Session: **Workshop: Sport management and stakeholders - Panel session 2.**
Abstract nr: **EASM-0196**

Football ownership in England: Body corporate or body community?

S. Bowden[1]
[1]*University of Waikato, Strategic Management & Human Resource Management, Hamilton, New Zealand*

sbowden@waikato.ac.nz

Ownership of English football teams has been transformed in recent years sparking huge debates among fans, in the media, and even from politicians about the merits of the changes and the consequences for the game and the communities of teams. This paper explores the economic and emotional drivers of ownership, classifies ownership types based on both drivers, and then examines the consequences for communities of fans.

The ownership structure of sports teams has been found to be different from 'ordinary businesses.' For example, Demsetz & Lehn (1985) in their study of the concentration of ownership among firms found that sports and entertainment businesses had more highly concentrated ownership than other types of businesses. In other words, professional sports teams tended to have a smaller number of owners than other equivalent businesses. Demsetz & Lehn (1985) put this down to a concept they referred to as amenity potential – a desire for non-pecuniary benefits associated with ownership. In essence, there was a reward from owning a sports team that was not simply economic like other businesses. People want to own sports teams in part so that 'their team' can win and they can be associated with that success. There is an emotional investment in the 'product' above and beyond normal commerce.

Nevertheless, professional football teams are also undoubtedly big businesses with multiple revenue streams generated off significant investments and large operating costs. There are strong economic drivers and consequences from performance. Leeds United previously and Portsmouth and West Ham currently exemplify the potentially deleterious economic consequences – even in the face of relative football success. Newcastle perhaps demonstrate the economic consequences of poorer performance on the field.

Within England there are clearly different ownership models with varying emphasis on the economic and emotional returns on the business of football. One type of ownership model – currently exemplified by Chelsea and Manchester City – is associated with owners who have no apparent concern for any economic return from their investment. The owners simply want to own a successful team and may even want to influence the nature of that team. It matters very little who that team happens to be as there is no natural affiliation with any one club. These owners are 'fans' of football, rather than any one team. Clearly for this scenario to even be possible the owners need to be incredibly wealthy – a 'Sugar Daddy' of sorts.

A second type of owner emphasises emotional returns over economic returns, but is restricted by loyalty to a club. Most English professional football teams have been owned by these types of owners through most of their history. The Moores family connection to Liverpool football club was a past example and Carson Yeung's acquisition of Birmingham City is a more recent example. This second model is restricted by the wealth of the owners in the degree to which they can ignore economic viability. Usually owners of this type are willing to sacrifice economic returns on their investment, but not the investment themselves. For example, investments in new players do not need to return a profit, but they do need to be able to be funded by player sales or other club revenue. Such owners might be referred to as 'Benevolent Fans.'

A third type of owner only sees emotional returns as a side issue to economic returns. It may be better to make money by doing things that are fun than by doing things that are not fun, but this type of owner does not engage in any business unless the economic returns are greater than the opportunity cost of capital. Liverpool, through the ownership of George Gillett and Tom Hicks, as well as Glazer family owned Manchester United, perhaps best exemplify the extreme business model. Owners of this type need not be fans of the team, nor even football itself. Typically their interest will stem from a belief that an opportunity for profit lies in better business models adapted from other sports or businesses. Such owners are really 'Indifferent Entrepreneurs.'

The increasing big business nature of professional football in England – driven by increased revenues from television, the internet and globalisation more broadly – have created a scenario of increasingly globalised ownership and less 'Benevolent Fan' owners. The primary consequence has been the disconnect between fans and owners where fan loyalty is treated as either irrelevant or a marketing component – rather than the soul of the club.

Reference

Demsetz, H. & Lehn, K. (1985) 'The structure of corporate ownership: Causes & Consequences,' Journal of Political Economy, 93(6):1155-1177.