & Rosemann, 2014). However, although there is growing pressure on managers to include a broader set of stakeholders in organisational decisions, there is a distinct lack of clarity on which groups to include within the mechanisms of governance, as it remains difficult to understand the influence and salient attributes of certain groups (Ayuso et al., 2007).

Sternberg (1997) claim the inclusion of stakeholders is fundamentally misguided, incapable of providing better corporate governance, business performance or business conduct. Similarly, Post, Preston and Sachs (2002) claim stakeholders are still a residual risk to the company, the same as shareholders. The difficulty from a managerial aspect is identifying influential groups of stakeholders, as each has its own goals and wishes (Hage, 2007). Therefore, managers are tasked with separating the needs and demands of multiple stakeholder groups, emanating from a range of social, environmental, economic and ethical expectations (Unerman & Bennett, 2004). Yet, the relationship between managers and stakeholders continually breakdown, due to the lack of knowledge and engagement on the type of role stakeholders should hold within the mechanisms of corporate governance (Michelon & Parbonetti, 2012).

## **2.4 Corporate Governance and the Identification of Stakeholders**

In the management literature, Donaldson and Preston (1995) started to acknowledge that a group of stakeholders can have a growing influence in an organisation and therefore, the actions of managers need to reflect the impact of different groups. While in the same period, Mitchell, Agle & Wood (1997) seminal model of stakeholder classification works on a convergent framework of legitimacy, power and urgency to assess the salient influence of different stakeholder groups. As a result, this theoretical framework goes on to recognise different types of stakeholder groups as dormant, discretionary, demanding, dominant, dangerous, dependent, definitive and non-stakeholders as their role in an organisation. Significantly, Mitchell, Agle & Wood's power, legitimacy and urgency has developed as a seminal theoretical framework used to understand the attributes of different stakeholder groups and it has been used across a range of academic disciplines, organisations and industries (Currie, Seaton & Wesley, 2009; Neville, Bell & Whitwell, 2011; Biscaia et al., 2018).

The operationalisation of stakeholders has developed as a typology to explain the relationship between an organisation and its respective stakeholders (Mainardes, Alves & Raposo, 2012). These classification typologies have helped managers to understand the influence of various types of stakeholders and the relationship these groups hold within an organisation (Stoney & Winstanley, 2001). Freeman, Harrison & Wicks (2007) used these typologies, but with a focus on how stakeholders can increase an organisation's performance, which points solely towards economic value. Although economic performance has been the theme behind stakeholder classification studies as a link to organisational effectiveness (Zellweger & Nason, 2008), there has also been a realisation that synergy between an organisation and stakeholders is more likely to produce a sustainable competitive advantage (Tantalo & Priem, 2016). However, there remains uncertainty on how managers select relevant stakeholders, address the power and influence of different groups and the nature of their relationship with an organisation (Andriof et al., 2017).

A major criticism of stakeholder classification is that organisations cannot be accountable to all possible stakeholder groups, as only those with legitimate authority over the business should be considered (Sternberg, 1997). Mitchell et al (1997) typology framework also used legitimacy as a tool to understand the power, influence and type of relationship different stakeholder groups hold in an organisation, yet the quest for a feasible classification of stakeholder types has become saturated. Consequently, the stakeholder literature has gone on to provide over 100 articles primarily on stakeholder definitions, which classify different types of groups and their influence, or who can be influenced by an organisation (Donaldson & Preston, 1995). This presents a real challenge to managers who still find it difficult to understand the legitimate attributes of their stakeholders, selecting some group, while neglecting other groups. These intricacies in football governance set out in the introduction highlight the complexities of different legal regimes and owners, compliance with governing body regulation and the impact of commercialisation, which all add pressure on club/supporter relations. Therefore, before the review can truly understand the role of stakeholders in corporate governance, we need to explore the way football clubs are governed to consider and broaden the current conceptual scope on a supporter's role and relationship.

## **2.5 Do Models of Football Governance dictate the Relationship Supporters hold with their Clubs?**

The themes of corporate governance were originally adopted by football, so clubs held the tools to address serious financial and operational difficulties, which still challenge the whole industry (Cordery, Sim & Baskerville, 2018). As a result, both football governance and the subsequent models used by clubs continue to evolve alongside the growth in professionalism, commercialisation and foreign investment across Europe's highest football leagues (Rohde & Breuer, 2017). The rising number of financial revenues on offer throughout European football has attracted state-owned companies, global conglomerates and wealthy individuals, all looking to capitalise on the growing popularity and financial profits on offer with the control of certain clubs (Table 2.1).



Table 2.1. European Football 20 Riches Clubs by Revenue in 2017

### Europe's richest top 20 football teams

Club	Revenue in 2017 (£m)
<b>Real Madrid</b>	665.2
<b>FC Barcelona</b>	611.6
<b>Manchester United</b>	590
<b>Bayern Munich</b>	557.4
<b>Manchester City</b>	503.5
<b>Paris Saint-Germain</b>	479.9
<b>Liverpool</b>	455.1
<b>Chelsea</b>	448
<b>Arsenal</b>	389.1
<b>Tottenham Hotspur</b>	379.4
<b>Juventus</b>	349.8
<b>Borussia Dortmund</b>	281
<b>Atlético de Madrid</b>	269.6
<b>Internazionale</b>	248.7
<b>AS Roma</b>	221.5
<b>Schalke 04</b>	216
<b>Everton</b>	188.6
<b>AC Milan</b>	184
<b>Newcastle United</b>	178.5
<b>West Ham</b>	175.3

Source: Deloitte



The majority of these clubs in table 2.1 play their football in European's most commercialised leagues of England, Spain, Germany and Italy with the exception of Paris St Germain who plays in France. As there is no single, accepted definition of corporate governance (Solomon, 2007) there is certainly an acceptance several forces and factors guarantee there will always be differences between football countries and jurisdictions, when trying to converge models of corporate governance. This is certainly the case in these football countries, as the main

principles behind why clubs adopt certain models over others have left supporters feeling confused, as to why they have different relationships to that of other club supporters. To fully understand this confusion, there is a need to review current models of football governance, both theoretically and practically across European football's most commercialised leagues, explores how clubs govern and the affect these different approaches have on various supporter groups.

In the cases set out in the introduction, these supporters feel exasperated by the treatment of powerful owners, who continue to make decisions on behalf of the club (Cleland & Dixon, 2015). This has led these groups to believe that supporters are merely for the financial benefit of a club to increase its revenue for the owners' personal benefit (Krabbenbos, 2013). In a similar view, it is deemed supporters feel their role within a club is purely a financial one (commercial ticket and shirt sales), as this is the only way to build some kind of communication with their beloved club (Bolle, 2015). These supporters also feel their loyalty and commitment has been used to the club's advantage, as they continue to capitalise on their unwavering support (Tapp, 2004), in order to hyper-commodify groups into commercial revenue (Giulianotti, 2015).

More importantly, the four areas highlighted by Millward (2012) document how directors continue to use football supporters as consumers to achieve a club's strategic business objectives. These objectives led to football governance models have continued to affect the relationship between clubs and their supporter groups. This was the case at the Spanish club, FC Malaga who took up the option to receive three years' worth of TV money in 2018 to save off financial difficulties. This was due to owner, Qatar's Sheikh Abdullah bin Nasser Al Thani removing his financial investment, compounded with a refusal to sell his stake in the club. This left supporter groups stuck in a spiral of decline, relegated into La Liga second division, selling their best players and facing bankruptcy, while still under the control of Sheikh Thani. With multiple roles of President, Vice President and Chief Executive, the Sheikh's personal wealth give him the option to govern his ownership and control together, without any opportunity for the supporters to remove him from the club (Malaga, 2019). Dubal (2010) describes Malaga's model of football governance as more of a dictatorship, where fans widely regard the owner as a thief, a dictator, or a self-interested charlatan. Likewise, May (2018) links the previous owners of Birmingham City FC, Carson Yeung with the mysterious nature of global capitalism

on the rise throughout football, as he used the club to launder money and sign commercial deals with various Chinese companies (The Guardian, 2014).

It is claimed this form of dictatorship in football governance seeks to control an organisation from a hierarchical structure, with a top to bottom perspective which only serves to make a profit for owners, shareholders, or even to fulfil a contract of a franchise (Hamil & Walters, 2010). Evident in the case of the Manchester City Football Group Limited when Sheikh Mansour Bin Zayed Al Nahyan became majority owner of Manchester City. At a later date, the group also went on to purchase ownership rights of New York City FC (USA) Melbourne City FC (Australian) and Yokohama F. Marinos (Japanese). As a consequence, Sheikh Mansour became the chief decision-maker for all four clubs from his position as the leader of City's Ltd company, with his majority voting rights as the principal shareholder at the top of the city group (MCFC, October 2017). A far cry from today's board members at Manchester City and a polar opposite to the 1990s, when fanzine editor Dave Wallace joined as a supporter representative (Cleland et al., 2018).

Kennedy & Kennedy (2012) claim the corporate centred approach adopted across European football has been created on financial buoyancy, which has led to fan exploitation, spiralling debt and the threat of bankruptcy. In the quest for financial growth and increased commercialisation of the football industry, as supporters have merely become customers to maximise the personal wealth of a club's owner (Dimitropoulos, 2014). For example, in the way, Glazer family members purchased Manchester United in 2005 for £790mn with a leveraged buy-out and more recently in 2017-2018 financial year, when the club generously funded six family member's a dividend of approximately \$23mn (£18mn) (The Guardian, 2018). Marjoribanks & Farquharson (2016) claim this powerful control and influence by football owners who reside at board level, as club boards transform into boards of governance who focus on the strategy in operational areas of football, finance, marketing and people. Yet, the globalisation of the English Premier League (EPL) has created a new role for football directors and chief executives, who are tasked with developing new areas of revenue from increased TV rights, as vessels to promote other business, overseas stock market flotation and promote a club into the EPL (Millward, 2012).

Previously, football governance has been used in clubs as a vehicle to improve financial performance and stock market returns to the benefit of powerful individual and companies. In this case, clubs across European football at Juventus & Lazio (Italy), Celtic & Rangers (Scotland), Arsenal & Manchester United (England) and Borussia Dortmund (Germany). Flotation on stock exchanges across the world is seen as a way to maximise a sports business, to attract investors who can earn a positive return on their investment (Leach & Szymanski, 2015). While, Wilson, Plumley & Ramchandani (2013) claim football clubs on a stock market return a healthier financial benefit to that of privately-owned clubs. Yet, Prigge & Tegtmeier (2019) state these clubs are overvalued with inflated share prices. Therefore, the true performance of football clubs on the stock exchange becomes lost and clouded, in the tangled web of interlinked global conglomerate and associated holding companies (Williams & Hopkinson, 2011). For example, at Juventus, the Agnelli family hold 63.8% shareholding and have a direct link to FIAT Chrysler Automobiles through Andrea Agnelli, who resides on their board of directors (FCA, 2019).

This lack of transparency shown by football club owners who continue to face increased political pressure to include supporters at the heart of their clubs, to check their conduct and business decisions during their time as custodians (Maderer & Holtbrügge, 2019). Especially, due to the socio-economic impact felt by local communities when football businesses are dissolved and ultimately face expulsion from their respective leagues. In was the case of Bury FC with their expulsion from the English League One and Reus Deportiu FC who was given a three-year expulsion from Spanish La Liga Division Two. Yet, Cocieru et al. (2019) claim not all football supporters want to become owners and the tipping point against powerful owners comes from a series of events. These events start from an initial course of dissatisfaction needed to bring about change and result in formal movements against the owners. As a result, increased commercialisation has a negative effect on the emotional relationship between fans and clubs, under the influence of increased ticket prices, TV revenue and sponsorship deals (Ronald & Jean-Pierre, 2019).

A similar argument offered by Prigge (2019) use the transformation of Hamburger SV a member of the Bundesliga, to make a case towards a profit/win maximization model of governance and a move away from 50+1 membership model. These changes within Hamburger saw its engaging and contributing supporter communities pushed away from members into a role as customers and consumers. Similarly, Rohde & Breuer (2016) believe the maximization of commercial revenue and financial performance is the main driver for the sporting success of elite clubs (both domestically and across Europe) and has become critical to transfer and infrastructure investment. In the event of this sporting success, supporter groups are believed to become passive in disputing the way clubs govern and make business decisions (Welford, García & Smith, 2015). However, this has certainly not been the case at Charlton FC, as protest groups Coalition Against Roland Duchatelet (CARD) still questioned the way the club was being managed, even with the club's successfully promoted back to the Championship during the 2018-2019 season, forcing the sale of the club in November 2019.

Supporter groups aim their frustration at the way individual owners govern and global companies who sit on a club's board of directors, who seem to make decisions to safeguard capital investments, secure loans and assets (Silva, 2015). However, a position on the board of directors does not always come with automatic financial benefits or supporter backing as witnessed at Newcastle United, as disengaged supporter groups not only keep up their action against owner Mike Ashley (ashleyout.com) with a boycott on club merchandise against his Sports Direct business empire. Zheng & Garcia (2017) claim this supporter action against the club reduces political salience, economic interests, cultural functions and traditions.

These contingent factors have been felt throughout the German Bundesliga, as the 50+1 membership model has become threatened by increased commercialisation of historic members clubs. At the moment, the more clubs adhere to the ownership rule than do not, but the likes of Borussia Dortmund (stock market) Red Bull Leipzig (global conglomerate) and Hoffenheim (private ownership under Dietmar Hopp) continue to challenge how clubs govern its constitutions, under the lax rule. This also highlights a disparity in the way German football clubs govern the balance between supporter rights and increased private ownership, evident with the growing signs of discontent in certain clubs. For example, Borussia Monchengladbach supporters have an open line of communication to the club's board of directors, while RB Leipzig supporters have been judged as obsolete in a statement by sporting director, Ralf Rangnick (Uersfeld, 2016). Traditionally, it is believed German clubs have

always held a strong affiliation with their supporters, but the diminishing powers under the 50+1 rule cast doubt on these future relations. Furthermore, when a company sponsors a German football club it enables private owners (individuals or companies) to increase their stake in a club (for more information on the 20+1 sponsor rule, see Oltermann, 2016), changes the way a club constitutionally governs the role and relationship with its supporters.

Robinson et al (2012, p. 394) goes on to explain the rule and “stipulates that 50 percent plus one vote of an incorporated German football club must be owned by the club members association”. The 50+1 rule was brought into German football in 2002, in light of a financial crisis with TV company Kirch Media who went bankrupt while holding the broadcast rights to all Bundesliga games. After the collapse of the TV deal, supporters were seen as a stable set of stakeholders to govern the club, but the relaxed nature of the 50+1 rule has introduced private investment into German football, via the backdoor. This has seen German football, similarly to other European leagues witness unprecedented levels of commercialisation, as a result of the growth throughout the European football industry (Kennedy & Kennedy, 2012; Edensor, 2015; Garcia, 2016).

As a result, the 50+1 rule has become more relaxed in its nature and although still present in some capacity, clubs continue to govern with the use of associations differently from club to club. For example, several German clubs have a supporter representative from the association on their board, while other clubs do not even submit their balance sheets, even to their supervisory board (Brase & Reichart, 2005, cited by Dietl & Frank, 2007). These examples suggest that German football has become too complex from the relaxed attitude towards the 50+1 rule as more and more clubs continue to change how they govern, particularly to suit their own interests and needs. This is reflected by Ziesche (2017) who points out there are three models of governance currently in operation throughout German football: the standard type, club-fan hybrid (Hamburger SV, Borussia Dortmund, SG Eintracht Frankfurt, FC Union Berlin and DSC Arminia Bielefeld) and the communal-fan hybrid model (Borussia Monchengladbach).

Operationally, German corporations and football clubs operate a two-tiered board structure. This two-board structure offer clubs in the German Bundesliga the opportunity to include a wider set of stakeholders at a supervisory level in the club. The principal role of a supervisory board is for club stakeholders to supervise the actions of board members, mainly those who hold personal liability to ratify their more important decisions (Bacs & Nagy, 2014). While this seems the case at Bayern Munich, one of Germany's most famous and successful clubs, it also raises an important issue on how clubs select and include certain groups of stakeholders in decisions. The club's main stockholders, namely Adidas, Audi and Allianz, hold a position on the company's supervisory board, yet 277,000 registered members, backed by football regulation do not have any representation on Bayern Munich's two boards. As a result, members are left confused as to their role at Bayern Munich, as the club pay little attention to the 50+1 rule synonymous with German football, which states members should hold the majority of voting rights within each club (Rohde & Breuer, 2016).

Increased commercialisation throughout the football industry has triggered the growing debate amongst academics, as to the role of supporters and how much power and influence these groups should have in their clubs (for a full review see, Garcia & Welford, 2015). There were calls for football governance to be used to facilitate a relationship between the principal-agent (majority owner) and supporter groups (Geeraert, 2016). On one hand, governance has been used to suppress the actions of supporter groups and maintain sole control over a club, as a way to protect an owner's investment (Rohde & Breuer, 2016). While on the other hand, governance has been recommended as a way for supporters to voice their concerns on mismanagement, to appease their concerns on financial irregularities made by the self-interested actions of wealthy football owners (McLeod, 2016). To combat this, Tobin (2017) claim supporter trusts have become a viable option to govern their clubs, built from a growing argument that supporters are better placed to protect club interests.

A rise in supporter roles in governance has been seen as a viable model to prevent clubs from falling into administration from the consequences of bankruptcy and resistance against foreign investment in a club. The high-profile takeover of Manchester United by the Glazer family used to leverage debt against the club, this acted as a catalyst to reopen the debate on supporter governed clubs throughout English football. Brown's early work in 2000 claimed that the takeover by the Glazer family destroyed its supporter communities at United. As a result, a set of disgruntled supporters went on to create a new football club called FC Utd of Manchester,

which was set up as a fan-owned club, to re-establish United's lost communities. In reality, the takeover and extra debt placed on the club was a step too far for many supporters, who had already consumed a year on year increase in ticket prices and merchandise (Dubal, 2010). However, the reason behind the creation of FC Utd of Manchester remains unclear and raises an important question, as to why supporters felt the need to start up their own club.

Portsmouth was another club held up as a blueprint on how supporters can take over their own football club. This case was slightly different to that of Manchester United, as the supporter's trust became the club's majority shareholders back in 2013. This was to save the club from being liquidated, which was triggered by a substantial unpaid tax bill to Her Majesty's Revenue and Customs (HMRC). This tax bill ran the club's debt up to a reported £70mn, as a result of years of mismanagement and over-spending (Serby, 2014). Yet, on closer inspection, the funding behind the supporter trust was underwritten by the local council and a number of wealthy investors (The Guardian, 2013). The model of supporter-ownership at Portsmouth was said to incorporate 2,426 supporter-shareholders, who all paid £1000 for a share in the club. This instilled a new management team and galvanised a type of rescue ethos throughout the club, which was evident from increased gate receipts at home games, during the 2014-2015 season. However, the supporter-owned club over time became an attractive investment opportunity, as it was debt-free and went on to record an operating profit of £118.000 at the end of 2015 (Portsmouth Financial Statement, 2015). This made Portsmouth FC ripe for a takeover from a number of wealthy individuals, willing to invest in the club's infrastructure and playing staff.

The takeover came to fruition in 2017, when the supporter ownership at Portsmouth was replaced with a wealthy American Billionaire, Michael Eisner of The Walt Disney Company, who paid £5.7m to become the club's majority shareholder (Portsmouth FC, 2017). Portsmouth's buyout has led many to accept that supporters do not have the finances to compete, or even to takeover well established professional football clubs, particularly in Europe's top leagues. Mick Williams, one of the founder members of the supporter trust and club director recommended in a statement to other supporters that "another round of fund-raising amongst the trust's member-shareholders will not necessarily generate the money needed to sustain the club" (The Guardian, May 2017). This admission has highlighted the growing tension in two of the most coveted supporters owned clubs in England, Portsmouth FC and FC Utd of Manchester, as both have been plagued by director infighting, power



struggles and a lack of financial transparency at board level, similar to those clubs with powerful private owners.

Evident, when FC Utd supporters stormed the pitch during a league game, for the club to act against the lack of democracy at board level and the way its elected leaders made decisions (MEN, 2016). This was also reflected at Portsmouth before the takeover, as an unsanctioned £3000 loan payment to a club employee and the late submission of annual accounts started to question how the club was being governed by the supporter's trust (Pompey Trust, 2015). More importantly, these cases highlight that even clubs who are governed from supporters in key positions, still have stakeholder groups who continue to question the role of the board within a fan led structure (Ward, 2013). As a result of these issues, it also highlights there is still a disparity between different sets of supporter groups, even when football clubs are managed by themselves (Doidge, 2016).

Alongside, the rise in the number of studies on models of supporter governance, academics have continually upheld the Spanish model of membership as an example of good football governance, due to the democratic rights that member clubs bestow on supporters (Brown & Walsh, 2000; Hamil, Walters & Watson, 2010; O'Brian, 2017). O'Brian (2014, p. 41) goes on to explain that Spanish member clubs "constitute a symbolic democracy which maintains a bond between governance, ownership and the club's wider community and support". It is believed, the democratic approach to governance with the use of members inside a club builds a strong affiliation to local communities, which in turn enhances supporter participation, social cohesion and relations (Parnell & Richardson, 2017). However, the European Union competition commission ruled that Spanish members/sports clubs were given an unfair advantage over other clubs, due to the tax breaks offered by the Spanish Government. The ruling calls into question the inclusion of supporters as members in Spain, as "professional football is a commercial activity with significant money involved and public money must comply with fair competition rules" (European Commission, 2016).

In the literature on models of football governance, the importance of supporters has been the subject of considerable discussion (Garcia & Welford, 2015). A closer look at the most commercialised leagues across European football only adds to the confusion on why different clubs have chosen to govern supporters with their own approach. It has been claimed, the way a club governs is due to the member's model (Spain), or even the 50+1 (German), but this only adds to the confusion around models of football governance. For example, Athletic Bilbao,

Barcelona and Real Madrid are all members-based clubs but govern differently. Similarly, clubs that fall under the 50+1 regulation, such as Schalke who adhere to the membership rule, whereas RB Leipzig governs under private ownership. As a consequence of supporter action and protest across English football, the British Government claims the way clubs govern is not fit for purpose. Therefore, as the use of governance and the diversification of model continues to spread across European football, there remains a need to understand how different clubs govern to further the knowledge on supporter relations and investigate how managers decide if supporter groups really count as legitimate stakeholders when making business decisions.

## **2.6 Do Supporters Really Matter to the way a Football Clubs Govern its Business?**

Scholars have argued that managers should include supporters as co-creators to increase the value of an organisation (Zagnoli, & Radicchi, 2010). An alternative view is these stakeholder groups should be managed with total disregard to maintain the financial performance, which protects only the interests of the shareholders (Acero, Serrano & Dimitropoulos, 2017). It is evident, several studies have adopted stakeholder typologies on football relations to address and classify supporter groups, mainly to manage a club more effectively (Senaux, 2008; Walters & Tacon, 2010; Anagnostopoulos, 2011; De` Siqueira, Pajanian & Telles, 2015). This has started a debate both academically and professionally on the role of supporters as legitimate stakeholders and questions which groups really matter to managers (Miragaia, Ferreira & Carreira, 2014).

It is believed the attributes of supporters help to classify a group's salient influence, by the relationship they hold directly or indirectly with a football club (Ferkins & Shilbury, 2015, p.107). Trequattrini, et al. (2016) view reflects recent studies that claim supporter groups need a presence in how their club governs, even if only to achieve its strategic objectives, or to increase business and team performance. Similarly, Ogbonna & Harris (2014) state supporter relationships reflect a club's culture and these are mutually beneficial to both parties, but groups across clubs continually fail to penetrate club structures. Several studies advocate the benefits of classifying supporters as stakeholders and places the emphasis on building key relationships with managers, but not from a club perspective. Largely, the legitimacy of a group of supporters is dependent on the assumption of managers, who hold the authority to make decisions toward the club's strategic plan (Geeraert, 2015). Therefore, it is viewed from the studies covered earlier, the majority of football clubs continue to classify supporter relationships to coincide with a club's drive towards profitability and economic performance.

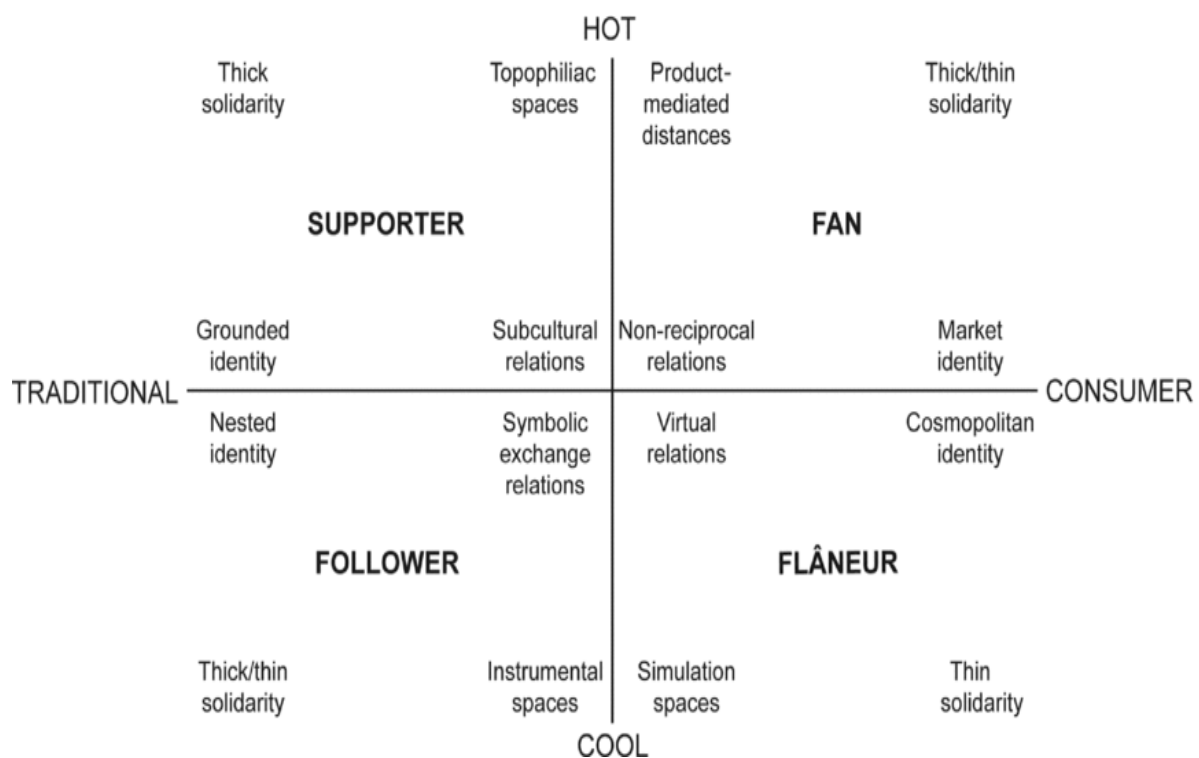
Zagnoli & Radicchi (2010) use a corporate approach to classify stakeholder relationships in football clubs and believe supporters can add value as co-creators. The authors believe that matching supporter's inclination to cooperate as part of the club's community, which improves the actions and choices of managers. However, the evidence suggests there is limited knowledge in the classification of supporters within football clubs. This was summed up when Hewer, Gannon & Cordina (2015) who claim supporters are still being classed with the characteristics of a customer and not that of a stakeholder. This position is reflective of the current issues throughout the football industry, pointed out when Stene (2016) addressed these issues and claim that clubs must embrace the community feeling amongst supporters, but again, in reality, he admits that often these groups are used as a way to maximise profits. Moreover, the eyes of owners are firmly placed on a supporter's corporate value, as clubs still fail to capitalise on the cultural aspects of their custodianship (Page & Spira, 2016).

It is believed that managers have the power to influence Meso levels of supporter communities to draw on different levels of supporter relations, yet those in power must start to reflect the socio-political and economic environments of the club (Garcia & Welford, 2015). Taking the political agenda in football a step further, Morrow (2013) starts to explain the complex realities that occur when clubs manage supporters, as these groups have a varying degree of powers in certain situations. This is the case when owners and managers in football clubs continue to use supporters for multiple commercial benefits, mainly as a consumer and not with the power of legitimate stakeholders (Cicut et al., 2017). Following on, the authors go on to claim stakeholder relationships in football are not always through pre-defined procedures and point out that a large number of supporter interactions remain informal. Yet, this default position for supporters as informal stakeholders in a club highlights their limited influence. Similarly, Ferkins & Shilbury (2015) points out there is still a need to explain and clarify the dilemma of multiple stakeholders, particularly when applied in a footballing context. Therefore, the following section will investigate how previous studies have analysed the role of managers when classifying different types of football supporter attributes within their clubs.

## 2.7 How do Managers in Football Clubs Classify Supporter Groups that Really Count?

Giulianotti (2002) was one of the first to classify supporter groups with the use of a taxonomy and measure supporter groups towards a consumer relationship, due to the rise in hyper-commodification in football. The author went on to classify supporter relations based on a degree of thick or thin solidarity with the club and use hot and cold attributes to understand the influence of several groups. However, a weakness in the study was that the more a supporter becomes detached from a club (Flâneur/Cold), the more these groups become a target of football consumerism by club managers. More to the point, the following taxonomy suggests a shift in attitudes from the manager inside a club to reflect supporter more as a traditional consumer (Figure 2.1).

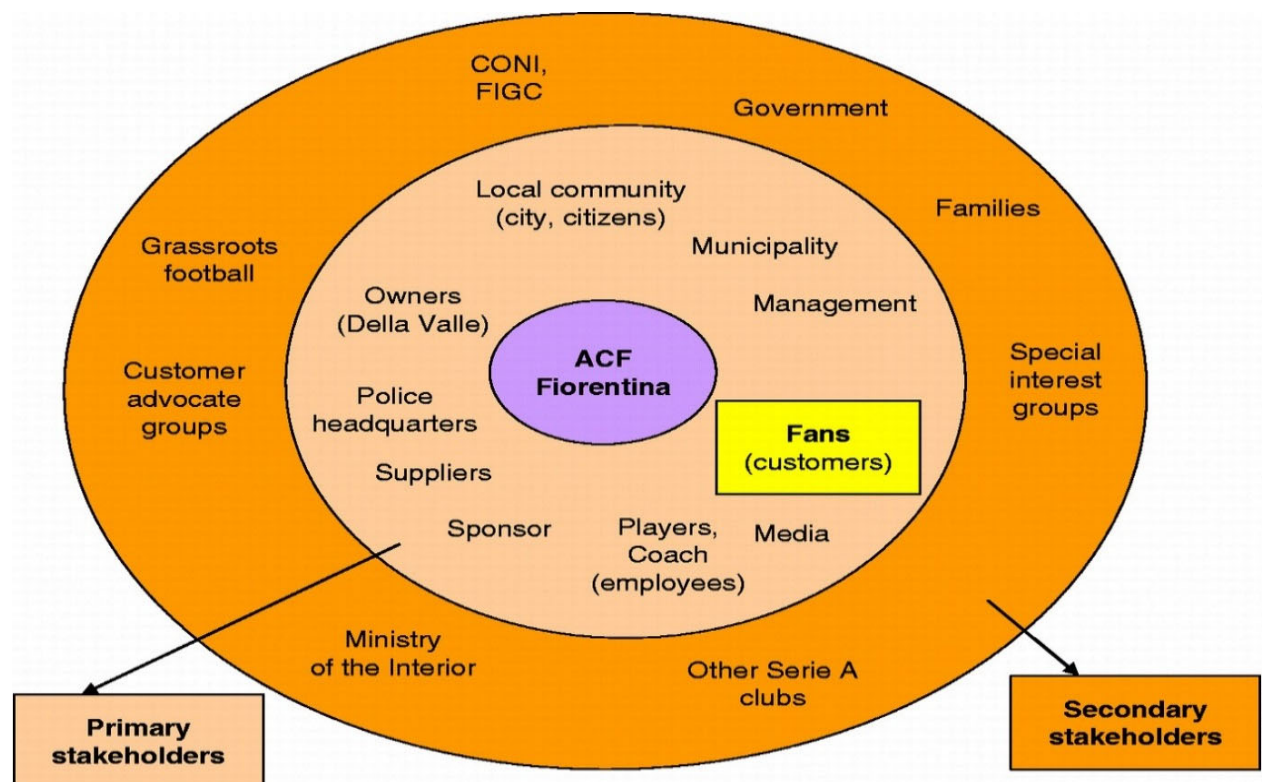
Figure 2.1. A Taxonomy of Spectator Identities in Football



Source: Giulianotti (2002)

A notable addition to the literature was that of Zagnoli & Radicchi (2010) who set out to identify supporter relationships within a single club context of Fiorentina in Italy. The authors used primary and secondary typology (defined by Clarkson, 1995) to determine the influence that supporters have on the internal dynamics of a club. Firstly, this theoretical framework claim that supporter groups were co-creators in a club, with a role as primary stakeholders. Secondly, the authors then went on to defined supporter groups against similar attributes of other stakeholder groups, most notably management, sponsors and suppliers. However, the study was driven with an eye on the economic benefit to Fiorentina, which reflects a stakeholder model used to drive the club's revenue and profit. Another issue with the proposed model is it classifies supporter groups with the same power and influence as management, seemingly as primary stakeholders. Yet, in practical terms, it is unrealistic that supporter groups hold the same rights as club managers, particularly as these are responsible for decisions, actions and business strategy (Figure 2.2).

Figure 2.2. A Stakeholder Map for Fiorentina Football Club



Source: Zagnoli & Radicchi (2010).

Anagnostopoulos (2011) used stakeholder typologies in previous studies to classify supporter groups again with Mitchell et al (1997) seminal stakeholder framework of power legitimacy and urgency. The author used a yes and no typology as a framework to classify the role of different stakeholders in Greek football clubs. This study went on to classify supporters as definitive groups of stakeholders, those who need the full attention of club managers. However, the use of a conceptual lens through the eyes of managers, only reflect the subconscious actions of individuals from their own personal assumptions. This leaves supporters feeling marginalised from those in power, as certain groups are disconnected from the clubs.

As a result, supporter groups can only increase their relationship with the clubs by changing the perception of managers, mainly with disruptive action, movements and protests against owners. This is in the belief, there is no feasible way for supporters to increase their position as stakeholders unless managers continually reclassify groups to reflect a change in environmental conditions or the characteristics of different groups (Table 2.2). Anagnostopoulos (2011) points out that while the early application of salient classification has some limitations, it would be also beneficial to use stakeholder typologies on separate football clubs to identify the different historic, cultural and local values that arise from club to club.

Table 2.2. Stakeholder Types and the Attributes in Greek Professional Football

		<b>Attributes</b>		
<b>Stakeholder</b>	<b>Type</b>	<b>Power</b>	<b>Legitimacy</b>	<b>Urgency</b>
Employees	‘Definitive’	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
Supporters’ clubs	‘Definitive’	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
Sport ‘parent’ club	‘Dominant’	<i>Yes</i>	<i>Yes</i>	<i>No</i>
Local authorities	‘Discretionary’	<i>No</i>	<i>Yes</i>	<i>No</i>
Press	‘Dangerous’	<i>Yes</i>	<i>No</i>	<i>Yes</i>
Organizing bodies	‘Discretionary’	<i>Yes</i>	<i>Yes</i>	<i>No</i>

Source: Anagnostopoulos (2011)

De Siqueira, Pajanian & Telles (2015) later attempted to use Mitchell, Agle & Wood typology on one football club to apply the conceptual lens on Brazilian football. However, the study created a different set of results, particularly when taken in the context of football supporters. The authors went on to claim supporter groups were non-stakeholders, as this group held no salient power to influence their football club. Yet, on closer inspection, the conceptual lens applied the typology slightly different to Anagnostopoulos (2011) study, which maybe explains the indifferent set of results. As an example, the study categorised stakeholders with three descriptors of demanding, dependents and irrelevant and not with the typologies of power, legitimacy and urgency attributes, previously used against Greek football clubs.

A notable difference between the studies was that supporters and their groups (fans) came out as irrelevant to the club. However, another weakness in the study was the use of one set of managers from within one football club in São Paulo, Sociedade Esportiva Palmeiras. While it can be recognised the study was conducted to focus on the history, cultural and local values of one club as advocated by Anagnostopoulos (2011), it can also be argued that the research conducted on one club, does not reflect the relationship that supporters hold in different countries, leagues and clubs to reflect how different clubs perceive the value of supporter relations. Therefore, there is a growing recognition that the complex relations between clubs and football supporters make it difficult to identify different groups of supporters. Mainardes et al. (2012) claim this is down to the limited amount of studies that individually classify groups, which fail to understand stakeholders in their own set of unique circumstances.

A continuum of studies has developed a body of knowledge on supporter relations to understand their attributes as stakeholders in a football club (Table 3.3). This theoretical framework developed by Mitchell et al. (1997) still resonates in studies today, which classify stakeholder attributes without really focusing the conceptual lens on different sets of supporters in their own settings. Biscaia et al. (2018) used Mitchell's conceptual lens to understand the behavioural intention of supporters and identifies different groups from their stakeholder attributes. Yet, this study randomised the data collection without any reference to which football club they followed. Without any reference to a supporter's football club, it is difficult to understand the environmental conditions behind the study's self-perceived fan-identity model and more importantly, the type of stakeholder relationship held within each club.

Unfortunately, these previous studies have paid little attention to the influence that environmental conditions play when classifying supporter groups inside clubs. Therefore, it is believed there is a greater need to understand the influence of different sets of supporters in the context of their own club. This is reflected in the different ways a club supporter groups were classified in the studies by Anagnostopoulos (2011) and De Siqueira, Pajanian & Telles (2015). This review starts to question why the attributes of these relationships were so different, even though the studies used the same theoretical framework of Mitchel et al. As a consequence, the next section aims to explore the limitations in the previous studies, which classify supporter relations with the use of different stakeholder typologies

Table 3:3. Stakeholder Typologies of Supporters Relationship in Football Clubs

<b>Author</b>	<b>Research Theme</b>	<b>Framework of Study</b>	<b>Supporters Roles</b>	<b>Relationship Attribute Characteristics</b>
Giulianotti (2002)	Identification of Stakeholder Relationship	Thick/thin Solidarity	Supporters, followers, fans & flaneurs	Hot or Cool
Zagnoli & Radicchi (2010)	Identification of Stakeholder Relationship	Mapping of actors: Primary or Secondary	Co-creator	Determinant
Anagnostopoulos (2011)	Identification of Stakeholder Relationship	Power, urgency and legitimacy (Mitchell et al framework)	Definitive	All three attributes of power, urgency and legitimacy.
Siqueira, J. P. L., Pajanian, F., & Telles (2015)	Identification of Stakeholder Relationship	Power, urgency and legitimacy (Mitchell et al framework)	Non-Stakeholder	Irrelevant
Cicut, N., Montchaud, S., Millereux, V., & Dantin, P. (2017).	Identification of Stakeholder Relationship	Power, urgency and legitimacy (Mitchell et al framework)	Definitive	All three attributes of power, urgency and legitimacy



## **2.8 A Critique on Stakeholder Typologies in Football: The Classification or Declassification of Supporter Groups**

The use of power, legitimacy and urgency typologies was developed as a conceptual lens to classify stakeholders by Mitchell, Agle & Wood (1997) and followed by Mainarders et al (2012) seminal work on stakeholder types helps to understand the relationships between the organisation and its respective stakeholders. These typologies classify stakeholders as a way to understand their influence, as managers can then decide which groups are relevant to an organisation. There is a growing belief throughout the football industry that owners and managers hold too much power to decide which level to engage supporters within a club. As Henisz (2017) points out, supporters are aggrieved as they feel their loyalty has been taken for granted. The limited knowledge of supporter groups has also been compounded by the theoretical conceptual lens, which has been angled to reflect a manager's perspective, as this can distort the classification process on the salient attributes of supporters, either to include, or exclude groups from a personal perspective (Patel, 2015).

There is a belief that supporters are to be managed by football clubs either directly or indirectly as a wider set of stakeholders, due to their multilateral relationships that can affect club decisions (Junghagen, 2016). Yet, clubs have the power to determine the type of relations it holds with supporters, as managers hold the power to deselect groups based on how they wish to conduct business (De Siqueira Pajanian & Telles, 2015). These typologies used by clubs to classify groups of supporters have merely reflected the actions of managers. To reflect the role of managers inside clubs, supporters have become stigmatised with customer status through the persistent drive for owners to capitalise on football's economic growth (Ogbonna & Harris, 2014). Yet, it has become apparent that managers with governance responsibilities inside clubs find it difficult to keep pace with the continual shift in stakeholder relations, due to increased financial pressures (Buchholz & Lopatta, 2017).

The varying degree of supporter relations and the effect of internal structures inside a club highlight the broad spectrum of supporter roles and types named throughout the literature. These range from full stakeholders in Greek football clubs (Anagnostopoulos, 2011) to irrelevant stakeholders in Brazilian football clubs (De Siqueira, Pajanian & Telles, 2015). It is believed that the influence of a manager within the theoretical framework over relies on a single set of assumptions, as Fillis and Mackay (2014) claim managers make supporters feel marginalised from their clubs. Yet, supporter groups remain loyal to their clubs, no matter the circumstances or treatment subjected to them by those in charge (Tapp, 2004). Meanwhile, supporters continue to believe they are entitled to a meaningful relationship with their club, other than a financial one (Buchholze & Lopatta, 2017). Yet, the stakeholder typologies used in previous studies fail to acknowledge that similar stakeholders form in different groups. Furthermore, stakeholder groups hold different attributes, especially when unrecognised can become a negative influence on a club (Adams, Morrow & Thomson, 2016). The review identifies the need to identify whether a club's culture, history and local values are embedded in the way clubs govern supporter relationships. This adds to the fact that the majority of studies on football stakeholders have been conducted in isolation with one club or an organisation (Anagnostopoulos, 2011; De Siqueira, Pajanian & Telles, 2015; Buchholze & Lopatta, 2017). There is a growing acceptance from the previous studies, for the need to understand supporters beyond a single case and use "methodologies that include in their sample supporters at different clubs, different divisions and even different countries if possible, so their experiences can be compared" (Garica & Welford, 2015, p. 525).

## **2.9 Supporter Pressure and Embeddedness within Football Clubs**

Traditionally, football has been viewed as a social network, built from economic activity in social relations, which in the sporting context of clubs and societies can be described as embeddedness (Green & Ghaye, 2018). While, some clubs have sort to strength environmental linkages and inter-dependency to embed its local supporter communities (Jakobsen, Gammelsæter & Fløysand, 2009), other clubs have become too embedded within the economic system and therefore, disembedded from supporters and their communities who birthed and stained the club (Webber, 2014). The latter has been witnessed throughout English Premier League, which has become its own economic system with the increase in stock market flotations, merchandising and sale of media right, with clubs courting the attention of global market relations instead of cultivating its local supporter groups (Edensor & Millington, 2008).

Furthermore, football clubs have even become disembedded from their geographical locations and local communities, trying to replace them with virtual supporter networks for the benefit of market relations, not local social relations. For example, at Manchester United local supporters have been priced out of Old Trafford for home games (Poulton, 2017), while the club's global memberships scheme has risen to 254,000 in 2018/2019, a 15.2% increase compared to the previous season, used to push global merchandising and hospitality packages (Manchester Utd Annual Report, 2019). Yet, can football clubs continue to relax, or even dissembled social supporter relations from football societies to benefit the economic actions of owners?

## **2.10 Can Football Clubs Really ignore Groups of Non-Stakeholder Supporters?**

The existing body of football research helps to identify embedded stakeholders with the use of a conceptual lens, which is still used to classify the salient attributes of supporter relations today. However, the theoretical framework has been applied to football supporters as one entity, where groups are deemed to have a non-stakeholder relationship when part of groups can have split relationships, either they hold influence, or cannot be influenced by an organisation (Mitcehl et al., 1997). In this notion, the theme of non-stakeholders has continued throughout the studies and become somewhat of a default category without any rationale, explanation or foundation on why certain groups are deemed irrelevant. This view is supported by Dowling & Legg (2017) who claim the term stakeholder is often used, but rarely do we stop to ask what a stakeholder actually means to those in power. There is a deep-rooted dependency on managers throughout the studies, which remain unchallenged since Mitchell et al developed the typologies back in 1997, which continue to this day to be used as a theoretical framework to operationalise stakeholder theory. This framework works from a bottom-up perspective with the rationale that all groups are non-stakeholders until managers acknowledge a group's salient attributes to make them into legitimate stakeholders. This also raises an important question as to how a supporter group can engage with their clubs and become a legitimate stakeholder when they are unaware of the relationship they already hold with the club, or what consists of power, legitimacy or urgency attributes.

This suggests stakeholder groups have no power to influence club actions when managers continue to classify a group as non-stakeholders. Therefore, non-stakeholders do not hold the opportunity to gain recognition as a legitimate group, should they wish to express their dissatisfaction, or increase their type of relationship (De Siqueira, Pajanian & Telles, 2015). In light of this, it is highly unlikely for a group of supporters to build their influence from inside the club, as the typologies are controlled by managers. Therefore, the only form of influence that non-stakeholder supporters hold is with protests and action against owners, in a vicious circle that strengthens the resolve of managers to keep them as non-stakeholders to protect against a club's interests.

As a consequence, it is not just the direct actions of managers that fuel the tension between clubs and supporters, but the pre-classification of groups that dictates their ongoing and future relationships with a club. Another questionable area from the studies is the use of the conceptual stakeholder lens and where it is applied in an organisation. This contributes to the vast and diverse classification of stakeholder groups with football clubs, all with a broad spectrum of relationships that renders the quest for a singular definition so unfeasible (Miles, 2012). Perhaps the most serious disadvantage to an unfeasible stakeholder definition is the lack of knowledge on the role of non-stakeholder supporters. Furthermore, studies continue to point the salient conceptual lens at stakeholder groups on a who's in and why basis (Zagnoli & Radicchi, 2010). This suggests the actions of managers in football clubs continue to neglect the role of non-stakeholders, which heightens the scepticism within these groups and fails to incorporate the continual flow of people that can become associated with a club (Nissen, 2015). Yet, this limits a club's ability to govern all legitimate or potential stakeholder groups and make relations between the club managers and supporter groups become so unfeasible, which leads to continual action against a club's hierarchy.

## **2.11 Can Football Supporters Influence their Own Stakeholder Relationship with the Rise of Supporter Trusts, Associations and Groups?**

The rise of supporter groups across European clubs have formed to protest against the increase in commercialisation throughout football (Fillis & Mackay, 2014; Millward, 2016), with the corporate takeover of clubs (MacLean, 2016) and as a method to empower and protect their local football communities (Totten, 2016). It is believed, the action of football owners or those leaders tasked with governing the club judge supporter groups as troublemakers (Numerato, 2015). Yet, Turner (2017) outlines that supporters are a fundamental part of every club and

without fans, football would be nothing. In this case, the relentless action of supporter groups against clubs continues to gather pace, as recurring protests are held with an air of cynicism on the real motives of shareholder directors and the regimes they represent (Sanders et al, 2014). For example, the recent tension at Charlton FC has been triggered by the empowerment of Chief Executive, Katrien Meire to manage the club's affairs in 2014. This is because owner Roland Duchatelet has taken a backseat in his native country of Belgium, unwilling to communicate with any supporter groups. The Charlton case is not unique, as other clubs have also faced some similar action from their supporters and spans right across European football. Vimieiro (2015) states dissatisfaction results from the rise of globalisation, which has used the loyalty of supporters as a form of taxation, as protests are the only form of communication these groups have with their club.

There is realism from different academic studies that football owners continue to use governance to protect themselves, particularly with the growing tension amongst groups of supporters (Zheng & Garcia, 2017). The current action of certain owners has been said to classify a supporter's relationship with a broad spectrum, based on how they influence a club and its activities (Taylor, 1992). Evident when, Siqueira, Pajanian & Telles (2015) claimed that football supporters and their groups were irrelevant. Unfortunately, supporter-based studies use the theme of commercialisation, which still underpins research into football governance. The explosion of financial revenue has led many to believe governance can be used as a tool to keep pace on and off the field, no matter how good or bad it is for supporter groups (Spaaij, 2013). In simple terms, Morrow (2015) claims the relationship between supporters and their clubs has undoubtedly changed over time throughout football. Furthermore, Fitzpatrick (2016) goes on to claim that governance issues in football continue to widen the political debate, particularly around the role of supporter groups, as this only serves to fuel the decline in public confidence on how clubs are being governed.

## **2.12 Critiquing Models of Football Governance and the Role of Supporter Groups**

A review of the literature has explored the different theoretical concepts of stakeholder theory in corporate governance, which has investigated the role of supporters inside the wide and diverse models in practice throughout European football. It has become evident from the review, many of the previous studies are too descriptive and simplistic in nature to explain current models of football governance in operation. For example, the 50+1 model of football governance states how German clubs govern, similarly with the membership model across

Spain. These descriptive references used to explain models of football governance are also too dependent on structures of ownership, or even as legal and regulative frameworks, as clubs continue to govern differently within the confines of their management structures.

The descriptive nature used to classify models of governance has always been heavily influenced by the control of club boards, particularly on how clubs can maximise profits and investments. For example, how across English football are governed from a board of directors, seemingly to maximise the profits for director-shareholders and associated holding companies. Especially in some of the leading clubs across English football, such as Manchester United, Liverpool and Chelsea. This monopoly at the top of commercially driven football clubs seemingly steers governance for the commercial interest of owners to capitalise on sector growth throughout the industry. This is representative of the current literature that uses “off the shelf”, or default and descriptive models of governance built in other industries to explain how football clubs govern the business. For example, profit maximisation (Dimitropoulos & Tsagkanos, 2012), utility maximisation (Madden & Robinson, 2012) community ownership (Kennedy & Kennedy, 2012) and members associations (Franck, 2010). However, the majority of the studies on football governance have been based on single clubs with little, or no synergy or analysis to contrast the workings of how clubs can govern on a daily basis within these generically classified models of governance. Furthermore, the review highlighted the limited knowledge of why and how different clubs construct their unique way to govern. It can also be argued that previous studies on football governance rely too heavily on the role of managers, club strategy and commercial growth, or even regulative sports frameworks used to describe and identify a certain model. For example, the stakeholder approach by Senaux, 2008, spending power by Frank, 2010, or corporate social responsibility by Breitbarth & Harris in 2008.

As a consequence, these various dimensions and descriptions used to classify football governance have left supporters confused in their role, particularly with their interchangeable salient powers from club to club. These complexities have made it difficult to obtain a sensible solution on how to govern the rising amount of disruptive supporter action against clubs. Similarly, if clubs do not understand the nature of its supporter relations, in terms of how the club governs, nor will it understand the impact that ungoverned actions have on a club. The vast majority of studies reflect the need to readdress the balance between the economic, social and political context of a supporter relationship. The view taken by Dimitropoulos (2014) is that governance can facilitate the relationship between the club and supporter groups to keep

an eye on commercial revenue and corporate risk, which in turn protects the future of the club. Yet, unless the body of knowledge grows on the relationship that supporters hold within different models of football governance and the influence of environmental factors (countries, league and clubs), it will remain difficult to understand the importance of supporter relations.

### **2.13 Future Research Agenda**

The future research agenda aims to point the conceptual lens of stakeholder theory directly onto models of football governance, away from managers to reflect the true meaning of a club's relationship with different groups of supporters. The limitation identified throughout the literature review highlight there is a need to investigate some unique models of football governance, to explore a true definition of how clubs govern their constitutions. This would benefit the body of knowledge around the construction phase of football governance and help to understand a true definition. Yet, before we can build the study's knowledge of football governance, we must first understand the rationale and influence of how different clubs govern.

Currently, models used throughout the literature use pre-empted frameworks of ownership, business and regulation as the rationale to investigate models of football governance. Therefore, by stripping back these descriptive models in Europe most commercialised European leagues, the research can start to understand how governance models are constructed, so that this research can extend the current body of knowledge on how to govern the ongoing relations between clubs and its supporters. However, before a club can effectively govern a group as stakeholders, there is a need to understand the attributes of various supporter groups, under different environmental conditions across European football clubs. Therefore, to truly understand the role that supporters play within a club's model of governance, we need to investigate if the way clubs govern predetermines their type of influence before managers have the opportunity to classify the nature of their stakeholder relationship.

## CHAPTER THREE - RESEARCH METHODOLOGY

### 3.0 Chapter Introduction

This chapter considers the philosophical conditions of the study and outlines the ontological and epistemological position behind the research approach. This scientific study aims to investigate a phenomenon that reflects real-life issues in the football industry, as it is important for the researcher to find his own approach and original perspective to explore the research phenomenon. Thematic analysis uses data collection techniques, data analysis and case reporting to explore the two research questions. These themes aim to interpret a contemporary set of research issues that arise from a relationship between football clubs and their supporter groups to explore real-life relations as they stand.

