

SPORT IN THE GLOBAL SOCIETY CONTEMPORARY PERSPECTIVES



# Who Owns Football?

The Governance and Management of  
the Club Game Worldwide

Edited by David Hassan and Sean Hamil

ROUTLEDGE



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Game Worldwide

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# Who Owns Football?

The commercialisation of football in Europe since the 1990s has had a number of consequences for the game, not all of them beneficial to its wellbeing. The market forces that have defined these developments have impacted upon the financial future of clubs as key social and cultural institutions and some continue to see their existence threatened. The inevitable result is enforced sale of club assets for commercial development; their relocation to towns and cities many miles from their original locale, or the acquisition of clubs by individuals of whose motives many fans are rightly suspicious. In recent years one of the most high profile responses to these developments has been for groups of supporters to join together and purchase ownership of part of the club, or in some cases the entire club, to run it on a non-commercial basis. It mimics the successful membership model deployed by FC Barcelona and upon which entire organisations, like the Gaelic Athletic Association (GAA) has successfully existed for 125 years.

This book will explore the background to this movement and its practical out-working by providing individual case studies from several European countries.

This book was previously published as a special issue of *Soccer and Society*.

**David Hassan** is a Senior Lecturer at the University of Ulster. He is Academic Editor of *Sport in Society* and joint Editor of *Foundations in Sport Management*, a new Routledge series. Dr. Hassan has published extensively in the politics and governance of sport in a range of international academic journals.

**Sean Hamil** is a Lecturer in the Department of Management at Birkbeck College, University of London. A co-founder of Birkbeck College's Sport Business and Consultancy Network he has edited a number of books on football governance including Hamil, S., Michie, J., Oughton, C., and Warby, S. (eds) (2001) *The Changing Face of the Football Business: Supporters Direct*, London: Frank Cass and Hamil, S., Michie, J., Oughton, C. and Warby, S. (eds) *Football in the Digital Age: Whose Game is it Anyway?* Edinburgh: Mainstream.

SPORT IN THE GLOBAL SOCIETY –  
CONTEMPORARY PERSPECTIVES

*Series Editor: Boria Majumdar*

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WHO OWNS FOOTBALL?

*The Governance and Management of the Club Game Worldwide*

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## INTRODUCTION

### **Models of football governance and management in international sport**

David Hassan<sup>a</sup> and Sean Hamil<sup>b</sup>

*<sup>a</sup>School of Sports Studies, University of Ulster at Jordanstown, Newtownabbey, UK;*

*<sup>b</sup>Department of Management, Birkbeck, University of London, London, UK*

#### **Introduction**

Historically, the governance of professional sport has been understood in relatively straightforward, indeed taken for granted, terms. Essentially, this has meant that association football clubs, for example – but the same is true of other professional sports clubs – have remained under the ownership of private companies or mutual associations and that these entities appropriately reward athletes of varying abilities for their role in delivering a sporting ‘product’. In doing so, they have mostly operated within systems of governance that have presented sport as something of a deviation from normal business practices, but this has meant that, as in this case, football began to constitute anything but a conventional industry. Clubs did not seek to profit maximize and did not regard themselves as part of the ‘entertainment business’, even if they did effectively provide this through their participation in various sporting competitions. Instead, ‘utility maximization’, or simply the achievement of success on the field of play, remained the key objective for most if not all clubs regardless of what levels of the professional game they competed at. For the most part, this was a relatively benign business approach because, despite many clubs ‘living beyond their means’, the financial stakes were sufficiently low that overall equilibrium was retained and the game followed a largely predictable course. However, significant and wide-reaching changes have taken place in a range of national sports settings, especially over the last two decades, which have begun to distort this picture – in certain cases dramatically so – and that, in turn, give rise to some worrying trends. This is a situation that has become especially apparent since the turn of the new millennium and has begun to raise questions about the very purpose of elite professional football clubs across Europe; in some cases this has included a debate over their continued existence.

These and similar issues were placed under the spotlight in January 2008 following the remarks of UEFA (the governing body of European football) President Michel Platini, who, according to UEFA’s own website<sup>1</sup> – uefa.com, issued:

... an impassioned plea for the safeguarding of the essential values and specificity of football and sport in an address to the Council of Europe’s winter parliamentary Assembly in Strasbourg.

