Master Thesis
Finance & Strategic Management

Strategic and Financial Implications of UEFA's Financial Fair Play Regulations

A Comparative Study of Commercially Mature and Immature Football Clubs

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Date of submission: 15th May 2019
Number of Pages: 107
Number of Characters: 238.731 (incl. spaces)

ABSTRACT

Accelerating insolvency and extreme debt levels in the European football landscape necessitated action from the governing body UEFA to preserve the financial health of professional football clubs. Consequently, the Financial Fair Play Regulations (FFP) were introduced to overcome these issues and strengthen the credibility of the sport. Whilst previous literature has concentrated on the impact of the FFP in relation to elite clubs in the Big-5 European football leagues, there has been less attention towards Scandinavian clubs trying to compete at the highest level. To illustrate how football clubs are controlled and how they handle FFP, we develop a theoretical framework designed for comparing football clubs in both governance and financial spheres. The study utilizes a qualitative research method by conducting semi-structured in-depth interviews with executives in Scandinavian top clubs. Furthermore, we compare our findings with empirical data from commercially mature clubs in the Big-5 leagues, which contributes to the increasing amount of scholarly work on FFP.

Our findings demonstrate that a formal governance mechanism such as FFP has a larger impact on elite clubs compared to the Scandinavian ones for two distinct reasons. Firstly, the necessity of formal governance mechanisms increases as football clubs become more complex and business-oriented. Secondly, informal governance mechanisms such as culture and societal values are more noticeable regarding how Scandinavian clubs are controlled. Moreover, our results indicate that FFP has not fully worked as intended, as its “break-even requirement” has contributed in isolating an elite group of clubs getting richer at a higher speed compared to non-elite clubs. This competitive gap and newly discovered data tells a two-fold story for the future of commercially mature and immature clubs respectively. While the commercially mature clubs are likely to isolate themselves by compressing their competitive environment and enhancing their global strategies, Scandinavian clubs need to intensify their talent development strategies and be proactive in new technologies that can attract young people and strengthen their local adaption. However, it is difficult to determine the exact impact of FFP, because numerous factors have contributed to enhance the financial and competitive disparities between clubs. The trend is undisputable, and the question is whether or not the industry is adequately designed to face contingencies that are disrupting football’s competitive balance and romantic vision.

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1. INTRODUCTION

1.1 Background

Sport as an industry has been growing rapidly over the past decade. In their 2016 report titled "The business of sports", KPMG estimated the global sports market to be worth $600-700 billion, amounting to approximately 1% of the global GDP. The sporting goods industry has experienced an average sales growth of 4.3% between 2005 and 2014 - a rate 1.5 times higher than the broader consumer sector (Macquarie, 2016). The sports sector has shown equally remarkable progress in the branding sphere, with Interbrand (2017) noting in its report on the "Best Global Brands 2017" that brand values had grown by over 10% compared to the previous year, making the sports sector the second fastest growing sector overall.

The sports industry is enormous and is comprised of thousands of different sports and sporting games, with the superiorly largest one being football. Surveys have shown the sport to generate powerful interest in over 40% of the world' population, and with its extraordinary reach all over the world, football is "unequaled among sports in terms of value to media and sponsors" (Nielsen, 2018). The current trends indicate that football's position as the number one sport in the world will remain unchallenged, thanks to significant growth in strategically important regions. In America, football has become the second-most-played youth sport, and MLS games are currently averaging higher stadium attendances than both the NBA and the NHL (Deloitte, 2019). In China, President Xi Jinping's personal interest in football and his desire to host a World Cup has benefited the sport thanks to heavy investments from Chinese businessmen, turning the domestic league into a genuine international competition that has been able to attract global star players (Nielsen, 2018).

Despite the growing interest in football in other parts of the world, the clubs, players and competitions in European football leagues remain the sport's crown jewels (Nielsen, 2018). Particularly the introduction of the UEFA Champions League in 1992, which brought commercial and broadcasting interest to a new level, has led to significant increases in money flows throughout the football industry (Breuer & Forrest, 2018). However, despite enormous revenue increases and a booming football industry, football clubs were not profitable, and their financial results were worsening year after year (Franck, 2014). Between 2006 and 2011, net losses among 734 European member clubs had increased by as much as 760% (Plumley et al., 2018), indicating a significant debt problem within European football. Global management consulting firm A.T. Kearney (2010) even went as far as suggesting that three of Europe's top five football leagues potentially would collapse within few years unless structural changes to the European football business model were introduced.

European football's governing body, the Union of Football Associations (UEFA), decided to address the rising tensions concerning the financial health of European football clubs by implementing financial regulations in 2011. The regulations, named "Financial Fair Play" (FFP), included two main requirements that clubs need to adhere to in order to compete in European competitions. The first is the break-even requirement which stipulates that clubs are not allowed to have relevant expenses exceeding relevant income, whereas the second main requirement states that clubs must not have any overdue payables towards football clubs, employees or social/tax authorities (UEFA, 2018a). Figures from 2018 show that aggregate net losses for European top divisions clubs of €1.7bn in 2011 had turned into a profit of €600m, leading UEFA (2018b) to conclude that FFP without question had been a huge success for European football.

Despite the vast improvement in bottom line numbers, the sentiment that FFP has been an unprecedented success is not shared by all of European football's stakeholders. The main criticism towards FFP regulations have been concerning the competitive balance in European football and the potential growth opportunities for the smaller clubs that currently are at a level below the elite-level clubs. Whilst the idea of FFP was to create a more fair playing field for all competing clubs, many writers and experts argue that the regulations instead have had an adverse effect, as by not allowing for injections of external financing, the existing hierarchy in European club football is further cemented (Plumley et al., 2018). Deloitte stated in its Football League Money Report from 2018 that participation and performance in UEFA competitions now had an evidently larger impact on club revenues than ever before. With the increasing financial rewards for sporting success, FFP-critics argue that the financial disparities between clubs has widened which in turn has significantly weakened the competitive balance in European football (Freestone & Manoli, 2017).

1.2 Topic Delimitation and Research Question

Based on the developments presented above, the thesis aims to analyze financial and strategic implications of FFP regulations on competitiveness at different levels of European football. Most of the discussion and research on the topic so far has almost exclusively been focused on the top five leagues and changes in competitive balance within these nations. Therefore, we wish to extend this research by comparing the developments in Europe's top leagues with the relatively smaller leagues and nations, to get a better grasp of how FFP has transformed European football at a broader level. In order to conduct comparative analyses, we make a distinction between *commercially mature* and *commercially immature* European football clubs. Here, the Big-5 leagues in European football (EPL, Bundesliga, Serie A, La Liga and Ligue 1) will represent the commercially mature leagues, whereas our focus will primarily lie on the three Scandinavian leagues (Superligaen, Allsvenskan and Eliteserien) when analyzing, conducting interviews and gaining insight about FFP's effects on commercially immature football clubs. The main question that we wish to discuss, and which serves as a basis for the whole thesis is;

What strategic and financial implications have UEFA's Financial Fair Play Regulations had on the European football club landscape?

To answer this question, we will go through a number of steps by breaking it down to sub-questions and utilizing a qualitative research method. As most of the literature and empirical research on the topic has been focused on Europe's elite leagues and clubs, we will conduct a number of interviews with executive decision-makers in some of Scandinavia's biggest clubs in order to obtain primary data and valuable insight into how FFP has affected Norwegian, Swedish and Danish clubs with ambitions of competing at a European level. This will enable us to conduct comparative analyses between the elite and Scandinavian clubs, which will facilitate the discussion on whether or not FFP has had a positive impact and if there has to be changes going forward.

1.2.1 Sub-Questions

The European clubs with high brand equity have become increasingly important to European economies by attracting tourists and sponsors from all over the world. On the other hand, non-elite clubs such as the ones from the Scandinavian countries have not achieved a similar impact, which has left them in a vacuum of commercial immaturity. Our initial and underlying hypothesis is that

FFP has been a factor in enhancing the increased imbalance between elite clubs and Scandinavian clubs financially and competitively on the football pitch. Thus, we integrate theories on sport management and finance with measurable analyses to discuss the following sub question:

I. What are the differences in impact of FFP on commercially mature and immature clubs respectively – and have the regulations increased or decreased the gap between the clubs?

Furthermore, the variation in both formal and informal governance mechanisms in the football landscape is interesting in relation to FFP. There seem to be substantial differences in how various clubs approach and handle governance perspectives including ownership and culture. Obviously, there are several parameters that can be used to compare European football clubs, but since FFP can be perceived as an instrument designed to control their behavior, we wish to investigate both the commercially mature and immature clubs through a governance lens by seeking answer to the second sub-question:

II. To what extent are formal and informal governance mechanisms determining the differences in impact?

An interesting and relatively important phenomenon is the industry's unique relationship between sporting performance and financial performance, since the two criteria are extremely dependent on each other's success. Therefore, we aim to demystify the relationship between finance and strategic management in a football club context. We utilize a theory of inter-functional conflicts and insight from Scandinavian clubs to further explore the third sub-question:

III. How has FFP affected the relationship between sporting performance and financial performance in commercially immature football clubs?

1.3 Motivation

After 2 years in the MSc Finance and Strategic Management program at Copenhagen Business School, we wanted to conduct a study reflecting our program by combining both soft and calculable perspectives. Having an in-depth knowledge about how these theoretical fields coalesce in various business contexts appears to be an appreciated trait by potential employers. After participating in the Sport Management elective course, we were inspired by our lecturer to dig deeper into the dynamics and contingent challenges in the football industry. We were motivated by the realization that many of the theories from our program turned out to be highly relevant and applicable to football clubs and their competitive environment. This was particularly the case regarding governance theory, which includes aspects that have proven to be decisive for how modern football clubs behave. Furthermore, we are extremely passionate about football and have considerable playing and coaching experiences from different countries over the last two decades. Consequently, we viewed the master thesis as a unique opportunity to combine our hobby and studies. Football today receives great attention from a number of stakeholders including media, fans and sponsors, and the disparities and contingencies in the football universe was something that captivated our minds as we have followed both elite and non-elite clubs simultaneously since early childhood.

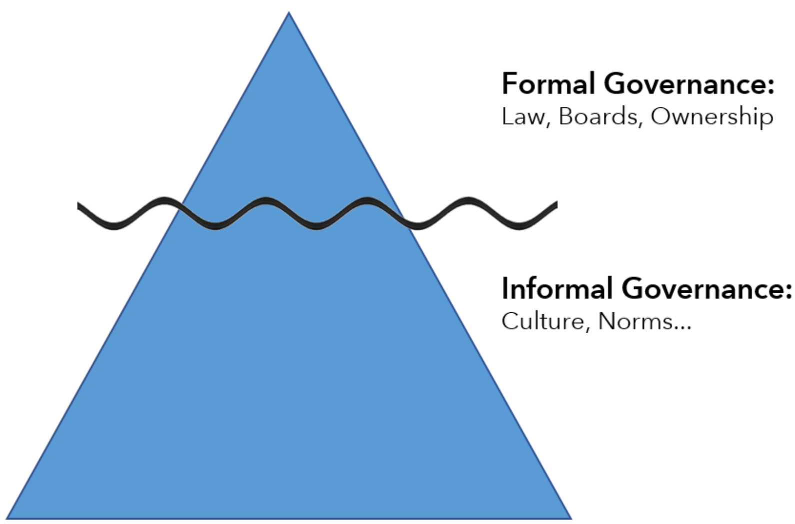
2. THEORETICAL FRAMEWORK

In this chapter we develop a theoretical framework that helps us in answering our sub-questions. There are several theories and frameworks that can be used as guidelines to investigate potential implications of FFP and the underlying drivers of European football clubs. First, we utilize theories of formal and informal governance to understand both distinct and underlying factors of football clubs and the environment in which they operate. Secondly, we present fragments of financial theory relevant for our research questions. Together, this scheme forms a theoretical basis which helps us to integrate ideas from various fields, which in turn is employed when establishing a logical distinction between commercially mature and immature football clubs.

Theoretical Framework				
Research Question	**What strategic and financial implications have UEFA's Financial Fair Play Regulations had on the European football club landscape?**			
Sub Questions	*What are the differences in impact of the regulations on commercially mature and immature clubs respectively, and has the FFP increased or decreased the gap between the clubs?*		*To what extent are formal and informal governance mechanisms determining the differences in impact?*	*How has the FFP affected the relationship between sporting performance and financial performance in commercially immature football clubs?*
Theoretical Fields	Sport Management	Financial Accounting	Governance	
Authors	Rottenberg (1956) Neale (1964)	Petersen, Plenborg & Kinserdal (2017)	Steen & Conyon (2012) Schein (2009)	Walton & Dutton (1969)
Theoretical Concepts	Competitive Balance	Accounting Principles and Flexibility	Ownership and Culture	Inter-functional Conflicts

2.1 Governance Theory

Thomsen and Conyon (2012) define governance as "the system by which organizations are directed and controlled". There are several definitions and focus areas in the literature. Whilst business and management literature deals with corporate governance and board aspects in terms of compositions and behavior, financial theory tackles the relationship between shareholders and managers through a principal-agent dynamic (Holmstrom and Milgrom, 1991). Regardless of the field, governance is shaped and influenced by several variables including national history, culture and institutions (Thomsen & Conyon, 2012). Discussions about governance tends to primarily be focus on formal governance mechanisms like law, ownership or boards, but these instruments are only the tip of the iceberg as illustrated in the figure below. On various levels, behavior is regulated by informal governance, consisting of components such as culture, social norms, reputation and other soft mechanisms. Common for all of these aspects is that they exist as elements of a contextual incentive system that determines actions and behavior. This study distinguishes between formal and informal governance, not only organizationally but also on more general levels.



Source: Thomsen and Conyon (2012, 92)

2.2 Formal Governance Mechanisms

Theoretically, governance comprises a myriad of formal mechanisms that are concretized in terms of regulation, ownership, contractual agreements and commitments. The purpose of formal governance is rooted in providing guidance and incentives, as well as obtaining control. Both rules and enforcement of said rules are crucial in that sense, as they together create a framework for participant behavior. Regulative bodies have the responsibility of making rules which restrain or prohibit certain kinds of behavior or open-ended standards (Thomsen & Conyon, 2012). In the organizational sphere we often talk about boards and ownership as the main governing mechanisms, serving as determinants for how and why the organization operates and exists. This study has an emphasis on concepts of ownership mechanisms.

2.2.1 Ownership Structures, Identity and Models

Ownership of companies is recognized as an important governance mechanism, because it has been a prerequisite for well-functioning markets and a source for value creation. Thomsen and Conyon (2012) define ownership as a set of rights concerning assets such as user, profit, disposal and control and rights. These rights can take numerous combinations, more specifically through structure, concentration and identity. In a corporate ownership context, several compositions exist that determine how a company is controlled and governed, which often reflects the purpose as well as its operational activities. Ownership concentration determines power and influential dynamics between shareholders and managers and can be measured as the portion of shares owned by private investors and large-block shareholders (Wruck, 1989; Thomsen & Conyon, 2012). Scholarly research distinguishes between two forms of ownership concentration – concentrated ownership systems and dispersed ownership systems (Thomsen & Conyon, 2012).

The identity of the owners has implications for their intentions and how power is utilized. In the field of ownership identity, we ordinarily find investor, family, government and personal ownerships, where some are more rent-seeking than others. For instance, a financial investor is more concerned about return on investment than families or governments due to risk and objectives. Furthermore, ownership does not necessarily influence company behavior by itself. The activity level in terms of either being active or passive is very much dependent on the identity and objectives of the ownership (Thomsen & Conyon, 2012). Denis and McConnell (2003) claim that it is important to know the identity of large shareholders, as there is an evident relationship between ownership concentration and firm performance related to who the shareholders are. However, the most important takeaway is that ownership type can impact organizational governance and subsequently the finances. Historically, professional football has adopted three main types of ownership: the stock market model of ownership, the foreign ownership model or the supporter trust model of ownership – all emphasizing different rationales and criteria of success (Wilson, Plumley and Ramchandani, 2013).

The Stock Market Ownership Model

The stock market model provides easy access to capital and a relatively long-term horizon. The model is characterized by a dispersed structure and objectives related to financial performance, shareholder value and liquidity. Despite its efficient nature, the investors have a relatively small ownership share which prevents their ability to control the company through the management (Thomsen and Conyon, 2012).

The Foreign Ownership Model

The foreign ownership model is of a special character because it is a product of globalized trends, consisting of owners who are not connected to the country where their company or organization is situated. Often, the structure is of a concentrated kind where owners are corporate entities promoting incentives to innovate and accelerate performance by establishing efficiency (Shleifer, 1998). Sometimes it is also associated with companies creating vertical ties between other entities at different stages of the value chain or with diversifying business across industries. Corporate ownership primarily facilitates internalized transactions and knowledge transfers for efficiency and value-creating purposes (Thomsen and Conyon, 2012).

The Supporter Trust Model

The supporter trust model is inspired by cooperatives: member-based associations which own business firms (Thomsen & Conyon, 2012). Organizational governance in cooperatives are different from listed companies, in the sense that members receive one vote per person rather than per share of capital. Unsurprisingly, this type of ownership model also appeared to be applicable to other types of organizations depending on their purposes and stakeholders. A common version of this model is to pursue it in a moderate manner, where members or supporters own 51 % of shares to remain control of the organization. Despite being a popular ownership model, cooperation-inspired structures are also criticized due to inefficient decision-making processes (Bekkum and Bijman, 2006). Several organizations utilizing the supporter trust model are non-profit organizations, but that does not necessarily mean that profits cannot be made. It is, however, typified by the practice of not distributing profits to outside owners (Malani, Philpson and David, 2003). So-called commercial non-profits, which interact in business activities by buying and selling goods, will certainly make a profit if revenues exceeds cost. However, the retained earnings are reinvested in the firm instead of paying them out as dividends (Thomsen and Conyon, 2012).

2.2.2 Theory on Inter-functional conflicts

A common feature of an organization is the division of labor, which secures that people with suitable capabilities and experience can execute various tasks. Despite providing efficiency, this organizational element could also be a source of inter-functional conflicts. According to Xie, Song and Stringfellow (1998, 193), inter-functional conflict is defined as "perceived differences in goals and ideologies across independent and interactive functions." Furthermore, Dyer and Song (1997, p. 476) provide depth to the definition by stating that "conflicts are task-related disagreements arising whenever the goals of a person or group are perceived to be incompatible with those of another person or group with the expressed intention of denying the other's goals". Most of the economic literature concentrates on the conflict between a production and sales department, where the first desires long production runs whilst the other one desires a wide product line (Rotemberg & Saloner, 1995). Manufacturing employees possess the knowledge of how to produce a commodity, whereas the sales department acquires knowledge about the customers and their preferences. Since knowledge and capabilities both are parts of an employee's identity, a conflict seems inevitable if one of the departments' desires are undermined. How the executives approach such a situation very much depends on the general strategy, as well as the core competence of the firm. For instance, if manufacturing is the core competence of the firm and is regularly favored internally, the firm tends to ignore opportunities in the area of product differentiation, strengthening the manufacturing capabilities instead (Rotemberg & Saloner, 1995).

Why do Inter-Functional Conflicts Occur?

In Walton & Dutton's general model of interdepartmental conflict and management (1969), various circumstantial antecedents related to inter-unit conflicts were presented. The key factor in the pertinence of the model, which the contextual determinants are embedded in, is the concept of mutual task dependence – the extent of two entities depending on each other for coordinative actions in their jobs. Other possible antecedents to inter-functional conflicts are presented below.

Task-related Asymmetries

Whilst symmetrical interdependence facilitates cooperation, asymmetrical circumstances may imply antagonistic effects where one entity has less incentive to coordinate with the other. Additionally, the way in which entities are socially ranked in terms of status, power and importance provokes conflicts and disagreements. Consequently, conflicts are particularly evident in situations between a powerless entity unable to control an event, and the ones anticipated to be in possession of power and control (Zald, 1962).

Performance Criteria and Rewards

Recalling the example of the conflict between the manufacturing and sales department, the underlying motives and incentives provided by managers play a crucial role. Obviously, the preference for long manufacturing runs in manufacturing departments do not coalesce with the desires of sales departments for fast delivery and service to clients. Similarly, Landsberger (1961) presented various dilemmas akin to preferences across departments: flexibility against stability; short-run against long-term performance; organizational goals against societal needs.

Dependence on Common Resources

When interdependent units compete for scarce resources, such as capital and operating funds, the inter-unit coordination could be impaired due to the tougher fight for these resources. Especially, the issue escalates if there is no third party governing the desired resources (Walton and Dutton, 1967).

2.3 Informal Governance Mechanisms

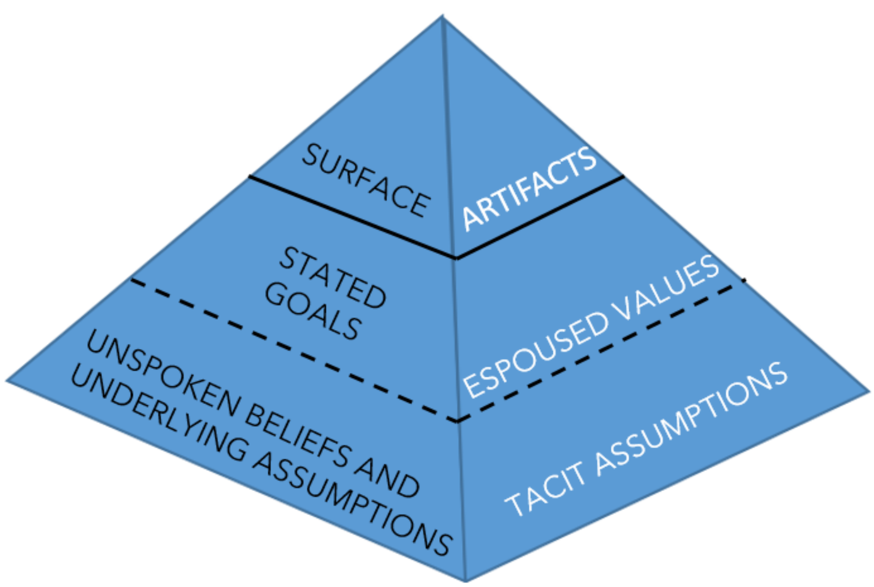
Van Tatenhove et al. (2006) define informal governance as non-codified surroundings of day-to-day interactions concerning policy issues in which the participation of actors, the formation of coalitions, the processes of processes and decision making are not structured by pre-given sets of rules or formal institutions. Similarly, Piattoni (2006) refers to informal governance as interactions between actors that cannot be codified, existing in the interstices of formal governance structures. Generally, it can be understood as soft mechanisms that complement the established instruments through casual channels. These soft mechanisms can be categorized as social norms, ethics, and reputation, but simultaneously be incorporated as a concept of culture providing incentives for consistent behavior (Kreps, 1990; Coffee, 2001). Cultures naturally vary across nations and influence governance in several ways. For instance, the degree of stakeholder involvement and transparency towards the society can be explained by the ideals and values that the community and organization cultivate. Additionally, strong social norms can minimize the need for strict formal instruments to control behavior.

Informal governance mechanisms may be particularly important in small societies with strong networks, such as the Scandinavian countries (Collin, 1998; Agnblad, et al 2001; Randoy and Jenssen, 2004; Lubatkin et al, 2005). Thomsen and Conyon (2012) claim that internalizing stakeholder interest can be achieved by increasing organizational credibility and trustworthiness through implicit contracts founded on reputation, culture and socialization. A manager's identity can be deeply affected by representing the organization in its stakeholder relations, which motivates him or her to act consistently with the organizational-image (Scott and Lane, 2000).

2.3.1 Culture

According to Schein (2009), culture can be defined as a pattern of shared tacit assumptions that was learned by a group as it solved its problems of external adaptation and internal integration. It has worked well enough to be considered valid and is taught to new members as the correct way to think, perceive and feel in relation to those problems. A culture is stable and difficult to change as it represents a group's accumulated learning which has made the group successful. It is important to understand culture as it is an extremely powerful and often unconscious set of forces determining both individual and collective behavior, values and ways of perceiving. Cultural elements affect organizational culture in the sense that they determine an organization's goals, strategy and modes of operating.

Culture is the hidden force that drives most of the behavior inside and outside organizations. It is important to recognize that organizations only exist within the broader cultural units that matter in today's globalized world, and that leadership and culture are two sides of the same coin that cannot be understood without one another. In order to understand leadership, one must consider cultural origins, evolution and change, whilst the consideration of how leaders behave at every level of an organization is necessary in order to understand organizational culture and subcultures (Schein, 2009). The biggest danger when aiming to understand culture is oversimplifying it. Culture exists at several levels of an organization, which is why it is important to understand and manage the deeper levels of a culture. More specifically, we can distinguish between three levels of culture: *Artifacts* (the visible organizational structures and processes), *Espoused values* (strategies, philosophies and goals) and the *Underlying assumptions* (which are unconscious beliefs that are taken for granted). If you want to understand culture, you must understand what is going on at these deeper levels. As the figure below shows, culture is deep, broad and stable – making it a complex concept that cannot be oversimplified (Schein, 2009).