### 3.1 Quantitative v Qualitative Research

A research study requires the design to select between a quantitative (deductive) and qualitative (inductive) approach from the outset (Table 3.1). Creswell (2013, p. 247) claim the strengths of a quantitative research approach works on a deduction of relationships and use variables, so that “numbered data can be analysed using statistical procedures.” Whereas, qualitative methods act on a different set of principles to that of deduction and interpret the research themes from the social actions of those involved, rather than the external forces that have no meaning to the research phenomenon (Bryman, 2015). It is believed a quantitative research approach use a numerical analysis, yet often fails to study the phenomena directly (Cortina & Landis, 2013). Therefore, the quantitative approach has been discounted, as it “tends to emphasize on relatively large-scale and representative sets of data and is often, falsely in our view, presented or perceived as being about the gathering of facts” (Blaxter, Hughes and Tight, 1996, p. 61).

**Table. 3.1.** Comparing Qualitative and Quantitative Research

Qualitative Research	Quantitative Research
Induction	Deduction
Subjectivity	Objectivity
Context	Generality

Source: Morgan (2013)



For this study, a qualitative approach was selected to explore the complexities of social relationships, which originate from within a football club and its surrounding communities. O'Dwyer & Bernauer (2013) claim the use of a natural setting can enhance the narrative inquiry into a social business. Taken in this context, a focus on the real-life experience of those affected by a real-life sense of realism helps to understand a deeper working knowledge of a social world (Snape & Spencer, 2003). The use of history, culture, economic and political dimensions in a club can explore the social interactions as they materialise within a global football business (Giulianotti, 2012). Whilst, the selected qualitative approach uses the social dimensions of a football club, it is also important to consider the impact of external influences in the study. Yet, unplanned social science events can distort the validity of the evidence throughout the research process, when certain conditions arise outside of the study's stipulated areas (Patton, 2005).

To draw on the social dimensions that form in a football world, an inductive strategy draws on the patterns associated with observations and measures the characteristics of individuals as part of a social phenomenon (Blaikie, 2009). These methods of induction promote a subjective approach to different relations and draw on multiple social and cultural events that deepen knowledge of various human groups and their behaviours. Merriam & Tisdell (2015) claim this use of environmental conditions from a social aspect, strengthened by the research settings provides an adequate explanation to the research question. This framework uses the research question to highlight the inductive nature of social behaviours in supporter groups, which provides an insight into how group relationships form. Creswell (2013) claims this highlights the societal effects of management practice. Therefore, these inductive considerations of supporter groups, in conjunction with social actions of a club, draw on different types of social behaviours, which "are often not directly visible, but they can be studied through their effects and expressions" (Djelic & Sahlin-Andersson, 2006, p. 12).

To explore these social dynamics of humanistic behaviours, the study promotes an air of subjectivity, as the research framework points toward the way football clubs govern to explore why many supporter groups "remain aloof and outside of the system, so that an approximation of reality can be obtained" (Lichtman, 2013, p.36). To investigate these unknown areas, subjectivity draws on the natural experiences of individuals and groups to explore the sociological relationships both with a sense of reality, but also from the discourse felt within different social groups (Tsoukala, 2008). Also, this research approach draws on the norms and values that resonate throughout the sport, which may explain the unique factors that materialise

from within social supporter relations (Carlsson, Norberg & Persson, 2011). In light of these factors, a quantitative approach was selected by the researcher to explore the social dimension of the football industry and place a focus on relationships and interactions between supporters and their clubs.

### **3.2 Ontology Considerations**

It is believed that “paradigms are all-encompassing systems of interrelated practices and thinking that define for researchers the nature of their inquiry along three dimensions; ontology, epistemology and methodology” (Blanche, Durrheim & Painter, 2006, p. 6). Ontology seeks to comprehend real-world realities, like football clubs that take into consideration the nature of the social world, but in the context of its own environment (Richie et al., 2013). These paradigms can focus on realism to draw new knowledge of supporter groups, as this is a different way to look at the research issues that have arisen from an evolving football industry. Hepp & Roamn (2007) calls this outlook an organisational sphere as a way to apply the use of functional ontology onto the collective experience of individuals, which helps understand the realities of club actions. To draw upon these realities, draw and use the experiences of club managers and supporters, which seeks to understand the actions and behaviours through “deploys, expands and transmits in their personal interactions” (Ackroyd & Fleetwood, 2000, citing Whittington, p. 117).

The two main aspects of ontology are realism and idealism. Realism uses the world as a reality, in which “entities exist independently of being perceived, or independently of our theories about them” (Phillips, 1987, p. 205). To explore the way managers, act in a club it is important to use the thoughts and feelings of those impacted by these actions, to understand the complexities that arise from within the football industry (Tolson & Schofield, 2012). In this view, real-life emotions can reflect the nature of the current relations between a football club and different supporter groups to contextualise the perceptions of those involved with a sense of realism. Therefore, to investigate the social world of a football industry, it is important from an ontology perspective to explore the interactive realities that happen between a club and groups of supporters.

### 3.3 Epistemology Considerations

Following on from the ontology paradigm, the epistemology philosophy needs to consider the logic, or methods behind the discovery of a study's new realities to "explain what sensory or perceptual experience is and how it contributes to empirical knowledge" (Moser, 2002, p. 4). Lee & Lings (2008) claim this philosophical consideration makes a logical comprehension of practice, from an observed position to fully immerse the researcher within the research approach. Hughson, Inglis & Free (2004) goes on to claim this position helps to deepen the knowledge from the humanistic behaviours of managers and subordinates, as it is more important uncovers the feelings of human interactions. Creswell (2013) states these interactions reside alongside individual experiences, as it also draws on the everyday experiences with those who live inside these interactions. Therefore, to draw on the socialistic environments of a football club and the abundance of human interactions and structural experiences, the research question has been set to "orientate towards lived experiences (phenomenology) which interpret the "texts" of life (hermeneutics)" (Van Manen, 1990, p. 4).

Furthermore, phenomenology understands how new experiences appear from a sense of living and being in certain situations (Lewis & Staehler, 2010). This type of experience builds knowledge from the social interpretive nature of realism to identify and interpret the collective assumption of individuals from inside a diverse world (Frew & Spiegler, 2012). These hermeneutic interpretations of socio-cultures within football can uncover the human intentions of club managers and supporters as a part of life. Corbin, Strauss & Strauss (2014) advocates building knowledge from the notable differences between speaking, hearing, listening and keeping silent. This investigation on the socio-cultures that form in football clubs uses the expressions and actions of managers and supporters to explore the experiences of individuals, all in conjunction with the club's economic, political and social environments (Table 3.2). Furthermore, an open inquiry uses the complex social world of football to investigate the social actions of different human relationships, which form inside different groups (Denscombe, 2014). Therefore, the intangible and complex nature of football clubs has reiterated the importance of a theoretical framework used to build the "phenomenological desire to understand and describe the phenomenon of entrepreneurial learning as it is 'lived'" (Cope, 2005. p. 175).

Table 3.2. Consideration of Positivist and Phenomenology Theoretical Perspective

<b>Positivist</b>	<b>Phenomenology</b>
Operationalizing concepts so that they can be measured.	Using multiple methods to establish different views of a phenomenon
Using large samples from which to generalize to the population.	Using small samples research in-depth over time (5-25)
Quantitative methods	Qualitative method

Source: Easterby-Smith, Thorpe & Jackson (2012).

### 3.4 Theoretical Design of the Research

The study's qualitative approach accommodates both the ontology and epistemology perspectives, which have previously been explained in this chapter. This approach provides the research question with a framework to develop "how a project is conceptualized and how it is carried out" (Hesse-Biber & Leavy, 2010, p. 4). Klenke (2008) states the research theme, alongside the central theoretical theme can explore both the reality (ontology) and the knowledge (epistemology) to understand a chosen social phenomenon. This draws on an "array of cultural knowledge, skills, abilities and contacts possessed by socially marginalized groups that often go unrecognized and unacknowledged" (Yosso 2005, p. 69). Therefore, the methodological rigour of the approach has provided a pathway into football clubs to draw on the inherited traditions and human experiences that manifest from supporter relations.

### 3.5 Case Study Approach

To investigate the research's contemporary phenomenon, an empirical case study takes into consideration different realities from a real-life context, particularly when the issues are not always evident (Yin, 1994). As an approach, a case study can draw on the epistemological knowledge within a club, as Stake (1978) claim it explores the experiences and generalizations of the research from selected cases. To support the case study approach, the protocol sets out "how to define the case being studied, how to determine the relevant data to be collected and what should be done with the data once collected" (Yin, 1994, p. 2). The intrinsic nature of a case protocol can provide an academic rigour which underpins the research, yet still offers the opportunity to explore the impact of different groups and how they form in different club settings.

A single case design works with the “desire to know more about the uniqueness of the case, rather than to build a theory or how the case represents other cases” (Mills, Durepos & Wiebe, 2010, p. 449). It has been deemed, the selection of one club under a single case design may portray the thoughts and feelings on a single supporter group, but this can limit the study’s ability to contrast the experiences of different supporters in more than one club. Similarly, a focus on just one club and its supporter groups may also limit the idiosyncratic knowledge gathered from multiple societies, cultures and economic environments (Eisenhardt, 1989). Therefore, a single case study on one club was discounted, in order to explore how multiple clubs are governed to contrast the effect this has on supporter relations.

A collection of case studies is believed to select more than one environment, in which to draw on the exploratory nature that forms from multiple approaches, as this represents an intrinsic study (Stake, 2013). The nature of this exploratory case study design was used to investigate the influence that governance has inside multiple football clubs. This approach contrasts the interactions that result from multiple relationships between football owners, managers and supporter groups. Therefore, multiple cases have the opportunity to contrast several models of governance across different clubs to deepen the understanding of the nature of relationships between different groups of supporters. For example, the most commercialised football countries of England, Spain and Germany provide a multiplex of ways to govern a club, as they need to address different environmental conditions. This offers the study an air of subjectivity, in the way various clubs choose to govern a football business, yet also provides an axis to classify different types of supporter relations across multiple countries. Furthermore, a contrast of multiple cases allows the researcher to explore the role of multiple groups, which helps to deepen the knowledge on the influence that supporters have towards how their club governs.

### **3.6 Multiple Case Study Approach**

The multiple case approach is believed to be more compelling to the research, as it broadens the original research question (Herriott & Firestone, 1983). As multiple cases provide a spotlight on the research phenomena from different perspectives, it also offers the opportunity to recognise a “new set of questions and a major insight is seen to consider multiple cases” (Yin, 2011, p. 53). Furthermore, these new insights into football governance draw on the diversity of realities within relationships, as Stake (2013) claim multiple cases capture the feelings from the experiences of people in their own settings. These experiences set against

models of governance offer the methodology an opportunity to contrast the way different football clubs govern while exploring different groups.

This offers the study the ability to contrast supporter relationships from case to case, against different environmental conditions within a club, as Eisenhardt (1989) claims this logic enriches the case evidence. Also, the evidence gathered from multiple cases promotes a highly iterative process to compare systematically, the emergent of results with the evidence from each case (Huber, 1995). Therefore, the use of football governance models within a multiple case approach, offer the researcher the opportunity to cast the conceptual lens onto different supporter groups to classify the nature of these relations in respective clubs. However, this methodology must determine the number of clubs before the researcher can truly utilise a multiple case approach in this study.

### **3.7 Multiple Cases as Evidence**

It is believed, the number of multiple cases used in a “study can range from two to six or even more”, which should be selected from the researchers’ judgment to attain the research objectives set out in the study (Andrew, Pedersen & McEvoy, 2011, p. 138). Taken into a practical context, this requires the researcher to consider how resource-heavy multiple approaches can be in its nature. Yin (1994) claims this should be factored into the research design, particularly when decisions are made on the number of cases within a study. Whilst, a study with six to ten football clubs has the opportunity to explore a larger set of clubs to cover the majority of European leagues, along with a wider demographic population of supporters. In reality, too many cases would open the study up to an air of replication to the detriment of the research, as clubs across the entire European league use similar models of governance. For example, the literature review highlights several clubs throughout Europe who govern in the interest of its powerful owners who have sole control, either individually or as a part of a company. Therefore, the use of a high number of cases, purely to increase the democratic population of supporter groups to represent the majority of European football leagues is believed to be counterproductive to the research objectives.

To counteract these case issues, the use of literal replication helps select clubs to “state the conditions under which a particular phenomenon is likely to be found” (Steenhuis & Bruijn, 2006, p. 4). It is believed this approach can address the research aim and offer the study extra scope to self-select literal models of governance, which, therefore, broaden the knowledge on supporter groups and relationships from the careful selection of clubs as cases. Furthermore, it is sensible to suggest from the literature review, a three-case approach. These three cases have the opportunity to reduce the complexity of repetition (governance), but also to concentrate on events, conditions and relationships in a real-world context (supporter groups) (Robson & McCartan, 2016). As it is believed “for example, adding three cases to a single-case study is modest in terms of numbers, but offers four times the analytic power” (Eisenhardt & Graebner, 2007, p. 27). Therefore, the following section needs to establish the criteria to select three football clubs as cases to represent a European study, which explores the research aim and objectives.

### **3.8 Criteria for Case Selection**

Creswell (2012) claims that case selection is key to multiple-case design, as these need to illustrate the particular issues throughout the study, which are fundamental to the research question. As the research question relates to the relationship a supporter holds with their own club, the cases should reflect how different groups are governed. To explore this, the role of managers has been fundamental to how supporters have been previously treated by their clubs. However, the case selection has the opportunity to mitigate the role of club managers to concentrate on the relationship that supporters hold directly with a particular model of football governance. This can then explore the inner workings of a club with each case study and use the conceptual lens to identify different groups of supporters.

These real-life football environments have the opportunity to contrast the role of supporters across different European clubs and more importantly to understand how much influence each group held in the constitutions of governance. As a starting point in which to narrow down the case selection process, the literature review has identified the rise in commercialisation throughout football has weakened supporter relations within certain clubs. As a consequence, the way a club governs these supporter relations differ from club to club, even under the same environmental conditions. Therefore, it is reasonable to suggest that supporters following clubs in England, Spain and Germany - three of the most commercialised leagues throughout world sport (Figure 3.1) continue to feel the impact of commercialisation, which has resulted in

regulative changes, movements of activism and social dissatisfaction. In light of this, the next sub-section aims to narrow down the selection of three clubs from England's EPL, Spain's La Liga and Germany's Bundesliga to contrast different models of football governance.

Figure 3.1. Top Professional World Sports Leagues by Revenue in 2016

## Top Professional Sports Leagues by Revenue
























Source Market Watch (2016)

### 3.8.1 Club Selection from England's Premier League

The EPL consists of 20 professional football clubs and in 2016-2017 was reported to earn on average an estimated £122m in financial payments per club (Figure 3.2). Furthermore, the position of powerful majority shareholders is firmly embedded at the top of English football, as set out in the Company law act. The evidence suggests this act reflects the current model of governance throughout the EPL, led by registered owners who hold the power to enact decisions in their interest. It is evident that all 20 EPL clubs are governed under the influence of a majority shareholder and therefore, a case from the 20 EPL clubs offers the research an opportunity to deepen the knowledge on the impact on supporter groups in clubs which are governed under the control of a principal owner.



Figure 3.2. Premier League Payments 2016/2017

 <b>2016/17 Payments to Clubs</b>							
Club Name	UK Live	Equal Share	Facility Fees	Merit Payment	Overseas TV	Central Commercial	Total Payment
 Chelsea	28	35,301,989	32,827,014	38,832,180	39,090,596	4,759,404	<b>150,811,183</b>
 Tottenham Hotspur	25	35,301,989	29,418,765	36,890,571	39,090,596	4,759,404	<b>145,461,325</b>
 Manchester City	28	35,301,989	32,827,014	34,948,962	39,090,596	4,759,404	<b>146,927,965</b>
 Liverpool	29	35,301,989	33,963,097	33,007,353	39,090,596	4,759,404	<b>146,122,439</b>
 Arsenal	25	35,301,989	29,418,765	31,065,744	39,090,596	4,759,404	<b>139,636,498</b>
 Manchester United	28	35,301,989	32,827,014	29,124,135	39,090,596	4,759,404	<b>141,103,138</b>
 Everton	18	35,301,989	21,466,184	27,182,526	39,090,596	4,759,404	<b>127,800,699</b>
 Southampton	15	35,301,989	18,057,935	25,240,917	39,090,596	4,759,404	<b>122,450,841</b>
 AFC Bournemouth	13	35,301,989	15,785,769	23,299,308	39,090,596	4,759,404	<b>118,237,066</b>
 West Bromwich Albion	11	35,301,989	13,513,603	21,357,699	39,090,596	4,759,404	<b>114,023,291</b>
 West Ham United	15	35,301,989	18,057,935	19,416,090	39,090,596	4,759,404	<b>116,626,014</b>
 Leicester City	16	35,301,989	19,194,018	17,474,481	39,090,596	4,759,404	<b>115,820,488</b>
 Stoke City	10	35,301,989	12,377,520	15,532,872	39,090,596	4,759,404	<b>107,062,381</b>
 Crystal Palace	14	35,301,989	16,921,852	13,591,263	39,090,596	4,759,404	<b>109,665,104</b>
 Swansea City	10	35,301,989	12,377,520	11,649,654	39,090,596	4,759,404	<b>103,179,163</b>
 Burnley	10	35,301,989	12,377,520	9,708,045	39,090,596	4,759,404	<b>101,237,554</b>
 Watford	13	35,301,989	15,785,769	7,766,436	39,090,596	4,759,404	<b>102,704,194</b>
 Hull City	10	35,301,989	12,377,520	5,824,827	39,090,596	4,759,404	<b>97,354,336</b>
 Middlesbrough	13	35,301,989	15,785,769	3,883,218	39,090,596	4,759,404	<b>98,820,976</b>
 Sunderland	10	35,301,989	12,377,520	1,941,609	39,090,596	4,759,404	<b>93,471,118</b>
All figures in £		<b>706,039,780</b>	<b>407,738,103</b>	<b>407,737,890</b>	<b>781,811,920</b>	<b>95,188,080</b>	<b>2,398,515,773</b>

Source: Premier League (2016)

Following on, Everton football club was selected as the English case for the following reasons. In 2014, Everton FC financially outperformed bigger clubs across European football and increased its revenue by 43% (Figure 3.3), going on to grow its turnover from £120.5m to over £125.6m (Statement of Accounts, Everton FC, 2015). In addition to the increase in revenue at Everton, Mr Moshiri became the new owner and took over the club in 2006. This saw the Iranian born businessman become the principal shareholder, who has started to invest heavily in the club as the leading shareholder. While some supporters have welcomed the increased investment in their club, others have started to question his intentions. Therefore, with the new principal owner, the financial riches on offer in the EPL and their increased foreign investment, it would be beneficial to investigate the role of Everton's supporters in the way the club governs.

Figure 3.3. Everton FC Top the Revenue (%) across European Leagues



Source: Money Football League, Deloitte (2015)

### 3.8.2 Club Selection from Spain's La Liga

In contrast to Everton's model of governance, Spain's La Liga offers an alternative model of governance at certain clubs, which governs with supporters as active members. Currently, 17 out of 20 La Liga clubs govern similarly to Everton with a principal owner (individuals, or companies) and regulated under the SAD regulation. This is similar to that of English company law that state clubs are businesses with shareholders, paying the same tax rates as other corporations with similar legal responsibilities. For this reason, all 17 SAD clubs were discounted from the study, as these cases mirror Everton's model of governance. To contrast Everton's model of governance, the three models described as sports member clubs provide a reasonable level of divergence to explore a different set of supporter attributes. Therefore, the three clubs who are governed as a member's sports club under Spanish sports law are Real Madrid, Barcelona and Athletic Bilbao, who all operate as non-commercial sports association.

These cases are governed as non-commercial sports clubs and incorporate members into club operations, structures and decision-making processes. For instance, the members of all three clubs vote in a president to lead the club's board of directors. As discussed previously, Real Madrid and Barcelona continue to embrace the benefits of commercialisation on offer throughout the football industry, similar to other privately-owned Spanish and English clubs. Whereas, Athletic Bilbao claim the club's relationship with their supporters is unique, with "values which are becoming increasingly uncommon in football and sports overall in the 21st Century" (Athletic Club History, 2016). The Basque only policy and the role of the members are instrumental to the way Athletic governs and reflect the values of their supporters and its local community. Therefore, to deepen the knowledge on models of football governance, the unique way Athletic govern provides a framework to understand the relationships with their supporter groups, which contrasts with that of Everton's model.

### **3.8.3 Club Selection from Germany's Bundesliga**

Finally, a case from Germany's Bundesliga offers the study an opportunity to deepen the research on supporters, with a further contrast of Everton and Athletic Bilbao's model of governance. This is largely due to the impact of the 50+1 rule across German football, which is seen to facilitate the relationship between clubs and their supporters' groups. As a consequence, one majority shareholder cannot acquire 51% of the shares and therefore, the controlling interest of the club must remain with its supporters' association. Therefore, it is key to point out that members in German clubs, differ from members at Athletic Bilbao and have a sense of co-ownership that is unwritten by German law. As a result, Bundesliga clubs that fall under the 50+1 rule present the study with an opportunity to contrast the two previous models of governance.

It is also important to point out that a number of the 18 clubs in the Bundesliga continue to either exempt themselves from the rule, who blatantly ignore the 50+1 regulation without any punishment from the German FA. This is evident in four German clubs, namely Bayer 04 Leverkusen who are owned by Bayer Pharmaceuticals, VfL Wolfsburg who are owned by Volkswagen Automaker and RB Leipzig who are owned by the Red Bull Franchise who now own a majority stake. In addition to these clubs, TSG Hoffenheim has become Bundesliga's first privately owned club by Dietmar Hopp the co-founder of the global conglomerate of Systems, Applications & Products (SAP).

FC Schalke 04 have remained true to the 50+1 rule and committed to their members as co-owners under this 50+1 rule and state, “once a Schalke fan, always a Schalke fan” is not just a saying but a way of life that shapes their relationship with the club in a very special way” (FC Schalke 04, 2017). These relations between the club and supporters reflect its rich heritage and working-class origins of Schalke, which resonates throughout its member's associations. In addition, Schalke openly promotes their model of governance as a way to engage supporters and build group relations, evident with a club’s involvement with Supporter Direct projects across Europe. Therefore, Schalke has been chosen as a case to contrast the two previous models of governance at Everton and Athletic to explore the relationship that Schalke’s supporters hold at a senior level within the club.

### **3.9 Building the Theoretical Framework**

A theoretical framework reflects the stance of the research and draws on “the concepts, terms, definitions, models and theories of particular literature-based and disciplinary orientation” (Merriam, 1998, p. 66). This framework establishes a casual set of links that can identify the research in its own context to address the multiple aspects of the research phenomenon (Yin, 2013). In an empirical context, the theoretical framework has developed from the literature to explore how football clubs classify the salient influence of supporter groups. Therefore, the case framework builds the conceptual lens from Mitchell et al power, urgency and legitimacy to identify the impact that club governance has on supporter relations, as it can offer a rival explanation on the role of different groups. This view is supported by Di Maria, Grandinetti & Di Bernardo (2012) who advocate the theoretical use of proposition, used as a framework can strengthen an iterative link between the theory and data.

To build initial and gradual theory in an “explanation is similar to the process of refining a set of ideas, in which an important aspect is again to entertain other plausible or rival explanations” (Yin, 2013, p. 143). As a result, both the empirical and theoretical evidence suggests that supporter groups hold different roles in football and this requires further investigation in the selected cases. To achieve this, the actions of club managers are pivotal to the case studies and the conceptual lens has been positioned to identify different types of supporter relationships and their associated groups. To do this, the use of a conceptual lens provides the theoretical framework to classify supporters by their salient attributes, with the use of power, urgency and legitimacy (drawn from Mitchell et al., 1997) as an iterative typology to categorise the salient influence of different groups. This typology used Mitchell’s conceptual lens to explains the

attributes of individual groups in each case, which offers an opportunity to extend the theory on social science (Yin, 2013).

The use of theoretical typologies in a framework creates a pillar to direct the research in a systemic way to address different relationship variables and explain the phenomena (Collis & Hussey, 2013). These variables use supporter relations, in conjunction with how a club govern to draw on the thoughts and feelings of multiple groups. In addition, these typologies capture the feelings of club managers on how they view supporter groups, in conjunction with club actions. As Yin (2013) claims, this theoretical proposition before the field visit investigates the critical areas of the research, which in turn create a new set of ideas to offer a plausible or rival explanation. This helps to understand the reciprocal influence of both the club and supporters with a strict protocol from club to club, so case theory can explore the objectives and explain the research question (Blaikie, 2009). Therefore, the research question reflects the phenomena in the study and Mitchell et al theoretical framework provides the typologies for the protocol to shine the conceptual lens on multiple groups of supporters across multiple cases.

### **3.10 Recap of the Research Questions**

**3.10.1** What are the fundamental factors behind a club's model of football governance?

**3.10.2** What salient influence (power, legitimacy and urgency) do different types of supporter groups hold as stakeholders with a club's model of governance?

### **3.11 Building and Piloting the Case Study Protocol**

In addition to the study's theoretical framework, a case protocol can set the guidelines that outline the structure and areas to focus the case research project (Yin, 1994). It was also important to create a robust protocol to apply across multiple cases, which enables the conceptual lens to draw out similar sets of evidence from each club, but yet identify different groups of supporters. The use of Mitchell et al theoretical framework further provides a conceptual lens to shine on the supporters across the cases, to contrast the salient nature of each group across the clubs. Therefore, the formal case study protocol provides the reliability needed to conduct case research (Tellis, 1997).

As a consequence, the protocol was structured to capture similar sets of evidence across the football cases with a direct observational approach to focus on describing, documenting or discovering characteristics that explore the research phenomenon, as a result of the relations between individual supporter groups and the club (Hancock & Algozzine, 2016). To achieve this, the single case reports were set with a thematic approach to explore the way each club governs to capture the characteristics of different supporter groups. The reporting framework of the protocol was rationalised, constructed and piloted when the researcher spent two months (April & May 2016) working inside Accrington Stanley, a professional club in league one of English football with direct access to the owner, the CEO and various supporter groups. More importantly, this offered the opportunity to pilot the case protocol, along with the theoretical framework, which started to understand the nature of relations between how a club governs and the effects on different supporter groups (Table 3.3). As a result of this process, a pilot of the protocol helped to refine the case structure and the areas of the conceptual lens to conduct case study research on a larger scale.

Table 3.3. Pilot Classification of Accrington Stanley Supporters as Stakeholders

<b>Accrington Supporters Types with Attributes</b>	<b>Power</b>	<b>Legitimacy</b>	<b>Urgency</b>	<b>Stakeholder Types</b>
Supporter Club Members	NO	YES	YES	Dependent
Loyalty Members & Season Ticket Holders	NO	YES	NO	Discretionary
Unofficial Ultra Supporter Group	NO	NO	YES	Dangerous

### **3.12 The Collection of Case Evidence**

“One of the main advantages of a case study design is the potential range of data collection methods are highly flexible” (Buchanan & Bryman, 2009, p. 477). There are various types of strategies used to collect case evidence, which includes interviews, the use of archival data or documents and participant observations (Klenke, 2008). While, the evidence offers the research cases the opportunity to gather information, from the perspective of both clubs and supporter groups, it is also important that football clubs must be willing and able to participate in the study. Therefore, to secure this evidence, the methodology must align itself with key participants to build a rapport with those involved in the case research, as it enriches the explanation of the research phenomenon (Tracy, 2012). Yet, there is also a need to protect the case research against time-consuming, difficult and tedious actions that manifest away from the case protocol, particularly in areas that are irrelevant to the case phenomena (Yin, 1994).

Therefore, the study draws on a multiple case design to capture evidence from the environments surrounding Everton, Athletic Bilbao and Schalke to take “advantage of unexpected experiences and opportunities rather than being trapped by them” (Yin, 1994, p. 58). These cases use multiple sources of evidence to draw on unknown knowledge from the defined actions and information on how a club is governed to conceptualise the realities of how supporter groups feel and describe the nature of their relationship with the club. To capture the actions in these football cases, the researcher has maintained an unbiased position in the collection of evidence, with no affiliation to either, the club or any groups of supporters.

To reinforce this approach, the use of subjectivity in the cases comes from the researcher’s ability to listen and comprehend the information, but then code the evidence-based on its merit to the research (Darke, Shanks & Broadbent, 1998). All this considered, the researcher has maintained a central position when entering the field to explain the case conditions as observed, with no previous feeling towards any club or supporter group, which can distort the case findings (Meir, 2009). In addition, the theme of triangulation throughout the research with three countries, leagues and clubs continues throughout the collection of evidence process to corroborate different actions, techniques, methods, strategies and theories (Burawoy, 1998).

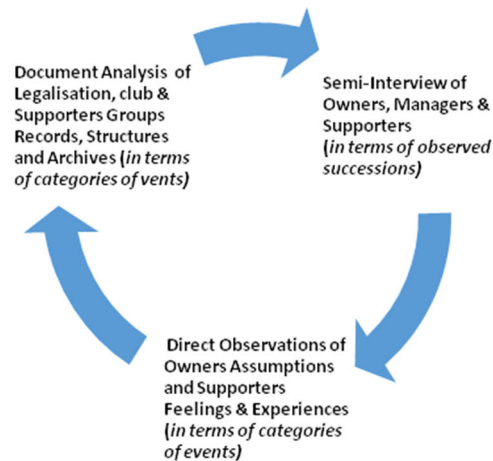
A triangular approach has sourced evidence from different sets of information to enhance the “accuracy, validity and reliability of the evidence” and uses convergence to explain the “natural, flexible and relax environments” (Das, 2016, p. 550). Firstly, the interview of key participants can provide a rich source of primary evidence in case research (Yin, 2011). In the context of the research, the cases need to reflect the feelings between the club and its supporters. To explore these feelings within a club, the perception of manager actions from supporters is critical to understand the way each club governs and the subsequent impact on supporter relations. This helps to understand, what is reality (ontology perspective) and how reality is known (epistemology perspective) in a football club, through the eyes of key participants on different sides of the research phenomena.

Secondly, in addition to primary interviews, evidence gathered from documentation provides another rich source of information to help understand these realities on how football clubs are governed and the rationale behind how managers act towards supporter groups. This investigation into documentary evidence helps the researcher to explore the thoughts, feelings and actions of club managers, with a concealed rationale behind their decisions. In addition, the rich source of information available on each of the three clubs, particularly in the constitutions and articles, helps to understand the fundamental factors behind why they have chosen their preferred model of governance.

The final method used to collect evidence within a triangulated approach draws on direct observations from a neutral position of the researcher to conceptualise how the clubs govern their supporter groups. This observes both the club and supporter groups during field visits, which conducts the case protocol to understand the actions, feelings and experiences, as Mills, Durepos & Wiebe (2010) claims this source of evidence contributes to the development of a strong case study. It is believed, the collection of evidence consists of different types of sources that are observed through the case settings, which along with an interview of key participants and analysis of documentation can place the research emphasis on the phenomena (Figure 3.4).



Figure 3.4. The Triangulation Approach to the Collection of Case Evidence



Source: Marshall & Rossman (2010)

### 3.12.1 Semi-Structured Interviews

The use of semi-structured interviews enable the researcher to explore an “in-depth understanding of the interviewee attitudes, behaviours and perceptions to produce qualitative data with a detailed answer to the research question” (Christiansen, 2014, p. 517). With this in mind, an interview with individuals has recognised the real-life experiences that materialise in a football club, particularly with the personal knowledge held by managers and supporters. This is supported by Crowe et al (2011), who believes that an interview with knowledgeable individuals can provide the research with quality sets of data, in which to answer a contemporary phenomenon. As a result, drawing evidence from knowledgeable managers and supporters during interviews has explored the personal traits of both groups in the context of their football settings. This offers the research the opportunity to explore different environmental conditions in each case and draw on the experiences of individuals to build a deeper understanding of the mechanical impact of football governance.

The use of semi-structured questions allows the interviewer to explore the case phenomena, which otherwise remains undiscovered in the context of the research (Stake, 2013). The selection of the study’s participants was randomly selected from two main groups. These groups were representatives from the clubs (with an active role to govern the club) and supporters (those who have an affinity with the club). These interviews with both set of participants groups (the club and supporters) were selected based on their willingness to participate in the study and without any pre-selection of supporter groups, which may prejudice

the stakeholder classification process. It is important to point out, the selection of supporters for interviews within different groups and relationships was considered by the research approach (for example, season ticket holders, members, etc) to offer a broad range of demographics between participants.

Whilst, there are notable benefits to this approach, it was deemed it may introduce bias into the study, long before the research can reach its natural conclusion from the use of the protocol's conceptual lens. Therefore, participants were selected on their willingness to take part in the study, so a natural consensus on relations could be gathered from club leaders and supporters. Due to the selection of participants from two groups, the methodology must also recognise the reality of football clubs, as the ratio of club leaders to that of supporters is disproportionate. For example, at Schalke, there are 30 representatives within a club's governance structure, yet over 150,000 active members affiliated to the club. As a result, club representatives have greater working knowledge and influence over the way the club is governed. Therefore, the saturation of evidence from club managers was achieved in fewer interviews, in a shorter time to that of supporters, which took longer with more participant interviews.

As a consequence, all participants were promised confidentiality and anonymity with regard to their responses, as this was deemed beneficial on two counts. Firstly, to enrich the case evidence during interviews. Secondly, to encourage the clubs to engage in the study, in light of the highly competitive nature of the football industry. Furthermore, the researcher believes the use of anonymity during the interview process builds a sense of trustworthiness and professionalism into the research approach to gain access to key participants as they are more likely to agree to face-to-face interviews (Given, 2008).

The nature of a multiple case design offered the researcher the opportunity to conduct interviews with multiple sets of knowledge participants, particularly during field visits to the cities Liverpool (in the case of Everton) Bilbao (in the case of Athletic) and Gelsenkirchen (in the case of Schalke). The researcher believed that both the football clubs and individuals used in the cases were made to feel at ease in their home city, in their own personal settings to enrich the evidence gathered from the interviews. This was also the case with the recording of interview comments, as individual participants were offered the choice between the audio recording and handwritten transcripts - this had the opportunity to draw out the information that would otherwise remain unknown (King & Horrocks, 2010). This approach was used in

the belief that natural responses captured without a guarded persona from participants, further enhance the depth of knowledge and meaning towards answering the research phenomena.

### **3.12.2 Documentation as Evidence**

Football clubs, in their nature, offer a rich source of documentary information, which has the opportunity to produce an “audit trail of evidence to explore experiences, document changes in design and the researcher’s experience in the conduct of the study” (Given, 2008, p. 43). This access to club audit trail use records to investigate how boards continue to make decisions and to explore the nature of club decisions, particularly when classifying the role of supporters. This corroborates the action of the club from various sources of information and filters the raw data in line with the case protocol, which was built to answer the research phenomena (Zuur, Ieno & Elphick, 2010). Furthermore, the research on football governance takes into consideration several legal constitutions, annual reports and club meetings, which has the opportunity to strengthen the reliability of case reports with the use of written evidence. Access to club documents can also contextualise the individualistic nature of actions taken informal club meetings and committees, as it conveys the thoughts, feelings and perceptions of powerful individuals in key roles on the board. This approach uses documentation as evidence to explore the written word and also to understand the humanistic perceptions of real-life experiences.

The popularity of football as an industry continues to make club information readily available and accessible to a certain extent, yet some information remains hidden from the public domain. The information on offer in all the cases was obtained in an unobtrusive nature (Yin, 1994) from the club and supporter groups, as it can enhance the case evidence. Therefore, a comparison of individualistic spoken words, used in conjunction with club documents. This exposes the perceptions of how different clubs classify supporters and the feelings of managers when they make club decisions. Therefore, the use of “primary documents, or eyewitness accounts written by people experiences particular event or behaviour” (Bailey, 1994, p. 294). The following use of Meredith’s (1998) protocol framework on how to select documents in case study research, highlights three important areas to reduce the theme of documentary generalisation (Table 3.4).

Table 3.4. The Rationale for Case Documentation

<b>A Rationalistic Approach to Documentation</b>	<b>Case Documentation</b>
Seeing oneself	Documentation that contributes to the construction of club governance structures  (Club Constitutions & Annual Reports)
Speaking or writing to someone who saw or experienced it	Documentation that reflects the perception of club management and supporter group (Board meeting minute & supporter forums/meetings)
Thereby helping to understand how and why elements of the phenomenon	Documentation to explore the relationship between the club and supporter groups (club policies/procedures & supporters' collective action)

Source: Meredith (1998).

### 3.12.3 Direct Observations

The use of direct observations as case evidence explores the “view of a neighbourhood or an organisation with a new dimension that understands either the context of the research or the ongoing phenomenon to be studied” (Yin, 2003, p. 87). These interpretations develop observations directly from the eyes of the researcher, who focuses on the actual events of reality. Particularly, the nature of supporter relations in the real-life context of their own football clubs. Rodgers & Cowles (1993) claim that research observations have become a new concept, as it can serve as a primary source of data. These observations on football communities can connect the reality of real-life events in clubs with hard evidence to determine their true effects on supporters. This source of evidence was captured during visits to different football countries that gathered a wealth of knowledge from different social settings, as governance is instrumental to the way the club conducts its business. Therefore, the use of direct observations offers the study an untouched and independent perspective through the eyes of the researcher to reflect the influence that each club’s model of governance has on the role of different groups of supporters.

### **3.12.4 Secondary Sources of Evidence**

The use of “secondary data is raw data that has already been collected by somebody else” (Blalkie, 2009, p. 160). This source of evidence reflects an alternative view of the football industry through the eyes of others and provides an alternative source of evidence to a complex research issue (Vartanian, 2010). Such evidence draws on the data from previous studies, media commentary, external/internal investigations and Government report to provide an insight from a different perspective into the current issues in football. It is important to point out the distinction between primary and secondary data, as Tymieniecka (2002, p. 465) claim differs “between the now of perception and the not-now and that of retention (primary memory) and (secondary) memory”, which can reflect how supporter groups are viewed by several club representatives.

### **3.12.5 Entering the Field**

The selection of multiple cases from within three European countries of England, Germany and Spain provides a framework for the case studies to contrast the way supporters are governed across different European leagues and clubs. This research approach prompts the researcher to visit each of the three football cities and conduct fieldwork to explore the phenomenon, which “observes and explains what occurred and to build theory” (Woodside, 2010, p. 20). As a consequence, during these visits, the researcher was able to access the inner workings of the club to investigate the environmental conditions, which influence supporter relations and help to understand the perceptions of those managers in power. These relationships between the club and supporter groups position the research, as Eisenhardt, (1989) claims with a methodological fit towards the best set of results. In addition, it was critical for the field visits to gain permission from the clubs and have access to prominent leaders in which to interview from all three clubs. Their agreement to the research was completed before field visits and in line with the study’s ethical considerations, which protects the sensitive nature of club information from any third-party access outside of this study.

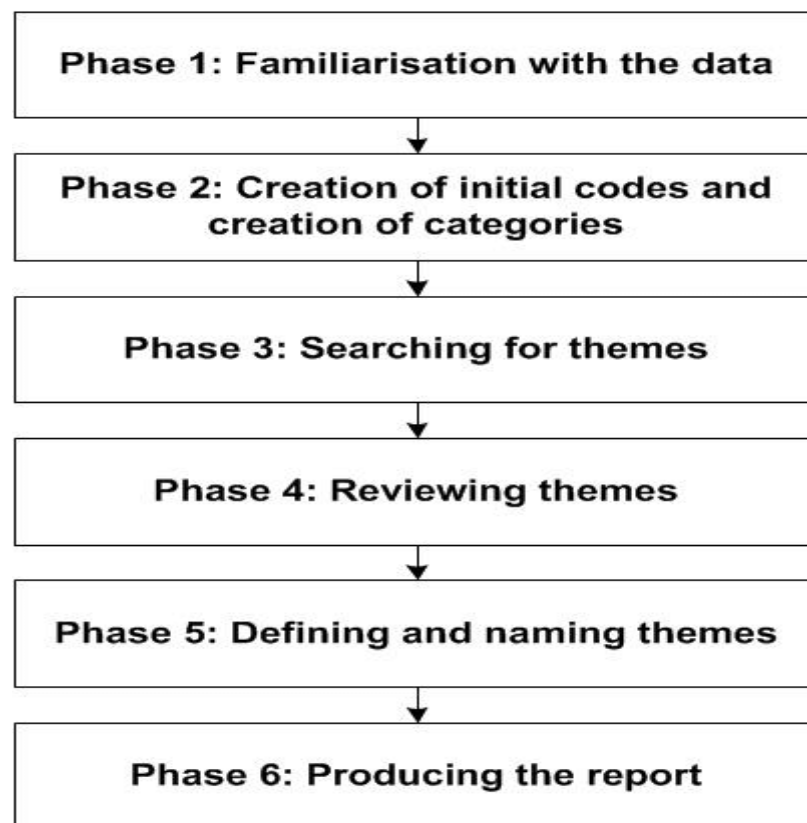
Furthermore, on the completion of case reports, each club had the opportunity to read the written evidence to confirm the information was factually correct and no misrepresentation of participants or information had occurred. This was a key stage in the research, as the complexities of case research can manifest in a study that was conducted across different countries, particularly as the language barrier could have distorted the findings. To address this

issue, all the interviews with participants were conducted in English. In addition, the documentary evidence gathered in the cases was translated from Basque, Spanish and German into English with the use of new technologies, particularly the Google translate application. It is also important to point out the inclusion of different club conditions, social environments and supporter movements from different European football countries, outweighed any evidence lost in translation.

### **3.13 Thematic Analysis**

Thematic analysis aims to identify, analyse and report patterns or themes in this primary study (Attride-Stirling, 2001). This helps the researcher to familiarise themselves with the data and identify codes and themes from the primary data to establish a defining answer to the research questions. Thematic analysis also draws on the research questions and provides an interpretation of a complex phenomenon to develop and revise an understanding, instead of merely verifying conclusions of theories (Vaismoradi et al., 2006). This has been achieved in the research by adopting Braun and Clarke (2006) six step-by-step guide of the analytic process to provide validity and reliability of the study's single reports, cross-case findings and conclusion (Figure 3.5).

Figure 3.5. Six-Step Thematic Analytic Process



Source: Braun and Clarke (2006).

### 3.13.1 Familiarising with the Data

Following on from the collection of data phase in the research, it was important to transcribe, read, take down ideas and write up direct observation from field visits, before the researcher could comprehend their meaning. The first stage of familiarisation with the case evidence was conducted after all three visits to the football clubs were conducted, which captured direct observations, key documentation and the interviews with the clubs associated participants. Lead by the two-research questions, the researcher used the data captured from clubs to understand, challenge, generate ideas and reflect on the evidence of the case. At this stage, the researcher undertook a naturally two-stage approach to familiarisation of the case evidence. Firstly, on a club by club bases when entering the field and visiting the club's home cities of Liverpool, Bilbao and Gelsenkirchen, to become immersed in its supporter culture and local communities and understand how the club govern its business of football. Secondly, on the conclusion of the single club visits, the researcher started to reflect on the evidence across the

cases to draw common themes or ideas, as it allows text to become categories, which Gibbs (2007) calls a framework of thematic ideas.

To identify ideas, draw out themes and analyse the case evidence towards the research's findings and conclusion, two options are open to the researcher at this stage of the methodology. This is for the researcher to carry out the manually self-codification process, or to use computer-aided qualitative data analysis software (CAQDAS). CAQDAS allows users to organize and analyse unstructured or semi-structured data, such as interviews, field notes, audio-visual material and journal articles (Queen Marys, 2019). Although CAQDAS has been used in a number of other PhD research projects and academic journals, there are several weaknesses in adopting computer-based systems to this research. From the outset and during the familiarisation with the data, CAQDAS establishes the research's key code from a data drop into a computer package (for example NVivo) to categorise key themes and analyse the data from a grounded perspective. Yet, by marginalising the researcher ability to actively evolve the themes at every stage of Braun and Clarke (2006) throughout six-step process, so instead of retrieving chunks of labelled data, it uses mapping methods where thematic or cognitive maps were made of linkages or constructions within the data (Ritchie & Lewis, 2003). Furthermore, Basit (2003) claims the use of CAQDAS does not eliminate the need to think and deliberate, generate codes, and reject and replace them with others, therefore a more illuminating approach can explain the phenomenon in greater detail.

Consequently, the researcher has chosen to discount CAQDAS and immerse the researcher in the data collection phase and throughout the thematic analyse of the case evidence. Manually, the research has adopted the role of the coder, but instead of purely concentrating on transcript data, they can draw on naturalistic actions and include interpretations of social life and potential rich analytical insights (Saldaña, 2015). These social and personal interpretations was certainly felt when conducting field visits in England, Spain and Germany, as the researcher had the opportunity to understand the spoken, written and documentary evidence (in the case of CAQDAS), yet with the thematic maps and cognitive linkages to comprehend, synthesis, theories and recontextualize the case evidence (Morse, 1994). The use of interview transcripts is one method of primary data, along with documentation and direct observations. The use of documentary evidence from the clubs, which consist on legal constitution, annual reports and minutes from meeting make it difficult for CAQDAS to comprehend the meaning of this



evidence, as only a knowledgeable researcher can synthesize and understand these real-world settings and human relationships within the context of the research question (Grey, 2013).

### **3.13.2 Generating Initial Codes**

The research has used codes to analyse the evidence from primary interviews, documents and field observations to seek answers to the research questions, from a set of patterns, rules, causes and explanations (Miles, Huberman & Saldana, 2013). This has been achieved by “pulling together a lot of material from the first cycle coding into a more meaningful and parsimonious unit of analysis” (Miles, 2015, p. 86). After the case evidence was gathered on all three clubs, the researcher started to identify patterns in the transcripts, which highlighted a number of issues starting to arise throughout the data. To support these patterns, documentary evidence and direct observations during the field visits started to highlight several patterns, which the researcher was able to link together substantial portions of the data to generate the initial codes in the thematic analysis process (DeSantis & Ugarriza, 2000). A sample of how the codes have been generated as follows:

#### **Patterns Emerging from the Case Studies**

##### **Transcripts:**

- Assemblies are the way for the club to present the accounts to the societies, which count for the season to approve them as active members (Athletic Bilbao).
- We’ve in the process of developing a governance framework for the club we have always had a government framework to comply with company law legislation (Everton).

##### **Documentation:**

- Article of Association and the Companies Act 2006. These provide directors-shareholders with the power to make decisions at board level (Everton).

- Club Constitutions (Rules and Responsibilities). Documents who govern the daily operations within the club as part of a wider organisational structure (Schalke)

#### **Direct Observations:**

- The inclusion of supporter-members at a supervisory level at Schalke
- The inclusive role for groups of supporter-members in decisions made at Athletic.

#### **Generating Code 1:** Talks about how the clubs governs.

This initial process was replicated to highlight the emerging patterns across the case evidence, which went onto generating codes driven by the research questions to later code against the data. The initial codes are as follows in table 3.5.

Table 3.5. List of Initial Codes

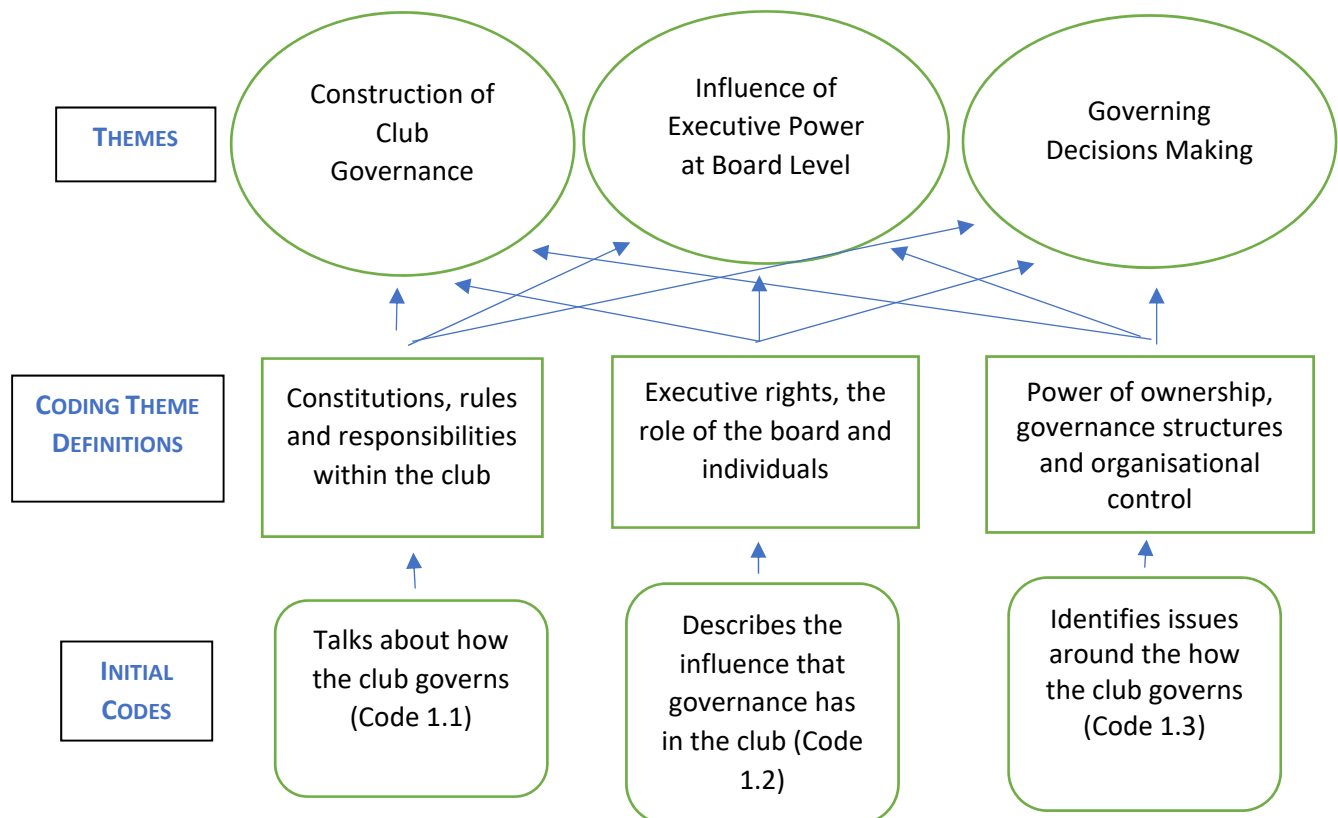
<b>Research Question 1</b>	<b>Research Question 2</b>
Talks about how the club governs (Code 1.1)	Talks about the relationship between the club and its supporter groups (Code 2.1)
Describes the influence that governance has in the club (Code 1.2)	Describes the role of supporters in club decisions (Code 2.2)
Identifies issues around how the club governs (Code 1.3)	Identifies the influence of supporters at the club (Code 2.3)

These initial codes started to organise our data in a meaningful and systematic way, as coding reduces lots of data into small chunks of meaning (Maguire, 2017). Due, to the inductive nature of the research approach, all the information from the interviews were transcribed, but the researcher did not code every transcript or piece of information. Instead, the researcher coded relevant segments of evidence to capture something interesting about the research questions (Appendix 1). Conversely, inductive approaches searched for patterns from the ‘facts’ or raw data, so that code and themes are identified concerning the research questions (Roberts, Dowell & Nie, 2019).