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It is worth reprising Michel Platini's comments in detail, as they go to the heart of the current debate surrounding to which realm – social, economic/commercial or political – sport truly belongs. Under a sub-heading entitled 'Negative influences' UEFA.com stated that:

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

'European sport has always been a powerful catalyst for social and cultural integration', said Mr Platini. 'Two key aspects make the European model of sport both unique and completely fair: the financial solidarity between the different levels of European sport and the openness of competitions thanks to the system of promotion and relegation. Any attempt to undermine these two elements would sound the death knell of the fundamental relationship that exists between sport and society in our continent.'

In essence, these comments represented a fundamental critique of the American sports 'entertainment' model, as exemplified by American Football's NFL, a closed league with few solidarity arrangements and one that may be understood as having more in common with the US entertainment industry than with any comparable sports league operating within Europe.

Later in his comments, Mr Platini made explicit reference to the importance of nurturing football's grassroots and the volunteer tradition, which together with European sports organizations, he argued, helped maintain the balance which enabled sports' values to be passed on perpetually. Critically he spoke of:

... an explosion of sectoral and corporate interests at both league and club levels in all team sports that are played professionally. These initiatives, which often attract enormous media coverage, are designed to benefit one element, particularly if it is powerful and rich, rather than the masses. Attempts are made to reduce a discipline into a show, to demean a sport in order to convert it into a product. It is becoming more important to make a profit than to win trophies.

This was interpreted in some quarters as a very thinly veiled attack on the elite football clubs of Europe. Of course it should be recognized that UEFA has itself become quite adept at harnessing the power of commercial sponsors and broadcasters to market and develop its own competitions. However, it argues that because its core objective is to redistribute this income back to the base of the football pyramid, this distinguishes its commercial activities from those of some elite clubs who seek only to make a financial profit for themselves and have no interest in nurturing football's grassroots or addressing any wider social or cultural agenda.

UEFA.com concluded the report under the heading 'Social Problems':

... many social problems were reflected in sport, particularly football, since it is by far the most popular sport and attracts the most media attention. In addition to violence, he (Platini) said: 'Society has also passed other scourges on to the world of sport: money-laundering, match-fixing, illegal betting, racism and xenophobia, doping, child trafficking. The list is long but enables us to identify all the areas in which close cooperation between sports bodies and public authorities is both necessary and unavoidable'. Mr Platini reflected that if professional sport were treated as a kind of commercial activity

like any other business, all sporting activity would ultimately be viewed through the ‘terribly distorting prism of competition law’.

In his comments, Michel Platini was throwing into sharp relief an age-old argument in the history of organized sporting activity, the encroachment of commercial forces into sport. He was also concerned with how to manage these forces without losing something potentially very valuable – sport’s wider contribution to the social and cultural ‘balance sheet’ of society. More explicitly, Platini was also reasserting the primacy of sports’ traditional governing bodies to have overall responsibility for the governance and regulation of their sport, in all its social, cultural, political, economic and commercial facets; and that this responsibility should not and, if he received broad support for his views, would not be acceded to primarily commercial organizations. For it is this perception – that in essence a takeover of the control of sports is under-way (and in some cases in full flow) underpinned by purely commercial forces – that lies at the heart of Mr Platini’s concerns. Interestingly, shortly after the speech to the European parliament by the UEFA president, it was announced that the independent organization of European elite clubs, G14, was to be disbanded and that a new independent European Club Association (ECA) was being formed. Significantly, the latter was to operate within the terms of UEFA’s existing framework of consultation with stakeholders in European football.<sup>2</sup>

In his comments, Mr Platini illustrates another central reality of sport as a sector; that it truly does have multiple objectives spanning the social, cultural and economic spheres, as reflected in its diverse and numerous stakeholders. This makes the terrain of sports governance and regulation impossible to analyse effectively other than by adopting a rounded interdisciplinary approach. For even in the context of economic analysis, as Walter Neale’s<sup>3</sup> seminal paper outlines, the economics of sport has ‘peculiar’ characteristics that make it particularly challenging to analyse when compared with conventional economic marketplaces. These include an understanding that:

