

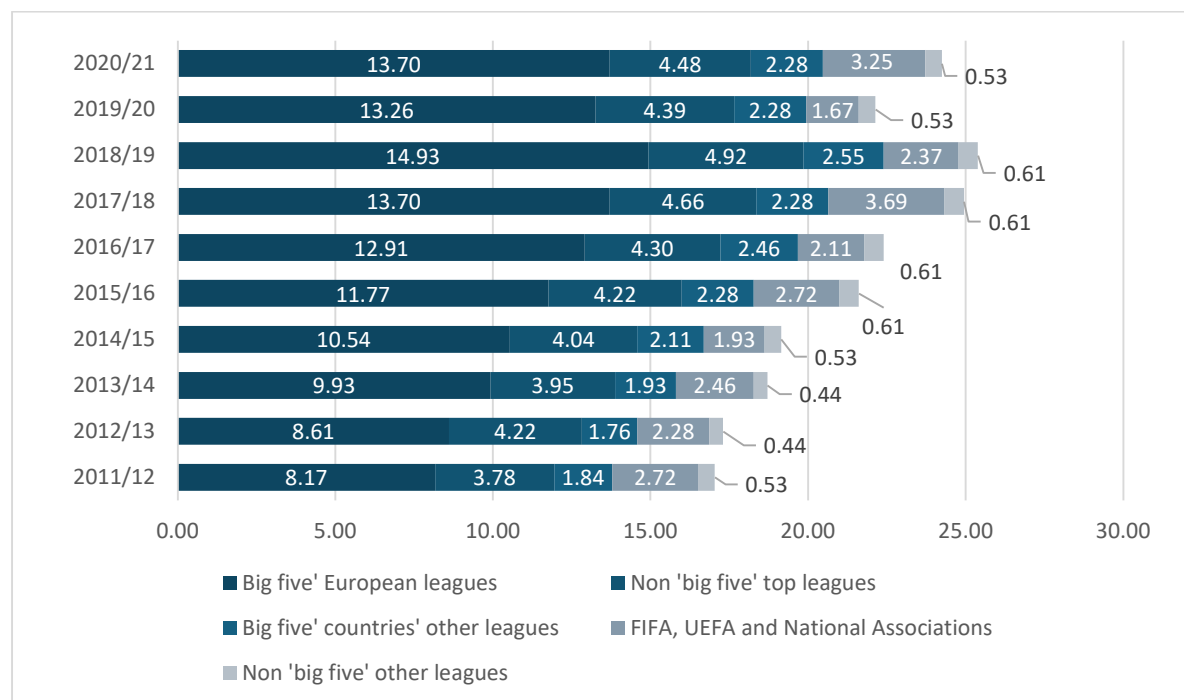
Exploring the Role of Responsible Corporate Governance in the Professional Football Industry

1. Introduction and Background

This paper aims to investigate a framework for corporate governance that prioritises long-term sustainability in the professional football industry. Moreover, this paper illustrates that although concepts of business responsibility and corporate governance have been clearly defined, the UK Government have raised strategic concerns that bring sustainable management and governance to the foreground (Table 1).

Deloitte's analysis reveals that by the end of the 2020/21 financial year, the global football industry was valued at approximately 22.39 billion GBP (Deloitte, 2022). The "Big Five" European football leagues—spanning England, Germany, Spain, Italy, and France—collectively account for 58% of this valuation, contributing 12.91 billion GBP to the industry's global economic footprint, as detailed in Figure 1. These leagues are recognised as the leading forces in European football. However, Hammerschmidt et al. (2021) highlight the vulnerability of professional football organisations exposed by the COVID-19 pandemic, especially in light of political regulations. This vulnerability pertains not just to financial stability but also to the capacity of these organisations to devise and implement entrepreneurial strategies to mitigate the financial repercussions of the pandemic. Figure 1 further illustrates this point by detailing the revenue impacts experienced across various segments of the European football industry during the 2019/20 season (Deloitte, 2022). The intertwining of corporate governance principles with the operational and strategic frameworks of these football organisations are crucial (Hamil et al., 2004). The pandemic underscored the need for robust governance structures that can navigate crises, emphasising ethical decision-making, financial transparency, and stakeholder communication (Burns and Jollands, 2022).