### 3.13.3 Searching for Themes

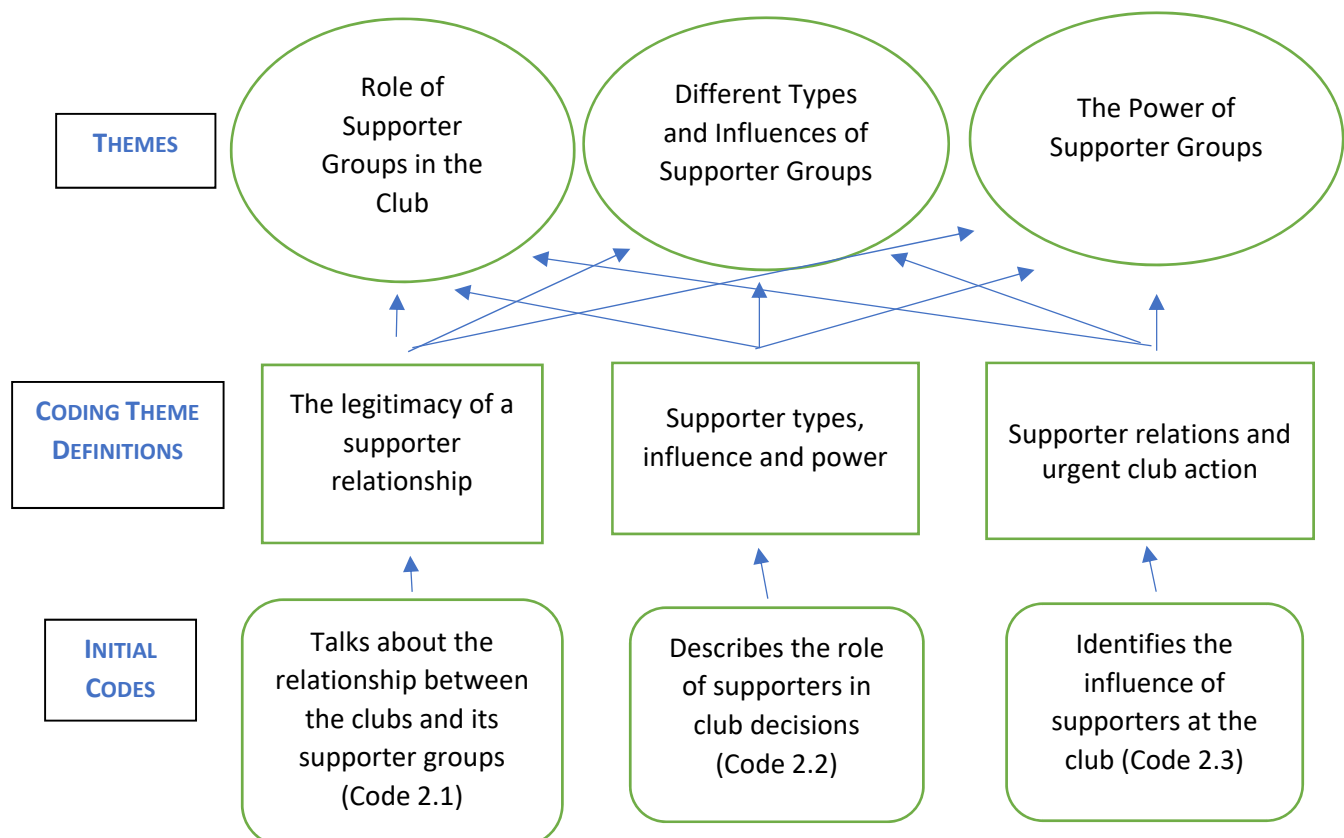
As defined earlier, codes draw common themes or ideas to capture something significant or interesting into categories, which Gibbs (2007) calls a framework of thematic ideas. Braun & Clarke (2006) explain, there are no hard and fast rules about what makes a theme, as a theme is characterised by its significance. Consequently, the initial codes start to develop into broader themes, which start to say something specific about the research questions. The coding process was separated into two stages to capitalise on both research questions. Firstly, question one's set of codes (Figure 3.6) was applied against the case data to categorise key themes, sub-themes and ideas, which are documented as follows (for more information, see appendix 2).

Figure 3.6. Research Question One: Coding of the Case Studies Themes and Sub-Themes



Secondary, the coding towards the second research question use taxonomy as a formal system to classify a multifaceted, complex phenomenon (Patton, 2002), which can entangle and enlighten the relationship between how club governs (question one) and its supporter groups. In conjunction with the codes established earlier, Mitchell et al stakeholder framework allows the researcher to understand and analyse, complex domains (Nickerson et al., 2009). It is important to note; the stakeholder typology has been used as a tool to categorise a group's salient position in how the club governs and to provide a theoretical background on the attributes of a legitimate stakeholder (power, legitimacy and urgency). However, this does not predetermine the attribute of supporter groups, but merely uses Mitchell's classification taxonomy acts as little themed cages to entrap stories, more as a narrative to establish cohesive themes and explanations to the phenomena (Boje, 2001). This two-stage approach to coding allowed the researcher to understand the data on football governance in the cases, before applying the second set of codes towards the second research question. Consequently, this enriched the coding process as it allowed the researcher to build themes on the linkage between the club and supporter groups, using Mitchell's narrative to identify, explain and categories supporter relations. These coded themes against question two are documented in figure 3.7 (for more information, see appendix 3).

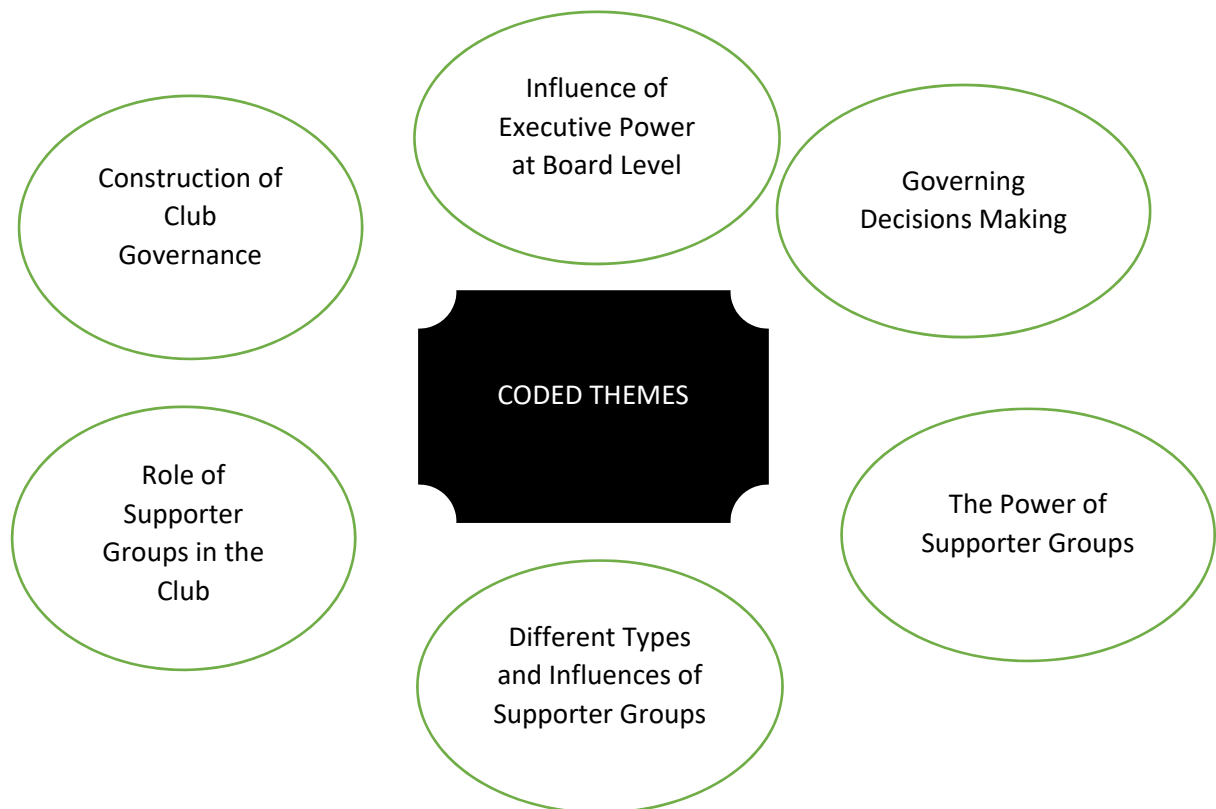
Figure 3.7. Research Question Two: Coding of the Case Studies Themes and Sub-Themes



### 3.13.4 Reviewing Themes

During the reviewing stage, the researcher reviewed, modified and developed the primary theme identified in step 3. To do this, the two sets of coded themes from both research questions have been brought together to address any duplication, to check the coded extracts make logical sense and if the themes are justifiable and trustworthy. The two sets of themes categorised together in figure 3.8.

Figure 3.9. The Initial Coded Themes



At this stage, a review of the data suggests five theme categories driven by the coding process, which relate to the research question. This themed process starts to merge and form an understanding of the influence that governance has on supporter relation. To define these themes future in the research from case to case, the researcher formed the case protocol around these six themes to explore the data further and define these themes. These themes have refined the case structure and the areas of the conceptual lens used in the observational pilot earlier explored in the chapter, to investigate and explain the key themes in greater detail. Therefore, these themes serve as protocol heading in the single case reports, so replication of the themes across the cases can define the phenomena.

This is so the generalizability of constructs and themes across the cases can be checked (Dooley, 2002). In categorising the case evidence with convergence from the single case reports point the data towards the research phenomena so that a cross-case analysis can be concluded in a final case report (Yin, 2011). Such case reports incorporate the “detailed description of the settings or individuals, followed by an analysis of the data for themes or issues” (Creswell, 2014 p. 196). Furthermore, the linkage between the codes and themes demonstrate the range of terms and concepts used by people when they talked and linkages between them and to show strength of feeling, confusions or hesitations (Appendix 5), which can manifest from within a complex football industry (Corden & Sainbury, 2006 p. 108). Consequently, the use of people’s comments, documentation and direct observations point the case evidence toward the research theme, case theory and phenomena, so that the evidence is accurate as spoken (Voss, Tsikriktsis & Frohlich, 2002).

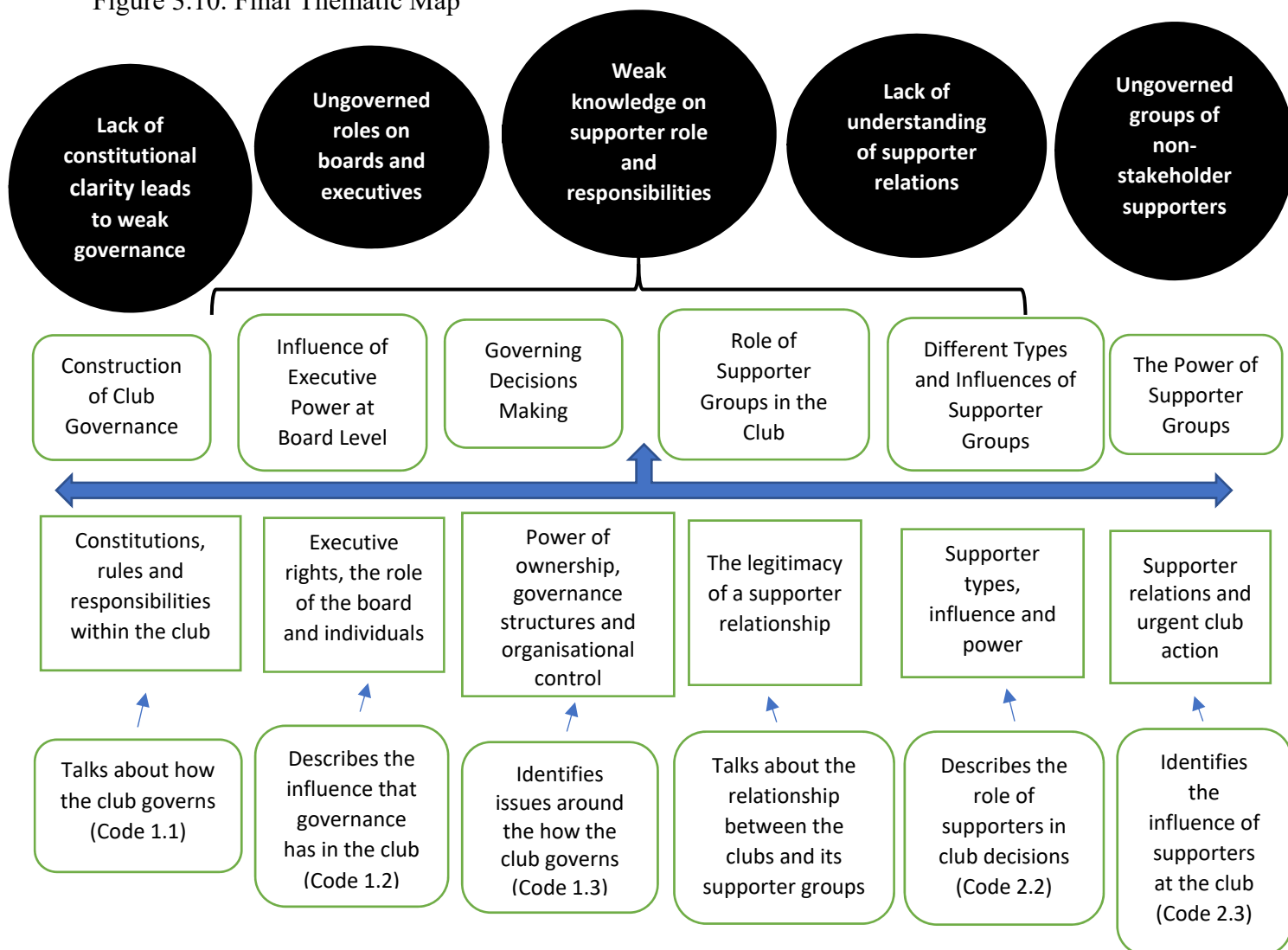
### **3.13.5 Defining and Naming Themes**

Following on the logical theme of literal replication, a cross-case analysis of all three cases, aims to “examine, categorize, tabulate, or otherwise recombine the evidence to address the initial proportions of the study” (Yin, 1994, p. 102). The use of cross-case analysis aims the conceptual lens on football governance, as an axis to classify the nature of a supporter relationship within each club. This goes way beyond the initial impression of supporter groups and starts to tabulate different supporter attributes from across the football cases. As a result, the use of multiple football clubs brings together both football governance and its relationship with supporter groups to analyse the “themes, issue phenomenon or functional relationship that strings together cases” (Stake, 2013, p. 58).

These multiple cases are believed to draw on a theoretical framework to “delineate the combination of factors that may have contributed to the outcomes of the case, seek or construct an explanation” (Klenke, 2008, p. 72). In light of this, the analysis seeks to explain how football clubs construct their models of governance to provide new insight into the research issue. Taking this into consideration, the conceptual lens of power, legitimacy and urgency (Mitchel, Agle & Wood, 1997) positions the stakeholder typology in the methodology of the case to identify different groups and their attributes within their clubs, before a cross-case analysis of the single case evidence.

The thematic conclusion from the single case reports has enabled the analysis to further define the themes, so the researcher can identify the essence of what each theme is about (Braun & Clarke, 2006). To do this, this cross-case approach draws on the conclusions from these single cases to seek answers to the proposition of the research question, yet also offers the opportunity to refine the themes (Appendix 6). Therefore, figure 3.10 illustrates the linkage between the themes, the narrative of the case evidence and the single case conclusion in a final thematic map.

Figure 3.10. Final Thematic Map



### **3.13.6 Writing of the Final Report**

A cross-case study reflects a systematic analysis of clubs and offers a meta-synthesis of evidence aimed at supporter groups (Timulak, 2009), so an analysis of the multiple findings can be formed from each case. This process of replication explores the evidence by applying a set protocol from case to case, as it “allows the investigator to address a broader range of historical, attitudinal and behavioural issues” (Yin, 1994, p. 98). Themes of similarities provide a logical framework on the way clubs are governed as a sports business, along with the subsequent relations that materialise with different groups of supporters. Exploring, five final themes identified in the analytic process provides a framework of thematic areas, which the cross-case report can address in detail to characterise its significance towards the research questions. This deepens the study’s knowledge of how the three football clubs govern, as cross-case analysis has the opportunity to broaden the conceptual lens as a new way of thinking (Bogard, Liu & Chiang, 2013), particularly in the context of supporter relations and football governance. Therefore, to understand the impact of the phenomena, the final case report uses convergence from the single the cases to “add strength to the findings as various strands of data are braided together to promote a greater understanding of the cases” (Baxter & Jack, 2008, p. 554).

### **3.14 Validity and Reliability of Case Protocol**

The case protocol embodies and conceptualises trustworthiness, rigour and quality which are important in multiple cases, particularly when exploring a social phenomenon (Golafshani, 2003). Furthermore, the use of multiple football clubs has the “opportunity to refine and extend the theory” to “confirm emergent relationships and enhance the confidence in the validity of these relationships” (Eisenhardt, 1989, p. 542). As a consequence, the study has incorporated an impartial four-way test to examine the framework and examines the worthiness, credibility, conformability and dependent data, as documented in the following framework of reliability (Table 3.6).



Table 3.6. Four Tests of a Research Design

Test	Case Protocol	The phase of research and Tactic
<b>Construct Validity</b>	Use multiple sources of documentation, semi-structured interviews & direct observations	Data Collection
	Chain of events from case theory & proposition in the final cross-case report	Data Collection
	Have key participants from clubs to review the final report	Composition
<b>Internal Validity</b>	Thematic analysis & theme building	Data Analysis
<b>External Validity</b>	Use replication logic in multiple-case studies	Research design
<b>Reliability Validity</b>	Use case study protocol develop case notes, database & appendices	Research Design

Source: Adapted from Yin (1994).

### 3.14.1 Validity of the Research

To build validity into the construction of the research approach maintains the reliability of both the internal and external conditions in the cases. This protects the case protocol and provides a robust framework to test the trustworthiness of the proposition against the research phenomena (Dalrymple, 2007). Therefore, this framework provides a measure of convergence from supporters in their football clubs with the use of participants, documentation and observations to justify a coherent approach to the research theme (Creswell, 2013). The conceptual lens built from Mitchell et al (1997) theoretical classification of stakeholders provides a framework to explore each supporter group. In this case, the social settings of football clubs provide a real-life environment, which measures the different salient attributes of supporter groups from a tried and tested conceptual lens of power legitimacy and urgency.

In addition, the triangulated approach offers a protocol that cements certain filters into the collection of evidence, as this theoretical framework only draws cross convergence from the stipulated areas as stated in the research approach. Based on this design, the case protocol draws on the factual elements of how clubs are governed so that replication can naturally explore relations inside different sets of supporter groups, as this maintains validity case by case to protect the research findings (Yin, 2015). It is also important for the researcher to capture an accurate set of evidential records to present in a cross-case report, as it assumes that single cases have collected, analysed and reported case findings in line with the research protocol (Miles and Huberman, 1984).

### **3.14.2 Reliability of the Research**

The rigorous nature built into the case design protects the reliability of the study's protocol, particularly when applied from case to case across the football clubs. This maintains the same level of reliability in the collection and analysis of data between the cases from a strict protocol (Yin, 2015), which was replicated in each of the three cases. It is believed, the protocol instils a sense of reliability from information captured in the case report and file to form a chain of events on each club so "that an auditor could repeat the procedures and arrive at the same result" (Yin, 1994, p. 37). Besides, the protocol needs to reflect the reliability of case evidence, as the study's emerging themes are covered in case reports. This is so the findings can reinforce the study's conclusions. Therefore, by replicating the same headings in each report and case file captured on each football club, make the information presentable so that the reader can easily access the main themes and see how the case research was conducted and analysed (Baxter & Jack, 2008).

### **3.15 Ethical Considerations**

The actions of the researcher have considered the ethical issues from the start of the study, as these were reflected in the design of the research approach, particularly throughout the planning phase on how to conduct the case studies (Perry, 1998). The research of multiple football clubs and supporter groups, in conjunction with the humanistic relationships, which are complex in their nature and require a high level of ethical planning. Therefore, it is important to consider how to handle the information on people, their records and the sensitive nature of the case evidence. To prevent the complexities that arise throughout the football industry taking effect in the research, the approach considers how to maintain "deception (how can spontaneous

private behaviour be studied) and the protection against the violate of individual interests of privacy” (Sieber & Tolich, 2012, p. 1).

In the highly competitive world of the football industry, the security of information was paramount to the ethical consideration in the case research to protect the sensitive handling of information taken from club documents, reports and meetings. In addition, the participant’s identity from interviews was anonymized from any transcripts, with the primary data kept confidential to the researcher. In this case, it was key for the researcher to pose several ethical questions to develop and test the robust nature of the framework’s ethical conditions, which went on to shape the design phase of the research approach (Table 3.7).

Table 3.7. Constructing a Research Approach with Ethical Considerations

<b>Ethical Consideration</b>	<b>Framework Question</b>
Methods	Should I simply use methods or study them as well in terms of the effects they might have on the research process e.g. what they do when putting into practice?
Sample	How might my method of accessing a sample raise ethical concerns?
Power Relationships and Needs	What is the balance of personal and social power between those involved in the research
Actions, Practices and Consequences	How will those involved understand my actions and are these in balance with my judgements about my own practice?
Communication and Community	Who do I want to communicate my research to and which research communities and networks do I want to belong to share and disseminate my work?

Source: Adapted from Miller et al., (2012,).

## **CHAPTER FOUR - A CASE STUDY OF EVERTON FOOTBALL CLUB**

### **4.0 Overview of the Case Study**

The case study has researched Everton's model of governance to investigate the relationship that various supporter groups have with the club. This explores the different types of supporter relationships that arise from how Everton governs, with a conceptual lens of power, urgency and legitimacy taken from Mitchell et al (1997), which will classify the stakeholder attributes of various supporter groups. Therefore, the case study from the outset explores two theoretical questions: 1. What are the fundamental factors behind Everton's model of football governance? 2. What salient influence (power, legitimacy and urgency) do different types of supporter groups have as stakeholders in Everton's model of football governance?

### **4.1 Case Protocol**

The case protocol has adopted a qualitative approach to explore Everton within its real-life settings as a football club. This study will conduct semi-structured interviews with members of Everton's leadership team and its supporters. These interviews were used to provide a primary source of data to reflect the thoughts and feelings of knowledgeable respondents and provide an insight into the club's key issues. An investigation into Everton's statutes, official documentation and archived records has been used as evidence to understand the rationale behind how decisions are made within the club and the influence of different supporter groups. Additionally, the use of direct observations will analyse how Everton governs its business operations and the indirect effect these actions have on supporter groups. In order to understand the influence that governance has on supporter groups, the researcher will explore the case evidence within the field. This aims the lens on different groups of supporters to understand the nature of their relationship with the club. These observations were made during field visits to the city of Liverpool, Goodison Park Stadium, the Finch Farm Training Complex and the new Bramley Moore dock site.

## **4.2 The History and Ownership at Everton FC**

The origins of Everton football club date back to 1878 when St Domingo FC was founded to occupy local children throughout the community during a break in the cricket season. In 1879, the original football club was renamed Everton; this was to reflect the local community that surrounded the club and to embrace the growing number of children who wished to play the game. A corner of Liverpool's Stanley Park became Everton's first home to play football matches, before a move over to Priory Road. The eviction of Everton from Priory Road saw the club move onto Anfield Road, before making the move over to Goodison Park in 1892. To this day, the club plays its home games at Goodison Park, which is the only ground in world football to have a church situated in the grounds of the stadium. St Luke's Church is synonymous with the club's history and Everton's local community, which strongly resonates with its supporter groups. Evident when a club leader stated, "Everton was always a grassroots club with a real desire and the need for the local area and we hold them values true today, this is why we are fondly referred to as the people's club" (Personal Communication).

From the early days of Everton's ownership, the club has been owned by individuals with perceived personal wealth, or through the offer of land in which to play its home games. This was the case in 1882 when Mr J Cuitt of Coney Green donated land off Priory Road for the club to play its home games. However, a breakdown in the relationship between Mr Cuitt and the club led to the team's eviction from the land, as a result of poor gate receipts, noise and unruly behaviour of the supporters. It was believed Everton's new home on Anfield Road helped landowner; John Houlding capitalised on the growing popularity of football when he erected 8,000 new seats within an enclosed stadium to make a profit from supporters who wanted to watch home games. Not only did Houlding capitalise on the financial benefits of football, but he also funded Everton's first professional players, namely Andrew Gibson and Sandy Dick. Yet, the true intention of Houlding became clear when he tried to obtain the surrounding land around the newly constructed stadium, then owned by a brewer named John Orrell. This was Houlding's attempt to float the club as a licensed shareholding company, which would have presented him with a vast personal profit. However, club members mainly George Mahon became suspicious of his financial motives and led to Houlding severing his ties with the club in 1892. As a result, Mr Mahon backed by the

wealth of Doctor James Baxter went on to acquire the ownership rights and to uphold Everton's tradition with the community.

In 1938, Mr Richard Edward "Dick" Searle founded the club's first shareholders association, an important part of the club's history, as it raised the collective concerns of minority shareholders. In recent years, the association claimed it was instrumental in the call for two extraordinary general meetings, which went on to challenge the reign of majority shareholders at the time, most notably Peter Johnson in 2004 and Bill Kenwright in 2013. At the last meeting, Mr Kenwright opposed the challenge to his chairmanship to reinforce his calls for further investment in the club from a new investor and claimed "I want every one of you to have your billionaire. It's not me and I apologise it's not me" (Everton deny BBC sale deal claims, Echo, 2013). Historically, Everton has called upon wealthy shareholders to raise capital investment for new players, even before the explosion of broadcasting revenue seen in today's game. The call for a new billionaire to inject capital into the club is nothing new as this has been repeated at Everton throughout its history.

Throughout the 1960s, which some supporters describe as the start of the Moore era, wealthy businessman John Moore became a club director and then went on to become Chairman. The Moore's investment in Everton brought success to Everton both at home and across Europe, yet the relations with the supporters inevitably soured. This demise of John Moore's tenure saw Peter Johnson take over the majority control of the club and ended Moore's role as the majority shareholder. However, the controversy continued, when Mr Johnson made use of a fact of share scheme to purchase, then split the club's share stock from two to one, revaluing Everton at £100m in July 1994. As a result, Johnson's power rose to 50% shareholding in the club's company, this enabled Johnson to sell 17% of his shares and make a profit that was believed to be in the region of £30m. However, Johnson's contentious reign as majority shareholder ended in 2000, when a consortium called True Blue Holding, headed up by the current Chairman Bill Kenwright went on to acquire the majority shareholding in the club (Table 4.1).

Table 4.1. Everton's Shareholders at the time of True-Blue Holding Takeover

<b>Directors of True Blue Holding Limited</b>	<b>Shareholding</b>	<b>Share %</b>	<b>Shares nominally valued at £1</b>
Kenwright W	7,228,359	32.8%	£7,025,482
Abercromby	1,613,978	7.3%	£1,568,679
Woods, J	5,648,922	25.6%	£5,490,375
Gregg, P	3,331,891	15.1%	£3,238,376
Gregg, A	3,592,716	16.3%	£3,491,880
Other Shareholding			
Gregg, D	257,331	1.2%	£250,109
Others	358,154	1.6%	£348,102
Totals	22,031,351	£0.97	£21,413,002

Source: Everton FC Shares Information, ToffeeWeb (2017).

The takeover by True Blue Holding provided Bill Kenwright with the opportunity to become Everton's chairman and represent the company's shareholdings in the club. True Blue holding dissolved in 2004 on the request of Paul Gregg and other shareholders, due to concerns over Everton's finances, which became apparent with the failed bid to build a new stadium on the Kings Waterfront. Following this, the Gregg family (Paul & Anita) sold their share to BCR Sports Limited in 2006, where Robert Earl became an Everton director to represent his now 23% shareholding in the club. Other majority shareholders also took up a position on the board to reinforce personal interests, namely Bill Kenwright (20% Ltd & 3% personal) and John Wood (22% personal) share capital. From 2006 until 2015, these two powerful shareholders had a prominent role on Everton's board and started to influenced decisions with their number of shares (Table 4.2).

Table 4.2. Directors on Everton Board from 2006 to 2015

<b>Directors Name*</b>	<b>Re-elected</b>	<b>Resigned</b>	<b>Number of Shares per financial year in office</b>
W Kenwright	2006		8,754 (2006 to 2010) Increased to: 9044 (2011 to 2015)
J Wood	2006		6,622 (2006 to 2015)
K Wyness	2006	2008	2 (2007)
R Earl	2007		8,146 (2007 to 2015)
P Carter	2008	Deceased 23 <sup>rd</sup> April 2015	714 (2008 to 2015)

\*DIRECTORS - The Directors in office during the year and their beneficial interests in the share capital of the Company at the end of the financial year.

(Source: Statement of Accounts of Everton Football Club from 2006 to 2015)

In 2016, the billionaire that Bill Kenwright had so strongly coveted since November 2007 came to fruition in the form of Mr Farhad Moshiri, a British-Iranian who became the principal owner of Everton. This investment in Everton came after Moshiri sold his previous 15% share in Arsenal FC to longstanding business partner Mr Usmanov for a reported £250mn in February 2016. This enabled Mr Moshiri acquired 49.9% of Everton shares and paid a reported £87mn to become the club's majority shareholder, via the Blue Heaven Holding Company, which was set up especially for the acquisition (Table 4.3).



Table 4.3. List of Shareholders at Everton Football Club

<b>Name</b>	<b>No. of Shares Owned</b>	<b>% Owned (of total issued shares)</b>
Blue Heaven Holdings Limited*	17,465	49.90%
W Kenwright CBE (Chairman)	4,256	12.16%
J V Woods	3,116	8.90%
Other Shareholders	10,163	29.04%
<b>Total</b>	<b>35,000</b>	<b>100%</b>

Source: List of Shareholders, Everton Football Club, as of July 2017.

Furthermore, the accumulation of share capital by Blue Heaven also changed the dynamics of the club's board of directors. The club has now moved from 4 directors based on shareholdings to 6 roles, which now includes several non-executive positions that bring different and complementary skills to the board (Table 4.4).

Table 4.4. Members of Everton's Board of Directors

<b>Role</b>	<b>Name</b>	<b>Relationship to the Board</b>
Chairman (Principle Director)	Bill Kenwright	12.16% Share Capital
Deputy Chairman (Principle Director)	Jon Woods	8.9% Share Capital
A Representative of Blue Heaven Holding (Principle Director)	Alexander Ryazantsev	49.9% Share Capital
Operational (Alternate Director)	Denise Barrett-Baxendale	Chief Executive
Advisory (Alternate Director)	Keith Harris	Advisor (Football Finance and Acquisitions)
Operational (Alternate Director)	Marcel Brands	Director of Football

Kenwright, Wood and Ryazantsev hold a role on the board to undertake their legal responsibilities as directors, as they represent a company's sizeable share capital in the club. Ultimately, the shareholding of Mr Moshiri makes him the recognised owner, certainly as the principal decision-maker, as he decides how Everton conducts business both on and off the field. To assist Moshiri, three new executive director positions were created on the board to provide advice, particularly when it comes to operational aspects on how to implement certain board decisions. A club leader provides an insight into the mixture of roles and responsibilities on the newly formed board and explains that "on the board, we have a chairman he has been an owner chairman, we also have an owner-director (Wood) in the group, we then have Mr Moshiri who has his advisor on the board, finally we have the CEO who is a massive football fan; who's very positive about the way we position ourselves and how we deliver against the clubs objectives" (Personal Communication).

### **4.3 The Principles of Everton FC Governance**

Everton football club was incorporated into a company on 14<sup>th</sup> June 1892, as a result of the club's first articles of association were drawn. Today, the updated articles still provide a framework on how the club governs as a company and sets out the responsibilities of the principal shareholders and its directors. Along with these articles, Everton also needs to abide by the rules of the English Premier League (EPL), as founding members since 1992. As members of the Premier League, this also comes with a set of rules and regulations as these “serve as a contract between the League, the Member Clubs and one another, defining the structure and running of the competition” (Premier League Handbook 2016/17 Published: 9 August 2016). Superseding these league rules are the historic powers of the English Football Association (FA), who hold the responsibility for the game’s regulation and disciplinary codes of practice (The FA Handbook, 2016/2017).

Both the FA and the EPL require Everton to comply with different sets of regulations that cover a wide range of areas, from tests on responsible owners and player transfers to the financial conduct of the club. In addition to this professional regulation, there is a growing realisation of political involvement in the English game, which may affect the way clubs are governed in the future. It is believed this would stop the rising number of mismanagement and bankruptcy cases currently across English football. A club leader went on to explain the effect that external regulation may have on the way Everton governs its business in the future and states, “all these negative examples are opportunities for football to step back and with an inside look we need to take control of our game” (Interview, Liverpool, 2016).

Further complexity is the pyramid of European football, which influences the way the board at Everton governs certain aspects of the club’s football business. The role of the Union of European Football Associations (UEFA) also adds extra regulation onto English football, which requires Everton to comply with football regulations on a European level. As an example, Financial Fair Play Regulations of UEFA monitors the transfer spending across European football, in conjunction with a club’s annual revenue. Furthermore, the ultimate power to govern world football resides with Fédération Internationale de Football Association (FIFA), through member associations and confederations, which uphold standards of governance in the game. Additionally, Everton as a

business and any holding companies attached to the club need to comply with statutory legal requirements under the Companies Act 2006, a further challenge off the field.

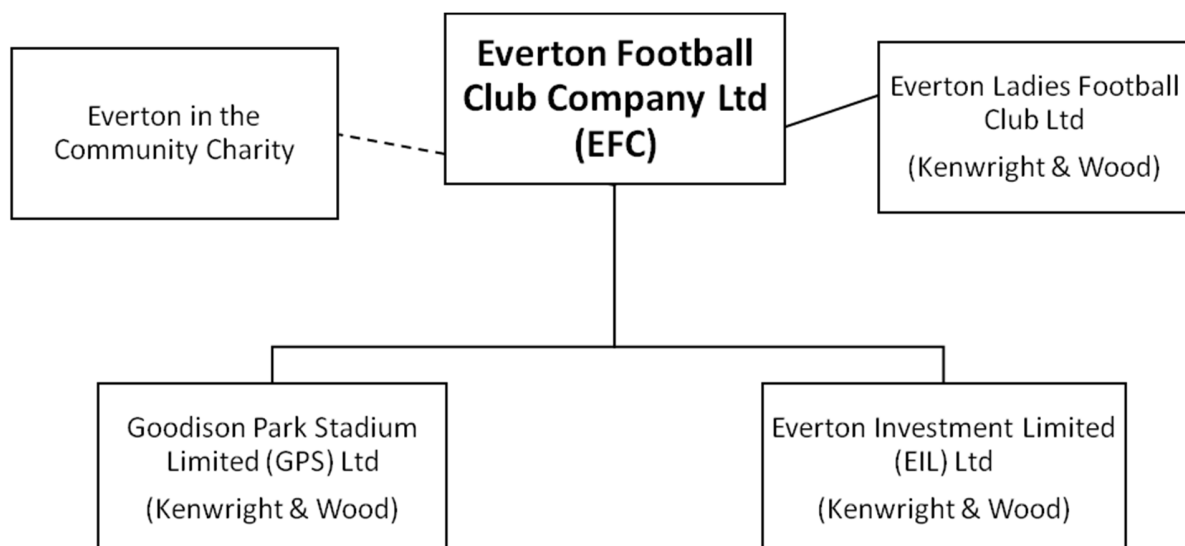
#### **4.3.1 Constructing Governance at Everton FC**

Everton has chosen to list the club as a limited company and its Article of Association provides Directors with the necessary steps needed to comply with the Companies Act 2006. Working to comply with the Act, the articles at Everton outline how the club proposes to govern as a company, from share capital and voting rights to board proceedings. On the 29<sup>th</sup> April 2014, Everton Football Company Limited updated 32 articles (plus sub-sections) with a special resolution that outlined the club's constitutions and sets out how the company is to be governed. These articles provide information on the purpose of the company, which clearly defines and documents the duties and responsibilities of its directors. Furthermore, the articles explain shareholders of Everton as "the holder, which are "members whose name is entered in the register of members as the holder of shares" (Articles of Association of Everton FC, Special Resolution, April 2014).

As a result of the share register, Everton's principal directors have been appointed to the board, due to their legal rights as shareholders in the company. For example, Everton's three main shareholders form the majority of the company with 70.96% of the shares. These directors are responsible for the company's annual report, which includes the club's financial accounts outlined in article 15.1. The directors have the authority to exercise the powers that come with company ownership, as the principal director holds the share rights to create a new role on Everton's board. As a consequence, the owner also holds the discretionary power to enforce decisions through these appointed representatives. Importantly, the legal framework that forms the board of directors was evident in an interview with a prominent leader, who went on to explain, "as a club we always had a government framework to comply with company law and legislation" (Personal Communication). However, the manager went on to point out Everton's current governance framework limits the board's ability to consult and disseminate information effectively, particularly on a wider set of issues other than those that are statutory. Going on to claim, the current governance model "doesn't have much rigour in terms of subcommittees and reporting styles, or even the opportunity to share minutes" (Personal Communication).

As a result of the recent share acquisition by Mr Moshiri's Blue Heaven Company, the board's configuration has significantly changed. This has seen the introduction of new directors onto the board to uphold the statutory requirement of the principal shareholder with the appointment of Mr Ryazantsev. In addition, further non-shareholder roles were created on the board to assist with club operations. In May 2016, Robert Elstone became the club's Chief Executive Officer and appointed onto the board. Then in September 2016, the club appointed Denise Barrett-Baxendale as Deputy Chief Executive Officer, which enabled her to join the board. It is believed the inclusion of non-executive directors at the highest senior level at Everton go onto influence operational decisions and other holding companies affiliated to Everton Ltd (Figure 4.1).

Figure 4.1. Everton Football Club Ltd Corporate Structure



Source: Everton Shareholder Association. Corporate Structure, 2017.

The club's three limited companies and the charity are under the subsidiary control of Everton Football Club Company Ltd. Goodison Park, Everton Investment Ltd and the Ladies football club govern slightly different from that of Everton Ltd, as the main shareholding is jointly held by Kenwright and Wood. A noticeable absence from these parent companies is the representation of Blue Heaven Ltd, in particular Mr Moshiri. In 2002, Goodison Park Ltd was established for the management and ownership of the stadium, away from the football club (Everton investment Ltd, Annual Report 2016). Simultaneously, Everton Investment Ltd was created as a financial vehicle within Everton's corporate structure purely to loan £30m from Goodison Park Ltd, which went on to purchase and split the ownership rights in the stadium into a separate entity (Everton Investment, Annual Report 2016). It is important to point out that all of these companies are wholly owned subsidiary undertaken by Everton Football Club Company Limited, who report the group accounts annually.

In addition to the limited companies, Everton in the Community, formed in 1998 is the football club's official charity and offers, "60 programmes covering a range of social issues including health, employability, anti-social behaviour, crime, education, dementia, poverty, youth engagement, youth justice and disability" (Our History, Everton in the Community, 2017). Currently, Richard Kenyon is the new Chief Executive of the Club's official charity, but without a position on Everton's main board of directors. This executive role under the club's CEO, a trustee in the charity shows Everton's intention to be recognised as the people's club, evident with the charity's current outreach programme. Everton's charity consists of a Free School (2015) Peoples Hub (2016) and St Francis Disability Centre (2017), this portrays the importance of the local community to the club. A club manager went on to reiterate the importance of the charity, in terms of Everton's strategic intentions to incorporate the community into the club, going on to claim, "we use a motto in the terms, nothing but the best is good enough both on the pitch, off the pitch and also in the delivery to our community" (Personal Communication).

The board of directors at Everton Football Club are fundamental to the corporate structure and form the organisation's hierarchy within the club. Recently, the club has created an executive team with a number of senior management positions to support the board of directors, under the leadership of the chief executive officer (Figure 4.2). These executive roles in Everton's organisational structure are accountable to the board and incorporate both the club's football, commercial and community operations. Further down the organisational structure, the department heads hold the responsibility to manage their stipulated areas of expertise. Everton's strategic alignment from board to commercial services within the club was evident when a manager went on to explain Everton's four strategic pillars. These pillars draw on the experience of supporters at home games, as one manager explains the club's mission to "know every single thing that we can about our fans to make sure that we can get as close as possible to them, easy to buy from, being a club and that's exactly where the community programme sits, all creating a memorable match day" (Personal Communication).

Figure 4.2. Everton's Leadership Team and Position



### **3.4.2 The Influence of Governance at Everton FC**

The influence of principal shareholders on the board of directors, as prominent individuals hold the share capital to control Everton's strategic direction, commercial activity, levels of investment and debt. Ultimately, the 49.9% share capital held by Blue Heaven Holding Company makes Mr Moshiri the owner and Mr Ryazantsev his representative to casts his majority vote at board meetings. This power results from Everton's articles, which stipulate that decisions made at board level work on the principle of one share, one vote (Articles of Association, art 12:1, 2014). On paper, the 49.9% of Everton's shares held by Blue Heaven does not offer Mr Moshiri a majority, especially to pass a resolution single handily. Yet in reality, the 29.04% made up of other shareholders offer no resistance against the principal owner.

It is believed, a large proportion of minority shares held in the club are unknown, as the holders became untraceable after the war. Several attempts over the years to locate absent individuals and missing shares have proven futile, failing to fill the gaps in Everton's list of active shareholders on the club's register. This means, Mr Moshiri's newly acquired share capital has made him the principal owner, welcomed overall by the vast majority of Everton supporters. This feeling towards the new owner was evident throughout the interviews with various groups, as one supporter claims, "we know that Mr Moshiri wasn't happy at Arsenal and probably needed a new challenge, as he didn't have the voice his investment would probably demand - I think his investment triggers something maybe even bigger at Everton than what is happening at the moment" (Personal Communication).

Currently, the owner is relatively new in his role as principal shareholder, as Mr Ryazantsev only attended his first board meeting in March 2016. This appointment of Ryazantsev and not Moshiri on the board was met with an air of caution from Everton supporters, felt during the interviews, as one explains, "the new owners don't communicate with the supporters that much but I don't worry about that because at the end of the day it is a business, so I don't expect that he'll go bankrupt for the sake of investing in Everton" (Personal Communication).



Along with the 49.9% share capital, it has been reported that Mr Moshiri has given Everton an £80m interest-free loan to consolidate club debts that arose in the 2015/2016 set of accounts. Ultimately, the level of investment made by Mr Moshiri has made him the owner of Everton. Majority ownership right dictates Everton's future and inevitably seeks to protect his investment. As a result, some concerns remain throughout the club on the pitfalls of one powerful owner, as one Evertonian points out, "football in England has changed and the owners now own clubs on commercial grounds to protect their investment and their revenue streams, yes these are risks, but there's always going to be a price to be paid for success" (Personal Communication).

Recently, the effects of the new owner have started to influence Everton's strategic direction at board level with several new financial partnerships (the naming of Finch Farm), infrastructure projects (docklands stadium project), along with an increase in the players transfer budget (a record £139mn in the 2017 summer transfer window). Although the club's board has sanctioned these deals, the indirect influence of Mr Moshiri as a principal decision-maker in these business deals has been notable. For example, the naming rights of Finch Farm for a reported £75m over five years by USM Holdings (USM), was as a result of the close personal and business association between company founders, Alisher Usmanov and Mr Moshiri. This close bond between Usmanov and Moshiri was apparent during their joint venture into Arsenal, which came about because of their joint love affair of English football (Everton General Meeting, Liverpool Echo, January 2017).

While at face value, the investment of another wealthy individual helps to secure extra investment in the club, it can also be viewed as another example of Mr Moshiri's strategic plan for Everton's future direction. Mr Moshiri's arrival at Everton and his business acumen are taking effect at board level and infiltrating the rest of the club. Evident at the AGM when Chairman, Mr Kenwright who has resided on the board since 1989, claimed: "I felt instantly this was a man who could get us out of the problem times we were having" (Stadium issue tops agenda at Everton AGM. ToffeeWeb, January 2017).

As part of the corporate structure, the executive team is responsible to execute, monitor and control the actions taken by Everton's board of directors. These roles on the executive board are critical to club operations and provide a direct link that governs Everton from the board down to its departments. As the executive plays a key role in the club, particularly on how Everton govern more towards a sports business, as one manager was quick to point out "we don't want to be shown that we are a high-powered PLC, but we will be bringing a stronger governance framework over the next 12 months" (Personal Communication). These executive changes have failed to supersede the company's article of association, which outlines the statutory powers, roles and responsibilities of club directors. Therefore, changes to Everton's governance cannot influence the practices at board level and are more likely to influence operations lower down at an executive level, not the actions of shareholder directors.

The changes at board level are highly unlikely as Mr Moshiri would effectively be giving up his shares and the control of his multimillion-pound investment in the club. Supporter groups do recognise the power of share capital and accept the owner has invested heavily in the club, as one supporter points out, "I think there's a limit to the responsibility that fans should have, I think it's more about a role of listening, rather than a roll of negotiating - I would say it's active listening from the fans and you have to leave the club to the people in charge of running the club" (Personal Communication).

### **3.4.3 Future Challenges to the Governance Model at Everton**

Fundamental to Everton's governance model is the articles of association, which were last updated in 2014. Since the update, the club has undertaken a change of ownership and consequently, this has changed the board's dynamics. Additionally, the responsibility of the three holding companies, extra financial commitments and share capital remains a challenge for Everton FC Ltd. It is also evident, Everton needed to invest in the club's dilapidated stadium, which is set to increase the number of third-party investors with new liabilities to fund this large infrastructure project. One of these key financial partnerships struck by Everton was with Liverpool City Council, required to meet the financial commitment needed to build a new stadium at the Bramley Moor dock. However, the lack of transparency during the failed stadium bid at Kirby and the failed sponsorship deals with Cheng Beer and Kitbag has left Everton supporters sceptical as to their

merits. In an interview, one supporter provides a knowledgeable insight into Everton's previous investors and casts a shadow over third party involvement within the club to claim, "some say one of the shadow companies was a front for Sir Philip Green and we didn't really get to find out and we still don't know the full extent or the details on it - but if you're asking should we pick investment or not then that's a really difficult decision and I don't think fans could ever make that decision" (Personal Communication).

Besides, the use of holding companies continue to challenge the way Everton governs the club, as a result of Mr Moshiri's 49.9% share capital. There is an acceptance that Blue Heaven is Mr Morshiri and represented by Mr Ryazantsen, yet the holding company owns the share capital in Everton. Yet, the absence of Mr Moshiri from the board of directors as a registered director in Everton Football Company Ltd fails to make him accountable when legal or financial matters arise in the future. A club manager acknowledges the fear felt amongst supporters and claims "the new owner has a financial investment in the club, but how perverse would it be if he would try to disengage the fans - that would be ridiculous he wouldn't do that and we (the board) certainly wouldn't do that" (Interview, Liverpool 2017).

Similarly, questions continue to be asked whether Everton can sustain the current levels of debt amassed with the loans underwritten by Blue Heaven, which is perceived to be above and beyond the club's current levels of financial revenue. This debt has serviced extra transfer budgets and used to secure the land at the new stadium. For example, in 2014/15 Everton FC Ltd recorded a loss of £24.3m in their annual accounts, yet the club's turnover was £120m turnover and many believe the loss was down to the way the accounts of the holding companies are reported (Everton Annual Reports & Accounts, 2015/16). The lack of transparency between the companies and the role of powerful individuals within the club has raised concerns amongst supporters, as one points out "if you take the likes of Bill Kenwright (12.16% share) who hasn't got the money in terms of Mr Moshiri (49.9% share) - but we don't want them (the board) making the wrong types of decisions as you can't run a football club just with your heart" (Personal Communication).

The creation of subsidiary companies is common practice throughout English football; seen as a way to offset financial liabilities away from the main football business and stimulate capital investment without an exchange of shares in Everton Ltd. Although the accounts for the companies are reported to the club's main board of directors, the legal responsibilities lie with their registered directors. In addition to the complexities between the holding companies and the club, a joint Special Purpose Vehicle agreement has been struck with Liverpool City Council. This forms an agreement with the council to act as guarantors for Everton's £300m loan investment required to build the new stadium at Bramley Dock. However, these new vast financial partnerships may prove problematic in the future, particularly on how these relationships and liabilities are governed. As Liverpool City Council now become creditors with the legal right to recoup any monies lost, if Everton cannot service their loan repayments.

Additionally, the rental of the Finch Farm Training complex from the council heightens the speculation around the lack of transparency in the partnership. In the past, the content of deals has remained secretive between the council and the clubs, hidden behind the Land Registry Act 2002, which prevents the disclosure of information on the rental agreement made on the training ground (Environmental Information Request 461698 to Liverpool City Council, June 2016). This lack of information from previous deals between the club and the council was evident from previous joint partnership deals. However, a manager reiterated a plan was in place to change the transparent nature of future deals and states, "new owner is really clear on transparency, as in let's tell people what we are talking about and let's talk about the biggest issues, yet we cannot consult on every decision, as we are the executive and we had to manage the business" (Personal Communication).

The newly created non-executive appointment on Everton's board of Denise Barret-Baxendale (CEO) was seen as a prominent step towards how the club governs its operations. Yet, the power to make decisions remain with key shareholders and executive roles are seen to implement and control the club operationally. Furthermore, the role of CEO on the board at an executive level joins together ownership with the control of operations at Everton, seemingly without any mechanisms to challenge the hierarchical power of club directors. This reflects how Everton governs with the use of director-executives who act as the owner's principal agents, with the ability to influence every operational aspect of the club. However, there have been a number of cases when the executives continue to mistake control for power and make decisions that have a negative

impact on the club. For example, the failed stadium at Kirby, problematic sponsorship deal and the change of the club crest. More importantly, the club recognise these areas of weakness, as a manager accepts that “one of the biggest examples, when we got it wrong, was the new club crest and we did do it wrong but repaired it - a preview of the crest was released but they (the supporters) didn't like it, but we had all the kits already made, along with the merchandise, which was in production from China” (Personal Communication).

In reaction to the negative feeling felt amongst the supporters, the club went on to revise the crest with further consultation with various supporter groups. Furthermore, the failed bid for a new stadium still resonates in the club and left many supporters to call into question the ability of the current executive board to replace or upgrade Goodison Park. The failed move to Kirby only heightens the fear amongst supporters on why and how future commercial partnerships and deals are signed at Everton and the impact these decisions may have on supporters in the future. It is believed the previous lack of consultation in the proposed move to Kirby and the change of the club crest, along with the lack of transparency in land and sponsorship deals, highlights a weakness in how the club communicate business decisions to supporters. These feelings were reiterated by one supporter, who points out “I'm not too sure of details of the commercial deals, especially with kit bag, what did we get from that, this is what worries me - fans couldn't even get complete kits so it is these things that make me raise questions on some kinds of commercial partnerships” (Personal Communication).

#### **4.5 The Role of Supporter Groups and Associations at Everton FC**

The supporter association is seen as the most prominent group of supporters, in terms of how Everton govern under a corporate share structure. This minority group of shareholders (who hold a stake in the club's shareholding) are said to “act as a form of watchdog over important matters concerning the club and with the responsibility for supervision of share dealings in Everton FC” (Everton Shareholders' Association History, 2017). It is believed the association holds the right to access information on club matters, which otherwise would only remain private to key shareholder-directors within the club. Legally, minority shareholders do have the right to question the actions of majority owners and this is usually at annual general meetings. In recent years, the club has acknowledged that this group of supporters hold the right to access information and to

attend annual meetings, which in the past has not always been the case. One manager went onto explain the way the club has previously neglected the rights of minority shareholder supporters and explains, “these haven't always been the most sensitive of meetings, but there are meetings and they are shareholder meetings with shareholders - they are entitled to ask questions on how the club is being run and rightly so” (Personal Communication).

Registered shareholders are also seen as supporters and continue to hold the most prominent role in the club, in terms of Everton’s main articles of association. Historically, these supporters have come together in an association to gain a greater influence as a significant group of minority shareholders in the club. Over the new period on ownership, this group has strived for a closer working relationship with the club’s board, as seen when previous members of the association went on to become directors on Everton’s main board of directors. During the 1990s, a breakdown in relations with the board made the association more independent and Evident when the minority shareholders were instrumental in calling for another extraordinary general meeting, mainly to seek answers on the club’s poor financial results and team performance.

In September 2008, this group of shareholders was successful when calling for an extraordinary meeting to challenge the current actions of Chairman Mr Kenwright. Supporter groups demanded answers to a range of questions, mainly around the club’s future direction. The tension between the association and the board at Everton continued at a general meeting held by the club in February 2016. At this meeting, the association’s chairman John Blain went on to describe the lack of communication between the club and this minority group of shareholders. He said, “the club, through the chief executive have basically said to us that they are not going to answer any more questions from the AGM and are not going to have any more meetings with us (Liverpool Echo, February 2016). Recent attempts from the new principal shareholder (Moshiri) has been to foster a new open relationship with this group of minority shareholders (Meeting with Farhad Moshiri, Everton Supporter Association, 2016). This approach has seen the club’s position on the association somewhat softened, particular that of Mr Kenwright (Chairman) and this was reiterated by one manager who claims, “the club is trying to work towards the most open communication channels; whether that is with the shareholders association or the fans forums” (Personal Communication).

