Governance of Professional Sport Leagues: Towards a Convergence Between North America and Europe?

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Abstract—**The governance of professional sports clubs is an increasingly studied research subject. This can be attributed to the very high economic and financial stakes, which often overshadows the sporting stakes. Two governance models coexist: (1) the European model, based on the competition between clubs to individually increase the revenues of each club; (2) the North American model, based on a complex regulatory system to collectively increase the revenues of the whole franchise. This paper shows the founding principles of each model and underlines, by considering the case of European football (soccer), that a convergence of the two governance models is likely in the future. The North American model of collective governance of a franchise could become necessary in Europe, which would completely transform the competitive landscape of professional clubs. It would therefore demonstrate the superiority of collective governance with a view to creating value for clubs of a same franchise.**

Keywords- collective action; competition; governance; professional sport leagues

I. INTRODUCTION

When the FIFA's corruption scandal broke out in May 2015, after the revelations to American justice of a "repented person" (Chuck Blazer, a member of FIFA's executive committee until 2013), the general public was astonished to discover the huge financial stakes linked to professional football (soccer). The international media announced a turnover of approximately 1.5 billion US dollars, with 338 million US dollars of profits accumulated between 2011 and 2014. The 2014 World Cup in Brazil alone generated 70 million US dollars, whereas the 2010 World Cup in South Africa only generated 40 million US dollars. Thus, the FIFA has become a powerful multinational, negotiating TV rights and licensing rights toughly, and paying its employees generously, whose financial reports modestly call "key management personnel". Even though the salary of the former FIFA president, the very controversial Sepp Blatter, was kept secret, some reliable estimates evaluate it at 6 million US dollars per year, which may be compared to President Barak Obama's 400,000 US dollars! Those figures turn heads, and raise considerable criticism, including among the most tenacious football fans. It is, however, an indisputable reality: nowadays, professional football is a powerful show industry. As such, it is relevant to focus on its governance modes, in the same way as various academic works focus on private company governance [23].

For instance, Manchester United signed a 450-million-euro sponsoring contract with Nike, which durably shelters it from any sport misfortune. As for TV rights, they have shot up within a few years to the extent that professional football and its stars attract an increasing number of viewers (that are also potential consumers). The famous Barcelona FC has granted its TV rights to the company Mediapro for seven successive seasons for one million euros, whereas the TV rights for the English Premier League, certainly the football championship with the highest level of game on the planet, have skyrocketed since 2001, in particular on foreign markets. The soaring is not close to stopping as the English Premier League TV rights have increased again by 71% for the 2013-2016 period compared to 2010-2013. But the European professional football is not a show industry like others. While takings from stadium attendance represent an increasingly smaller part of the major clubs' budgets, at the expense of TV rights sales and commercial/merchandising, the most fervent supporters have become essential for creating positive dynamics to reinforce the clubs' brand image and thus strongly increase the income resulting from the sales of TV rights. Prestigious clubs such as Real Madrid, Manchester United or the Olympique de Marseille rely on the keen interest of people during matches to benefit from considerable media and financial results.

One of the main questions focuses here on the capability of professional clubs to generate continuously increasing revenues by implementing the most lucrative mechanisms of competition organisation. The management of clubs also raised issues relative to the retention of fans, who attend stadiums for games, but, more generally, show an emotional attachment characterised by the purchasing of the club's products (jerseys, flags, posters, etc.) or a subscription to thematic TV channels to follow the performances of their club. Furthermore, the attachment can be based on quasi-mystical dimensions, as noted by Fulconis and Paché [8]. For a long time, professional football cultivated the establishment of local rooting in clubs, which is due to privileged financing: match day revenues. Nowadays, this model is outmoded and has been replaced by the importance of revenues independent from stadium attendance. The issue is to know how to increase the revenues, including by implementing a collective governance of clubs, which are rivals regarding prestigious sports titles, both at national and international levels. The aim of the paper is to address a central subject relative to competitive conditions that structure an industry, in reference to a model that has proven itself in North America, and that many hope to transfer to the European professional football context.

