

Football Clubs and Social Enterprise

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Social Enterprise and Regional Development

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Corporate Form and Objectives

- Club or business?
- Historically, most clubs incorporated as private companies
- Memorandum and Articles of Association set out company objects, these include:
 - Sporting excellence
 - Charitable
 - Running a commercial enterprise

Regulatory Framework Sports Leagues (the FA)

- Joint production (competition and cooperation between clubs in a league)
- Membership of FA subject to rules of FA
- Incentives for revenue sharing
- Collective league bargaining (assigns rights to FAPL and FL) and revenue sharing

FA Rule 34

- Introduced by the FA towards end of 19th Century
- Ethos – to preserve sporting and cultural aspects of football and prevent over-commercialisation
- Rule 34 restricted payment of dividends to 5% of the face value of shares and prevented payment of Directors
- Dividend limit increased to 15% in 1981

Circumvention of Rule 34

- Stock market flotation of Tottenham Hotspur (1983)
- Holding company formed
- Profits could be transferred to the holding company and distributed without limit
- FA allowed its rules to be bypassed
- Impact – greater emphasis on profit as opposed to sporting and cultural objectives

Problems with unfettered profit maximisation and share ownership

- Prioritises commercial over sporting objectives
- Local monopoly
- Supporter (brand) loyalty, community assets
- Interests of supporter shareholders and financial investors diverge
- Supporter shareholders don't have exit (therefore, they need voice)

Supporter Loyalty

- Most clubs make losses (many clubs floated in the 1980s and 90s have since de-listed) – paradox of rising revenue and declining profitability
- Football clubs face soft budget constraints
- Supporters open to exploitation by club
- Need to create a voice mechanism:
Supporters' Trusts