The limited number of shares available to buy on the open market reduce the opportunity for supporters to become a member of the association. As a consequence, the number of official club members has increased at Everton, along with season ticket sales. Everton's membership scheme offers the supporters a range of commercial benefits and even access to match day tickets. However, it is also felt these supporters have the opportunity to become part of the club's official fans' forum. This forum elects several supporters to represent official members on a range of issues and provides open consultation within the club. However, the forum topics up for discussion at the meeting continue to reflect the club's commercial activity, in areas such as stadium branding, the matchday programmes, match day events and community events (Everton Fans Forum, 2017). There is a belief amongst supporters that the forum, only serves to gauge the feelings of supporters as part of their matchday experience, in line with the club's strategic targets. As one manager explains, "it really is about really taking advantage of all of those touchpoints with our fans and helping them build a stronger sense of loyalty outside of a match day" (Personal Communication).

The election of fans onto an active forum is seen to provide a direct link between forum liaison officers and supporters, who meet monthly to discuss club issues. In previous seasons, supporters on the forum were consulted on issues, such as ticket prices, shirt design and match day experiences. One manager went on to further explain the role of the forum at Everton and claims, "we include our fans (in the club) with the fans' forums, as it is an opportunity for them to air their opinions" (Personal Communication). As a result, fan representatives on the forum take a lead in a number of Everton related projects that reflect the club's strategic vision, largely to improve the matchday experience of supporters. It is believed the forum strikes the right balance between the commercial activities at Everton and the feeling amongst supporters. As one supporter explains its "about getting the balance right between commercial and the supporters, which is always a difficult one" (Personal Communication).

Everton also has several unofficial groups that form outside the club, used as an avenue for unaffiliated supporters to voice their concerns. A number of supporters believe their role is from afar to oversee the custodianship of Everton's owner and to hold those in power accountable for their actions. One supporter voiced their concern for Everton in the future, as a result of the over-investment by other owners and clubs and claims "if you take Leeds, it wasn't a strong investments it was borrowed money on the clubs debt, it was a gamble and the price of supporters then paid was to see the club fall and now they're watching the team in the championship and that shouldn't happen again" (Personal Communication). Another popular group at Everton is the Supporter Trust (Est1878) who continue to fight against the following issues they believe are important to supporters across English football:

- Affordable Ticket Prices
- Safe Standing
- Investing in Grass Roots Football
- Campaign for a democratically elected representative from the Supporters Trust to sit on the Board of Directors at Everton Football Club to represent and promote the interests and views of all Evertonians
- Campaign for Supporter Ownership of Everton Football Club

There has been a steady rise in popularity amongst supporters joining unofficial groups, evident with the number of splinter groups currently affiliated to Everton (Table 4.5). One supporter reinforced the growth of these groups, but with a sense of realism on the role, they play and explains "these are pressure groups in terms of Everton forums and various websites run by supporters, for example, ToffeeWeb, but I doubt the supporters have any influence on some of the big decisions taken by the club" (Personal Communication).



Table 4.5. Unofficial Supporter Trusts, Associations and Groups

Name	Website
EST 1878	<a href="https://en-gb.facebook.com/EvertonSupportersTrust/">https://en-gb.facebook.com/EvertonSupportersTrust/</a>
Grand Old Team to Support	<a href="https://www.grandoldteam.com/">https://www.grandoldteam.com/</a>
Toffee Web	<a href="http://www.toffeeweb.com">www.toffeeweb.com</a>
When Skies Are Grey	<a href="http://www.whenskiesaregrey.co.uk">www.whenskiesaregrey.co.uk</a>
Nil Satis Nisi Optimum	<a href="http://www.NSNO.co.uk">www.NSNO.co.uk</a>
Toffee Talk (for the thinking Evertonian)	<a href="http://www.toffeetalk.com">www.toffeetalk.com</a>
Blue Kipper (Call y'self an Evertonian)	<a href="http://www.bluekipper.com">www.bluekipper.com</a>

Unofficial supporter groups affiliated to Everton have grown in previous years due to the perceived lack of investment in players, which has contributed to a downturn in the team's success. Meanwhile, in light of the new owner, the evidence suggests this group of supporters play an important role in questioning the inevitable change planned at Everton. One manager claims that supporter groups that act outside of the club also have an important role to play and explains "I think in some ways the fans have more power being away from the board, acting like a pressure group" (Personal Communication). There is a growing acceptance at Everton, a closer working relationship with supporters can only benefit the club due to the influence, these groups have towards servicing the current levels of debt at Everton. Along with the rise in player wages, a proposed new £300m stadium development and the recently signed 40-year lease at Bramley Dock. One supporter went on to voice their concerns of being bankrolled by a billionaire owner and points out "you wonder sometimes what happens sometimes if these high-profile owners, for example at Chelsea, get bored and withdraw their investment but what if they sell to somebody else who hasn't got as much money, will we start to decline" (Personal Communication).

The influence of Everton supporters on the club's financial performance was evident when attendance revenue at home games dropped from £17.9mn to £17.6mn in 2015/2016. A 1.6% downturn in gate revenue, even though the club reached two domestic cup semi-finals in that season (Table 4.6). Due to this impact, Everton's executive team have made the supporter experience at match days a fundamental element of the club's commercial strategy. A manager points out the commercial importance of Everton supporters on match days has to be paramount, as "we are an entertainment industry, which offers football- so we had done a lot of work over the last four years" (Personal Communication). Yet, there is still a growing body of supporters who question why Everton have fallen so far behind similar-sized clubs in recent seasons, as "unfortunately from the success, we had in the '70s and early 80's what saddens me is how we fall so far behind the rest, even with the influx of the broadcasting money, we fell quite quickly" (Personal Communication).

Table 4.6. An Overview of Everton FC Profit and Loss Accounts 2014 to 2016

Everton - Profit and Loss Account					
Everton Football Club Company Ltd					
£ mlns	2016	2015 <i>Restated</i>	Growth	% Growth	2015 <i>Original</i>
Gate Receipts	17.6	17.9	(0.3)	(1.6)%	17.9
Broadcasting	82.5	81.7	0.8	1.0%	81.7
Sponsorship, advertising & merchandising	9.3	10.4	(1.0)	(9.9)%	10.4
Other commercial activities	12.1	15.6	(3.5)	(22.7)%	15.6
Commercial	21.4	26.0	(4.6)	(17.6)%	26.0
<b>Turnover</b>	<b>121.5</b>	<b>125.6</b>	<b>(4.0)</b>	<b>(3.2)%</b>	<b>125.6</b>
Wages & Salaries	(84.0)	(77.5)	(6.5)	8.3%	(77.5)
Other Expenses	(30.4)	(28.9)	(1.5)	5.3%	(30.5)
<b>Expenses</b>	<b>(114.4)</b>	<b>(106.4)</b>	<b>(8.0)</b>	<b>7.5%</b>	<b>(108.0)</b>
<b>EBITDA</b>	<b>7.1</b>	<b>19.2</b>	<b>(12.0)</b>	<b>(62.8)%</b>	<b>17.6</b>
Exceptional Items	(11.3)		(11.3)		
Player Amortisation	(22.4)	(19.1)	(3.3)	17.2%	(19.5)
Depreciation	(1.8)	(1.6)	(0.3)	16.1%	(1.6)
<b>Non Cash Flow Expenses</b>	<b>(24.2)</b>	<b>(20.7)</b>	<b>(3.5)</b>	<b>17.1%</b>	<b>(21.1)</b>
<b>Operating Profit</b>	<b>(28.4)</b>	<b>(1.5)</b>	<b>(26.9)</b>	<b>1'757%</b>	<b>(3.6)</b>
Profit on Player Sales	7.8	3.3	4.5	136%	3.3
Property		0.0	(0.0)	(100)%	0.0
<b>Profit before Interest &amp; Tax</b>	<b>(20.6)</b>	<b>1.8</b>	<b>(22.4)</b>		<b>(0.2)</b>
Net Interest Payable	(3.7)	(6.4)	2.7	(42.0)%	(3.8)
<b>Profit/(Loss) before Tax</b>	<b>(24.3)</b>	<b>(4.6)</b>	<b>(19.7)</b>	<b>430%</b>	<b>(4.1)</b>
Taxation Credit/(Charge)		(0.0)	0.0		(0.0)
<b>Profit/(Loss) after Tax</b>	<b>(24.3)</b>	<b>(4.6)</b>	<b>(19.7)</b>	<b>428%</b>	<b>(4.1)</b>
Wages to Turnover	69%	62%	7%		62%
Gross Debt	57.6	40.0	17.6	44.0%	40.0
Cash	2.8	8.7	(5.9)	(68.1)%	8.7
<b>Net Debt</b>	<b>54.8</b>	<b>31.3</b>	<b>23.5</b>	<b>75.0%</b>	<b>31.3</b>
<i>Average League Attendance</i>	<i>38'132</i>	<i>38'406</i>	<i>(274)</i>	<i>(0.7)%</i>	
Prepared by @SwissRamble					

Source: The Swiss Ramble Blog (2017).

#### **4.5.1 The Relationship of Supporter Groups with Everton FC Model of Governance**

The relationship between the club and shareholder supporters, mainly within the association has been fraught with conflict and action, particularly in the way Mr Kenwright has previously marginalised the rights of minority shareholders. Two votes of no confidence against Mr Kenwright as Chairman, also have fuelled the tension between both parties. Over time, the association has offered to meet the board to re-build relations and have failed in their attempt to re-establish communication. In their defence, owner directors within the club do not have any legal obligations to include supporters in any decisions taken at a board level. As Everton's articles determine control on one share, one vote basis. This shared control empowers directors to govern the club from their legal recourse as majority shareholders, without any responsibility to explain a course of action to supporters. As a consequence, the relationship between the board and the club's supporters has been as a result of goodwill from the principal shareholder, evident with the exclusion of the association under Mr Kenwright's ownership and the opening of dialogue at the start of Mr Moshiri's reign.

Currently, the rhetoric from Mr Moshiri is to build an ongoing relationship with representatives of the association, as Evident in his early meeting with the minority group of shareholders. Yet, the company articles that influence how Everton acts towards minority shareholders remain unchanged and this suggests that any future relations will be on the owner's terms. Based on his goodwill, not from a rightful position within the club. Evident when one manager went on to point out a weakness in how the club records and disseminates information from club meetings and claims "we have always had a government framework to comply with company law legislation, however, we haven't had as much rigour in terms of subcommittees and reporting styles, or the opportunity to share minutes, etc" (Personal Communication).

As a consequence, it is believed the difficulty for Everton's executive team is to build a governance framework that addresses the concerns of minority shareholders, which reflect their statutory rights from within the club's formal channels. This is difficult due to the missing information from the share register, as the lack of personal details and unregistered shares makes it hard to understand the true number of minority shareholders. Currently, Everton's minority shareholders are recorded at 29.4%. This missing information is believed to result from several official certificates being displaced, as a result of World War 2. Many believe that Mr Moshiri in the future will convert his principal shareholdings into a majority, with the purchase of Kenwright (12.16%) and Wood (8.9%) shares. If this agreement materialises, this would effectively eliminate the other prominent owner-directors and make the minority (represented by the association) the only other group of shareholders.

A positive step by the club has been to build a link between supporters with the official fans' forum. As a result, these forum meetings offer both parties the platform to raise issues on mutually beneficial areas, namely club initiatives and to address any matchday issues. However, there is realism amongst supporters that the forum only acts as a ready-made consumer group to court the option of supporters on commercial issues and through fan surveys. One manager explains the role of the forum and how it can build relations between supporters, pointing out that Everton "would really like to enhance the power of the fan base, why wouldn't you like to hear what your fans have to say" (Personal Communication).

Many supporters believe the forum is merely an opportunity to pose questions to club administrators and while welcomed by some supporters, it does not offer them any additional power to influence club decisions at a board level. There is a belief, the forum's agenda continues to air on the side of commerciality and replicates Everton's customer charter in the following areas:

- Promoting Diversity
- Disabled Supporters
- Everton In the Community
- Charities
- Staff Conduct and Customer Relations
- Academy

- Ticketing
- Loyalty and Memberships
- Hospitality
- Stadium Tours
- Club Media Channels
- Partnerships
- Fan Experience

In recent years, the unofficial supporter groups have taken up the mantle to question the reasoning behind failed commercial decisions and the rationale behind striking these deals. A criticism labelled at Everton's board of directors has been the lack of transparency on business deals and their reluctance to share information on why commercial partnerships are signed. As one supporter explains, "transparency is the key with commercial deals and after the event, there should always be limits in terms of how you engage fans before you make a decision" (Personal Communication).

Many believe, the official fan serves as a ready-made consumer group and other unofficial supporter groups continue to really pressurize and scrutinize board decisions from outside the club. A manager went on to explain how these groups can truly influence the club and claims "I think in some ways the fans have more power being away from the board acting as a pressure group; I think they have a lot of power as a pressure group in terms of ticket pricing for example, with the away fan initiative they have done a tremendous job even with the accessible Stadium, they've done a tremendous job by being able to be on the opposite side so to speak" (Personal Communication). This approach seems to encourage conflict, rather than consult with Everton supporters, which may have a negative impact on future success both on and off the field. Evident when Everton supporters joined rival Liverpool supporters to protest on likeminded issues, mainly on ticket prices. In light of this approach, Everton continues to encourage supporter groups to act, only if protests remain peaceful "because we (the club) have match day operations to conduct" (Personal Communication).

#### **4.5.2 The Power and Influence of Supporter Groups**

Minority shareholders hold the right to challenge how Everton conduct certain aspects of the business. These rights are superior to any other group of supporters and through the association have the opportunity to question the future actions of Mr Moshiri's reign as principal owner. Under the Companies Act 2006 statute, minority shareholders have the right to call on the following action:

- With 5% of the shareholding, shareholders have a right to call a general meeting and to require the circulation of a written statement in this respect.
- With a 10% holding shareholders have the right to have the company's annual accounts audited, at the company's expense.
- Over 25% means that a shareholder can block a special resolution. Such resolutions are required. For example, to amend a company's articles of association.

Source: Minority Shareholder Rights, Cripps LLP (2015).

However, despite Everton's minority on paper is 29.04%, in reality, there are only 94 members in the shareholder association. This minority in Everton Football Club Company Ltd does cover the 5% share required to raise a petition or to reinstate annual meetings after a 5-year absence. A block on these meetings by directors led to heightened tension between the supporters and the board, which further deepened after the club's failed attempt to move the stadium over to Kirby, mainly against the wishes of the majority of Everton supporters. One supporter points out the breakdown in relations still lingers today, as "I remember when he (Kenwright) was in discussions on the ground in Kirkby well there's no way myself or a lot of the supporters wanted to go to Kirkby" (Personal Communication). After the breakdown of the Kirby move, Everton's board of directors withheld key information on the project from 2008 until 2013, with many facts still unknown today. Uncertainty during this period, was evident when MP Chris Matheson announced the involvement of Sir Phillip Green as a shadow director in Everton, in a football governance committee held as part of Parliament. A fall out from these comments, saw Everton's chief executive withdraw an offer in February 2017 to stage a shareholder meeting, which Mr Matheson was due to address.

Although Mr Moshiri is seen to encourage a stronger relationship with minority shareholders, there is a limit to how much this group of supporters can influence the board in the future. It has been reported that Mr Moshiri has an option to acquire the shares of Kenwright and Wood, along with any other shares that come onto the open market. In the notion, Blue Heaven share capital grows over time, there is a real possibility the holding company will gain sole control on the board at Everton. However, questions remain on how much information the club will trust with the association, as previously the club has kept this private between directors, as evidenced by the secrecy around the identity of prospective owners. A club manager defended their right to keep information from supporters and claims “we had the protection of the sale involved and that means the protection of the people who are looking to invest in the club, these people who are interested could also be looking at buying another 2 to 3 clubs at the same time” (Personal Communication).

This view is averse from the role of the official fan’s forum, which promotes the sharing of information between the club and supporters. Forum meetings held in-house at Everton continue to address commercial issues, yet critical information on new owners and the new stadium at Kirby remain off the table for discussion. While the club insists the topics up for discussion are not censored, there is a feeling amongst supporters the forum has little power to influence the mainboard. Instead, forum meetings are staged to seek consumer feelings on match days, or new product development as part of commercial areas within Everton’s customer charter. The feeling amongst a wider set of supporters is contentious issues remain unanswered and the forum does not offer any direct access to the owner. As one manager points out “supporters with shares don’t have the opportunity to motion at annual general meetings, as we don’t have fan representation on the board” (Personal Communication).

Overall, the majority of Everton supporters have no affiliation to the shareholders association, or the club’s official fans forum. Therefore, it is believed, these supporters are deemed unofficial as they form outside the club, with no influence at a forum level. There is a belief in the club this group of supporters only have a commercial relationship due to their attendance on match days. One supporter highlights these feelings amongst Evertonians and claims “I would say that we are more than a customer, different to other businesses where you are a customer and you should get the right treatment - you do have a lot of emotion to that club, a different kind of customer relationship but you still need responsibility from the club” (Personal Communication). It has

become evident, Everton uses these types of supporter relationships as touching points within the club's strategic pillars, with relations that reflect a customer experience as part of the club's charter.

The club state all supporters have the opportunity to ask questions as part of the official fan's forum. Scepticism remains on meeting topics and the subsequent lack of consultation on larger decisions within the club. Yet, there is a sense, or maybe optimism that the new owner at Everton will take the club into uncharted levels of success. Nevertheless, the ungoverned use of unofficial supporter groups as protest groups will encourage action against the owners during unsuccessful periods and remains a risk to the club's future success. As further commercial pressure and stadium relocation in the future offer these non-affiliated groups with the opportunity to vote with their feet, as one supporter points out, "sometimes you just can't afford this (following Everton) whether you're emotionally tied to the club or not, actually as an Evertonian it is probably actually cheaper now just to get a Sky box and watch it on the TV and in fact, now I can watch any game alone at any time on a Saturday and Sunday" (Personal Communication).

#### **4.6 Impact and Conclusion of the Case Study**

The case study protocol from the outset was to research two questions based on a theoretical framework of stakeholder theory. This framework explores how Everton governs their football business and the subsequent power, urgency and legitimacy of different supporter groups in the way a club governs (Mitchel et al, 1997). Therefore, this conceptual lens on Everton's governance model provides a framework to identify the distinctive relationships between the club and various groups of supporters.

##### **4.6.1 What are the fundamental factors behind Everton's model of football governance?**

Everton's model of governance originates from share capital, which provides shareholder directors with a place on the club's board. In the case of Everton, share capital has been registered in various holding companies, seen previously with True Blue Holdings (Kenwright & others) and now with Blue Heaven Holding (Morshiri). This sees 49.9% of the current shares owned by Blue Heaven Ltd. This makes Mr Moshiri the principal owner and therefore, Mr Ryazantsev (his board representative) the key decision-maker on the board. More significantly, the articles of association



in Everton FC Ltd set out the responsibilities of the board and the rules on how directors must act when dealing with the club's corporate affairs (in conjunction with the Companies Act 2006).

In reality, Mr Moshiri's majority share capital and subsequent voting rights (1 share + 1 vote) offer him the sole control to run the club as he sees fit. Other members on the board are directors due to their share capital, or by appointment to non-executive roles at Everton. However, under Everton's current articles of association, neither Kenwright (12.16%) nor Wood (8.9%) has the voting rights to overrule the actions of Blue Heaven. Even, if the rest of the shareholders (50.1%) came together to block the actions of Mr Moshiri, this would still not outvote his 49.9% majority, due to Everton's large number of missing minority shareholders.

At the moment, Mr Moshiri's tenure as the owner has been warmly greeted by other shareholders, along with the majority of Everton supporters. This is mainly due to the amount of investment in new players, new commercial partnerships and the mooted move to a new stadium at the desirable Bramley Dock area. While at the moment, the influence of the new owner has been welcomed, along with his £80m loan, the financial backing for the new stadium (Special Purpose Vehicle in conjunction with Liverpool council) and the £60m three-year credit facility with the Bank of China, all reinforce his position as Everton's owner. Under Everton's current governance framework, it is impossible for directors to overrule or reject the wishes of Mr Moshiri's majority. There seems a lack of transparency from board meetings and this makes it difficult for minority shareholders to question the rationale behind the owner's strategy. Even without a formal role within the club, Mr Moshiri's influence as the principal decision-maker on the board is unquestionable. This position of power resides from share capital and the vast sums of personal and commercial investment linked to the new owner.

#### **4.6.2 What salient influence (power, legitimacy and urgency) do different types of supporter groups have as stakeholders in Everton's model of football governance?**

The conceptual lens in the case uses power, legitimacy and urgency (Mitchell et al, 1997) to classify the salient influence of various supporter groups at Everton, as a result of the club's model of governance (Table 4.7). Four groups of supporters were identified as part of the case study and are as follows:

Table 4.7. Classification of Everton Supporters as Stakeholders

<b>Types of Everton Supporter Groups</b>	<b>Power</b>	<b>Legitimacy</b>	<b>Urgency</b>	<b>Stakeholder Types</b>
Shareholder Supporter Group (Association)	No	Yes	Yes	Dependent
Groups of Official Affiliated Supporter	No	Yes	No	Discretionary
Groups of Unofficial Supporters	Yes	No	Yes	Dangerous
Groups of Unattached Supporters  (no official or unofficial relationship with the club or supporter groups)	No	No	No	Non-Stakeholders

Firstly, shareholder supporters who form the association hold a prominent role in the club. This is due to their rights in the articles of association, in accordance with the Companies Act 2006. Share rights held by supporters offer this group a legitimate position to challenge the action of other shareholders, via extraordinary meetings and on how the board of directors govern the club. The rising number of supporters affiliated to the association has strengthened the group's legitimacy to scrutinise board decisions, as a group of minority shareholders. In recent seasons, the association has enforced its right to call into question the actions of the current chairman with a vote of no-confidence. This call of no-confidence against Everton's chairman highlights their legitimate rights as shareholders to voice their disapproval at club decisions, which make directors act urgently as part of the club's formal mechanisms to protect themselves against any challenges or motions.

While this group can bring legitimate motions and challenges, they have no power to affect change at a board level, due to the allocation of votes per share. These non-powers were evident from 2008 to 2013, when the association failed in their attempt to gain access to information from general meetings and currently have no way to obtain the minutes from board meetings. While supporters with shares are offered an opportunity to challenge decisions after these are made, they do not have the power to influence decisions beforehand, or even during the board decision making processes. Therefore, this limits the influence of the group and makes them dependent on other stakeholders, mainly the principal owner and how he chooses to govern Everton as a company.

Secondly, members of the official supporter groups, particularly those who represent season ticket holders and club members as part of the fan's forum. This group continues to discuss issues with Everton representatives that affect their experience on match days. Regular meetings offer this group the opportunity to raise issues through a legitimate platform with employees from the club. However, these meetings revolve around issues that affect their consumer experience and offer supporters no real powers to influence how the club makes larger, more important decisions. It is seen more like a working group for supporters and administrators to discuss the club's commercial activity, as the topics mirror Everton's customer charter, which aims to improve the matchday experience for all supporters. Therefore, this group's relationship is at the discretion of the club and offers no additional power to consult on urgent issues and with no legitimacy to influence how the board makes decisions.

Thirdly, unofficial supporter groups have no direct access or relationship with Everton's board and form of groups outside the club. This means they have no legitimacy in terms of access to the club, or its forum administrators to that of official groups. Yet, as a default, these groups hold the power to protest with unofficial action against the club. Evidence throughout the study suggests unofficial action has the opportunity and power to disrupt the commercial aspects of the club. As a consequence, unscheduled protests from this group requires urgent steps to counteract the threat from unofficial action against the club. Therefore, the unpredictability of this group from outside the board of directors' control, make these supporters dangerous to the club's future success.

Finally, there is a group of supporters that have no relationship with either Everton as a club or any supporter groups. This group of supporters have been disconnected from the club for various reasons and support Everton from afar. They cannot influence the club as a consumer, nor do they have the power to protest against the club with singular action as they have no aspirations to join any supporter groups. In return, the club has no power to influence this set of supporters and view this group as a non-stakeholder.

## **CHAPTER FIVE - A CASE STUDY OF ATHLETIC BILBAO FOOTBALL CLUB**

### **5.0 Overview of the Case Study**

The case study has researched Athletic's model of governance to investigate the relationship that various supporter groups have with the club. This explores the different types of supporter relationships that arise from how Athletic Bilbao governs, with a conceptual lens of power, urgency and legitimacy taken from Mitchell et al (1997), which will classify the stakeholder attributes of various supporter groups. Therefore, the case study from the outset explores two theoretical questions: 1. What are the fundamental factors behind Athletic's model of football governance? 2. What salient influence (power, legitimacy and urgency) do different types of supporter groups have as stakeholders in Athletic's model of football governance?

### **5.1 Case Protocol**

The case protocol has adopted a qualitative approach to explore Athletic Bilbao within its real-life settings as a football club. This study will conduct semi-structured interviews with members of Athletic's leadership team and its supporters. These interviews were used to provide a primary source of data to reflect the thoughts and feelings of knowledgeable respondents and provide an insight into the club's key issues. An investigation into Athletic's statutes, official documentation and archived records has been used as evidence to understand the rationale behind how decisions are made within the club and the influence of different supporter groups. Additionally, the use of direct observations will analyse how Athletic governs its business operations and the indirect effect these actions have on supporter groups. In order to understand the influence that governance has on supporter groups, the researcher will explore the case evidence within the field. This aims the lens on different groups of supporters to understand the nature of their relationship with the club. These observations were made during field visits to the city of Bilbao, San Mamés Stadium, Lezama Training Complex and Ibaigane administrative palace.

## **5.2 The History and Ownership at Athletic Bilbao FC**

Athletic Club Bilbao, since its formation in 1898 was a founder club in Spain's Primera Division. Athletic is situated in the Biscay province and the San Mamés stadium sits on the Ría de Bilbao (the estuary) in the industrial city of Bilbao. Since the early 19th century, the port has been used as an industrial hub to connect the city across the world and plays an important part in the history of Basque football. Opening Bilbao's port up to new markets in iron and steel extracts through the city's mines and quarries, also attracted workers from across Europe. Industrialisation was born in Bilbao and the influx of *de los ingleses* (the English sailors) who brought football along with them, started to kick a ball it along the docks during their lunch breaks. As a result, football was born in Bilbao, a love affair that supporters still hold today (Vaczi, 2015). The club was formally known as Bizcaya, a local team from Bilbao until the club changed its name to Athletic Bilbao in 1903 and become one of the founder members of the Primera División in 1929. To this day, Athletic supporters still pride themselves on being only one of three clubs, not relegated from Spain's top football division (Gómez-Bantel, 2016).

The election of Luis Marquez in 1900 as the club's first President, went on the lay the foundation for Athletic's historic model of governance. This included members within a club structure, which used philosophies of a sports club, later replicated throughout Spanish football. To this day, Athletic still use a membership model to govern the club and along with Real Madrid and FC Barcelona remain the only clubs not relegated from La Liga in its 90-year history. It is believed the democratic ethos incorporated into Athletic promotes a sense of togetherness, which spreads joint responsibility and liabilities amongst its members. However, the financial crisis in 1990 threatened the majority of member-run clubs throughout Spanish football, due to mounting debt and unpaid Government taxes. In a deal struck with the Spanish Government, the debt-ridden clubs were bailed out. This changed sport member clubs into public limited companies, with higher corporation tax and the sole responsibility for future debts.

As a consequence, the Spanish Government introduced legislation to reinforce the legal responsibility of a club, with regulation known as *sociedad anónima deportiva* (SAD). This legislation effectively removed the influence of members overnight and transferred their power over to a majority owner. Athletic Bilbao was one of only four clubs, along with Real Madrid, FC Barcelona and Osasuna to keep their status as a member's club, as a result of their profitable balance sheets at the time of the audit. Along with their status as a member's club, the Spanish Government continues to offer Athletic a preferential tax rate as a non-commercial sports association, highly criticised by other clubs. Yet, the ethos at Athletic as a sports organisation is evident throughout the club, as "Athletic Club is a private non-profit association with its own legal personality that, being ascribed to the Federación Vizcaína de Fútbol (Basque Football Federation), has as its social purpose the promotion and implementation of all types of sports activities and soccer, in particular, governed by State Sports Law 10/1990 on the 15 October through Basque Country Sports Law 14/1998 (Athletics Institutional Information: September 2016).

It is believed that registration as a non-commercial sports business promotes an active role for members and shares the responsibility to make decisions along with the liabilities of the club. There is a sense of supporter buy-in due to a shared ethos, which comes with being part of a sports club. Even today, Athletic continue to battle to keep their protected membership status against several challenges, mainly against the SAD status and future EU competition regulation. These external factors in the football club are seen to draw on the siege mentality instilled throughout the Basque region, after years of political intervention from the central Spanish Government. It is believed the club represents the regional past throughout its supporter community, which reverberates around Old Street of Casa Vieja (central old town in Bilbao) the location for the club's historic *peña*'s (supporter groups), some of the oldest throughout Spain. Athletics' historic regional philosophies continue to reaffirm the club's relationship with its supporter groups, which goes further than their right to elect the next president. This commitment, born from Athletics' historic connection to the community has placed members at the heart of their club to protect their cultural heritage. This sense of community between the club and its members was evident throughout the interviews as a manager points out, "we really feel we understand football and not just only

football, but life and more importantly we are able to explain how we understand football to our members” (Personal Communication).

The vast majority of Athletic members are from the Basque region and their affiliation originates from generational family ties with the club, as one supporter explains, “we don’t get to pick our football team, we are born into the club; it is passed down from our fathers” (Personal Communication). This deep-rooted connection with the local community and Bilbao’s football team is believed to originate from the Basque region’s fight for independence against Franco’s communist regime. Many claim the historic fight for independence has inevitably crossed over onto the football field. There is a belief amongst many Athletic supporters, the anti-establishment sentiment still holds strong today. A supporter used the phrase, “matador against the bull”, while another claims “the Basque culture has been under threat since the origins of the Spanish civil war, but when we are attacked, we rise and come together” (Personal Communication). There had been several occasions on the field when the Basque culture has carried the team to success against adversity. Most notably, the victory against Franco’s star-studded Real Madrid team in the 1958 cup final with 2-0 win in favour of Athletic. At the final whistle, the upset even captured the attention of Franco, as the dictator claimed the spirit of Athletic players in victory, came from their desire, togetherness and camaraderie.

### **5.3 The Principles of Athletic Bilbao FC Governance**

Athletic cantera philosophy is unique throughout world football and has operated in the club since 1912. The cantera policy state only players from the Basque regions of Bizkaia, Gipuzkoa, Araba, Nafarroa, Lapurdi, Zuberoa and Nafarroa Behera may be signed to play for the club. This policy is written into the club’s constitution and has been upheld throughout generations of club presidents. Jose Urrutia, the current president reiterates the club’s policy to sign only regional players in the club’s annual report and claims “Athletic Clubs foundations will work tirelessly so that the values and philosophy that unite us can remain constant in time and are kept a source of shared pride” (Txosten Ofiziala; p7, 2015) As a result of the club’s commitment to the policy, members feel a real sense of affiliation to Athletic’s regional players. This sense of pride is evident throughout the Basque community, as a supporter claims “we feel so close to the players as they



share the same principles to that of the supporters – its feel like every member of the club knows either a player or the family of a player” (Personal Communication).

Along with Athletics community spirit, comes the close-knitted relationship between those affiliated to the club, from supporters to players. There is a real sense of tradition through the way the club is governed, particularly on the levels of commercial activity at the club. It is believed Athletic cantera policy make the club’s position within European football unique, at a time when transfer and sponsorship deals have reached unprecedented levels. While, the direct influence of its members, uphold the club’s rich traditions against private ownership and privatisation. Athletics’ historic traditions are felt throughout its supporter groups, also resonating amongst the club’s executive board, as a club manager points out, “along with its supporters, Athletic are characterized by their desire to defend values which are becoming increasingly uncommon in football and sports overall in the 21st Century” (Athletic Club, Club Information, September 2016).

It is also important to point out, there is a small minority of supporters who disagree with the way Athletic govern its old philosophies (with only signing Basque players), but these remain subdued with the team’s relative success in recent seasons. Besides, the steady production line of international level players from Athletic’s academy (Spanish and French) continues to keep the team competitive at the top of La Liga. This previous success has led to a Spanish league and cup double in 1981/1982 and more recently the 5-1 Super Cup victory in 2014/2015 over FC Barcelona. Success has also been witnessed on a European stage when Athletic reached the Europa League final in 2011/12 but went on to lose 3-0 to Atlético Madrid. Recent success instils a sense of confidence amongst members that the president and his senior management team are making the correct decisions in line with Athletics’ historic policy, which is embodied by the club's famous motto, which states “con cantera y afición, no hace falta importación”, this translated means, “with youth talent and home support – we do not miss imports” (Unzueta, 2011) These feelings were reiterated throughout interviews, as one club manager proudly points out, “we had never been relegated from the top division and we believe our club ethos embodies both the players and its supporters” (Personal Communication).

The club's philosophy to defend Athletic traditions, both on and off the field protects the rights of their members. The greatest challenge to Athletic's Basque only policy came in the seasons of 2005/06 and 2006/07 when the club was nearly relegated from La Liga for the first time in the club's history. Understandably, modern-day football continues to challenge the traditional way the club is governed, particularly amongst the younger members who want to see the best players in the world wear an Athletic shirt, not only based on birthright but talent. A younger supporter went on to claim, "we have struggled to sign the best Basque players in recent years - just look at Griezman (who qualifies under the cantera policy) if other clubs get to buy our own players, why shouldn't we get to buy theirs!" (Personal Communication). For example, Griezman qualifies to play for Athletic under the cantera policy, now unrealistic due to his wages and transfer fee, but it raises an important issue around Basque qualification. Previously, Athletic have also signed players based on their youth registration at other local La Liga clubs, such as Real Sociedad and Alaves. For example, in the Griesmann case (one for the world's hottest prospects), he could qualify to play for Athletic, due to his formative years at Real Sociedad. Another criticism of the Basque only policy is that it only covers the playing side of the club, not the football coach or their staff. Evident from the previous appointment of foreign managers, Howard Kendall (English: 1987 to 1990) and Marcelo Alberto Bielsa Caldera (Argentinian: 2011 to 2013).

An increase in private ownership and foreign investment throughout the Spanish league continues to add pressure on Athletic's unique cantera policy. In addition, the upsurge in foreign players at other La Liga clubs, only intensifies the competition to remain within Spain's top division. Both, Barcelona and Real Madrid adopt the same model of membership within their club, but also capitalise on unlimited corporate investment from global companies. This enables them to compete across European football and sign the most high-profile players that command the highest wages and transfer fees. Unbeknown to many, historically Athletic has signed players from outside of the Basque area. As between 1902 and 1912, the club incorporated several international players, which in turn lead to success on the field. For example, with British Nationals Fred Pentland, Walter Evans and William Dyer to name a few (Athletic Club, History, September 2016).

This mix of home and international players went on to win several championship leagues and Copa del Ray finals, in one of the clubs most successful periods. There had been calls from some quarters at Athletic, mainly by younger members to buy foreign players with a change in club policy.

However, the feelings on display throughout the interviews were that the cantera policy was held in high regard, even with the threat of relegation - setting Athletic apart from other clubs across European football. Evident in one interview when a manager points out “Real Sociedad was the same as us (only home-based players) but changed to recruiting foreign players and then got relegated to the 2nd division – so we believe our management of the club is correct until proven otherwise” (Personal Communication).

### **5.3.1 Constructing Governance at Athletic Bilbao FC**

The club’s articles of association along with the statutes document how the club should be governed and the role of its members. These rules explain the procedures behind the election of a president and directors onto the Board of Directors during a four-year term of office. Any individual up for election must come from a nomination of a candidate, in a maximum pool of 21 nominees who hold club registration. As part of the election process, the president, along with the board formally resigns from their position to trigger a change of office. From the board’s resignation through to the election of the new president, an interim election committee oversees club operations until the board of directors has been inaugurated into position (Athletic Board of Directors Meeting; February 2015). A further example of how Athletic’s tradition continues to influence the election process is the historic method of drawing lots, to select five designated members of the interim committee (Athletic Club Statutes: art 72).

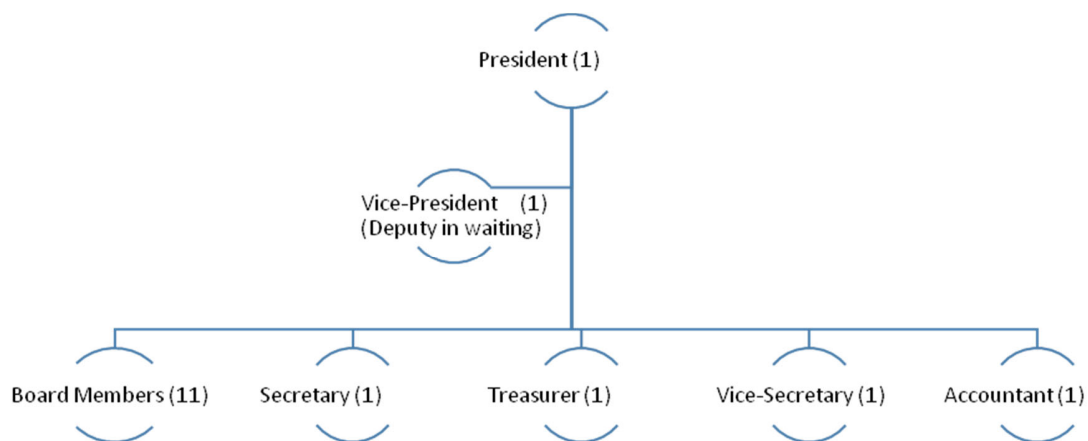
The electoral board validates the conditions that qualify a candidate for the presidency, along with the board of directors and the stipulations are as follows:

- a) To have reached the age of majority.
  - b) To be in full exercise of civil rights.
  - c) To not be subject to any sanction that disqualifies them from holding executive office.
  - d) To not hold an executive position at another football club, nor be active as a player, referee, coach/manager or member of the technical staff of another club at the time of standing as a candidate.
  - e) To have been a member of the club for an uninterrupted period of one year.
- Members also need to meet the following conditions to qualify for a vote in the club, under the electoral regime: (Athletic Club Statutes: art 66)
- a) To have reached the age of majority.
  - b) To be in full exercise of civil rights.
  - c) To not have suspended your membership when the elections are called.
  - d) To have been a member of the club for an uninterrupted period of one year.
  - e) To be on the Electoral Roll.

Governance at Athletic forms a framework to uphold the articles of association that outline the powers of the president, as part of the board of directors. Empowering these leaders with the responsibility to govern the club falls to the members. It is believed, these elections offer members the opportunity to appoint a new president, which occurs every four years and provides a mandate of power to lead the club (Athletic Club Statutes: art 68). Additionally, these elections endorse the president's manifesto and it is the responsibility of the board of directors to deliver this vision during their term of office. A mandate offers the president the power to make decisions on behalf of its members, particularly in terms of club operations as one manager explains "the club management team has to make lots of urgent decisions and it is impossible to consult all the members with every decision – and more importantly they have appointed a president to make the clubs day to day decisions" (Personal Communication).

Without a doubt, the role of the president is pivotal to how Athletic govern, as his position at the head of the board of directors leads a senior management team (Candidacy Presentations: June 2006). During presidential elections, Athletic members vote in eleven vocal directors, along with a vice president who take-up a position on the club's board. The director's role on the board is to assist the president in his daily duties and consist of a secretary, vice-secretary, treasurer and the club's accountant (Figure 5.1). It is felt the directors on the board represent the view of its members, who remain confident that decision-makers still have a similar view on the club's direction to that of a supporter. As a result, members believe that directors continue to manage as a mirror image of themselves and in the best interest of the club. As a supporter points out "we trust the president to act in the traditions of the club and to represent its members with the pride of the Basque people" (Personal Communication).

Figure 5:1. Athletic Clubs 17 Members of the Board of Directors



In the board's structure, the president resides over seventeen directors and he is currently in a four-year term of office (Athletic Club Statutes: art 73). The case evidence suggests the presidential candidates build a team from people with similar philosophies, mainly in agreement with the proposed manifesto, similar to a political party. This was clear when a member points out that "ultimately I vote for presidents and trust he has selected the best team to represent its members - sometimes I would like a cross selection amongst the electoral groups, but I can only vote for one group" (Personal Communication). There is a view that individual candidates naturally side with one of the presidential groups, as a result of previous regional, personal or business relationships. However, these previous relationships and political affiliation help to elect a group of directors based on a manifesto, but this removes the opportunity for members to elect candidates based on their personal ability, skills and professional experience.

This situation can also arise when only one candidate runs for president at Athletic, either for political or practical reasons. In this situation, a president may be appointed without the need for a formal voting process (Athletic Electoral Board Meeting: March 2015). This limits the ability for members to influence the next president, even the appointment of directors, as it removes the opportunity for groups to vote in a formal process. Dissatisfaction against a presidential appointment was evident when members voiced their disapproval at Fernando Lamikiz failed term of office from 2004 to 2006. This dissatisfaction grew against the president from a "generalized dissatisfaction that persists after this difficult past season and thereby submits his resignation so that he is not a burden to the club" (Athletics Ordinary General Meeting: September 2006).

### **5.3.2 The Influence of Governance at Athletic Bilbao FC**

Ultimately, the president is accountable for how the club conducts its business with the added responsibility for the directors at Athletic to maintain the right mix of skills on the board. These skills must cover several areas, from financial budgets to the negotiation of player and commercial contracts, which all fall under the board's powers to enact decisions on behalf of the members. All seventeen directors have a right to vote in club decisions as a majority rule is required before a board can approve a motion. Although each of the seven directors receives a vote, which promotes parity amongst board members, it can reduce the power of the president to carry forward the wishes of its members. One manager went on to explain the mechanisms of the board and claims "the

president does not have any extra powers on the club board, he chairs the meeting and then we vote on the issues raised in the agenda, so the board has no need for a casting vote” (Personal Communication). Although the board does hold the power to increase the number of directors on the board in the event of a skills shortage, this requires the endorsement of members to ratify the appointment in a secret vote (Carlos Lasa joins the Board of Directors: June 2010).

At the moment, the board is made up of seventeen director positions, so decisions form naturally from an odd number of decision-makers able to cast a vote. While this spreads the influence equally amongst various decision-makers, which includes the president, it also has the opportunity to change the dynamics on the board. These additional director positions in the future add an extra level of responsibility onto the president who holds a casting vote, possibly when a deadlock occurs in board meetings. In return, the board also have the opportunity to reinforce the power of the president, when rebel directors take on the president, either in meetings or with leadership challenges. A manager explains the dynamics on the board and power of the president at board level and point out “all the people on the board represent different working backgrounds and when project come up or we need advice we had experience which we can call upon, if not we recommend somebody to join us – I can’t remember a vote by the members against our recommendations” (Personal Communication).

An alternative avenue for members to influence decisions at Athletic is their right to invoke a formal request to add a new item onto the agenda at general assembly’s, as this provides the opportunity to vote on a new club motion (Athletic Club Statutes: art 19). These rights incorporate members into the club’s governance structures through formal proposals, motions and declarations that challenge the actions of the board. Athletic leaders welcome the use of motions by members as an opportunity to consult with its supporters on key decisions, as one points out “the challenge is explaining the motion, then getting the right validation to include as an item on the assembly agenda, we are almost certain the vote will be passed by the members” (Personal Communication). However, the feelings felt amongst members during the interviews suggest there is confusion on their level of power and influence at board level when decisions require approval from the club’s members. As one member claims, “yes it is true, we had the right to vote on a decision, but it seems to me on less important decisions – we had just renamed the San Mamés press room, but to name the next manager or a player.....never!” (Personal Communication).

The president's power originates from a mandate issued from the members as an electorate, described by some as a custodianship. This comes from a belief, Athletic's board governs the business in the interest of its supporters and not just purely to make a financial profit. An increase in commercial revenue throughout the football industry has started to place extra pressure on the president to compete on and off the field, without jeopardising Athletic's rich heritage as a community sports club. However, the balance between tradition and investment at Athletic, to remain competitive in La Liga has become increasingly difficult to govern with the persistent drive for team success. Evident from 2001 to 2007 when members voiced their displeasure at a rise of commercial activity, along with the team's poor results, which culminated in five different presidents in seven years. Changes to the entire board of directors every four years continue to raise an important question on where the ultimate responsibility lies for poor performance, either between the elected (president) or the electorate (members).

These uncertainties may arise with the transfer of accountability from the electorate through to the president after elections are concluded, as the board take-on the full responsibility for the club performance on and off the field. A member claims, "we elect a president to make the club decisions on behalf of the members- if things go wrong and the team doesn't perform, then it lies with the president, not the members" (Personal Communication). However, the club offers a difference of opinion, when it comes to the balance of power and claim members also have an important role to play within Athletic's constitution. As one manager explains, "yes, of course, the members elect us, but each and every member has the responsibility to support the team on and off the field. Members vote on important decisions affecting the club, so we all have joint accountability if things don't go to plan" (Personal Communication). Furthermore, this joint accountability is reinforced within the club's articles, which offer members the opportunity to approve annual Athletics financial reports or even object to future budgets.



While the president has the power to enact daily decisions on behalf of the electorate under a mandate, it raises an important issue around how members re-exert their influence on poor performance. An indication of this influence was evident when a group of members filed a motion of no confidence against Fernando García Macua's (Athletic president from 2007 to 2011) style of leadership. However, a criticism of the members comes when individuals choose to opt-in and out of decisions throughout a yearly cycle, without any deterrent in the club rules for non-participation. For example, in an election, only 50% of members are required to make the appointment of the next president binding. Thereafter, the total drops to 40% in the second round and further decreases to 10% in a final round of votes, which still constitutes a majority when agenda items and motions are approved. (Extraordinary General Assembly: April 2014).

Undeniably, club articles provide a framework that encourages the inclusion of members on some of the larger decisions made at Athletic. Yet, the small turnout rates at the extraordinary meetings highlight the lack of commitment from some members to uphold and challenge the club's actions and emotions. Recently, these motions mainly consist of annual reports, proposed budgets, even the development of San Mamés and Lezama training complex. Members with rights represent a wider spectrum of supporter views at Athletic and also provide the opportunity to raise any objections to any unsolicited commercial action or unwanted partnerships made by the board. Otherwise, without the involvement of members on club matters, the membership scheme reflects many others across football and becomes a ready-made consumer database without power any to influence Athletic decisions (Discounts for "Mamma Mia" Musical: July 2016). It is believed, the relationship between a president and the directors form prior to the election process. These relations are aided by regional supporter groups who play an integral role in presidential campaigns, with many going on to form Athletic's board as part of the successful presidential team. This close connection was recognised by a member who claims, "the president selects his team before a vote had been cast, but there is always a feeling there are relationships, or maybe business dealings between members of the president's group - it's all seems above board because it has always happened like that, but you never really know how the group is formed" (Personal Communication).

This close connection on the newly formed board of directors highlights the historic relationships between individuals on the senior management team, as many have questioned the close connection between a president and his directors. Although Athletic is seen to govern the club with an air of transparency, the personal ties between directors from previous business interests and political alignment are unclear before the election process. Whilst members elect a president based on their vision for the next four years, the appointment of directors is based on a regional or political alliance, rather than on individual merit, skills or experience. Naturally, the nature of an election process draws out the political dimension, even in a sports context. As a club manager points out, “the directors are mainly professional people and they would not feel they are representing the interest of the club they love unless they challenge decisions, they do not feel are right”! (Personal Communication).

### **5.3.3. Future Challenges to the Governance Model at Athletic Bilbao**

There are several political, social and economic factors that continue to challenge Athletic as a members' club and may even affect how the board governs the club in the future. Primarily, the president's team is fundamental to the club's day-to-day operations, but they also make decisions on business-related activities, such as sponsorship deals, business partnerships and any new adventures (Sponsorship agreements with Kirolbet: September 2015). It is the board's responsibility to conduct business in line with Athletic's philosophies, but also to keep the club economically viable, both on and off the field. However, it has become more difficult to strike a balance between the riches on offer throughout the football industry and the club's historic stance against the over-commercialisation of Athletic members.

The steady rise of foreign investors in similar-sized clubs across La Liga continues to impact the president's reign of office, mainly on the level of commercialisation acceptable to members and strike a balance between profit and tradition (Presidents Press Conference: February 2015). Currently, the president has been in office since 2011 (7+ years) that provides the club members with a sense of stability and coincides with a successful period for the football team. At the same time, the current president has also overseen the construction of the new San Manes stadium. Members feel comfortable leaving the day to day running of the club with the current management team, as one manager points out, “the president understands the club in a particular way and runs

it with his heart, but if this was to change, maybe we could see an alternative approach – a more business-focused approach” (Personal Communication).

The current influx of new owners and foreign investors into other Spanish clubs reopen the debate around Athletic’s unique policies. Supporters view their philosophies in Spanish football as paramount to Athletic’s future success to retain La Liga status over other teams, which is said to be one of the club’s greatest achievements. Throughout the interviews, Athletic’s historic status in La Liga, as an ever-present since its formation, continues to be felt with a sense of pride amongst supporters and held up as one of Athletic’s greatest achievements. This was reiterated throughout the visits to Bilbao, even ridiculing Athletic’s closest rival, Real Sociedad with a popular joke amongst supporters, which asks “what does Sociedad have that Athletic do not?..... A second division championship!” More importantly, the threat to Athletic’s status in La Liga is real, due to the growing nature of private investors who have taken over similar-sized clubs and invested heavily in players due to their financial resources. This is the case at Valencia, owned by Peter Lim (Singaporean) at Getafe, which is owned by the Royal Emirates Group (Dubai) and at Malaga, which is owned by Sheikh Abdullah Bin Nasser Al Thani (Qatari). All of these clubs have increased spending powers from the riches a private investment, largely due to the introduction of the SAD regulation.

In reality, a concern throughout the interviews is that Athletic are only one season away from relegation, especially with the growth in competition within La Liga in recent seasons. This increase in spending in La Liga clubs was evident in the summer 2017 transfer window. Whilst, the rest of La Liga spent an estimate €617m to signed home and international players, Athletic paid out €3m for Ander Capp, a local player from neighbours, Eibar. This highlighted the disparity in transfer budgets between other clubs and Athletic, which was further compounded by the uneven financial distribution of the new three-year domestic TV deal signed by La Liga in 2016. It is believed the highest earner in terms of broadcast rights is Barcelona FC, which receive in the region of €150m per year, closely followed by Real Madrid who receives €148m (2016-2017 session). These clubs continue to take full advantage of their prestige in world football, which capitalises on the image rights of the world's best players, but under the banner a sports member club (Spanish La Liga New 3 Year TV Deal Worth €2.65 billion- 2016-19: February 2016).

Another challenge to Bilbao's local philosophies was the recent rise of Deportivo Alavés (promoted back to La Liga in 2015/16) and Eibar (promoted back to La Liga in 2014/2015), who are both situated in the Basque catchment area, under the cantera policy. Alavés have capitalised on private commercial investment permitted under their SAD status, which provides direct competition for a La Liga spot. Not only are Alavés and Eibar seen as competition on the field, but it also challenges Athletic's recruitment of the region's brightest youth talent. Unfortunately, the rise of Basque local clubs in Spanish football continues to heighten the fears amongst its members, as these pressures may see Athletic fall behind smaller clubs within the region. To reinforce Athletic's youth policy, which houses some of Spain's brightest young players, the club has invested heavily in the Lezama master plan (Athletics Training Facility) to increase the quality of its youth players and help nurture their progression into the first team (Club Referendum to all members concerning Lezama: December 2009). The club plans to invest €12m over 2-3 years to upgrade its central training facility, with an extra €21.5m to help toward the running costs for the 2014/15 season (Txosten Ofiziala; p146. 2015). As a supporter claims "it feels we had no other option, but to invest extra into the youth system because that is all we know, and all our philosophies allow" (Personal Communication).

Inevitably, further challenges lie ahead for Athletic as the European Union Commission continues to investigate the use of tax breaks to sport clubs across Spanish football. In a commission ruling, it was deemed professional football clubs must be run and therefore treated like any other commercial business, in accordance with all other economic industries that fall within the European Union. Margrethe Vestager, the EU commissioner, who led the investigation into football went on to claim, clubs continue to breach competition law, by "using taxpayers' money to finance professional football clubs can create unfair competition. Professional football is a commercial activity with significant money involved and public money must comply with fair competition rules. The subsidies we investigated in these cases did not" (European Commission: State Aid & Spanish Football: 2016, p. 1) As a consequence of the EU verdict, the Spanish Government, along with the Spanish football authorities continue to review the tax breaks on offer to Spain's four member-governed clubs, as it is claimed that non-SAD clubs continue to use "public money" offered with preferential tax rates, and this verdict threatens to eradicate the historic membership model from Spanish football.