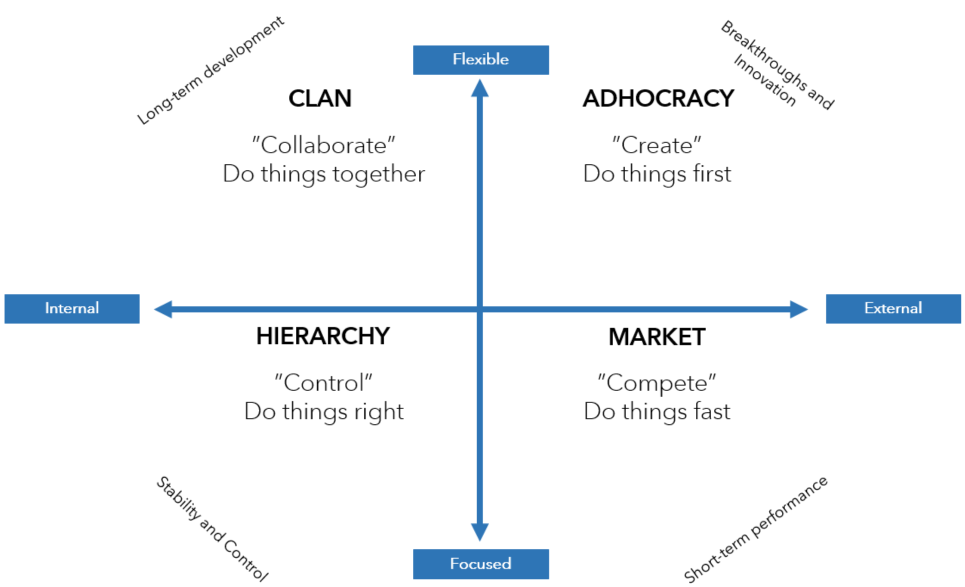


Source: Schein (1984)

Organizational cultures are ultimately embedded in the national cultures in which the organization operates, reflecting the deeper assumptions of national cultures in the organization. In order to examine implications of national cultural differences, it is helpful to compare the deeper dimensions that are also reflected in the artifacts than are observable in organizations. To understand the tacit assumptions at this level, one must look at where artifacts and values do not mesh and analyze what is driving and determining observed artifacts and daily behavior.

2.3.2 Quinn and Cameron's Competing Values Framework for Organizational Culture

Originally, the Competing Values Framework (CVF) was developed following research on major indicators of effective organizations, including theories of management, business cycles and leadership competencies. Based on these findings, Robert E. Quinn and Kim S. Cameron (1999) developed the CVF in the quest to specifically diagnose organizational culture. The model includes two dimensions with four components that determine typological cultures. While the first dimension measures the degree of flexibility versus control, the second dimension differentiates organizational orientation in terms of external and internal focus. Furthermore, these dimensions generate four components describing core values and culture types, which are also explained by underlying factors as value drivers, theory of effectiveness, leadership and orientation. However, a noteworthy aspect about these components are their conflicting nature, hence the Competing Values Framework, facilitating employment of the framework across organizations for comparable intentions. The characteristics of each culture type are illustrated in the figure below.



Source: Quinn and Cameron (1999)

Clan Culture

The organization encouraging a clan culture is first and foremost defined by loyalty and tradition. The clan culture is characterized by having a companionable and intimate working environment where members share the same values and desires. The leaders are perceived in a father-figure way, being facilitators or mentors promoting high degree of engagement. Within the organization, the importance of long-term advantages of human resource development is practiced at the expense of short-term success and glory. Additionally, significant emphasis is ascribed to personal relationships and morale instead of self-interest, as success is defined in the nature of openness to the needs of the customer and care for the people and stakeholders. Summarized, such a culture may resemble a large family due to the emphasis on consensus, teamwork and participation.

Hierarchy Culture

A hierarchy culture is based on a formalized and structured working environment, where set procedures lay the foundation for everyone's activities. Its leaders focus on efficiency-oriented coordination and the most prominent objective is to maintain a lean organization with the help of established rules and policy documents. Long-term focus is concentrated on stability and results, accompanied by an efficient and smooth execution of tasks. Success is dependent on trustworthy deliveries, stable coordination and productivity.

Market Culture

Organizations characterized by having a market culture are result-oriented and focus on completing the work. Whilst the people are competitive and goal-focused, the leaders are drivers and producers who cultivate a tough and demanding philosophy. The link that connects the organization is the emphasis on winning, accompanied by factors such as reputation and success. In the long term, members accentuate competitive activities, measurable objectives and milestones. Here, success is defined by the degree of power, impact and footprint achieved in the market.

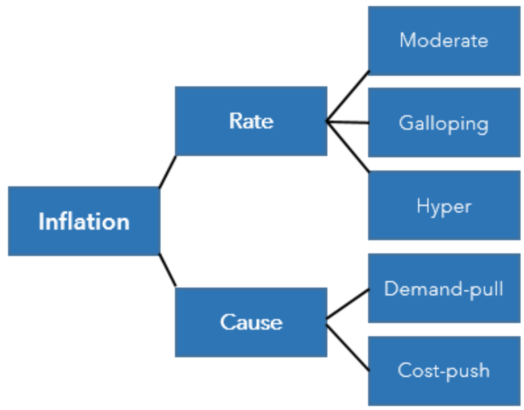
Adhocracy Culture

An organization promoting an adhocracy culture is very much like a start-up, where dynamics, entrepreneurship and creativity dominates the environment. The leaders stimulate these ideas by taking the roles as innovators and risk takers, encouraging initiative and autonomy simultaneously. The purpose of the organization is primarily driven by commitment to experimentation, innovations and trendsetting to ensure that new products and services are developed. Hence, the long-term focus of the organization is centered on obtaining growth and consolidating its position as a pioneer.

2.4 Financial Accounting Theory and Inflation

2.4.1 Inflation

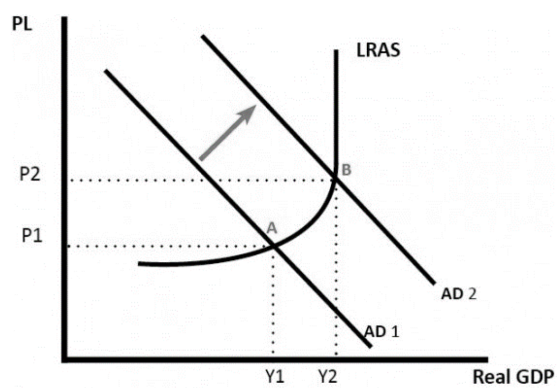
Inflation describes a sustained increase in the general price level. There are several different levels of inflation: creeping (<=3% per year), walking (3-10% per year), galloping (>10%), hyper (>50% a month) (Amadeo, 2019). Inflation is principally caused by either excess demand or rising costs, creating two separate types of inflation: demand-pull and cost-push.



Source: Economicshelp (2019a)

Demand-pull inflation

If aggregate demand rises at a higher rate than productive capacity, firms will respond by putting up prices. This creates inflation, as there is excess demand with too much money chasing too few goods. The sustainable rate of economic growth is the rate of the economy without any demand-pull inflation. If economic growth exceeds this long-run trend rate, it will create inflationary pressures.

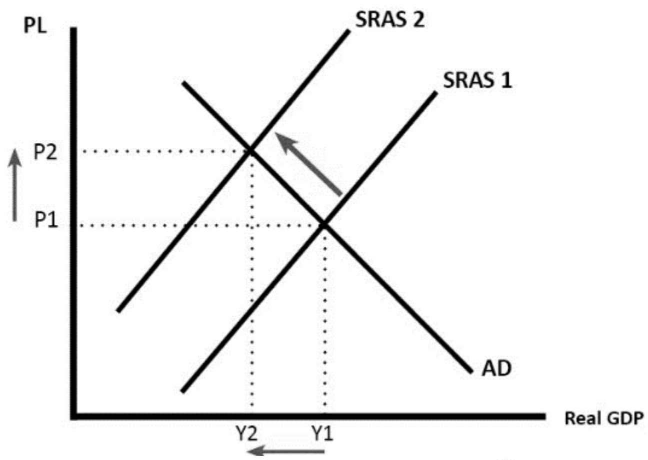


Source: Economicshelp (2019b)

When the economy booms, growth will be above the long-run trend rate, creating demand-pull inflation.

Cost-push inflation

This type of inflation occurs when we experience rising prices due to higher costs of production and higher costs of raw materials. It is determined by supply-side factors, and cost-push inflation can lead to lower economic growth and often causes a fall in living standards. Examples of causes for cost-push inflation are increased commodity prices, imported inflation, and higher wages. The long-term solution to cost-push inflation could be to better supply-side policies which help to increase productivity.



Source: Economicshelp (2019c)

2.4.2 Accounting flexibility in the Income Statement

Financial accounting is a field within accounting that deals with the reporting of financial information concerning an organization. These financial statements are based on calculations and recordings of business transactions and therefore constitute an overview of the financial status, which is provided to external parties who might have an interest in learning this information. According to Petersen, Plenborg and Kinserdal (2017), reported financial data is based on a firm's accounting policies (flexible according to accounting methods), and a number of subjective estimates. Therefore, reported data may vary greatly depending upon who is preparing the financial statements. Even in cases where management does not intend to affect reported accounting figures in a certain direction, biased accounting information may be inevitable – for instance if a firm must change accounting policies, such as the mandatory use of IFRS for all listed groups in the EU from 2005. Producing unbiased financial data would require perfect foresight, which is impossible.

A prime example of differences in accounting regulation is Daimler, who in 1994 recorded profits of $100m according to German accounting rules, but at the same time reported a $1bn loss under US GAAP. IFRS is mandatory for EU listed firms as well as a number of other countries outside of the EU. The rules are most strict for the largest enterprises and are less strict for SMEs. Recognition of revenues is fact- and industry-dependent and analysts need knowledge of the analyzed firms' sales policies and industry characteristics – including the way a firm defines, recognizes, measures, classifies and discloses accounting numbers. Therefore, analysts must be critical of reported financial data and may have to make adjustments to those numbers before carrying out the analysis (Petersen, Plenborg and Kinserdal, 2017).

2.4.3 Methods of Accounting for player registrations

According to UEFA's latest report on FFP, there are two possible ways for football clubs to account for player registrations – either through "capitalization and amortization" or the "income and expense" method. UEFA have recommended clubs to use the former method rather than the latter, and certain domestic leagues, including the British Premier League, require clubs to capitalize when purchasing player registrations (Amir & Live, 2005). The trend in European football is that more and more of the smaller leagues also have adopted the "capitalization and amortization" method of accounting, including the majority of clubs in the three Scandinavian top leagues.

"Capitalization and Amortization" & "Income and Expense"

Clubs applying this method use two different approaches when purchasing a player registration. First, the value of the transfer fee is capitalized on the club's balance sheet. Second, the total cost of the transfer, including transfer fee and in sometimes also agent- and sign on-fee is amortized over the length of the contract signed by the player. If a club for instance purchases a player for £100m on a 5-year contract, the balance sheet will show a £100m investment but in the income statement there is a £20m amortization over the next five years, making net profit more stable. When disposing of a player registration using this method, UEFA (2018a) states that the profit is "calculated by deducting the net book value of the player's registration at the time of transfer, from the net disposal proceeds received and receivable." A profit on the disposal of a player registration is subsequently reported as relevant income when calculating a club's break-even result.

The method of income and expense is based on the very basic method of accounting and is becoming increasingly rare in high-level football clubs. UEFA (2018a) states that for clubs using this method, the income when disposing of a player registration is equal to the net disposal proceeds generated from the transfer of a player's registration to another club.

2.5 Sport Economics Theory

The studies of sports economics have accelerated in recent years as a result of increased demand for sport among spectators, sponsors and universities, at the same times an increasing number of commercial litigations in sports occur. Most of the literature on sports economics has focused on the issue of competitive balance and how to achieve it (Szymanski, 2003).

2.5.1 Competitive Balance and the Louis-Schmelling Paradox

"Oh Lord, make us good, but not that good" (Neal, 1964)

The theory of competitive balance in team sports was first developed by Rottenberg (1956; see also El-Hodiri & Quirk, 1971), defined as an ideal situation where no participant of a group of competing entities has an unfair advantage over the others. Rottenberg (1956) consequently claimed that the sport industry is of a unique character, because the necessity of having relatively equal competitors determine if any of the players become successful. Such outcome uncertainty has been perceived as a theoretical key concept concerning analysis of professional team sports (Peel and Thomas, 1992). The ideal market position of a firm is that of monopoly, whether to maximize profits or to maximize comfort of life. But if one considers the position of a boxing heavy-weight champion of the world, he wants to earn even more money to maximize profits. However, since doubt about competition is what arouses interest, increased dominance will increase the incomes of lesser fighters. Pure monopoly for the champion is a disaster: he would have no one to fight and therefore no income. The peculiarity of professional sports economics is that receipts do not depend upon business competition among firms running the contenders, but rather upon competition among the athletes or the teams. The existence of economically but not sportingly competing leagues raises the money costs to both leagues and therefore endangers profits (Neale, 1964).

2.5.2 How to Achieve Competitive Balance

Despite the multitude of studies concerning competitive balance in sports economics, a uniform formula or series of restrictions to solve the problem has not emerged. Particularly, the heterogeneity of sports environments and various ownership objectives makes it difficult

(Zimbalist, 2002). However, some researchers claim that revenue-sharing may contribute to higher levels of competitive balance in team sports leagues, regardless of whether the participants are profit-maximizing or utility-maximizing. It essential, howver, to adjust the mechanism to the landscape it is meant to control (Kesenne, 2000; Dietl, Grossmann & Lang, 2009). Furthermore, fair distributions of athlete talents through drafts and salary caps are other mechanisms which have been emphasized. Booth (2004) concluded that by combing player drafts, team salary caps, and revenue-sharing, the environment is more likely to succeed in improving competitive balance.

3. LITERATURE REVIEW

This chapter's purpose is to strengthen the theoretical framework by making it fit the European football context. We present relevant football concepts and previous work that adds value to our study so that empirical findings can be understood and explored more effectively. Firstly, we provide a section on the European football industry's historical evolution in terms of governance with a focus on FFP and its precursors, as well as how the industry differs from conventional domains. Next, we introduce scholarly work and relevant literature from other researchers connected to the topic of investigation, which also highlights the need for an additional perspective.

3.1 The Changing Nature of Governance in the European Football Landscape

Professional football in Europe has seen various structural changes the last 100 years. The following sub-section tells a story that emphasizes the contingent nature of the environment and how governance measures have contributed to shape the industry and its participants, in addition to highlighting various precursors to FFP regulations.

How it all started: The Hierarchical Pyramid of Football

In 1904, the first governing body in professional football was established to monitor and adjudicate conflicts between domestic football associations. This organization, "Féderation Internationale de Football Assocication" (FIFA), has emerged into one of the world's most remarkable international organizations, and currently comprises more countries than the UN (Ducrey et al, 2003). By only allowing for one official football association from each country to control domestic progression, the foundation for a pyramid governance structure was set. As the sport constantly grew in terms of popularity and size, the need for meticulous control in the continental environments arose. In 1954, the Union of European Football Association (UEFA) was founded with the objective of representing European football clubs and stakeholders by promoting and strengthening football as the world's most popular sport. The first actions as a parent body involved the creation of a decision-making authority titled the UEFA Executive Committee. By having this favorable position in the European football hierarchy, UEFA had the power and opportunity to organize competitions across European boarders, such as the UEFA Cup Winners' Cup which was composed of domestic cup-winners from 1960/61 (UEFA, 2019).

Changing Circumstances in the European Football Scene

As the European geopolitical environment experienced significant changes during the last part of the 20th century, so did the prerequisites for professional football. Along with political upheavals and globalization, football became increasingly commercial and subject to transnational business interest (Geeraert, Bruyninckx and Scheerder, 2012). Additionally, the dynamic media landscape and intensified merchandising started to gain significant impact in the football landscape (Andreff and Staudohar, 2000; Szymanski, 2006; Holt, 2007). Therefore, it became critical to make inclusive deals with media and broadcasting companies, especially to regulate the transmission of football matches to television. UEFA tackled the new circumstances by taking several proactive measures on a club level in the 1970s. First, a segregation of their disciplinary bodies from the main administration was executed, in order to ensure independency. Secondly, the start of regulative approach was initiated with implementation of standard rules for UEFA club competitions. Lastly, subsidies were paid to clubs that was eliminated at an early stage in club competitions as a compensation for potential losses (UEFA, 2019).

New Power Dynamics as the Millennium Approached

The power structure of European Football changed drastically during the 1990s. Earlier, the hierarchical pyramid of football governing bodies had the power to unilaterally implement and carry out decisions, but the extent of this was vulnerable as the environment transformed (Siekmann, 2006). A power dispersion emerged, and the structure transformed into a network where the clubs' bargaining power became more apparent. Elements such as television, finance, marketing, sponsorship, agents and communication changed the sport. Thus, the ripple effects of commercialization appeared at full intensity, which meant further challenges for UEFA. In 1992, the European Champions' Club Cup changed to the UEFA Champions League, a move initiated to keep up with the commercialization chase. Another decision related to the strategy of adapting to the dynamic football environment was to expand the portfolio with a new competition called the UEFA Cup, created for the second-best teams of Europe in order to captivate additional football enthusiasts. Further implications for the practice of governance occurred after the well-known Bosman-case against UEFA and the Belgian Football Association in 1995. The decision dealt with free flow of labor in the EU, and had a significant impact on football transfers as it allowed professional footballers to move to other clubs without a fee when their contract expired (Van den Bogaert, 2005). This required UEFA to make various adjustments in regulations and policies concerning international transfers (UEFA, 2019).

Sustainability in Focus: The Background for FFP

At the start of the millennium, UEFA continued its pursuit for legal certainty in football in line with frameworks of EU legislation, to ensure health and stability for the future of European football. Additionally, an intensified dialogue with the top clubs and leagues was initiated, as well as the preservation of the relationships with its member associations. Despite the immense growth and revenue generation in the European football landscape, the financial situation in the industry worsened in terms of insolvency and big losses. In that respect, the first action was the introduction of club licensing, with the objective of improving quality standards and providing a scheme for clubs on how to operate more efficiently. Specifically, the goals concentrated on improving financial and economic club capabilities by implementing relevant instruments and facilitating legal, administrative and football infrastructures to meet UEFA requirements. Despite the measures taken, a series of events started to further threaten the financial stability of European football. Investors caught interest for commercial clubs which led to instances of new ownership structures and identities. While English clubs Manchester United FC & Livepool FC were victims of leveraged buyouts, where investors financed the acquisitions with large portions of debt, other clubs like Chelsea FC and Paris Saint Germain attracted wealthy owners that made substantial cash injections which remodeled transfer- and salary structures. To overcome such pressures, new measures had to be taken to preserve the long-term viability of the clubs. The main instrument to tackle the situation was named Financial Fair Play - approved by the Executive Committee of

UEFA in 2010. In 2011, the regulation was implemented incrementally, and clubs were forced to meet the new requirements in order to participate in UEFA tournaments (UEFA, 2019).

3.2 Financial Fair Play: A Basic Overview

Theoretically, FFP can be defined as a market governance mechanism with formal or informal directives that have been thoroughly designed by governing bodies to adjust the behavior of economic actors and encourage sustainable development (Baysinger & Butler, 1985). Such governance mechanisms are meant to mitigate agency problems and secure a desired direction (Thomsen & Conyon, 2012). The main intention of FFP is to improve the financial health and sustainability of both individual clubs and football at large through economic restrictions (UEFA, 2018a). Through a tailored incentive scheme for sustainable growth, clubs are encouraged to base operations on internal revenues and execute long-term investments in youth development, women's football, facilities and infrastructure. The desire of UEFA is to facilitate an environment of football clubs building for success rather than utilizing quick-fix approaches for short-term results. FFP is solely concerned with financial performance and position **-** not to level the financial or sporting competition, but rather to ensure financial fairness and discipline. Therefore, FFP can be recognized as a governance mechanism or a formal directive that has been designed by UEFA to adjust the behavior of individual football clubs and encourage sustainable development (Baysinger & Butler, 1985). In order to fully understand the scope of FFP, it is necessary to dig deeper into the specifics.

The Club Licensing Function and the UEFA Financial Control Body

The FFP regulations are an extension of the financial requirements in the club licensing system which have succeeded in uniting UEFA, national associations and clubs for years. However, there are some distinct differences between FFP and Club Licensing. Firstly, the rationale of the mechanisms depend on different time perspectives. While the club licensing system criteria is intended to evaluate the financial stability of clubs in the short term, FFP contemplates a club's financial position in the long run. Secondly, the binary nature of licensing creates a conceptual gap between disciplinary measures taken in cases where FFP-requirements are not satisfied. Lastly, the two differ when it comes to governance and monitoring. Mainly because club licensing is supervised by domestic associations, whereas FFP requirements are monitored by an external entity called the Club Financial Control Body (CFCB). Moreover, the CFCB possesses the ability to determine whether or not national associations and clubs have met licensing requirements, and settle issues on circumstances relating to club eligibility for UEFA club tournaments (UEFA, 2019).

The Break-Even Rule

UEFA states that "all licensees that have qualified for a UEFA club competition, with the exception of women football, must comply with the break-even requirement" (UEFA, article 57, 2018a). The break-even requirement is regarded as the cornerstone of the regulation and dictates clubs to balance relevant income and expenses. The details of these metrics are illustrated in the figure below.

Relevant Income correspond to the sum of:

1. Revenue – gate receipts, sponsorship and advertising, broadcasting rights, commercial activities, UEFA solidarity and prize money, and other operating income
2. Profit on disposal of player registrations
3. Excess proceeds on disposal of tangible assets
4. Financial income and foreign exchange result

Relevant income must be decreased if any of the elements 1.- 4. above include any of the following:

- Non-monetary credits/income
- Income transactions with related parties above *fair value*
- Income from non-football operations not related to the club
- Income in respect of a player for whom the licensee retains the registration
- Credit in respect of a reduction of liabilities arising from procedures providing protection from creditors

Relevant Expenses correspond to the sum of:

1. Expenses – Cost of sales/materials, employee benefits expenses, and other operating expenses
2. Loss on disposal and amortization/impairment of player registrations (and/or costs of acquiring player registrations)
3. Financial costs and dividends

Relevant expenses may be decreased if any of the elements 1.- 3. above include any of the items below:

- Expenditure on youth development activities
- Expenditure on community development activities
- Expenditure on women's football activities
- Non-monetary debits/charges

4. Financial costs directly attributable to the construction and/or substantial modification of tangible fixed assets, costs of leasehold improvement and expenses of non-football operations not related to the club.

Source: UEFA, Annex 10 (2018a)

Notably, money injections and external financing through sugar daddies are not considered relevant income. If an owner puts money into a club through sponsorship arrangements that he or she has a relation to, the CFCB investigates the connection to ensure a correct application of the break-even rule. Therefore, rescue packages cannot be applied to solve cases of insolvencies and overinvestments in salaries or transfers. Instead, football clubs are forced to cautiously control their costs to be lower than their sources of relevant income. This monitoring requirement is probably the most controversial restraint of the regulations and will consequently an important part of our analysis. Furthermore, the distinction between fair value and market value is an important element of the regulations, as the relevant income and expenses from related parties should demonstrate fair value (Morrow, 2014). Fair value can be defined as the amount of an asset or a liability based on prior evidence equal to reasonable expectations (UEFA, 2018a, Annex 10, E, 7).

Despite the strict restrictions, clubs are still allowed to have deficits up to €5 million per assessment period (three years). As a part of this downscaling, the potential loss can exceed this level to a certain limit, if it is entirely covered by equity participants. UEFA (2015a) states these limits to be:

- *€45m for evaluation periods 2013/14 and 2014/15*
- *€30m for evaluation periods 2015/16, 2016/17 and 2017/18*

The Non-Overdue Payables Rule

Another important regulation to suppress the increasing share of industry debt, was to demand clubs to prove non-overdue payables towards other clubs, players and social/tax authorities during the whole season. Furthermore, June 30 at the latest, of the year in which the UEFA club competition begins, clubs have to prove that none of their payables toward the abovementioned institutions are overdue. Violation of the rule will lead to sanctions imposed by the CFCB (UEFA, 2018a)

3.3 How the Football Business differs from Traditional Business

Professional football can teach us many things: teamwork, mental toughness, stamina and problem-solving, all of which are qualities applicable to conventional business fields. Regardless, there are several disparities when it comes to bigger aspects like governance and financial performance. The next section aims to clarify this distance, as well as explain the categorization of football clubs as being either commercially mature or immature.

Governance in Sports

According to Carlsson, Norberg and Persson (2011), sport governance considers perspectives such as politics, values, history and more. In sports, a governing body can have a regulatory and/or a sanctioning function giving it the power to establish and enforce rules within its operating range. Good governance is generally understood as defining clear roles, principles and responsibilities of sporting bodies, as well as an enforceable code of ethics. For a long time, the sports sector operated under self-governance without an external institution controlling. The challenge for a general framework for good governance is to unite various important core elements under the umbrella of autonomous governance of sports organizations. The lack of accountability in sports organizations combined with ever-increasing revenues suggests a profit-oriented business that may lead to corruption and decreasing democracy within a company (Breuer and Forrest, 2018).

Originally, football clubs were established as associations due to tax benefits and other legal advantages - which implied a non-profit organizational design and an indifferent attitude towards financial success and profit optimization. However, as the industry developed into a multibillion-dollar industry, this mindset shifted toward commerce and profit-generating schemes for the clubs with business potential. This upheaval had major impacts on governance and management structures in particular – mainly due to pressures of having a charismatic and result-oriented coach at the same time as being a winning team with the best players (Breuer and Forrest, 2018). Whereas Sloane (1971) urged clubs to maximize utility in pursuit of sports goals, thus neglecting financial performance by claiming it should only be a recognized as a constraint, other scholars have argued that football clubs should try to maximize profits. Both perspectives rely on the governance mechanisms pursued by a football club.

