

The role of supporters in effective governance

Ben Shave and Antonia Hagemann¹

Introduction

When it comes to examining sports governance, one is inevitably compelled to reflect upon larger themes of identity, ownership and the varied nature of the relationships between sports, sports organisations and their numerous stakeholders. In order to achieve effective, transparent and robust governance of international sports organisations, governing bodies, competitions and clubs, the significance of the role of supporters cannot be underestimated.

Supporters are the lifeblood of sport – economically, culturally and socially. More than any other category of stakeholder, they make lifelong commitments, and invest in sport (economically and emotionally, as well as in terms of their time) on a similar basis. Supporters have an interest in sport that is qualitatively and quantitatively different from that of any other group.²

The involvement of supporters in sport's decision-making processes is facing considerable pressure, however. In some countries, the tradition of member ownership - most sports clubs began as associations of people wanting to organise collective leisure and social activities - has been replaced or threatened by more overtly commercial or corporate models of governance and structure.

The changing face of club ownership

In some countries, such as Germany and Sweden, the member-run model remains.³ In other countries, such as Spain, clubs were structured as members' associations until the early 1990's. In 1992 all professional football clubs, with the exceptions of Athletic Club, FC Barcelona, Osasuna

CF and Real Madrid, whose finances showed a negative balance had to transform from members' associations into Sports Public Limited Companies ("SADs"). This changed the structure of Spanish football and the status of supporters dramatically. Some supporters did acquire shares in their clubs, thus becoming owners, in response to calls from the clubs' directors about managing the debt problem. However, their stake became progressively less significant after several capital increase ventures. Today, most clubs are now owned primarily by wealthy individuals, who have established numerous corporations to further limit their potential liability, which has led to the minority shareholders feeling at risk from management abuse – something which has indeed come to pass on many occasions.⁴ In the ten years following the introduction of a Bankruptcy Law for sports clubs in 2003, 22 Spanish clubs entered administration,⁵ and current debt levels throughout the professional game are significantly higher than in 1992.⁶

Despite a significant increase in football's revenues in recent decades, the financial stability of clubs has been undermined across Europe. The key reason for this is simple: clubs have a pronounced tendency to spend more than they earn.⁷ Prior to the introduction of UEFA's Club Licensing and Financial Fair Play regulations (which are applicable to clubs applying for licenses to compete in the Champions and Europa League), the net debt of Europe's top divisions was an estimated € 6.9 billion (US \$7.8 billion), and "36% [of clubs surveyed by UEFA] reported negative equity (more liabilities than assets) in their balance sheets."⁸ The relationship between these stark figures and ownership structures could not be clearer: in the same financial year, owner and benefactor capital injections were an estimated € 3.4 billion (US \$3.8 billion).⁹

This article sets out the case for supporter involvement in sports governance, at international, national and club level. It also outlines Supporters Direct (SD) Europe's perspective on three key issues relevant to the battle against corruption in sport, and provides an outlook for the future.

The need for supporter involvement in the governance of international sports organisations

In many countries, professional sport is experiencing the adverse effects of unsustainable financial models, weak governance and a lack of democratic accountability – all of which are key contributing factors to the emergence of corruption.¹⁰ As well as the resulting instability, this also damages the social impact that sport can have. This assertion has been recognised by almost all major stakeholders in sport.¹¹

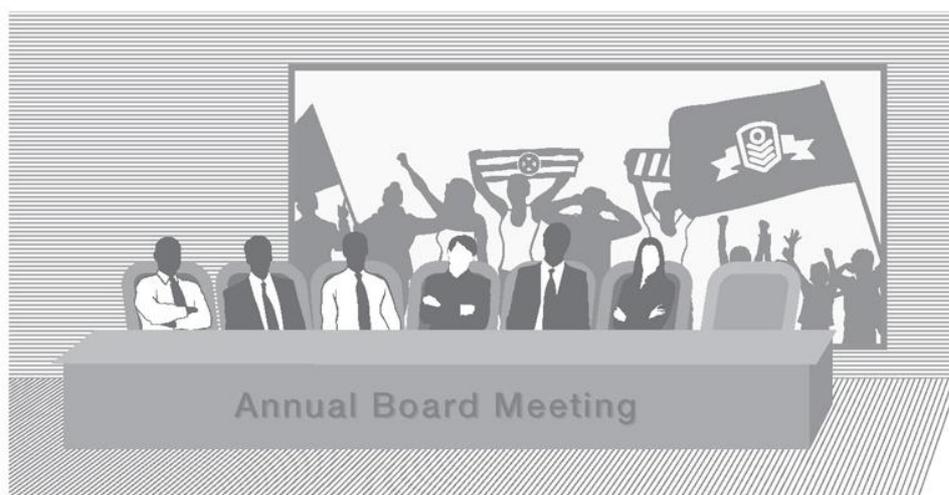
It is also increasingly recognised that good governance is fundamental to bolstering financial sustainability and delivering social benefits, and is a condition for the self-regulation of sport organisations¹² – something they hold in great value. In the context of sport, good governance can also help promote a range of positive values and aims: democratic participation, citizenship, transparency, financial sustainability, community development, education and training – which can all play an active role in combating corruption.

