NPOs and private governance forms for football clubs: towards a blended model

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Abstract
Purpose – This study explores the relationship between governance model – private organisations vs non-profit organisations (NPOs) – and performance in football clubs.
Design/methodology/approach – The study is a comparative case study of two football clubs with different governance models: Malmö FF, which is an NPO, and Bologna FC, which is a privately owned club.
Findings – The results show that both football clubs focus equally on financial and non-financial performance, and in practice, both clubs use a blend of private and NPO governance models. While supporting efforts towards financial results, blending the models appears to support football clubs’ management of the tension between financial and non-financial performance and the expectation that they will contribute to local development. Thus, using a blend of the two models is not only accepted but expected.
Research limitations/implications – This study is a comparative case study of two football clubs. This study furthers our understanding of how football clubs manage the tension between financial and non-financial performance expectations. This is particularly of interest in light of the increasing professionalisation of sports, especially football, and how this might jeopardise the contributions that sport clubs make to the local community.
Originality/value – By exploring the relationship between governance model and performance, this study shows that, contrary to expectations, privately owned football clubs focus as much on non-financial performance as clubs governed as NPOs. This study contributes to the existing literature by showing how clubs use a mixture of elements from governance models to manage the tension between financial and non-financial performance that has emerged in the wake of the increasing professionalisation of football.

Keywords Football, NPOs, Performance, Governance, League tables

Paper type Case study

Introduction
This research focuses on the governance forms of football clubs, distinguishing between football clubs managed as private organisations and those managed as non-profit organisations (NPOs). Although recent literature acknowledges football as a business dominated by private interests and ownership (Cooper and Johnston, 2012; Risaliti and Verona, 2013; Cooper and Joyce, 2013), football has its origin in the NPO tradition characterised by a strong connection with the local community (Stenling and Fahlen, 2009;
This tension around the role of football in contemporary society is also reflected in research on sport in which football is, on one hand, considered an integral part of the local society (Andon and Free, 2019; Bennike et al., 2020) and popular culture (Jeacle, 2012) and, on the other hand, considered an industry (e.g. Risaliti and Verona, 2013). The concept of football as a business is also reflected in the increase in accounting literature focusing on financial performance of football clubs (Risaliti and Verona, 2013; Dimitropoulos and Koumanakos, 2015; Evans et al., 2019; Burfitt et al., 2020).

An increase in the professionalisation of football has challenged the traditional role of the sport in contemporary society by increasing the tension between a football organisation’s financial and non-financial performances, as recognised by, among others, Andon and Free (2019). While extant research on accounting and football have acknowledged this tension, research exploring how an increase in private ownership influences the relationship between financial and non-financial performance in football clubs is limited.

Organisations using private governance are typically associated with a focus on financial results, profit and market shares, displaying a limited acceptance of wider social responsibilities (Risaliti and Verona, 2013; Cooper and Joyce, 2013). In contrast, NPOs are associated with values such as altruism and a desire to create social value through the support of local communities (Bennike et al., 2020). Despite the significant role that football (and other sports) plays in society (Andon and Free, 2019; Cooper and Johnston, 2012; Jeacle, 2012), few studies have focused on the role of performance in relation to governance model, and extant research is inconsistent as to whether there is a link between performance and governance model in football clubs (Rohde and Breur, 2017; Bennike et al., 2020). This is especially interesting considering the increasing professionalisation and commercialisation of football (Andon and Free, 2019) and how this creates tension between financial and non-financial performance in football clubs (Carlsson-Wall et al., 2016; Andon and Free, 2019). With the above as a back-drop, this study investigates the relationship between governance model and performance in football clubs by comparing two football clubs with different ownership structures: Malmö FF, a Swedish club with an NPO governance form, and Bologna FC, a privately owned Italian club. By exploring the relationship between governance model and performance, this study found that, contrary to expectations, the privately owned football club focused as much on non-financial performance as the club governed as an NPO.

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This study contributes to the existing literature by showing how football clubs mix elements from governance models to manage the tension between financial and non-financial performance that has emerged in the wake of the increasing professionalisation of football.

Literature review
The increasing professionalisation of football is driven by the notion that money from third-party investors is needed to ensure the survival of a club; thus, private investors represent a new and the only competitive governance model for football clubs (Rohde and Breuer, 2017). However, football (as well as other sports) has its origin in the non-for profit sector and the local community (Stenling and Fahlén, 2009; Stenling, 2014).