#### **5.4 The Role of Supporter Groups and Associations at Athletic Bilbao FC**

Athletic supporter groups are called peñas and represent many of the micro afición (communities), who meet in local bars and restaurants throughout the city on match days. There are approximately 450 supporter groups currently affiliated to the club, which represent both official members with different rights, along with other local supporter groups who support the club but are not registered as members. Originally, the number of official club members was set at 35,000 and this group held the right to vote in elections and to attend games at the old San Mamés stadium (1913 to 2013). In 2013, the re-construction of the San Mamés released a further 10,000 memberships within the club and raised the total number of members to 45,000. As re-construction of the stadium triggered a 10,000 additional membership within the club, this has also led many to criticise the way memberships were offered to supporters. As a supporter went on to explain, “due to the number of members against the stadium attendance there is a small number of tickets left for each game and the waiting lists for new memberships are long” (Personal Communication).

Athletic’s 45,117 members have a direct relationship with other regional supporter groups that are affiliated to the club. The majority of these supporter groups are registered with the club and are situated within the Basque region, throughout Spain and now even on an international scale. After the revamp of the San Mamés, the extra 10,000 new memberships added to the 35,117 existing members were housed in a new stadium capacity of 53,000 with an addition of 13,000 seats (Press Conference and Assessment of the Draw: August 2014). It was believed when the club created these new memberships, the funding was instrumental in the early stages of the new San Mamés development to provide the capital investment needed to lobby the regional Government for planning permission and land acquisition to build the stadium. A manager points out the reason behind why Athletic used new members as capital investment to fund the early stages of the project and claims, “we included and needed help from new prospective members, so we asked new members to register and asked them to pay 30 euros each to lobby for funding of the new stadium and in return we promised they could become a member of the club and watch the games” (Personal Communication).

As a result, 10,000 investors became new members in the club and these are referred to as barria members (neighbourhood members), which entitles them to a seat to watch the games, but as a consequence only limited rights in the club's formal meetings (Barria members be allowed to vote in the upcoming elections: October 2014). This group of newly acquired members held different rights to existing members, as new members did not have the right to vote in their first election after the opening of the stadium, but they did have the opportunity to watch Athletics games for their annual fee. Throughout the interviews, it was suggested, while new members feel part of the club on match days and affiliated to the philosophies. It seems Athletic's newest set of members feel powerless, as other members get to elect the next president. This view was expressed by a Barria member from the last elections, who explains, "if you ask me the difference between being a member of Sociedad and Athletic, I see no difference – I pay to watch my team and other people are making my decisions in the club" (Personal Communication). The exclusion of Barria members from Athletic's voting process was believed to create tension and division amongst both sets of members. This is evident on match days when members are housed in different areas of the stadium based on the seniority of their membership status. A manager claims the different levels of membership has started to affect the atmosphere throughout the stadium going on to claim, "we had to work with the fans to improve the relationship as it's not easy to explain, but we had to talk to the groups to improve the things.....the atmosphere" (Personal Communication).

Historically, member-based clubs hold the full right to vote in elections have the opportunity to influence how the club governs. Aided by Athletic's member's constitution, the inclusion of members can contribute towards club decisions, who act as guardians to protect Athletic philosophies. To do this, Athletic uses the club's annual assembly as a reporting mechanism to offer the members the opportunity to review the previous operational decisions and to question the subsequent actions of the directors. These actions are presented in the form on a Txosten Ofiziala (official report) at the assembly and additionally, its directors provide a verbal report on why certain decisions were made. Whilst on the other side, it also acts as an endorsement, or as a method to challenge the president's style of leadership and the club's level of performance. An annual assembly also provides members with the opportunity to discuss different aspects of the club, as one manager points out, "the assembly is a good opportunity not only for the members to check

the records, but as the board, it provides us with confidence that we are getting things right off the field” (Personal Communication).

This transparent nature of the general assembly instils key governance principles, which check and balance the financial conduct of the board in accordance with club articles. As a result, this approach holds club directors accountable and promotes a sense of confidence amongst members that the board continues to make the correct type of decisions. To protect Athletic’s future success and sustainability, the members hold the responsibility to cast their vote an important process to protect the club or to ratify new commercial partnerships (New item on General Assembly Agenda: October 2014). This positions members at the heart of the club and is believed to protect the Basque’s footballing heritage, which acts as a critical eye over the president’s custodianship. As a member claims, “it would be a brave president that changed the club’s policies – many of the old members (senior) have been involved for years and long before most of the board. It will never happen in my lifetime!” (Personal Communication).

The introduction of members into formal mechanisms that report and approve club actions increase the accountability of supporters with governance processes that reflect their traditions. These views are seen as a method to monitor the individual action of a director with an air of accountability, particularly when the board makes critical decisions on behalf of the club and its members. Although Athletic make decisions from only a few individuals on the main board of directors, this offers a degree of flexibility when the club needs to make quick decisions. For example, the signing of a player, health and safety issues in the San Mamés or sponsorship deals. It is believed too much influence on the side of members may reduce the power of the president and limit his ability to make decisions or capitalise on any future opportunities, all to the detriment of the club. A supporter went on to explain the particular role of members in the club's daily operations and claims “we get to vote on some decisions, but we take these with great responsibility because if we don’t, we cannot question other people’s reasoning, or even the team performance” (Personal Communication).

Athletic's official regional supporter groups serve as a mini-election ground to put forward nominees for the club's main elections. These regional groups consist of "eight zones or regions, each one of these regions has delegates or representatives that constitute Coordinators who guard the interests of the supporter's clubs and their members" (Federacion Internacional de peñas Del Athletic Club: January 2017) Candidate's progress from a position on a regional supporter group through to the club's board, as this draws a sense of political alignment with its members and the new president. The evidence observed throughout the field visits to Bilbao suggest that prominent member groups continue to hold a strong political and social relationships with a president, before and after club elections has taken place. These relationships build a stronger line of communication between the board and members, which pull similar groups together with a similar localised political outlook. Such relationships form regional support from regional groups who nominate directors and presidential candidates for elections, as regional voters are ready to back their home-town election campaign (VII Congress of the Southern Athletic Club Supporters: November 2015). Backing your association's candidate at the time of club elections was evident when one member went on to explain, "normally each area has a president of a supporter group and these are the individuals that progress into the club elections – I always vote for the southern section because this is my community" (Personal Communication).

#### **5.4.1 The Relationship of Supporter Groups with Athletic Bilbao FC Model of Governance**

Club elections provide members with a direct link to those in charge of making decisions at board level, which is further reinforced from the rules written into the club's articles. Elections select members from regional groups to represent a body of supporters, but before nominations are ratified, the nominee's civil rights must be in accordance with the Basque regional government (Athletic Club Statutes: art 66). This offers access to the club for local people and the whole community's due to the open and transparent regional approach throughout Athletic. This approach reflects the bond between the members and how the club governs under the cantera policy which has become unique throughout European football. This policy mirrors the way Athletic governs and its relationship with the supporters and their role within the club. A club manager points out how the board governs the club on a daily basis and states "we try to make all the club's information available to members, some we had to keep confidential – we don't hide



everything and try to show this to the members with not only open access to information but the San Mamés and to open training sessions with the team” (Personal Communication).

An air of transparency resonates throughout Athletic in the way the club governs, this was further evident in the level of detail released by the club. The continued release of information is extensive throughout the club and is believed to help supporters understand why decisions and actions were taken by the board. This was felt throughout the interviews with club officials and supporter groups, as one affiliated member points out, “the club is ultimately run by its members and this makes us really feel part of the club – in particular, and most importantly it is the players and the team that makes us feel proud” (Personal Communication). However, the excessive sharing of information into the public domain can also have a negative impact on Athletic’s corporate affairs, the security of its people, assets and data. This open access to Athletic’s sensitive information can damage the future position of the club, particularly during contract negotiations, legal cases and can even impact on the team’s personal security (Laporte Contract Renewal: June 2016). Furthermore, this open approach to the club’s private information can leave Athletic open to future investigation, particularly on how a sports business can continue to sign highly lucrative sponsorship and land commercial deals (EU Commission Verdict, 2016).

An added complexity surrounding the sports business was the creation of the Mames Barria LM (lease rights) and SM (site & user rights) private limited companies created to construct and manage the new San Mamés stadium. These companies were approved by an Assembly of Associate Members at a meeting held on 23<sup>rd</sup> March 2007 (General Assembly, 2009). Both companies were created to build and operate the new stadium as a vehicle to raise capital investment from external shareholders (Company Overview of San Mamés Barria: Bloomberg, 2016). However, the use of private companies (construction & venue management business) to run the stadium, calls into question the nature of a sports club and starts to introduce shareholders within the confines of Athletic’s sports business.

In a way, many believe the creation of both companies compromise the democratic right of members, as directors of the holding board are appointed and not elected, which leaves members without the opportunity to contribute to their decisions. It is important to point out that members do have the right to review the accounts through the club's annual report, but with limited access to influence these companies. This is evident with 10% of the company's shareholding being held by external parties of the Basque Country General Administration (Incorporation of Basque Government, May 2010) and Kutxabank (Audit Report: San Mamés Barria SL, 2007-2014), which introduce external partners with a legal position into the club. A limited knowledge on the newly formed companies was evident when one member claimed, "we can see the profit and loss figures in the memoria oficial (annual report) and know that the club finance is good for this year and the next, but sometimes we don't know how we are going to get there, or what the plan is" (Personal Communication).

These limited companies have the power to increase commercial activities (sponsorship, merchandise and corporate matchday packages) as a corporate entity without the need to challenge Athletic philosophies or to change the articles that state the purpose of Athletic as a sports club. Athletic's general meetings do have the opportunity to review company accounts through the club's reporting channels (annual report/proposed budget for assembly approval), but the creation of the holding companies reduces a member stake from a 100% entity to 90%. In an interview, a manager explains the process that monitors these companies from within the clubs and claims, "the members have the opportunity to review and approve all of the club decisions, in fact, they voted on the creation of the company at an extraordinary meeting" (Personal Communication). However, a 10% shareholding in club assets (for example the stadium) offers external partners the proxy right to influence how these are managed as a private limited company (Ley de Sociedades de Capital: art 25. 2011). Furthermore, the use of share capital provides a shareholder with access to financial accounts and budgetary information, which becomes detrimental to Athletic's registration as a sports member's club (Athletic Club Statutes: art 19).

Athletic's operational decisions are made at board level, (business and football-related), while more strategic decisions are taken through the assembly (ordinary, general and extraordinary) and this mixed level of decision-making highlights the disparity in the rights of its members at certain points in the club's constitution (New item of the General Assembly, October 2014). As one member goes on to explain how supporters vote at the assembly "vote on each individual agenda item which has been raised on the day, not taken by the board, this is on a yes or no basis and in line with our rich history" (Personal Communication). Furthermore, this confusion is felt when a president and the entire board of directors are required to resign to trigger the formal election process, with a period where nobody is operationally responsible for the club (Resignation of Board of Directors and Assignment of the Management Committee: February 2015). An election committee is assembled to oversee the club's constitution, but it raises questions on the process of making urgent decisions, which limits Athletic both operationally and strategically during this period. Besides, the implantation of an entire board makes it difficult to implement any consistent approach to decisions, as the newly elected directors form their strategic plan when in position (Athletic Club Statutes: art 19, 23 & 54).

#### **5.4.2 The Power and Influence of Supporter Groups**

The election of a president and the directors provide the board with a mandate to conduct operations, along with the power to enact Athletic's decisions. Athletic members hand-over the club leadership responsibilities to the board, but this group of members continue to have an active role to ratify the annual report and to approve or reject the budgets for the new season. Such powers provide members with a position to govern under the articles and to monitor Athletic's financial accounts. As a result, the direct influence of members draws together a consensus on the club's direction, with an understanding of mutual respect between both parties. Athletic use governance as a tool to interact with members on key issues, which promotes a relationship based on open communication and engagement, along with the opportunity and challenge the action of those in power. This openness was reflected throughout the interviews as one manager went on to explain, "we have to listen to our membership that we represent and if they want to raise an issue we had to listen, even if we don't agree or it goes against the board aims" (Personal Communication).

The inauguration of Athletic's president acts as a figurehead to the club's board, who makes decisions within the confines of the club's article and rules. These articles present members with a multi-functional role within the club's governance, from the ceremonial passing of Athletic's mandate of power to the board, similar to the monitoring of the club's annual financial performance (Financial Records at Members Disposal: October 2012). A weakness with an inclusive approach to governance highlights the ambiguity in the accountability between both the board and its members and where the ultimate responsibility lies for failing strategies on and off the field. President Urrutia points out, "it has been difficult to maintain a balanced approach with the members, without being detrimental to future club success", Yet "we had a completed season, full of achievement and good news, but I do not want perspective work to affect our strategic plans, as members are the pillars of the club's future entity" (Txosten Ofiziala; p9. 2015).

However, Athletic members remain confused as to what types of decisions are taken at different levels within the club. While many decisions on the club's operations are taken at board level under the mandate of power, it questions how Athletic decide what constitutes a motion, or if formal constitutions are required at all to make certain club decisions (Evident with the motion for a seat change process: March 2015). This uncertainty resonates amongst Athletic members and was evident when a member went on to state, "sometimes it is unclear on the influence we hold over the club's decisions, it's good we get a vote on the boards, but also sometimes it seems like decision are already made and we are just ratifying previous judgements" (Personal Communication). This was felt when members were asked to vote on the naming of the pressroom at Lezama, yet do not have the ability to propose a new director outside the election period. There is a wider belief that members are only asked to vote to approve low-level decisions, after the event to reinforce board decisions. For example, the decision to use new members as a capital investment in the new stadium, which was made by the president, backed by the board and without any input from existing members (General Assembly: the pre-decision statement on the construction of the Barria private company, 2009).

The creation of companies with limited liability (San Mamés Barria) in conjunction with the Basque Government and Kutxabank incorporate both public and private shareholders into the club. There was criticism, mainly from the EU commission that the Spanish Government continue to supplement football with preferential tax rates as a sports club. Athletic's ambition for the two Ltd companies is to make the new stadium as profitable as possible for the benefit of citizens, private investment and the Basque government (First official meeting of the Basque government and Athletic Club: September 2009). This admission has a worrying consequence for the members at Athletic, as the sole purpose of the Barria companies is to service the stadium, where 45,117 members act as a key revenue stream at each home game. Nevertheless, members continue to have trust in the president and his balanced approach to Athletic's philosophies and commercial revenue. One supporter went on to state, "I personally trust the current president to run our club – we supported him on the field as a player and now we have to support each other off the field for the club's best interests, we see him as one of us!" (Personal Communication).

Even in the face of commercialisation, Athletic members still feel empowered at the club, as their vote elects the next president with similar football and business philosophies to govern the club. This close relationship between the members and its president can originate from regional supporter groups, or even carry over from a playing career. This is evident with the current president, whose members feel continues to make rightful and trustworthy decisions on their behalf. For the previous 8 years, this has been Josu Urrutia. However, the members are due to elect a new president in the belief a new board of directors will uphold the same traditions at Athletic Bilbao, as one supporter states "If we see the president doing a good job, or at least trying to do things rights like he said he would, then I and the member would vote for him again – better to vote for who we know, than who we don't" (Personal Communication).

## **5.5 Impact and Conclusion of the Case Study**

The case study protocol from the outset was to research two questions based on a theoretical framework of stakeholder theory. This framework explores how Athletic Bilbao govern their football business and the subsequent power, urgency and legitimacy of different supporter groups in the way a club governs (Mitchel et al, 1997). Therefore, this conceptual lens on Athletic's governance model provides a framework to identify the distinctive relationships between the club and various groups of supporters.

### **5.5.1 What are the fundamental factors behind Athletic's model of football governance?**

The model of governance at Athletic Bilbao and the role of its members are not unique within Spanish football. However, what separates the club from the rest is the cantera policy, which is written into the club's article of association. This policy is seen to protect Athletic's geographical position in the Basque region to only sign and develop local players as part of a sports member club. The election of a president and the directors onto the board offers key individuals the power under the mandate to govern Athletic's football business. Besides, the articles set out the roles and responsibilities of the directors and the role of members, who monitor annual reports and approve proposed budgets. However, the position of members within a sports club has been threatened with the creation of two private limited companies, which has handed over a 10% shareholding to the Basque Government and Kutxabank in return for financial and land investment. As a result, this creates the release of share capital to private and public partners, all in the drive to increase revenue within the stadium, yet it seems to the detriment of members at Athletic.

The way Athletic governs the business includes members at the heart of the club, with an air of openness and willingness to share information freely across internal and external environments. These beliefs provide members with an air of confidence that the president, along with his directors continue to make decisions in line with Athletic's unique traditions and philosophies. Such principles resonate throughout the club with the members issued with detailed information on why decisions were made and who voted "for" or "against" a proposal. The transparency and openness throughout the club even stretch to the daily access for supporters to the San Mamés Stadium and Lezama Training Complex. Although, Athletic should be commended on the nature of their

transparent release of information towards supporter groups, too much information sharing to those outside Athletic may be counterproductive and harmful to the business, personnel play and performance. For example, the publications of a player buy-out fee (Kepa buyout clause of €80mn triggered in 2018; Laporte buyout clause of €65mn triggered in 2016) has seen Europe's richest clubs sign Athletic players for a knockdown transfer fee, which was announced up to five-years ago to world football and fails to capitalise on the transfer growth across European football.

### 5.5.2 What salient influence (power, legitimacy and urgency) do different types of supporter groups have as stakeholders in Athletic's model of football governance?

The conceptual lens in the case uses power, legitimacy and urgency (Mitchell et al, 1997) to classify the salient influence of various supporter groups at Athletic, as a result of the club's model of governance (Table 5.1). Four groups of supporters were identified as part of the case study and are as follows:

Table 5.1. Classification of Athletic Bilbao Supporters as Stakeholders

<b>Athletic Supporters Types with Attributes</b>	<b>Power</b>	<b>Legitimacy</b>	<b>Urgency</b>	<b>Stakeholder Types</b>
Member with senior rights	Yes	Yes	Yes	Definitive Stakeholders
Members with junior rights (Mainly Barria)	No	Yes	Yes	Dependent Stakeholders
Supporter Affiliated to peñas but not Members	No	Yes	No	Discretionary Stakeholders
No association to the Club membership or peñas Group	No	No	No	Non-Stakeholders

Firstly, the typology identifies supporters who hold an active membership with the club and have full rights to vote in the presidential and director elections. Such rights instil this group with a sense of power to elect the next president to lead the board of directors, raise motions and approve financial reports and budgets. More importantly, Athletic's constitution provides a foundation to build a relationship between the club and these members, which legitimises the president's power to enact decisions on their behalf. Membership powers resonate throughout the club when their influence is needed in key decisions. For example, when issuing the president with the powers to enact decisions, approving or rejecting a financial set of accounts, or even setting the club's future budget. Evident, when this group of members is required to approve annual reports, which make this relationship urgent as it is stipulated within club articles and subsequent governance processes. Therefore, this group of members with full rights is deemed as definitive stakeholders, due to their position in the club's main articles and their ability to offer a mandate to Athletic's principal leader, the president.

Secondly, the typology identifies new members who have limited rights still have a role to play in terms of Athletic's articles and subsequently how the club is governed. These members do not have a vote in elections and have no power to elect the club's next president. This reduces the influence of this group to elect the next president, or to select individuals to sit on the board of directors. As a result, this group does not influence to endorse a president or to ratify the president's mandate of power to enact decisions on behalf of the club. In addition, Barria members were introduced into the club to fund the new stadium but offered these members limited rights in Athletic's decision-making processes. Therefore, new members with limited rights are deemed as dependent stakeholders, due to their active position in the club's constitution and their limited influence and power to that of the first group of members.



Thirdly, the typology identifies supporters who fall outside the club's articles and who are not formal members of Athletic but yet remain in an active regional supporter club (peñas). While this group has no position or power to influence club decisions, they remain legitimate supporters due to the relationships with their regional co-operators (high-profile members with senior rights). This secondary access to powerful individuals offers regional supporters the opportunity to vote in regional level elections, which can have an indirect influence on the selection of a presidential nominee. Therefore, supporters with peñas relationship are classified as discretionary stakeholders, due to the group's non-urgent position to influence club decisions.

Finally, the typology identifies a group of supporters who have the attributes of non-stakeholders, as they are deemed to have no affiliation to either the club or any regional or local supporter group. As a consequence, this group does not influence the club and is not influenced by how Athletic govern. However, the opportunity to join or participate in a regional peñas with access to local president offers this group a proposed link to the club. Therefore, although this group has been classed as non-stakeholders, they do have the pathway to build a discretionary relationship with the club with access to local supporter groups, as these are deemed to hold a legitimate stakeholder relationship.

## **CHAPTER SIX - A CASE STUDY OF FC SCHALKE 04 FOOTBALL CLUB**

### **6.0 Overview of the Case Study**

The case study has researched Schalke's model of governance to investigate the relationship that various supporter groups have with the club. This explores the different types of supporter relationships that arise from how Schalke governs, with a conceptual lens of power, urgency and legitimacy taken from Mitchell et al (1997), which will classify the stakeholder attributes of various supporter groups. Therefore, the case study from the outset explores two theoretical questions: 1. What are the fundamental factors behind Schalke's model of football governance? 2. What salient influence (power, legitimacy and urgency) do different types of supporter groups have as stakeholders in Schalke's model of football governance?

### **6.1 Case Protocol**

The case protocol has adopted a qualitative approach to explore Schalke within its real-life settings as a football club. This study will conduct semi-structured interviews with members of Schalke's leadership team and its supporters. These interviews were used to provide a primary source of data to reflect the thoughts and feelings of knowledgeable respondents and provide an insight into the club's key issues. An investigation into Schalke's statutes, official documentation and archived records has been used as evidence to understand the rationale behind how decisions are made within the club and the influence of different supporter groups. Additionally, the use of direct observations will analyse how Schalke governs its business operations and the indirect effect these actions have on supporter groups. In order to understand the influence that governance has on supporter groups, the researcher will explore the case evidence within the field. This aims the lens on different groups of supporters to understand the nature of their relationship with the club. These observations were made during field visits to the city of Gelsenkirchen, Veltins arena stadium and the surrounding training complex and the site of the old stadium at Parkstadion.

## **6.2 The History and Ownership at Schalke FC**

The region of Gelsenkirchen has been home to football since FC Schalke was formed as a club in 1904. Situated in the North Rhine-Westphalia state of Germany, football was introduced as a past time for workers from the local coal mining industry. The influx of workers to the city named a thousand fires, who housed some of Europe's largest collieries, which increased the population of the region from 6,000 inhabitants to an estimated 138,000 by 1900 (Discover World, 2017). This led to the merger of two cities, Buer and Horst, which turned the Ruhr Valley into an industrial belt and these new mining communities went on to supply many of the players and supporters at Schalke. Today, Schalke still maintain these traditions, as the club is nicknamed the miners (die knappen) with the steigerlied (the miner's song) still proudly sung before home games, which pays tribute to the bravery of local miners that were about to descend into the coalface. Schalke's historic spirit still resides in the Schalke's motto, "wir leben dich" (we live you), which was born out of respect and traditions of the local community. This sense of tradition was evident when a supporter explains, "we hold our mining traditions close to our heart and we hope that our team show the same passion and commitment as our forefathers"

Formally, the club was established by a group of schoolboys, named as Westfalia Schalke. Due to the age of the team, they failed in their first attempt to register for the main German football league. To address this, the football club merged with the gymnastic club of Schalker Turnverein 1877 but separated in 1915 to become SV Westfalia Schalke. Later, these two clubs re-joined in 1919 to become urn-und Sportverein Schalke 1877. In 1924, the club reclaimed its independence and was renamed as FC Schalke 04, going on to change the club colours from red and yellow to royal blue. During this period, the club was led by prominent figures such as Wilhelm Gies and Heinrich Hilgert-Wiegemeiste. Although the club had no official stadium or infrastructure, one thing was evident, the community at Schalke just wanted to play football. A club manager describes the importance of the club's traditional roots, which still resonates in the football club and points out that "Schalke are very proud of the history of the club from its mining background and the region, which is important to the people and which is still important to our working-class background as they identify with the club" (Personal Communication).

In 1926, Schalke was registered in Germany's highest regional football league, the Gauliga Ruh and the team achieved some early footballing success. In the 1920s and early 1930s, the club went on to win league and cup championships, going on to build their own unique style of play described by many as the Schalker Kreisel (the spinning top) (Milestones, Schalke, 2017). However, in June 1930 the success was short-lived when Schalke was banned from German football, due to the illegal payments, gifts and loans given to amateur players. Following on from this, in January 1933 a political movement named the National Socialists (known now as the Nazi party) became the leading political party in Germany. This had an adverse effect on Schalke as a football club, as the club's working-class background was seen as an outlet to spread Nazi ideology. The club's Jewish members were forcibly removed from their businesses and their role within the club. Most notably, Sally Meyer and Julie Lictman both textile manufacturers from the region were displaced by pro-Nazi sympathisers (Wachter et al, 2009).

At the end of the war, the club moved into the new Glückauf Kampfbahn stadium and joined the first German professional football league, as Schalke slowly started to recover after World War 2. Schalke went on to become one of the league's stronger teams and capture the German Championship in 1958. As a result of this success, Schalke was offered a place in Germany's newly formed national Bundesliga in 1963. In the early 1960s and early 1970s, Schalke supporters witnessed both promotion and relegation between Germany's football leagues. The team's inconsistent performance was also reflected off the field with several mismanagement issues, which left the club's finances in turmoil. As a result, Schalke had to sell their Glückauf Kampfbahn stadium to the local council of Gelsenkirchen to retain the club's Bundesliga status. Financial irregularities were further compounded with a bribery scandal that hit the club in 1971, which saw players bribed by opponents Arminia Bielefeld to throw a game to stave off their threat of relegation. Surrounded by controversy, 13 Schalke players were banned from football, while at the same time Schalke was labelled, FC Meineid (FC Purjury) as it was proven several players lied under oath at the subsequent trial.

From the 1970s, until the mid-1990s several key individuals have held a powerful position as the club's president and influenced the direction of Schalke's business and financial affairs. During this period, the club built a new stadium in 1973, the Parkstadion to host games for the 1974 World Cup in Germany. Yet, this investment still failed to bring Schalke any notable success both on, or off the field. As a result, Gunter Eichberg (the sun king) was appointed the club's president on 16<sup>th</sup> January 1980 with promises of increased investment and team success. This started his controversial reign at the helm of the club. At the end of Eichberg's term of office, which many called a dubious era of leadership, his actions left Schalke with a 500,000 Deutschmark fine for several violations to the club's license agreements (Traditions & Experience, Schalke FC, 2017). A supporter explains the sun king's reign at Schalke and claims, "at first we thought he would bring us success and maybe a league championship, but in the end, he did more bad than good" (Personal Communication).

Even during his short period as president in 1994, Bernd Tonnies (who died after only one month in position) he went on to make a lasting effect on how Schalke was to be governed in the future. It is believed, Clemen Tonnies went on and implemented his late brother's vision on how the club should be governed, which was influential when Schalke voted to change the club's constitution. At the time, there was a sense amongst supporters that the president was too innovative, as a role for supporters on a supervisory board was an unsustainable way to govern the club. One manager went onto explain the influence that members now hold within Schalke's current model of governance and points out "we say that the most important day in the year is the general assembly; they can elect the boards, the supervisory board and they still have the power to decide on decisions where they can say no we don't like this or yes we like this" (Personal Communication).

In the late 1990s and into the 2000s, Schalke's fortune has changed for the better, both on and off the field. On the field, the club has witnessed success in the German cup (2001, 2002 and 2011), runners-up in the Bundesliga (2001, 2005, 2007 and 2000), a UEFA cup win (1997) and qualification for the UEFA Champions League (2005, 2007, 2010, 2012, 2013, 2014 and 2017). Off the field, in 2001 Schalke moved into a newly constructed stadium, the Veltins Arena that accommodates 61,973 seated and standing supporters on match days. This success was reflected in the club's financial performance, when Schalke was named the 13<sup>th</sup> in a European economic league table, as a result of their revenue in 2014/2015 (Top of the Table, Deloitte, 2016). At the club's Annual General Meeting in 2016, Peter Peters, Chief Financial Officer announced that "in the 2015 fiscal year alone we made 22.5 million Euros profit, with a 264.5 million Euro turnover. That's a new record by a long way" (Peter Peters: Reliability pays out in hard cash, Schalke 2016)

### **6.3 The Principles of Schalke FC Governance**

FC Schalke 04, like other football clubs in the Bundesliga is required to comply with German Commercial Law (HGB). Legally, Schalke must comply with the HGB rules and regulations similar to other corporations, as football clubs are permitted to submit an audited set of financial statements to the German Football Association (DFB). These statements report on the financial year at Schalke, which commences on 1<sup>st</sup> January to 31<sup>st</sup> December. Schalke also presents an annual report at a general meeting held in May each year. Historically, Schalke has been regarded as a members' club, which incorporates other sports such as Basketball, Handball, Athletics and Table Tennis within its association. This inclusive nature of Schalke's association also incorporates many areas of the business, from arena management and right exploitation (immediate) to catering and merchandise (indirect). As a consequence, Schalke sports business activities and interests continue to work "within the meaning of the German law on clubs, societies and associations" (Mission Statement, Schalke, 2017).

At the heart of Schalke's model of governance is a set of constitutions, which outline the legal procedures and rules of the club, which comply with the district statute and set-out the roles and responsibilities of individuals, boards and committees. Schalke's supreme decision-making body as an association is the club's annual general meeting held in June each year (AGM). All members are invited to attend the AGM and vote on decisions in the following areas as set out in the club's constitution (Schalke's Constitution, art 6:1).

- a) Receiving the reports of the association organs,
- b) Discharge of the Executive Board and Supervisory Board,
- c) Election of the members of the Supervisory Board,
- d) Election of the members of the Honorary Council,
- e) Election of the members of the Election Committee,
- f) Appointment and dismissal of honorary members,
- g) Determination of membership fees and any special contributions of the members,
- h) Decision on the submitted applications,
- i) Decision on any change of the statutes,
- j) Decision on the dissolution of the association.

Schalke continues to uphold the tradition of an association, under the principles of the 50+1 rule, which still resonates firmly throughout the club and its membership. This means the constitution of the club disallows any single person (or company) from having more than 49% of the voting rights in the professional football club. Therefore, 51% of Schalke's voting rights remain with its members as natural persons as part of a legally binding association of supporters, which must abide legally and procedurally as part of the association (Schalke's Constitution, art 5, 2018). This society of members makes the supporters associations within Schalke into a Verein (V.e) with limited liability to the club's assets, yet without being personally liable for the club's actions.

Therefore, members of the club are legally bound under the club's constitution (article 5) and committed to the virtue and statutes of the DFB (in particularly the 50+1 rule), which makes the club membership as the majority group of owners within Schalke (supporters and association). Evident when one supporter claims, "it's important for the players to show the members, as the owners that they can fight on the pitch, we like it when we have good players to watch who can play quick and fast, but we also need some important players that replicate the supporters" (Personal Communication).

### 6.3.1 Constructing Governance at Schalke FC

The club bears the name, Football Club Gelsenkirchen-Schalke 04 eV, abbreviated to FC Schalke 04 eV (registered association or incorporated association). Schalke 04 is situated in Gelsenkirchen-Buer and entered the register of association for the district court in Gelsenkirchen-Buer (Schalke's Constitution, art 1, 2018). Although the club's legal registration is as an association (e.v), the group also incorporates several registered companies (gGmbH) and partnerships (Co.KG) with liabilities (KG) and limited liabilities (Co.KG) as documented in Schalke's following group structure.

Figure 6.1. The Group Structure at Schalke 04

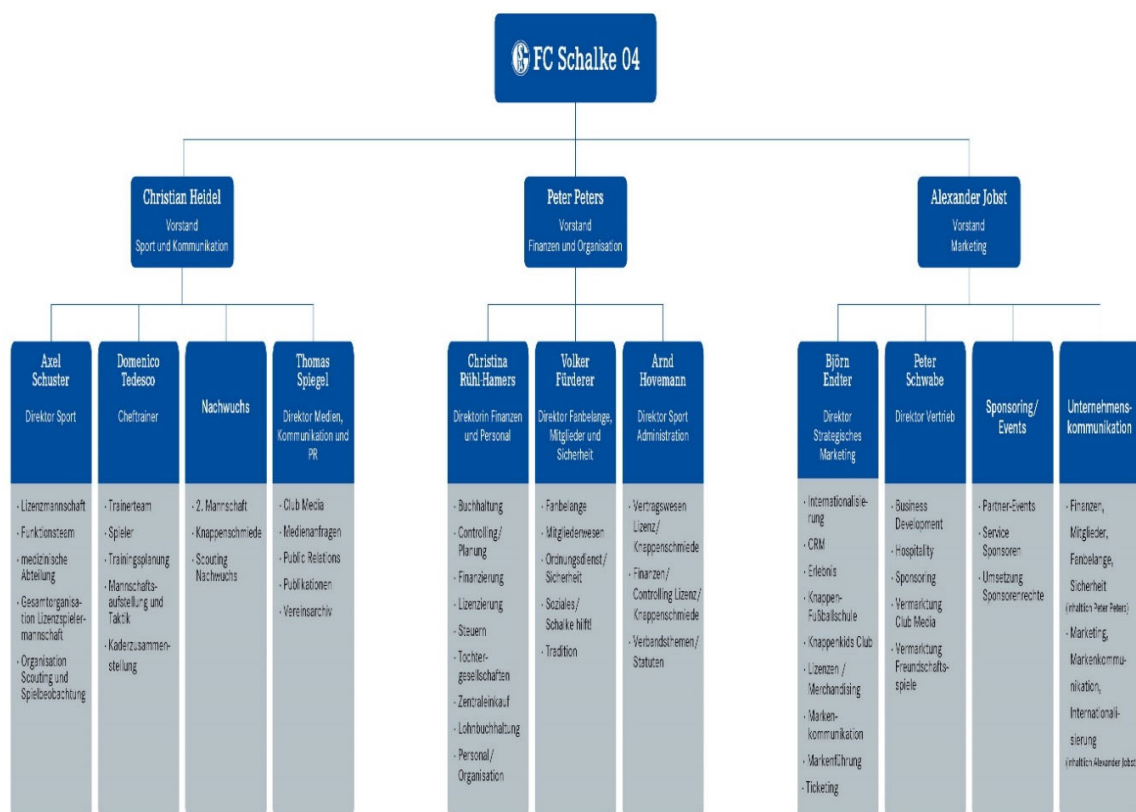


Source: FC Schalke 04 (2017).



FC Schalke 04, as a group of societies and corporations, is responsible for the executive board that governs the daily operations within the club as part of a wider organisational structure. This board consists of three members, who all have the responsibility for their areas of the business. For example, Schalke had three main areas, which are sport and communication, finance and organisation and marketing. These three areas of the association consist of 11 departments with accompanying managers who report to the executive board. The organisational structure governed by Schalke's executive boards is as follows.

Figure 6.2. The Organisational Structure at Schalke 04



Source: FC Schalke 04 (2017).

The executive board at Schalke holds the power to make operational decisions in line with the associated statutory obligations, along with the club's constitution. Executive duties include the independent action to take decisions on sport and economic matters, insofar as these powers do not supersede legal statutes or contravene Schalke's constitution (Schalke's constitution, art 8.5, 2018). The executive board can make decisions on behalf of the club, its power as an association was explained by one member who claims, "we signed with Viagogo the online ticket platform, the illegal black-market selling tickets and the members said that it wasn't possible to have a relationship with such a sponsoring company. So, then the club cancelled the contract, which proves that the members still have the power to influence decisions" (Personal Communication).

The executive board is the catalyst for Schalke's operations, procedures and financial plans and culpable for any damage to the club's reputation or liabilities. More importantly, the supervisory board at Schalke makes the appointment to executive positions, as a member explains, "the executive board represents the members, not the other way around" (Personal Communication). Schalke members have the responsibility to elect members to the supervisory board, who in turn appoint the executive board and monitor their performance, both individually and collectively. Annually, the supervisory board can review the club's procedures, financial plans and annual reports from the executive board, even holding the power to recommend their executive powers are discharged. A club manager describes the role of the supervisory board at the club and went on to explain, "the three managers (executive) need everything that exceeds €500,000 has to be agreed by the supervisory board, who also need to view the financial plan to see what they think and what the three managers are going to do over the next year; so I think it does work good, if it didn't work good, then Schalke wouldn't be as successful as it was at the moment" (Personal Communication).

Under the club's constitution, members hold the right to appoint supervisory board members on a 3-year rolling basis. Besides, the supervisory board also holds the right to self-appoint board members on behalf of the club. The construction of the supervisory board and its 11 members are as follows (Schalke's Constitution, art 7.1, 2018).

#### The Election Route of Schalke's Supervisory Board

- 6 members of the board are appointed by the club's Annual General Assembly
- 1 member of the board is appointed by the club's Sports Advisory Council
- 1 member of the board is appointed by the fan's club as an umbrella organisation
- In addition: 3 members may be appointed internally by the Supervisory board itself.

It is also the responsibility of the members at the general assembly to appoint the honorary council, which acts on its own merit, independent and free from any of the association groups or boards. This council consists of 5 members all over the age of 30 who have been registered club members for 5 years, with at least two members being qualified as a judge. This legal experience amongst council members' help to adjudicate "disputes arising from the exclusion of members and the imposition of sanctions on members by the Executive Board, as well as disputes with which the Honorary Council deals on request or on its own initiative" (Schalke's Constitutions, art 5:1). A manager goes onto explain the role of the council within the club is to offer a "solution to a regular court to deal with it (disputes between members); if members are also dismissed for racist behaviour then we ask for an honour report for a solution or can we find another way, but they are not so important for the daily work that's left to the executive" (Personal Communication).

In addition to club boards, Schalke's electoral committee conduct its affairs under their own set of rules and consist of eight elected members. However, the committee must act in accordance with the club's constitution (Rule of Procedure of the Election Committee, rule 1). The eight committee members are duly appointed by the general assembly for a term of four years, as each member must have been registered to the association for at least one year. Furthermore, these members must have interrupted service and an expression of interest needs to be submitted to the executive committee. The club's committee rules outline the responsibilities of the members and outline the selection procedure for election to Schalke's mainboards. More importantly, the committee governs the procedural aspects of club elections, which select, nominate and appoint various members in line with the constitution. A club manager illustrates the role that the committee hold inside Schalke's association and points out, "the election committee decides which people can be elected by the general assembly, there's a discussion that it may be too powerful, however, they (the members of the committee) are elected by the general assembly in a democratic process" (Personal Communication).

### **6.3.2 The Influence of Governance at Schalke FC**

Additionally, the club's organisational structure further influences how the club governs, in line with Schalke's constitution and general assembly. This assembly is the supreme decision-making body of the association and has the responsibility for:

- a. receiving the reports of the association bodies
- b. discharging the members of the supervisory board
- c. electing the members of the supervisory board
- d. electing members of the honorary council
- e. electing the members of the election committee
- f. appointing and dismissing Honorary Members and Honorary Presidents
- g. fixing the membership fees and any special contributions of the members
- h. deciding on the submitted motions
- i. deciding on any amendment of the statutes
- j. deciding on the dissolution of the association

The assembly provides members with the platform to influence Schalke as an association and has the power to discharge, elect and monitor the club's executive board, honorary council and election committee. Besides, the assembly offer members the opportunity to influence any change to the club's constitution. This was the case in 2017, when the members rejected a proposed change to the articles within Schalke's constitution, particularly around the role of the electoral committee and the subsequent rights of members. A member went on to explain the importance of member rights in the club's constitution and claims "this change would drastically change and reduce our powers and include unnecessary dependencies within the club, for example, the representative of the supervisory board should objectively and independently decide on possible candidates and not under the influence of the executive" (Personal Communication). These feelings were also replicated from within the club, as Peter Peters claims "the co-determination of the members is an important asset in the registered association. Therefore, we are happy to comply with the wish of our members not to reform the Electoral Committee and to vote for the vote as good as it is" (No interest in amendments to the election committee, Schalke, 2017)

Undoubtedly, the influence of the supervisory board at Schalke, headed up by its chairman has the power to appoint members, supervise board decisions, approve of land and rights acquisitions and even sanction legal transactions over €500,000 (Schalke's constitution, art 7:5). Yet, the club's daily operational decisions, both on and off the pitch are from appointed positions and not from elected boards, committees, or departments. Most notably, these decisions are by the executive board, from within departmental assemblies as part of the club's organisational structure. Operationally, the executive boards within 11 departments all have their own board structure as follows;

- Departmental Head
- Deputy Head of Department
- Sports Attendant
- An Assessor (Who acts for a period of two years, until departmental assemblies take place)

On first impressions, the responsibility to approve executive decisions on sport and business lies with the supervisory board, which many believe promotes good governance practices. Upon closer inspection, the roles of departmental boards replicate many areas of the supervisory board, which limits the club's ability to capitalise on presentable business opportunities in a fluent and complex football environment. For example, the executive board must endorse departmental decisions and subsequent transactions over €500,000 and after that, the supervisory board must offer approval or even reject the proposed business deal. Previous head coaches, in particular Felix Magath (head coach from 2009 to 2011) have expressed their frustration at the different layers of approval required just to sign a player or to renew a current contract. A manager explains the reason behind the structure at Schalke and claims "we had the Sporting department who have one seat (on the supervisory board) and I believe it's a nice mixture, so that the members' the fans, the Sporting departments and also the sponsors have a say on how to run the club" (Personal Communication).

Over the previous two seasons, several high-profile international players have left Schalke after their contract had expired under the Bosman rule and left the club on a free transfer. For example, Max Meyer free transfer to Crystal Palace in 2018, Leon Goretzka free transfer to Bayern Munich in 2018, Sead Kolasinac to Arsenal in 2016 and Joel Matip to Liverpool in 2016, losing the club millions of pounds in transfer fees. This led Liverpool's German head coach, Jurgen Klopp to claim the transfer of Matip went on to save Liverpool millions of pounds in the transfer market (Liverpool's signing of Joel Matip from Schalke, *The Telegraph*, 2016). A member went on to express their frustration at not keeping, or even financially to capitalise on Schalke's best players and states "we want the best players at our club, but even if these players want to leave we need the money to invest in other players to strengthen the team; I think we are behind some other clubs in the way we authorise our transfers policy" (Personal Communication).

While Schalke's constitution provides the mechanisms as an association to monitor and approve outgoing financial investment (acquisitions, legal transactions, financial outgoings and the signing of major sponsorship deals and capital investment), these decisions remain the sole responsibility of the executive board. Although, the multi-million-euro sponsorship and investment are not unique to Schalke, as the level of influence that comes with this investment is evident at Schalke. A club manager explains this power of investment at the club and their influence on the supervisory board and points out "we had an issue when Gazprom became sponsors, which is also over 10

years ago; a few members said you can't have gas for a sponsor anymore, but most of them said they give us good money, lots of money for this, so they have one seat on the supervisory board but they have no influence taking part in the meetings, so that's a good position for us the club" (Personal Communication).

Currently, these three appointed sponsor positions on the club's supervisory board are made-up from representatives of Gazprom (contracted club sponsors until 2022), a Russian Energy Company, Stadtwerke a German energy provider and a political/media consultant. A member went on to express concerns about the role of Gazprom inside the club's supervisory board and stated, "Veltins our sponsor for over 20 years do not have a role of the club boards to us (the members) it seems they do it out of love for their local club and this is mutual, but as for Gazprom there are many supporters who are saying they want to take over the club" (Personal Communication).

### **6.3.3 Future Challenges to the Governance Model at Schalke**

An influx of private owners and corporations has infiltrated several Bundesliga clubs as majority owners, mainly RB Leipzig, Wolfsburg and Bayer 04 Leverkusen, which has raised the uncertainty of member rights throughout Germany. In the case of Bayern Munich CEO Karl-Heinz Rummenigge claims "personally, I am in favour of leaving it to every club to decide whether they open the door on outside capital" (Bundesliga's 50+1 rule must end for clubs to compete – Rummenigge, ESPN, Sep 2017) A growing number of clubs, with Dietmar Hopp at Hoffenheim at the centre of the argument, continue to threaten and prepare legal action against the ownership rule to disband the 50+1 involvement of club members. A club manager explains the impact a rule change may have at Schalke and claims "if they will go to the court for sure there will be more problems than say having a rule in the Bundesliga, perhaps Hoffenheim will become the first club to go to the court to challenge the 50 plus one rule, but that is to be seen" (Personal Communication).

As the air of capitalisation continues to wash over German football, members in these clubs have started to voice their disapproval on how these clubs govern without their members. These groups have started to hold hostile protests and actions to protect their rights. This action was witnessed in a day of supporter action against the German Football Association (DFB) on 20<sup>th</sup> August 2017; this was fuelled by the rise of commercialisation, club takeovers and even the inclusion of China's under 20s squad within the fourth tier of German football. These concerns were raised throughout the interviews with Schalke members angry at the way the DFB has allowed certain clubs to capitalise on corporate wealth to the detriment of its own supporters. One member went on to claim, "at Schalke the club is owned by the members and we do the right things, but the majority of other clubs are now run by companies and the rich" (Personal Communication). It is believed that if the 50+1 door is firmly closed to accommodate private ownership, it would ultimately remove the power of Schalke's members overnight. As a consequence, a change in the regulation would forcibly remove Schalke's historic constitutions and leave the club open to a power struggle between the main sponsors to the detriment of its supporters.

Over the past decade, German football has wrestled to restore a balance between commercial value and the club's statute as associations. Certain clubs in the Bundesliga have opted to be governed under the interest of private owners, while others continue to comply with the 50+1 rule as an association. However, a wider threat to the association statute at Schalke and across other clubs is the 20+1 rule. This means that under German law, it enables long-term sponsors of over 20 years with the right to acquire a legal stake in the club's ownership. This has already been witnessed in other clubs, most notably at Bayer Leverkusen who are under the ownership of the global pharmaceutical company Bayer. A manager points out the impact that internal power struggles at other clubs have had on its members, as currently "at Hoffenheim there's a fight inside the Club between supporters and members and the board he (Hopp) is now 20 years sponsor of the club and when you have been a sponsor for 20 years you have a decision you can buy parts of the club; for example where the company run the club at Wolfsburg, who are owned by VW" (Personal Communication).



At the moment, the rise of private ownership is currently the expectation and not the norm throughout German football. However, as more Bundesliga clubs go on to trigger the 20 years sponsorship threshold, it pits the 50+1 (membership rule) against the 20+1 (sponsor ownership rule) and further threatens the role of associations across German football. In the context of Schalke, the club has two prominent partners who sponsor the club - Veltins, local beer manufacture and Gazprom, a Russian a state-owned energy company. On the other hand, Veltins have sponsored the club for over 20 years, but have chosen not to enforce the right to increase their role to owners. A manager further explains the relationship between this local sponsor and the club, “Veltins is 20-year sponsors and have been sponsors of our club, but Veltins is very popular here and perhaps it's like Adidas in Munich, so for them (members) it wouldn't be a problem if they bought part of the club” (Personal Communication). However, the goodwill from a local company not to enforce the 20+1 right to ownership, may not always protect Schalke members' association in the future. This may come from the partnership with Gazprom, which started in 2007 and their current contract is set to expire in 2022. Therefore, in 2027, five years after the current contract expires, Gazprom will have the opportunity to challenge the ownership model at Schalke, like Red Bull Leipzig, Wolfsburg and Bayer.

Currently, the governance structure at Schalke consists of three boards (Honorary, Executive and Supervisory) with a subsequent election committee and various spin-off committees. In addition, there are various sub-committees attached to the supervisory board, such as the Economic Committee, Express Committee for Sporting Decisions and the Participation Committee of the Companies. Along with the boards, the organisational structure has 11 departments, each with its own director and assembly. However, the number of boards and structure layers has raised concerns on each board's term of reference and the remit of each committee. As a result, Clemens Tönnies, the chairman of the supervisory board claims, “I thought we had all understood each other but we are far too concerned with ourselves and some are drawn to the questions of the constitutions and rules of the organisation; Unfortunately, attempts to achieve more togetherness and better co-operation have not been successful so far” (Achieving the best for our club, Schalke, June 2017).

Besides, previous disputes between members who mainly reside on the same board at Schalke's continue to highlight the need for professional roles and responsibilities to remove any tension from personal judgements. For example, the recent dispute between Clemens Tönnies and Dr Ing Andreas Horn was based on how the latter person persuaded the chairman of the supervisory board with unsportsmanlike and dishonourable behaviour. As a consequence, Dr Horn's suspension by the honorary board was upheld by the Higher Regional Court Hamm (i.e. the Schalke Ehrenrat determines against which rules of the club, the club members have violated in order to be sanctioned). Both representatives on the supervisory board hold the opportunity to represent different political agendas, siding with different stakeholder groups (supporters clubs and sponsors). This places the emphasis on individuals and not professional roles inside the board, which can further increase the risk of further personal disputes, as a member points out, "a few of the members on the supervisory board have spoken in the press like it's their own club, but it's not it's the members' club, they are there to protect the club's interests, not to profit individually from their role in the club" (Personal Communication).

#### **6.4 The Role of Supporter Groups and Associations at Schalke FC**

Historically, supporters at Schalke are members of the association, were under the 50+1 rule they continue to hold the majority voting rights at the club's general meetings. Currently, Schalke has 150,000 members who are also affiliated to an association, all with their own status as an eingetragener verein (V.e). One of the largest groups of members is the Schalke Fan Club Association (SFCV) originally formed on 12<sup>th</sup> August 1978 to represent 10 supporter clubs across the Gelsenkirchen area, which has now grown to represent over 90,000 members in 1,000 supporter clubs (Fan Club Association, Schalke, 2017).

As an organisation, the SFCV is a legal association in their own right, with legal responsibilities to comply with the court of Gelsenkirchen-Buer under the same status as FC Schalke 04. As a result, SFCV has its organisational structure that governs the association as follows:

- Executive committee
- Supervisory board/ advisory council
- District secretaries/districts

SFCV objective as the main supporter association is to represent their members at board level at general assemblies and in the public domain. The SFCV has historically held the position as Schalke's umbrella supporter organisation and in conjunction with the club's constitution offers its members greater powers. One of the main advantages to membership of the SFCV is their power to elect their own member internally to sit on FC Schalke 04 supervisory board. Written into the club's constitution, the umbrella organisation (SFCV) has an ever-present position on the board with protected status to represent the association. As a result, their position provides the opportunity to build a relationship with other individual members on the board and acts as a continuous flow of information on the background behind club decisions. A member of the SFCV went onto to explain the historic connection with the club and claims that "the umbrella organisation for the supporters was decided way in the past because we were the first organisation (supporters' group) to do work as supporter liaison officer for the club" (Personal Communication).

Similar to FC Schalke 04, the supervisory board at SFCV governs, controls and supports the main board to maintain a link between the members and the association's executive. This board consists of six members who represent local districts (four elected from members and two seeded leaders). A member explains the role of the supervisory board in SFCV organisational structure and states "we protect the history of the club and any changes need to get our approval as this is our club and any change without us would lead to massive protest" (Personal Communication). A common goal that resonates throughout 22 districts of the SFCV is a togetherness as part of a larger supporter organisation, which interconnects Schalke's 1,000 sub-groups from region to region throughout Germany.

Additionally, the use of district leaders provides the direct link between supporter clubs and the SFCV board. This network of leaders develops a platform to gather the thoughts and feelings felt amongst members, which contribute directly to Schalke's core values, key decisions and long-term strategies, via the supervisory board. As a result, members of SFCV have a direct link to Schalke's mainboard and with that comes the ability to represent the interests of the individual supporter groups and their members (The Blue Thread, SFCV, 2017). A manager at Schalke, went on to explain the important role that the SFCV plays inside the club and points out "these supporters have the opportunity to influence decisions not only at the assembly but during the week, or during the year as they just to talk with members of the board (SFCV board) and also members of the supervisory board; so they have very good connections with the supporters and it's a close connection" (Personal Communication).

Consequently, the SFCV is the main supporter group and deemed the umbrella organisation in Schalke's constitution, which provides 95,000 affiliated members with extra power and influence. However, this is not the only association to house large groups of members at Schalke. Three of the larger groups of members are Schalke Fan Initiative, Ultras Gelsenkirchen and FC Schalke Supporters' Club. However, these associations do not hold the right to send one of their members straight to the club's supervisory board, as they reside outside Schalke's umbrella organisation. One member went on to describe their relationship with the club, outside of the SFCV and claims "the main group (SFCV) hold more power in terms of board in the club, but we have more power in other ways and we know all our members personally if they are not committed to our Schalke family, they get asked to leave in the first year" (Personal Communication).