II. European Model–The Individual Competition

Professional football as an economic activity has a strong uncertainty dimension to the extent that a club's success is linked to sporting parameters that are only partially controllable [16]. Despite the efforts to build a competitive team, the history is full of examples of major clubs that were demoted to lower divisions; on the contrary, the less prestigious, but driven by an inexplicable momentum, have often obtained surprising results, for example a qualification in an international competition. Yet, as a show industry, football is in search of stability in order for the agreed investments to be amortised thanks to a flow of constant revenues. Is the approach of leaving this flow at the mercy of mixed results on the field or of a risky recruitment of players, considering that the glorious uncertainty of sports must rule the life and death of a club as a business, still relevant today? No, says Sonntag [22], according to whom we have entered a *hypermodernity* of football, characterised by "a dissolution of a territorial link, a multinational mix and a shifting of clubs into brands". This hypermodernity campaigns for the construction of powerful *clubs as brands* guaranteeing their durability independently of any sporting uncertainty. From this perspective, the defence of the brand's territory leads each club to maintain a fierce competition with its rivals; such as the struggles between Real Madrid and Barcelona FC in Spain, Olympique de Marseille and Paris-Saint-Germain in France.

Opting for an accounting-based approach, Meyssonnier and Mincheneau [14] particularly insist on the necessity to control uncertainties in order to transform football into a highly profitable activity basing it on management principles that are identical to those of business organisations. According to them, the predominance of fixed costs, linked in particular to the often exorbitant salaries of players, and volatile revenues, linked to sporting performances, risk worsening the accounting result, occasionally or durably. To avoid such a situation that threatens the durability of a club, it is necessary to isolate unpredictability factors depending on the level of perceived uncertainties. The ideal scenario is for sporting-based uncertainties to lose their importance, by evaluating business activities that are independent from the players' performance on the pitch. In other words, to do this in such a way that the club products, with the exception of games strictly speaking, be entirely controllable. With this logic a professional club is in rivalry with all other competitors, without a planned collective action approach, as these rivals are by definition at the root of sporting uncertainties that may lead to be demoted to a lower division and to disastrous effects in terms of loss of TV rights and licensing rights.

The control of uncertainties by owners of professional football clubs, including attempts to "set up" games at the end of the season, responds to an economic rationality that purists, including Michel Platini who is one of its most famous representatives, strongly decry, but whose importance is undeniable when it comes to making an organisation durable and to growing an invested capital. Indeed, shortly after being elected to the head of the UEFA in June 2007, the same Michel Platini raised the alarm: "There is a serious threat to the development of European football, the omnipresence of money. Our goal is not to take refuge in an outmoded and elitist romanticism, but money has never been football's ultimate goal, winning trophies remains the main objective. Does Europe really wish to shrink sport to a sad and simple business operation?" (cited in [19]). Obviously, the glorious uncertainty of sports, with David's surprising victory over Goliath, has its virtues to excite the crowds. But the vision is shared with difficulty by club owners, usually businessmen [19], seeking a durable and efficient business model, subject to no or little uncertainty regarding revenues. For these people, trophies should be won, provided that they generate substantial revenues. As noted by Dessus and Raballand [6], club owners eventually seek to "maximise, rationally, the sporting performance under budgetary constraint", the latter resulting from the market size, stadium capacity and reputation.

Yet, it is important to be precise on what is understood by "control of uncertainties" in such a particular context, given that, in the end, we can observe a strong correlation between sporting and economic performances in Europe [15]. According to us, three uncertainty reduction strategies are identifiable: (1) uncertainty reduction through the stabilisation of the competitive world, by campaigning for the implementation of leagues (franchises) based on the North American model; (2) uncertainty reduction at the level of financial inflows, by promoting TV rights and licensing rights rather than match day revenues; (3) uncertainty reduction regarding the number of players, by trying to extend the duration of contracts, most likely in order to maximise some of the revenues linked to an anticipated transfer during the course of the contract. If the two latter strategies have been largely used for years, this is not the case for the first one. This strategy implies the implementation of a collective governance between professional clubs that consider they severally and jointly belong to a single industry whose performance will be even more efficient if the strict rules of income sharing have been retained. This is even more true in a situation of strong vulnerability of clubs to exogenous economic shocks, whether direct or indirect [2].

