The Model of Governance at FC Barcelona in 2007: Successfully Balancing Member Democracy, Commercial Strategy, Corporate Social Responsibility and Sporting Performance?

Number of Abstract: 143

Sean Hamil, Birkbeck College, University of London, UJ, s.hamil@bbk.ac.uk

Geoff Walters, Birbeck College, University of London,

Keywords: Governance, Social Responsibility, Business Strategy

Abstract

Aim of Paper

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 undergoing in the UK in Spring 2008 as to whether Liverpool FC would be better served being owned by Dubai International Capital (DIC), as opposed to 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 regarding 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 a form of mutual ownership.

However, by contrast, FC Barcelona, one of Europe's most successful clubs, is a not-for-profit sporting club owned by 156,000 members, or socios. This paper critically considers the reasons why the untypical ownership and governance structure of FC Barcelona does not appear to hamper its ability to compete in 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 generalised across the elite European football sector.

Theoretical Background

Drawing on the Birkbeck College, University of London, Football Governance Research Centre State of the Game (2001-2006) Reports, annual surveys of the state of corporate governance of English football clubs with commentary on wider developments in the corporate governance environment in the UK and Europe, the paper first considers the strengths and weaknesses of the limited company model, in its various formats, and the mutual ownership model it its various formats, as a model of ownership and governance for a professional football club. In particular the financial and governance performance of the English Premier League, a league consisting

entirely of clubs organised as limited companies the vast majority of whose members are unprofitable, is examined (Deloitte, 2007).

Research Design

The paper then goes on to employ case study methodology (Eisenhardt, 1989, Yin, 1994) to present a recent history of the corporate governance and business strategy of Barcelona football club. This history is derived from a detailed review of secondary literature ranging from academic accounts (e.g. Stanford School of Business, 2007, Caraben et al, 1999, L'Elefant Blau, 2000) to newspaper and other media commentary.

Discussion

In the case-study analysis first a consideration of how the membership model at FC Barcelona was threatened during the presidency of Josep Nunez (1978-2000) is presented. It then charts the activity of L'Elefant Blau, an organisation 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. It 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, (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 generalised across the elite European football sector, for example at Liverpool FC.

References

Caraben, A, A. Godall, J Laporta and J. Moix (1999) The Struggle for Democracy at Barcelona FC, in S, Hamil, J. Michie and C. Oughton (eds) A Game of Two Halves? The Business of Football, Edinburgh: Mainstream

Deloitte (2007). Annual Review of Football Finance. Deloitte.

Eisenhardt, Kathleen M. 1989. "Building Theories from Case Study Research", Academy of Management Review, Vol. 14:4, pp. 522-550.

Football Governance Research Centre The State of the Game Report: The Corporate Goverance of Football Clubs. (2001-2006). Birkbeck College, University of London.

L'Elefant Blau (2000) The struggle for democracy at FC Barcelona and the case for a European independent regulator of professional football, in Hamil, S, J. Michie, C. Oughton, and S. Warby (eds) Football in the Digital Age: Whose game is it anyway?. Edinburgh: Mainstream.

Stanford School of Business (2007/01/07). Futbal Club Barcelona: Globalisation Opportunities. Case: SPM-33.

Yin, Robert K. (1994) Case Study Research: Design & Methods, 2nd edition, Sage Publications.