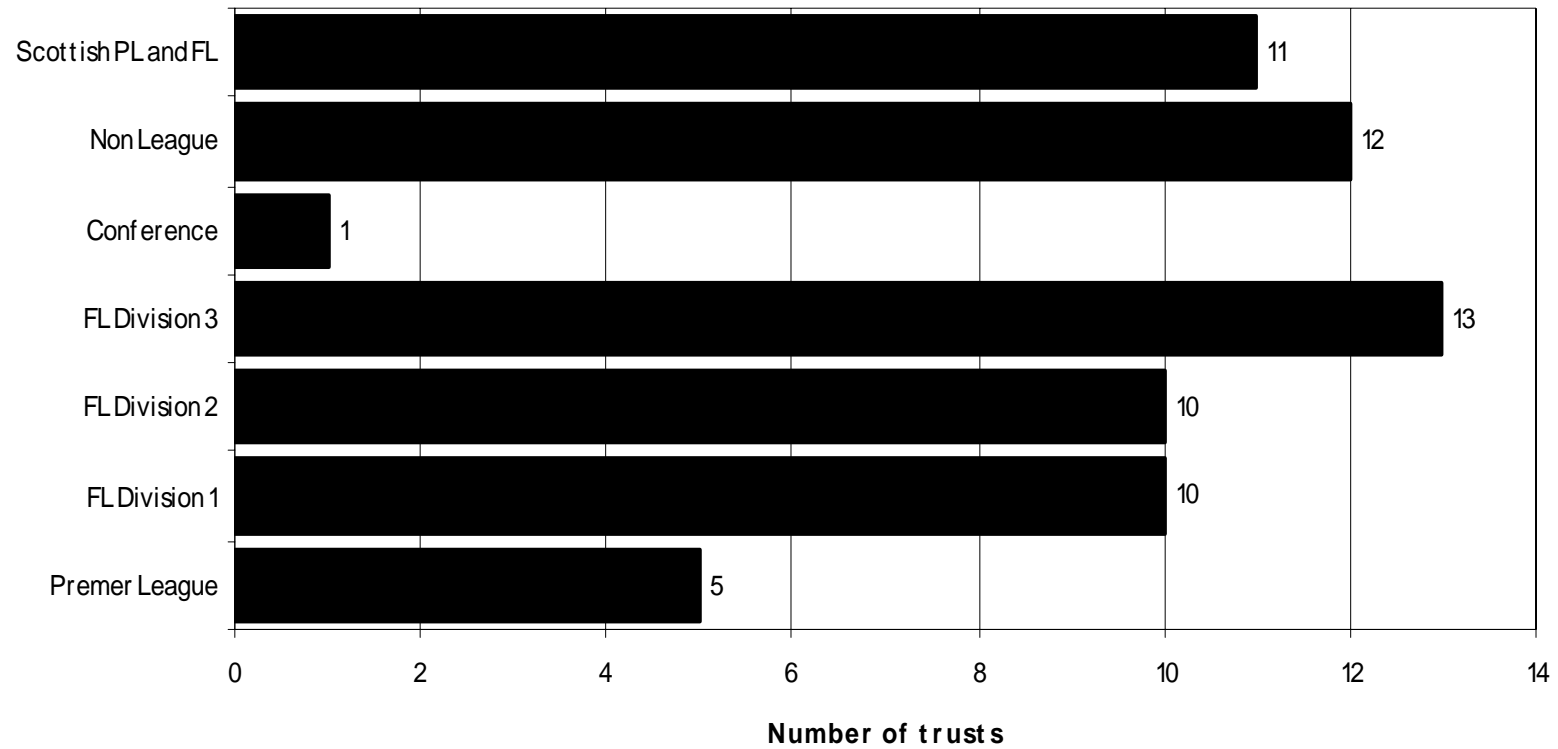
Supporters' Trusts

- Northampton Town FC 1992
- 3 conferences held at Birkbeck
- A general model for Supporters' Trusts worked out (Michie, 1999 and Jacquiss, 2000)
- Industrial and Provident Society (IPS) corporate form (cooperatives)
- Backing from government for *Supporters Direct* – a dedicated unit to promote supporters' trusts

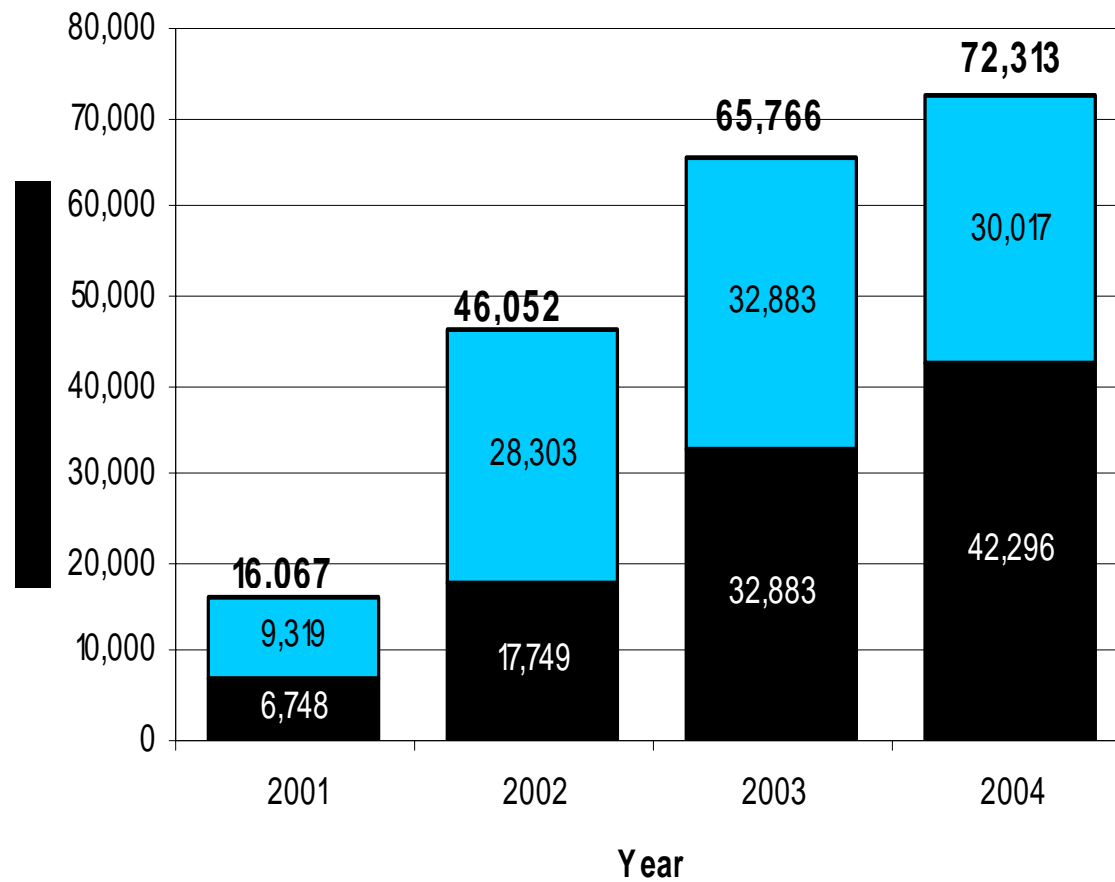
The Supporters' Trust IPS Model

- Not-for (distributed)-profit
- Sporting and cultural objectives:
 - Closer links between club and community
 - Youth involvement in football and club
 - Tackling racism and sexism in football
 - Attaining a shareholding
 - Delivery of social and economic policy objectives
- Pools shareholdings (collective voice)
- Shareholder activism (improve governance)
- To restore social enterprise tradition in football