Figure 1 - European Market for the Football Industry 2011/12-2020/21 (Deloitte, 2022)



The concept of business responsibility encompasses a broad spectrum, resulting in varied and sometimes fragmented definitions and attributes. Ting et al. (2022) observe that while the notion of business responsibility is widely acknowledged, its precise understanding remains elusive. The Organisation of Responsible Business (2023) aligns this idea with corporate social responsibility (CSR) and corporate sustainability (CS), emphasising its relevance across businesses of all sizes and impacts. This view aligns with the stance of several scholars (Klettner et al., 2014, Laasch and Conaway, 2017, Ting et al., 2022), who regard CSR as a central pillar in the discourse on responsible business practices. Contrarily, Weller (2017) and Hammann et al (2009) argue for a clear differentiation between responsible business and CSR, with the former advocating for advisory decision-making and enhanced social collaborations. This debate underscores the intricate relationship between these terms, suggesting that a more nuanced understanding of responsible business necessitates an examination of CSR, CR, and related concepts. Moreover, integrating the perspective of corporate governance into this discussion adds another layer of complexity. Corporate governance intersects with these concepts by emphasising ethical leadership, accountability, and stakeholder engagement, further complicating the landscape of business responsibility (Mastrodascio, 2021, Tricker, 2019). Thus, to delineate a more precise characterisation of responsible business within this study, it is imperative to explore the definitions of CSR, CR, and their interplay with corporate governance principles.

The Fan Led Review of Football Governance emerged as a direct response from the government to address systemic issues within the football industry, triggered by three pivotal events or crises (U.K. Government, 2021). The first notable incident was the unfortunate demise of Bury Football Club, which faced expulsion from English football after failing to convince the English Football League (EFL) of its financial sustainability (BBC, 2019). This event highlighted significant flaws in the regulatory

framework overseeing the financial health of clubs. Secondly, the financial turmoil wrought by the COVID-19 pandemic laid bare the inadequate management and governance structures within the sector. This period revealed the precarious financial strategies of several clubs, including Wigan Athletic and Charlton, among others, spotlighting the fragile economic foundations upon which they operated (Maguire, 2021). Lastly, the controversial proposal to establish a breakaway European Super League (ESL) sparked widespread condemnation. This initiative, driven by a desire to ensure long-term financial security for some of the continent's most prestigious clubs, posed a profound threat to the integrity of English football, catalysing significant pushback from a broad spectrum of stakeholders (Brannagan et al., 2022, Meier et al., 2022). In response to these challenges, the review articulated ten strategic recommendations aimed at reshaping the future landscape of football governance in the UK, and prioritising long-term sustainability in the sector (Table 1). This study will build on several of these strategic recommendations, in particular A, B, D, F, and H.

Table 1

Strategic Recommendations for Football Governance (U.K. Government, 2021)

- (A) To ensure the long-term sustainability of football, the Government should create a new independent regulator for English football (IREF)
 - (B) To ensure financial sustainability of the professional game, IREF should oversee financial regulation in football
 - (C) New owners' and directors' tests for clubs should be established by IREF replacing the three existing tests and ensuring that only good custodians and qualified directors can run these vital assets.
 - (D) Football needs a new approach to corporate governance to support a long-term sustainable future of the game.
 - (E) Football needs to improve equality, diversity and inclusion in clubs with committed EDI Action Plans regularly assessed by IREF.
 - (F) As a uniquely important stakeholder, supporters should be properly consulted by their clubs in taking key decisions by means of a Shadow Board.
 - (G) Football clubs are a vital part of their local communities, in recognition of this there should be additional protection for key items of club heritage.
 - (H) Fair distributions are vital to the long-term health of football. The Premier League should guarantee its support to the pyramid and make additional, proportionate contributions to further support football.
 - (I) Women's football should be treated with parity and given its own dedicated review.
 - (J) As an urgent matter, the welfare of players exiting the game needs to be better protected – particularly at a young age.
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The football industry operates as a dynamic ecosystem, with an evolving environment of stakeholders. Yiapanas et al (2023) argue that the football industry has unique characteristics that define various stakeholder roles, impacting value generated by sporting, cultural and social, and financial conditions. They further denote ten primary stakeholders that are vital to growth and sustainability of the organisation in this industry (Yiapanas et al., 2023). Therefore, it is important to maintain primary stakeholder relationships as the industry advances towards the prospect of long-term sustainability and responsibility. Asada (2019) highlights the fan community as one of the most prominent driving forces in the industry, and in some cases are a major influencer or shareholder in board level decisions. This sets this industry apart from traditional stakeholder perspectives, highlighting the social capital focus inherent to these organisations. Therefore, this project investigates the unique perspective and will explore responsible and sustainable perspectives in corporate governance through the following research question and subsequent research objectives.