It is believed, there are many reasons behind the formation of different supporter groups at Schalke. For example, Schalke Fan Initiative was formed to tackle racism, Schalke fans-project group was formed to improve youth work and Ultras Gelsenkirchen was formed to represent the diverse fan culture at Schalke. Although these supporter groups were formed for many different reasons, all these associations continue to support Schalke's constitution. A club manager went on to explain how these unofficial groups can hold an influence outside of the club and claims, "we did have some major idea to change the constitution this time, but it didn't go through because we couldn't convince (the club require a  $\frac{3}{4}$  majority to pass a motion), the ultras and the others about our idea" (Personal Communication).

Currently, the number of supporter groups have increased in popularity and continue to influence their members from outside the club's umbrella organisation (SFCV) and started to play a prominent role in the club. Supporter groups with a notable number of members, influence and power outside the SFCV are as follows:

- Schalke Fan Initiative Ev ([Schalke Fan Initiative eV](#))
- FC Schalke 04 Supporters Club Ev ([FC Schalke 04 Supporters Club eV](#))
- Ultras Gelesenkirchen ([Ultras Gelsenkirchen](#))
- Schalke Markt (<http://www.schalkermarkt.de>)
- Schalke Fan project ([Schalke fan project](#))

While the majority of Schalke's members are affiliated to various supporter groups as previously discussed, there are also a number of supporters around Gelsenkirchen that do not affiliate themselves to any supporter association but remain members with the club. The reason for this was explained by one member who claims, "although I love the club and have been a member as long as I can remember, my local supporter club joined with the main supporter group (SFCV) and I just lost touch due to the politics between the different groups" (Personal Communication).

For example, Schalke registered its 150,000<sup>th</sup> member into the club during one of the field visits in December 2017. While the new member had always supported Schalke as a non-member, he went on to claim, "I've been a Schalke fan for 45 years now, my son already asked me why I'm not a member. Then I thought spontaneously today when I saw the recruitment, now I do it" (Schalke 04 has 150,000 club members, Schalke, 2017) The increase in member numbers over the previous seasons was believed down to the rise in Schalke popularity from the club's international base of supporters. Evident when one supporter who was interviewed as part of the field visit travelled from England to watch regular games at the Veltins-Arena and claims "I just don't get the atmosphere at my local club back in England that I do in Germany, plus what it costs me to travel, the cost of the ticket, food and drink, it's cheaper than watching a premier league game in England" (Personal Communication).

#### **6.4.1 The Relationship of Supporter Groups with Schalke FC Model of Governance**

It is clear from all the evidence gathered during the field visit to Gelsenkirchen, the SFCV who is named as the umbrella organisation within Schalke's constitution currently holds the closest relationships with the club of all its supporter groups. Firstly, the SFCV represents 90,000 of Schalke's 150,000 members and permits the group to a 60% share of club votes. This group of supporters are a principal decision-maker in the club, particularly when a vote is required. One manager explains how the club views the importance of the ongoing relationship between the SFCV and the club and points out "we don't always get the two-thirds majority needed to make the change because we're having such a good constitution that works so well for the club it helps the club so that's why we need to have a discussion with them (supporter groups) beforehand" (Personal Communication).

Secondly and again written into the club's constitution, the SFCV is the only supporter group with the right to internally elect their own member onto Schalke's supervisory board (mainly their chairman at the time). This offers the SFCV an ever-present place at board level, which in turn increases their influence in how the club is governed. Furthermore, this permanent position on the board means the SFCV representative has the opportunity to build a lasting relationship with all six of the club's representatives. Evident with the close natured relationship between the current chairman of the supervisory board, Mr Tonnies and the SFCV during his 23-year tenure (appointed to the board in 1994). A supporter of the club explains this close-knitted relationship between Mr Tonnies and SFCV and points out "he (Tonnies) controls the board that's their job, the chairman wasn't so popular for the active supporters because he's very powerful he has lots of money and also present in the media always talking he's the manager of the club, but he isn't the three guys on the executive board are paid by the club, so he's not so popular with the fan-clubs" (Personal Communication).

Finally, the club's close relationship with the umbrella organisation is evident on a daily basis at Schalke with the level of responsibility entrusted upon the SFCV. A club manager explains the role that the SFCV plays in Schalke's operations, "the big issue for all supporters groups is the tickets for the games both Home and Away as the umbrella organisation they get 1/3 of all the home tickets and all the away tickets, therefore they are in charge of distribution to the supporters

for that allocation of tickets” (Personal Communication). However, the disparity of power between the supporter groups and the preferential treatment of SFCV members has become a contentious issue amongst members outside the umbrella organisation. One member went on to criticise the different level of responsibility between different supporter groups and claims “we were part of the club but decided to come out as we didn’t feel the SFCV stood up for the real supporters as Schalke, now we are on our own and have younger members, I feel we have more power now than then” (Personal Communication). The inequality that is felt from supporter groups outside the umbrella organisation was evident with the rise of Schalke’s ultra-group, as historically the ultras have held a number of different relationships, inside and outside the club’s constitution.

Renowned throughout German football, each club has a group of ultra-supporters throughout the Bundesliga, which have become synonymous with the hooligan element within football. Yet, while on the surface this is also the case at Schalke, on closer inspection the ultras relationship with the club is more historic and in-depth than many others. Over the past decade, the main Ultra GE had changed their position and culture within its supporter group and become more organised than many other groups that are affiliated with the club’s umbrella organisation. As one manager from the club goes on to explain, “I think in the last 10 years it has changed and some other groups have come to the front. For example, the ultras, who I think maybe better organised and have other greater ideas, which seem to be more interesting to younger people” (Personal Communication).

Figure 6.3. Schalke's First Team Squad and Management with an Ultra GE Banner



Source: Ultra GE (2018).

Previously, the ultras fell under the banner of the umbrella organisation at Schalke, but in 2013 the group left the SFCV as in their opinion it no longer served the interest of the majority of Schalke's supporters. As a consequence, the breakdown in relations within the SFCV led to the resignation of Supporter Club and Schalke Fan-Initiative from the umbrella organisation. One supporter went on to explain why the ultras left the umbrella organisation and claims "it was a surprise to me that the ultras joined us at the time, but after the treatment in the stadium of the ultras by the police of Gelsenkirchen, along with other issues, it was a step too far for some senior members in its group" (Personal Communication). At the time, it was believed the SFCV became too aligned to the club and key individuals somewhat institutionalised and without the inclination to challenge how the club was being governed.

Currently, the relationship between the ultras and the club is much improved and some believe their influence is in the ascendancy to that of other supporter groups, even the SFCV. As one manager claims, "it could be that there will be a change (to the constitution) in two maybe three years and the supporters say ok the umbrella organisation is not powerful anymore, as seen with the ultra-group as they were part of the 100 supporter groups, but they came out of the umbrella



organisation, so it will be an issue for us” (Personal Communication). Although the ultras continue to work outside the SFCV, there is a growing acceptance within the club to introduce the group back in line with the club’s constitution. Yet, the difficulty the club has is the powerful position of the SFCV, who are deemed the umbrella organisation in the club. However, this also limits the opportunity for the club to capitalise on the influence of other external groups (namely the ultras) at the club’s general assembly.

In light of these constitutional constraints, the club continues to build ongoing relations with supporters via several member initiatives, which have been organised by Schalke’s executive board. Firstly, the Schalke Fans Project (SFP) provides an independent point of contact between the Schalke fans department and its members. As one member of the fans department explains, “the fans project is a team of social workers who are not employed by the club (funded by the Gelsenkirchen City Council) so they can work a little bit more independently and is another way of communicating to supporters” (Personal Communication). In addition, Schalke Help acts as the club’s outreach programme to engage the local community and build relations with club members, but those locally who have an affiliation with the club. A supporter explains the importance of an ongoing relationship between the club and the local community that Schalke represents and points out, “this is our club, the communities, just take a look around the training pitches and the stadium; it all belongs to the club and there's no other parties, so it’s important to work together as a family (Schalke members) for the benefit of the local area” (Personal Communication).

#### **6.4.2 The Power and Influence of Supporter Groups**

Ultimately, the power at Schalke lies with the supervisory board and it has become apparent that members affiliated with the SFCV hold more power and influence than other groups through their unique position as Schalke’s umbrella organisation. Although not officially named in Schalke’s constitution, the SFCV is recognised as the club’s umbrella organisation. As one member points out “we had been together as a group of members since 1978, we had supported the club through the bad times, we had the most members, so I believe it’s our right to have more powers than other groups and send one of our members to the club’s board (supervisory)” (Personal Communication). However, the rise of other well-organised groups with a younger base of ultra-

members and the fact the SFCV is not named in the club's constitution as the umbrella organisation continues to challenge their ever-present position on the supervisory board.

Furthermore, SFCV's constitution does very little to protect its status as an umbrella organisation and even threatens their future role in the club. In this case, when the members vote in an SFCV representative onto the club's supervisory board for a set period of four years in line with Schalke's constitution. However, the SFCV constitution fails to monitor or even challenge the position of its representative during their four-year reign on the supervisory board. While the weak performance from an SFCV member at a board level cannot lead to board de-selection, it has the possibility to threaten their future role to represent the members as the club's umbrella organisation. Particularly, with the influence of other groups into the club, as their vote (3/4 majority) is also required to make a significant change in the club's constitution.

For example, in 2017 the influence of minority groups outside the SFCV was evident when the club in conjunction with the umbrella organisation proposed several changes to the club's constitution. However, these constitutional changes were rejected due to the ultras and other groups voting together to defeat the motion. As one manager explains, "the ultras do still have a say in the general assembly because they have 1,000 people and it makes it hard for us if we want to change our constitution, they don't have a majority at the AGM. If we (the club) don't have a two third's majority no changes can be made, so we still have to talk to them" (Personal Communication).

Furthermore, the increased power of the SFCV members as part of the umbrella organisation is evident during general assemblies, when members vote to elect the other six supervisory members onto the board. Firstly, SFCV members vote for their representative onto the supervisory board, then secondly vote along with the rest of the members at the assembly on the remaining six places. As one member outside of the SFCV points out "it's true they (SFCV) do get to select their own people onto the supervisory board, but with their numbers they also get to influence the other members on the board each year, just look at their historic relationship with the current chairman of the supervisory board" (Personal Communication).

At the moment, the members are the club majority owners, notwithstanding their allegiance to alternative supporter groups, see themselves as an integral part of the club. Association status as an E.v with rights under German law and the protection of the 50+1 rule continues to reinforce their power and influence right at the heart of the club. One manager gives their opinion on the current role of members at Schalke, particularly in the wider context of German football and state, “there are other clubs, for example, Nuremberg right now in the process of outsourcing their professional team without the fans say, but the fans of Nuremberg say well we don't need to do this because look at Schalke and how successfully they run their club” (Personal Communication).

However, on closer inspection, there is still a strong sense that individual members within the Schalke’s supervisory board continue to influence how the club is governed. For example, the power of the supervisory board chairman and the position of Mr Kupriyanov from Gazprom, even the power of the founding Rojek family within the SFCV, who all continue to make local supporters nervous on their future intentions. As one member describes, “there have always been dark channels at Schalke and special budgets at the clubs” (Personal Communication). Although it can be argued members have a vote on budgets and decisions at the assembly and that members also hold a place on the supervisory board, in reality, there remains an imbalance of board members as supporters and those perceived as club representatives. Therefore, it remains to be seen if Schalke’s association status and the role of members become threatened in the future, but as a manager rightly points out “I think the 20 years sponsorship rule will be important but at the moment I don't think it's a problem here and perhaps Hoffenheim will become the first club to go to the court to challenge the 50 plus one rule, but if the State says it is not possible anymore because you are making 300 million Euros each year, it is not a sports club then they may change it by law, then we would have to find another solution” (Personal Communication).

## **6.5 Impact and Conclusion of the Case Study**

The case study protocol from the outset was to research two questions based on a theoretical framework of stakeholder theory. This framework explores how Schalke governs their football business and the subsequent power, urgency and legitimacy of different supporter groups in the way a club governs (Mitchel et al, 1997). Therefore, this conceptual lens on Schalke's governance model provides a framework to identify the distinctive relationships between the club and various groups of supporters.

### **6.5.1 What are the fundamental factors behind Schalke's model of football governance?**

Schalke's model of governance provides a framework for the club to maintain its status as an association. Schalke's registration as an association Verein (E.v) in conjunction with the DFB 50+1 rule, upholds the legal rights of supporters within the club and prevents the club from being owned by one individual or company. Besides, Schalke's constitution stipulates the statute, article and procedural rules, which set out the rights and duties of the members as owners in an association. Structurally, the four main boards at Schalke (one appointed and three elected) hold different powers to enact decisions as set out in the club's constitution. This means the association members are elected or appointed to these boards via several different routes. For example, supervisory board members are elected at the general assembly and appointed based on their expertise, a representative for a sponsor or a club executive. An added complication behind the supervisory board members has been the appointment of a Gazprom representative, who is believed to oversee club decisions. However, Veltins (local beer company) a club sponsor for over 20 years has no recognised position on the board. In 2027, Gazprom will reach the sponsor's threshold at Schalke (over 20 years) and unless the club takes steps to protect the association, the 20+1 sponsorship threshold may alter the way the club is governed in the future.

Schalke's general assembly is the supreme decision-making body responsible for the election of board members to approve budgets and set membership fees, but also to propose constitutional changes. The supporters at the club have a representative on the supervisory board to represent Schalke's 150,000 members. At the assembly members also have the platform to approve or reject how the executive has run the club in the previous year. As a result, members hold the right to

influence decisions at board level, which protects the interest of Schalke and upholds club traditions as an association. Besides, the SFCV has been deemed Schalke's umbrella organisation and as a consequence acquire extra responsibility within the constitution to represent all members at a board level. However, the rising influence of the ultras and other groups outside of the SFCV continue to challenge their umbrella status, as they have the power to block future constitutional changes, mainly on political and not practical motives.

#### **6.5.2 What salient influence (power, legitimacy and urgency) do different types of supporter groups have as stakeholders in Schalke's model of football governance?**

The conceptual lens in the case uses power, legitimacy and urgency (Mitchell et al, 1997) to classify the salient influence of various supporter groups at Schalke, as a result of the club's model of governance (Table 6.1). Four groups of supporters were identified as part of the case study and are as follows:

Table 6.1. Classification of Schalke Supporters as Stakeholders

<b>Types of Schalke Supporter Groups</b>	<b>Power</b>	<b>Legitimacy</b>	<b>Urgency</b>	<b>Stakeholder Types</b>
Supporters who are members of the club and the SFCV (the umbrella organisation)	Yes	Yes	Yes	Definitive Stakeholders
Supporters who are members of the club and alternative supporter groups (outside the umbrella organisation)	Yes	No	Yes	Dangerous Stakeholders
Supporter who are members with the club, but no affiliation to any supporter group	Yes	No	No	Discretionary Stakeholders
Non-members of the club or supporter groups.	No	No	No	Non-stakeholders

Firstly, the typology identifies a group of supporters who are members with the club and also affiliated to Schalke's nominated umbrella club, the SFCV. Dual membership offers this group of supporters a definitive role within the structure of the club, as part of the umbrella organisation. More importantly, these powers offer SFCV members the opportunity to appoint their own representative directly onto the supervisory board. SFCV group of members vote in general assembly's on club issues, elect board members and sanction club actions. SFCV's position as the umbrella organisation also legitimises this group of members through the club's constitution, which instils their right to influence decisions at a board level. Additionally, the umbrella organisation has 90,000 affiliated members across 1,000 district supporter groups, which makes these supporter groups an urgent avenue of consultation before any changes to the constitution. Therefore, these supporters are deemed as a definitive group of stakeholders due to their umbrella position in the club's constitution, their representative and power on the supervisory board and their majority held in general assemblies.

Secondly, similar to the previous groups of supporters, these groups of members are affiliated to the club and also to a supporter's group. However, this group of supporters are members of a group that works independently and outside the club's umbrella organisation. Therefore, this group is still active members within the club and hold the power to vote in board members and influence decisions made at Schalke's general assembly. Yet, the group's role outside the umbrella organisation reduces their legitimacy in the club's constitution, particularly when electing a member representative onto the supervisory board. Furthermore, the rise of the ultras and other groups require the club's urgent attention, particularly before any constitutional changes are proposed or accepted in the club. Nevertheless, this group of supporters are deemed as dangerous stakeholders due to their ungoverned role outside the club's umbrella organisation and the influence they hold at the assembly.

Thirdly, there is a growing number of supporters at Schalke, both nationally and internationally that are members of the club but have no affiliation to any supporter groups. These members are still entitled to attend and vote in the general assembly to influence decisions, but individually and not collectively as part of a group. In the main, these supporters attend home games and hold an impact on environmental factors at Schalke (stadium atmosphere and ticket prices) but without the legitimate role in the vast network of supporter groups. While these supporters still acquire similar

rights to other supporters as a club member, the nature of their intermittent relationship makes this group non-urgent to the way the club is governed. Therefore, the influence of this group of members who continue to be diluted within the membership of 150,000 and therefore deemed as discretionary stakeholders.

Finally, there is a group of supporters at Schalke who are not members of the club and therefore have no influence as a member. This group of supporters has no legitimate power to vote in club elections, or toward any decisions made at the general assembly under Schalke's constitution. Therefore, this makes their relationship non-urgent in the way Schalke is governed and their relationship has no influence on the club's future. Schalke's popularity both nationally and internationally has led to a growth in this type of supporter, who either attend home games or support the club from afar. Therefore, this group of members has been deemed non-stakeholders, as they neither hold any influence over the club nor are influenced by the way the club is governed. However, it is important to point out that this group of non-stakeholders still have a pathway within Schalke's model of governance to transform their power, legitimacy and urgency into definitive stakeholders, by joining the group of members within the club and at SFCV.

## **CHAPTER SEVEN - A CROSS-CASE FINDINGS AND RESULTS**

### **7.0 Chapter Introduction**

The chapter aims to draw together the evidence from the single case studies on Everton FC, Athletic Bilbao and FC Schalke 04 to explain the findings and results. From the outset, the six-step thematic analysis process has drawn on codes and themes to define different groups of supporters and their relationship with each of the club's model of governance. Additionally, the themes generated from the cross-case studies have provided the foundation to analyse similarities and differences and how they affect the findings. This approach draws on constructs and relationships from a distinct set of supporter groups (in single case studies) and advances theories by comparing similarities and differences among football cases (in multiple case studies) (Ridder, 2017). Therefore, these findings and results chapter draws together the themes explored by the single cases and the multiple analysis ascertain patterns, replication, or contradictions of findings (Starkey, 2010).

### **7.1 The Thematic Writing-up Process**

As discussed in the previous methodology chapter, the final report chapter draws together the two separate single case studies conducted at Everton, Athletic Bilbao and Schalke to transit the thematic knowledge from the single cases to prepare and present results that define the research questions. To do this, the findings explore five defined themes, sub-themes and codes, as these categories are explicitly linked to the raw case evidence. This research design explores the concepts of supporter relations, the thematic issues concerning data and the emerging governance issues in the clubs. Therefore, the next section interprets the five final themes to characterise and identify differences in the data, generate stakeholder typologies and map supporter connections, relationships and causality (Gale et al., 2013).



## 7.2 Theme One – Lack of Constitutional Clarity Leads to Weak Governance

The relationship that different sets of football supporters hold within Everton, Athletic Bilbao and Schalke, it was important to identify the distinctive elements of governance construction within each of the clubs (Table 7.1). From the outset, the single case studies explore the contrast between the governance models, from a set protocol built on a theoretical framework to explore the fundamental factors behind each model of football governance. To understand how each football case governs their responsibilities as a club, the single reports take into consideration the impact of different regulative and legal frameworks within three European countries. Everton FC falls under English Company Law, similar to any other business or corporation. Under the Act, a company is owned by share capital and in Everton's case, the principal shareholder is seen as the owner. A further complication highlighted at Everton is the club's main shareholding can be held by a holding company (Blue Heaven) and for all intent and purpose, the owner (Moshiri) fails to hold a position within the club's corporate structure and therefore holds no personal legal liabilities.

Table 7.1. Defining Theme One

<b>Theme Definition</b>	Lack of Constitutional clarity leads to Weak Governance
<b>Theme Description</b>	Limited and ill-defined legal consultations are the catalyst for weak governance structures
<b>Code Label</b>	Talks about how the club governs
<b>Key Issues arising from the Evidence</b>	<ul style="list-style-type: none"><li>• Too reliant on the statutory framework of governance</li><li>• Feelings of unlimited power for individuals</li><li>• Ill-defined responsibilities in club operations</li><li>• Mixed levels of transparency can have a negative impact on the club.</li></ul>

Athletic are currently one of three clubs in La Liga with protected status under Spanish law as a member's club and receive the benefits on offer to that of smaller sports organisations across Spain. However, the club continues to diversify the corporate side of the business, which was evident when Athletic started work to construct the new San Manes stadium. This resulted in the creation of two holding companies, named Barria (LM - lease rights and SM - site and user rights) that started to separate the club's management and hospitality in the new stadium away from its sports business. This suggests Athletic continue to benefit from two legal entities, namely as a member's club and a company owned by shares, yet still governed under the banner of a sports organisation. While in Germany, Schalke holds an association status (V.e) which also abide by the 50+1 rule of the DFB as the club continues to govern with its members by the way of the majority. It was evident from the case study that Schalke still adhere to the philosophies of an association and its members are entwined in the club's organisational structure and constitution. Similar, to other modern-day football clubs, Schalke has a number of registered companies attached to their corporate structure. Yet, more importantly, these companies are governed by the club under their association statute, as Schalke owns all its assets without any third-party involvement.

While from the outside, it may seem that both Athletic and Schalke are both governed in the interests of their members, particularly with the Basque only policy and the right to vote in their own president. The newly constructed San Mamés, has diversified Athletic's business and diluted the power of their members with the decision to create holding companies to build and service the new stadium. It may be argued the holding companies are governed by the club, but on closer inspection, a 10% offer of shares to influential partners, namely the Basque Government and Kutxabank reduces the financial assets of the members in return for financial and land investment to build the new stadium. Consequently, this agreement also offers partners at Athletic a position to influence the future decisions from within the club's corporate structure, as both are now shareholders and not merely sponsors.

### **7.2.1 The Role of Football Governance**

As a result of the case studies, the importance of the rules and statutes in the form of the articles of association at Everton, along with Athletic and Schalke's constitution are fundamental to the way each club governs. While all three sets of principles are comparable in the nature of a football club, the legal and regulatory responsibilities differ from case to case along with the jurisdiction of each board. This highlights the different ways each club governs as a consequence of club constitutions, which display a mixed approach to supporter interrelation, influence and powers. This is evident when Everton was compared to Schalke, which clearly shows a contrast in the way the latter defined supporters' roles, responsibilities and processes throughout the club. Therefore, the findings suggest a constitution outlines the responsibilities of a football club, which sets out the expectation of how the club must govern. Furthermore, it also outlines the steps that a manager must take at Schalke to uphold the club's historic procedures and processes, even the nature of the relationship with different groups of supporters.

These findings lead us to have a closer look at the role of senior managers inside the three different cases. The findings suggest that Athletic and Schalke go further than Everton to outline the responsibilities of prominent individuals and how much influence these hold inside the club. As a consequence, all three of the club's position prominent individuals into key roles on board of directors. For example, the president heads up the board of directors at Athletic and the chairman of the supervisory board at Schalke. However, a contrast between the case studies indicates the key positions on Everton's board use share capital to elect directors or to instil a representative to monitor their interests. This implies the dynamic that governs Everton's board of directors is based on the individualistic nature of share power and not through descriptive roles and responsibilities within a governance framework, similar to Athletic and Schalke. This has also been evident, in the absence of Mr Moshiri from the board who continues to make decisions on behalf of the club as the principal shareholder but remains absent from a position on Everton's board of directors.

Similar to Everton, Athletic has one main board of directors with the president used as a prominent figure, who is believed to influence the decisions at a senior level within the club. As the case studies point out, both Everton's owner and Athletic's president hold an air of authority over their clubs from within a structure that continues to influence business and sporting decisions. Yet in light of this, the evidence suggests Athletic's transparent nature of how it governs the daily operations differs from Everton, as the club offers open access to sensitive information throughout the season. This comes from the transparent nature of how Athletic share information from contractual details to sponsorship agreements with its members, which is seen to build a closer rapport with the groups inside and outside the club. Ultimately, Athletic members hand over the operational control to the board of directors and similar to Everton incorporate holding companies, which derive from the club's share capital. Therefore, the transparent and open way Athletic governs, along with the willingness to share crucial information on the club, portrays a sense of togetherness and reduces the areas of scepticism that can form between different groups of stakeholders.

At Schalke, it is clear the naming of supporters in the constitution increases this group's legitimacy as stakeholders, due to their role and responsibilities at different levels within the club. Similar to Athletic, the inclusion of members at Schalke resonates throughout the club as the supporters keep a continual position in the club's daily operations. Whilst there are parallels between the role of Athletic and Schalke members, since they both can review a board's performance and approve proposed club budgets at their general assemblies. A significant difference is that Athletic operationally removes the influence of its members from within the club after elections and can only influence the club at annual meetings.

As the evidence points out, Schalke members continue in an active role after their election process with a position on the supervisory board. This inclusive position enables members to influence and participate in governance processes, which benefits the club from a direct link to a core group of supporters. Consequently, the members of the umbrella organisation hold a position on the supervisory board and as an active board member have operational responsibility at a senior level. This offers the club an avenue to capitalise on their relationship between different supporter groups and networks.

### **7.2.2 Embedded Socio-Historical Environments of Club Governance**

European countries of England, Spain and Germany are steeped in football history and their clubs are some of the oldest in the world. Taking this into consideration, the final analysis draws on the history of the three cases to understand the origins behind how these clubs are governed today. Historically, Everton was founded in 1878, Athletic in 1898 and Schalke in 1904 and these clubs are some of the oldest football institutions throughout European football. It is believed these clubs hold a traditional relationship with their supporters from their local community, formed from being part of the industrial cities of Liverpool, Bilbao and Gelsenkirchen - evident when Everton was established to keep the local boys entertained outside the cricket season and at Athletic as a pastime for the local dockyard workers. Similarly, the rise of industrialism also helped to spread football throughout Germany, as Schalke went on to draw its players and local support from their mining community.

While all three clubs were originally created to serve their local working-class communities, it soon became evident that football was more than just a past time. Owning a football club became attractive to prominent local businessmen and entrepreneurs looking to capitalise on the growing popularity of football. Evident from the early investment into turnstiles at Everton made by their owner John Houlding, so the club could charge supporters to watch their home games. Even Schalke as an association has witnessed individuals making a profit off the back of the club, with the dubious reign of Gunter Eichberg (the sun king). While many believe the widespread mismanagement of club presidents throughout Spanish football led to the financial crisis in 1990 and the introduction of the SAD regulation.

Over the years, clubs have continued to evolve alongside commercialisation in the football industry. While, Everton has welcomed foreign investment into their club, which some believe needs to remain competitive, as Athletic has stayed true to its local members, mainly made up of the Basque region. Many believe the Spanish Government has protected the sports membership at Athletic, as in 1990 other clubs were pushed into the hands of private owners. Yet, Real Madrid and Barcelona are still members clubs and have become two of the richest clubs throughout world football, under a different model to the way Athletic governs under the cantera policy. Similarly, in the Bundesliga, while clubs like Schalke continue to protect the rights of their members, in

conjunction with the 50+1 rule, other clubs have opted for the lure of private capital investment. Therefore, there is a need to understand these environmental factors in the cases before we can truly analyse the different ways each club governs and the subsequent influence of each group of supporters.

### **7.2.3 Club Constitutions, Rules and Articles**

The findings from all three case studies suggest the constitutions at Athletic and Schalke and the Articles of Association at Everton are fundamental to how these clubs are governed. Constitutions set out the regulatory and legal requirements of a club, but also provide a set of rules, articles and process that stipulate how and what to govern. For example, the rules to elect the president at Athletic and the election process to vote supporters onto the supervisory board at Schalke. A common theme throughout the case studies was the wider set of roles for members in respected cases written into certain club rules. Evident at Athletic and Schalke, as both sets of members in the articles have stipulated roles to uphold the constitutional activities at the clubs.

The findings suggest at Everton, the absence or even an acknowledgement of any other types of stakeholders, other than key shareholders can limit the power and influence of groups with any type of legal responsibility under Company Law (minority supporter-shareholders). Although Athletic and Schalke both have legal responsibilities to abide by the Basque Country Sports Law and the court of Gelsenkirchen respectively, their articles also outline how to govern the culture and philosophies within each club. For example, Schalke includes the role and responsibilities of its football department within the supervisory board, while Athletic outlines the cantera policy (Basque only players) within their articles of association. Therefore, the findings suggest that Athletic and Schalke's constitution is not merely used as a document to stipulate its legal responsibilities, either individually or collectively as in the case of Everton, which sets the governance expectations for the whole club.

Taking into consideration the Everton case, the club's article of association holds a limited narrative on how and what to govern. Historically, throughout UK businesses, these articles are seen as a legal document stipulating the duties and responsibilities of its individuals. However, in the case of Everton, this means individual directors/shareholders, as their articles stipulate that the

power lies with a one share one vote rule to protect three main shareholders who own 70.96% of the club. Whereas, in the case of Athletic and Schalke their constitution sets out the nature of the business, through the purpose, mission, aspirations and relationship with different stakeholders within the local community. Therefore, these findings suggest that the articles at Athletic and Schalke set their own standard of governance through their constitution, based on how the club should govern. This inclusive narrative uses constitutions to set governance expectations, through a formal mechanism to govern the club, which challenges the actions of powerful individuals that act outside the club's formal structures and rules. For example, the honorary board at Schalke.

### **7.3 Theme Two - Ungoverned Roles on Boards and Executives**

All three football clubs have a recognised board at the top of their organisational structure, but the recruitment of representatives into senior roles without governance scrutiny (Table 7.2). Firstly, the director roles on the board at Everton result from the shares held in the club, as shown in director positions of Kenwright (12.16%) and Wood (8.9%). These share rights offer directors a position to protect their share capital and enforce their power as a result of Everton's one share, one vote rule in decisions made at board level. Historically, the Everton director with the most shares is seen to own the club, as was the case with Kenwright between (1999 to 2016) who was seen to make solitary decisions as a consequence of his majority status. However, the 49.9% takeover of Everton by Blue Heaven Holdings has changed the dynamics on the board, reinforcing the role of shareholder directors with representatives and professional appointments. An added complication has been the role of Moshiri, who openly acts as Everton's owner, yet has no position on the board. Therefore, the findings suggest that Moshiri continues to act outside of Everton's main board to influence the club and uses the banner of Blue Heaven and its representative to enforce his decisions.

Table 7.2. Defining Theme Two

<b>Theme Definition</b>	Ungoverned Roles on Boards and Executives
<b>Theme Description</b>	The key roles on boards and executives only incorporate a small number of individuals and exclude other legitimate groups of stakeholders
<b>Code Label</b>	Identifies issues around how the club governs
<b>Key Issues arising from the Evidence</b>	<ul style="list-style-type: none"> <li>• Executive powers to sanction decision fall to the few</li> <li>• Limited information on agendas, discussions and decision-making process at board and committee level.</li> <li>• No mechanisms to challenge decisions</li> <li>• Limited representation of legitimate stakeholder groups at an executive level</li> <li>• Weak consultation process when making club decisions</li> </ul>

Athletic have one mainboard, similar to that of Everton, but the dynamics on the board come from the election of a president, as club members issue their elected nominee a mandate of power. Since 2011, Jose Urrutia has been the elected president at Athletic and has been voted into position for two successive four-year terms of office, due to end in 2019. Additionally, Athletic's president presides over a board of 17 directors, who make decisions as a group on behalf of the members. This level of trust in the current president was evident throughout the interviews with all Athletic's members, aided with the team's success and the opening of the newly constructed San Mames stadium. However, under the club's articles, the re-election of the president takes place every four years and at the same time, the entire board is required to resign. This upheaval within Athletic, with a new board of directors, also has the possibility to threaten how the club is governed in the



future. As these proposed board changes may present a risk to the cantera philosophy, as witnessed with a change of football team coach in the past. Therefore, the decision to keep the local policy is dependent on the next president's future vision and direction for the club.

In contrast with a single board structure at Everton and Athletic, Schalke governs with the use of multiple boards. These consist of an honorary, supervisory and executive board, which elect and appoint members as outlined in the club's constitution and each board has its terms of reference. For instance, the executive board at Schalke's conduct business and football operations on behalf of the club. A notable difference in Schalke to that of Everton and Athletic is the use of a supervisory board. This board at Schalke has the power to control club appointments, authorise payments exceeding €500,000 and to review procedures, financial plans and annual reports on behalf of the association.

Another key distinction between the three cases is Schalke's unique position of its supporters on one of the club's mainboards. This role on the supervisory board offers the main umbrella group of supporters the opportunity to select one member to reside at a senior level within the club. However, while the majority of members commend the open nature of the supervisory board, many supporters remain sceptical on the role of Gazprom within the club. The constitution allows sponsor representative a non-executive position on the board to monitor Schalke's key relationships, decisions and strategic plans. However, the findings suggest while the financial investment made by Gazprom is welcome by the members, the motives of a state-sponsored company from Russia with a position of power on the club's mainboard remains unclear. As a consequence, members of the club continue to fear for the future of how Schalke is governed, as the association's sponsorship with Gazprom's enters into its 11<sup>th</sup> year - as in the future the company has the opportunity to acquire a stake in the club's ownership under the 20+1 rule.

### **7.3.1 The Role, Influence and Power of Club Executives**

At Athletic, the board of directors' acts as the club's executive and its seventeen members vote on operational matters, which hold specialist roles on the board. Elected by the members at the same time as the president, these directors work under the same mandate of power issued at the time of club elections. Athletic directors operate similar to that of Everton, as the board hold the legal responsibility to govern the football club, but also control the operational elements of the business. In practical terms at Athletic, the board initiate and implement their own decisions, in the belief that prominent directors continue to govern the club in line with their elected manifesto. Yet, the president at Athletic has unlimited power to influence the club's direction and therefore, decisions on the board. Aided by the close-knitted relationship with his directors, the president's position on how to govern Athletic policies, politics, philosophies and strategies remains unchallenged from outside the board during the four-year election cycle.

Along similar lines to Athletic, Everton also includes their executives on one main board of directors. On the first inspection, the inclusion of executive board members at a senior level seems to provide a critical eye on the actions of key shareholders. However, in reality, the executives on the board act as the owner's link to maintain control of club operations. As the findings suggest the position of executive members on the board only serves to implement the decisions already made by Everton's primary shareholders. Therefore, this suggests both Athletic and Everton are governed with the influence of powerful individuals, either by election or by ownership, who dictate club decisions under the guise of the board to maintain control of their executive powers.

The fundamental difference between the three cases is that Schalke's supervisory board appoints their executive as a separate entity to enact their own decisions, away from the main supervisory board that holds legal responsibility for the club. Schalke's executives are responsible for different aspects of the business and their actions are accountable to the supervisory board through the members at the general assembly. This suggests that Schalke's executive hold the power to control club operations as a separate entity, rather than as a vehicle to carry out the orders of individual directors, yet still accountable to the club's supervisory board.

### **7.3.2 Governing Club Decisions, Power and Influence**

The three cases suggest there is a notable difference in the way each club governs its decision-making processes, particularly in the way that power and influence are distributed throughout their structures. Firstly, Everton continues to make and disseminate the majority of its decisions at a board level. The power of director shareholders comes from a large share capital, which presents a small number of individuals with a position at the top of the club. Consequently, the power to make decisions reside with three main individuals, Moshiri, Kenwright and Wood. Although not present, a representative for Moshiri sits on the board of directors and there is little doubt the power lies with the principal owner. In reality, this makes Moshiri the key decision-maker at Everton, due to his majority shareholding and subsequent voting rights. The evidence suggests that implementing Moshiri's decisions through his representative has become the role of the chief executive, who resides on the mainboard to carry out operationally the orders of Everton's main shareholder directors.

Whereas, the election process at Athletic perceives to present its members with the power to elect a president and a board of directors. As a consequence, the evidence suggests that members with senior rights only hold the power to influence club decisions via the election process. While it can be argued these members continue to hold the power to make decisions after the election, which is evident at Athletic's general assembly, the findings from the Athletic case study suggest the role of members in club decisions cease when the mandate is transferred from the membership over to the president. Therefore, Athletic members become redundant and without a position to influence how the club governs over the four-year term of office, as this power now lies with the principal leader as the club's president.

Similar to Athletic, Schalke members hold an active role to elect prominent members onto the club's main supervisory board. One of the many differences between Schalke and the other two clubs was the ever-present position of the supporter umbrella organisation written into the club's constitution. Currently, the SFCV is nominated as Schalke's umbrella organisation as this comes with the power to influence decisions at a senior level, which offers this group a responsible role as part of the club's operations. For example, the power to distribute home and away tickets and to manage the largest group of members at games. As the findings suggest, Schalke continues to

make decisions under the banner of an association, yet the umbrella organisation fails to interact with groups that form outside the SFCV. Therefore, as the umbrella organisation does not represent the  $\frac{3}{4}$  majority required to approve a club motion, it makes it difficult for the club's supervisory board to make changes at a constitutional level.

#### 7.4 Theme Three – Weak Knowledge of Supporter Role and Responsibilities

The case studies explore the relationship that materialises from how each club governs and to identify the salient influence of different groups of supporters in their respective clubs (Table 7.3).

Table 7.3. Defining Theme Three

<b>Theme Definition</b>	Weak Knowledge of Supporter Role and Responsibilities
<b>Theme Description</b>	A club's model of governance can marginalise supporter groups from a meaningful relationship with their clubs
<b>Code Label</b>	Talks about the relationship between the club and its supporter groups
<b>Key Issues arising from the Evidence</b>	<ul style="list-style-type: none"> <li>• Supporters placed outside the club before the manager can engage with different groups</li> <li>• Lack of understanding of how to build a meaningful relationship with supporters</li> <li>• Unclear on the role supporter can take up to govern the club</li> </ul> <p>Diversity amongst supporter groups leads to disengaged groups</p>

A cross-analysis based on the evidence from single case studies draws together the findings, which contrasts different types of supporters in each club to understand the unique relations between the club and each group. To present the findings from each case, the supporter groups are aligned together so a comparative approach can assess their salient attributes in the context of each club (Table 7.4).

Table 7.4. A Cross-analysis of Supporter Groups at Everton, Athletic and Schalke

<b>Supporter Group and Club</b>	<b>Type and Description of Supporter Group</b>
Group 1 - Everton	Shareholder Association Members
Group 1 - Athletic	Members with Senior Rights
Group 1 - Schalke	Supporters who are members of the club and the SFCV (the umbrella organisation)
Group 2 - Everton	Groups of Official Affiliated Supporters
Group 2 - Athletic	Members with Junior Rights
Group 2 - Schalke	Supporters who are members of the club and alternative supporter groups (outside of the umbrella organisation)
Group 3 - Everton	Groups of Unofficial Supporters
Group 3- Athletic	Supporters Affiliated to peñas but not Members
Group 3 - Schalke	Supporters who are members with the club, but no affiliation to any supporter group
Group 4 - Everton	Groups of Unattached Supporters  (no official or unofficial relationship with the club or supporter groups)
Group 4- Athletic	No association to the Club membership or peñas Group
Group 4 - Schalke	Non-members of the club or supporter groups.

### **7.4.1 Group One Supporters**

This first group of supporters are classified as the most salient groups in each of the single case studies, as a result of their influence in how their respective club governs. At the heart of Schalke, is the first group of supporters who have direct access to influence the club's supervisory board. This influence comes from being a member of the club, along with the affiliation to Schalke's umbrella organisation. These powers are written into the club's constitution and membership of Schalke's umbrella organisation offer supporters more power, influence and responsibility to that of other groups in this study. Therefore, these findings suggest their position in the umbrella organisation instils and protects their right to influence key decisions, due to their ubiquitous relationship at every level of the club. More of interest to the research, this first group of stakeholders also hold the power to influence other supporter relationships throughout the club, which has the possibility to determine the salient attributes that other groups hold as potential stakeholders.

Supporters at Athletic also hold a prominent role as members and hold an influence on how the club governs. A key difference between Schalke and Athletic's first group of supporters is that the members hold a position with different levels of influence written into the club's constitution. During the election process, the majority of Athletic members have the opportunity to vote in the next president for a four-year reign, as the club's prominent leader. Members also have the opportunity to vote in directors to key positions on the board, which makes them primary decision-makers within the club. Therefore, the election process is seen as the way for Athletic to govern with members clearly influential every four years. However, as soon as members present the electoral mandate to a president, this group's power and influence diminish as decision-makers, which transfers their role into annual supervisors without the power to influence those elected to control the club.

Everton's first group of supporters are shareholders with legal rights, but small in comparison to larger shareholdings held within the club. However, the evidence suggests this offers supporters no powers to influence any decisions at a board level. As supporters with share rights have failed to gain a role on the club's main board of directors and these supporters continue as an organised group, but from outside the club. Ultimately, the board is governed as a result of Moshiri, Kenwright and Woods's higher share capital and majority vote. As a consequence, the previous conflict between the club and the shareholder association has revolved around a lack of communication and transparency at a board level. Although the club has opened a dialogue to improve relations with the shareholder association, this group remains outside of the club and any improved relations are dependent on the goodwill of the principal shareholder (Moshiri). Therefore, these findings suggest members of Everton's shareholder association hold more salient attributes than that of other supporter groups from their legal rights as shareholders, who turn into a dissident group from their activities outside the club. The evidence from the case of Schalke suggests Everton also have the opportunity to capitalise on a meaningful relationship with this group of supporters, who continue to show a willingness to take on more responsibility in club operations, similar to Schalke's first salient group of members.

#### **7.4.2 Group Two Supporters**

From the outside, all members at Athletic have been continually classified as club members, or non-members. Yet, the evidence points out that new Barria members hold a different type of relationship with the club to members with senior rights. A fundamental difference between supporters in groups 1 and 2 at Athletic is the right to vote in the next presidential election. While Athletic's first group of members hold full rights within the club, the remit of the second group only permits junior members with limited rights with mainly a seat to watch the home games and a vote at formal meetings. Ultimately, the election of their president is fundamental to the way Athletic is governed, but in reality, new Barria members hold no power or influence to elect who makes decisions on their behalf at the club. This indicates a type of distant relationship between some Barria members and the club, as they only hold a supervisory role at general meetings. Therefore, the position of new Barria members seems contradictory to the way Athletic governs, as this group of supporters are asked to approve the previous actions of the president, whom they have not elected or issued with a mandate to make decisions on their behalf.

Schalke's second group of supporters held a similar position to Athletic's Barria members since this group also approve the previous performance of those elected at the club's annual general assembly. In addition to these powers, this group of supporters reside outside the umbrella organisation, yet hold the power to elect candidates onto the supervisory board at Schalke, but not directly as in the case of the SFCV. This limits the ability of this group to influence decisions made at a supervisory level and also build a stable relationship as ever-present members, alongside other prominent board members and sponsor representatives. Furthermore, the rise of the ultra-group from outside the umbrella organisation also falls into this group of supporters and continue to challenge the prominent role of the SFCV. In terms of the club's model of governance, the evidence suggests the well-organised ultra-group of supporters, now outside the supervisory board continues to threaten the monopoly of the umbrella organisation. This threat can influence the club at a senior board level on how Schalke governs its operations with SFCV in the future.

In contrast to Schalke's and Athletic's groups covered previously in this section, Everton supporters in group two hold a limited role in the club. Although, this group of supporters are deemed as stakeholders within the Everton case study, similar to the other two clubs. There is a notable difference in this group's ability to initiate any type of relations with any directors at a board level, mainly due to the distance of their relationship from a position outside the club. This evidence suggests this group has taken up a role as consumers in Everton's model of governance, due to the nature of the club's membership scheme. This scheme drives season ticket/merchandise sales and mirrors the agenda of the fan forum, which decides the topics up for discussion around the club's commercial activities. Furthermore, as Everton's first group of supporters fail to gain a position to influence the club even as shareholders, the second group of supporters start from a reduced position highlighted by the typology. Therefore, this second group at Everton hold no powers to influence the board's decisions, which limits their role to that of a consumer group.



### **7.4.3 Group Three Supporters**

As expected, the influence of supporters that fall into this third group reduces in comparison to the others, due to the use of stakeholder typology. However, the attributes and relations of this group of supporters, in conjunction with how their club governs continue to draw findings that are of interest to the study. The case studies recognise the different salient attributes of supporters that form within each club, yet when contrasted against similar groups across the cases the nature of their influence starts to change. For instance, as Schalke's first group holds a prominent position at board level and the power to influence key decisions, this strong position raises the benchmark for other subsequent groups of supporters. Therefore, Schalke's third group of supporters continue to hold more power to influence their club than Everton's first group and Athletic's second group, due to their strong position within the club. This influence at Schalke results from the strength and organisation of the club's network of supporter groups within club operations, as it is believed Schalke members continue to feel part of an association even without any official affiliation to a supporter group.

At Athletic, there is a notable difference between the influence of members in group one and this third group of supporters, as the club has a limited number of memberships (senior and junior rights). The waiting list for prospective members is lengthy and registration into one of the penas seems the only viable option for supporters to feel part of the club. Pena groups offer Athletic supporters an alternative to that of club membership, mainly due to the limited spaces on offer at a club level. In a sense, the findings highlight the strength of Athletic's external supporter networks, which mainly represent the local football communities around Bilbao. Therefore, the evidence suggests the majority of Athletic supporters in this group are forced together, largely outside the club's constitution to ally with a local or regional group. Furthermore, these supporter network offers the only avenue into the club for non-members to legitimise their relationship with Athletic.

Whilst, at Everton this group of supporters hold the least amount of power, in terms of their position to influence how the club is governed. As a result, their position as the least influential group of supporters has extracted several unexpected findings, mainly from the group's unidentified role in the club. The group has used this obscure role from outside the club for their advantage to build a network of unofficial supporter groups, namely Toffee Web and When Skies Are Grey. These unofficial supporters also act as protest groups against club actions. However, the evidence suggests, the club is happy to continue with this group of supporters as a protest group and to encourage the group to act outside the club. Evidence from these case results suggest the board at Everton have failed to capitalise on this channel of supporters as it represents the majority of groups at Everton, yet the club are happy to dismiss their concerns as merely disruptive action.

#### **7.4.4 Group Four Supporters**

Taking this group into consideration as a collective, these supporters across all three cases continue to hold no influence and are deemed not to influence their respective clubs. In the case of Schalke, this group of supporters does not hold a position as members of the club, the umbrella organisation or any of the unofficial groups. However, they do hold the power to change their relationship with the club as a result of how Schalke governs, which still offers this group of non-stakeholder supporters an opportunity to access the club with a position of influence. Critically, this places the emphasis on supporters to decide the level of relationship with the club and removes the assumption that it's the club's sole responsibility to engage supporters. This is evident, as Schalke supporters in group four still hold the capability to progress their relationship into group one and therefore increase their power and influence within the club.

From the outside, it seems Athletic's fourth group of supporters have the same access into their club as Schalke members. Yet, the evidence suggests the way Athletic governs can prevent similar access to a group of non-stakeholder supporters. Firstly, as Athletic members hand over the mandate of power to a president every four years, this reduces the contact points for any of the member groups to influence its operational decisions. Secondly, Athletic operates a two-tiered membership scheme with limited numbers that offer senior and junior rights, which from the outset marginalises one group over another group. Furthermore, the evidence suggests that Athletic's Barria members in group two, continually fail to get the club to upgrade their rights to the same

level as senior members, which seems at the discretion of the president (evident in the previous two elections). As a consequence of these factors, Athletic's fourth group of supporters do not have the opportunity to progress their relationship into a higher salient group and therefore had no clear pathway to increase their influence, due to the limited amount of memberships on offer in the club.

The way Everton governs also prevents non-stakeholder supporters from an access route to upgrade the nature of their relationship with the club. The findings show non-access to non-stakeholders occurs in the first group of supporters at Everton, the fourth group at Athletic and at no time at Schalke. Furthermore, the evidence from the case of Everton suggests the principal owner continues to act outside the board of directors and therefore outside the club. This indicates Everton's approach to governance revolves around a small number of key shareholders, who continue to view supporters as protest groups with no direct lines of communication or relationship with club directors. Overall, these findings seem to suggest that the way a club governs has the opportunity to interact with non-stakeholder groups and let them decide the nature of their relationship, the level of responsibility and subsequent influence of their groups within the club.

## 7.5 Theme Four – Limited Knowledge on the Influence of Different Supporter Relations

The first sets of analyses on supporters examine the position and influence of different groups as a result of the way each club governs. Throughout the research, the evidence suggests that each set of supporters hold several different relationships within their club (table 7.5).

Table 7.5. Defining Theme Four

<b>Theme Definition</b>	Lack of Understanding of Supporter Relations
<b>Theme Description</b>	Clubs are falling to capitalize on the business and operational benefits of an active supporter relationships
<b>Code Label</b>	Describes the role of supporters in club decisions
<b>Key Issues arising from the Evidence</b>	<ul style="list-style-type: none"><li>• Unstructured supporter groups prevent an active role inside clubs</li><li>• Missed opportunities by clubs to use supporter groups as an operational resource</li><li>• Failure of clubs to understand the beneficial attributes of supporter relations</li></ul> <p>Weak communication and engagement by prominent members within clubs</p>

Therefore, the case findings start to identify different sets of supporters, but it is also important to analyse the attributes of each of these groups to deepen the knowledge on their relationship and influence within their clubs as stakeholders (Table 7.6).

Table 7.6. A Cross-analysis of Supporter Groups and Relationships at Everton, Athletic and Schalke

Definitive		Dependent		Discretionary			Dangerous		Non-Stakeholders
Athletic - Group 1	Schalke - Group 1	Everton - Group 1	Athletic - Group 2	Everton - Group 2	Athletic - Group 3	Schalke - Group 3	Everton - Group 3	Schalke - Group 2	Everton, Athletic & Schalke - Group 4

### 7.5.1 Definitive Groups of Supporters

Athletic and Schalke's first group of supporters are deemed to hold a definitive relationship with both clubs. From the outset, Schalke supporters with a membership with the club and the umbrella organisation have a representation on the supervisory board to make decisions at a senior level. This definitive position within the club is further reinforced by the club's constitution and any changes to the rules on how Schalke governs require buy-in from this group of supporters to sanction any changes to these rules. However, the findings suggest the 20+1 rule continues to pose a real threat to their definitive relationship to influence the club, as sponsors in the near future and present-day have the opportunity to take control of the club and bypass Schalke's historic constitution.

In the case of Athletic, the first group of supporters are also deemed as definitive, but from a different set of group attributes and relationships. While Schalke's members hold the power from their position within the club and the constitutions, Athletic's possess the power to elect a president and directors to govern the club. Throughout the election process every four years, the president builds a close relationship with this group as part of an election campaign. Once the election process concludes, Athletic members only hold influence to approve the club's financial budgets and during one-off motions. In a contrast between both clubs, it suggests while both of these first groups are deemed definitive, the level of influence differs from that of Athletic members, who do not hold any power to influence club operations, as in the case at Schalke.

### **7.5.2 Dependent Groups of Supporters**

Moving on, Everton's first and Athletic's second group fall into this category, as their relationship was deemed dependent within both clubs. In the past, the action of Athletic second group of members has reflected the second-class position in their respective clubs. The classification of Athletic's supporters in this group reflects their position in the club, as this results from the club's capital investment strategy. This was because these members were used as a way to raise the investment to lobby and finance the new San Manes stadium. As a consequence, these Barria members were welcomed into the club, but with limited rights as junior members against Athletic's first group and with no powers to elect the next president. The evidence suggests, while this group of supporters are dependent on the club, the club are also dependent on these members, due to their role in the new stadium that can affect the profitability of the holding companies. It is apparent from the analysis, this group of members hold a dependent stakeholder relationship with the club, which also become dependent on Athletic's first group of members to elect the president to govern the club.

The introduction of Everton's first group of supporters presents several interesting findings when contrasted against the attributes of Athletic's dependent group of supporters. At Everton, supporters do not hold a recognised role in how the club governs either within the articles, structures or in the operations, but does hold influence as minority shareholders. While the power of minority shareholders is recognised under the Companies Act, this is not the case at Everton as minority shareholders become dependent on the principal shareholder (Moshiri) to govern the club accordingly. Individually, this group of supporters hold no power in one share, one vote system at board level, but the rise of the shareholder association has scaled up their power and influence as a group. Yet, the evidence suggests Moshiri is also dependent on this group of minority shareholders, which maintains his sole power as Everton's principal decision-maker from only 49.9% of club shares to prevent the other 50.1% majority falling into the hands of a new investor.