The Relationship between Financial Performance and Sport Performance

Football clubs exist to balance two different aspects of performance. Firstly, they are designed to win games, competitions and secure a desirable position in their respective leagues. On the other hand, a number of football clubs are companies with limited liability, creating a responsibility to meet financial requirements determined by the shareholders. Such coexistence of different institutional dimensions in football clubs has received plenty of attention in the literature, but it is debatable which motive is the dominant one. Szymansky (1998) demonstrated that the performance of sport clubs encompasses two distinct components; sporting results and financial performance. He further claimed that desired sport performance should dominate the economic goals, since the clubs tend to weaken their financial positions in absence of satisfying results on the field. However, Sloane (1971) and Kesenne (2007) have introduced contrasting perspectives after studying sport club performance. Regardless of the various rationales of dominant performance, they explained that the financial goals should be prioritized to ensure necessary financial resources and steady operations in order to compete.

For conventional companies with one distinct performance logic, governance systems and management choices are less complex because there is no coexistence of other logics. For the football club, there is no set of best decisions or ways to measure efficiency of the firm. Instead, the football club is forced to optimize its function of several variables and locate a favorable tradeoff between economic and sport performance (Ferri et al, 2017). Additionally, managers face a significant challenge in establishing a harmonious relationship among the performance logics. Nevertheless, most scholars recognize the positive effect of sport performance on financial performance, and that a football club's income undoubtedly depends on sport results (Houston & Wilson, 2002; Simons, 2000; Szymanski, 1998, 1999).

Commercial Maturity and Immaturity

The notion of either being in commercial maturity or immaturity provides a suitable distinction of professional football clubs. Commercially mature clubs possess the strongest brand equity and the ability to attract the best players and coaches, due to superiority in attracting the most lucrative broadcasting- and sponsorship deals. On most occasions, these advantages originate from a path dependency based on previous success which have made them able to invest heavily in their operations. On the other hand, the commercially immature clubs are distant from this reality. Even though they have some of the same contextual attributes, it appears to be on a miniature scale compared to the mature clubs. Commercially immature clubs are understood to be inferior at all the preceding parameters that the football industry composes of, and tend to have a local or regional scope compared to the global approach of the mature clubs. Typically, these clubs are located outside the Big-5 leagues. Andersson and Carlsson (2011) diagnosed Swedish football to be in a state of commercial immaturity, and Junghagen (2018) drew a similar picture in his work on football clubs in sponsor-stakeholder relations. Hence, we have used the three top Scandinavian leagues when analyzing clubs in a commercially immature state.

3.4 Related Work and Previous Research

In the domain of sports, and football in particular, a vast amount of studies have already been conducted. Therefore, we review comparable work of sport culture, European football and FFP, which adds value to our own research. Lastly, we examine how these studies can be utilized and integrated into a new and complementary perspective.

3.4.1 Previous Research on Ownership and Culture in Sport across Countries

According to Wilson, Plumley and Ramchandani (2013) sports leagues in both Europe and the US are joint ventures that can be viewed as a single entity or cartel. It is reasonable to suggest that profit maximization is the prime objective of North American leagues and team owners, with profitability being the main factor influencing decisions. By contrast, the European sports model is more closely related to utility or win maximization, with the omission of salary caps and revenue-sharing mechanisms making it a more attractive investment opportunity for utility maximizers whose desire is short-term success.

Several studies have been conducted regarding sport culture and its importance as a fundament of governance models. Lau, Cheung and Randsell (2007) did a cultural comparison between USA and China with regards to sport identity and participation. Their discoveries emphasized that societal culture has a big impact on sport. While USA has a Darwinian society where athletes chase individual goals that can override the collaborative, China cultivates collective principles and pursues whatever necessary to satisfy the group where they belong. Kennedy and Kennedy (2012) did a comparative analysis of football commercialization across Europe, by investigating the Big-5 leagues. They discovered that commercialization processes differ across Europe, mainly because of tensions between football as culture and a community enrichment versus football as a business and economic product. For instance, Germany has a strong culture related to being in control of the game, whereas the English football fans have been part of a new reality where higher ticket prices squeeze them out of the game (Kennedy & Kennedy, 2012).

In his paper titled "The Scandinavian sport model: myths and realities", Tuastad (2019) claims the highly egalitarian characteristic of the Scandinavian welfare system to also be present in the sport sector. The egalitarian traditions are said to be especially evident in children's football in Norway, Denmark and Sweden alike. Tuastad argues that there are four elements that most significantly form and explain the Scandinavian sporting culture: 1) a high degree of volunteer tradition, 2) the sector is unitarily organized, 3) there exists a close relationship between the sport sector and political authorities and 4) egalitarianism and social equality. Andersson & Carlsson (2009, p. 299) describe football in Scandinavia as an "amalgam of voluntarism and commercialism with historical roots in the development of the Welfare state". With this legacy, the organization of football activity is argued to be related to virtues such as social and moral fostering and democracy. In this light, football has been presented as a moral arena with an emphasis on social fosterage of young individuals and on social engineering (Andersson & Carlsson, 2009). According to Gammelsæter (2009, p. 21), we can expect great similarities in the way football is developed and organized in the Scandinavian countries due to the assumption that "Scandinavia constitutes a homogenous region sharing linguistic, historical, cultural and political traditions that embrace sports and football".

In Norway, there is a "sport for all"-mentality which ensures a strong motive for the government in providing economic support for the sport sector. However, it has been documented that the current sport policies have led to failures in several ways, as a paradoxical situation has appeared in which goal achievement is in steady decline at the same time as financial transfers increase. The political support remains strong despite this, because elite athletes are idols and the collective, national joy when medals are won in international competitions make it difficult for politicians to critically analyze whether goals are achieved or not. Due to the strong culture affecting Norwegian football, it is unlikely that we will see any significant developments in the Norwegian football model – as the model suits organizational interests and there are no signs of decreasing egalitarianism in Norway (Tuastad, 2019).

Regarding the Swedish sports policy model, it is important to take the Swedish political system's administrative traditions into consideration – including the political dominance of the Social Democrats and a large public sector (Bergsgard & Norberg, 2010). Furthermore, corporatism and consensus are mentioned as central elements in Swedish sports policy, with the overarching policy ambition of the government being to support sports development as a voluntary popular movement. The government control of sports is stronger in Sweden than in Norway and Denmark, since "the extent and orientation of sports funding has been subject to annual control by the parliament and closely linked to the government financial situation" (Bergsgard & Norberg, 2010).

Bergsgard and Norberg (2010) claim Denmark to deviate from Scandinavia's sports policy model in several aspects, partly due the organizational pluralism of Danish sports life. There are certain features of Danish sports policy which the authors claims to be the most significant, including the unobtrusive role of the government, the clear division of responsibility between municipality and government, public support being legally regulated and lastly the fragmented and weak position of sports policy in the government administration. The conclusion made by Bergsgard and Norberg is that the sports policy influence in Denmark is significantly lower than in Norway and Sweden, with the government being relatively neutral to the shaping of sports in a Scandinavian perspective.

Andersson and Carlsson (2011) did an inclusive analysis of Allsvenskan relative to the European football market and compared the state with the Danish and Norwegian leagues. Their diagnosis of Swedish club football emphasized a situation of commercial immaturity due to historical path dependency in terms of tradition, values, consensus and contingency. Particularly, the idealism and voluntarism that characterizes Swedish sport culture have emerged as a contrast to the increased commercialization in the European football landscape. Furthermore, they stated that the Danish and Norwegian leagues have seen increased appeal, whilst the opposite have happened to Sweden.

The Scandinavian countries have been praised for their social democratic welfare policies, and many of the same characteristics are transferable to the sporting domain. The creation and preservation of normative and social structures in civil society has a significant connection to sport. According to Bergsgard and Norberg (2010), it makes sense to talk about a common Scandinavian sports policy model, as there is a high degree of collaboration between the authorities and sport movements, and consequently a lot of public funds are directed to these organizations. In all three countries, this funding takes place in an unregulated manner, and is usually obtained from lottery money. Thus, it is reasonable to suggest that Scandinavian football clubs possess a relatively autonomous stance in relation to the government. Despite the similarities, there are also some differences with regards to power concentration. The Norwegian policy model is relatively centralized, the Danish lies at the other end of the scale being highly decentralized, whilst Sweden exists somewhere between. Nevertheless, the policies are built on similar core values such as voluntarism and idealism.

3.4.2 Previous Comparative Studies of European Football Leagues and Clubs

Rossi, Thrassou and Vrontis (2013) compared Italian clubs' managerial models with English, Spanish and German ones, where they discovered both similarities and distinct differences in governance and managerial systems. They found that English clubs have a competitive advantage in owning their own stadiums, which could explain the superior financial performances. Additionally, Spanish clubs like FC Barcelona have a strong link to the community, whereas German teams like Bayern Munich are owned by their own association.

Amara et al. (2005) did five case studies on governance of professional soccer, focusing on Algeria, China, England, France and Japan. They investigated the globalization footprint on football governance and emphasized how historical configurations determine the local adaption for each country respectively. With regards to Europe, England's neo-liberal model is characterized by a market-driven resource allocation and a low degree of governmental involvement which has been a factor in welcoming increased commercialization. France's Dirigiste State model contains rigid schemes where the government has a strong position and resources are allocated evenly among participants.

Several empirical studies have been conducted in relation to European football, especially in terms of competitive balance. One of the main concerns following the commercialization of football has been the increased gap between clubs in domestic leagues. Pawlowski, Breuer and Hovemann (2010) did a comparative analysis of competitive balance in the Big-5 European leagues before and after the increase of payouts to clubs participating in the Champions League. Their findings indicated an unsettling decrease in competitive balance following the renewed Champions League payout scheme. Ramchandani et al (2018) provided empirical evidence on competitive balance concerning the Big-5 leagues, particularly the English Premier League, French Ligue 1, German Bundesliga, Italian Seria A and the Spanish La Liga. They distinguished between two elements of competitive balance, namely the level of concentration and the level of dominance. Using panel data from 22 seasons, they discovered a statistically significant decline in competitive balance in all leagues except from the Italian Serie A. Goosens (2006), Ramchandani (2012), and Plumley et al (2017) presented a decline in competitive balance in the English Premier League over different time spans. For the period 1964-2005, Groot (2008) suggested a similar effect for Germany, while Montes et al (2014) presented a decline in competitive balance for the Spanish La Liga between 1929 and 2012. However, Gossens (2006), Groot (2008) and Mitche and Oughton (2004) did not report any significant findings for the French first division over varying time periods.

3.4.3 Previous Research on the Financial Fair Play

Both before and after the implementation of FFP, the phenomenon has received plenty of attention from scholars in various contexts. Schubert and Hamil (2018) provided elaborations on "financial doping" as a managerial concept in relation to the European football landscape and UEFA's FFP as an instrument to handle the issue. Schubert, Könecke and Pitthan (2016) analyzed the developments in the run-up to FFP, focusing on the increased debt levels in the European club landscape, as well as the clubs' accelerating reliance on benefactors to be sufficiently competitive. Interestingly, they found that UEFA operates under considerable constraints, because they are forced to stabilize interests of several players. In fact, Schubert (2014) demonstrated that the relationship between UEFA and clubs in several ways resembles a classic agency problem. Whereas UEFA wishes to ensure long-term stability of European football, the clubs are utility maximizers desiring short-term success as well. Schubert emphasized the necessity of communicating the economic and ethical legitimacy of FFP more resolutely than it is today.

Another economic study was carried out by Paul Madden (2012), focusing on welfare-economic consequences of FFP. He claimed that benefactor ownership, or "sugar daddy ownership", of clubs has had a negative impact on fans and players in terms of higher ticket prices and lower salaries to meet the break-even requirements. Most significantly, he discovered that the supply of talent to leagues are adequately elastic, and therefore FFP would lead to all parties being worse off due to the adverse effect it has on teams and league quality.

FFP has also attracted studies concerning its legality, including Flanagan's (2013) investigations of the regulations' compatibility with EU law. Despite the previous legal challenges, he concluded that the regulations had little chance of being contested by football clubs in the European courts. Nevertheless, he did not write off the possibility of future challenges related to players and player contracts, referring to the impact of the Bosman ruling on club governance. Vöpel (2013) conducted a legal analysis akin to Flanagan's, but the findings differentiated as the conclusion adamantly accused FFP of being incompatible with fundamental provisions of EU Law. He even went as far as saying the EU judge could declare the UEFA break-even rule illegal, based on implications on national competition laws across countries. Serby (2014) states in his legal analysis that the EU supports the regulations, but there is no guarantee that the regulations would be supported in court.

In the financial sphere, Mareque, Barajas and Lopez-Corrales (2018) analyzed the development of audit fees in Spanish football clubs following FFP's introduction, as the regulations require independent external auditing of clubs' financial statements. Not surprisingly, the findings indicated that audit fees had increased substantially. Nicoliello and Zampatti (2016) conducted an empirical analysis on 15 Italian Serie A clubs' profitability subsequent of FFP by using panel data from 2011-2013. Their results indicated that Italian clubs were not ready to meet FFP regulations, where the potential for improvements to profits were located on the cost side, particularly expenses related to player wages. Additionally, the most important income source appeared to be surplus from player trading.

3.4.4 The Need for a New Perspective

Given the intense love and passion for both local and international football in the Scandinavian countries, there are surprisingly few studies of the Scandinavian leagues in isolation or relative to the Big-5 leagues and elite clubs, both before and after the introduction of FFP. In our opinion, the literature lacks a Scandinavian perspective that highlights the challenges in the football industry in light of recent developments and future uncertainties. Thus, we introduce a new interpretation where we shed light on the differences and similarities in the industry from a non-elite club viewpoint, by integrating aspects of governance, sport management and financial accounting to discover the underlying factors that explaining increasing disparities post-FFP. Ultimately, this approach leads to an outlook for the football industry including both commercially mature and immature clubs, emphasizing financial and strategic implications under the FFP-constraint.

4. RESEARCH METHODOLOGY

This chapter provides an overview of the research methodology in terms of design, approach and data collection. The research design elaborates on the research plan for the study and argues for the chosen theories, whereas the research approach digs into the specifics of how we chose to execute the plan. Lastly, we expand on how we collected empirical data and critically reflect on its reliability and validity, highlighting both strengths and weaknesses in the research methodology.

4.1 Research Design

The research utilizes a qualitative research method, composed of an exploratory and flexible scheme for analyzing implications of FFP on elite and Scandinavian clubs. Exploratory studies utilize open-ended questions when examining specific phenomena, and it allowed us to gather both primary and secondary data (Saunders et al., 2012). Among other things, we wanted to develop a deeper understanding of how governance mechanisms such as FFP affect football clubs. This is particularly helpful when investigating mechanisms like culture and governance, which are not very easily quantifiable. To add value to and enhance the qualitative design, we utilize quantitative analyses and different measuring tools that help visualize and potentially confirm the qualitative takeaways. For instance, we measure developments in competitive balance between commercially mature and immature leagues over a number of years. This flexible design was favorable for our investigation, as we got the opportunity to acquire knowledge and break down complexities of the problem along the research journey.

Furthermore, the chosen literature laid the foundation for the structure and content of the semi-structured in-depth interview guide. In the beginning we carefully identified relevant theoretical and conceptual frameworks to fit the research, where the intention was to integrate these various perspectives and locate patterns across fields and football club segments. The rationale for choosing a wider range of theory is rooted in our research question, which cannot solely be answered using one theory or concept. First, governance theory is chosen because we compare ownership and culture in football clubs, and define FFP as a market governance mechanism, in addition to two of the sub-questions dealing with this theoretical field. Secondly, financial accounting theory and sports economics theory in terms of financial accounting are included to highlight disparities between the selected football clubs in the study.

After conducting semi-structured in-depth interviews, we discovered both research-specific predictions and new interesting perspectives we had not considered in advance. To understand the deeper meaning of the data, we categorized theoretical perspectives and data findings during the comparative analyses. Lastly, we integrated these views into a discussion where we critically reflected on our research problem and its subparts, in order to find potential answers and implications.

4.2 Research Approach

On a general level, we have employed a pragmatic approach when conducting research, which means that instead of forcing our examination to follow a preconceived procedure originating from a particular paradigm, we have adopted research methods tailored to our topic (Delanty, 2005). To explore and understand how European football clubs are affected by FFP, we used two different approaches for the commercially mature and commercially immature clubs respectively. The elite clubs have already received plenty of attention and been researched extensively, which gave us the opportunity to take advantage of the associated data material in a useful way. However, the absence of data related to commercially immature football clubs made it essential to acquire relevant material to help in our examination. Through the semi-structured in-depth interviews, we wanted to map out potential effects of the financial regulations. Furthermore, it was important to reveal various factors that make Scandinavian football clubs competitively different from commercially mature clubs in the Big-5 leagues. By applying theories on finance as well as formal and informal governance, we observe to what extent these hypotheses coalesce with the reality of the European club football environment. Hence, the investigation utilizes a deductive research approach.

To achieve a holistic perspective of Scandinavian football clubs, we wanted to map out the effect of various mechanisms on organizational, national and European levels. The importance of understanding aspects related to ownership, culture and competitiveness, which have affected clubs' day-to-day operations through the last years, appeared to be more significant than we initially thought. Thus, these conditions caught our interest during the research process. To analyze the research problem, we found it important to create a scheme where we could challenge our initial sub-questions. Therefore, the analysis aims to detect similarities and differences both between the elite clubs and the interviewed clubs, but also between the interviewees. In order to discover such patterns, various traditional tools were taken into use. First, we transcribed the interviews and printed them physically. Next, we used highlighters with different colors to categorize the various answers which helped us to recognize both similarities and dissimilarities. Lastly, we constructed mind maps, diagrams and matrices which helped us in interpreting and explaining the data. To supplement the analysis, we used various sources of secondary data related to commercially mature clubs and utilized the commercially mature club perspective as a benchmark against our interview data.

4.3 Data Collection

Primary Data

Our primary source of data was acquired through one short structured interview over e-mail and three semi-structured in-depth interviews face-to-face with decision-making managers in Scandinavian football clubs, who are directly involved in sport and/or operations. Initially, we wanted to conduct several concentrated interviews with many different clubs, but after our first short and structured interview with BK Häcken, we quickly realized that the format was unsatisfactory and the size and ambition of the club was not of sufficient relevance for the thesis. The impression was that the interview approach needed to be more comprehensive and touch on a wide range of topics in order to add value, leading to our focus being on conducting fewer, but longer (60-90 minutes) semi-structured interviews. Furthermore, it was necessary that the interviewees were carefully chosen to fulfill certain criteria that fit the intention of the analysis. First of all, it was essential to interview football club executives that had an overall perspective on both the sporting and financial aspects of a football club. Therefore, potential interviewees were required to have executive positions at the very top level of their clubs. Secondly, it was necessary that the interviewee was employed by a football club with ambitions of competing in UEFA club competitions. This is because we wanted to investigate which underlying factors that are preventing the best Scandinavian clubs from being more competitive in the European football scene, as well as participation in European competitions meant that they were exposed to the FFP regulations. Consequently, the sample became relatively limited as the Eliteserien, Allsvenskan and Superligaen consist of 16, 16 and 14 teams respectively – and out of these, only a small portion appeared to be of European relevance. In the beginning, we reached out to clubs in the Scandinavian leagues through phone or email, but we were often rejected an interview because they receive a lot of inquiries from educational institutions. Luckily, we managed to schedule interviews with clubs of research-specific relevance from all three Scandinavian countries.

The following interviewees have contributed to our study:

- Niclas Carlnén, CEO of Malmö FF (Sweden)
- Roar Munkvold, CFO of Rosenborg BK (Norway)
- Jesper Jørgensen, CEO of Brøndby IF (Denmark)
- Sonny Karlsson, Sporting Director in BK Häcken (Sweden)

Secondary Data

The secondary data collection started with an explorative phase where we acquired data through desk studies. Primarily, this type of data originated from published information sources such as books, journals, reports and news articles. For instance, we studied reports from CIES and UEFA, which provided scope and understanding of the European football landscape. The rationale for collecting information from various sources was to get an impression of the formal and informal governance mechanisms that exists in the Big-5 leagues, as well as competitive and financial tendencies in the European football environment. Also, we used this data to map trends in commercialization and the economy of football clubs in recent years. Furthermore, we obtained secondary data by reviewing empirical literature, which together with the theoretical literature, helped to provide an overview of the subject areas that the investigation concerns, and last but not least in analyzing the research problem and its sub parts. In addition to the abovementioned data, we include revelations from the whistleblowing platform Football Leaks as well as other football-economic sources which expose suspicious actions from elite-level clubs in terms of commercial dealings and accounting principles.

4.4 Research Limitations

Assessment of the Primary Data

Initially, we spent a lot of time contacting clubs to participate in the study, which provoked the first tradeoff to appear: which organizational role of the interviewee fits our study best? As aforementioned, we had to speak with employees possessing both sporting and managerial insights. To strengthen the reliability and validity of the primary data, we decided to take some necessary measures. We used a tape recorder and transcribed the interviews wordy by word, which made it easier to work with the data and secure that correct quotes were included in the analysis. Moreover, as our interview guide consisted of several questions, it was important to achieve relatively precise and in-depth answers to some of the questions. Therefore, we provided the interviewees with an overview of topics and types of questions in advance, to ensure that they would be able to prepare accordingly. We managed to touch on all topics and ask approximately identical questions to each club, which made it possible to compare answers.

On all occasions, we were invited to the clubs' offices to conduct the interviews, as neither the clubs nor we were interested in Skype or telephone interviews. This implied some travelling across Scandinavia for personal interviews, as well providing the opportunity to observe soft mechanisms inside the clubs. This was optimal for both the research and the data quality, since a personal interview provides key attributes including tone, trust and appearance. On the other hand, it also implied travel costs, making it unrealistic to conduct a high number of interviews. We believe that sample size definitely could have been bigger, but as mentioned in section 4.3.1, the number of relevant interviewees are limited for the Scandinavian domain, and our ambition was to focus solely on interviews that would add value to the thesis. Ideally, we should also have interviewed the largest European clubs, but it appeared to be impossible due to their extensive and intense stakeholder networks, which meant that relevant interviewees involved on an executive level were extremely difficult to reach. Luckily, public information was very accessible for the Big-5 league perspective, as these clubs have a great global impact.

At the same time, there are several factors that can affect the reliability and the internal and external validity of our semi-structured in-depth interviews. There is always a question of reliability in answers, and it is impossible to retest the data by conducting the interviews again. An interview may be influenced by several factors, such as the context it was executed in and the respondent's role in the club. Despite the usefulness of the responses, we do acknowledge that there is a possibility of receiving biased answers, for example due to fear of bad publicity, or that the answers are motivated by the respondent's self-interest or personal opinions. Nevertheless, we are confident about having received honest responses because our questions were more directed toward finding facts rather than solely opinions. Another aspect relates to the size of our sample, which may be perceived as relatively low compared to similar studies. Still, our approach was to pursue quality interviews with executives consisting of numerous and precise questions, which we felt produced favorable results. We have presented some of the potential weaknesses when retrieving data through semi-structured in-depth interviews, which we have been aware of and tried to implement measures to limit the extent of. Overall, we consider the reliability and validity to be satisfactory for the primary data. Parts of the findings may also be applicable in other industries with similar characteristics, for example in other team sports or league systems.

Assessment of the Secondary Data

The secondary data incorporates books, journals, reports and news articles, which all include various degrees of reliability. Despite difficulties with regards to controlling the trustworthiness of news articles, we managed to find similar cases describing the same phenomenon to some extent. For example, the revealing documents originating from the whistleblowing platform Football Leaks, were shared with and thoroughly dissected by the EIC (European Investigatory Collaboration), a network of the largest newspapers in the Europe, ensuring that several institutions have collaborated in reporting this information. As the purpose of news articles is to provide contextual strength to the research and strengthen the discussion, we believe the reliability to be of an adequate nature.

In comparison to news articles, the utilization of research data is more reliable as it originates from renowned journals or institutions. Such secondary data follows strict requirements regarding documentation and methodology. The secondary data we have chosen uses qualitative methods, but parts of the empirical findings originate from previous quantitative methods and regression analyses. Whilst examples of qualitative methods include questionnaires and structured interviews, the quantitative methods primarily relate to simple regression analyses. The various focus areas of the data provide an overlapping nature to our research. Its time range varies but are no older than 10 years old. Even though several of these evidences derive from reliable sources, there may be risk for errors. For instance, it remains impossible to control the previous conclusions drawn from the studies. Additionally, answers from interviews can be affected by their context and style, or that the interviewees' answers are affected by subjective perspectives. Nevertheless, such problems are hopefully solved by increasing the sample size. Collectively, these types of data seem robust with respect to reliability and internal validity.

Lastly, we have collected accounting and qualitative data from annual and benchmark reports from both clubs, analysts and other entities that includes statistics and trends. Analytical reports from UEFA and CIES were decisive for two reasons. Firstly, these reports appeared to be extremely useful for mapping the financial and competitive situation in the European football scene. Secondly, the reliability and validness UEFA and CIES provide in terms of their credibility and experience strengthens the overall data basis. Furthermore, the clubs' annual reports are thoroughly audited by renowned auditing firms which secures reliability, but the degree of objectiveness in annual reports may be questionable, if some sections are written by associates or managers that include personal opinions (Ray, 2019). For example, company executives want to portray their business activities in the most positive light in order to satisfy their shareholders. Nonetheless, we consider the total validity and reliability of the secondary data to be fulfilled as the study primarily includes evidence from renowned sources.