Literature on performance in organisations makes a distinction between the performance of for-profit organisations and NPOs (Moura et al., 2019). This distinction is reflected in organisations’ approaches to performance measurement, which is mainly driven by financial performances, such as profit, revenues or margins, in for-profit organisations and by non-financial measures, such as social impact and value creation, in NPOs (Moura et al., 2019).

Given the different missions associated with the two governance forms, one might expect that a football club in the form of a private organisation would be more focused on financial results, while an NPO would choose their actions based on the desire to positively impact on the local community. However, the existing literature on financial performance in football...
clubs reveals a different picture: both privately owned football clubs and those governed as NPOs feel pressure to perform financially. For example, Bennike et al. (2020) noted that although Danish football clubs are dominated by NPOs, the commercialisation of sports has become a relevant competitive factor for their survival.

The increasing focus on the financial performance of football clubs is also visible in research on accounting and football, where studies have investigated the implications connected with how players are valued and the ability of clubs to maximise profits and revenues (e.g. Andon and Fee, 2012, 2014; Risaliti and Verona, 2013; Rowbottom, 2002). Studies exploring the financial stability or instability of clubs and the underlying effects of financial regulation on the profitability, solvency and liquidity of clubs can also be found in accounting literature (e.g. Dimitropoulos and Koumanakos, 2015; Evans et al., 2019).

Another research stream has explored non-financial performance in football, considering the implications of how clubs are ranked based on their performance on the field (Carlsson-Wall et al., 2016; Andon and Free, 2019; Baxter et al., 2018; Risaliti and Verona, 2013; Cooper and Joyce, 2013). Among these, several have focused on the pressure clubs feel to achieve the highest position in league tables, noting a strong connection between sports performance and financial performance (Andon and Free, 2019; Carlsson-Wall et al., 2016) causing club management to experience tension over their dual commitment to the investors and to the community. Studies have also shown that the pressure to perform financially is not exclusive to privately owned clubs; clubs governed as NPOs also experience pressure to perform financially in tandem with the expectation that they create social value and contribute to the local community (Bennike et al., 2020; Baxter et al., 2018; Kiernan and Porter, 2014; Capling and Marjoribanks, 2004). As a result, some authors, such as Brenner and Theodore (2002), have criticised how this business-driven behaviour makes football clubs prioritise financial goals over social ones.

Few studies have explored the tension between financial and non-financial performance in football clubs or the relationship between performance and governance model. Those focusing on financial performance seem to neglect the ownership dimension, as they adopt the perspective that the private governance model is the only available competitive model that can ensure the survival of a football club (Rohde and Breuer, 2017).

**Method**

We conducted a comparative case study (Yin, 2014; Parker and Northcott, 2016). Given our focus on governance structure and performance, we decided to choose football clubs from the top leagues in countries with different traditions regarding the governance of football clubs. Therefore, we picked one football club from Italy, where it is common practice for clubs to be privately owned, and one from Sweden, where the NPO model is frequently used.

This comparative case study follows previous case study research by gaining insights from multiple sources (Yin, 2014). These sources include interviews with key actors in the two football clubs, club supporters and representatives from the local community, such as city managers, politicians and journalists. In total, 28 interviews were conducted, and each interview lasted between 40 and 90 min. The pre-prepared questions addressed the following topics: how the football clubs report their financial and non-financial performances, the purpose behind how they choose to report their performances and the relationship between financial or non-financial performance and the clubs’ overall strategies. In addition to interviews, a document study was conducted. The documents included strategic reports, annual reports, financial statements, websites, media reports and confidential documents provided by the organisations. These documents were read before conducting the interviews and were used to gain further insights from the interviews.

The empirical material was analysed in two steps. First, we analysed the two cases separately to determine how the clubs account for financial and non-financial performances.
As the second step, a comparative analysis was conducted. We compared the results of the two case studies by searching for similarities and patterns in activities related to financial and non-financial performances and how ownership structure related to the performance of each club.

Results

Malmö FF: an NPO with a focus on financial performance

Malmö FC was founded on the 24th of February 1910 and had its debut in the national football league (Allsvenskan) during the 1931–1932 season. The club was founded by the municipality of Malmö as an effort to provide young boys with an incentive to play football.

In Sweden, there is a long tradition of seeing sports as an important contribution to public well-being. Sports organisations are therefore given financial support from the state if they are organised as voluntary NPOs (Stenling and Fahlén, 2009). Thus, the NPO governance model is widely used in Sweden (Stenling, 2014), particularly in football management where increased commercialisation of the sport has been resisted. There is, however, a requirement for football clubs that play in the two highest leagues in Sweden to be financially stable. If a football club cannot fulfil this requirement, it is relegated to a lower league.