- (1) Clubs and leagues constitute a form of joint production. There is a need for strong competitors to have a healthy league competition, or to achieve competitive balance; whereas under conventional market arrangements businesses seek to eliminate other strong competitors to increase their market share. Ultimately, therefore, sports competitions require the presence of effective governance mechanisms to ensure an adequate level of competitive balance is maintained.
- (2) Redistribution is critical: in order to create a reasonable level of competitive balance there is a need for some degree of revenue redistribution to ensure that unequal financial power in the sport labour market does not distort overall competitive balance. Once again, therefore, sports competitions need effective governance mechanisms to ensure adequate competitive balance is maintained.
- (3) Supporters of all sports clubs exhibit an extraordinary degree of loyalty to their clubs – what some have described as ‘fan equity’,<sup>4</sup> to the extent that they will not substitute their support for other clubs even if their own team proves to be unsuccessful. This area of consumer–producer relationships in sport is unique in business terms and therefore needs to be nurtured and protected by governing bodies the world over.
- (4) Business objectives in sport are often different to those in other industries. Private businesses that own sports teams are unique in the business world in

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that they frequently prioritise winning (utility) over financial profit. Yet this creates a built-in incentive for clubs to be financially irresponsible in the pursuit of sporting success. It follows that any successful sports competition or league needs to design and enact a proper regulatory system to counter this growing tendency.

- (5) Players in sports, particularly in professional sports, as a consequence of their unique talents, possess monopoly power, which again creates a built in incentive for wage inflation in sports' labour markets. It hardly needs to be said that any successful sports competition needs to design regulation to address this trend as unchecked it contains the seeds of its own destruction.
- (6) For all this, the health of any professional sports league is ultimately dependent on the strength of a particular sport's grassroots programme, as it is from the grassroots that future players, and indeed spectators, emerge. Sports' organizations need to regulate to ensure that there is a degree of redistribution from the commercial revenue generation sectors of their respective industries to the grassroots to enable the sport at this level to prosper.
- (7) It is broadly accepted that sport has a deep social significance beyond the purely economic sphere. For example, a high level of sports participation helps governments to achieve objectives regarding the health and well-being of the population. There is, therefore, a shared governance agenda on the part of state administrations and sports governing bodies to regulate for increased participation.
- (8) Similarly, sport has a deep *cultural* significance beyond its perceived commercial imperative. It can help to create a sense of identity and group loyalty that can contribute to improved levels of social cohesion, for example, the role of anti-racism campaigns in English football as a vehicle for addressing wider problems of racism behaviour in English society. Once again, government and sports governing bodies have a vested interest in promoting the positive cultural values of sport.
- (9) Critically, as has become a central theme here, effective regulation is required by football and sports authorities, and government, to ensure efficient outcomes against all the above criteria.

In summary, the central reality of sport as a sector is that sports organizations have multiple objectives ranging across the social, cultural and economic spheres, as reflected in their multiple stakeholders. An understanding of how these objectives can best be achieved is ideally suited to a multi- or interdisciplinary framework of analysis. As such, this is the principle which underpins the approach adopted within this collection of articles; that the analysis and governance of sports' organizations requires an interdisciplinary approach, which attempts to address the influences of all its stakeholders, albeit within a particular sporting environment or national setting. It follows that this collection is deliberately eclectic and seeks to examine the challenges of sport governance from a number of different angles. It does not claim to be comprehensive and readily accepts that different case studies may give rise to confounding views and experiences to those relayed through the pages of this series of articles. For all this, this collection of articles is designed to make a serious contribution to the ongoing debate surrounding the future governance of sport by presenting a wide-ranging series of perspectives and, in turn, demonstrate the heterogeneous (if occasionally the homogeneous) nature of the challenges faced in

achieving a more sustainable sporting future for all those who wish to see this become a reality.

### The collection

Since the foundation of the Premier League in 1992, English football has embarked on an extraordinary financial expansion. Between the 1992/1993 season and the 2006/2007 season the combined financial turnover of the clubs in the Premier League increased by 900% from £170m to £1530m.<sup>5</sup> This is a significant achievement by any standards. However, it is an astonishing fact that there has not been a single year since its foundation in which the combined Premier League clubs have made a collective pre-tax profit. This is also the case for the Championship and Divisions One and Two of the Football League. The clubs have only been able to survive through the receipt of new investment from owners or investors, or through shedding debt through the financial administration process. Worryingly, in the case of this latter point, nearly 50 clubs went bankrupt between 1992 and 2009. This raises a fundamental question. Is it possible for any industry to sustain losses on the consistent annual basis that has characterized the English football industry and not eventually be faced with a catastrophic industry-transforming crisis?