5. EMPIRICAL FINDINGS & COMPARATIVE ANALYSES

In this chapter, we integrate concepts and frameworks from the theoretical foundation with empirical findings gathered from in-depth interviews and secondary sources. The data is combined with comparative analyses as a fundament for the discussion in chapter 6, which concerns the main research question and its subparts. There are several parameters that can be used to compare football clubs in relation to FFP, and in this study we focus on clubs' ability to compete as a function of ownership, culture, and financial characteristics. Each analytical section is therefore structured with a Scandinavian club starting point of view prepared from semi-structured in-depth interviews, followed by a corresponding elite club benchmark.

5.1 General Overview of the Semi-Structural In-depth Interviews

Having conducted semi-structured in-depth interviews with CEOs of some of the biggest clubs in Scandinavia, we wish to analyze the qualitative data we have been able to gather. In order to compare the interviews and identify both similarities and differences, we have conducted all three interviews using similar formats with the same main topics and close to identical questions throughout. We approached the interviews with a preconceived impression that Malmö FF (MFF), Rosenborg BK (RBK) and Brøndby IF (BIF) would be relatively similar in most aspects of how to run a football club, due to the closely connected natures of the three countries' respective sport models, as presented in the literature review. However, we also knew that BIF is listed on the stock exchange, creating an entirely different ownership structure compared to RBK and MFF. All three clubs have participated in European competitions recently, which is why we chose to approach them in order to gain insights into the impacts of FFP on the respective clubs as well as their opinions regarding the regulations and European competitiveness in general. On the next page is a summary of the most important findings from the semi-structured in-depth interviews with two CEOs (MFF and BIF) and one CFO (RBK).

	Malmö FF	Rosenborg BK	Brøndby IF
Long-term Visions and Goals	• *Be the best in Sweden* • *Always participate in Europe* • *"Be first"*	• *Always Europe*	• *Deliver in the top of Denmark* • *Play European football* • *Develop talents*
Financial Statement Importance	• *Low, don't need to make profits* • *Must have a positive equity*	• *No financial motives at all*	• *Stability important, but not profits* • *Break even in the long term*
Views on European competitiveness	• *Can't have good players between 22-28* • *Difficult to compete*	• *Much tougher than before* • *Doesn't think RBK can play in the CL*	• *More difficult to compete* • *Thinks the trend will continue*
Why are Scandinavia vs. Elite Differences Huge?	• *Norway, Sweden and Denmark have a combined market of 25 million people*	• *Bigger clubs pushing the smaller clubs out in Europe*	• *Financial gaps are increasing*
Culture	• *Values are the key* • *Extreme stability in board* • *Patience* • *The "Malmö FF Way"* • *Clear goals and work descriptions* • *Take responsibility* • *Recruit people who know the club*	• *Lively organization* • *Informal environment* • *Need emotional presence every day* • *Flexibility* • *Identity to city and region*	• *Togetherness* • *Social presence* • *Take responsibility* • *Active and intense playing style to mirror the working class environment*
Social Activities	• *Football academies with academic performance requirements* • *School Football against racisms* • *Career academy – helping people into jobs*	• *Help getting people into job* • *"Long list" of activities*	• *Work on a project to better CSR* • *Help "low-class" people by giving work experience*
What will be Important in the Future?	• *2 Swedish clubs in European group stages every year* • *Better revenue-sharing (broadcasting) from UEFA*	• *Go out and make an "overnational league"* • *Smaller domestic league to increase quality*	• *Strengthen the brand and attract youth* • *Make football important for youth to attend* • *Innovative partnerships* • *More sustainable CSR* • *Multiple (different) Danish clubs in European group stages* • *Keep football for everyone (UEFA), not only 20-30 clubs*

Source: Own figure based in semi-structural in-depth interviews

5.1.1 Similarities in the Data

We began all interviews with a general question regarding the clubs' respective long-term goals and visions. Here, it was noticeable how all three quickly stated participation in European competitions to be the perhaps most important goal to achieve every single year. In order to reach these competitions, it is of course necessary to perform well and dominate the domestic leagues. Given that these are among the biggest, if not the biggest clubs in their respective countries, this did not come as any surprise. They all mentioned the financial importance of European participation, which in turn strengthens their domestic positions due to increased financial means relative to the clubs that have not qualified to Europe. On the note of domestic leagues, we asked whether or not leaving the leagues in order to be a part of a stronger transnational league system potentially could become a possibility in the future. Both MFF and BIF categorically stated the importance of the historical national matches against local rivals as far too important, with games against strong teams from Belgium, Holland and Austria not being close to as important for the match-going fans as playing against the clubs they have always competed against and developed rivalries with. Furthermore, RBK's description of the lose-lose scenario from their participation in this past season's Europa League works as a perfect example. They met some extremely strong teams in RB Leipzig, RB Salzburg and Celtic, but none of them were particularly interesting from a supporter point-of-view, resulting in poor attendances combined with poor results on the pitch.

Given that Scandinavian football clubs are not huge international brands with a global audience in the same vein as Europe's elite clubs, it is extremely important that they are able to generate interest and loyalty in their respective local communities. There is no significant football tourism in Scandinavia, which is why it is necessary for the clubs to sell season tickets as well as attract local population and even youth to come to matches. Despite the domestic successes of RBK, MFF and BIF, this does not happen automatically. This is why the three clubs all stated a strong presence in the city and region as being absolute prerequisites and something that represents a significant part of the clubs' strategic focus areas. When asked about what types of societal activities they are invested in, the common theme was that all the clubs participate in helping primarily young people in getting work or work experience. By collaborating with the municipalities and local labor offices, the clubs gain access to a significant amount of struggling youths of which several of them are either welcomed into the clubs or put in contact with their network partners.

Finance has become an increasingly important part of the football discussion, and the revenue growth in the Big-5 leagues has been unprecedented over the past decade. In order to compete, you need to have sufficient funds to invest – and in order to generate the money, you need to perform on the pitch. The supposed problems of football finance have never been based on weak revenues, but rather bottom-line performances, leading to UEFA's implementation of Financial

Fair Play in 2011. According to MFF CEO Carlnén, the financial regulations imposed by UEFA were not a problem for Swedish clubs, as the national requirements they previously have had to adhere to were already quite strict. BIF CEO Jørgensen also argued that FFP was not too challenging for Danish clubs to comply with as the allowed deviation of €5m is a high number in a Danish football context. The consensus among RBK, MFF and BIF during our interviews was that financial stability is important, but that none of the clubs have an aim of generating profits, as this should not be the objective of a football club. According to Carlnén, his interpretation of the regulations in Sweden is that the clubs are allowed to post deficits, but they must always have a positive equity. Since Carlnén started in 2014, MFF have shown positive bottom-line figures every single year despite it not being an area of focus. RBK CFO Munkvold argued that the club never has had a financial motive, whilst Jørgensen believes that the only real financial necessity is balancing over a three-year period with deficits not exceeding 10 million DKK.

One of the most interesting subjects we wanted to discuss with the clubs was FFP. Given that all three clubs participate in European competitions and subsequently have a unique perspective on competitiveness in European football, we were intrigued to ask them whether or not they believed that FFP was a good idea. Since most of the literature and empirical research claims that the regulations has increased financial disparities and exclusively benefited the elite clubs in European football, we expected a skeptical attitude towards FFP. A bit to our surprise, MFF, RBK and BIF were all very positive, and believed that financial regulations were both good and necessary. As the table above shows, the rationale behind the attitudes were primarily due to the belief that it creates a more even playing field for all clubs that prohibits "financial doping" - a phenomenon that largely has benefited the biggest and most commercially mature clubs in Europe. RBK believes that the regulations help ensure organic operations, and BIF points out that it previously could be quite difficult getting the money they were owed by Southern European clubs from player transfers. FFP and its sanctions, ranging from fines and transfer bans to exclusion from participation, is something the Scandinavian top clubs appear to believe that help in ensuring more equal conditions for all clubs.

UEFA (2018a) states in its latest report on FFP that there are two ways for clubs to account for player registrations, either by capitalizing & amortizing or through an income & expense method.

Sonny Karlsson claimed that BK Häcken did not dare to use the capitalization & amortization method, as this was deemed a quick way to problems if the club failed in player sales. Despite this, Carlnén was sure that the majority of Swedish clubs used this method, and also told us that UEFA had recommended clubs to account in this way. Both Munkvold in RBK and Jørgensen in BIF also confirmed that their clubs utilized the same accounting method and believed that most of the clubs in their respective leagues did the same. Whilst the way many European elite clubs account for the disposal of player registrations is a grey area, the Scandinavian top clubs appear to follow a transparent approach, in which the potential profit of a sale is calculated by subtracting the current book value of a player X number of years into his contract from the transfer fee received.

5.1.2 Differences in the Data

Despite the vast amount of similarities between the clubs regarding both cultural and financial matters, there were definitely some interesting discrepancies to take note of. When asked about the differences between Norway, Sweden and Denmark, Jørgensen believed that the countries are quite similar in the way they work, their European positions and in attractiveness for young talents. Carlnén on the other hand felt that that Norway and Sweden were similar, but that certain Danish clubs are entirely different organizations with different goals. An example he used was FCK, a club listed on the stock exchange under a parent company, and who according to Carlnén has more focus on maximizing profits than Norwegian and Swedish clubs. He believes that the way FCK has introduced eSports into the organization, under an entirely different brand name with the aim of becoming a global brand, is an example of FCK choosing a business model in order to make money as opposed to strengthening the FCK football club brand. However, Jørgensen claims that FCK is the only club in Denmark operating in such a business-minded way, and that the rest of the Danish clubs are focused on simply balancing the economy, performing on the pitch and developing talents.

Despite the sentiment from Jørgensen, it is interesting to delve deeper into Carlnén's perception of Danish clubs operating entirely different than Swedish and Norwegian clubs and investigate whether or not there is some truth to it. The obvious source for discrepancy is the fact that BIF, as opposed to MFF and RBK, is a public entity listed on the stock exchange. According to Jørgensen, the main differences in his role as CEO compared to non-listed clubs are confidentiality issues as well as the possibility to raise capital. BIF is currently in a process of raising 100 million DKK through an emission, and Jørgensen could also tell us that when BIF brought Daniel Agger home from Liverpool, their main shareholder gifted the club the whole transfer fee (£3.6m, transfermarkt). MFF and RBK are not listed on the stock exchange and can subsequently not raise capital in the same way as BIF has done for several years. Furthermore, both clubs appear hesitant towards the idea of receiving monetary gifts like the ones BIF has received multiple times. Carlnén expressed skepticism to it being compliant with FFP, whereas Munkvold believed that receiving gifts from investors would be wrong as it would be contrary to the culture and values the club wants to live by.

As previously discussed, the ownership structures between the clubs are naturally different due to BIF being a public company. In fact, out of the 21 clubs in Europe that are listed on a stock exchange, as many as four of them are from Denmark. In Sweden, only AIK is listed. However, due to the 51% rule in Sweden, the club is required to retain the majority of the shares that are issued and subsequently hold minimum 51% of the voting rights. BIF are not subject to similar requirements – therefore, majority shareholder Jan Bech Andersen holds 54% of the voting rights as he owns 54% of the club's shares. In other words, BIF are in many ways similar to a public company that anyone can invest and hold an ownership stake in. However, looking at the financial statements it becomes clear that owning stock in BIF does not appear to be an extremely attractive place for investors to put their money. Both top- and bottom-line figures are volatile, the club does not pay out dividends, and there is no focus on generating profits. Instead, investors in BIF appear to mirror members in a Swedish or Norwegian club in that they have genuine love and interest for the club and contribute by investing capital. The club's majority shareholder, Jan Bech Andersen, is chairman of the board and was exposed in 2016 as a very active member of BIF's online supporter forum where he shared opinions, praise and criticism regarding the performances of the sporting side of the club. He has stood among the hardcore supporters during games and has given the club both monetary gifts as well as favorable loans. In other words, there are evidently other incentives for his BIF-investment than personal financial ones. The difference compared to MFF and RBK is, however, the fact that Andersen holds 54% of voting rights, as opposed to the one single vote that members in the two other clubs are given.

We have seen that RBK, MFF and BIF all claim participation in European competitions to be among the most important goals for their clubs. There were, nevertheless, differences in the answers regarding their respective future positions in European club football, and what they thought would be the future structures of European competitions. Both MFF and BIF were clear in that they wanted to play in the Champions League group stages, where the prestige and the money by far is the greatest. RBK have, as a consequence of what they believe is the elite clubs' wishes of not playing against commercially immature clubs in Europe, accepted their position to be on a tier below the Champions League. In other words, the club that set a Scandinavian record of participating in eleven straight Champions League group stages now appears resigned to the fact that it no longer can compete at that level. Furthermore, neither MFF nor BIF believe that the contingent threat of a European Super League will materialize in the immediate future, whereas Munkvold's response to how he believes the clubs below the elite level have to react to the developments is to leave UEFA and create its own "overnational league".

5.2 Opinions about FFP from a Club Perspective

5.2.1 A Scandinavian Perspective

Among various initial conceptions, we had an expectation that the sample clubs in Scandinavia would prove to be both directly and indirectly affected by the regulations. The results were not as significant as we initially thought, nevertheless, we observed some interesting patterns that appeared to be useful for the study. In the matrix below, the most essential aspects are presented.

	Malmö FF	Rosenborg BK	Brøndby IF	BK Häcken
Direct effect of FFP on day-to-day operations	None	More thorough and extensive processes regarding the financial activities and operations	Healthier attention toward the financial situation in the club	None
If none: Why?	*Similar regulations in the domestic licensing requirement*			*Similar regulations in the domestic licensing requirement*
Opinion regarding the regulations	Very positive – "there has to be a regulation"	Very positive – " it is necessary"	Very positive – especially to the "no overdue payables" part	No particular opinion
Why?	*Slows down the evidently competitive imbalance*	*Prevents accelerating effect regarding the competitive gap in Europe*	*Provides fair conditions for all clubs*	*Not significantly relevant for their competitive level at the moment*

Source: Own figure based in semi-structural in-depth interviews

Our study indicates that FFP has had a relatively limited impact on the way Scandinavian clubs operate, even though our sample clubs compete in UEFA's European club tournaments regularly. Still, there are interesting aspects to this in terms of differences between the Scandinavian countries, especially looking at the disparities of FFP's direct footprint on operations. While CEO Carlnén of MFF claims that the Swedish Allsvenskan's licensing requirements were even tougher than FFP requirements, Jørgensen stated that Danish teams were not required to meet strict financial goals prior to FFP. He continued, however, by explaining that FFP has had an impact by making Danish clubs focus more on financial sustainability. Regardless of the country-specific differences, there seems to be consensus regarding FFP and regulations in general. Whomever we spoke to, the impression was that FFP and other types of regulations are constructive and necessary because it facilitates fairness. Without regulation, the interviewees agreed that the elite clubs would reach a supernatural level compared to non-elite clubs.

5.2.2 An Elite Club Perspective

In Morrow's ICAS Report concerning implications of FFP on Financial Reporting (2014), the opinions about FFP among English elite clubs appeared to be of a mixed nature. Firstly, they acknowledged the intention of the regulations, and that measures were needed to mitigate the ever-increasing amounts of money injected into the business. Secondly, many felt that the previous system enhanced unfair competition on the field and in the transfer market, which fundamentally harmed the sporting integrity of European football.

"…the overdue creditors rule …I have not met one person who would say a word against that." (English Club, ICAS Report 2014, p. 36)

"Cash drives everything in football - it is essential in terms of the fairness of competition that clubs settle their obligations with the football fraternity." (English Club, ICAS Report 2014, p. 36)

"From a positive perspective it can be viewed as the first real mechanism trying to curb player wage inflation, which is the sort of scourge of every investment community when it comes to looking at football clubs." (English Club, ICAS Report 2014, p. 36)

Despite the positive beliefs, several of the English clubs believed that the regulation had potential pitfalls. Since equity injections are restricted by FFP, concerns were raised for the future of the business, especially as the opportunity to invest in sporting activities has become increasingly difficult. Additionally, the unusual reality where a governing body restricts a company on how to run their business in terms of expenditure was highlighted as a negative by one of the clubs.

"I find it quite strange that an industry would bring in a regulation that is essentially restricting investment coming into that industry." (English Club, ICAS Report 2014, p. 49)

"There is a risk that it may inhibit new investors coming along and putting money into football." (English Club, ICAS Report 2014, p. 49)

"If you've got a private company, then if you're the majority shareholder and you want to put money into the club in whatever way, then why should you be restricted from doing that just because it's football?" (English Club, ICAS Report 2014, p. 49)

"…then that could impact on some clubs [which] have ambitions of growing rapidly because ...to grow rapidly, most people within football believe you need to build up a very, very good team, a strong team and that ...everything sort of drives off that... But to do that needs ...heavy investment in the playing squad and it would just not be possible under break-even." (English Club, ICAS Report 2014, p. 49)

5.3 Ownership Mechanisms in the Selected Clubs

Our investigation revealed several disparities between elite clubs and Scandinavian clubs' ownership characteristics, in terms of purpose, structure and its impact on competitiveness and financial performance. Below we present some of these peculiarities, by making comparisons between the two categories of clubs which shows that ownership affects football club behavior.

5.3.1 Ownership Objectives: Purpose and Mission

Originally, the mission of a football club was to engage all kinds of people in physical activity and having fun. Over the years, this mission has changed drastically, at least for certain levels of the game. To picture how this trend has developed in various teams across Europe, we investigated a sample of clubs' respective purpose for existence and what they want to achieve. As illustrated on the next page, commercially mature and immature clubs differ greatly in this category.

	Win Football Games	Geographic Scope	Make Profits for Owners	Being a Business
Malmö FF	✓	Regional	✗	✗
Rosenborg BK	✓	Regional	✗	✗
Brøndby IF	✓	National	✗	✗
BK Häcken	✓	Local	✗	✗
Man City	✓	Global	?	✓
Man United	✓	Global	✓	✓
PSG	✓	Global	?	✓
Bayern	✓	Global	✗	✓
Juventus	✓	Global	✓	✓

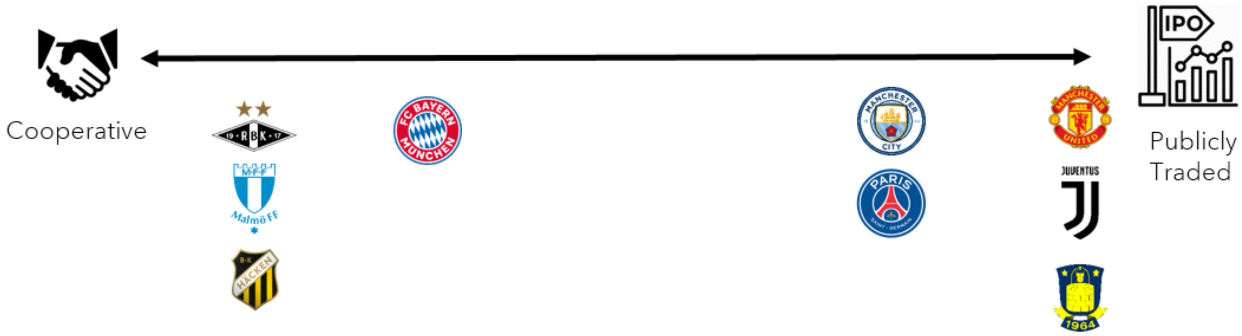
Source: Own figure based in semi-structural in-depth interviews and the elite clubs' annual reports

The matrix identifies that the development has been different in the top leagues regarding business-specific categories, except for the fact that a football club is required to win football matches to be credible and financially robust. When speaking to the Scandinavian clubs, we quickly understood that their main mission was connected to something bigger, rather than making profits and utilizing commercialization potential. Particularly, their societal role is paramount as these clubs exist due to the people and fans. On the other hand, the European elite clubs are pulling in a direction built on commercial interests. Their increasing emphasis on being a business is unmistakable, shown by the continued dominance in the Deloitte's Money League (Deloitte, 2018). As some of the elite clubs are publicly listed, the importance of creating value for shareholders is an additional element to their purpose as, and this will be elaborated in further sections.

"We are responsible for the region's mood and atmosphere – on a Monday, all lunch tables across the region are discussing the latest RBK game." (CFO, RBK)

"No clubs outside of the Big-5 leagues in Europe have climbed into the Money League top 20 during the last years" (Deloitte, 2018)

5.3.2 Differences in Ownership Structures and Identities



Source: Own figure based in semi-structural in-depth interviews and the elite clubs' annual reports

Supporter Trust Ownership: Rosenborg BK, Malmö FF, BK Häcken and Bayern Munich

The Scandinavian clubs RBK, MFF and Häcken have a cooperative-inspired ownership structure, where supporters wholly own the club through memberships. Both Carlnén and Munkvold explained that this democratic type of governance is rooted in tradition and societal factors, since a sport organization was created to engage the people. Football club governance in Norway and Sweden is also based on cultural and normative structures, especially the sport-for-all mentality. These features created the foundation for an ownership structure where members have the majority of voting rights. This means that external owners or investors have little influence in strategic decision making, because the club is a product of the "inhabitants", "city" or "society". Furthermore, these clubs are organized as groups where subsidiaries operate different parts of the sports umbrella, such as business concerning the stadium and other administrative aspects. Even though these subsidiaries are normal corporations, the club or sport association is still wholly owned by its members.

Bayern Munich is a commercially mature club located closely to the Norwegian or Swedish type of sport governance. In German football, they utilize a concrete model called the "50+1 rule" which needs to be fulfilled by clubs to earn a license to play in the Bundesliga (Müller, 2011). Shortly put, it is a requirement for the parent club to own at least 50% plus one additional share of the football club, ensuring that the club's members retain a majority of the voting rights. Whereas the shares of RBK, MFF and Häcken are 100% owned by their members, 75 % of Bayern Munich's shares belong to their members, whilst Adidas AG, Audi AG and Allianz SE hold the remaining stakes of 8.33 % respectively (Chris, 2019). This structure facilitates strategic partnerships between German brands and international strategies, which creates global network ripple effects and financial advantages for the club.

Foreign Investor Ownership: Man City and Paris-Saint Germain

Manchester City FC is wholly owned by its parent company called City Football Group Limited, a company whose strategy is to "create globally connected football communities" (CFG, 2018), which implies building successful football clubs across the world. Here, Abu Dhabi United Group Investment & Development Limited (ADUG) and CMC Football Holdings Limited holds 86.21 % and 13.79 % of the shares respectively (Man City AR, 2018). The owner of ADUG, Sheikh Mansour, is a member of the royal family in Abu Dhabi of the United Arab Emirates (UAE), and holds additional positions as Deputy Prime Minister of the UAE, Minister of Presidential Affairs and a member of the Supreme Petroleum Council (CFG, 2018).

Paris Saint-Germain (PSG) is also organized according to a concentrated ownership structure where Qatar Sports Investments own 100% of the shares, and whose ambition is "to invest in profit-bearing sports related projects within Qatar and also internationally, whilst becoming a globally recognized and leading sports and leisure investment company" (QSI, 2017). Furthermore, they want to set a benchmark for all kinds of investments, particularly in the sports and entertainment fields. In addition to being chairman of the investment company, Nasser Al-Khelafi is also the president of PSG (QSI, 2017). Several have claimed that the acquisition of PSG was related to a national strategy for Qatar, in promoting tourism and creating a positive impact and footprint prior of the FIFA World Cup in 2022 (McMahon, 2013; Marca, 2018).

Stock Market Ownership: Man United, Juventus and Brøndby IF

Manchester United, Juventus and BIF operate on different turfs, but they have similar ownership structures in terms of being public companies, which means that their shares can be acquired on the stock market. Manchester United is listed on the New York Stock Exchange, and its ownership structure composes dual class shares, where the Glazer family holds majority of the voting power as they own the largest position of Class B shares. Regarding Class A shares, the ownership has a relatively dispersed characteristic where the three largest shareholders are investment firms owning 35.28 %, 19.09 % and 12.19 % respectively (Man United AR, 2018). The American Glazer family acquired Man United through a leveraged buyout, hence dumping significant amounts of debt into the hands of the club. The objective of the leveraged buyout is not of a transparent nature, but it is difficult to see any other motives than financial gains (Oran, 2012).

Despite being a public company on the Borsana Italiana Stock Exchange, Juventus has a somewhat concentrated ownership structure where 63.8 % and 11.3% are owned by EXOR N.V and Lindsell Traind Ltd, and the remaining 24.9 % are floating freely (Juventus FC AR, 2018). The major shareholder, EXOR N.V, is controlled by the Agnelli family, and is one of Europe's leading diversified holding companies. Juventus is in fact a subsidiary of EXOR N.V which in turn is a subsidiary of Giovanni Agnelli B.V (Juventus FC GR, 2018). Among other things, EXOR N.V's investment criteria includes economic and financial results, as well as competitive positions (EXOR AR, 2018).

Lastly, BIF is one of four publicly listed Danish clubs, with CEO Jørgensen explaining that the rationale is primarily related to raising capital. 45.8 % of BIF's shares are dispersed on various investors whilst the remaining 54.2 % are owned by shipping guru and chairman, Jan Bech Andersen. However, this ownership appears to be of a more unconventional character, as Andersen has sworn a life-long relationship to BIF in terms of love and fascination.