### **7.5.3 Discretionary Groups of Supporters**

All three clubs have supporters that fall into this category but under at different levels. Firstly, the relationship between Everton's second group of supporters and the club arises from their role on the fan's forum. These relationships are at the discretion of the club, along with the type of matters up for discussion at monthly forum meetings. Although the forum is within the club, in reality, this group has no real power to influence any decisions made at a senior level. Therefore, this forum uses supporters in a discretionary nature to gauge their feelings and experience as consumers. In contrast, Athletic's discretionary group of supporters come from their membership outside the club, but as members of local pena groups. This relationship forms from the direct link to members with senior rights who form part of a larger group, which in turn increases their influence on the club by association. Therefore, the evidence suggests, this influence arises from the group's ability to vote in regional elections and nominate a candidate for the presidency to represent their hometown region.

Following on, Schalke's third group of supporters hold a different set of attributes to other discretionary groups in this section. Although this salient group at Schalke is classified as the third salient group within their club, these supporters still hold influence as club members. Surprisingly, the relationship between this group and the club only comes out as discretionary, even with their power to elect a supervisory board member at Schalke. Yet in reality, these members only have the power to attend and vote annually at a general assembly and do not contribute throughout the year in operational decisions. The results from this group of supporters suggest their influence forms outside the umbrella organisation and therefore, this group does not have the right to elect a supporter directly onto the supervisory board. Consequently, this group even has a limited influence at the club's assembly, as the majority vote always resides with members inside Schalke's umbrella association, namely the SFCV.

#### **7.5.4 Dangerous Groups of Supporters**

In the dangerous category are Schalke's second group of supporters, who are members of the club. This group is affiliated with supporter associations that form outside the club's umbrella organisation. One of the most influential groups is the Ultras, who are seen to influence the club from outside the SFCV. However, the Ultras continue to act outside the club and the umbrella organisation, yet even with relatively small numbers in comparison to the SFCV, this group continues to hold a growing influence in the club. The dangerous powers of this group were evident in a recent motion to make changes to the constitution. These changes were refused, largely because the Ultras voted against the club and the umbrella organisation. Furthermore, the Ultra movement continues to embody a younger group of members at Schalke from their own initiatives, namely Forward North Curve, which continues to challenge the internal dynamic amongst the club supporter groups. This evidence suggests the Ultras numbers and influence continue to rise from outside the club and the SFCV. The Ultras' influence is dangerous to the future role of the umbrella organisation and important constitutional change, as the in-fighting between both groups opens the way for sponsors to capitalise on the 20+1 rule, namely Gazprom.

Similarly, Everton's third group of supporters are also deemed as dangerous, but from a different set of attributes. Whereas Schalke's Ultra movement can influence decisions as part of the club's association, this group of Everton supporters are dangerous from outside the club. This power results from a group of supporters who can influence the club by protests and unofficial action, normally aimed at Everton's commercial activity. Indirectly, the unpredictability of these supporters and their position outside Everton continue to empower a group by the actions taken at a board level. While the evidence shows that clubs continue to label these supporters as protesters, the findings suggest the way Everton governs this group outside the club as protesters increase the dangerous nature of their actions.



## 7.6 Theme Five - Ungoverned Groups of Non-Stakeholder Supporters

Unsurprisingly, each club had its own groups of supporters classified in the case studies as non-stakeholders and it is believed these groups hold no power to influence how the club is governed (Table 7.7). In the case of Schalke and Athletic, these supporters are also non-members within the club and not formally affiliated to any supporter group. One of the key findings to emerge from the case studies was the different levels of access offered to different groups of non-stakeholders between the clubs to influence how the club governs. In the case of Everton, none of the club's four groups holds any position to influence how the club governs and therefore, these supporters had no access to change their relationship with the club. At Athletic, the proximity of the club's non-stakeholders to full members as regional penas does offer this group access to increase their salient relationship into a discretionary group, even without the added benefit of being a club member. Furthermore, this access also allows non-stakeholders at Athletic to become definitive or dependent stakeholders as a club member, but this is limited by the number of new memberships released by the club, which makes them difficult to obtain.

Table 7.7. Defining Theme Five

<b>Theme Definition</b>	Ungoverned groups of non-Stakeholder Supporters
<b>Theme Description</b>	Football governance can prevent supporters from building an active relationship with a club
<b>Code Label</b>	Identifies the influence of supporters at the club
<b>Key Issues arising from the Evidence</b>	<ul style="list-style-type: none"> <li>• Supporter are unable to build a meaningful relationship with their club</li> <li>• Ungoverned groups lead to protest and movements against the club</li> <li>• Groups that form outside of the club can affect business profits and operations</li> </ul> <p>Clubs have no means to engage, consult or manage non-stakeholder supporter groups</p>

Schalke offers the quickest and most open access for non-stakeholder supporters to change their relationship with the club, with the opportunity to increase their influence from the bottom of the typology to the highest level. For example, the open access on membership numbers at Schalke and the position of the umbrella organisation offer this group of non-stakeholders, the opportunity to upgrade their influence into definitive stakeholders within the club. This evidence also suggests the way Schalke governs provides the quickest route for supporters to build a relationship with the club, as this offers all supporters the open access to increase their influence and responsibility. For instance, non-stakeholder supporters at Schalke can upgrade their influence into a dangerous group with membership to the club, or into a discretionary group from becoming a member of any supporter associations under the control of the umbrella organisation.

## **7.7 Chapter Conclusion**

From the outset, the three case studies have researched the impact that governance models have inside all three clubs and the subsequent relationships with different groups of supporters. The results from the single case reports identified that each club had a different set of supporter groups, which results from how each club governs. The findings suggest supporters hold different levels of interaction with their clubs. Furthermore, the salient position of supporters in the cases determines how much influence a group holds, but also the type of power a group must hold to be recognised as legitimate stakeholders by the club. This chapter sheds new light on the attributes of sub-supporter groups and how a group's position, either inside or outside the club's model of governance has the opportunity to determine a type of relationship each group holds with the clubs.

It has become evident from the thematic analysis that supporters hold a set of stakeholder attributes as a result of how each group is governed. A number of previous supporter classifications with stakeholder typologies use managers to decide whether the salient attributes of groups warrant a legitimate relationship. However, the findings suggest before management classification, the way each club governs predetermines the position of supporters within each club and therefore can dictate their power, influence and urgency. The importance of a stakeholder position at Schalke gives access to non-stakeholders and this highlights the expected level of attributes required in football clubs to become a legitimate group of supporters. This suggests that supporters need access into the club to enable groups to legitimise the nature and influence of their own

relationship. Consequently, these findings interpret and explain these themes and draw conclusions from these systematic reviews, so the next chapter can answer the two research questions and objectives.

## **CHAPTER EIGHT - CONCLUSION**

### **8.0 Chapter Introduction**

This study has investigated two research questions, along with the aim and several and objectives to explore models of football governance and supporter relations. These research conclusions highlight the key findings, answer the research questions, address the aim and objectives and explain how the thesis contributes to new practical and theoretical knowledge. The conclusion explains how the research has contributed, extended and conceptualised new knowledge as part of the research process. The practical and theoretical paradigms from this study have been captured in a new model of football governance, named the GLOVE model. Furthermore, it is also important to reflect on the research process, the role of the researcher and document any limitations in the study. Finally, the chapter will propose new areas of research in football governance and supporter relations to build on the knowledge from this study.

### **8.1 What are the fundamental factors behind a club's model of football governance?**

The thesis aims and objectives investigate different models of football governance to explore the gaps and limitations on the classification of supporter groups highlighted in the literature review. Furthermore, the research has focused on the fundamental factors behind a club's model of football governance, as the literature suggests governance models have become too descriptive, with supporters left confused as to their role a club (Krabbenbos, 2013, Rohde & Breuer, 2016). From the outset, the use of football governance, in terms of the literature on football clubs, continues to remain wide and diverse. From a management perspective, the literature suggests football governance has been used: for clubs to capitalise on the financial revenue on offer throughout the industry (Madden & Robinson, 2012; Morrow, 2013; Wilson, Plumley & Ramchandani, 2013); to re-address the balance of supporter powers (Fitzpatrick, 2013); and as frameworks of fan ownership (Dubal, 2010; Ward, 2015). Furthermore, the literature suggests football governance has been used to describe and identify ownership regimes (Robinson et al, 2012); the impact of football regulation (Garcia, 2016); and management strategies for co-creation with supporters (Zagnoli & Radicchi, 2010).

The descriptive nature of football governance in the literature also highlights several weaknesses on the true meaning, definition and application of governance practices. Researchers claim governance methods provide the management answer to several problem areas within football clubs, from the action of protest groups (Millward, 2016) and impact of unlimited ownership powers (Ward, Hines and Scanlon, 2015) to the effects that different cultural aspects of supporter groups have on their club (Bryson, 2016). Additionally, the literature review suggests the multi-use of governance in football has evolved alongside the role of managers, as a result of the economic growth witnessed across the football industry (Ogbonna & Harris, 2014). Particularly, in the management of football business (See, Morrow, 2013) and business strategies (see, García & Welford 2015) and to improve a club's commercial performance (Dimitropoulos, 2014).

The literature suggests that directors and senior managers use a preferred model of governance to enhance their influence within the club to protect their position, power and financial investment in the club (Anagnostopoulos, 2011; De Siqueira et al, 2015). As a result, the case studies suggest that while there are a number of differences between how each club governs (Everton, Athletic and Schalke), there were also notable differences between the level of detail in each club's constitutional governance frameworks. These club frameworks govern with their own set of rules, either from articles of association or a constitution. As the literature suggests these conventions reflect a club's model of governance, either through ownership regimes (Robinson et al, 2012), constitutional powers (Oltermann, 2016) or football regulation (Garcia, 2016). Yet, this thesis suggests this level of discription only partially explain how a club governs, due to the nature of a club's administrative rules which set out the constitutional responsibility, the level of operational detail and the subsequent relationship of different stakeholder groups. Evidence from this study suggests the body of literature operates on a macro-level, whereas this study provides knowledge on the micro-level of football governance in operation within clubs. Furthermore, this micro-level investigation highlights the gaps in knowledge of the previous literature (also described by Garica & Welford, 2015) on role and responsibilities of key individuals, the setting of management expectations within football businesses and how clubs classify key relationships and govern stakeholder relations across different football clubs and countries.

The literature suggests the Spanish model of governance uses its membership as co-creators to increase the value of an organisation (Zagnoli, & Radicchi, 2010), due to the affiliation with the local community. In Athletic's case, the cantera policy plays a pivotal role to redress the balance between over-commercialisation and their community-based supporter-based approach. Although, this study partially agrees on the literature's broader explanation of Athletic's model as a membership, the case evidence highlight the power position of the president, fundamental to the way the club governs and make decisions. This thesis also highlights the influence of several members groups within Athletic's constitutions, as separate groups (senior and junior members) hold a different level of influence in voting rights and decision making. Evidenced in presidential elections, as junior members (Barria members) do not hold the same powers to vote in a president to that of more senior members.

The literature suggests the preferred model of governance throughout German football is that of the 50+1 (The supporter association that owns 50+1 of the ownership rights) either to describe the increase of private ownership (Rohde & Breuer, 2016) or the marginalisation of supporter powers (Geeraert, 2016). However, this study suggests there are several significant implications to the way Schalke governs within German football. Critically, this thesis suggests the 50+1 regulation is limited as an explanation of how German clubs govern, as again not all members in the 50+1 association hold the same influence. Evident in the Schalke case study which highlights the power of the SFCV umbrella organisation (The 50+1 association at Schalke), named in Schalke's constitution. The SFCV holds the most influential position at Schalke, as this group has an ever-present position on the club's supervisory board. This position grants the SFCV with power to influence other groups of supporter and board members to build closer ties with major sponsors partners and representatives.

In the case of Everton, the research concurs with the literature that English football governance unable owners to hold unlimited power when making decisions at the top of club hierarchy (Krabbenbos, 2013; Fobes, 2018). However, the case study provides a further explanation of the role, impact and influence of the principal owner, identified as Mr Moshiri. The literature refers to English football owners as principal agents in the context of governance (Cocieru et al., 2019). However, the case evidence points out that Mr Moshiri neither holds a position on the club's board

of directors or is registered as an individual with legal responsibility on the share register. One of the more significant findings to emerge from this study is that Moshiri continues to lead the club, but from outside its governance boundaries without any role, responsibilities, or recourse.

The case evidence suggests a new way of looking at football governance, in terms of the models that govern certain clubs. Evident with the Everton model of governance which suggests Moshiri holds the power as the principal decision-maker in the club. This also reflects most of the research around British based football clubs (Kennedy & Kennedy, 2012; Dimitropoulos, 2014; Cleland et al., 2018). However, evidence from the Everton case highlights the use of a holding company used for share capital (ownership) and a board representative has been installed to control Moshiri's influence from outside the club; somewhat making Everton's model more reflective as a "governance ghost" model of football governance. In the case of Athletic, their model of governance has been described as a membership, the cantera policy or even a sports club, but this study suggests these assumptions are limited and reflect the club's environmental conditions. Case evidence also suggests that the influence behind how Athletic govern originates from a small group of members with senior rights and not all members. This position provides certain members with the power to elect a president, while other members-only play a subservient role in Athletic constitution. Therefore, Athletic's governance model reflects a "barrier to rights" model of football governance; in a two-tiered governance structure which limits the number of new members and the powers of existing members.

Similarly, at Schalke, their model has been categorised as the German model, the 50+1 (Rohde & Breuer, 2016) or even as a multiple fan-hybrid (Ziesche, 2017). However, case evidence shows these assumptions are limited, as the role of the umbrella organisation is critical to how Schalke governs. The umbrella association, the SFCV group of members-only reflect those signed up to the association and the case evidence suggests this marginalises other supporter groups. Therefore, the association may reflect the 50+1 regulation, but the findings suggest the club fails to capture all supporter groups within the umbrella organisation, mainly Schalke's ultra-group. This influential position of the SFCV highlighted in this study, provides an insight into how the club governs supporters from the association's power on the supervisory board. Furthermore, it also reflects the group's operational responsibilities inside the club. Therefore, this study provides new

knowledge on how Schalke governs, the influence of the association, the position of multiple supporter groups and the implication for German football 50+1 regulation. This thesis evidence also strengthens the findings which suggest Schalke's approach to governance represents more of an "umbrella" model of football governance.

## **8.2 What salient influence (power, legitimacy and urgency) do different types of supporter groups have as stakeholders in models of football governance?**

The literature claims that football clubs use governance against groups of supporters to maximise wealth (Senaux, 2008) as customers (Hewer, Gannon & Cordina, 2015) or even as custodianship (Page & Spira, 2016). As a consequence, many studies have either deemed supporters as irrelevant (Siqueira, Pajanian & Telles, 2015) or have developed an argument to govern these groups as activists (Taylor, 1992), even as a mechanism to protect an owner's financial investment (Dimitropoulos & Tsagkanos, 2012). In light of this, there is a body of literature that has grown to use governance as a method to redress the balance between authoritative and capitalistic clubs and their supporters (Dimitropoulos, 2014); who are used by self-interested owners to maximize their wealth for vanity and greed (Bower, 2016). Although, these studies reflect governance acts that effect supporter relations, as a weakness in these studies is the classification of football supporters as one group. This approach fails to understand multiple groups and therefore, different positions and influence within their clubs. However, the thesis highlights several gaps in the literature on the limited knowledge on sub-set groups of supporters, which fails to truly understand the influence of each group and their relationship with how their club governs.

This thesis suggests each football club has several supporter groups, all with a different position, relationship and influence in how their clubs are governed. The study has identified new models of football governance that reflect how each club governs and the nature of a supporter power, urgency and legitimacy. The case studies highlight four different groups in each club, which all hold a different position and therefore, a different relationship in their respective clubs. In the case of Everton, the evidence claims four supporter groups are identified. However, none of these groups held any influence at board level or any direct relationship with director shareholders, who make decisions on behalf of the football club. While the case evidence suggests a number of different supporter groups at Everton, all with different types of relationships with the club; the



non-position of Everton's first group provides an insight into the effects that limited access has on current and future relations. Critically, the case evidence suggests the non-position of all four supporter groups at Everton mirror the role of the principal owners and therefore, both the owner and all the supporter groups have become "*governance ghosts*", as neither groups hold any recognised position in how the club govern.

Following on, the case evidence from Athletic's group of supporters highlights a mixture of rights between membership groups with senior and junior status within the club and as a consequence hold different influences when contributing to club decisions. The thesis suggests members with full rights hold the most salient position and influence in decision making processes at Athletic. Additionally, the evidence suggests that Athletic continues to govern members differently from group to group, under different levels of rights between members. Evident in the election process, which is critical to Athletics' model of governance, as the case findings suggest there is a barrier to the level of influence each group can hold within the club. This study shows a small number of historic members (in terms of the support base) with full rights to vote against constitutional change. This study suggests junior members (Barria members) only hold an intermittent influence in club decisions and elections throughout the four-year presidential election cycle.

At Schalke, supporters are offered the opportunity to become a member of the club as part of its association status. However, the evidence shows different groups of supporters hold several positions to influence how the club govern, particularly with the use of an umbrella organisation. It has become apparent that Schalke offers an unlimited number of memberships in the club, which concurs with the literature on association (50+1) models of football governance (Dietl & Frank, 2007). However, this study shows that members of both the club and its umbrella organisation hold a unique governance position and influence within Schalke. This is empowered by the club's constitution, as the SFCV continues to capitalise both at a senior and operational level from their position as the most salient group of supporters within the club. The role of the SFCV is critical to how Schalke governs, as this thesis highlights the importance of access levels the club provides to less salient supporter groups. Therefore, the evidence suggests Schalke's umbrella model of governance provides all their supporters with the opportunity to build a relationship as legitimate stakeholders, either in the club or as part of the umbrella organisation.

Taken together, the case evidence and the research findings suggest the way a club governs can divide supporters into sub-groups and determined how much salient influence they hold within the club. When each of the club's findings was contrasted, it was evident that not only did each club have different groups of supporters, but these groups held different positions and as a consequence a mixture of salient influences within each case. This casts a shadow over the role of managers in previous studies and the premise of Mitchell et al framework, where individuals decide which groups hold influence, or which groups cannot be influenced by a football organisation (Giulianotti, 2002). The evidence from this study suggests that governance has the opportunity to predetermine the position of supporters. For example, in the case evidence collected and analysed on all three football clubs. Therefore, governance had either a positive or negative effect on the influence of supporter groups before club managers had the opportunity to classify stakeholder groups. Witnessed in the cases of Schalke and Athletic as their managers (stakeholder classification models used in the previous studies) do not have the power to classify the attributes of different groups, as the nature of a stakeholder relationship is predetermined with how a club governs under its own unique constitution.

Furthermore, this case evidence highlights the influence that governance has on the position of supporter groups in each club. A gap in the literature highlighted by this study shows previous research has failed to understand the influence of governance prior to salient supporter classification (Anagnostopoulos, 2011; Mainardes et al., 2012; Biscaia et al., 2018). However, this thesis suggests the way a club governs can offer supporters the access to build attributes to secure a legitimate position, prior to the salient classification (full at Schalke and intermittent at Athletic). Furthermore, this study also highlights the reverse as governance can also prevent certain groups from a meaningful relationship with a club (all groups at Everton). This evidence suggests the current stakeholder models that classify supporters have previously missed a critical stage in the process, as governance has been used as a tool to manage groups, rather than as boundaries of interaction. Evidence from this study suggests that before stakeholder classification can truly understand a supporter's salient influence (Mitchell et al., 1997), it is paramount to understand the impact and access that governance offers supporter groups. Therefore, the cases show that before we can really understand their power, legitimacy and urgency - we must classify sub-groups of

supporters and the prospective influence of all groups within the boundaries of a club's model of governance.

### **8.3 Concluding on the Research Aim and Objectives**

The focus of the aim and objectives was to investigate how different models of football governance classify the relationship and influence of different supporter groups. Supporters have previously been classified in the literature as one group, as there was a common misconception that all supporters hold the same type of relationship, influence and power within a club. This became evident when supporters were classified, by later researchers, as non-stakeholder (De Siqueira, Pajanian & Telles, 2015) legitimate stakeholders (Anagnostopoulos, 2011) and primary stakeholders (Zagnoli & Radicchi, 2010). As these studies continue to classify supporter groups in conjunction with other stakeholders and against the salient influence of other groups, it is apparent from these findings, supporters may hold the attributes to influence a club, but may become marginalised when up against more salient stakeholder groups. Additionally, the conceptual lens used to classify supporters as stakeholders continue to place the power in selected groups, firmly in the hands of managers, all for the benefit of economic value of the organisation (Freeman, Harrison & Wicks, 2007). Furthermore, the literature also points governance practices towards the implementation of management strategies (Geeraert, 2015) or even to address the dilemma of multiple stakeholders within football (Ferkins & Shilbury, 2015), which can prevent supporter from having a meaningful relationship with their clubs.

However, the case evidence provides an insight into the salient influence of different supporter groups present in all three clubs, which highlights differences in the types of supporter relations due to their position of influence within a club's model of governance. This evidence suggests the position of supporters continues to affect the nature of their relationship and their subsequent influence within club decisions. This study has highlighted that different groups hold a mixture of salient powers, which shows the way a club governs can also predetermine the nature, position and relationship held with its supporters. Evidence shows that clubs are also dependent on one group of supporters more than others, as this is due to how the club utilises supporter groups in certain situations. For instance, the role of full members at Athletic and the umbrella organisation at Schalke.

As the findings suggest, each club has a number of different supporter groups with mixed attributes, which helps to deepen the knowledge of the types of relationships within a football club. Taken together with a club's governance model, the case studies have developed new knowledge on the access that supporters hold to influence how a club governs. Particularly, based salient power of each group when taken in the context of other supporter groups. It has become apparent from this study that some groups of supporters are dependent on the club, but more interestingly on other more salient supporter groups to govern its statutory and constitutional responsibilities. An example of this is the position of Athletics' first group of supporters who are responsible to elect a president and the extra powers of members in the umbrella organisation at Schalke.

The link between each model of governance and various supporter relations has produced some unexpected findings on the salient attributes of certain groups and the different levels of access for those deemed as non-stakeholder groups. Each club has several groups that fall into the category of non-stakeholder supporters. Critically, the evidence suggests the access provided to these groups can increase and decrease a group's ability to build a meaningful relationship with a club. For instance, supporters deemed as groups of non-stakeholders can reach a discretionary position in Athletic (Group 3) and even propel themselves into dependent, the most salient group at Schalke (Group 1). Therefore, the case evidence strengthens the idea that governance predetermines the position of supporter groups, which offers the opportunity for less salient groups to understand their attributes in relationships to work towards a position of influence within their club.

This thesis contributes to the knowledge of different supporter groups, which the evidence suggests form in each case as a result of the club's model of governance. Before the study, it was difficult to understand the relationship that a mixture of supporters held with their club. Therefore, the cross-case analysis has provided an insight into the relationship between the club and its supporters to understand the relationship that different groups held within football governance. The study suggests the way a club governs can influence the subsequent position of a supporter group, which limits their ability to increase the nature of their relationship both positively (Athletic & Schalke) or negatively (Everton) based on the salient influence of their group. In the cases of Schalke and Athletic governance can provide supporters with access to build additional attributes to enhance their influence in a club, which offers the opportunity for individual supporters to transfer into a higher salient group to increase the nature of their relationship. Consequently, evidence suggests

the way a club governs can let supporters choose the nature of their relationship, predominantly witnessed at Schalke as non-stakeholder can formalise their relationship as a legitimate group of stakeholders.

## **8.4 Summary of Contributions**

### **8.4.1 Contribution 1 – Insight into Models of Football Governance**

Previous studies on football governance have used one model of governance to understand how and why a club governs (Brown & Walsh, 2000; Kennedy & Kennedy, 2012; Morrow, 2015; Tobin, 2017). This study contributes to knowledge with the use of individual cases that each study how a particular club governs in its own constitutional right. Furthermore, contrasting different football governance models has deepened knowledge on the role of different supporter groups. Furthermore, a focus on the fundamental factors behind how different European clubs govern provides an insight into the effects of football governance in different countries, leagues and clubs. This new knowledge has arisen from a multi description of football models (for example, the governance ghost, barrier to rights and the umbrella model of governance), which challenges the ideology used in previous studies (see Garica & Welford, 2015). Additionally, the study has contributed to the knowledge on how different clubs govern supporter groups and as a consequence has built a body of new knowledge on different types of relationships in each club, which focus on multiple supporter groups. Another key contribution of this study was the level of access offered to supporter groups from club to club, which highlight that a model of football governance from its inception can predetermine the level of influence that particular supporter groups can hold inside their club, which results in an open (Schalke), closed (Everton) or intermittent (Athletic) approach used to govern stakeholder relations.

### **8.4.2 Contribution 2 – New Academic Knowledge to Operationalising Stakeholders**

To identify supporter relationship types and groups, the study has adopted a theoretical framework built from Mitchel et al (1997) (power, urgency and legitimacy) seminal classification of stakeholder's salience. This three-case investigation was built from the assumptions of individuals on supporters as stakeholders, taken from managers or those in roles of responsibility used in previous football studies (Anagnostopoulos, 2011; De Siqueira, Pajanian & Telles, 2015;

Buchholze & Lopatta, 20170). The position of the lens on football supporters, in conjunction with governance enables the study to deepen the knowledge on these groups without the salient constraints of other stakeholders who are deemed more influential in previous studies. This study has investigated supporters to deepen the knowledge on the relationship of supporters hold as stakeholders, which has identified the salient influence of each group within their club (Table 7.4). Furthermore, the evidence suggests that sub-groups of stakeholders exist in an organisation, all possessing different relationship attributes. Another key contribution from the study was the new knowledge gained on supporters who were deemed non-stakeholders as a group with no influence or are not influenced by the club. However, this thesis provides an insight into the role of non-stakeholders and the steps needed to upscale their relationship into a more salient group with a legitimate position to influence how a club governs.

### **8.5.3 Contribution 3 – Methodological Contribution**

The design of the research has adapted the methodology to address the research questions and consequently has developed a multiple case study approach, which is different from that of other football governance studies. The study's research design adds to the theoretical and practical contributions as this extensive qualitative perspective provides a framework for future studies across multiple football countries, leagues and clubs. As a result, this extended methodological approach provides a framework to classify supporter groups, relationship and influence against models of governance. Furthermore, the cross-case analysis presents the evidence from the single cases in a different paradigm to that of previous studies to gain new knowledge on football governance and the subsequent relationships held with supporter groups.

### **8.5.4 Contribution 4 – The GLOVE Model of Football Governance**

The understanding of football governance, achieved through the case study analysis and the literature review, provides the basis for the development of a new model of governance, the GLOVE model. This model is now proposed, described and developed from the case evidence, findings and conclusions from the cross-case analysis on all three football clubs. This study contributes in several ways to understand football governance from a different perspective and provide the basis for the GLOVE model of governance. The concept behind the GLOVE model of

football governance draws its theoretical foundations from five stages established by the research and seems to have 5 stages as follows:

**Stage 1 - Governance Inception**

**Stage 2 - Linking Club and Supporter Relations with a Stakeholder Board**

**Stage 3 - Operational Executive**

**Stage 4 - Validated Governance Position for Supporter Groups through an Association of Supporters (AoS)**

**Stage 5 - Entry Point for Groups of Non-Stakeholder Supporter Groups**

A primary research objective of the study was to develop a model of governance to improve the relationship between a club and its supporter groups. It was evident from the cross-case analysis that the three models of governance display different strengths and weaknesses between the cases. In the development of this model, the case evidence attained from individual clubs was analysed collectively under a theoretical framework, which reinforces the model's academic validity. As a result, the GLOVE model enables clubs to govern and capitalise from a meaningful relationship with their supporters. This model also provides access to different stakeholder groups, types and relationships without compromising the integrity of the business. Furthermore, these beneficial effects of the model have the opportunity to improve the nature of the relationship between clubs and supporters and change the way football governs for the benefit of all its stakeholders. The theoretical areas of the GLOVE model have the opportunity to govern the legal and operational responsibilities of the club and incorporate the largest group of stakeholders, so they are able to be governed and/or influence how a club governs.

#### **8.5.4.1 Stage 1 - Governance Inception in Football Clubs**

Each model of governance must have a starting point and the findings show the articles of association at Everton, Athletic and Schalke's constitution are fundamental factors behind how each club governs. It is important to point out that ownership status has no bearing on the level of detail written into the club's principal set of rules. This is evident from the cases, as all three clubs hold legal, statutory and regulatory responsibilities as a football club and a company. A key difference between Athletic and Schalke to that of Everton was the extra level of detail written into their rules, which go above and beyond its legal obligations and outlines how individuals in a responsible position are required to govern from a club perspective. Therefore, the inception of a detailed framework of governance acts as the statutory rules, which sets a level of expectations throughout the club to those that influence (managers and owners) or are influenced by actions (groups of stakeholders).

From the inception of each governance model, the influence of the articles of association at Everton, as in the constitutions at Schalke and Athletic are fundamental to the way each club governs. It is evident from the cases of Athletic and Schalke their traditions, principles and practices are central to each of the club's central conventions. These central rules in each club set out the legal responsibilities of key individuals (in the case with Everton's directors) and outline the expectations of those with a special relationship with the club (members of Athletic and Schalke). Furthermore, these main governance conventions at Athletic and Schalke go above and beyond the club's legal responsibilities of ownership and set out the conditions, types and influence of different stakeholder groups. For example, the relationship with sponsors and the umbrella organisation at Schalke and the relationship with the Basque Government and regional supporter groups at Athletic.

The findings show these expectations are written into the club's constitution that states the position of various stakeholder groups and their relationship from inside Athletic and Schalke's governance boundaries. It is believed these frameworks of expectations remove the classification of stakeholders from individuals in powerful roles, as previously clubs appoint managers to decide if a group warrants a meaningful relationship with the club as a legitimate stakeholder. Therefore, in order to form the boundaries of governance at Schalke and Athletic, the club's constitutions



classify a group of supporters to dictate the nature of their relationship directly with the club, not with managers. The evidence from the cases suggests the inception of stakeholder groups into the club's constitution in conjunction with club regulation, traditional practices, club policy and commercial activity from the outset form legitimate relationship frameworks within the clubs. This removes the need for constant redefinition and reclassification of supporter groups from owners and managers to assess whether a certain group requires urgent attention from the club.

#### **8.5.4.2 Stage 2 - Linking Club and Supporter Relations with a Stakeholder Board**

In a contrast between the cases, it was clear that all three clubs govern from the mainboard with the use of individual roles, these were as a director, a president or elected a member. These mainboards incorporate a number of senior roles within a club, evident with the board of directors at Everton and Athletic and the supervisory board at Schalke. However, there are a few differences between the clubs on the role and remit of each board. Firstly, while members of the main boards of Athletic and Schalke are elected into the position, at Everton director shareholders hold the most power in club decisions. Yet, Everton's appointment of non-executive directors onto the board shows a certain degree of alignment between the cases, since all three clubs appoint individuals with specialised knowledge, either strategically or operationally. It is apparent from the findings a club's mainboard provides the opportunity to link together more than just those with legal responsibilities, as shown at Schalke with the relationship between elected members, sponsors and the supporters' umbrella organisation who all form the supervisory board.

Furthermore, the role of supporters on Schalke's mainboard is seen to benefit the club on two counts. Firstly, the inclusion of supporters offers the club the opportunity to govern the majority of supporters from within one organisation (SFVC) to assist with how the club governs. For example, as evidenced in the areas of stadium management, fan protests and match day travel. Secondly, an organised association of supporters has several benefits to the club, not just financially in terms of member contributions and capital investment into the club, but to instil operational responsibility on its members. For example, at Schalke through the distribution of tickets and with community initiatives such as the counter prevention of hooligan activity. Therefore, the main stakeholder board has the opportunity to incorporate several representatives.

This links different types of groups and relationships together to promote inclusive actions and spread the arm of club governance through its board representatives through to supporter groups.

Across all three cases, there remains a contrast in the way each club govern different groups of supporters and the subsequent level of their relationship from club to club. At Schalke, the link between the club and its three most salient groups of supporters is evident, based on their connection to the supervisory board. This provides more supporters with access to contribute towards club decisions; the opposite of Athletic and Everton. In the case of Athletic, members with senior rights hand over a mandate of power to the president, while at Everton shareholders have no direct link to influence board decisions. Therefore, the findings suggest the umbrella organisation, while not representative of all supporters acts as a vehicle to link the majority of supporters with the club and plays an important role in governing different groups under Schalke's constitution.

Written into Schalke's constitution, the umbrella organisation governs the two-way relationship between the club and supporters, which controls the broad nature of groups within the SFCV. While it is important to point out that not all of Schalke's supporter groups fall under the umbrella of the SFCV, namely their Ultra group. The inclusive concepts of a highly organised umbrella group of supporters with operational responsibility to serve their members benefit both parties. However, a criticism labelled at the SFCV was the monopoly of power that comes with umbrella status at Schalke. Another criticism was the current threat to SFCV umbrella status, as internally the organisation does not have any mechanisms to challenge the under-performance of their representatives outside their term of office on the supervisory board.

Surprisingly, the findings highlight the impact that the umbrella organisation had on other groups of supporters at Schalke. This evidence suggests the way Schalke uses the SFCV at the heart of the club reduces the power and influence of less salient groups. This makes all other groups outside the umbrella association dependent on the SFCV, so the club can continue to govern in line with their constitution. Athletic are also similar to Schalke in the way different groups of supporters are dependent on higher stakeholder groups, which originates from their salient position within the club. For instance, Athletics' most salient group of supporters with senior rights to elect a president continue to make decisions on behalf of other less salient junior groups of supporters. Therefore,

these findings suggest the constant position of supporters in the club can present different groups with varying influence, as this powerful group can also block a meaningful relationship between the club and salient groups of supporters.

#### **8.5.4.3 Stage 3 – Operational Executive**

It is clear from the Everton case study, the non-executive roles on the board are merely to implement the operational decisions made by the principal shareholders. Similarly, Athletic make the majority of club decisions under one board, which fails to separate legal responsibilities, away from operational control. A key difference between all three cases is the way Schalke separates the executive operations away from the club's main board of directors. In all three cases, there are several prominent individuals in powerful roles throughout the club. For example, a principal owner at Everton, the election of a president at Athletic and a chairman of the supervisory board at Schalke. However, case evidence suggests the way Schalke governs the operational decision away from the mainboard offers several advantages to the club. Firstly, the mainboard which includes several stakeholder relationships (owners, sponsor, supporter groups), may help diversify the knowledge held on the mainboard and to incorporate wider influential groups of supporters in club decisions. Secondly, an executive board that separates the club operations away from the mainboard as in the case at Schalke provides a framework in which to appoint key individuals into a role with specified responsibilities to make informed decisions. Besides, the devolvment of operational responsibility down to an executive level, also offer the opportunity for key individuals (owners, elected representatives on behalf of the members) to govern their financial investments and legal responsibilities from a higher supervisory position.

All three clubs govern with an alternative approach at an executive level, which differs in how each club appoints individuals to senior roles. The approach taken at Everton has been to integrate key executive members as non-directors on the club's main board of directors. However, these appointments to executive roles on the board are advisory and hold no power to vote on the club's main issues. The evidence suggests the three majority shareholders make unchallenged decisions and the role of the chief executive is merely to carry out the actions of the directors. This position suggests this executive role at Everton is as an implementer, merely to carry out the decisions

made by the principal owner without any published rationale on why Everton take a certain course of action.

Athletics' executive governs with a structure similar to Everton, from one mainboard. Yet, the dynamics of the board are in contrast, as the key decision-makers take up a position as an elected leader within the club. Although the mandate of power provides board members with the authority to make decisions on behalf of its members, the dynamics on the board are different from Everton's mainboard. It is short-sighted to believe the election of a president diversifies the decisions that are made at board level as the power remains with one individual, either by ownership at Everton or by-election at Athletic. Another possible explanation for Athletics' close-knitted relationship with its supporters is the openness and transparent nature on display throughout the club, from the board down to its football team. However, while the transparency within Athletic is commendable from a supporter perspective, the unlimited access to sensitive information by its competitors increases the risk of the club (for example, player contractual information).

In contrast, Schalke appoints and governs its executive from a supervisory board, which consists of various stakeholder groups, members and sponsors. A notable difference between all three cases is the way Schalke governs its executive differently to that of the principal owner at Everton, or the elected president and directors at Athletic. All three members of Schalke's executive team are appointed by the supervisory board, which makes their actions accountable and transparent to others throughout the club. This evidence suggests Schalke's approach to its executive separates the legal responsibilities away from the operations, which transfers club decision-making into areas of expertise (for example, the sporting department), yet governed under the watchful eye of the supervisory board.

#### **8.5.4.4 Stage 4 - Validated Governance Position for Supporter Groups through an Association of Supporters (AoS)**

In the context of the research, the evidence identifies the majority of supporter groups were deemed to hold a legitimate relationship, which went on to influence how their clubs govern. As the findings show, the levels of legitimacy between the supporters differ as each group holds a different set of attributes, either from description or rights. For example, there are different sets of

member rights at Athletic, while Schalke's umbrella organisation only incorporates 60% of the club's members. As a consequence, the evidence suggests the club govern supporter relationship differently across the cases. The findings point out the cases identified several supporter groups who hold different relationships. Therefore, this resulted in supporters in multiple groups with different types and influences, which has become extremely complex to govern for many clubs. These complexities were evident in all three cases and the evidence suggests the concept of an umbrella organisation provide a governance boundary that stretches from a club through to the majority of supporters. Although independently governed as a professional association, their governance framework should align with the club's constitution.

A key difference between the study's proposed Association of Supporters (AoS) model to that of Schalke's is the duplication of membership status to the club and the umbrella association. This duplication adds to the complexity of the attributes required to formalise a legitimate relationship in their club. More importantly, the new AoS model streamlines the stakeholder attributes and expectations required to achieve a meaningful relationship. The evidence shows one main organised group of supporters in an umbrella association can be beneficial to both the club and supporters. Firstly, the umbrella organisation has the opportunity to govern a large body of supporters from within the club's boundaries. This enables the club to interact, communicate and consult with supporters, which capitalises on a closer working relationship both operational and financial. Finally, the development of an umbrella organisation can position the majority of supporters inside the club to aid the transparent sharing of information, decision-making and management responsibilities between the clubs and different groups.

The findings taken from the three cases are contrary to previous studies, which suggest stakeholder attributes form as a result of one group entity with all supporters holding the same relationship with their club. Yet, the conceptual lens has highlighted that different groups can hold several relationships with a club. In turn, this suggests that different supporters require different access into the club to legitimise their relationship. In the case of Everton, no supporter group, even the shareholders association have access to the board of directors. A possible explanation for this might be that supporters are viewed as a protest group by the club. Athletic from the outside seem to provide all members with a position to influence the club as part of member elections, but the two-tiered nature of different groups is dependent on their level of rights (senior/junior). Besides,

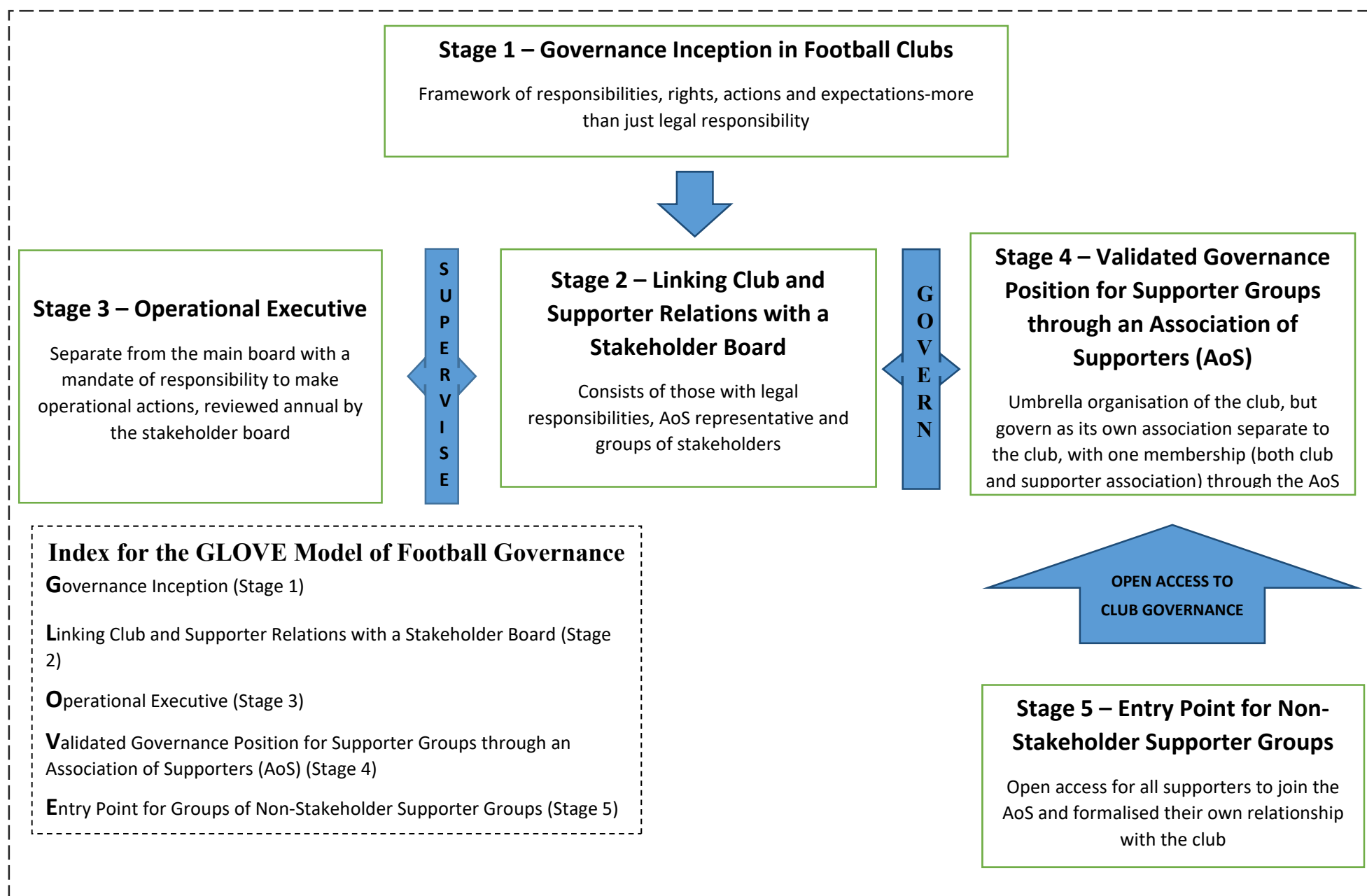
only a limited number of full members are active during the club's election cycle every four years, therefore the majority of Athletic supporters hold an intermittent position within the club, normally at general meetings.

Schalke offers both new and existing supporters the opportunity to position themselves, either inside the club or with an affiliation to a member's association. This open access for different types of supporters validates these groups as legitimate stakeholders, as the club can also capitalise on the position of the SFCV inside Schalke to their advantage. Despite these findings, the evidence suggests Schalke had the opportunity to govern its entire supporter network from a position within the club, by spreading the remit and power of its umbrella organisation across all its groups. These proposed changes have the power to defuse the influence of a populist body of supporters to bring the Ultras inside the club's governance boundaries, so both parties could work together for the benefit of Schalke.

#### **8.5.4.5 Stage 5 – Entry Point for Groups of Non-Stakeholder Supporter Groups**

As the findings point out, all three clubs are deemed to have groups that are classified as non-stakeholder supporters. As witnessed throughout the cases, the evidence suggests this group of supporters reflects their non-influential position outside the club. Therefore, when contrasted against each other, the study started to understand the non-position of these groups in more detail and the next step required to increase the nature of their relationship with the club. Critically, the findings suggest the way a club governs can limit the level of relationship a supporter can hold to influence a club. As a result, a club must hold the ability to govern all supporter groups and have access to a range of supporters relations, as this removes the barriers into the club. Therefore, the GLOVE model offers the clubs the opportunity to govern non-stakeholder supporters from a position within club boundaries, as and when supporters decide to increase the nature of their relationship (Figure 8.1).

Figure 8.1. The GLOVE Model of Football Governance



## **8.6 Research Reflection**

This section aims to reflect on the position of the researcher throughout the study to understand the systematic effect at every stage in the research process. This process has provided the research with a stakeholder framework to identify new knowledge from the cases and remove any bias from the researcher, as the theoretical framework provides a conceptual lens to understand the angle of the research. From the outset, the position of the researcher has been neutral without any preconceived ideas that may benefit any club or supporter group involved in the case studies. To protect the study against the human preconceptions of the researcher during the field visits, the case protocol and stakeholder typologies protect the validity of the evidence gathered on each club.

The use of a multiple case approach in the study provides the researcher with the opportunity to explore different football avenues within the research, but which reflect the phenomena outlined in the theoretical questions. This kept the researcher focused on the fundamental research question from case to case to shine the conceptual lens on replicated areas with the protocol to deepen the knowledge on the relationship that multiple supporters hold within their own club context. It was evident from the cases, the conceptual lens (Mitchel et al) used as a set typology in a governance context helped to identify different groups and therefore the nature of their relationship and influence held within a club. On reflection, the use of the conceptual lens used against an axis of club governance, rather than the use of human behaviours (managers in Mitchel et al study) eliminated any pre-classification of stakeholder attributes from an individual view, as this reduced the areas of assumption and misinterpretation from the researcher, but also those researched.



To learn from the multiple case studies and “interpretational nature of this type of research, self-disclosure and reflexivity regarding researcher involvement have become a more common practice when summarizing the findings” (Lewis, 2015, p.474). Therefore, it becomes critical to understand how the researcher felt during the field visits and how the methodology incorporated direct observation into the research to capture the cross-case findings. In addition, the triangulation of evidence from respondent interviews and documentation, alongside new interpretations were used to reinforce or reject the observations made from the researcher. Furthermore, the views of key respondents were used to reduce areas of misinterpretation that develop from a researcher’s perspective, particularly when writing-up the thesis, in order to review and reflect on the evidence presented in single case reports. This was designed to validate the transfer of knowledge and further reinforce the cross-case thematic analysis addressed by the conceptual GLOVE model.

## **8.7 Limitations of the Research**

It is important for the researcher to understand the limits to the research and reflect on the design, collection, sample and the evidence presented in the study. Yin (2013) claims case study research is similar to other types of research and must openly acknowledge the strengths, but most importantly any limits that fail to address the different needs and situations in the investigation of social science. A key factor behind the research was to live through the experience of people within their clubs to understand the effect that governance has on different groups. While the multiple approaches used in the case design was aimed to deepen the knowledge of supporter relationships and in practical terms how each club governs, as it may have inevitably narrowed down models of club governance with the selection of three football cases. To justify this, three cases were selected in line with the theme of triangulation throughout the study, as these cases reflect the current situation across much more than three leagues, as the selected models of governance are replicated across many clubs across European football.

From the outset, the use of the research question and subsequent theoretical questions were embedded within the case protocol to focus the research on a phenomenon currently taking place within the football industry. The use of theoretical questions helps design case studies to explore the research's original research question. However, at the same time this can limit the study's ability to unearth different areas of knowledge, which may address the phenomena, but from a different approach or perspective. In addition, the use of Mitchel's framework of power, urgency and legitimacy used to classify supporter relationships into salient groups can also limit the findings, particularly when the conceptual lens is shone on governance and not the actions of managers. Similarly, while the conceptual lens adds to the knowledge on supporter groups, it may limit the study's ability to understand the impact of different salient groups of stakeholders in their own right within each club, other than supporters.

As the research design has conducted field visits to the European cities of Liverpool (England), Bilbao (Spain) and Gelsenkirchen (Germany), this may have inevitably limited the size of the sample to three clubs. Yet, football as an area of research is wide and diverse with supporters in different clubs having a range of issues. Therefore, the saturation of evidence on the side of supporter respondents took longer to achieve in terms of the number of interviews to that of club managers. To maintain a balance between both sets of respondents during primary interviews, as the transcripts were coded to achieve parity between supporters and manager's responses in all three cases (evident in appendix 1). There was an acknowledgement from the interviews the responses by the supporter were far more fragmented to that of club representatives. The study used open access to those willing to take part in case interviews, but this may have inadvertently bypassed those with more knowledge on the research issues. On reflection, the interview settings and the language barrier during a small number of supporter interviews made some responses difficult to transcribe. While these respondent issues were overcome during the interviews, it may have inadvertently failed to capture some key pieces of information, which may have contributed to the study.

## **8.8 Recommendations for Future Research**

The study's conclusion provides insight into different models of football governance and the subsequent relationship between clubs and their supporters. This helps to deepen the knowledge of different supporter groups and helps to understand the salient influence of different supporter groups. Therefore, it is important to understand how the new knowledge attained in the research can help to extend and progress the research area in future academic studies.

### **8.8.1 Future Research Question 1: Can the way a sports organisation governs increase the participation of supporters as stakeholders and enhance the type and nature of a group's relations?**

As the evidence shows, in football the way a club governs is suggested to influence the type of relationship a group may hold with their club. As a consequence, this has shown to affect the level of relationship that a certain group can achieve in their clubs. It would be beneficial to the research area to conduct a similar piece of research in another sports industry, but to pinpoint a different model of governance, which is unique to their own sport. This study would analyse the attributes of supporters from different sporting backgrounds. As an alternative approach to this study, a singular focus on one model of governance without a conceptual lens may extend the knowledge on the effects that governance has on stakeholders, which has the possibility to extend the knowledge on stakeholder groups identified in this study.

### **8.8.2 Future Research Question 2: Can the GLOVE model of football governance improve relations between a board of directors and the detachment of their supporter groups?**

As the GLOVE model of football governance from this study is in the early stages of its theoretical development, it would also be beneficial to conduct action research about it within a football club. The key point of such a study would be to focus on a football club, forward-thinking and looking to improve their relations with different groups of supporters. Similar to this study, the model of governance would be used as an axis to understand the type of supporter groups and their subsequent relationship and influence, but in one club. The proposed action research has the opportunity to analyse the attributes of supporters in the old model of governance within the club

and after a period of time when the GLOVE model has been implemented. This would further help to understand the effect that governance has within football clubs, while actively seeking to deepen the knowledge on different groups of supporters.

### **8.8.3 Future Research Question 3: Does football regulation across Europe predetermine the type of relationship a supporter will hold with their club?**

As a follow on from the findings in this study, a model of governance has the opportunity to dictate the level of influence a supporter group holds within a club. This study was conducted across three European countries and it has deepened the knowledge on why each club governs - it also helps to identify the fundamental factors behind each case's constitution. Yet, it was evident from the cases there was an undercurrent of change in regulation and legislation in football, particularly in Germany and Spain. In Germany, several clubs under the 50+1 rule (ownership) are starting to reach the 20+1 sponsor threshold, which has the opportunity to change the nature of a supporter's relationship overnight, as witnessed in Spain with the introduction of the SAD regulation. Similarly, Company Law has shown in this study to reinforce the power of the shareholder director, as club articles are fundamental to how English clubs govern. Therefore, a study on two clubs with different approaches to governance, but under the same legal framework has the opportunity to develop further knowledge two-fold; to understand the impact that regulation has on supporters and to develop a tool to make better informed political and regulative changes to sports policy.

## **8.9 Proof of Concept - The GLOVE Model of Football Governance**

This proof of concept section provides the rationale behind the conceptual GLOVE model of football governance and how the academic model can enhance governance practices and methods in football clubs. Practical application of the GLOVE model seeks to develop the concept as a commercial idea throughout the football industry, to engage with external collaborators and gain further investment towards commercialisation and the delivery of impact (The University of Sheffield, 2019).

### **8.9.1 Rational of the Glove Model of Football Governance**

The academic concept aims to provide a governance model to enhanced and replaced business processes within football clubs. The GLOVE model offers clubs the opportunity to adopt best practice business processes and decision making, as the vehicle to enhance relations with different supporter groups. The GLOVE model can replace outdated systems within clubs with an easy to use a framework of governance, which also maintains a clubs legal and regulatory responsibilities. Additionally, it will facilitate different stakeholder groups and relationships through a model of football governance, which can manage various levels of supporter engagement and operational responsibilities within the club.

### **8.9.2 Prototype and Development**

The GLOVE concept has resulted from four years of an academic research project into models of football governance across Europe, which has resulted in the creation of a new football governance model. This new innovative model of governance will provide the blueprint to develop and transfer knowledge from the research project to enhance football industry practices. The GLOVE model can provide the structural framework to enhance the application and administration of semi and professional football clubs while enhancing relations between a key group of stakeholders, its supporters. This platform has the ability to engage a range of football stakeholders within the governance framework of a club, from legal constitutions, the construction of boards, the administrations of their decisions, through to the implementation of processes and policy throughout the club. The GLOVE model can either develop a new football business or innovate old structures within an existing football club.