The involvement of supporters in decision-making across Europe and further afield has demonstrated that clubs can be successful while also following good governance guidelines. The most notable recent example came in the 2012/13 UEFA Champions League final, which was contested by FC Bayern and Borussia Dortmund - two clubs where the annual members' meeting is the highest decision-making body, and principles of transparency and financial sustainability are upheld. For the benefits of this to be fully harnessed, however, and for anti-corruption efforts to achieve maximum effectiveness, overarching governance structures in sport (to provide a framework under which sustainable supporter-run clubs can compete meaningfully alongside other ownership models) are required.¹³

The prevalence of commercially minded structures means that clubs are organised so as to prioritise shareholder interests above all others. Growth in broadcast revenues, commercial sponsorship and advertising has exacerbated this trend, as decisions are made in order to maximise these new streams to the exclusion of supporter interests and concerns, such as those listed above.¹⁴ It has also compromised the ability (and, in some cases, the desire) of governing bodies to impose robust, independent regulation.

Supporters, the financial and cultural mainstays of sport, are almost universally absent from the executive bodies of national and international governing bodies and leagues. SD Europe believes that the involvement of supporters in governance at club, national and international governing body levels can provide a greater level of scrutiny, independence, accountability and transparency, and that it will lead to better and more balanced decision-making, in the best long-term interests of sport, and the clubs and institutions that play such an important role in the life of communities; whether that be through delivering social value (clubs) or providing a framework through which that social value is delivered (institutions).¹⁵

Support vs influence



Case study: match-fixing

Match-fixing ultimately leads to a decrease in the attractiveness of sport and has a negative impact on sponsors, the media and the public. Sport's intrinsic appeal is based on trust, fair competition and uncertainty of outcome. If these are longer guaranteed then the status quo will not last.

For supporters, there is a clear interest in joining efforts to combat match-fixing, whether this takes the form of participation in EU expert groups examining the issue (as SD Europe will do under the new EU Work Plan for Sport) or organising campaigns to highlight the issue. There is also added value to be gleaned: the fight against match-fixing does not begin with sanctions or prosecutions, but rather with the dissemination of information and education about the negative impact it has on sport as a whole. This applies to supporters as much as it does to other stakeholders, and the backing of supporters for initiatives undertaken by public institutions, governing bodies, competition organisers or other stakeholders will lend such initiatives considerable weight. Only through such a coordinated approach can the fight against match-fixing be won.

In addition, SD Europe believes that better governance of clubs, competitions and governing bodies (including supporter ownership and involvement) will reduce the risk of match-fixing. Basic good governance principles, such as democratic representation and transparency, create an environment in which match-fixing is less likely, and sport's social value can be realised. If we accept that supporters have an interest in sport that is qualitatively and quantitatively different from that of any other group, SD Europe believes that clubs where supporters are part the ownership and decision-making structures are less likely to see match-fixing incidents occur. Prevention, education and enforcement are crucial, but would be underpinned in the long-term by more sustainable, transparent club structures across sport as a whole. Research undertaken by FIFPro Division Europe

clearly shows that when clubs are operating unsustainable and non-transparent structures, instances of match-fixing are significantly more likely to occur.¹⁶

Case study: sports agents

The regulations for agents (also known as intermediaries) of the Fédération Internationale de Football Association (FIFA) have been the fundamental basis of the regulatory framework for transfers since first being implemented in 1991. FIFA has acknowledged that the regulations are not operating effectively in practice, however, and are not being observed in the majority of transfers.

The main problems in the operation and regulation of this aspect of the transfer market are as follows.

- There are a significant number of unlicensed (and therefore unregulated) agents operating in the global market.
- There is very little transparency regarding the role, involvement and payment of agents in football, despite FIFA statistics indicating that payments to agents acting on international player transfers for clubs rose to US \$236 million in 2014.¹⁷
- Transactions are often complex and cross-border, making meaningful enforcement action difficult and rare.
- The often unregulated and clandestine nature of agent involvement, coupled with the significant sums of money involved, creates potential risks of misconduct/market abuse as well as financial crime, corruption and money-laundering.
- There are also ethical risks, including misrepresentation, conflicts of interest and the exploitation of young players.¹⁸

These risks are significant, and endanger football's integrity. FIFA has indicated that it intends to abandon the existing licensing regime and has proposed new draft regulations. These would leave the control of the activities of agents to clubs and players. This is potentially a backward step, as parties will often not be in a position to effectively control the behaviour of intermediaries.

In order for long-term improvements to be made, the overall regulatory framework will need to be significantly adjusted in order to deal with the new challenges outlined above. Principles of transparency (in relation to market information, decision-making and outcomes) and accountability will provide a system of 'checks and balances', therefore lowering the risk of misconduct.¹⁹ SD Europe believes that these principles can be promoted through the democratic representation of supporters in the decision-making processes of clubs and governing bodies, which will ultimately lead to better governance and a more transparent trading environment. In the long-term, better governance and improved transparency will promote greater levels of sustainability - something that will increase the possibility and viability of supporter-owned clubs; many of whom are currently competing on an 'un-level playing field', against clubs with less rigorous standards of governance, transparency and sustainability.