1.1. Research Question

How can responsible corporate governance in the professional football industry prioritise long term sustainability?

1.2. Research Objectives:

1. To overview the relevant theories within the concepts of corporate governance and responsible business in the professional football industry.
2. To explore what strategies are being employed by professional football clubs to support long term sustainability.
3. To investigate stakeholder influence on responsible business practices within the professional football industry.
4. To review responsible investment practices and capital structure within football clubs to support long term financial sustainability.
5. To evaluate the key challenges and determinants to achieve long term sustainability in the professional football industry.

2. Literature review

Long term sustainability is complex and has evolved through the literature, therefore, to define long-term sustainability in business, it is essential to consider various perspectives and definitions. Business sustainability is commonly understood as the ability of a business to grow and produce long-term benefits (Widagdo and Sa'diyah, 2023). Bergman et al (2017) discuss long-term sustainability through embracing opportunities and managing risks derived from economic, environmental, and social developments, with a focus on creating long-term shareholder value. Furthermore, Pardiman et al (2022) adds that it requires the integration of environmental and social issues into the business model, emphasising long-term profitability and value creation while considering environmental and social impacts. Sustainability in the business context refers to the integration of long-term social, environmental, and economic concerns into a firm's management and operations (Can, 2020). These

initial definitions highlight the strategic nature of the term, while also illustrating the framework balances economic, environmental and social capital. However, Pazienza et al (2022) argue that while widely used, the concept is still elusive and unclear, therefore it has been made open to interpretation by previous scholars.

Pazienza et al (2022) continues that fundamentally the three pillars of corporate sustainability, through social, economic and environmental dimensions, are enabled through governance. Turnbull (1997) describes corporate governance as all the influences, principles, and systems by which a company is directed and controlled. Mastrodascio (2021) adds that the organisational structure, functioning mechanisms, financial management, and importantly the relationship between resource decision makers are all used to assess the governance of a firm. These definitions are built upon the foundational concept first introduced in the Cadbury report (Cadbury, 1992). Research within this field looks at effective corporate governance, exploring the connection to financial performance (Fadhillah and Burhany, 2019, Adekunle and Adeyemo, 2022, ochego et al., 2019, Latifah et al., 2019, Niandari and Herbowo, 2024, Jati et al., 2023, Kyere and Ausloos, 2020). Mahrani and Soewarno (2018) contest that while extensive research has delved into effective corporate governance and firm performance, there are still inconsistencies in results, further exploring the implementation of corporate social responsibility within the framework. Moreover, Hahn et al (2017) continues that more research is needed to understand corporate governance and organisational structures that promote CS for the firm. This highlights that the literature seeks to further explore actionable business activity and governance in long term sustainability and CS perspectives. Kantabutra and Ketprapakorn (2020) continue to clarify the importance of further studying long term sustainability, through uncertain macroenvironment conditions, business practices towards CS and long-term sustainability will determine business survival. From an industry perspective, shareholders are increasingly seeing the value in CS strategies, with 90% of surveyed participants expressed importance in the application of CS in their respective businesses (Meuer et al., 2020, Kantabutra and Ketprapakorn, 2020). However, Bari et al (2022) argue there needs to be a strategic focus to achieve corporate sustainability, with dynamic capability theory suggested as a route to seize sustainable opportunities and mitigate risks of business failure.