Thus, it is unsurprising that Malmö FF is an NPO. More precisely, it is an association governed by its members. All members are invited to the organisation’s general annual meeting at which they have the right to vote. Despite being an association that takes its point of departure from its members, the governance of the organisation mimics that of a limited liability company. This means that the club is governed by a board with a CEO that is responsible for daily operations.

The NPO governance model is reflected in the club’s view on performance, and the following quote found on the club’s website captures how the club perceives its role in the local community, especially when it comes to addressing societal issues:

Malmo FF and football is something that engage people. Because of this we have a unique opportunity to reach beyond the realm of sports. We want to explore the inherent potential in football to unite people and work for a better society. We see a future where the city, business life and local NPOs act together to spread common and shared values and messages.

The role the club has and wants to have in the local community was also a recurring topic arising during interviews with representatives from the club as well as those from the city. For example, the city commissioner stated the following:

Malmo FF has a long history in the city, and people in Malmo identifies with the team and the club does many things for the city. I strongly believe that kids from different parts of the city need places to meet, and local NPOs play an important role here.

The club’s website provides detailed accounts of the different types of social activities the club engages in in collaboration with the city. These were also mentioned during the interviews, particularly two activities: The Football Academy and The Career Academy.

The Football Academy is a collaboration between Malmö FF and local schools that aims to improve the health and academic development of school children. It is also a way for Malmö FF to recruit new talent to the club. One of the club’s high-performing players, Oskar Lewicki, started his career in The Football Academy. He has also avidly promoted the project, which has been highly effective because many children, regardless of where they live in Malmö, see the players in Malmö FF as role models.

Over time, the project has grown and spread to schools outside the municipality of Malmö. Information about The Football Academy is highly visible on the club’s website and includes a description of The Football Academy and statistical information about its scope and scale.
Another project that is highly visible on the website and was frequently mentioned during interviews is The Career Academy. The Career Academy aims to help unemployed people find work. To this aim, Malmö FF uses its extensive corporate network to organise employment fairs where representatives from different corporations can meet people looking for employment. The Career Academy is run in close collaboration with the city of Malmö through a non-profit partnership. On its website, Malmö FF presents a statistical overview of the achievements of The Career Academy. The corporate network is also a source of income. Corporations that want to be members of the network must pay a membership fee, and several of the corporations also purchase season tickets.

Thus, social performance is important for the club, and so Malmö FF is working on how to report their performance in this field. During an interview, an employee of Malmö FF said the following:

We have been better at measuring the effects of social activities. It is a way to communicate on how we perform in this area. For that reason, we have started to collaborate with a researcher in economics that will help us develop models for calculating social performance.

Even though social activities have a prominent position on the website and dominate the communication with external stakeholders, the club also focuses on their performance on the field and on gaining high positions in rankings and league tables. Sport performance is considered in the overall strategy of the club, with annual goals being set. For example, the club’s annual report from 2019 includes the following statement:

The main goals for the season of 2019 were to recapture the gold in the national league and to qualify to play in the Europa League.

Similar statements can be found in each of the annual reports for the last decade as well as those of 2020, 2021 and 2022. Thus, the strategic goals of Malmö FF are closely linked to performance in terms of position in rankings and league tables. An intense focus on winning the national league was also stressed during the interviews. When asked to characterise Malmö FF, the chairperson of the board of Malmö FF responded as follows:

A strong winning culture, a continuous striving to improve. Never being satisfied.

Performance on the field is also considered important to the club’s ability to engage in social activities. During an interview, one of the board members said the following:

The ability for Malmö FF to contribute to positive development in the city, is dependent on the team’s performance on the field. If the club does not perform on the field and are in the top of rankings, it will be less attractive for kids to get involved in the various activities that the club arranges.

The club has been notably successful in reaching these goals. For example, in 2021, the club won the Swedish national league for the 25th time since 1944. In just the last decade, Malmö FF has won the Swedish national league seven times.