In their article the 'Financial performance in English professional football: "an inconvenient truth"' Sean Hamil and Geoff Walters outline the key data on the financial performance, or nonperformance, of English football in general. They then present a series of case studies of individual clubs and their respective challenges and conclude by questioning why it is that, in the face of seemingly obvious and extremely challenging economic conditions, the leading English clubs appear so resistant to any regulatory reform that might attempt to address the twin and related problems of chronic indebtedness and unprofitability. To explain this phenomenon, the article utilizes an analogy from the policy arena around the climate-change phenomenon and its threat to the world ecosystem. In his best-selling book, *An Inconvenient Truth: The Planetary Emergency of Global Warming and What We Can Do About It*, former US vice president Al Gore<sup>6</sup> argues that the climate crisis is an 'inconvenient' one because it will be expensive to address over the long-term and there is a natural tendency to put off until tomorrow what requires financial commitment today. Nevertheless, even though its effects are happening slowly, if left unchecked the consequences of climate change will be catastrophic; and so it will require an expensive transformation in the way we live our lives, and in the way the global economy is organized, to avoid these consequences. But in order to begin the process of addressing the crisis there must first be recognition among global leaders that there is indeed a global climate change crisis. Gore then poses the question – why is it that some leaders seem not to hear the clarion warnings?

Although the crisis in English football finance will only be a footnote in history compared with the issue of climate change, in terms of their response to the issue of rising debt and chronic unprofitability, the Premier League and its member clubs share many of the same characteristics of those who seek to play down the significance of climate change, and represent another 'inconvenient truth'? And if this view is accepted and no proactive action is taken, is it then inevitable that the problem of chronic unprofitability and unsustainable debt will quickly lead to a major financial crisis in English football? What is clear is that English football is entering uncharted waters with its future far from clear.

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Because this collection aims to locate the theoretical alongside the applied, we continue with an account of football governance in Italy – ‘The governance and regulation of Italian football’ – by a group of both Italian and UK scholars, Sean Hamil, Stephen Morrow, Catharine Idle, Giambattista Rossi and Stefano Faccendini. Based on the performance criteria of success on the field of play, Italian football would appear to be in rude health; the Italian national team won the FIFA World Cup in 2006, and the national club champions AC Milan won the UEFA Champions League in 2007. Constituting, as it does, one of the five largest and most lucrative sports broadcasting TV markets in Europe, the Italian football industry should also be in good financial health given the very high financial revenues it generates. However, in reality, it is now widely recognized that Italian football is in a state of severe financial, sporting and public order crisis. The Calciopoli match-fixing and refereeing scandal of the 2005/2006 season saw Serie A champions Juventus FC stripped of the title and demoted to Serie B, with a number of other clubs suffering penalty points deductions. On top of this, in recent years Italian football has faced a severe public order problem at its grounds. Most Italian clubs are financially unstable and unprofitable, and attendances have been in decline since the 1990s. Of course, as recently as 1999, there was also a major player-doping scandal at Juventus FC, and viewed in their entirety, these incidents present a picture of an industry in almost permanent crisis.

Drawing on a range of published secondary sources (in Italian as well as English), the authors analyse the reasons why this crisis has come about, in particular focusing on the various regulatory shortcomings of Italian football. The article focuses on the power relationship between the Italian Football Federation and the leading football clubs and their owners; and the impact of individual (as opposed to collective) selling of TV broadcasting rights on financial instability with its anti-redistributive effect. The article discusses the apparent reluctance of those in positions of authority in Italian football to resolve issues of governance and corruption; instead through initiatives such as the 2002 *Salva Calcio* law, the Italian government allowed clubs to bend accounting rules to flatter their accounts. Finally, the article addresses whether the failure of Italy to win the bid to host the 2012 UEFA European football championships, which would have provided much-needed capital to modernize stadia, and which it seems likely was unsuccessful in part due to factors such as the frequent tax irregularities reported in Italian football, will prove a catalyst for a thoroughgoing programme of reform of the Italian football industry.