Worku (2017) and Popoola (2022) denote the challenges for businesses in achieving long-term survival, highlighting a connection between effective and efficient management strategies, corporate governance and long term survival. Churchill and Lewis (1983) highlight that within their theorised five stages of small-business growth there are multiple exit and failure points, with each stage highlighted with the risk of bankruptcy (Figure 9). In a similar perspective, Agarwal (1997) views the business evolutionary stages through the business life cycle, illustrating that survival rate declines in evolutionary stages of higher competitive intensity, signifying that there is a difference in probability of survival between the stages of business evolution. However, the increased probability of failure is seen as dependant on the volatility of the industry in the same perspective (Headd and Kirchhoff, 2009). Dickinson (2011) finds that the increased competitive nature of firms in a maturity life-cycle stage increase the risks for economical long-term sustainability. This highlights the strategic importance of achieving long-term sustainability, with survival rate and economic development a key determinant. Farias et al (2021) argue that a primary condition to sustainability is avoiding business

failure, therefore continued operations and strategic development is highly significant. Several authors have viewed financial distress in the field of business failure to understand the determinants of business failure (Amendola et al., 2017, Ashraf et al., 2019, Ece and Sayilgan, 2020, Koh et al., 2015, Lee et al., 2010). Ashraf et al (2019) concludes that there are early warning signs in financial distress that signifies potential business failure, this is hypothesised through long term adverse performance. Key finance indicators such as profitability, leverage and liquidity ratios indicate potential failings in financial sustainability and lead to business failure (Sharma and Mahajan, 1980). Financial indicators have been used consistently by authors to understand the antecedents and indicators of business failure (Van Caillie and Crutzen, 2007, Bruno et al., 1987, Crutzen and Van Caille, 2008, Dias and Teixeira, 2017). Therefore, there is a growing significance in the literature to understand business failure as a barrier to long term sustainability. Moreover, the literature also highlights the importance of economic sustainability, with continued operations the only route to contributing to social and environmental goals.

3. Methodology

This project will adopt a mixed methods research approach to comprehensively address the research question. The first objective will be met through its literature review, which will focus on identifying foundational theoretical frameworks that shed light on the intricate dynamics of responsible business, corporate governance, Corporate Social Responsibility (CSR), Corporate Sustainability (CS), risk management, and shareholder management. To address the second and third objectives, the study will employ semi-structured interviews with various primary stakeholder groups, including leading fan groups, employees, and governing body representatives. This qualitative method will be complemented by a content analysis of the strategic activities undertaken by football clubs, allowing for an in-depth examination of their practices and policies. A dual approach enables the capture of nuanced perspectives and experiences from key participants while analysing documented strategies for patterns and trends. Furthermore, the fourth objective will be addressed through the analysis of publicly available financial data pertaining to football clubs. This analysis aims to uncover insights into their risk management practices and financial health. Statistical analysis will be the primary tool for examining this data, offering a quantitative perspective on the clubs' financial resilience and capabilities.

4. Potential Theoretical Contribution

By integrating frameworks from corporate social responsibility (CSR), corporate sustainability (CS), risk management, and shareholder management, the study aims to construct a model that encapsulates the multifaceted nature of governance and sustainability in sports organisations. This model will elucidate the current practices and challenges faced by football clubs and also propose a structured approach to enhancing their governance structures and sustainability practices. Furthermore, the project seeks to extend existing theories by examining how these principles are applied within the context of sports management, an area that has been relatively underexplored in academic literature. The use of mixed methods research will enable the triangulation of data, strengthening the validity of the findings and potentially uncovering new dimensions of business responsibility that are specific to the sports sector. In doing so, the research will contribute to a deeper theoretical understanding of

how governance and sustainability practices can be effectively implemented in the face of industry-specific challenges, such as financial volatility and stakeholder pressures. This contribution is expected to be of value not only to academics but also to practitioners and policymakers seeking to promote more responsible and sustainable management practices within the football industry and potentially other sports contexts.

5. Plan to Develop Working Paper

Still within early development, developing a theoretical and conceptual framework would be beneficial. I would welcome feedback in these key areas to develop this project further. Moreover, any opportunities for further support would also be appreciated, including connecting with potential participants.

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