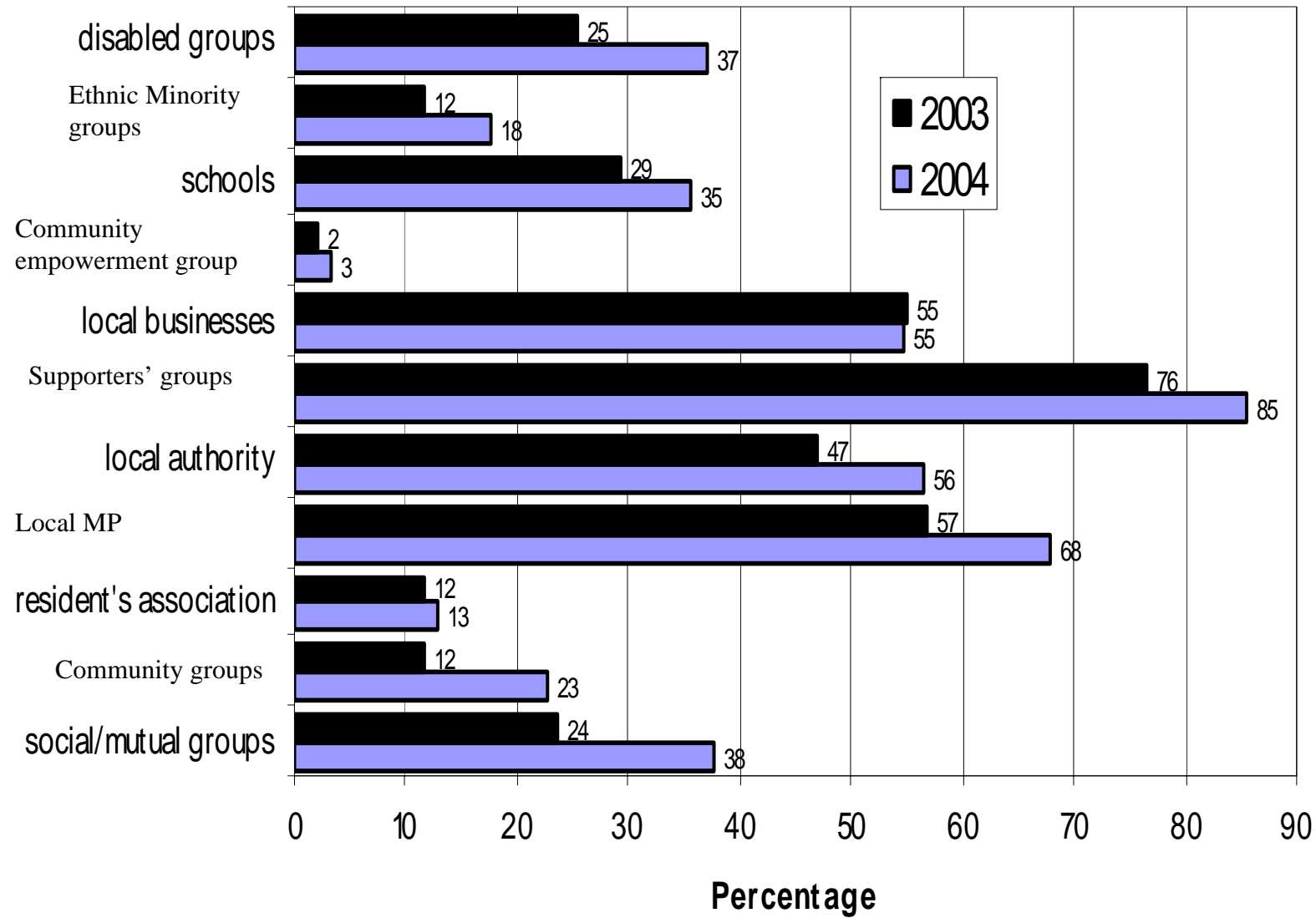
Number of Trusts



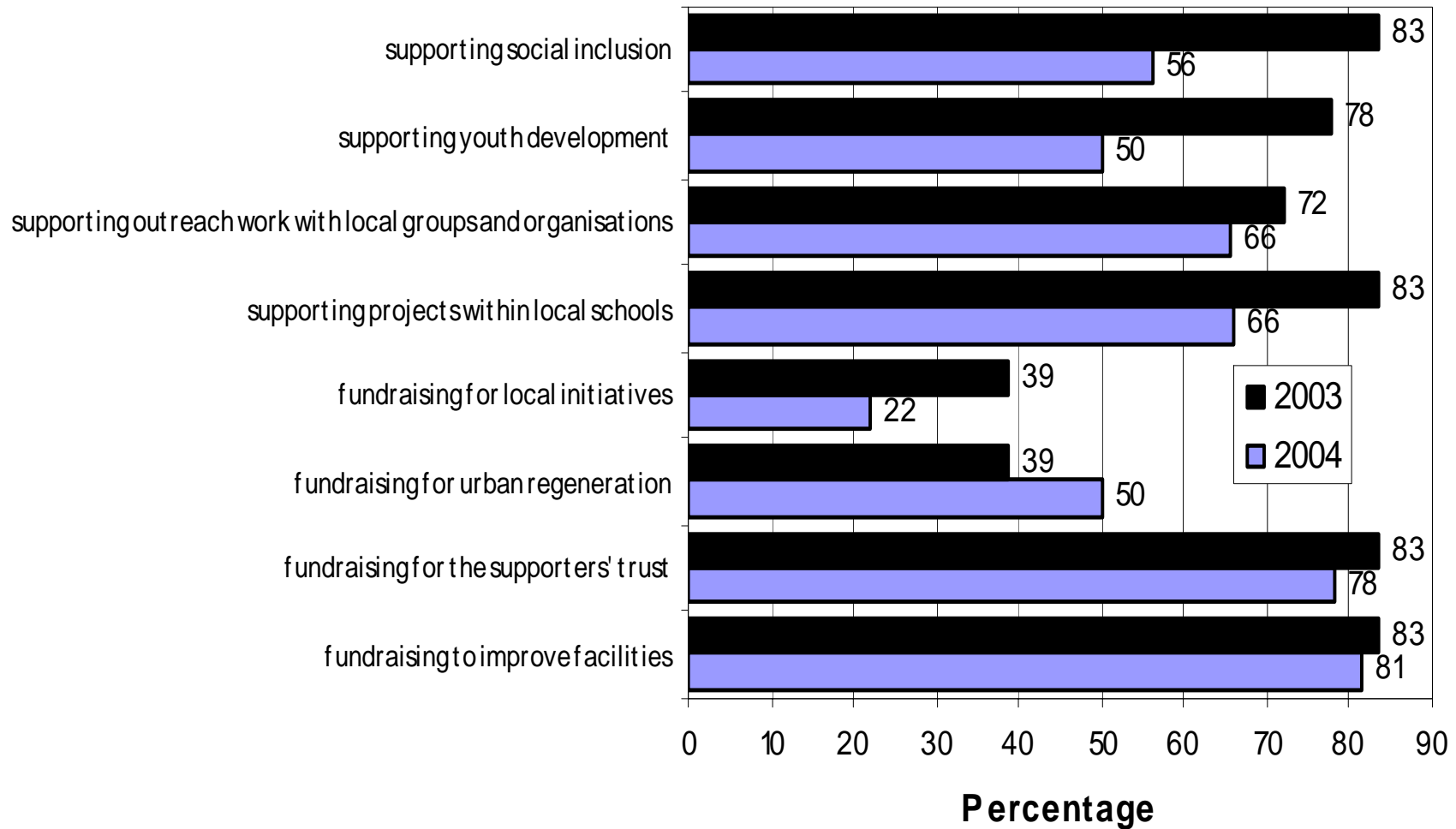
Trust Membership



Trust Activities and Links



Joint Club/Trust Initiatives



Future growth and Development

- Share save schemes
- New financial instruments
- Ownership of club as community mutual
- Multi-use stadia – sport, health, leisure and education
- Delivery of social policy objectives
- Regional regeneration



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Characteristics of Successful Social Enterprises

Gibril Faal
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