At one level, the situation in Ireland could hardly be more different from the picture presented of the domestic football scene in Italy. Here, as the article by Hassan entitled ‘Governance and the Gaelic Athletic Association: time to move beyond the amateur ideal?’ outlines, the success of the Gaelic Athletic Association (GAA), Ireland’s largest sporting organization, has been nothing short of remarkable and stands testimony to what can be achieved when a community-based model of sport governance is afforded serious consideration. The GAA has a membership of almost 1 million people and a presence in every part of the island. It has advanced an amateur ideal for the 125 years of its existence, although in recent years there has been a considerable growth in the professional administration of gaelic games activity in the country. This article deals with the question of corporate governance within the GAA, an issue that to date has not received any form of academic coverage. Despite the overall positive nature of the GAA, David Hassan argues that the current approach to governance in the association is outdated, unwieldy and inefficient. An argument for the adoption of a stewardship model, with the appointment of a professional board of



directors, is outlined throughout the article. This is seemingly all the more pressing when one considers the growing number of stakeholders who would wish to have a say in how the GAA manages its affairs. Indeed, it is notable that many of the Association's fiercest critics on this matter have emerged from within its own ranks. Because these are the same individuals on whom the GAA has relied to secure its current position of strength, their growing levels of dissent should be of concern to those in positions of authority within the organization.

Returning to an issue outlined earlier – the apparent conflation of fundamentally different models of sport governance in the USA and in Europe – John Nauright and John Ramfjord's provocatively entitled article 'Who owns England's game? American professional sporting influences and foreign ownership in the Premier League' is a critical examination of English club football by two American-based scholars. Changes to the organization of the Barclay's Premier League in England and its apparent unrelenting commercialization has made some of its member clubs attractive to international investors. Recently, in particular, there has been a rapid increase in American ownership of Premier League teams with Aston Villa, Liverpool, Manchester United and Sunderland owned by Americans, while a large minority shareholder at Arsenal FC is also American. Beyond directorship/ownership issues, North American organizational and marketing structures of professional sport have increased their influence within the Premier League. These include a focus on diverse revenue streams including media rights, luxury seating, commodification and branding of clubs and their heritage, and diversified services such as club-branded credit cards. While these have merged with English traditions within professional football, there is no doubt that North American influences have begun to change the nature of marketing within the game and have also made leading English clubs attractive to North American and other international investors. Of course, the result of increasing 'Americanization' of English professional football marketing and management strategies has placed it on a collision course with English traditions of organization as well as supporters' consumption of the game itself.

In contrast to the global reach and popularity of the association football game, rugby union enjoys the position of being the national sport of New Zealand. This position is sustained by an exceptional model of governance with central control by the national administration. It was established before the turn of the twentieth century and has remained New Zealand's governance model in the new professional era. In "Club versus country" in rugby union: tensions in an exceptional New Zealand system', Camilla Obel offers a comparative discussion of the different organizational structures in the northern and southern hemispheres and explains how the sport is vulnerable to the contrasting governance systems characterized as 'club versus country'. Drawing on Leifer's account of the transformation of the major leagues in North America, this article investigates how the tension between hierarchical control by a central authority and the drive for local autonomy by clubs is resolved. It details the early establishment of local and national amateur rugby union competitions in New Zealand and argues that these 'professional-like' competitions constituted a strategic compromise by the New Zealand Rugby Union (NZRU). In the global professional era, the NZRU has retained central control over the sport and players through the establishment of NZRU contracts to players and coaches in the five New Zealand Super 14 teams. While the wealthy English clubs exercise a considerable degree of control relative to the English RFU on the issue of player releases for national representation, the current tension in the New Zealand system resides in the saturation of the local player/coach labour

market and the ability of players and coaches to exit for better-paying contracts in the northern hemisphere.

In their article entitled, 'The impact of televised football on stadium attendances in English and Spanish league Football', which is the combined contribution of Babatunde Buraimo, Juan Luis Paramio and Carlos Campos, the authors remind their readership of a salient truth, which is that since at least the early 1990s, sports broadcasting has emerged to become an important part of the sports' industry. This is particularly important in the case of European football because revenues generated from the sport broadcast market tend to dominate and overshadow those generated from gate attendance, which has traditionally been the main source of income to football clubs and leagues. In this article, the authors critically review the broadcast regimes of the English Premier League and the Spanish Primera Liga (Liga de Primera Division) and examine the impacts that televising games from these leagues has had on their respective match-day attendances. They conclude that, although stadium attendances in both leagues respond to a series of factors in a similar manner, the effects of broadcasting on match-day attendance vary across the two leagues. Towards the close of their fascinating article the authors examine the economic issues and policy implications of these findings for a wider market.