However, performance on the field is not the only thing of importance to the club. In the beginning of the last decade (2010, 2011 and 2013), the club reported negative financial results. Since then, efforts have been made to improve both performance on the field and financial performance. The latter is important in part because of the financial requirements of the Swedish Football Association that apply to all clubs in the two highest leagues in Sweden. During an interview, a Malmö FF board member described the importance of financial performance in the following way:

Performance on the field is the most important thing. Malmö FF is an NPO and not a business. This means that financial performance is therefore not important per se, but a stable financial situation is a prerequisite for performing on the field.
Fortunately, the club has also been financially successful. Their financial statements show that the club started to turn the situation around in 2014, remaining financially stable thereafter. The club’s primary struggle seems to be to balance financial performance with sport performance. The club’s annual report notes that playing in the UEFA Europa League is both a source of revenue and associated with high costs. This tension between financial results and performance on the field has also been revealed in previous research, such as that by Carlsson-Wall et al. (2016), in which a Swedish football team was examined.

Bologna FC: a privately owned club with a focus on creating social value

Bologna FC was founded in 1909, and it has a long tradition of being a privately owned football club managed by local entrepreneurs. The club has obtained impressive results in sport performance in the past few years, which has led to the club becoming Italy’s fifth highest-ranking football club in terms of winning honours. However, the last 20 years have been difficult for the club, both in terms of sport results, ranking in the middle of the Italian league and failing to play in international competitions and in terms of financial results.

In 2014, the club was closed due to bankruptcy, and it was rescued by the financial injection of a Canadian entrepreneur, Joey Saputo, who became the chairman and new owner. Thus, the club’s governance form is that of a private organisation owned by a foreign investor, similar to the majority of football clubs in Italy.

In line with the mission of a privately owned club, Bologna FC needs to ensure financial results for its investors, and the pressure to generate revenue and profits has always been high, as indicated during an interview:

If you have a strong financial position and strong financial solidity, then you can also be successful in football matches. Your finances depend on the players you can have and the coach. You cannot achieve a good sports result if you have poor finances. We were close to bankruptcy a few years ago. We are not the top team in the Italian league, but this is the best we can do with the money we have. (CEO)

This quote not only highlights the pressure to achieve financial results but also the tension between non-financial performance (or sport results) and financial performance, as seen in prior research (e.g. Carlsson-Wall et al., 2016). The linkage between sport performance and financial performance is often criticised by supporters, who are more interested in sport results:

Italian supporters, and Bologna supporters too, want sporting results now, not in five years. The administration of the club instead is more interested in recovering the financial situation. We are aware that without the arrival of the chairman Saputo, the club would have gone bankrupt. But he is a businessman and he is managing Bologna as one of any other business, not with the heart of a supporter. (Sport journalist)

This quote clarifies the perception of the chairman of the club, who is seen as a businessman interested in managing the club as he would his other businesses. This opinion was confirmed by a recent action of the entrepreneur: the 2021/2022 season closed with a net loss of 45 million euros, which was alleviated by subsequent capital investment by the chairman.

The interviews revealed that, despite the private governance model, the club makes a strong effort to contribute to local and social development, which is a characteristic typically associated with NPO governance. These initiatives, disclosed in annual reports and on the club website, include providing support to hospitals, financial aid to families in needs, activities for youth and even leisure activities such as a tour of the city involving recollection of the history of the club. During the COVID-19 pandemic in 2020, the club was at the forefront of providing food for families in need and donations to hospitals. More recently, the club launched two initiatives supporting local development and inclusion. One of these
initiatives is called Bologna for Community, through which Bologna FC organises free transfers from the city to the stadium for disabled people to promote their inclusion in sporting activities. Another initiative is called Bologna Without Barriers, which is a football school for youths with disabilities that encourages their inclusion and integration.

When asked why the organisation initiated such activities, a Bologna FC CEO explained these choices as the result of a desire to be the club of the city and for the city:

Bologna FC is the football club of the city. We are proud to have maintained our roots in the city with initiatives and activities for the city, not only for our fans. And our sponsors are local sponsors.

This idea was further reinforced by the desire of the club to be a role model for youth and to support social inclusion:

We are aware we are not among the top football teams in Serie A. Successful clubs like Juventus or AC Milan have supporters from every part of the world, with tourists in Milan or Turin interested in attending a football match or simply making a tour of the stadium. If a team like Bologna FC wants to survive, it needs to leverage the local dimension and work strongly with actual and potential fans. We capture potential fans when they are children, forging them with a sense of identity with the football club. We want to make them feel emotions, like meeting football players, watching a football match from the front line, and so on. It is a matter of making them feel emotions and letting them identify with the club. All of our alliances are with local companies and local organizations. We are a club for citizens.