"Football is about passion, not cash." (Andersen, 2016)

"Sensible investors do not invest in football clubs to make money. It is not something one does rationally, it is about the emotion and being part of something that is successful on the football pitch." (Auditor, ICAS Report 2014, p. 30)

5.3.3 Scandinavian Opinions on Ownership and its Influence on Competitiveness

	Malmö FF	Rosenborg BK	Brøndby IF
Benefits	• Fans have the opportunity to influence • More away fans • Extensive passion surrounding the club	• Closeness to the fans • Fits the organizational values of transparency and democracy	• Easy to raise capital • Fans can invest in the club
Disadvantages	• Difficult to pursue radical changes • Low degree of commercial maximization	• Difficult to do things that disharmonize with the history and values	• Strict regulations • Confidentiality issues
Effect on Competitiveness	• Not evident - their market is too small	• Not significant	• Makes it easier to buy good players • Can invest heavily in infrastructure

Source: Own figure based in semi-structural in-depth interviews

The three Scandinavian clubs recognize that their ownership structures come with both advantages and disadvantages. Unsurprisingly, the nature of a member-based ownership is closely connected to history and cultural features for both MFF and RBK, such as togetherness, voluntary work and social democracy. However, their answers regarding the effect on competitiveness is a bit surprising as they do not think ownership matters for their overall competitiveness. Instead they claim it is a strength for how they operate and interact with the fans, and that restructuring the ownership would not lead to a situation where they are better off.

"Even if we were to remove the 51% rule, it will not help us because our market is 10 million in Sweden and 25 million in the Nordic region. It is better if we stick to our strengths." (CEO, MFF)

"Of course, we could contact the world's richest youth from Frøya (Gustav Witzøe Jr.: SalMar heir, and RBK-fan), and ask him to invest millions. However, we do not want that because it would be completely unsuitable for the culture and values we wish to live by." (CFO, RBK)

Even though BIF shares many of the same Scandinavian values, their ownership structure is better fit to face the competitive environment in terms of capital. The theory about ownership structure and identity claims that one can expect differences in purpose and how operations are executed, if there are significant differences such as in this situation. The CEO of BIF does not believe that there is a big difference regarding goals or behavior, despite the differences in ownership structure and identity. That is quite fascinating, as one single investor holds the majority of voting rights, which means that one wealthy fan has the power to decide everything, as opposed to MFF and RBK where the power is distributed equally among 6000-7000 members.

5.3.4 Impact of Stock Market Ownership and Foreign Private Ownership on Big-5 Leagues

During the last ten years there has been a move away from clubs floating on the stock market to becoming privately owned entities. Since the turn of the century, 14 clubs have de-listed with many experiencing significant drops in share prices as a result of poor returns on investment due to the difficulty for clubs to generate profits. The supporter trust model has been substituted for the domestic private investor model, which is an almost identical copy of the foreign ownership model. Considering the Glazer takeover of Manchester United, as well as the introduction of FFP, there seem to be accelerating signs of football clubs becoming profit-maximizing entities (Wilson, Plumley and Ramchandani, 2013).

Empirical findings and models (Gerrard, 2005; Baur and McKeating, 2011) suggest that a stock market listing improves financial performance and national sport performance for the Big-5 leagues, but does not necessarily promote competitiveness in European football. On the other hand, an empirical report by Rohde and Breuer (2016) located a pattern where private majority investors in the Premier League, both local and foreign, specifically pay higher wages which enhances competitiveness but create lower profits than clubs with stock market ownership. Furthermore, clubs trading on the stock market demonstrate a better liquidity position and lower debt levels than privately owned clubs, be it domestic or foreign investors. The strength of the relationship between league position and finance is significantly stronger in the case of the stock market ownership model (Wilson, Plumley and Ramchandani, 2013).

5.4 Culture in the Selected Clubs

Understanding culture, values and norms as informal governance mechanisms is important when making valid distinctions of soft features in organizations. Therefore, this section applies informal governance frameworks in order to discover underlying differences between both the elite and non-elite clubs. Culture is difficult to analyze without being on the inside of an organization, so most of the analysis is focused on the Scandinavian clubs we have paid a visit to during the research period.

5.4.1 Dimensions of Culture in Scandinavian clubs

	Malmö FF	Rosenborg BK	Brøndby IF
Artifacts	• The two stars symbolizing 20 championships, and core values are printed on walls • Photos from title winning scenes • Societal activities	• The two stars symbolizing 20 championships and, core values are printed on walls • Team photos of successful teams and milestones • Societal activities	• Pictures of previous European success on the walls • Logo printed on walls • Societal activities
Espoused beliefs and values	o Winning o Ambition o Joy o Fair Play o No one is greater than the club	o Openness o Community Involvement o Approachability o Mood & Commitment o "The Good Foot" o To play entertaining and attacking football	o Passion o Courage o Togetherness o Quality o Make a difference
Basic underlying assumptions	• Credibility • Club represents something bigger	• The club determines the regional mood • Working class mindset	• Hard-working mentality • Diversity

Source: Own figure based in semi-structural in-depth interviews and the elite clubs' annual reports

"The valuation of the culture is very strong in Malmö FF. I started as CEO in the spring of 2014, and together with me came a new sporting director, head coach, communications manager and supporter liaison officer, at the same time as five players left and eight new players came in. In 2013 we won the Allsvenskan, but with all those changes no one thought MFF would win it again the coming year. If you were to do the same thing in a company: removing the entire core of managers, and then expect that they should make a better result next year even though everyone is gone. It would never happen. Malmö FF won Allsvenskan in 2014 and went to the Champions League group stage. We could not have done that without having a clear and solid culture which everyone knows. The association is much larger than its individuals" (CEO, MFF)

Great Similarity in Artifacts

The behavior of the Scandinavian clubs appeared to be of relatively identical manner, despite them being separate organizations. All three clubs embrace tradition and give an impression of wanting to repeat historical successes, which is very much reflected by the offices' interior decorations. Furthermore, the interviewees agreed that one of the most important aspects of their clubs relates to their presence in society, and the clubs are engaged in a number of social activities. MFF's biggest activity being their 14 academies (soon to be 17) around in the Skåne region. Here, sufficient results and performances in school are prerequisites in order to take part in football activities. Thus, MFF ensures that football becomes a motivational tool for many kids in order to perform academically. Moreover, all three clubs cooperate with the municipality and local labor offices in getting youth and adults into work by putting them in contact with the club's vast network of partners. RBK's youth workers project helps youth between ages 18-25 in getting employment by offering work experience and training both in RBK as well as with the club's partners, and BIF assists people in lower social classes who struggle to fit into the society.

Values emphasize the Idealistic Football Club of Scandinavia

The behavior of the clubs is closely linked to the core values they want to comply with, and it is no surprise that their emphasis on human perspectives illustrate what they believe in. The variety of core values appear to be of small significance, as most of them apply to both on and off-field actions. The three clubs highlight various football-specific guidelines in terms of either winning, attacking or playing with passion, but their remaining values promote that their staff and players should behave and comply with attributes that will benefit their environment. When asked whether it is difficult for MFF to balance success on the pitch with a strong commitment towards societal development, Carlnén stated that it was quite on the contrary. Munkvold emphasized that RBK's role in society strengthens the club-and-city identity as much as winning football games, and Jørgensen said that BIF wanted to create a type of togetherness that embraces the club and the local population.

No Consensus in the Clubs' Underlying Assumptions

Despite paying the clubs a visit, the underlying assumptions were barely recognizable. However, we managed to get a grasp of some of the basic differences among the three clubs in terms of aspects they perhaps take for granted. Firstly, it seemed like MFF was deeply engaged in being credible. This is reflected in their social activities and cultivation of winning mentality giving the club goodwill both on and off the football pitch. This also explains why all players and staff connected to MFF must be aware of their responsibility in representing the club when they are out in the city or region in general.

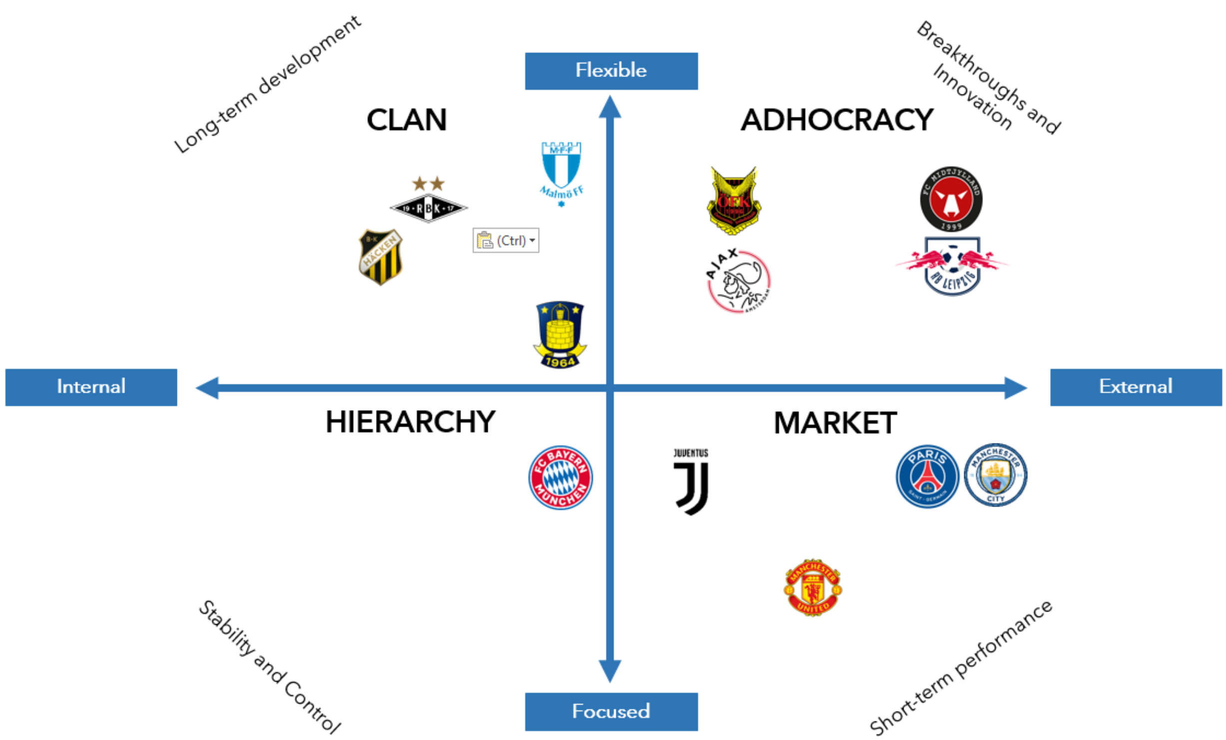
Secondly, Munkvold put great emphasis on retaining RBK's history-oriented and cultural approach in all aspects of the club's actions. He uses main rival club Molde FK as an example, who has received a substantial amount of monetary gifts from the club owners over the years, making the club able to perform at a level it has never been at before. According to Munkvold, RBK could hypothetically generate money in a similar way through rich individuals living in Trondheim, but that this is not something they wish to do as it does not harmonize with the culture and values of the club. This is a great example of the underlying working-class atmosphere surrounding the club. Lastly, Jørgensen highlighted that BIF's fans originate from many different countries, specifically refugees and people who came there many years ago to work. He often mentioned the importance of fighting for the club through tough training sessions, and that the spectators literally want to see the players "die" from tiredness on the pitch. Along with the core value of togetherness, it seems like an underlying assumption is built on promoting a hardworking mentality throughout the entire organization.

The Scandinavian Interpretation

Despite literature stating that there are several cultural similarities between the three Scandinavian countries in a sporting context, there also appears to be certain differences related to culture that exists outside of Schein's framework. In that sense, both MFF and RBK were able to confirm many of the impressions we had gathered regarding Swedish and Norwegian culture in football clubs. Neither MFF nor RBK have a goal of making money, but simply earning sufficient amounts of money in order to achieve results on the football pitch. There are no ambitions of making bottom-line profits at the expense of victories and sporting success, however, MFF must always have a positive equity according to Swedish regulations. According to Carlnén, Norway and Sweden are quite similar regarding the objectives of the respective countries' football clubs, but Denmark differs substantially as the Danish clubs are entirely different organizations with different goals. Carlnén cites FCK's eSports-investment as an example in which the club clearly chooses a business model that has the fundamental goal of generating profits. These differences may to a certain extent be attributed to the differences in ownership structures between the countries. UEFA (2019b) Benchmarking Report shows that FC København are placed at number 20 on a table of the European top division clubs with the highest net debt. Among the 20 clubs on the list, FCK have the second highest net debt as a multiple of revenue (2.7x), only behind CSKA Moskva.

5.4.2 Diagnosing Club Cultures: Big-5 versus Scandinavia

The Competing Values Framework is designed to help organizations diagnose and make proper changes to organizational culture that will improve the execution of a new company-wide direction (Cameron & Quinn, 2006). This analysis concentrates on the diagnosis and provides yet another governance disparity between the Big-5 and Scandinavian clubs. We have chosen to include additional examples of commercially immature clubs, to illustrate that culture could exist in different dimensions. Before applying the framework, we first and foremost emphasize that it is extremely difficult to make conclusions about culture regarding clubs we have not interviewed. Secondly, the various clubs may have several locations in the framework depending on the logic used. Therefore, we use them as indicative perspectives to support the comparative analysis.



Source: Own figure inspired by Quinn and Cameron (1999)

CLANS: Rosenborg BK, Malmö FF, Brøndby IF and BK Häcken

The clan is characterized by soft and local mechanisms such as collaboration, flexibility and people development. Firstly, collaboration through tradition and commitment illustrates how the associates of the clubs share the same values and desires. This is especially evident for MFF and RBK who share a similar approach where players, associates and managers are required to live by the core values of the club. BIF also highlights its focus on togetherness, both inside and outside of the club's boundaries. The CEO of MFF emphasizes the importance of acquiring staff who know the culture and preserve the closeness through the "Malmö FF Way". One of the club's mottos is fittingly enough:

"The club comes first. The club is bigger than the team. The team is bigger than the individual."

Another characteristic of a clan relates to the importance of people development in terms of caring and creating personal relationships. MFF's incentive program helps youths through school, and the Scandinavian consensus related to assisting unemployed people are examples of cultures promoting humanity. A further perspective is the extensive focus on talent development, where a substantial part of RBK and MFF's programs are related to the people perspective:

"We do not solely want to raise good footballers but also good human beings."

Lastly, one of the benefits of being a relatively smaller club, is that you can have a flexible approach towards to your surroundings. Carlnén explains that all coworkers have a decision-making authority that should comply with cultural desires. Furthermore, RBK has a relatively flat organizational structure, which Munkvold illustrates by saying:

"I can compare with other places I have worked, like Adresseavisen (Norwegian newspaper), which was a working environment characterized by structure and formality. Being a part of the Rosenborg organization includes a mix between a workplace and lifestyle, because you have a completely different approach to the tasks you do. Since we are selling sports experiences, we continually have to be flexible."

Summarized, the Scandinavian clubs we interviewed all fit the same category but to various degrees. The disparities within the clan category are interesting: They all pursue long-term strategies in terms of talent development, but their scope seems to contain some differences. For instance, RBK's core values are good examples of a clan: "openness, societal engagement, people, mood, and to play on each other's strengths." Furthermore, MFF has many of the same attributes but also care a lot about innovation by claiming that they have been one of the first clubs in Sweden to implement several innovations such as GPS-tracking and hybrid grass. Carlnén also stated that their attitude toward innovation is that "to be best, you need to try new things." On the other hand, BIF is required to retain hierarchical schemes in relation to shareholders and the stock market which leads to some rigidness in their atmosphere, but they have many cultural similarities to RBK and MFF, such as the focus on long-term development:

"We want to allocate a larger share of these funds (from the 2019 emission) to sponsors and fans, on things that supports the club in the long run."

MARKETS: Juventus, Man United, Man City and Paris Saint-Germain

The market culture offers the counter pole to clubs with a clan culture as it is characterized by extensive external focus and a desire to achieve short-term success. The ambience is described by the intent to increase the global footprint by gaining market shares and securing customer bases, which creates a necessity of adjusting to large networks of stakeholders (Man City, PSG, Man United, Juventus AR, 2018). Man United and Juventus are examples of clubs reacting to the business forces observed in modern football. The club designs are big and complex as a result of historical success, and from an outside perspective it looks like the entire club organization is dominated by a profit-seeking atmosphere. Furthermore, the fact that both clubs are publicly listed serves as an underlying argument for the market diagnosis. For instance, Man United's headliner on their investor relations homepage states:

"We aim to increase our revenue and profitability by expanding our high growth businesses that leverage our brand, global community and marketing infrastructure" (Man United IR, 2019).

On the other hand, Man City and PSG are more concerned about flexibility and being a relevant brand, rather than obtaining control through hierarchies. The clubs are relatively fresh in the competitive environment, much related to the lack of history which makes them less dependent on previous success and established schemes. PSG has, for example, pursued innovative actions such as gathering different sports under the PSG-umbrella. PSG's chairman Al-Khelaïfi puts great emphasis on PSG as an innovative brand and states that:

“Paris Saint-Germain draws on the power of its sporting project and on its desire to explore new avenues” (PSG AR, 2019).

ADHOCRACIES: Ajax, Östersund FK, FC Midtjylland and Red Bull Leipzig

As an answer to the increasing wealth of the richest clubs, several non-elite clubs have started implementing innovative elements to their culture. Red Bull Leipzig introduced an approach to circumvent the 50+1 rule in Germany, which allowed their ownership structure to include a substantial business impact through the Red Bull Energy Drink brand. Due to this, they have been criticized for misaligning with the traditional German football culture where the fans historically have been the ones to determine the destiny of their favorite club (Kopf, 2019). While RB Leipzig utilizes innovations in their organizational design, Ajax have been known over many decades for their long-term thinking through tactical innovations and unique training methods (Coppack and Friend, 2019).

Furthermore, innovation seems to have an acceleratingly important input in Scandinavian clubs as well. The Danish club FC Midtjylland utilizes big data on players to enhance tactical performance on the pitch (KMD, 2019). Östersund FK is a Swedish club that puts a lot of emphasis on culture and innovation though their culture academy, which is a program created to nurture ÖFK-players as people as well as players (Young, 2019).

"The culture academy sets out to make everybody better. It's a training method for two explicit things: One is courage, the other is decision-making." (Kindberg, Östersund FK; Young, 2019)

HIERARCHY: Bayern Munich

The cultural antipode to an innovative culture is the hierarchy promoting control and consistency. It is difficult to argue that a football club can have a culture similar to McDonald’s and Ford, as selling cars or hamburgers are completely different to football experiences. Bayern Munich is probably the club closest to all the categories, i.e. located in the middle of the framework, as they are a product of both fan-ownership and commercial maturity. Still, the club’s emphasis on internal structure, tradition and being a stable winner in the German Bundesliga are characteristics of a control-oriented culture (Bayern Munich, 2019).

5.5 Competitive Balance in the European Football Landscape

"Europe is not Europe as we knew it 15-20 years ago" (CFO, RBK)

The concept of competitive balance has received plenty of attention among researchers and professionals, and its importance for the FFP-analysis is undeniable. In this section, we present a Scandinavian perspective and break down the concept down analyzing empirical data concerning income distribution and uncertainty of outcome. Lastly, we look at various ways of measuring competitive balance, and conduct our own analyses utilizing simple linear regression models where we compare the Scandinavian leagues with the Big-5 leagues.

5.5.1 The Scandinavian Clubs' Perspective

	Malmö FF	Rosenborg BK	Brøndby IF
Opinion about European competitiveness	• More difficult to challenge the big teams in Europe • Difficult to compete and qualify for UEFA tournaments	• Depressing - the road to CL has become troublesome	• Unquestionably more difficult to reach UEFA tournaments
Consequence	• Adjusted player acquisition strategy • A third European tournament introduced	• Bigger clubs pushing non-elite out of CL • A third European tournament introduced	• A third European tournament introduced • More focus on local adaption
Predictions for future development:	• Positive - thinks European football will be stronger	• Will be competing against European teams on the same competitive level	• The trend will continue: Gap between the best and next best increases

Source: Own figure based in semi-structural in-depth interviews

Unsurprisingly, the Scandinavian clubs were distressed by the competitive developments over the last years. Not only has the road to European tournaments become tougher, but their ability to fight for sporting results against the bigger clubs has also weakened. The clubs claim that increased commercialization and fewer spots in European tournaments being allocated to Scandinavian clubs is driving this development, where the elite leagues instead have obtained more spots and easier qualification routes. As a response to this development, the clubs revealead that a third UEFA competition will be introduced within the next three years, which will ensure non-elite clubs competing more against European teams at a similar level.

5.5.2 Income Distribution

Deloitte states in its most recent Football Money League Report (2018) that money distributed to clubs from UEFA had an evidently larger impact on club revenues than ever before. Furthermore, broadcasting revenues was now the largest revenue source among the twenty clubs in the Money League, accounting for as much as 45% of total revenue (Deloitte, 2018). Furthermore, under pressure from Europe’s elite clubs threatening to withdraw completely, UEFA decided in 2016 to implement a “tradition clause” which guaranteed higher revenues for the top European clubs in the future based on results from the preceding 10 years of UEFA competitions (Der Spiegel, 2018a). MFF’s Carlnén stated in our interview with him that he was unaware of the reasons behind the introduction of the historical perspective-clause, but that it certainly was a questionable action.

Regarding broadcasting revenues, there is a trend towards a more balanced sharing of TV-money in the majority of Europe’s top division leagues. However, there are still enormous differences in average club revenues between leagues. UEFA’s (2019b) Benchmarking Report shows average broadcasting revenue per club from the top divisions in Norway, Sweden and Denmark to be €1.5m, €1.0m and €2.5m respectively. In comparison, the same figure in England is equal to €145.5m (UEFA, 2019). The extreme differences are to a large extent due to huge differences in domestic broadcasting deals, with the EPL being the significantly most attractive in Europe. However, there are also differences in how TV-money from European competitions are distributed. Carlnén explains that it is defined as a market pool which is dependent on the market you are based in. This presents a huge disadvantage for Norwegian, Swedish and Danish clubs, as they come from significantly smaller markets than most of the other clubs participating in European competitions. This is why MFF, according to Carlnén, has been pushing for a better and more even distribution of money from UEFA competitions.

5.5.3 Uncertainty of Outcome

A report by Haugen and Heen (2018) comprehensively studied how uncertainty of outcome (UO) has developed in the big European football leagues between 2006 and 2017. They discovered that the excitement in football has decreased due to several reasons, including the introduction of FFP and the 3-1-0 point system. Additionally, their findings indicated that the evolution of the Champions League and increased TV-money has played a substantial role in decreasing UO. The reason as to why increased TV-money is argued to weaken competitive balance is that the system currently ensures that the best, and subsequently richest, clubs receive significantly more of the broadcasting revenues compared to the smaller clubs. Figures from Haugen and Heen's report show a strong downward sloping tendency in competitive balance in UK's top division between 1963 and 2017. The downturn in competitive balance has been even stronger following the re-branding of the English First Division to the Premier League in 1992 and the subsequent commercialization, with similar trends being observed in Spain, Italy and Germany during the same time period.

Haugen and Heen (2018) use a "UO-measuring tool", which utilizes some mathematical properties and thus differs from tools normally used in UO-estimation. According to the report, the competitive level in a league is measured by defining the situations with minimum and maximum competition respectively. The maximally competitive point (*MCP*) assumes perfect equality in performance among all teams in the league, and describes a scenario in which all matches should end in a draw. In a league with 20 teams where every team plays 38 matches, the *MCP* would therefore be 38 for all teams. On the other hand, we can construct the least competitive point score (LCP_i), where the best team would win all its matches, the second best would win all matches but the two against the best team and so on. This point can be found using the following formula:

$$LCP_i = (N - 2\,(i-1))\,\omega p$$

N represents the amount of matches played, i is the position achieved in the table at the end of the season and ωp is the amount of points rewarded by winning one game. In the aforementioned league with 20 teams and a 3-1-0 point system, the formula would look like this for the two best teams in the league:

$$LCP_1 \ = \ \big(38 - 2\,(1-1)\big)3 = 114$$
$$LCP_2 \ = \ \big(38 - 2\,(2-1)\big)3 = 108$$

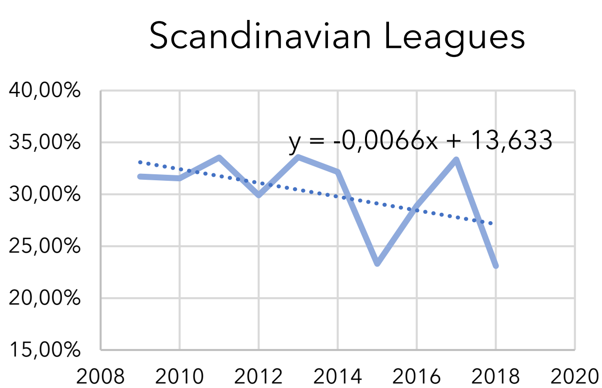
Furthermore, AP_i represents the actual amount of points achieved by each time in the league. By forming $LCP_i - \ AP_i$ and squaring to remove negative differences and then summing up, we are able to generate a number which represents the total deviation between an "idealized" uncompetitive league and the actual league point scores. If this number is divided by another number, which is also formed by similar squares but where the AP_i is substituted by the *MCP*, it should produce a figure between 0% and 100% measuring uncertainty of outcome (Haugen & Heen, 2018). Mathematically, the formula for UO can be expressed as:

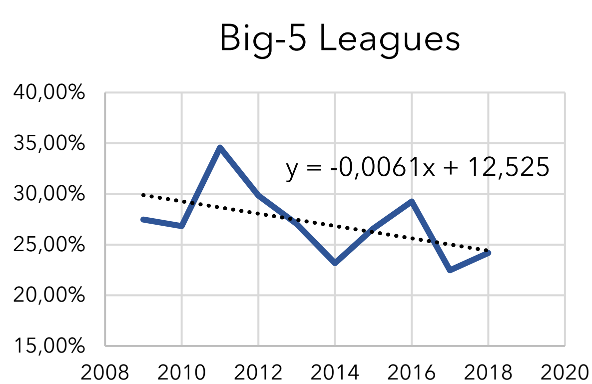
$$\rho_L = \frac{\sum_{i=1}(LCP_i - \ AP_i)^2}{\sum_{i=1}(LCP_i - \ MCP)^2}$$

The final result from the calculations can be interpreted by a higher number indicating higher competitiveness. For instance, a score of 100% would mean a league in which all teams accumulate the same amount of points. When giving an example of an extremely uncompetitive league, the authors use the Norwegian female handball season from 2001/2002. Here, the top team had not lost a match for decades and during this season they would go on to win every single one of the matches they played. By using the UO-measuring tool above, the ρ_L for this specific season equals approximately 8.7%. A lot of literature and empirical analyses the last years have focused on the increasing imbalance in European football. Still, even the lowest ρ_L observed in the Premier League is over twice as high as the value from the 2001/2002 season in Norwegian female handball (Haugen & Heen, 2018).