III. North American Model–The Collective Action

The reduction of environmental uncertainty, and in particular that of sports, through the implementation of a franchise at a European level (called *Super League*), whose access seems to be reserved for a few prestigious and mediatised clubs, has been regularly brought up over the past fifteen years in the professional football world. As it is organised in Europe, professional football is based on the principle of sporting merit with a chance given to less renowned clubs to participate in national and international competitions if their sporting performances grants them access to the elite division. On the contrary, a prestigious club may be demoted to a lower division in the event of defaulting sporting performances during a season. Consequently, it is the sports world that claims autonomy from economic world based on financial investments that absolutely need to be made profitable [19]. The logic is totally different in professional sports in North America. Indeed, the main principle is that of the franchise in which a club, whatever its sporting performances, keeps its position in the capacity of a franchisee. The issue is no longer the successful ranking of a club compared to another to capture revenues, but rather the successful ranking of a league compared to another to maximise the amount of TV rights which, for that matter, explains the failure of the North American soccer league in the 1980s (and its emblematic New York Cosmos team).

The franchise constituted an economic unit of reference based on cartelisation and deliberate collective governance. Franchise members pursue a coordinated strategy to develop and sell an attractive product [10, 11]. The potential reorganisations are planned by the franchise itself that additionally defines modes of sophisticated regulations concerning the transfer of the most talented players in order to balance the operating forces and avoid the outrageous and durable domination of a club. This is the well-known draft synthesised, regarding its mechanisms, by Bourg and Gouguet [4]: "The draft grants clubs exclusive rights on new players taking part in the franchise and coming from university championships, minor leagues or foreign leagues. The plan aims at sportingly balancing the competition as well as limiting the rivalry between clubs. The choice is done in the reverse order of the last season's ranking". In other words, the clubs with the worst ranking at the end of the season, but that are not threatened by demotion, have a sort of pre-emptive right enabling them to recruit the best talents, or at least the most promising, in order to attempt to shine during the next season and surprise spectators with unexpected performances. This would arouse interest of TV networks and lead to exceptional audiences during each *Super Bowl*.

Here, we unquestionably are in a situation of collective governance, but that does not exclude competition on a sporting level. In other words, it is a *mutual interdependence* that creates the franchise governance [20]. The fact that clubs of a franchise cannot survive without one another is reinforced by the salary cap rule, which is the imposed capping of the global total payroll of players on the league. It implies a collective negotiation, often harsh, between players and club owners with diverging objectives. Unlike European professional football, there is no way in which rich clubs dry out the market of its talents and create a durable distortion of sporting competition conditions. This "control" strategy over players is the object of numerous debates, in particular from a legal standpoint [9], and it shows a will to mutualise revenues for the benefit of all the industries' stakeholders (the franchise), that is followed by a collective sale of TV rights, which is vital for the survival of any franchise. To understand the issues at stake, the Table I suggests a comparative synthesis of the two structures: the North American franchise and the European professional football.

TABLE I. DIFFERENCES OF STRUCTURES IN NORTH AMERICAN FRANCHISES AND EUROPEAN PROFESSIONAL FOOTBALL

	North American leagues	*European football*
Competition rules	- Franchise system - One league participation	- Open competition - Many league participation
TV rights	- Collective selling of TV rights	- Collective selling of TV rights
Player market	- Draft - Salary cap - Collective bargaining	- Free player market - Free salary negotiation - Individual bargaining
Revenue sharing	- Balanced sharing of TV rights - Charge (admission) in franchise system	- Negotiated sharing of TV rights - Institutional sharing of match day revenues

IV. DISCUSSION AND CONCLUSION

There is considerable discussion in Europe to convince or, on the contrary, fight the implementation of a European franchise, with the major risk of some clubs not playing in their national championship any more, or having a second team play composed of players coming from the secondary market. On a political level, the European Union seeks to protect the traditional European sporting structures, by resisting the attempts to implement systems only based on the maximisation of financial benefits for elite clubs alone [18], in particular in the framework of a franchise system. The question is of the likelihood of a European franchise raising economic and political questions [21]. Indeed, professional football questions the governance where contradictory interests oppose concerning national teams, sports equipment manufacturers, television channels and clubs, to speak only of those four stakeholders. Furthermore, each club sets particular expectations in terms of results, and any deviation from the expectations are more or less rapidly corrected to avoid jeopardising its future performances [12]; yet, those expectations largely depend on the desires of the owner of the professional club, in particular on a political level.