It is important to note that, unlike Malmö FF, Bologna FC organises these social activities without the direct involvement of the local administration, notwithstanding a recognition of the role of sport in local development as acknowledged in city documents:

The sport is a vehicle for identity and inclusion for citizens. It is a way of promoting touristic excellences and local specificities. For this reason, sport management is integrated into the strategy for tourism and cultural promotion of the city. (Local city plan for the promotion of leisure, Municipality of Bologna)

Thus, Bologna FC represents an exemplary case of a privately owned football club that has incorporated an NPO model's mission to develop initiatives for the local community. This is a relevant aspect of club governance, as it underlines how social activities can be initiated by football clubs even when the clubs are private organisations.

Comparative analysis
A comparison of Malmö FF and Bologna FC suggests that the dichotomy between private and NPO governance models as identified in previous research is too sharp. While Malmö FF represents a typical NPO, it is governed much like a private corporation. The attention paid to the pressure to achieve positive sporting results and, in turn, financial success, is high on the club's agenda, while there is a strong focus on creating social value and on reporting how social value is created in close collaboration with the city. Thus, the Malmö FF case study underlines that the NPO governance form, notwithstanding the need to achieve a social mission, incorporates the business goals of achieving financial success. The Malmö FF case study shows how a football club, by blending two governance models – that of an NPO with that of private ownership – can increase its ability to perform financially and create social value while adhering to the expectations of various stakeholders.

In Bologna FC, we observed a different dynamic: a private football club owned by a Canadian entrepreneur under pressure to achieve financial results but also oriented towards the achievement of social goals. In addition to struggling to raise money and achieve results on the field, the club has also organised several activities intended to enhance and support the local community. The Bologna FC case study underlines that a private governance model,
notwithstanding the business orientation, can incorporate social goals involving community wellbeing and contribution to local development.

The comparative analysis of the cases shows that, regardless of the governance model, both the clubs felt pressured to achieve financial and non-financial results, especially to achieve results on the field, as sport performance is closely linked with financial performance. At the same time, both clubs were active in supporting the local community.

Discussion and conclusion

By focusing on the relationship between governance model and performance, this study contributes to the current research on football and accounting in at least two ways. First, despite the findings of previous research on governance models in general (Moura et al., 2019) and governance of football clubs in particular (Risaliti and Verona, 2013; Cooper and Joyce, 2013; Stenling, 2014), there seems to be little difference between football clubs governed as NPOs and those that are privately owned in terms of their focus on financial and non-financial performances. Empirical analyses revealed that the pressure to achieve performance on the field – represented by ranking on league tables – is a main pressure for clubs regardless of the organisation’s form of governance, as successful sport performance produces financial results. Interestingly, we found that a strong connection between financial and non-financial performance was visible in both clubs, regardless of their governance form. While previous research has highlighted the strong connection between financial and non-financial performances in football, often referred to as the virtuous performance cycle (Cooper and Joyce, 2013), this study investigated the relationship in relation to governance model.

This leads us to the study’s second contribution, which is the knowledge that, in football clubs, the two governance models can be blended. This is not only acceptable but often expected. The NPO model used by Malmö FF clearly incorporates some private elements, while the opposite is seen with Bologna FC, in which the private governance model includes social activities typical of an NPO. By blending elements of the two models, the football clubs are able to manage the tension created by the pressure for positive financial and non-financial performances. While expectations of non-financial performance and the creation of social value can be traced back to the history of sports as activities that improve public health and strengthen the local community (Stenling and Fahlén, 2009; Bennike et al., 2020), the focus on financial results is a consequence of the increasing professionalisation of sports, particularly football (Carlsson-Wall et al., 2016; Andon and Free, 2019). By creating this nexus between performance and governance model, this study not only contributes to our understanding of performance in football clubs but also to our understanding of how football clubs can manage the tension between financial and non-financial performances by blending the characteristics of two governance models.

Finally, this study clearly shows how, despite the increasing professionalisation and commercialisation of football (Andon and Free, 2019), the sport is more than simply a business or about performance on the field, as football has the potential to create social value and positively affect community members (Jeacle, 2012; Bennike et al., 2020). This result encourages further studies on the club–city nexus. It would be particularly interesting to investigate which governance model can maximise the benefits that football clubs offer local communities and, subsequently, society at large. Thus, we recommend that future studies consider the following questions: Is the NPO governance model the best approach for enhancing the development of local communities? Or could a blended private ownership model also be a possible solution?

The results presented here are based on one comparative case study. Thus, more studies are needed to further explore the relationship between performance and governance model in football clubs and in other sports. For example, there is a need to further investigate how
sport clubs can leverage the impact or the blending of governance models in a club’s relationship with the local community.

References


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