In order to get an impression of the developments in competitive balance in our focus countries, we decided to utilize the UO-measuring tool and conduct analyses of UO in the three Scandinavian leagues as well as the Big-5 leagues over the last 10 seasons, from 2009 until 2018. The results from the respective leagues can be seen in Appendix 2. Despite a certain degree of volatility, with results occasionally varying significantly from season to season, the trend lines show downward sloping tendencies in all leagues with the exception of the Bundesliga. The strongest signs of an increasing fall in UO were evident in La Liga and Serie A, and even Allsvenskan showed indications of deteriorating UO. This would potentially confirm BK Häcken CEO Sonny Karlsson's impression that the Swedish league is becoming more and more similar to the European elite leagues in terms of increased dominance for the biggest and richest clubs.

Since the main point of departure for this study is the comparison between the Scandinavian top leagues and the biggest leagues in Europe, we wanted to combine the previous results and conduct analyses on the evolution of UO in both Scandinavia and the Big-5 leagues in general, in order to judge whether or not there are similar trends across all of Europe. Here, we used the UO scores from all leagues to calculate respective Scandinavian and Big-5 averages for each season. The results are presented graphically below, and clearly show similar tendencies in the two league segments. There are downward sloping tendencies in both Scandinavia and the Big-5, and as the trendline also states, they have in total been decreasing at close to identical pace over the past 10 seasons.





Source: Own figures and statistical analyses - see Appendix 3 for details

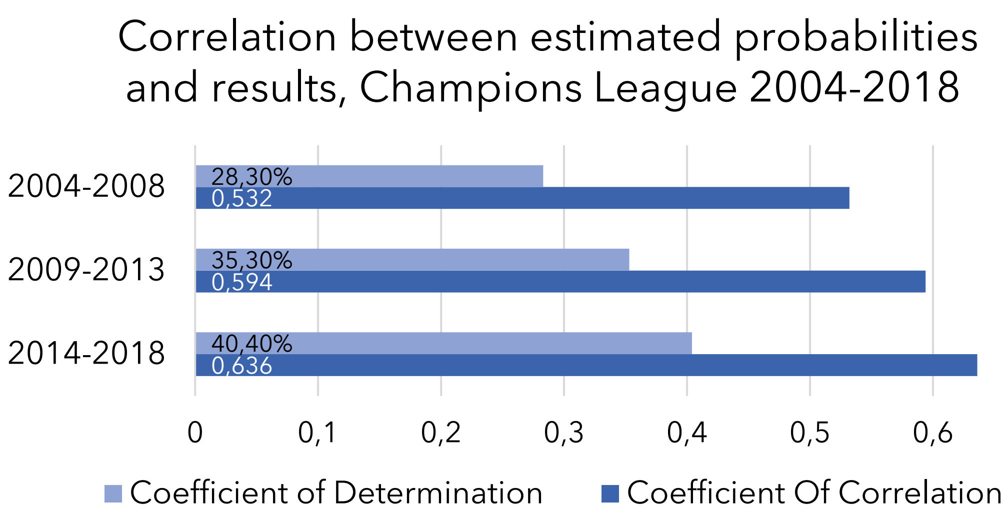
If the competitive level of Norwegian female handball is an example of extreme unbalanced competition, then it is interesting to look at when the Scandinavian and the Big-5 leagues, following the same trend and given everything else equal, will reach the same competitive level. Indications can be found by using the estimated regression lines from the figures above.

Scandinavia: $-0.0066 * x + 13.633 = 0.087 \rightarrow x \approx 2052$

Big-5: $-0.0061 * x + 12.525 = 0.087 \rightarrow x \approx 2039$

In other words, despite the similar downward sloping tendencies, the Big-5 leagues are expected to reach a competitive level similar to the extremely unbalanced Norwegian female handball before the Scandinavian leagues. It is important to note that Haugen and Heen's UO-measuring tool by no means is as exact calculation of the competitive level in different sport leagues, nor are the estimations with the regression lines above a perfect forecast for future competitiveness. However, we are left with a clear impression of decreasing UO across European top leagues at different levels. In addition to this, it appears reasonable to conclude that the Scandinavian leagues in general are more uncertain and competitive than the Big-5.

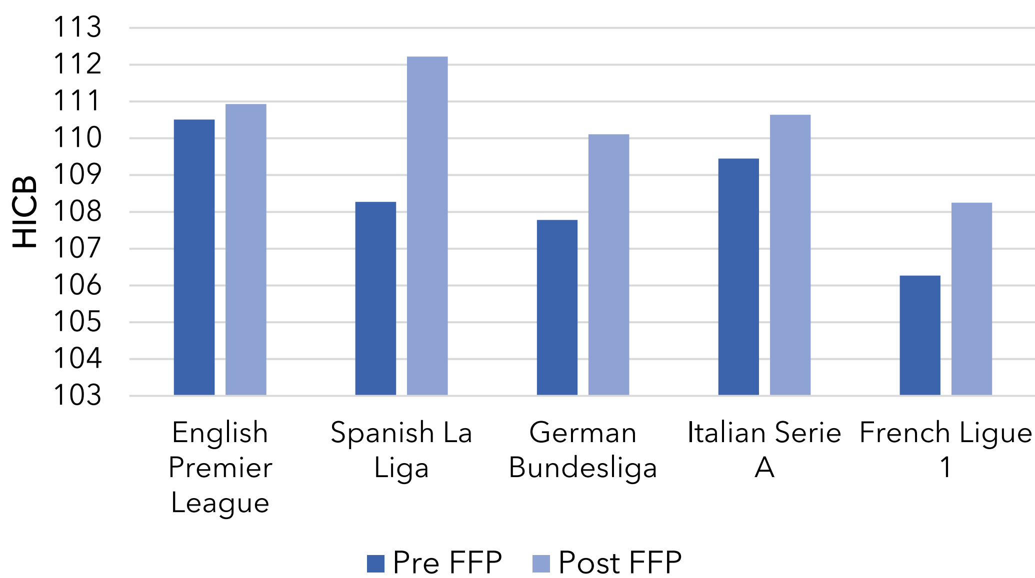
Moreover, CIES Football Observatory conducted analyses on the unpredictability of matches in the Champions League over 15 seasons which were grouped into three blocks of five. The results, as shown below through changes in the coefficients of correlation and determination between probabilities and results, indicate strong increases in predictability of outcome in Champions League matches. In addition to this, an analysis was conducted on how often teams who are clear favorites – i.e. with a minimum 60% chance of victory – would go on to win the matches they played. The findings showed that the big favorites won as many as 81.4% of home matches between 2014 and 2018, an increase of 5.3% compared to 2004-2008. Furthermore, an increase of 12.1% for the same time periods was found regarding matches away from home, where the big favorites were observed to have won 74.6% of their away games between 2014 and 2018 (CIES, 2019a).



Source: Own figure inspired by CIES (2019a)

5.5.4 Developments in the Various Competitive Measurements

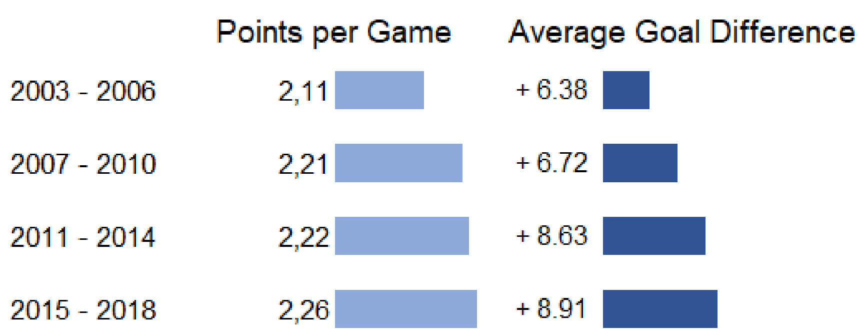
Plumley et al. (2018) have conducted several analyses regarding changes in competitive balance in Europe's top five leagues, where the six seasons following FFP's introduction in 2011 are compared to the preceding six seasons. The authors have utilized the Herfindahl Index of Competitive Balance in order to measure within-season competitive balance. The results show increases in the title gap in all five leagues, indicating an increase in points difference between the title-winning team compared to the teams finishing in second, third and fourth place. Plumley et al. (2018) conclude their analysis by stating that all the Big-5 leagues have shown decline in competitive balance in the six seasons following FFP's implementation.



Source: Plumley et al. (2018)

CIES has also conducted analyses regarding competitive balance in European football, and their report from December 2018 titled "Competitive balance: a spatio-temporal comparison" (2018a) studies 24 European competitions over ten seasons from 2008/09 to 2017/18. The most important indicator they found was the development in what percentage of total points the champions in the 22 domestic top-division leagues had obtained. In 2009, the champions in the respective leagues collected on average 71.2% of possible points, a number which had increased to 76.0% in 2018. These increases were even more extreme when looking exclusively at champions from the Big-5 leagues, which showed a points percentage of 83.3% in 2018 compared to 73.4% in 2009. Similar developments were evident in the average proportion of points obtained for the top three ranked teams, with an increase from 66.6% to 68.6% and 68.9% to 72.9% in the 22 top-division leagues and the Big-5 leagues respectively.

The CIES report on the evolution of competitive balance in the UEFA Champions League between 2003 and 2018 (2019a) focuses on points distribution, goal difference and unpredictability of matches. The report segments four different time periods, 2003-2006, 2007-2010, 2011-2014 and 2015-2018. As the figure below shows, there has been an evident trend in the team at the top of its group accumulating more points per game for each time period, as well as increasing its average goal difference. Simultaneously, the points per game and goal difference of the team at the bottom of the group has continuously decreased, painting a picture of a more predictable Champions League group stage with fewer teams expected to be able to qualify to the knockout stages of the competition (CIES, 2019a).



Source: Own figure inspired by CIES (2019a)

We decided to conduct similar analyses of the Scandinavian leagues in order to see if there were similar trends. As the CIES Report looked at teams at the top of the Champions League groups between 2013 and 2018, we used the league winners of the respective leagues in the same time period. Due to all three leagues changing in size and therefore the amount of games played every season varying throughout the time interval, we have calculated the average goal difference per game, as opposed to simply looking at average goal difference. Also important to note is that Denmark changed its league structure in 2016, and in the two seasons following the change we have looked exclusively at the first part of the season where all teams play each other, and have not included the final stages where the league is divided in two. This we have done in order to make the analysis similar to the other leagues that have been analyzed, and the results can be seen in the figure on the next page.

	Points per Game			Average Goal Difference per Game		
	Eliteserien	Allsvenskan	Superligaen	Eliteserien	Allsvenskan	Superligaen
2003 - 2006	2.00	2.05	2.05	0.90	1.11	0.92
2007 - 2010	2.18	2.07	2.19	1.12	0.95	1.05
2011 - 2014	2.12	2.06	2.09	0.95	0.84	0.96
2015 - 2018	2.19	2.19	2.27	1.25	1.09	1.26

Source: Own figures and statistical analyses - see Appendix 4 for details

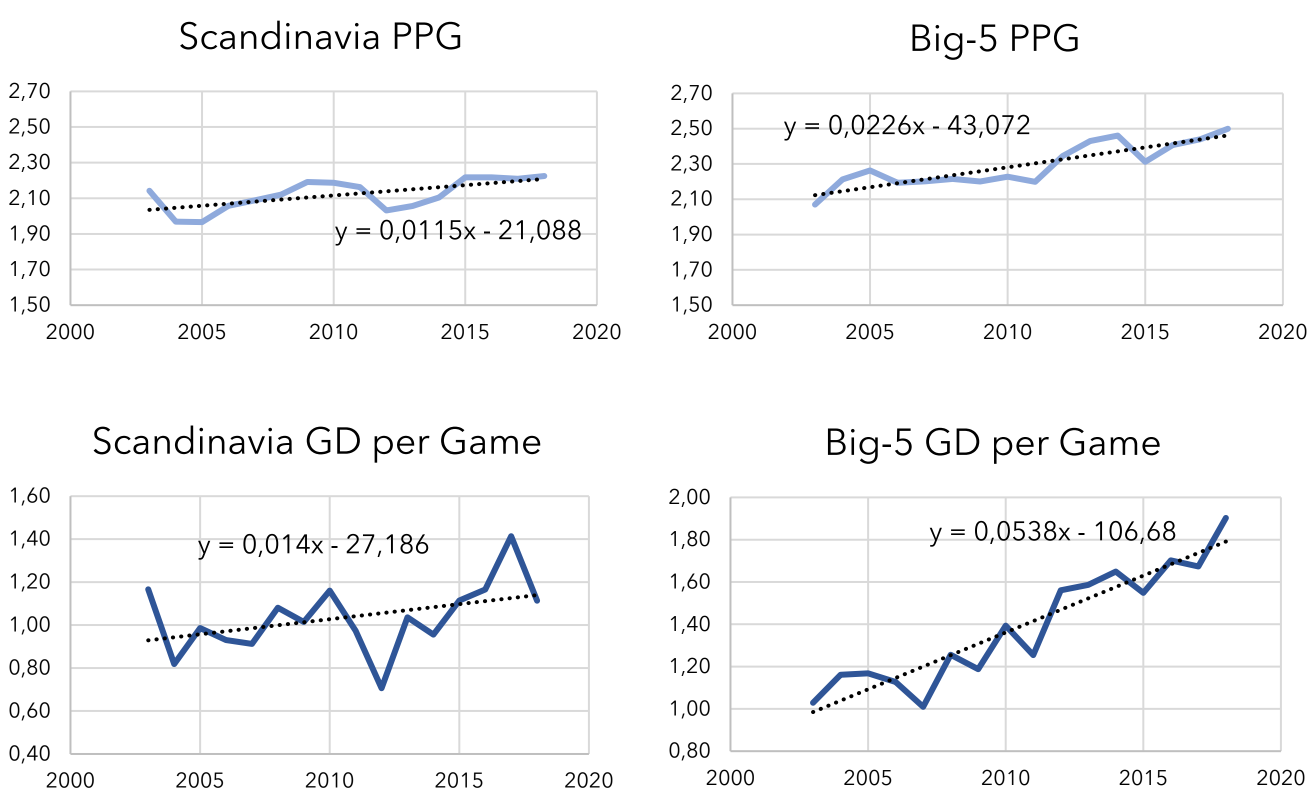
The obvious takeaway when studying the numbers is that there is an evident increase in all three leagues regarding the points per game accumulated by the league winner each year. The growth has not been linear, and there have even been small drops in certain time periods. However, Eliteserien, Allsvenskan and Superligaen all show significant increases in the most recent period, both compared to the first period analyzed as well as to the preceding period. Changes in points per game in 2015-2018 compared to 2003-2006 show increases of 9.58%, 7.01% and 10.47% respectively. Developments in average goal difference per game has been a bit more volatile – however, Eliteserien and Superligaen show increases of 38.3% and 37.86% compared to the first period respectively, whilst Allsvenskan has experienced a slight decrease.

	Points per Game					Average Goal Difference per Game				
	Premier League	La Liga	Serie A	Ligue 1	Bundesliga	Premier League	La Liga	Serie A	Ligue 1	Bundesliga
2003-2006	2.36	2.11	2.20	2.04	2.21	1.28	1.16	1.07	0.89	1.2
2007-2010	2.32	2.28	2.27	2.09	2.10	1.51	1.43	1.11	0.90	1.11
2011-2014	2.26	2.54	2.34	2.17	2.48	1.40	1.90	1.28	1.14	1.85
2015-2018	2.38	2.44	2.39	2.41	2.45	1.34	2.02	1.41	1.88	1.88

Source: Own figures and statistical analyses - see Appendix 5 for details

By applying the same method for the Big-5 leagues, we can observe similar trends as in the Champions League and Scandinavia. The numbers indicate an increased dominance for the league winners across all five leagues in the most recent period compared to the starting point for the analysis, with the most significant rises coming in La Liga (15.58%) and Ligue 1 (18.39%). The points per game of the Premier League (EPL) winners has consistently been very high, and we are also able to conclude that the points per game of the league winners are higher in the Big-5 than in the Scandinavian leagues. The most significant changes have been in terms of the league winners' average goal difference per game, with increases of 5.15% (EPL), 73.45% (La Liga), 31.95% (Serie A), 109.56% (Ligue 1) and 57.06% (Bundesliga).

Given the relative similarities in the points per game (PPG) of the Scandinavian clubs as well as across the Big-5 leagues, we wish to conduct a comparative analysis on the trends of these two segments and see if there are similar tendencies in the competitive developments of the commercially immature leagues as in the mature ones. We compare the two by calculating average PPG and average goal difference (GD) per game in Scandinavia and the Big-5 for each year since 2003 respectively and plot the developments in graphs. In order to identify which direction the changes have gone and at what pace, we added trendlines that quantify the respective changes. The results are presented in the figures below and indicate upward sloping tendencies in PPG and GD per game in both Scandinavia and the Big-5. The PPG growth is much more intense in the Big-5 leagues however, with an inclination of 0.0226, which is approximately twice as high as in the Scandinavian leagues. The relative differences are even bigger regarding GD, where the Big-5 figure is almost five times as high as the Scandinavian one.



Source: Own figures and statistical analyses - see Appendix 6 for details

5.6 Financial Disparities in the European Football Landscape

Closely linked to the trend of competitive imbalance, is the development in financial differences between the elite (commercially mature) and non-elite (immature) clubs. In this section we present empirical findings from the financial landscape in Europe, which indicate that the financial distance between the elite and non-elite clubs has widened both in terms of broadcasting money and transfer market activities. Lastly, we compare financial accounting practices between the two categories of clubs.

5.6.1 Economic Growth Imbalance

UEFA's (2019b) Benchmarking Report, analyzing the Financial Year 2017, presents a number of developments regarding the financial health of European football. Perhaps the most significant figure highlighted is the underlying health of European football, where the 700 top-division clubs for the first time in history generated an accumulated bottom-line profit. This is an important ascertainment for UEFA, as they view it as a confirmation of FFP's success with UEFA President Ceferin stating that "this clearly demonstrates that Financial Fair Play works" (UEFA, 2018d). The Benchmarking Report states that whilst the health of European club football has experienced dramatic improvement since 2012, there is a general consensus that the financial situation across Europe and beyond will experience considerable changes over the next ten years, demanding clubs, leagues and other organizations to adapt their strategies and business models.

There was skepticism towards FFP already before its implementation. With the break-even requirement and by not allowing for external financing, the sentiment was that the wealthiest and most successful clubs at the time would continue to be the best, and without strong revenue-sharing mechanisms in place they would continue to earn a disproportionately large share of the income in football (Lee & Fort, 2012). UEFA distributes money from participation in European competitions at a pro-rata basis dependent on performance in the competition as well as respective national broadcasting deals. In 2014, as much as half of all Champions League money had been distributed to just ten clubs over the preceding decade (Szymanski, 2014). Money from Champions League participation has increased significantly over the preceding decade, but UEFA has also ensured that participation and performance in the Europa League has become more attractive financially. According to Roar Munkvold, RBK received more from participation in the Europa

League in 2018 than they did from the Champions League in 2007. In both instances, RBK qualified for the group stages.

Thanks to increases in commercialization and broadcasting income there is strong revenue growth across the European leagues. Large clubs' main sources of income come from the economic exploitation of sports events, their brands and the first team image, the most significant of these include licensing of television and media rights, sponsorship, the selling of advertising space and licensing and merchandising activities (Juventus AR 2018). However, the smaller leagues are not growing at the pace of the elite leagues and the smaller clubs are definitely not growing at the pace of Europe's biggest clubs. Since 2008, the 12 most "global" clubs in Europe have more than tripled commercial and sponsorship revenues amounting to a total of €1.6bn between them. In comparison, the remaining 700 top-division clubs have generated less than €1bn in total (UEFA, 2019b). Hence, the absolute revenue gaps are continuously increasing despite strong revenue growth overall. Over the last ten years, top-division revenues have increased by 77%. The English Premier League holds the overwhelmingly largest share of all top-division revenues, having increased from 22% to 27% over the last ten years. This increase has to a large extent been at the expense of the leagues outside the top 10, whose share has fallen from 18% to 12% (UEFA, 2019b).

The importance of participation in UEFA competitions is showcased in the revenue growth developments across the European leagues. MFF's Carlnén believed it was a necessity for Sweden to have at least two teams in the group stages in UEFA competitions every year, as this is where the money is generated and the coefficients are accumulated. Denmark showed an aggregate revenue decrease in 2017 of €23m, representing an average percentage decrease of 24% per club (UEFA, 2019b). According to the Benchmarking Report, this specific decline can be attributed to one club missing out on qualification for the Champions League group stage. The 12 clubs with the highest UEFA revenues in 2017 all reached the knockout stages, showing the increasing financial importance of being able to perform at the highest European level. Five clubs participating even reported higher revenues from UEFA than from their respective domestic TV-deals (UEFA, 2019b).

Rising financial disparities are not only noticeable between Europe's biggest clubs and the rest, but there are even signs of decreasing balance regarding financial means within the Scandinavian leagues. When asked about competitive balance and unpredictability in the Swedish league, BK Häcken's Sporting Director Sonny Karlsson told us that he believed monetary differences had been possible to overcome previously, but that the current developments in Swedish football pointed towards the biggest clubs getting even richer and that Allsvenskan eventually would reach a competitive situation similar to the Big-5 leagues. Karlsson's prediction seems to be somewhat backed by empirical evidence, as the analysis earlier clearly showed decreasing UO and more dominance at the top of the Swedish league. Despite Karlsson's concerns, figures from UEFA (2019b) state that the three Nordic leagues have the most even spread of wages in Europe, indicating lower predictability regarding which teams from the respective domestic leagues would be able to qualify for the two UEFA club competitions.

5.6.2 Transfer Market and Player Wages

One of the areas where the increasing financial discrepancies is most visible is the transfer market, where an increase in the concentration of global transfer spending has been noticeable. A CIES (2016) report detailing developments in transfer fees in European football exhibits how expenditure is becoming increasingly concentrated. Since 2008, the percentage share of transfer spending of the European leagues outside of the Big-5 has halved, whilst the Big-5 leagues currently are responsible for 75% of total global spending. The fact that the richest clubs are in the biggest leagues is logical – however, figures show that the overwhelming majority of teams that receive the most money from player transfers also are a part of a closed circle of financially dominant clubs (CIES, 2016). In fact, only two clubs among the 20 clubs benefiting most from player transfers to the Big-5 leagues, Benfica and Porto, are from leagues outside of the Big-5. It would appear that clubs are willing to pay more for players that already have proven themselves in one of the Big-5 leagues, and figures from 2018 show that 69.9% of all money invested in transfer fees by Big-5 clubs stayed within these five leagues – a 3.3% increase compared to the seasons 2010-2018 (CIES, 2018b). On the other hand, clubs outside the Big-5 were recipients of only 16.2% of transfer fees invested by Big-5 clubs in 2018, compared to 18.1% 2010-2018, signaling a clear trend towards the Big-5 leagues isolating themselves more and more from the other UEFA associations (CIES, 2018b).

Rising Inflation?

In the landscape of professional football, there is a limited number of quality players due to two main reasons. Firstly, clubs cannot produce new players in the same way that conventional companies produce goods. Secondly, the best clubs cannot overload their squads with players because there are restrictions related to the number of squad members. As short-term success becomes more important, the elite clubs become eager to acquire the best players to their squads. Accordingly, the theory of *demand-pull inflation* claims that in occasions where there is excess demand, and too much money is chasing too few goods, companies will increase their prices. An analysis conducted by CIES (2017) emphasized the inflation of transfer fees related to player registrations from the Big-5 leagues, by comparing estimated values and actual fees paid during the summer transfer window in 2017. The estimated values were calculated by an algorithm and the findings presented significant gaps between the fair and actual values, which reflects an accelerating inflation taking place in the transfer market in recent years.

