

## GOVERNING EUROPEAN FOOTBALL: MECHANISMS AND IMPLICATIONS

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### Abstract

#### Research aim and preliminary research question

Although it is widely recognized that there currently exists an increasing financial gap between the European top teams and the 'others', successful measurements have not been implemented up to this point. The aim of this research is to theoretically assess governing mechanisms in European football, drawing back on institutional theory, stakeholder theory, and other organizational frameworks. The preliminary research question that has been posed is: What are the requirements and mechanisms to successfully govern football in Europe? This research provides evidence for the need to govern football clubs in ways that take into consideration different stakeholder positions. UEFA's financial fair play will be discussed, as well as American practices (salary caps, draft rules, roster limits, revenue sharing and other redistributive measures) and other governance mechanisms.

#### (Theoretical) Background

According to Lago et al. (2006) the root cause of the current crisis is the increased amount of income that has entered the game in the past decades. Drut and Raballand (2010) estimate a total revenue growth of 90% in the five biggest European football competitions over the past decade, which has triggered an even greater increase in spending on players (Lago et al., 2006). The result is an uneven distribution of playing talent and consequently competitive imbalance. Deloitte found that the twenty largest European teams have made revenues of more than €4.3 billion over the 2009/2010 season, which accounts for one-fourth of the total income of all European top-league clubs together (Deloitte, 2011). More problematic is the fact that, for this season only, there exists an overall net loss of more than €1.15 billion divided over the top-divisions in Europe. Fourteen of the twenty English Premier League clubs have suffered considerable losses in the 2008/2009 season, which reflects the scale of this problem. The industry is in need of action, which has also been addressed by Beech (2010; pp. 120) who describes football as "an industry sector that is in financial disarray and that is dysfunctional". Governing bodies, and UEFA in

particular, face the challenge of making European football financially viable. One of the most recent responses to the growing financial imbalance in football is the implementation of a new club licensing system, the so-called financial fair play (FFP) regulation. The core principle of this concept is the 'break-even' requirement, which holds that clubs are not allowed to spend more money than they make. It is hoped for that this regulation will restore some of the current financial and competitive imbalance.

#### Methodology, research design and data analysis

This case study uses secondary and primary data to explore the relevant topics related to governance in football. Qualitative data is being obtained through semi-structured interviews and questionnaires, giving depth to the theoretical knowledge that is explored throughout this research. Interviews with different stakeholder groups (governing bodies, ECA, UEFA, and club officials) are to be conducted in the following months. Results will be extensively discussed in light of the institutional and stakeholder frameworks that will be explored in the first stages of this research.

#### Results and implications

Preliminary responses to FFP regulation in specific and governance in general are diverse. Some of the big European top clubs (of which Arsenal is one of the exceptions) seem to be resistant to change, whereas most smaller clubs in more moderate leagues are hoping to benefit from UEFA's initiatives. Additionally, Olsson (2011) thinks that financial fair play is unlikely to be successful in the current set-up, although it is essentially a promising measure. Other critics argue in favour of regulation that is easier to understand and to control, which will give less room to bend regulations. This research shows in great depth what the alternatives for FFP are, and how this relates to the institutional environment that clubs operate in.

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