It would be interesting to analyse professional football from a business networks power regimes model. This model identifies the different stakeholders and evaluates which are capable of capturing the most value, given their privileged position in the network [13]. The discussion about the adoption of a North American model by Europe seems pointless for two reasons. The first reason is of institutional nature, and the second reason if of sporting nature:

1. On an institutional level, in order to avoid intolerable financial drift, leading over half of European clubs of Premier League to show net losses at the beginning of the years 2010, the UEFA instituted a referendum on financial *fair-play* aiming at regulating the sector (with an *ad hoc* authority and tools), and therefore bring back healthy rivalry in a coherent collective space [17]. In brief, a relatively complex and specific *licensing system* was implemented, granting a club access to a European competition only if "each plays with the means it is capable of managing" [5]. The target is to avoid financial overbidding outside of any profitability criteria, whose origin resides largely in the increasing importance of TV rights [1], by enabling the restoration of an improved sporting fairness. If we must praise this approach, we must admit that it only reinforces the sector's segmentation for the benefit of more powerful clubs, those that historically benefit from a market size, a stadium capacity and which are very famous. Indeed, a pseudo European franchise exists, invisible, however, very real in the annual UEFA ranking.

2. On a sporting level, even if "small" clubs have implemented safeguard mechanisms to maintain some suspense in the competition, to rephrase Meyssonnier and Mincheneau [14], the reality is that a few large clubs are the only ones capable of equipping themselves with a global information system favouring managerial durability and recurring sporting performances. In other words, it is easy to identify the small group of clubs that regularly monopolise the best places and win the most prestigious trophies. This is particularly true at the level of the Champions League where, as indicated in Table II, the supremacy of Barcelona FC, Chelsea, Real Madrid, Manchester United and Bayern Munich does not seem questionable. It would be easy to establish the list of the fifteen clubs that are systematically on the forefront of the football scene, and which, for that reason, could compose the architecture of a European franchise. Notwithstanding, by firmly negotiating the amounts of TV rights for the Champions League and, more largely, by keeping the control of competitions and a total control of their marketing [19], isn't the UEFA already thinking in a North American franchise perspective?

One of the major problems linked to the institution of a European franchise, and the adoption of its two key mechanisms, the draft and the salary cap, is without a doubt the diversity of the stakeholders involved, and the conflicts that appear around it. This is how Sonntag [22] and Boniface [3] describe the recurring confrontations between head coaches of national teams and club owners when selecting talented players for useless friendly games, between two championship games, with the risk of injuring those players, or simply prematurely wearing them out, and, consequently, losing an important part of their marketable value. As for the perverse game that is often played by sports equipment manufacturers, the participation of a weakened Ronaldo, who had suffered a potential epileptic episode, during the 1998 World Cup in Paris, under Nike's insisting pressure, has already caused sufficient ink to flow for us not to go back over it. This, in addition to the pre-eminence of national federations, clearly highlighted by Dietl, Franck, Lang and Rathke [7], that disturb the game and block any attempt of collective governance that may hamper their individual interests. The advocates of a future European franchise bet on the increase of the created value in terms of additional revenues, but to the extent that no thorough reflection was led regarding its distribution (conflicting or coordinated) between the abovementioned stakeholders, the *statu quo* remains a lesser of two evils.

TABLE II. CHAMPIONS LEAGUE SEMI-FINALISTS (2005 TO 2015)

Season	*Clubs*
2005-2006	Arsenal (UK), Barcelona FC (Spain), Milan AC (Italy), Villarreal (Spain)
2006-2007	Chelsea (UK), Liverpool (UK), Manchester United (UK), Milan AC (Italy)
2007-2008	Barcelona FC (Spain), Chelsea (UK), Liverpool (UK), Manchester United (UK)
2008-2009	Arsenal (UK), Barcelona FC (Spain), Chelsea (UK) Manchester United (UK)
2009-2010	Barcelona FC (Spain), Lyon (France), Inter Milan (Italy), Bayern Munich (Germany)
2010-2011	Barcelona FC (Spain), Real Madrid (Spain), Manchester United (UK), Schalke 04 (Germany)
2011-2012	Barcelona FC (Spain), Chelsea (UK), Real Madrid (Spain), Bayern Munich (Germany)
2012-2013	Barcelona FC (Spain), Borussia Dortmund (Germany), Real Madrid (Spain), Bayern Munich (Germany)
2013-2014	Chelsea (UK), Atletico Madrid (Spain), Real Madrid (Spain), Bayern Munich (Germany)
2014-2015	Barcelona FC (Spain), Real Madrid (Spain), Bayern Munich (Germany), Juventus FC (Italy)

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