Greatest gaps between fees transfer fees paid and estimates

	ESTIMATED	PAID	GAP
1. Kylian Mbappé Monaco (FRA) → PSG (FRA)	€ 92.6	€ 180.0	€ + 87.4
2. Ousmane Dembélé Dortmund (GER) → FC Bareclona (ESP)	€ 95.8	€ 147.0	€ + 51.2
3. Benjamin Mendy Monaco (FRA) → Man City (ENG)	€ 28.5	€ 57.5	€ + 29.0
4. Jordan Pickford Sunderland (ENG) → Everton (ENG)	€ 6.8	€ 34.3	€ + 27.5
5. Gylfi Sigurdsson Swansea City (ENG) → Everton (ENG)	€ 24.1	€ 49.3	€ + 25.2
6. Mamadou Sakho Liverpool (ENG) → Crystal Palace (ENG)	€ 5.3	€ 28.2	€ + 22.9
7. Patrick Schick Sampdoria (ITA) → Roma (ITA)	€ 21.0	€ 42.0	€ + 21.0
8. Nemanja Matic Chelsea (ENG → Man United (ENG)	€ 30.0	€ 50.3	€ + 20.1

Source: CIES (2017)

Obviously, FFP has prevented this effect to skyrocket as it restrains the big clubs' ability to receive external funds above fair values and €30 million. Without the introduction of FFP, situations of financial doping and overwhelming bidding rounds for the best players would be plausible. On another hand, FFP has contributed to making the competition for the best players unfair because the market has become more concentrated.

5.6.3 Financial Accounting

	Malmö FF	Rosenborg BK	Brøndby IF
Budgets are based on:	• Realistic outcomes • Expected gains from player sales • Sporting success based on historical averages	• Realistic outcomes • Expected gains from player sales • Sporting success based on historical averages	• Realistic outcomes • Expected gains from player sales • Sporting success based on historical averages
Methods of accounting in player registrations and deregistrations:	• Capitalization and amortization	• Capitalization and amortization	• Capitalization and amortization
Taxable:	• No	• No	• No

Source: Own figure based in semi-structural in-depth interviews

Budgeting in Football Clubs

Financial budgeting in football has an additional element compared to conventional budgeting practices, as significant parts of clubs' income is reliant on contingent matters that sometimes are out of their control. A big part of a European football club's revenue comes from qualifying for UEFA's club tournaments, but the road to get there can often rely on extremely small margins – such as a missed penalty in injury time or a mistake by the referee. Therefore, the abovementioned clubs cannot risk budgeting with unreasonable sporting success, because it would implicate their cost-structure. Still, the clubs report that they budget with some sporting success by applying historical averages related to league positions and gains from player sales. Carlnén also adds that the seasonal structure of the Swedish and Norwegian league, starting in the spring and ending in the autumn, provides a budget advantage, because potential qualification matches for European tournaments are known before the budgets are completed at the end of the year.

Accounting Principles: Player Registrations and Disposals

As mentioned in the literature, UEFA allows two distinctive methods of accounting for player acquisition and sales: income and expense, or capitalization and amortization. Our findings indicate a practical consensus for the latter, as the easiest way of accounting for football players' registrations is like fixed assets. The acquired player's registration right is activated and written off over the contract period by amortizing the transfer fee over length of the contract. If the player is sold before the contract expires, the gain amount to the sales price minus the book value of the player. In other words, it is compatible with standard accounting principles and a reasonable way of dealing with player registrations.

Nevertheless, the implementation of FFP has caused a debate concerning the risk of creative accounting in a field where principles are utilized instead of rules. Consequently, the elite clubs have been accused of exploiting the system through accounting loopholes. Morrow's interviews with auditors and clubs in the ICAS report about accounting practices after the implementation of FFP (2014) emphasize such risks. There are probably several ways of adjusting the accounts, and as we skimmed through the elite clubs' financial statements, we found an interesting post called: "disposal of tangible assets" where gains and losses from player sales were accounted for. The exact interpretation from the elite clubs of this accounting method will be scrutinized later on in the discussion part.

Accounting Principles: Fair Value in Related Party Transactions

Another supplement to the debate concerning loopholes in financial accounting in relation to FFP is the concept of fair value in related party transactions. Specifically, the concept has generated worry since such sums are open for interpretation - hence it can be exploited legally by competent advisors and auditors afforded by the top clubs. For instance, PSG and Man City have both been under thorough investigations due to suspicious sponsor contracts, where some of the deals were found to be valued as much as 30-40 times higher than the "fair value" (Der Spiegel, 2018e). These concerns are also reflected in our findings, which emphasize the fear of the elite clubs pushing the envelope in this regard.

"Ultimately if you wanted to [find] a way round the numbers, the only obvious way of doing it would be around related party transactions. So, you then come back to - well, the numbers are what the numbers are, what are UEFA going to do about it?"(Auditor, ICAS Report 2014, p. 45)

"This is a potential nightmare, what is fair value? Value can change very quickly, certainly in football; the transfer market shows us that all the time."(English Club, ICAS Report 2014, p. 45)

"If we say that our stadium is worth 10 million, and someone also offers 100 million for it, the price disharmonizes with the reasonable valuation. That is a violation of FFP."(CEO, MFF)

"You have some European clubs receiving billions from Middle Eastern owners wrapped in a sponsorship, which was not at all at fair value." (CEO, BIF)

"I think they (Molde FK) are good at concealing owner donations into a format that makes it virtually legal, by presenting it in the form of a partner agreement. They use some loopholes. Man City, Chelsea and PSG, who receive a bulk of their income through one instance, be it a country or a company. Such things harm the equilibrium." (CFO, RBK)

Tax Disparities

MFF	RBK	BIF	Man Utd	Man City	PSG	Bayern Munich	Juventus
0%	0%	0%	20% *	22% *	28%	36%	24%

*Effective corporate tax rates based on an average from the countries they are taxable to.
Source: Own figure based in semi-structural in-depth interviews and clubs' financial statements (2018)

An additional perspective reflecting the difference between Scandinavian clubs and the elite in the financial sphere is the corporate tax. Neither Norwegian nor Swedish clubs are effectively taxable due to them being defined as non-profit associations by the authorities (Carlnén and Alstad, 2019). BIF is publicly listed, which according to Danish tax authorities implies a 22% tax rate on earnings. Despite that, the club fulfill the requirements for being socially charitable and beneficial, which put them in the same category as MFF and RBK (Skat.dk, 2019). Compared to the two other clubs, BIF also has an advantage related to player acquisitions because of the "expert tax rule" which entitles foreigners or Danes who have not been taxable in Denmark for 10 years to a reduced income tax for a period of five years (BIF Prospectus, 2016).

As illustrated in the table above, elite clubs from the top five leagues are not offered the same tax luxury as the Scandinavians. Many of them operate in a number of countries as an element of their global and commercial strategies - hence they are simultaneously exposed to different tax authorities. For instance, Man United is listed on the New York Stock Exchange, their sporting operations are pursued in England, and they have corporate offices in Asia (Man United AR, 2018).

5.7 Inter-functional Relationships in the Scandinavian Clubs

When experiencing the inside of Scandinavian football clubs, we learnt about two potentially contradictory functions. One of the most fascinating aspects of this study relates to the underlying motives of a football club besides sport performance. In what other industries are the relationship between finance and strategic management as harmonious? Moreover, the balance of being a winning machine at the same time as a societal figurehead is another perspective to consider, and which makes football such an extraordinary industry. Despite the fact that most companies of certain sizes are invested in social activities; football clubs seem to be noticeably emotionally invested in its surroundings. This seems to be particularly momentous for the Scandinavian domain. Below are key excerptions from the Scandinavian clubs' opinions on these matters.

	Malmö FF	Rosenborg BK	Brøndby IF
Executives are measured by:	• Primarily pitch performance • Secondly we find initiatives in other channels	• Pitch performance • How well they work as a support function to the first team	• Both financial and sporting performance
Social Responsibility vs. Sport Performance	• No conflict at all • Both reinforce Malmö as a football club • Success on the pitch facilitates success in the region	• No conflict - smooth balance • RBK's organizational values are tailored to the region's values • The football club and the social actor are the same and are associated with the same things	• No conflict • More fans equals better social work • Extremely reliant on sponsors and people in the area
Financial Performance vs. Sport Performance	• No significant conflict since finance works as a support function for sport performance • Sport performance is more important	• Financial stability and sport performance are equally important • Finance supports the first team performance	• No conflict • Spectators also want the club to perform financially due to the club's recent history

Source: Own figure based in semi-structural in-depth interviews

5.7.1 Sport Performance versus Social Responsibility

The cultural analysis highlights that Scandinavian clubs are extremely connected to society. Therefore, we wanted to uncover how big a challenge it is for a Scandinavian football club to harmonize their social responsibility and the ambition of being a winning machine on the football pitch. The findings illustrate a trend in how commercially immature football clubs adjust their business models and geographical scope to be a strategic fit. In fact, all the clubs we spoke to claimed that social performance strengthens sport performance - and vice versa. Helping people in getting a job if they have fallen out of society not only creates stronger fan affiliation, but also demonstrates values and a culture that the local society associates with themselves. BIF's Jørgensen even says that they want to play a type of football that aligns with the ideals and the hardworking style of their supporters.

"When we are successful on the football field, we become trustworthy outside of the field." (CEO, MFF)

"We are more than a football club - therefore we need to take responsibility." (CEO, BIF)

However, being the region's unifying figure can also be a challenging proposition. Munkvold in RBK said that the club is criticized whenever they are not present, even in the smallest social settings. Such negative publicity can potentially hurt the whole organization and impede the sporting performance. Thus, it could be argued that social performance and sport performance fluctuates together in both good and bad times. Nevertheless, there is consensus both outside and inside these Scandinavian clubs when it comes to taking their social responsibility seriously. In comparison, corporations' focus on social responsibility is met with both praise and skepticism. While corporations do important work for the environment and gain reputational advantages, there are those who claim that a corporation's purpose should solely be to create value for the shareholders. Milton Friedman (1970) criticized CSR by calling it a type of greenwashing, and famously said "the business of business is business." As the elite clubs could be considered business entities, one could ask if the development is socially sustainable. The elite clubs' enormous growth and geographical scope have made them pursue a global strategy as opposed to the Scandinavian clubs. Still, it is difficult to propose that the elite clubs have forgotten their societal mission. By looking at the elite clubs' social medias, you find certain initiatives where the players are visiting hospitals amongst other initiatives (Man United, 2019). Again, indications point to the fact that Scandinavian clubs are more reliant on the society compared to elite clubs because they lack the global brand equity possessed by the latter.

5.7.2 Sport Performance versus Financial Performance

As mentioned earlier, a football club is extremely dependent on both financial and sporting performance, which indicates that the two tasks are tightly connected. Our findings indicate that sport performance is at the top of mind in the Scandinavian market, as there are no financial motives associated with their existence except for operating sustainably and generating enough money to compete. The consensus tells a story where the economic part of the clubs purely serves as a support function to optimize the first team performance on the pitch. This is mirrored in managerial schemes for other departments of the organization as well - if the club manages to win a trophy, the whole organization will benefit from it. Thus, one could argue that the sporting side holds the significant power in a football club.

All three clubs confirm that financial sustainability has been more important after the introduction of FFP. However, it has not always been this way. Jørgensen told us that BIF where close to bankruptcy in 2013 but managed to turn it around in the last minute. Another example of financial instability is RBK's pockets being nearly empty in 2010, despite obtaining enormous revenues after qualifying for Champions League 11 years in a row.

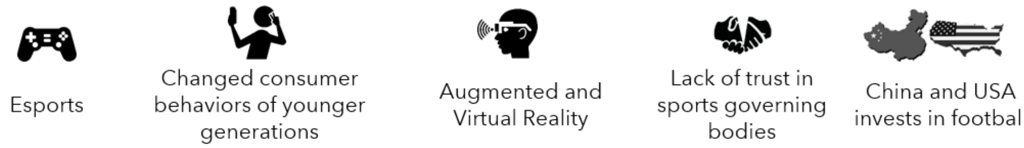
"If, 10 years ago, a priority order was to be established regarding what is important for the club, it would have been sports, sports, sports, and then finance a bit further down on the list. Now finance and sports are relatively equally weighted. For instance, we experience far more productive discussions around financial tradeoffs now compared to 10 years ago. At that time we could say "yes let's go for it, we will buy that player", despite the fact that we didn't even have the money! There has definitely been an awakening." (CFO, RBK)

Despite the answers we got, one could still discuss the possibility that the relationship between sport and economy represents a conflict because of their contradictory purpose. Particularly, the question is whether FFP has enhanced or eased such a conflict. In relation to Walton & Dutton's theory of inter-functional conflicts (1969), a key precondition is the two segments having a multi-task dependence. This dependence is quite evident, because both the sport and finance segments depend strongly on each other when it comes to performance. A conflict exists if there are task-related asymmetries in terms of power differences creating inefficiencies. As the core competence of a football club is related to sporting performance, it is natural that the football segment has a higher social ranking both inside and outside of the organization. Still, the theory claims that a conflict is evident if the relatively powerless entity is unable to control events that go against their favor. To some extent, the sporting segment holds the power to require better players and staff for performance improvements, but the financial side of the business must still must remain control so that the club does not go bankrupt. Nevertheless, if the sporting performance is far from satisfactory and the club is facing relegation, the executives might prioritize investments in the sporting segment. Here, FFP could be argued to have offered a peacemaking hand, because the sporting director gets a better understanding of the financial manager's restrictions. On the other hand, it may also have intensified the sporting director's frustration of not receiving sufficient funds to improve the sport performance as he did before.

Furthermore, differences in performance criteria and rewards may imply discrepancies. Our findings clearly pointed out that a Scandinavian football club is measured by the team performance, and all departments act as supporting functions in favor of the football division. Still, the underlying performance goals of sport and finance have opposing features. While the football performance is driven by short-term success, the responsibility of the financial performance is of a more long-term nature. FFP promotes football clubs to act in a financially sustainable way, and therefore one can argue that FFP has forced football clubs to align the interest of sport and finance, since the opportunity of quick fixes is removed.

Lastly, theory claims that organizational differences and dependence on common resources can be precursors to discrepancies. Naturally, there are organizational differences between the financial and football-specific business areas, but our interviews showed solid signs of united cultures with football performance promoting team spirit. Besides, the financial departments are not large enough in Scandinavian clubs for significant differences to be apparent. Furthermore, since the financial division controls the capital resources, there is no direct battle for funds. There could, however, be conflicts due to opposing views: The sport manager wants to maximize his utility by increasing investments in sport, whilst the CFO wants to restrain the splash of funds. Nevertheless, one cannot disregard the new reality under FFP where clubs are forced to squeeze more out of each penny, which means that the both the sporting director's and the CFO's hands are tied together to a greater extent than before. The fact that RBK's CFO performance evaluation is also dependent on the performances on the pitch, demonstrates how the relationship between finances and strategy is reasonably aligned.

5.8 Trends in the European Football Industry



Source: Own figure inspired by findings from PwC (2018) and Deloitte (2019)

The state of the football industry is changing at a higher speed than ever, where increased commercialization and digitization is shaping future threats. According to PwC’s Sport Survey (2018), eSports is predicted by sports leaders to have the highest growth potential in the future, potentially challenging physical football’s strong position. Additionally, an implementation of virtual reality technology into the football experience seems closer than ever and will bring the stadium atmosphere to anywhere the consumers prefer (Deloitte, 2019). Although digitization presents interesting opportunities for football, potential repercussions from the exponential growth might disrupt the clubs. For instance, there is a shift in consumer behaviors of young people rooted in new digitization habits and as many as 7/10 sport leaders highlight this phenomenon as a threat to the industry (PwC, 2018). Furthermore, the increased commercialization and business-focus in football has reached other continents, where the likes of China and the US have invested heavily in the professional club football domain. These investments have strengthened their leagues’ competitive advantages by luring good players from European leagues with enormous paychecks. Since they are not a part of Europe, UEFA does not have the power to impose financial restrictions on these clubs. The European elite clubs are trying to combat the threat from the superpower nations by expanding their global footprint through academies and offices in the US and Asia (Deloitte, 2019)

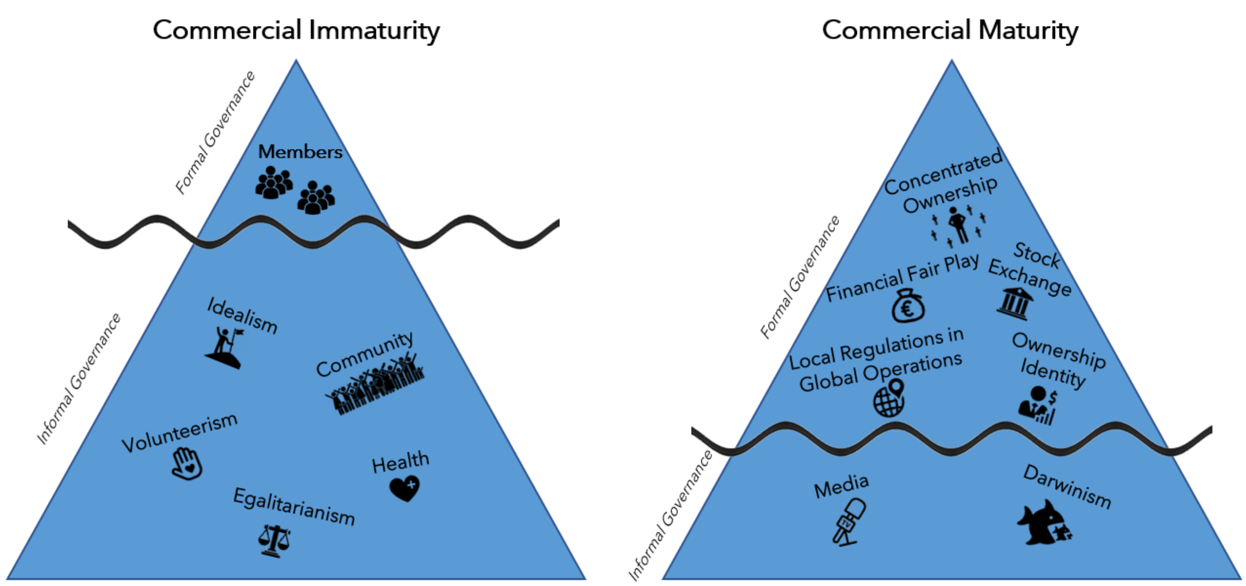
It is also worth noticing that 3/10 sport leaders perceive the lack of trust in sport governing bodies as a risk in the future (PwC, 2018), even though it is debatable to what extent it can be viewed as big concern for football leaders at large. Our Scandinavian interviewees all confirmed that they have put eSports into action through the FIFA video game by starting their own eSports teams, but they are not certain about its future impact and opportunities. In fact, 7/10 sport leaders admit to lacking an understanding of the business model, which is a reason for the uncertainty surrounding eSports. This segment has become evidently stronger for the elite clubs, who are utilizing it to increase sponsor engagements. Real Madrid, for instance, is implementing an eSports facility in their stadium renovation (Friend, 2018).

6. DISCUSSIONS

In this section, we reflect on the empirical discoveries and comparative analyses by discussing our findings in the light of our research questions. First, we review the importance of formal and informal governance in the two club categories. Next, we discuss the FFP-footprint on commercially mature and immature clubs respectively, before a taking a bigger perspective by considering FFP's strategic and financial implications on the European football club landscape in the short- and long run.

6.1 The Emphasis on Formal and Informal Governance Mechanisms

The analysis shed light on both similarities and variations in governance across the European football scene, but to what extent are these factors decisive in explaining differences between the clubs? The key takeaway from Thomsen & Conyon's pyramid (2012) is that informal governance mechanisms are below the "water", which means they are imperceptible compared to the formal instruments on the surface. Consequently, it can be applied to understand the various managerial determinants that affect commercially mature and immature football clubs respectively.



Source: Own figure inspired by Thomsen and Conyon (2012)

Governance theory predicts that differences in ownership structure and identity lead to contrasts in organizational missions and how operations are executed (Thomsen and Conyon, 2012). Our findings indicate that informal governance mechanisms are more pertinent in cases of commercial immaturity, whilst the impact of formal governance mechanisms seem more influential for how commercially mature clubs are managed. The various mechanisms above undoubtedly exist in both commercial states, but the pyramids demonstrate that their presence differ in terms of magnitude and scope. Throughout this study, we have categorized the Scandinavian clubs in our sample as commercially immature. The findings were comparable to previous research by Andersson & Carlsson (2009) and Tuastad (2019), with Scandinavian sport culture emphasizing a sport-for-all mentality and an egalitarian mindset through sporting associations. Fundamental elements from the social-democratic style of politics have epitomized how sports should be managed at both the top and bottom level, including the trust of a member-based ownership structure. These forces continue to control the directions of these clubs, despite commercial and disharmonizing pressures emerging.

Contrarily, the elite clubs find themselves in a state of commercial maturity where their stakeholder network is exceptionally bigger, indicating a more extensive structure of nodes (Borgatti & Halgin, 2011). Thus, greater emphasis on formal governance mechanisms exists on various levels. Firstly, as the elite clubs have operating offices in several markets across the world, adaption to various regulations is far more extensive compared to the non-elite. The publicly listed clubs, such as Man United and Juventus, are required to comply with regulations and procedures initiated by the stock exchange in which they are listed. Secondly, the power of large and wealthy owners is forceful for the direction the elite clubs are heading. Whether it is profit-generating or glory-seeking motives, it requires considerable and continuous investments in various domains to achieve them. One potential consequence is that elite club owners put great emphasis on the return on these investments, and they have the power to confront the head coach after a loss to explain what happened and how things need improve. A head coach in a Scandinavian club is only exposed to similar situations once or twice a year at the member meetings.

However, several informal mechanisms matter for the commercially mature clubs as well. Both the immense pressure from the media and the Darwinism in the elite club environment contribute to enhancing the pressure on short-term performance. Newspapers and broadcasting stations have the power to influence fans and sponsors by exposing the big clubs and putting them in a bad light if they lose or behave inappropriately. Furthermore, the Darwinist atmosphere encircling the best clubs enhances the pressure for both financial and sporting performance. Today, a top club does not have the opportunity to operate in a long-term manner, because competing clubs may manage to buy better players and hire better coaches in the meantime, increasing their relative sport performances and subsequently also revenues.

This thesis argues that there are number of reasons as to why Scandinavian and the Big-5 leagues are on opposite ends of the commercial maturity-scale, but that differences in governance mechanisms definitely have been a contributing factor. The Scandinavian authorities have promoted the football arena to be a socially beneficial place, stimulating togetherness, physical activity and youthful optimism. The democratic nature of membership-based ownerships, which are requirements in Norway and Sweden, also represent the exact opposite approach of profit-seeking or glory-hunting investors. Furthermore, the best football players are not Norwegian, Swedish or Danish, as these countries are relatively small and are dominated by a number of different winter- and summer sports. The market for football is generally extremely small compared to for instance England or Germany, where football is the main sport for 55.6 and 82.8 million inhabitants respectively.

The more you distance yourself from the original intention of football, where the purpose shifts from idealism and engagement to business and commercialism, the less important informal governance mechanisms appear to be. Instead, the necessity of formal governance mechanisms increases as football clubs become too complex and business-oriented. Thus, by investigating the underlying differences between the categories of clubs through a governance lens, regulations such as FFP appear to have a greater impact on the commercially mature clubs.

6.2 FFP’s Impact on Commercially Mature and Immature Clubs

The extent of the Financial Fair Play Regulations’ impact on European football continues to provoke debate. Opinions on the matter vary substantially – with some praising the idea of regulation whereas others claim it to have had an adverse effect on competitiveness. This section of the thesis will discuss what impact FFP has had on the competitive balance of commercially mature and commercially immature clubs respectively.

6.2.1 Commercially Mature Clubs

In Section 5.5 we undertook an investigation into the evolution of competitive balance and uncertainty of outcome in European football over the past seasons. We cited a report from Plumley et al. (2018), in which competitive balance in the Big-5 leagues before and after FFP's introduction in 2011 was analyzed by utilizing the Herfindahl Index of Competitive Balance. The results showed diminishing scores in all five leagues in the six seasons following FFP, indicating that all of Europe's biggest leagues had become less competitive and more predictable compared to before 2011. Similar trends were observed by applying Haugen and Heen's (2018) UO-measuring tool, where the trend line for all Big-5 leagues combined over the preceding 10 seasons showed a definite downward slope. What is important to recognize regarding the results from the various analyses, is that there has been a downward sloping trend in the English Premier League ever since the 1960s, as shown by Haugen & Heen (2018). In other words, it would seem reasonable to believe that the negative trends would have been observable regardless of FFP's introduction. Therefore, the question that should be asked is not whether or not FFP has caused a decrease in competitiveness in the Big-5 leagues, but rather how it has affected the already existing negative trends, and if the regulations are believed to contribute towards a more balanced European competition in the future.