For the final article in this collection, the focus remains on Spain, albeit by focusing specifically on the governance arrangements of the Catalan giants FC Barcelona. In this case, Sean Hamil, Geoff Walters and Lee Watson present their argument in an article entitled 'The model of governance at FC Barcelona: balancing member democracy, commercial strategy, corporate social responsibility and sporting performance', which acts as a timely reminder that all is seemingly not lost amid the suggestion that football clubs across Europe now constitute the worst excesses of sport's unrelenting drive to commercialize itself. In this vein, a popular justification for takeovers of English football clubs by millionaire private owners is that in order to be successful a club needs to be able to attract major private investment to compete in the international football player labour market. The debate that unfolded in the UK through spring 2008 as to whether Liverpool FC would be better served being owned by Dubai International Capital (DIC), as opposed to its current owners the American investors Tom Hicks and George Gillett, on the grounds that DIC would likely be more aggressive in its forays into the football transfer market, exemplifies this particular terms of reference concerning an ideal model of ownership for a football club. By extension, this explicitly implies that a successful football club is best structured as a private or public limited company with shareholders as opposed to members or indeed any form of mutual or collective ownership.

However, by contrast, FC Barcelona, one of Europe's most successful clubs, is a not-for-profit sporting club owned by over 150,000 members, or socios. This article critically considers the reasons why the atypical ownership and governance structure of FC Barcelona does not appear to hamper its ability to compete on financial and sporting terms, examines the reasons why this is the case, and discusses the extent to which the Barcelona governance and strategic 'model' might be generalized across the elite European football sector. Utilizing a case study analysis, the first part of the article considers how the membership model at FC Barcelona initially came under threat during the presidency of Josep Nunez (1978–2000). It then charts the activity of *L'Elefant Blau*, an organization that campaigned for member democracy from 1999 to 2003 until its leader, Joan Laporta, was elected FC Barcelona president, and which specifically presented a vision of the club's future where it remained in mutual



ownership and did not become a privately owned corporation. The article then critically considers the record of Joan Laporta and his board of directors against four key stated strategic objectives: (1) a re-assertion of member democracy and transparency of club governance, (2) a commitment to significantly increase commercial revenues through more effective business management, (3) an explicit commitment to develop a corporate social responsibility strategy (CSR) policy, and (4) a commitment to dramatically improve the club's sporting performance. It concludes by discussing the extent to which the distinctive Barcelona governance and strategic 'model' might be generalized across the elite European football sector.

### Conclusion

The analysis contained within the various articles addresses developments in a number of countries, including England, Ireland, Italy, New Zealand and Spain. But perhaps more critically, a number of key themes emerge across the various contributions, of which the following represent the most important. First, the income-generating power of traditional fan cultures as the well-spring of virtually all successful economic models of sport be they professional, for example English and Italian football, the remarkable model of the supporter-owned FC Barcelona in Spain's La Liga or amateur (or more appropriately perhaps those 'with amateur roots', for example, Ireland's GAA and rugby union in New Zealand). Second, the economically destabilizing effect of very strong labour power, the key engine of rising costs in English Premier League football, which is also now beginning to manifest itself in, for example, the amateur sporting arena represented by the GAA through the establishment of a players' union, the Gaelic Players Association (GPA). Third, as sports become more economically productive a tendency has emerged for their leading representatives to wield greater (possibly disproportionate) degrees of power. This has been a defining development in English football where the major clubs, through the Premier League, have emerged as possibly the most dominant stakeholder in the industry. The recent experience of New Zealand rugby illustrates similar tendencies in this regard. Fourth, at the same time that commercial influences are challenging the European model of sport, universally all sporting bodies, be they traditional or commercial, seek to extract revenue from the public purse. For example, in Italy, bankrupt Italian clubs pinned their hopes on the right to stage the 2012 European Championships as a means to leverage the refurbishment of publicly owned football stadia. Finally, but by no means of any lesser concern, has been the extraordinary influence of TV broadcasting on the economics of sports, and on the stability of sporting competitions generally.

Indeed it is worth examining how this issue – the impact of television broadcasting of sport – manifests itself in each of the geographical contexts addressed in this collection, as a means of demonstrating the appropriateness of an interdisciplinary approach such as the one adopted here. It is a truism that in all sports the development of the pay-TV market and its influence cannot be underestimated. It has increased income, but it has also increased instability. And in all sports it has led to either increased pressure to restructure or the actual restructuring of leagues and other competitive contexts. This is because income from TV broadcasting flows disproportionately to elite professional sport, potentially undermining the role of traditional governing bodies where they do not retain control of TV income distribution. As Nauright and Ramjford argue, sport originally professionalized because spectators were prepared to pay at the gate to enter an enclosed arena to watch football. More latterly, television