### **8.9.3 Market Assessment**

The European football market worth a record of €25.5 billion (£21.9bn) as the Premier League leads the way in a new era of financial stability. Alone, the Championship clubs generated combined revenue of £720m in 2016/17, a 30% increase on the previous season, rising season on season. Yet, the inherent lack of governance across the football industry has led historic clubs receiving winding-up orders, or even face administration. This has left many football supporters feeling detached and without a say in how they club make decisions. Simply, many professional and semi-professional football clubs have weak or no governance structures in place, leaving the business open to financial risk, a lack of regulatory compliance and weak management. This platform will offer the opportunity to streamline business processes and management systems with a virtual governance platform. Aiding legal and financial compliance with the opportunity to include several stakeholder groups in management decisions, which can contribute directly to club financial decisions. The step next in the proof of concept process would be to roll out the model in a forward-thinking club to transfer the knowledge acquired from this study into practice, as highlighted in further research question 2 (8.2.2).

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## Appendix 1 - Sample of Coded Transcripts (Managers and Supporters)

Codes	Talks about how the club governs. (Code 1.1)	Describes the influence that governance has in the club. (Code 1.2)	Describes the influence that governance has in the club. (Code 1.2)
Codes	Talks about the relationship between the club and its supporter groups. (Code 2.1)	Describes the role of supporters in club decisions. (Code 2.2)	Identifies the influence of supporters at the club. (Code 2.3)

### Appendix 1a Sample of Coded Transcripts from Schalke (Manager Interview)

Schalke are very proud of the history of the club from its mining background and the region which is important to the people and which is still important from working class background and they identify with the club. The supporter at Schalke have a strong connection with the club and you know it's not the richest region in Germany but football is very important for the people and for the club and it's important that we have supporters all over Germany not only this region we now have 150000 members today we will make a presentation for the 150000 member and will be presented before the game against Augsburg. From the chairman of the supervisory board and they will be a special celebration for that this season the working-class background at Schalke has come to the front in the team so if you just look back at. Recently the Derby against Borussia Dortmund our rivals when everybody was angry after half time when we were 4 - 0 down and nobody expected that we would come back but the team then shows the skill the working skill and everybody was very satisfied with the effort of the team.

I Gibson  
Code 2.1

I Gibson  
Code 1.2

It's important for the players to show the members the owners that they can fight on the pitch we like it when we have good players to watch who can play quick and fast, but we also need some important players that replicate the supporters. For example, if we take the goalkeeper even though he was not born in the region he moved to the region early in his life. But the supporters also like young players from other countries who can identify with the club and what it stands for which is very interesting in its own right. So we say that the most important day in the year is the general assembly where members can decide things that are interesting to the club they can elect the board. The Advisory Board and they still have the power here and in the past they can also decide on decisions where they can say no we don't like this or yes we like this.

I Gibson  
Code 1.3

I Gibson  
Code 1.3

I Gibson  
Code 1.1

I Gibson  
Code 1.3

For example, recently the proposed changes to the club's constitutions. Also, the members have the opportunity to express that they don't like a decision made by the executive board. For example, the partnership we signed with viagogo the online ticket-platform the illegal black-market selling tickets. and the members said that it wasn't possible to have a relationship with such a sponsoring company. As they earn money from the ticket sales at Schalke and supporters was having to pay €150 for a ticket which perhaps may have cost them €50 for a ticket so the members said we don't want it. This was mainly the decision of the executive board but I think days after the contract was signed they quit the contract with the club. The club said ok our members don't want this sponsor contract, so then the club cancelled the contract with viagogo which proves that the members still have the power to influence decisions.	I Gibson	Code 1.3
	I Gibson	Code 2.1
	2 comments	
As a membership department to find solutions together with the members there are meetings before to discuss with the members what can we change which is a good way. Also, for the members and also for the organised supporters groups so security officer has regular meetings with the supporters. This ongoing dialogue especially with the ultra-groups because they are more in the focus than other supporters just go into home games we meet with them every week maybe not sitting together every week but we have a presence at every game Home and Away. We try to help them to with their ideas and their philosophies so there's a very strong connection between that group and the club at the moment this relationship hasn't been as good in the past especially with the Ultra Group. We also sure there will be some issues in the future where maybe the club has a different opinion than the supporters but that's normal in every club.		2 comments
	I Gibson	Code 2.2
	I Gibson	Code 2.1
	I Gibson	Code 2.3
The fans project is a team of social workers who are not employed by the club so they can work a little bit more independent, but the fan project was important in the past, but now think the groups are well organised on their own. We don't need the fan project as a meeting point I'd in the past but they're also still an important organisation and they are also traveling with the supporters so we also have an exchange with them as a club on match days. If they are travelling by train or coach and also as part of our team they support us offices they also arrive early at the Stadium to meet and greet the supporters as they arrive. For example we played in got back last Saturday, me and XXX was there 3 hours before kick-off at the Stadium to see if everything works and everything was ok. But, also meet the people from Monchengladbach and as I said the fan project travel with the group's two of them they also make a bus for younger fan. members under 16 without alcohol and without cigarettes so we are able to make a good price a cheap price as a club for the younger supporters. Also, these supporters can go to away games, so we have a coach connection with the fam Project as another way of communicating to supporters.	I Gibson	Code 2.2
	I Gibson	Code 2.1
	I Gibson	Code 2.1
	I Gibson	Code 2.3
	I Gibson	Code 2.1
	I Gibson	Code 2.1

Every month together with the board of the fan group I should mention this is also the umbrella group of the club who have 60 or 70 thousand members not just in Germany but all over Europe, We also have 1000 associated supporters' groups attached to the umbrella organisation structure. The Big Issue for all supporters' groups is the tickets for the games both Home and Away. The umbrella organisation they get 1/3 of all the home tickets and therefore they are in charge of distribution to the supporters for that allocation of tickets. The club sell the other third of the tickets through the website online inside the club the ticket office and then they can decide which area which region in Germany as to which supporter group get access to the tickets. For example before the season they set out who gets what tickets for which game as in Munich we get perhaps 2000 tickets and then we can decide which Fanclubs gets what. we meet regular with the main fans group and tried to give information to all the fan clubs.	I Gibson	Code 1.2
	2 comments	
	I Gibson	Code 2.1
The umbrella organisation for the supporters was decided way in the past because they were the first organisation and they were also doing supporter liaison officer work for the club in the past for the club announce the leader of the umbrella organisation. The club's supporter liaison officer and this person was very powerful they made lots of good things happened for the supporters they invented meetings between the supporters and the players and the fan clubs maybe once a year or the players would drive directly to the fan clubs travelling to this porters rather than the players going to them. This is so the players could see how far the fans had to travel to watch the games maybe every two weeks they also organise meetings with the board. They also had a close connection to the board members as you see they were very powerful it from the past and that was the main reason why they became the umbrella organisation of the club. This is why they now have one seat on the supervisory board and now they get all the tickets for the away games and they are in charge of selling the Tickets they also arranged the trains for the supporters and also the buses.	I Gibson	Code 1.1
	I Gibson	Code 2.1
	2 comments	
However, I think in the last 10 years it has changed and some other groups come to the front. For example, the ultras and I think may be better organised and have other ideas and they seem to be more interesting to younger people so we were also talking about the seat on the Advisory Board and that is still for the umbrella organisation. This could be that there will be a change in two maybe three years and the supporters say ok the umbrella organisation are not powerful anymore in the organisation. For example none of the other groups are involved with the umbrella group anymore as we have seen with the ultras group as they was part of the 100 supporters groups but they came out of the umbrella organisation so it will be an issue for us. In the future when the other groups grow outside of the main supporters group but also it will be interesting to see what the members wants because the idea is that you have one supporter on the Advisory Board and he had the whole view of the supporters but also that they can make decisions on behalf of the supporters. I don't know if it's still the opinion of most of the members that one guy from the umbrella organisation can represent the views of all the other supporter groups outside the umbrella organisation.	I Gibson	Code 1.2
	I Gibson	Code 2.2
	I Gibson	Code 2.3
	I Gibson	Code 1.3
	I Gibson	Code 1.3
	I Gibson	Code 1.2
	I Gibson	Code 1.3
	I Gibson	Code 1.3

Page Break



Maybe we need someone independent of the umbrella organisation as maybe you have the power to keep the away ticket allocation for your own bank groups and not others the club. We now having discussions who gets the tickets for away games as two thirds of them the tickets we give to Schalke members and 1/3 goes to Schalke fan club members and they also should be a member with the club but we can't control it on every game. So we don't know why this fan club gets 10 tickets and this one gets 20 or even why this fanclub just gets one ticket there could be a discussion in the future but at the moment it is fine it's just the way it is.	I Gibson	Code 2.2
Everybody has the opportunity in the election to approve a candidate and we have aboard who make an interview with all the candidates and then they say ok these four candidates can be put up for election. At the general assembly two the different boards at Schalke on the supervisory board at the moment there are lots of people from other organisations supporters groups outside the umbrella organisation. For example, we have one member from the Ultra Group and Moseley supporters travelling to away games from other supporters organisations and so they have a very close connection with the fan base. 50 + 1 is very important to our members here at Schalke it is very important and the members say that the club belong to us and it is not possible for you to sell it. We have also saw the discussions the decisions in other clubs so Hamburg with someone like Bullhome had an election a couple of weeks ago so it will be interesting to see how the members their vote. I hope that there will be no change no decision like that (majority ownership) but at the moment there are there is no idea from the board at Schalke to change it as we say as long as we can work as any an e.v. ( Association). We will but if the State say it is not possible anymore because you are making 300 million each year it is not a sports club then they may change it by law and then we would have to find another solution but I hope the same statues like now.	I Gibson	Code 1.1
	I Gibson	Code 1.3
	I Gibson	Code 2.1
	I Gibson	Code 1.3
	I Gibson	Code 2.3
	I Gibson	Code 1.1
	I Gibson	Code 1.3
It's a difficult discussion because you have Hoffenheim there's a fight inside the club between supporters and members and the board he now 20 years sponsor of the club and when you have been a sponsor for 20 years. You have a decision you can buy parts of the club for example Bayer Leverkusen the company on the club like Wolfsburg are owned by VW the twenty year sponsorship rule was a decision by the league. They said if somebody would go to a regular count I think there could be problems and this is the reason why I like Leipzig in the Bundesliga. Because if they will go to the court for sure they will be more problems than say having them in the Bundesliga. Perhaps, Hoffenheim will become the first cup to go to the court to challenge the 50 plus one rule but that is to be seen. I was thinking about the 20 year sponsorship rule the other day as I think Veltins are 20 year sponsors and have been sponsored for 20 years of our club, but Veltins are very popular here and perhaps it's like Adidas in Munich so for them it wouldn't be a problem if they bought part of the club.	I Gibson Code 1.3	
	I Gibson	Code 1.1

I think the 20 years sponsorship rule will be important but at the moment I don't think it's a problem here we had we had an issue when Gazprom. Gazprom became sponsor over 10 years ago	I Gibson	Code 1.3
and for some members, maybe the club could be influenced by gas, but it never happened in the past. We just had a few members guys who said you can't have gas from as a sponsor anymore	I Gibson	Code 1.1
but most of them said they give us good money lots of money for this they have one seat on the supervisory board but they have no influence taking part in the meetings. so that's a good position	I Gibson	Code 1.2
for us the club but the members for sure I watching what is happening inside the club. There will be protests if there is something the board, the supervisory board would like to change	I Gibson	Code 1.3
something there would be massive protests because you see you have many advantages if you sell parts of the club so it is good that in Germany you have bad examples like the other Munich		
Club and so on. At Hamburg they get money but they also they are not playing in any European competitions yet we over the past couple of Seasons have been in the Champions League and	I Gibson	Code 1.2
the Europa League so that's a good example and it shows that what we are doing at Schalke is working both on and off the field.		
I think Schalke have got a good balance between the commercial aspects of the club and the interests of the supporters. I also see that we're now talking about trips to the US China in the past	I Gibson	Code 1.1
because when we play twice in China, we had also supporters with us at the same time from Germany and the US as some of the members travel to every game. Supporters are very critical	I Gibson	Code 2.2
with everything that has happened inside the club but in this case they said well this is more interesting for us to see a different country. With our team and they understand that it is necessary	I Gibson	Code 2.3
to be present in other countries but should be in a normal way. For example nobody will except when you play at 10 o'clock in the morning just because of some person who wants to watch	I Gibson	Code 2.1
the team in China on TV or when you play the cup final in somewhere else and not Berlin then that would be a problem but when you just have some stores in China and maybe a trip after the	IG I Gibson	Code 2.3
season has finished then this seems ok with the members.		
The supporters have the opportunity to influence decisions not only at the assembly but during the week or during the year just to talk with members of the board and also members of the		
Advisory Board. So if you have them as very good connections if the supporters and it's a close connection even the sports member on the supervisory board even though he is new in his	I Gibson	Code 2.1
position he still has a relationship with the supporters and the financial manager at Schalke has been in position for 20 years. He knows how the club is run and the role of the members, so we	I Gibson	Code 1.2
all sit together and we take on board the views of supporters for example last month maybe two we made a survey of the members to prepare the General Assembly. We asked if it was necessary	I Gibson	Code 1.1
to change the constitution and I think more than 10000 people took part however most of them said it was unnecessary to change so the board members said OK that is the decision of the		
members, so we made no changes.	I Gibson	Code 2.3



There were discussions at the last general assembly that the club had an idea to change the constitution but most of the members there's no it is not the right time to talk about changes. The club	I Gibson	Code 2.2
was the cluster says ok there will be no election about this now and maybe we will <u>discussed</u> over the year or maybe to the right way for it to be taken forward. To get most of the members in	I Gibson	Code 2.1
agreement involved so we said this is one idea yet until we have a concrete picture he said ok then we will stop it and we have meetings with board members for supporters and four members	I Gibson	Code 1.2
and supporters and they also get the feeling what the supporters think. It did not a closed atmosphere in the dressing <u>room</u> of the team there are 11 board members on the supervisory board	I Gibson	Code 1.1
and an executive board so we say that members need to send us a questions and then depending who the question is aimed. They must answer the question and take time maybe just one and		
a half hours to answer the question and this happens maybe every two or three months so that every board member has a question posted to them maybe once a year.		
These questions are so that board members get a feeling for how the members are thinking and we make it maybe with Peter Peters before the general assembly so he says that it is important	I Gibson	Code 2.1
for him to get a feeling for how the supporters/members are feeling beforehand. At the same time, we also can give some information back to the members the members groups of how the	I Gibson	Code 2.3
club are looking to make some changes this year. Also before the season starts then the members aim a question at Christian Heide  so he can explain why the club bought iPlayer or why	I Gibson	Code 1.2
they changed the coach and that's also a good possibility and we have which is more, but we have meetings with all over Germany with all the different regions different member states. This	I Gibson	Code 2.1
gives supporters the opportunity to ask questions and in the past naked issue with board members and that's events we normally talk directly to members.		
We have for 150000 members, so we think it is necessary to talk with them and find solutions together and it's not possible just to have a fight between just the board or a few people in the	I Gibson	Code 2.3
board. It doesn't work and it's not good for the club I think he'd benefits from having supporters at board level and that's my opinion. We have the board of the club 3 guys and they're in charge	2 comments	
of <u>everything</u> in the daily work and strategies and so on I'm sure they are working for their paid as the court appointed and then we have the odd job as record with Clements Tonnies. They	I Gibson	Code 1.3
have to control the board that's their job the chairman wasn't so popular for the active supporters because he's very powerful he has lots of money which is also present in the media always		
talking he's the leader of the club and he isn't is the three guys on the executive board of a paid by the club so he's not so popular but for the <u>fancubs</u> .		

For example, the other members is good to have him as a background of as a sponsor and he was re-elected 2 years ago with lots of votes so that wasn't a big issue afterwards after he was	I Gibson	Code 1.1
elected or re-elected you to the honorary council made up of former players. Other important people in the club and they just decide when they're an issue between two members that there are	I Gibson	Code 1.1
when is an invite between two members and they try to find a solution and not to go to the regular Court. This is to deal with it in house who use it when I be when we're talking or if people	I Gibson	Code 1.2
have to leave the club can be dismissed for racist behavior then we also lasted for the annual report if I was solution or can we find another way but they are not so important for the daily work	I Gibson	Code 1.1
that's left to the executive the election committee decide which people can be elected by the General Assembly. the election committee decides which people can be elected by the general	I Gibson	Code 1.2
assembly, there's a discussion that its maybe too powerful, however they (the members of the committee) are elected by the general assembly in a democratic process. However, there is a		
discussion that is maybe too powerful the election committee however they are elected by the general assembly the members is the Democratic process and way and so for me it's a good way.		
I was supposed to have 3 seats on the supervisory board and today it's gas from the council of Gelsenkirchen and we have an external consultant and management consultant and then we have	I Gibson	Code 1.2
the Sporting department who have won seats. I believe it's a nice mixture so that the members the fans the Sporting departments and also the sponsors have a say on how to run the club our	I Gibson	Code 1.1
constitution. Also managers have to go through the supervisory board for everything that exceeds €500,000 has to be agreed by the supervisory board for supervisory board also needs to view	I Gibson	Code 1.1
the financial plan and see what they think and what the three managers are going to do over the next year so I think it does work good. if it didn't work good and Schalke wouldn't be as		
successful as it was at the moment.		
I think there's other clubs for example Nuremberg right now in the process of outsourcing their professional team and the fans of Nuremberg say well we don't need to do this because looking	I Gibson	Code 1.1
at Schalke and how successful they run their Club without having outsourced professional team. I think it's a good thing that supporters have a say at the supervisory board I believe that the	I Gibson	Code 1.3
umbrella organisation how they send one person to the supervisory board is not working well at the moment. I think that person could do more but it's the history of the umbrella organisation	I Gibson	Code 2.3
for example our ultras are not part of the umbrella organisation anymore so they don't have a say on who to send to the supervisory board. So I guess if the umbrella organisation would	I Gibson	Code 2.3
work better in the supervisory board however the ultras do still have a say in the general assembly because they have 1000 people and it makes it hard for us if we want to change our	I Gibson	Code 2.3
constitution. To have a majority and usually if you take the ultras and there's another fan club call to supporters and if you put them together they don't have a majority but they have a	I Gibson	Code 2.2
majority so big that all the others in the AGM don't have a two third majority. So we still have to talk to them and if there's a proposition from the cut to change the constitution we have to		
talk before I'm with those and say we would like to change this so that we get the two third majority said to be able to change. the representative of the supervisory board should objectively	I Gibson	Code 1.2
and independently decide on possible candidates and not under the influence of the executive.		



I think talking to the supporters beforehand does benefit the decisions but maybe well I've been here for maybe the last 3 years and we did manage to say change the constitution in some ways but we did have some major idea to change the constitution. This time but it didn't go through because we did couldn't convince the ultras and the others about our idea but I think if we didn't have such a strong constitution such a good working constitution. I don't think it would have been a problem trying to change, we don't always get the two third majority needed to make the change because we're having such a good constitution that works so well for the club it helps the club so that's why we need to have a discussion with them beforehand question what would you like to change throughout the club answer there's nothing I would like to change as it works.

I Gibson Code 2.1

I Gibson Code 2.3

I Gibson Code 2.1

I think that also helps if you take a look around the training pictures and the stadium it all belongs to the club so there's no other parties that have a say in our Club, as a lot of clubs don't even own their own Stadium it's owned by This City and rent it out or they have a company that does the catering we do our own catering or they have a company that do their merchandising and marketing but I shall go We Own It All ourselves and that's what I've given him bored always say there's no need to change anything at the moment because it works out it works out fine for us.

IG I Gibson Code 1.1

#### Appendix 1b Sample of Coded transcripts from Everton (Supporter Interview)

Myself or my son I've been season tickets now for over 15 years I'm a passionate Evertonian fan along with every other fan and they don't even have to attend the match Evertonis in your blood and the effects your weekend when you don't get the right results when you lose I don't go to the quiet extreme like some others but it does affect your mood you go a little bit quieter in you can't face watching the replays. I think the best fans are the ones that travel away from home up and down the country to see the matches I would call them the hardcore I've supported Everton all my life in my youth I used to get there when I could and then in later years. I became a season ticket holder just the same as the rest of my family but we do have others who follow the red heart of the city and are Liverpoolian people ask me why do I support Everton I just remember at shop and all my family could afford at the time was a simple blue Everton shirt with a v-neck and thereafter I followed Everton we and I can always remember the run up to the 66 Cup final but this was before the room that Everton undertaken in the 70s when they was one of the most successful teams in the country. Unfortunately from the success we had in the 70s and early 80s what saddens me is how we fall so far behind the rest so quickly at being so successful, we haven't quite far as far as some other big cups for example Leeds and Bolton but all the time we feel that we didn't capitalise on our successful time, we have been close to relegation on a number of occasions barely survived against Wimbledon at home and then Coventry our home and I was a little nervous time, but we haven't been quite as bad as some.

GI Gibson, Ian (PG) Code 2.1

Gibson, Ian (PG) Code 2.2

Gibson, Ian (PG) Code 2.1

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.1



At Everton it's always be a question of what if as our last league title was 1988/1989 and the Premiership started in 91, I think and after that begin with the influx of the broadcasting money we fell quite quickly. I think is Everton managed to keep that going and capitalise on the success and the increase in revenue as in the premiership money, as in the history may have been a different story then also with the Heysel stadium tragedy also impact Everton because there was never allowed to take part in European competitions which impacted the revenue and Everton because they was never allowed to take part in European competitions which impacted the revenue and these are the what ifs

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG) Code 1.2

The success that Everton had previously could have gone both ways unfortunately when the opposite way for us I think the relationship of the supporters with the club is a little bit mixed. I think I over there the years it has got better especially in the last couple of years but I think before that it was nonexistent what makes me laugh are they call the club the people's Club but for customer service you think..... not! My understanding is that the term the people's Club was coined by David Moyes where we started as manager probably has a little dig at Liverpool don't think it was historic I think he was just something that Moyes said..... I mean the likes of Bill Kenwright just what stands away and just said we are the people's club.

Gibson, Ian (PG) Code 2.1

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.3

I think that also helps to be called the people's Club is the local following from people from the area and if you just put it into perspective with Liverpool they have more international supporters that is but we feel that would represent the local Community around Liverpool ok we have a strong North Wales contingent but that is relatively local to Everton. Over the years customer service at Everton has struggled for example a friend who has held a season ticket longer than me claimed he had given up a season ticket which was used to him when he came to take you seat at the match this is also the case with myself I was in the family enclosure with my lad and told what I was about to renew my season ticket and was told that I couldn't move those seats again because of my son's age but the information I received was different from the start to when I came to renew my season ticket.

Gibson, Ian (PG) Code 2.2

 Gibson, Ian (PG)  
Code 1.3

I don't think Everton are there any different to any other club in terms of commercial activity. I think in the last few years they are trying and accessing or purchasing stuff from the club has become a lot smoother in terms of when you get your season ticket where to buy a shirt for over the years customer service has not been too good and even in the last couple of years even up to last season and this really sums up Everton for me at the minute. The first game of the season and it wasn't even the turnstiles this time it was one of the toilets was being refurbished And I was having a conversation with one of the stewards and we both had no ones that we had all summer to do these ground repairs but they were still unfinished by the time the first game came around. In terms of supporters, how can you get something so drastically wrong (Stadium upgrades) I agree it was a fan orientated change as of the age of the stadium I agree it was an improvement to upgrade the facilities but to do it in the week before the first match when you've had all summer is caused chaos.

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.1

I really don't know how the club make the decisions they are pressure groups in terms of the blue Everton forums and various websites run by supporters I now have ToffeeWeb, but I doubt the supporters have any influence on some of the big decisions taken by the club. I think at the end of the day, the decision is that the club we are all commercial for example the new ground and every Everton fan that I have spoken to wants to move to the Docklands no two ways about it which wasn't the case when the club tried to move close to Croxteth which would be exactly the same as going to Goodison Park.

Gibson, Ian (PG) Code 2.1

Gibson, Ian (PG) Code 1.1

I remember when he (Kernwright) was in discussions two move to the ground in Kirby well there's no way myself on the lot of the supporters wanted to go to Kirby which would be really further out of the city then we wanted a move Croxteth as it was better than Kirby. I voted for it because if this means that we became a better commercially viable club than I was all for it the decision as it was made from my head not my heart. I do believe the Docklands one would be both my head and my heart as it would be good for the city to develop the land and you will get a lot more supporters in town spending money currently if you go to Goodison so the ground I just go straight home as I don't want to drive then extra into Liverpool but if you're in Liverpool and you're not that far from the city center. There will be more passing trade as I say the majority of the supporters want to move to the Docklands but how much say we have on the matter I'm not too sure as it is all based on the affordability. The renaming of Finch Farm is also an interesting one but I also think it's a good move. I think it means nothing there it is I wish to live near the old Bellfield training ground What was really interesting was the Belfield and Melfield was just around the corner from each other we went to Millfield which was Liverpool's training ground more than we did Everton because it was all open and I could go and watch The A-Team and the B two games and what was really good was that we also had a kick about at the back of the net while the game was going on but Everton's training ground.

Gibson, Ian (PG) Code 2.1

Gibson, Ian (PG) Code 1.1


Gibson, Ian (PG) Code 2.1

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG) Code 2.1

I have also been to a number of times waiting around outside to get autographs of the players when I was a kid but I don't think you can get access now in to Finch Farm I think the access was for the olden days when you could just go in to watch the games as it was all open this is a ticket now I used to have not been for a while but it does give you access to go and watch all the reserve Team games which is always a good option to see some of the youngsters coming through to the first team.

 Gibson, Ian (PG)  
Code 2.1



I think the naming of Finch Farm including Usmanov was a good thing as it was income and it was easy income And I don't really have any concerns at the moment because he's the one that bankrolls Arsenal and he wants a great to say in Arsenal so maybe not in Everton but it is always nice to think that it might lead to something else, maybe further investment in the club, but I don't think that will be the case because I think he is committed to Arsenal in the Long run. I know that my Moshiri wasn't in happy at Arsenal I need a new challenge as he didn't have the voice his investment would probably demand so I don't think so I don't think that sponsorship really knows anything more in terms of something even bigger happening at Everton. Its what's happening at the moment that's football at the moment you just can't run football clubs from the heart you need to get the balance right The heart of the club isn't really the heart it's the fans that pay the money obviously that is commercial but you still have to look after the fan because they are the heart of the Everton

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG) Code 1.2

Gibson, Ian (PG) Code 2.3

I know that some fans say they want a place on the board but throughout the UK companies have never really adopted employees on major commercial boards not wholeheartedly anyway which as far as I am concerned is a European thing I think at the end of the day you want clubs to be more commercial. But, also on the other hand you don't want to come to making the same mistakes as other clubs have. I don't think it's a matter of throwing money at the club and trying to buy success and then end up in administration and they say if you would in retrospect ask a Leeds fan what they would have wished for then in my opinion They would say maybe we would have just would have had to concentrate on the league and left the chase for the Champions League.

Gibson, Ian (PG) Code 1.2

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG)  
Code 1.2

Gibson, Ian (PG)  
Code 2.2

I think the board will I need to have and Avenue or Access a good representative fan based group, ok it doesn't have to be another aspect of the club will the increase of commerciality needs to understand the heart of the club. If you take the likes of Bill Kenwright who hasn't got the money in terms of Mr Moshiri and Mr Usmanov, but we don't want them making the wrong types of decisions. You can't run a football club just with your heart but that's different as you can't run football clubs just based on revenue because if the fans are not there watching the games then why are we televising the games. I would say that we are more than a customer, in any other business you are a customer but you should get the right treatment and the difference between a football club is you had there as well and you do have a lot of emotion to that club away from the ground ground and that's a different kind of customer relationship. Yet, you still need responsibility from the club and you have an affinity with the club and you always do the right things for example the ground and at the end of the day and if it ends up at Croxteth it ends up at Croxteth

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 2.3

Gibson, Ian (PG) Code 2.1

Gibson, Ian (PG) Code 2.3

I don't think the fan will stop turning up hey will be disappointed again with what could have been by end of the day you can't really do anything about that you just need to sort of get on with it. I think it's about getting the balance right between commercial and the supporters. It's always a difficult one isn't it because you can't means test season tickets but you've got to make sure that that you've got you young fans coming through which Everton do like any other club do you know we have junior levels you've got to make sure you've got the youth coming through. It's about getting the balance right isn't it you got the financial interests of the investors that you can't ignore but it's like any other business. If your selling products it's working and they keep putting up the price then there's going to be a point where people say I just can't afford this whether you're emotionally tied to the club or not and actually know as an Evertonian is probably actually cheaper now just to get a Sky box and watch it on the TV and in fact now I can watch any game alone at any time on a Saturday Sunday but let me add I'd rather go when it's on the games but you can be priced out of it

Gibson, Ian (PG) Code 2.2

2 comments

Gibson, Ian (PG) Code 2.3

 Gibson, Ian (PG)  
Code 1.3

 Gibson, Ian (PG)  
Code 1.2

It's like a field of dreams if you build a stadium then they will come but if there's not enough attention to the pricing structure making sure the younger fans come through away fans have a fair ticket price in terms of the inclusion of travel then it's important that the clubs are building that into the financial structures. But you can't get away from the fact that investors are businessmen and moshiri is a businessman it's nice to see that he seems to be interested in the club for what it represents but ultimately, he's a businessman. The new owners don't communicate with the supporters that much but I don't worry about that because in the end of the day is a businessman so I don't expect that he'll go bankrupt for the sake of money because at the end of the day he's a businessman so I don't expect that he'll go bankrupt for the sake investing in Everton.

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.1

I think fans are really sensible and objective if you look at some of the teams I think fans in their own way will challenge commercial decisions they don't agree with, for example why did we give contract extensions to Gareth Barry and then you come to think we'll what why would you do that because they're not really performing on the pitch. This answer went bit of football all football is changing that it's more business there's no room for sentiment but if someone outstayed their ability to perform why would you want to be extending contracts. I think there's a limit to the responsibility that fan should have I think it's more listening rather than a roll of negotiating. I would say is active listening from the fans and you have to leave the club to the people in charge of running the club And I'm not too sure of details of the commercial deals with kit bag where do we get from that that's what worries me you need good commercial people there.

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.2

Gibson, Ian (PG) Code 2.2

Gibson, Ian (PG) Code 1.2



I think transparency is the key with the commercial deals after the event there should always be limits in terms of how you engage fans before you make a decision but at least if you've got the fans on board, the important thing is the right way then you understand where the fans are coming from. There's an opportunity to be open and honest with fans in terms of what are the benefits all the kit bag on for example was it only poor commercially you would really need things in the press but the fans couldn't even get complete kits so it is there isn't available so things are like this making question these kinds of commercial partnerships. Fans have I've always got to be right at the heart of these commercial partnerships, and when things go wrong, they need the support of the fan to put it right as in the case of the Fiasco around the club emblem.

Gibson, Ian (PG) Code 2.2

Gibson, Ian (PG) Code 2.3

Gibson, Ian (PG) Code 2.3

I think the club need to be appreciative of the fans listening to fans how fans feel about things and then we go back to crazy decisions which I've been me not in the interest of supporters but well who knows where they were made. If we go back to the renovations on the stadium which impacted the fans on the first day of the season then you either ask you have got incompetent people managing the clubs activities or you just don't care less about the supporters - maybe it would be cheaper option and then they said well this is the cheapest time to do the work so we don't give a stuff about the fans. I don't even bother now complaining or asking questions of why decisions are made because in the past I used to send an email asking certain questions and I never even had I'll reply back so I just don't bother now I'm just stopped doing it a big part of the communication within the club is that you have a big ground which is not fit for purpose anymore and I don't want to be part of the fans complaints that on apart from you can't even get a telephone signal in there on your mobile phone.

Gibson, Ian (PG) Code 2.3

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 2.1

I think as an Evertonian the ground is embarrassing compared to other grounds in the Premiership and probably facility wise we are amongst the worst in the league I think it's time that we moved out because I don't think it is practical to develop the ground where it is in the way that say Liverpool have developed Anfield. I think moving for example is where the heart comes in I think if the move into the city Centre that almost mitigates the move away from Goodison where I was moving away from Goodison and I'm leaving further out to Croxteth would impact the supporters more. I think the move away from Goodison is based on finance is going to be financial he's got to be the right thing for Everton financially in the long term and if they conclude it's the right thing then it will be Croxteth will have to live with it. I think concerning the ground I think the club already knows what they're supporters want and they have alluded to that too but if they can deliver what the fan want I'm not too sure but if they do then great afterwards if there's a change of plan then they do need to come out and explain what has happened and why the decisions have been made and share stuff with the fans. Maybe you know that that could be like what warts and all if they could do explain why did decisions have been made then they might start to lose the heart part of the supporters I'm not saying that it'll be an empty Stadium at Croxteth but people are you the supporters will be letting climb to travel further out of the city when the kings dock was muted by the club many years ago that got the supporters excited and nothing happened and there was never any reason why didn't happen never any explanation it just didn't happen.

Gibson, Ian (PG) Code 2.1

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.2

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG)  
Code 1.3

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Gibson, Ian (PG) Code 2.1

Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 1.2

Gibson, Ian (PG) Code 1.1

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The discussion and the supporters was that it was just fanciful and it was never going to happen..... he sounded good and he did get the fans excited for a while there's so much attention being drawn to the new stadium then if this doesn't actually happen then the call will need to explain their decisions in the clubs AGM the people attached to the clubs decisions was talking in sunny called about maybe some decisions we wasn't aware of an maybe they couldn't announce it at the time but they knew what they wanted but it was complicated. Football in England has changed and owners now own clubs on commercial grounds and to protect their investment and their revenue streams, but these are risks and there's always going to be the price that will be paid you wonder sometimes what happens sometimes of what if these high profile owners. For example, at Chelsea gets bored and withdraws their investments as if he sells tasted to somebody else who hasn't got as much money will they start to decline you made a will what does it matter because they've had maybe 10 successful year. Chelsea was nothing really in terms of a big successful English football team until the current owner came and put his money into the club and then they started to win leagues and Champions Leagues thereafter so the fan would say if we didn't have that then I think a lot of English football fans take the investment and the quick natured success that comes with different owners if they don't fall Like a Stone like other clubs have done I k now we spoke about Bolton and Leeds for example the money's gone but we're still in the Premiership it's hard to swallow but we've had an element of success

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG) Code 1.2

Gibson, Ian (PG) Code 1.1

Gibson, Ian (PG) Code 1.3



I don't think it's been a matter of boom or bust at Chelsea but if you take Leeds it wasn't a strong investments it was borrowed money on the clubs debt it was a gamble and the price of supporters then paid was to see there Club fall and they're watching the team in the championship and that shouldn't happen again as long as the club has taking due diligence on the owner's. I'm not quite sure what the supporters can do because if you go back to Everton before this season ok we had a bit more money which two colors to pull together and there was a question mark all the way that investment came from. Some say one of the shadow companies was a fronts for Sir Philip Green And we didn't really get to find out are we still don't know the full extent or the details on it but if you're asking should we pick investment or not then that's a really difficult decision and I don't think fans could ever make that decision.

Gibson, Ian (PG) Code 1.2

Gibson, Ian (PG) Code 2.3

Gibson, Ian (PG) Code 1.3

I think deciding on investment should be made by less this dispassionate people in terms of is this right for the club because the phones are going to turn around and say we haven't had much success since 1989 and we been working on a Shoestring budget and we've done really well to stay in the Premiership. Since then as a supporter you welcome investment because you think that you will have success and it will be a sustainable one because why do they say money attracts other investment all the money in hand side in some of the clubs he could also go the other way but I believe that could happen anyway how did you look at the Premiership now and the 20 teams is not necessarily about bad investment. Any team more can be relegated just because of the money on offer and the standard of players which are being attracted by clubs every game is competitive and if you don't work to get in some more finance in you would be in trouble. You could always 4 which was going to be challenging for the league title, but now you would could say actually anyone in the table could even get into Europe or get relegated to the championship. Everton under David Moyes where I think he did a great job overall with the money that I had at times he did lose a few games to start off with before Christmas but we recorded I'm not too sure why we didn't start too well I'm with Everton's history it's it was he even more had to take yet if we start to look at Leicester. I don't really see that as maybe major investment but just maybe a freak result even though they have had Malaysian investors into the club I think Leicester fans will say when was the last time you want it they can hold that against other bigger clubs maybe as a stick to beat them with and to be fair you could never take that away from them now they have won the Premiership where a lot of other so-called bigger clubs haven't your Liverpool's Everton's Tottenham's To win the league for that was a dream.


Gibson, Ian (PG) Code 1.1


Gibson, Ian (PG) Code 1.2

Gibson, Ian (PG) Code 1.2


Gibson, Ian (PG) Code 1.3

Gibson, Ian (PG) Code 2.1

 Gibson, Ian (PG)  
Code 1.2

 Gibson, Ian (PG)  
Code 2.2

Leicester just shows that is not just about investing but it can be done no maybe after spirit you know it may be a one-off and that's the joys of football and why football supporters dream about their clubs can be successful giving cold to other football supporters has an Evertonian it also offers a number of questions to say well if Leicester managed to win the Premiership League. why couldn't have been us and we were probably unequal place to them with maybe the same financial budget so why did they win it and we are miles away is it down to manager I just don't know.

 Gibson, Ian (PG)  
Code 2.1

## Appendix 2 – Table of Codes, Themes, Sub-Themes and Data Evidence

**Research Question One:** What are the fundamental factors behind a club’s model of football governance?

Codes	Talks about how the club governs (Code 1.1)	Describes the influence that governance has in the club (Code 1.2)	Describes the influence that governance has in the club (Code 1.2)
Themes	Construction of Club Governance	Influence of Executive Power at Board Level	Governing Decisions Making
Sub-Themes	Constitutions, rules and responsibilities within the club	Executive rights, the role of the board and individuals	Power of ownership, governance structures and organisational control
Evidence	<p>“We have always had a government framework to comply with company law legislation” (E)</p> <p>“on the board, we had a chairman he has been an owner chairman, we also have an owner-director (Wood) in the group, we then have Mr Moshiri who has his advisor on the board” (E)</p> <p>“We really feel we understand football and not just only football, but life and more importantly we are able to explain how we understand football to our members” (A)</p> <p>“the president does not have any extra powers on the club board, he chairs the meeting and then we vote on the issues raised in the agenda, so the board has no need for a casting vote” (A)</p> <p>the election committee decides which people can be elected by the general assembly, there’s a discussion that it may be too powerful, however, they (the members of the committee) are elected by the general assembly in a democratic process” (S)</p> <p>“the representative of the supervisory board should objectively and independently decide on possible candidates and not under the influence of the executive” (S)</p>	<p>“football in England has changed and the owners now own clubs on commercial grounds to protect their investment and their revenue streams, yes these are risks, but there's always going to be a price to be paid for success” (E)</p> <p>“transparency is the key with commercial deals and after the event, there should always be limits in terms of how you engage fans before you make a decision” (E)</p> <p>we trust the president to act in the traditions of the club and to represent its members with the pride of the Basque people” (A)</p> <p>the directors are mainly professional people and they would not feel they are representing the interest of the club they love unless they challenge decisions, they don’t feel are right”! (A)</p> <p>“the executive board represents the members, not the other way around” (S)</p> <p>the election committee decides which people can be elected by the general assembly, there’s a discussion that it may be too powerful, however, they (the members of the committee) are elected by the general assembly in a democratic process” (S)</p>	<p>“doesn’t have much rigour in terms of subcommittees and reporting styles, or even the opportunity to share minutes” (E)</p> <p>“We (supporters) don't want them (the board) making the wrong types of decisions as you can't run a football club just with your heart” (E)</p> <p>“The club management team has to make lots of urgent decisions, and it is impossible to consult all the members with every decision – more importantly, they have appointed a president to make the clubs day to day decisions” (A)</p> <p>“yes it is true, we had the right to vote on a decision, but it seems to me on less important decisions – we had just renamed the San Mamés press room, but to name the next manager or a player.....never!” (A)</p> <p>we say that the most important day in the year is the general assembly; they can elect the boards, the supervisory board and they still have the power to decide on decisions where they can say no we don't like this or yes we like this” (S)</p>



			<p>“we signed with Viagogo the online ticket platform, the illegal black-market selling tickets and the members said that it wasn't possible to have a relationship with such a sponsoring company. So, then the club cancelled the contract, which proves that the members still have the power to influence decisions” (S)</p>
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E = Everton. A = Athletic Bilbao and S= Schalke

### Appendix 3 – Table of Codes, Themes, Sub-Themes and Data Evidence

**Research Question 2:** What salient influence (power, legitimacy and urgency) do different types of supporter groups hold as stakeholders with a club’s model of governance?

<b>Codes</b>	Talks about the relationship between the club and its supporter groups (Code 2.1)	Describes the role of supporters in club decisions (Code 2.2)	Identifies the influence of supporters at the club (Code 2.3)
<b>Themes</b>	Role of Supporter Groups in the Club	Different Types and Influences of Supporter Groups	The Power of Supporter Groups
<b>Sub-Themes</b>	The legitimacy of a supporter relationship	Supporter types, influence and power	Supporter relations and urgent club action
<b>Evidence</b>	<p>“Everton would really like to enhance the power of the fan base, why wouldn't you like to hear what your fans have to say” (E)</p> <p>“Sometimes you just can't afford this (following Everton) whether you're emotionally tied to the club or not, actually as an Evertonian it is probably actually cheaper now just to get a Skybox” (E)</p> <p>“We don’t get to pick our football team, we are born into the club; it is passed down from our fathers” (A)</p> <p>“We had to work with the fans to improve the relationship as it’s not easy to explain, but we had to talk to the groups to improve the things.....the atmosphere” (A)</p> <p>“a few of the members on the supervisory board have</p>	<p>“I would say that we are more than a customer, different to other businesses where you are a customer and you should get the right treatment” (E)</p> <p>“The new owners don't communicate with the supporters that much, but I don't worry about that because at the end of the day it is a business” (E)</p> <p>“the assembly is a good opportunity not only for the members to check the records but as the board it provides us with confidence that we are getting things right off the field” (A)</p> <p>“normally each area has a president of a supporter group and these are the individuals</p>	<p>“supporters with shares have the opportunity to motion through annual general meetings, as we don’t have fan representation on the board” (E)</p> <p>“I think there's a limit to the responsibility that fans should have, I think it's more about a role of listening, rather than a roll of negotiating - I would say it’s active listening from the fans and you have to leave the club to the people in charge of running the club” (E)</p> <p>“it would be a brave president that changed the club’s policies – many of the old members (senior) have been involved for years and long before most of</p>

	<p>spoken in the press like it's their own club, but it's not it's the members' club, they are there to protect the club's interests, not to profit individually from their role in the club" (S)</p> <p>"We protect the history of the club and any changes need to get our approval as this is our club and any change without us would lead to massive protest" (S)</p>	<p>that progress into the club elections – I always vote for the southern section because this is my community" (A)</p> <p>I thought we had all understood each other but we are far too concerned with ourselves and some are drawn to the questions of the constitutions and rules of the organisation; Unfortunately, attempts to achieve more togetherness and better co-operation have not been successful so far" (S)</p> <p>"These supporters have the opportunity to influence decisions not only at the assembly but during the week, or during the year as they just to talk with members of the board (SFCV board) and also members of the supervisory board; so they have very good connections with the supporters and it's a close connection" (S)</p>	<p>the board. It will never happen in my lifetime!" (A)</p> <p>"We had to listen to the membership that we represent and if they want to raise an issue we had to listen, even if we don't agree or it goes against the board aims" (A)</p> <p>"the co-determination of the members is an important asset in the registered association. Therefore, we are happy to comply with the wish of our members not to reform the Electoral Committee and to vote for the vote as good as it is" (S)</p> <p>"the umbrella organisation for the supporters was decided way in the past because we were the first organisation (supporters' group) to do work as supporter liaison officer for the club" (S)</p>
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E = Everton. A = Athletic Bilbao and S= Schalke

#### Appendix 4 – Coded Book (Generating and Reviewing the Themes)

Themes	Construction of Club Governance	Influence of Executive Power at Board Level	Governing Decisions Making	Role of Supporter Groups in the Club	Different Types and Influences of Supporter Groups	The Power of Supporter Groups
Sub-Themes	Constitutions, rules and responsibilities within the club	Executive rights, the role of the board and individuals	Power of ownership, governance structures and organisational control	The legitimacy of a supporter relationship	Supporter types, influence and power	Supporter relations and urgent club action
Codes	Talks about how the club governs (Code 1.1)	Describes the influence that governance has in the club (Code 1.2)	Identifies issues around how the club governs (Code 1.3)	Talks about the relationship between the club and its supporter groups (Code 2.1)	Describes the role of supporters in club decisions (Code 2.2)	Identifies the influence of supporters at the club (Code 2.3)
Evidence	<p>“We have always had a government framework to comply with company law legislation” (E)</p> <p>“on the board, we had a chairman he has been an owner chairman, we also have an owner-director (Wood) in the group, we then have Mr Moshiri who has his advisor on the board” (E)</p> <p>“We really feel we understand football and not just only football, but life and more importantly we are able to explain how we understand football to our members” (A)</p> <p>“the president does not have any extra powers on the club board, he chairs the meeting and</p>	<p>“football in England has changed and the owners now own clubs on commercial grounds to protect their investment and their revenue streams, yes these are risks, but there's always going to be a price to be paid for success” (E)</p> <p>“transparency is the key with commercial deals and after the event, there should always be limits in terms of how you engage fans before you make a decision” (E)</p> <p>we trust the president to act in the traditions of the club and to represent its</p>	<p>“doesn’t have much rigour in terms of subcommittees and reporting styles, or even the opportunity to share minutes” (E)</p> <p>“We (supporters) don't want them (the board) making the wrong types of decisions as you can't run a football club just with your heart” (E)</p> <p>“The club management team has to make lots of urgent decisions, and it is impossible to consult all the members with every decision – more importantly, they have appointed a president to make the clubs day to day decisions” (A)</p> <p>“yes it is true, we had the right to vote on a decision, but it seems to me on less important decisions – we had just renamed the San Mamés press room, but to name the next manager or a player.....never!” (A)</p>	<p>“Everton would really like to enhance the power of the fan base, why wouldn't you like to hear what your fans have to say” (E)</p> <p>“Sometimes you just can't afford this (following Everton) whether you're emotionally tied to the club or not, actually as an Evertonian it is probably actually cheaper now just to get a Skybox” (E)</p> <p>“We don’t get to pick our football team, we are born into the club; it is passed down from our fathers” (A)</p> <p>“We had to work with the fans to improve the relationship as it's not easy to explain, but</p>	<p>“I would say that we are more than a customer, different to other businesses where you are a customer and you should get the right treatment” (E)</p> <p>“The new owners don't communicate with the supporters that much, but I don't worry about that because at the end of the day it is a business” (E)</p> <p>“the assembly is a good opportunity not only for the members to check the records but as the board it provides us with confidence that we are getting things right off the field” (A)</p>	<p>“supporters with shares have the opportunity to motion through annual general meetings, as we don't have fan representation on the board” (E)</p> <p>“I think there's a limit to the responsibility that fans should have, I think it's more about a role of listening, rather than a roll of negotiating - I would say it's active listening from the fans and you have to leave the club to the people in charge of running the club” (E)</p> <p>“it would be a brave president that changed the club's policies – many of the old members (senior) have been involved for years and long before most of the board. It will never happen in my lifetime!” (A)</p> <p>“We had to listen to the membership that we represent and if they want to raise an</p>

	<p>then we vote on the issues raised in the agenda, so the board has no need for a casting vote” (A)</p> <p>the election committee decides which people can be elected by the general assembly, there’s a discussion that it may be too powerful, however, they (the members of the committee) are elected by the general assembly in a democratic process” (S)</p> <p>“the representative of the supervisory board should objectively and independently decide on possible candidates and not under the influence of the executive” (S)</p>	<p>members with the pride of the Basque people” (A)</p> <p>the directors are mainly professional people and they would not feel they are representing the interest of the club they love unless they challenge decisions, they don’t feel are right”! (A)</p> <p>“the executive board represents the members, not the other way around” (S)</p> <p>the election committee decides which people can be elected by the general assembly, there’s a discussion that it may be too powerful, however, they (the members of the committee) are elected by the general assembly in a democratic process” (S)</p>	<p>we say that the most important day in the year is the general assembly; they can elect the boards, the supervisory board and they still have the power to decide on decisions where they can say no we don't like this or yes we like this” (S)</p> <p>“we signed with Viagogo the online ticket platform, the illegal black-market selling tickets and the members said that it wasn't possible to have a relationship with such a sponsoring company. So, then the club cancelled the contract, which proves that the members still have the power to influence decisions” (S)</p>	<p>we had to talk to the groups to improve the things.....the atmosphere” (A)</p> <p>“a few of the members on the supervisory board have spoken in the press like it’s their own club, but it’s not it’s the members’ club, they are there to protect the club’s interests, not to profit individually from their role in the club” (S)</p> <p>“We protect the history of the club and any changes need to get our approval as this is our club and any change without us would lead to massive protest” (S)</p>	<p>“normally each area has a president of a supporter group and these are the individuals that progress into the club elections – I always vote for the southern section because this is my community” (A)</p> <p>I thought we had all understood each other but we are far too concerned with ourselves and some are drawn to the questions of the constitutions and rules of the organisation; Unfortunately, attempts to achieve more togetherness and better co-operation have not been successful so far” (S)</p> <p>“These supporters have the opportunity to influence decisions not only at the assembly but during the week, or during the year as they just to talk with members of the board (SFCV board) and also members of the supervisory board; so they have very good connections with the supporters and it's a close connection” (S)</p>	<p>issue we had to listen, even if we don’t agree or it goes against the board aims” (A)</p> <p>“the co-determination of the members is an important asset in the registered association. Therefore, we are happy to comply with the wish of our members not to reform the Electoral Committee and to vote for the vote as good as it is” (S)</p> <p>“the umbrella organisation for the supporters was decided way in the past because we were the first organisation (supporters’ group) to do work as supporter liaison officer for the club” (S)</p>
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## Appendix 5 – Defining the Themes

<b>Theme Definition</b>	Lack of constitutional clarity leads to weak governance	Ungoverned roles on boards and executives	Weak knowledge of supporter role and responsibilities	Lack of understanding of supporter relations	Ungoverned groups of non-stakeholder supporters
<b>Theme Description</b>	Limited and ill-defined legal consultations are the catalyst for weak governance structures	The key roles on boards and executives only incorporate a small number of individuals and exclude other legitimate groups of stakeholders	A club's model of governance can marginalise supporter groups from a meaningful relationship with their clubs	Clubs are failing to capitalize on the business and operational benefits of an active supporter relationship	Football governance can prevent supporters from building an active relationship with a club
<b>Code Label</b>	Talks about how the club governs (Code 1.1)	Identifies issues around how the club governs (Code 1.3)	Talks about the relationship between the club and its supporter groups (Code 2.1)	Describes the role of supporters in club decisions (Code 2.2)	Identifies the influence of supporters at the club (Code 2.3)
Describes the influence that governance has in the club (Code 1.2)					
<b>Key Issues arising from the Evidence</b>	<ul style="list-style-type: none"> <li>• Too reliant on a statutory framework of governance</li> <li>• Feelings of unlimited power for individuals</li> <li>• Ill-defined responsibilities in club operations</li> <li>• Mixed levels of transparency can have a negative impact on the club.</li> </ul>	<ul style="list-style-type: none"> <li>• Executive powers to sanction decision fall to the few</li> <li>• Limited information on agendas, discussions and decision-making process at board and committee level.</li> <li>• No mechanisms to challenge decisions</li> <li>• Limited representation of legitimate stakeholder groups at an executive level</li> <li>• Weak consultation process when making club decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Supporters placed outside the club before the manager can engage with different groups</li> <li>• Lack of understanding of how to build a meaningful relationship with supporters</li> <li>• Unclear on the role supporter can take up to govern the club</li> <li>• Diversity amongst supporter groups leads to disengaged groups</li> </ul>	<ul style="list-style-type: none"> <li>• Unstructured supporter groups prevent an active role inside clubs</li> <li>• Missed opportunities by clubs to use supporter groups as an operational resource</li> <li>• Failure of clubs to understand the beneficial attributes of supporter relations</li> <li>• Weak communication and engagement by prominent members within clubs</li> </ul>	<ul style="list-style-type: none"> <li>• Supporter are unable to build a meaningful relationship with their club</li> <li>• Ungoverned groups lead to protest and movements against the club</li> <li>• Groups that form outside of the club can affect business profits and operations</li> <li>• Clubs have no means to engage, consult or manage non-stakeholder supporter groups</li> </ul>