Conclusions

Clearly, the quality of the people involved in administering any structure is at least as important as the structure itself in terms of preventing corruption. A privately owned sports club is not inherently more susceptible to corruption than a community-owned one. It is the belief of SD Europe, however, that the structured involvement of supporters in the ownership, governance and decision-making processes of sports organisations, clubs and sport as a whole brings an important added value, at the core of which is a long-term interest in sport's sustainability. In terms of anti-corruption efforts, supporters are also natural allies, on account of the ruinous effect of such practices in the long term.

A core part of SD Europe's mission is to broaden the network of organisations in Europe that are seeking to develop supporter ownership and involvement. SD Europe's work to date has shown how much value can be generated, and how many benefits to the governance of sport can be delivered, by democratic supporter involvement. Thanks to the work of supporters' groups across Europe since 2000, we estimate that approximately 100 football clubs have been preserved for their communities to enjoy, whilst national organisations have been established across the continent - providing partners in dialogue for public authorities, governing bodies, leagues and clubs. Many challenges remain, but a coordinated approach involving all stakeholders is the only way forward.

Notes

¹ Ben Shave is Development Manager at Supporters Direct Europe and Antonia Hagemann is Head of Supporters Direct Europe. SD Europe assists supporters' organisations in achieving formal structured involvement in their clubs and associations and developing supporter ownership of sports clubs. SD Europe also advises clubs on their ownership and governance structure and works with associations, leagues, UEFA and EU institutions. Established in 2007 with funding from UEFA, SD Europe has helped meet these objectives by advising supporters across Europe, increasing the resources at their disposal to improve both the governance of sport and the social function it serves. SD Europe's position paper *The Heart of the Game: Why Supporters Are Vital to Improving Governance in Football* (London: SD Europe, 2012) was launched at the European Parliament in Brussels, and outlines the organisation's positions on key policy issues. To read more, see www.supporters-direct.org/homepage/what-we-do/europe-2/sd-europe-paper.

² Supporters Direct Europe, *The Heart of the Game: Why Supporters are Vital to Improving Governance in Football* (London: Supporters Direct Europe, 2012), p. 6.

³ Sports clubs are structured as membersce for this in a small accompanying box. Provide some examples ermitted to are structured as membersce for this in a small accompanying box. Provide some examples ulates that voting shares in the limited company must be majority-owned by the original, 'parent' club. See Supporters Direct Europe, 'The 'German Model' explained: Governance, Regulation and Financial Performance', at <http://www.supporters-direct.org/news-article/the-german-model-explained-governance-regulation-and-financial-performance>.

⁴ Supporters Direct Europe, *What is the Feasibility of a Supporters Direct Europe?* (London: Supporters Direct Europe, 2009), pp. 108-109.

⁵ Supporters Direct Europe (2012), p. 16.

⁶ La Nueva Espana, 'Situación Económica del Fútbol Español a 30/06/13: 1. Deuda Total', at <http://www.lne.es/blogs/el-blog-de-roberto-bayon/situacion-economica-del-futbol-espanol-a-30-06-2013-1-deuda-total.html>.

⁷ Supporters Direct Europe (2012), p. 16.

⁸ Union of European Football Associations, *The European Club Footballing Landscape: Club Licensing Benchmarking Report Financial Year 2010* (UEFA: Nyon, 2012), p. 88.

⁹ Ibid at p. 88.

¹⁰ See <http://www.transparency.org/topic/detail/sport>.

¹¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Developing the European Dimension in Sport, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0012&from=EN> and Supporters Direct Europe, *Improving Football Governance through Supporter Involvement and Community Ownership: Project Final Report* (Supporters Direct Europe: London, 2013), p. 3.

¹² EU Expert Group “Good Governance” Deliverable 2: Principles of Good Governance in Sport, at http://ec.europa.eu/sport/library/policy_documents/xg-gg-201307-dlvrbl2-sept2013.pdf.

¹³ Supporters Direct Europe (2012), p. 9.

¹⁴ Ibid at p. 10.

¹⁵ This view has been endorsed by bodies such as the Union of European Football Associations (UEFA), through their support of SD Europe’s work since 2007; and the European Union, which financed the ‘Improving Football Governance through Supporter Involvement and Community Ownership’ preparatory action. See: <http://www.supporters-direct.org/homepage/what-we-do/europe-2/official-support>.

¹⁶ FIFPro, *FIFPro Black Book Eastern Europe: The problems professional football players encounter* (FIFPro: Hoofddorp, 2012), pp. 5-7.

¹⁷ *The Guardian (UK)*, ‘Agents made £155m on international transfers in 2014, FIFA reveals’, 28 January 2015.

¹⁸ Supporters Direct Europe (2012), p. 32.

¹⁹ Ibid.