In order to understand and discuss the concrete effects from FFP on commercially mature clubs and the Big-5 leagues, we must first understand exactly what challenges the regulations impose on the clubs participating in these leagues. In addition to this, we must look at the different ways in which clubs have responded to these challenges in order to understand how the regulations have affected the elite clubs strategically. The cornerstone of FFP is the break-even requirement, prohibiting clubs from making bottom-line losses above €5m over a three-year period. Given that the football clubs at the elite level historically never have struggled in generating high revenues, but rather tended to post significant bottom-line deficits, this requirement would prove to be a challenge for a number of clubs participating in UEFA competitions. One of the most extreme examples is Manchester City, a club that was purchased by The Abu Dhabi United Group (ADUG) in 2008. In the period between the acquisition of the club in 2008 and Man City winning its first ever Premier League trophy in 2012, ADUG invested £1.1bn into the club (Der Spiegel, 2018b). The club was investing so much money in order to become a European powerhouse, that the accounting years 2010/11 and 2011/12 showed operating losses of £197.49m and £97.86m respectively (Man City, 2012). The FFP regulations implemented in 2011 would therefore become a huge challenge for Man City and for a vast number of other clubs consistently reporting losses every year.

Since the biggest clubs with the greatest expenditures were accumulating the largest deficits, it would seem natural that FFP thus would harm these clubs the most as they would need to change their business strategies the most in order to comply with the break-even regulations. This would in turn create a more even playing field, as UEFA's intentions were to ensure more sustainable spending and to "improve the health of European club football" (UEFA, 2015). Despite the apparent positive intentions of the regulations, they were quickly met by skepticism as shown in Section 5.2. According to ICAS' (2014) Report on FFP, there were widespread concerns about the risks of creative accounting in order to avoid the regulations, and also that FFP would limit new investments into clubs. As one football club financial advisor noted:

"Any law that's passed, the clever solicitors and accountants will find a way to circumvent it. I think big spending clubs will have invested some professional money to make sure they can use and abuse it as far as legally possible." (ICAS Report 2014, p. 45)

This intent to look for possible ways around the regulations was confirmed by an anonymous representative from a top-division club, stating that:

"…because of their complexity, FFP will inevitably have loopholes which will be open to exploitation" (ICAS Report 2014, p. 45)

Der Spiegel has, thanks to the collaboration between EIC and Football Leaks, been able to publish a number of documents and emails revealing alleged systematic FFP circumvention from a number of top European clubs. The clubs that have been the primary focuses of the exposures are Man City and PSG. The revealed documents claim to amongst other things show how Man City resorted to a number of doubtful solutions, including backdating of sponsorship deals, inflated sponsorship deals subsidized by the club's Abu Dhabi owner and the establishing of a subsidiary that transfers the marketing rights of players to an external company in order to create additional revenue (Der Spiegel, 2018c). Both Man City and PSG were in fact charged with rules violations in 2014, but were able to negotiate settlements with UEFA that relieved them from the ultimate and probably justified punishment - exclusion from European competitions (Der Spiegel, 2018d).

Man City and PSG are not the only clubs that have been charged with FFP violation. Red Star Belgrade in 2014, and FK Vardar and Levski Sofia in 2018 were all found to not satisfy the overdue payables requirements (The Guardian, 2014; UEFA, 2018c). The difference compared to the two aforementioned super clubs is that the punishments received by Red Star, FK Vardar and Levski Sofia all involved exclusions from UEFA competitions. The FFP regulations stipulated that club deficits between 2011 and 2013 were not allowed to surpass €45m, yet investigators from UEFA and independent auditors found that Man City and PSG's deficits amounted to €188m and €218m respectively (Der Spiegel, 2018f). Despite not being fully aware of the extent of Man City's deceit at the time, Der Spiegel (2018c) claims that UEFA definitely knew that they were imposing a "ludicrously low penalty" on the club. Man City chairman Khaldoon Al-Mubarak said after the financial penalty was delivered that it simply felt like a tiny pinch and claimed that the club would continue pursuing its existing strategy (Der Spiegel, 2019). Furthermore, the Football Leaks revelations claim to confirm that the UEFA General Secretary in 2014, Gianni Infantino, intentionally circumvented the investigatory work of his employer by helping the clubs in avoiding sanctions through a settlement agreement.

This begs the question; why has UEFA enforced the regulations severely on the relatively smaller European clubs whilst showing leniency towards Man City and PSG? After all, if the intentions of Financial Fair Play were to improve the financial health of European football and ensure equal conditions for all clubs, then what signal does it send when you more or less ignore blatant and systematic methods of bypassing the very rules you are supposed to enforce? And what consequences will these actions have on the future competitiveness in European football? In order to discuss the question regarding UEFA's leniency towards the elite clubs, it is important to understand the power dynamics existing at the highest level of European football. As we recall from Section 5.5, competitive imbalances in both national and European competitions are rising. Which team will win the respective leagues every year is becoming more and more predictable as the distance between the bigger and smaller clubs continues to grow. Furthermore, as we saw with the evolution in PPG and goal difference in the Champions League group stages, even the

European club competitions are experiencing diminishing uncertainty of outcome. Theory presented earlier states that when results in sporting competitions become too predictable, then commercial and supporter interest will inevitably decrease in the long run. FC Barcelona President, Josep Maria Bartomeu, commented on the development of the Champions League by arguing that significant evolution in the coming 4-5 years is absolutely necessary (BBC, 2019). Recalling our interview with Roar Munkvold from RBK, he argued that the big clubs were trying to push out the smaller and commercially weaker clubs from the Champions League, using the imminent re-structuring of European club competitions as an example:

"The implementation of a third European tournament is meant to mitigate the decreasing uncertainty of outcome which has been evident in the current tournaments" (CFO, RBK)

Last November, Der Spiegel (2018a) published an article based on emails and documents accessed by Football Leaks, revealing high-level discussions over a number of years regarding the possible creation of a European Super League. A "Secret Society" consisting of Real Madrid, FC Bayern Munich and five other elite clubs had been created, and had worked systematically over a period of time in collaboration with consultants and lawyers to work out the potential structure of such a league, as well as identify possible financial penalties or other repercussions if a club decided to leave its domestic league for a private one. One of the main forces driving the discussions was evidently the increasing predictability of national and international competitions, creating the need for a greater and more spectacular show in order to secure the continuation of remarkable profit margins (Der Spiegel, 2018a). There is no guarantee that such a league ever will materialize, nevertheless, the contingent threat and ever-increasing power of the elite clubs appears to have created an extreme pressure on UEFA. These shifting power dynamics were particularly noticeable in 2016, when UEFA under the threat from a number of elite clubs in withdrawing completely, agreed a sensational deal with representatives from the Secret Society clubs. This new deal further solidified the position of Europe's top clubs, by guaranteeing them higher future revenues through a "tradition clause", which is based on their results from the preceding ten seasons of UEFA competitions (Der Spiegel, 2018a). Additionally, four representatives from the Secret Society would occupy director slots in a newly created joint company together with UEFA – thus gaining access to valuable knowledge on how an elite international football competition is run.

By synthesizing the various findings, we aim to reach an understanding of FFP's impact on commercially mature clubs in European football. At face value, one would believe that strict and transparent regulations restricting excessive spending and "financial doping" would benefit the relatively smaller clubs and the competitions as a whole. The reality, however, is argued by many to have been quite the contrary. Breuer and Forrest (2018) argue FFP to be of an anticompetitive nature, as the break-even requirement works as an asymmetric budget cap favoring the richest clubs who will continue to spend more than their competitors due to generating more relevant income. The break-even requirement prohibits the smaller clubs from using the outside investments they would need in order to close the gap, hence Vöpel (2011) and Sass (2016) have both predicted long-term negative consequences for the competitive balance of European football as a consequence of FFP. Since football is a zero-sum game, the success of the big clubs must come at the expense of others. According to Vöpel (2013), the FFP regulations make it impossible for the smaller clubs to catch up to the biggest clubs, which leads to a freezing of the existing hierarchy and effectively turns elite-level football into an oligopoly.

What the authors above argue, is that in a situation where all clubs adhere to the FFP regulations, this would benefit the biggest clubs in the long run. Unfortunately for the smaller clubs in the Big-5 leagues, these already dim prospects look to be even bleaker due to UEFA's enforcement of the rules. Right now, the elite clubs do not seem worried about possible repercussions from rules violations – exemplified by Al Mubarak's assurance that Man City would continue its aggressive strategy despite being charged by UEFA. The pressure on UEFA, created by the threat of potentially losing 10-20 of its superiorly most important clubs, appears to have severely hampered the governing body's power. This creates an extremely difficult situation, where doing nothing will ensure the continuation of the increasing differences and subsequent strengthening of the biggest clubs, whilst an aggressive enforcement of the rules could potentially result in a number of clubs deciding to start their own international competition. Football finance expert Rob Wilson describes the current situation as going against the philosophy of football competition, where the winning team now is determined by who has the best lawyers or accountants (Der Spiegel, 2018d). The logical next step with the imbalance and single-team dominance, according to Wilson, is the discussion of a European Super League.

6.2.2 Commercially Immature Clubs

Given the empirical findings above, showing decreasing competitiveness in European football and how FFP appears to increase this gap, we went into our interviews with MFF, RBK and BIF with an impression that we would be met with strong skepticism or even animosity towards the regulations. Particularly because all three clubs have a history of competing in Europe and aim to do so in the future, making them more exposed to the regulations than most of their domestic rivals. What we instead were met with was unanimous positivity towards the idea of regulation in European football.

"There needs to be regulation. There is already such a big difference. We're competing on an international market, but the conditions are very different dependent on the region you represent. There needs to be something that regulates, otherwise it will become totally uneven." (CEO, MFF)

This sentiment was shared by Jørgensen and Munkvold, who both emphasized the need for fair and similar conditions when competing. We were initially surprised by the unequivocal support for FFP, but when looking deeper into the concrete impacts on the clubs and comparing it to smaller clubs in the commercially mature leagues, the positivity appeared more reasonable. Since there were huge differences between the commercially mature and the immature leagues before FFP's implementation, then it is sensible to assume that the regulations also would affect the respective leagues differently. An apparent advantage for the Swedish league were the already existing regulations imposed by the national football federation, which had been relatively strict for some time already. In addition to this, Carlnén cited the 51% rule, which he said ensures that no companies or investors can come into the club with external financing and claim a majority of voting rights.

"This is why Financial Fair Play has not been a problem, since we were already complying with it in Sweden. FFP was important for Europe, not Sweden." (CEO, MFF)

RBK's Munkvold explained that the licensing system in Norway is similar to UEFA's, where numbers and financials are submitted 2-3 times every year. He proceeds by giving an impression that there is no real fear of breaching with FFP, as even if RBK in theory would be able to receive large external investments from local millionaires, this would be in direct conflict with the culture and values the club wants to live by. The conditions in Denmark were not as rigorous as in Sweden or Norway, with Jørgensen telling us that there were no strict financial goals to fulfill before FFP.

After the regulations were implemented, however, they had forced Denmark to focus more on the healthiness of its football economy and fairness of the Danish football competition. Jørgensen admitted that BIF were close to not being in compliance with the rules some years ago, due to huge deficits, but that the regulations in general have not had a significant effect on the day-to-day operations:

"No, because the allowable deficit you can have is quite high compared to a Danish standard."

The impression we were left with after the three interviews was definitely different than the one we had going into them. Not only were the Scandinavian clubs positive towards the regulations, but they also argued to not have been affected in any noteworthy degree. Therefore, it seems that FFP has not had the same impact on commercially immature clubs as with clubs participating in the Big-5 leagues. After all, if the Scandinavian clubs already were complying with the regulations, and FFP then restricts the spending of the commercially mature clubs, then the gap between these clubs should eventually decrease or at least stop increasing at the same rate. Therefore, it can be argued that the competitive balance in the Big-5 leagues has been most affected by FFP, demonstrated by the escalating domestic disparities. In Scandinavia, these effects are not as evident, due to a more egalitarian football culture which to a larger extent has promoted fairness and financial sustainability.

6.3 Strategic and Financial Implications

In this section, we aim to bring forward the analyses and discussions above and synthesize them in order to discuss the thesis' main research question; *What strategic and financial implications have UEFA's Financial Fair Play Regulations had on the European football club landscape?* By discussing this question, we will hopefully be able to obtain an understanding of European football's current state and the underlying drivers behind the rapid changes that are being observed. Understanding what has happened, and the effects of these forces on today's football landscape, is critical when aiming to look into the future on how to best deal with all the different contingencies threatening the football industry.

6.3.1 The European football club landscape today

On the basis of the literature we have read, the analyses on competitive balance and the interviews we have conducted, it seems justifiable to conclude that there have been significant developments in competiveness in European football over the past decade, with the Big-5 leagues and the European competitions being the most prominent in this regard. The changes are largely attributable to the documented increase in financial disparities, with participation in UEFA competitions being more important than ever before and the 12 richest clubs currently combining for revenues greater than the other 700 top-division clubs in Europe in total (UEFA, 2019). The richest clubs are performing the best due to superior financial resources, allowing them to employ the best coaches and recruit the best players, which in turn generates higher revenues than the teams without the same financial means. In other words, the richest teams continue to earn the proportionately largest share of income due to their initially superior positions. Vöpel (2013) argues that sports leagues tend to monopolize when there is a lack of revenue-sharing mechanisms or additional distribution of income, as a result of a "self-perpetuating spiral of success".

Section 6.2.1 discussed the impact of FFP on commercially mature clubs, and concluded that the regulations appeared to have intensified the financial inequalities in the Big-5 leagues. This was largely due to the anticompetitive effects from prohibiting external financing in addition to UEFA's difficulties in enforcing the rules on the largest clubs by virtue of the shifting power dynamics in the football industry. Similar trends exist to a certain degree in Scandinavia as well, with declines in competitive balance being observed in the Norwegian, Swedish and Danish top leagues. These developments seem to be less associated with effects from FFP compared to the Big-5 leagues, as the regulations evidently have had less of an impact on the Scandinavian clubs given their significantly smaller budgets combined with already strict regulations imposed by national federations. Moreover, all three interviewees were very clear about there being no conflict between finance and strategy in their clubs. Despite this, there is still a question about how FFP has affected the gap between commercially mature and immature leagues, as well as how this is expected to develop in the future if no new measures are taken.

The gaps in expenditure between the Scandinavian and elite clubs should, in theory, decrease following the regulations as the break-even requirement has had minimal impact on the former but should have significantly diminished the latter's spending power. It is difficult to pinpoint the exact divergence in European competitiveness between a top English and a top Scandinavian club as a result of FFP. However, we have been able to see revelations from Football Leaks that allege to systematic FFP-circumvention from a number of top European clubs. If the allegations are true, then the chasm between the elite clubs and the rule-abiding Scandinavian clubs would increase instead. As we saw in section 5.6.3, a consensus among many auditors and club representatives following FFP's introduction was the fear that more of the wealthiest clubs would introduce creative accounting methods in order to break even. Swiss Ramble (2010) break down exactly how Manchester City accounted for the purchase and disposal of Robinho's player registration.

Man City's Accounting for Robinho's Player Registration

£ mill Year	1	2	3	4
Transfer Fee (4-year contract)	32,5			
Amortized transfer fee (£32.5m / 4)	8,125	16,25		
Annual wages (£8.3m)	8,3	8,3		
Annual total cost	16,425	16,425		
After 2 years player is sold for £18m:				
Sales Proceeds		18		
Less: Remaining Value in Accounts		-16,25		
Profit on Player Sale		1,75		
After the sale, the club is relieved of payments:				
Annual total cost no longer being paid		16,425		
Profit on Player Sale		1,75		
Annual Profit Improvement		18,175		

Source: Swiss Ramble (2010)

Robinho was originally purchased for £32.5m in 2008 on a 4-year contract with annual wages of £8.3m. This results in an annual transfer amortization of £8.1m and annual total costs of £16.4m including his wages. When Manchester City then sold him to AC Milan two years later for £18m, the profit on the sale was £1.8m as the book value of the transfer fee had fallen to £16.3m. However, as Man City now were relieved of the annual total costs that follow from being in possession of his player registration, they showed an annual profit improvement of £18.2m by adding the costs they no longer had to pay to the profit from the sale (Swiss Ramble, 2010). Similarly, by applying this method of capitalization and amortization, Man United were able to report a staggering annual profit improvement of £22.7m when disposing of Di Maria's player registration in 2015. This was despite Man United receiving a transfer sum of £44m, which was £15.7m less than they had paid to Real Madrid only one year earlier. The three Scandinavian clubs we spoke with all capitalized and amortized player registrations as well, but definitely not in the same way as some elite clubs do. BIF's Jørgensen believed that if they tried to do it in a similar way then they would be stopped from doing so.

"Let's take the player we bought for 10 million DKK, after 2 years he is worth 6 million and we sold him for 1 million DKK. Then we would report a loss of 5 Million. I have never seen what you described there, and perhaps it could be a creative way to do that. I do not think that is fair!" (CEO, BIF)

When aiming to answer whether or not the FFP regulations have increased the gap between commercially mature and immature clubs, one can look at it from two perspectives. In theory, the restrictions imposed on European clubs should mitigate the accelerating growth in financial disparities between the Big-5 and the Scandinavian leagues as they have predominantly affected the former. The reality, however, has exhibited how a number of the biggest European clubs utilize creative accounting methods and systematic FFP-circumventing techniques in order to more or less retain the same extravagant commercial revenues and football-relevant expenses as before. These commercial revenues are impossible for the Scandinavian clubs to match due to their significantly smaller marketplaces and subsequent commercial immaturity. Furthermore, as was presented in section 6.2.1, UEFA has been extremely stringent towards a number of commercially immature clubs that have been found to breach the regulations.

Hence, the only viable course of action for the Scandinavian clubs is to continue to grow organically in the future. Recalling the quote from Vöpel (2013), this creates a situation in which it is impossible for the commercially immature clubs to close the gap to the biggest clubs due to the "self-perpetuating spiral of success", where the wealthiest clubs will continue to grow at a faster pace due to having superior financial means ensuring greater sporting success. The probable consequence of the accelerating growth in financial disparities and the power dynamics shifting in favor of a small number of elite clubs, is a more predictable and uneven competitive environment than ever before. We cannot conclude exactly to what extent UEFA's Financial Fair Play regulations have impacted these developments, but it is fair to contend that FFP does not appear to have had the intended balancing effect. By continuing the ongoing trend with the current forces also dominating the future, this thesis believes that European football eventually will reach an untenable state where a potential Super League for the 15-20 wealthiest clubs could become a reality. In other words, Munkvold's fear that a Scandinavian top club will not be able to participate in the Champions League appears rational.

6.3.2 Future Outlook for the European Football Industry

When discussing the anticompetitive developments of European football and the strengthening of the existing hierarchy, it is important to understand these driving forces from the point of view of the biggest clubs as well. We saw in the thesis' introduction how big the sports market has become globally, experiencing significant growth higher than the broader consumer sector. Football is the superiorly largest sport globally, and hence has become an extremely lucrative and revenue-generating industry. Despite this, Kuper and Szymanski (2009) have argued in their book titled *Soccernomics* that football suffers from an "appropriability problem", meaning that football itself and the clubs in particular earn a rather small share of the general public's love and appetite for football. At the time the book was published, Real Madrid was the richest club in football. However, with the revenues they generated, the club would not even have translated to be among the 100 largest companies in Finland, painting a picture of an unrealized potential in terms of making money. One of the main architects of the European Super League, American sports executive Charlie Stilitano, presented the elite clubs with forecasts showing annual revenues of €500m from participating in such a league. In comparison, the Champions League winners in 2016 received €80m from UEFA (Der Spiegel, 2018a).

Theory on competitive balance emphasized the importance of having relatively equal competitors, as outcome uncertainty is what generates interest and receipts. Looking at the German Bundesliga, our analysis indicated a slight upward trend in UO for the whole league over the previous ten seasons. Regardless, FC Bayern's dominance at the top of the table has intensified, with the Bavarian club at the moment having won six straight league titles. The analysis showed that the league winner in Germany on average accumulated 17% more points per game the past four seasons compared to between 2007 and 2010. FC Bayern's domestic dominance and strong international performances over the last decade have resulted in impressive matchday- and commercial revenues, with total revenues being the fourth highest in Europe (Deloitte, 2018). Broadcasting income, on the other hand, is considerably lower than most clubs considered in the Football Money League Report, with clubs like Tottenham, Southampton, Everton and Leicester all generating more money from broadcasting than FC Bayern due to superior domestic TV-deals (Deloitte, 2018). In other words, FC Bayern's extreme dominance appears to have weakened interest in the league from football fans outside the German borders, leading to a weaker broadcasting deal. In the long run, this could harm Bayern as their international rivals will earn higher revenues than them, which would explain why the club has been one of the main protagonists of the Secret Society. As stated previously, the Big-5 leagues are more affected by a Darwinist culture, hence the necessity for even the biggest clubs to act and stay aggressive in order to uphold their competitive advantages and retain their positions at the top.

Europe's biggest clubs have started to realize their true worth and power, and are using it to solidify their positions as the powerhouses of European football and isolate the existing hierarchy. The thesis has thus far focused on the industry itself and how its various actors have contributed towards the current state. The trajectory for the elite clubs has been a positive one and there have been few signs of problems. In spite of this, football at the top level is part of the entertainment industry and is therefore subject to external threats and disruptive changes. Section 5.8 presented a few trends that are being observed in both football and sports in general, highlighting potential opportunities and threats. The digitalization trend has been very beneficiary for the sport in terms of creating increased commercial opportunities as well as significantly strengthening football-specific analyses, strength and conditioning training, communication and more. However, as the PwC (2018) report stated, it is also leading to shifts in consumer behavior, not least among today's youth. With the increasing popularity of eSports, professional football is not only being played on grass anymore, but even digitally. EA Sports' FIFA video game series currently has 260 million players, and more than 29 million people streamed the 2018 FIFA eWorld Cup Finals from the O2 Arena in London (Gamesindustry, 2019). The aim of the football gaming franchise is to break into the "big three" of eSports, clearly indicating the elevated popularity of the game as well as the exciting growth opportunities.

The FIFA eSports trend creates a myriad of opportunities, and clubs in both the Big-5 and Scandinavian leagues have created teams that participate in e-leagues, representing the clubs. FCK have even elevated the efforts in exploiting the eSport potential by working together with Nordisk Film in creating a multigame organization titled NORTH, with the intention of becoming a European powerhouse (FCK, 2017). Niclas Carlnén argued that FCK's eSport investment distinguished itself from their Scandinavian counterparts due to the intentions behind it.

"Most clubs say that eSports should strengthen the football brand, but not FCK. They have chosen a business model in order to earn money." (CEO, MFF)

There are many synergies to be found from the rising popularity of eSports, with an important question being which clubs are in positions to capitalize the most from these opportunities. However, it is also important to identify what potential threats might arise from football becoming a sport that is played professionally online as well as on grass. In particular, it is interesting to discuss the phenomenon in light of the findings made earlier regarding competitiveness at football's top level. Football is an emotional and romantic sport with an extreme consumer activism dominating the industry (Kuper & Szymanski, 2009). What has historically made the sport so great and popular is the vast amount of opportunities it has provided globally – with a great number of countries being able to participate in the World Cups, and many different countries being represented in the UEFA Champions League. It inspires a dream for young children growing up, when they see local and national idols representing their favorite club or national team against the very best in the world. But what will happen in the minds of these kids if they in the future are observing a European competition exclusively for the wealthiest clubs in the world, one in which their local heroes never will be able to participate in? What will future Scandinavian kids' attitude towards football be if the current trend towards a closed hierarchy continues?

"If you want to keep football for everyone and all clubs, so that a young kid from Scandinavia would still love the game, he has to see that his local club in Denmark, Norway or Sweden has a chance to play against the big clubs, and have a chance to beat them. Therefore, you also need to give some money in solidarity to the Europe League and to the teams not playing in these tournaments, to maintain the sporting balance. Otherwise, I am afraid that if you make it a sport for the 20-30 biggest clubs exclusively, spectators in Sweden would quit football and watch ice hockey instead, in Norway they would all go skiing and we would have handball in Denmark." (CEO, BIF)

This excerpt from our interview with Jesper Jørgensen paints an extremely important picture, as it shows us how the CEO of one of Scandinavia's biggest clubs fears the football landscape will shift if the current trend continues. He talks about how football spectators eventually will move their focus towards sports in which their respective nations are succeeding internationally. This could also be applicable to youth growing up and being exposed to different sports for the first time. Sweden has won the World Championship in Ice hockey the last two years, thus being crowned the best nation of one of the biggest sports in the world. They continue to produce world-class players and there are currently 97 Swedes playing in the NHL, the North-American league comprising of the 32 best ice hockey teams in the world (Quanthockey, 2019). With this extreme success on the ice, it seems logical that even more Swedish youth will become invested in and prioritize ice hockey over other sports in the future.

In football, Norway had as many as 23 players in the EPL during the 1997/98 season (Aftenposten, 2014), compared to only two this season. There is little indication that football in general is becoming less popular in Norway in terms of viewing, with Norwegians for instance paying more to watch the EPL than ever before (Aftenposten, 2016). The challenge, though, is what this means for the local and national football in the longer term. Figures from the Norwegian Eliteserien show drops in average attendances higher than 44% over the last decade (Appendix 1). Furthermore, we have seen how a big part of football's current popularity has come in the form of eSport's meteoric rise. The FIFA franchise is dependent on elite-level football in the sense that the video game is based on real-life teams and players. Other than that, it is a simple game to play that anyone in the world can excel at. There are no countries that have a history or culture of producing better FIFA-players, as the professional aspect of the game is a recent phenomenon. This provides opportunities to children who can afford a Playstation and have a passion for gaming to compete at the top level of football, albeit in a digital format. According to Jørgensen, BIF's own eSports FIFA team won the World Cup in 2017/18, proving that it is possible to be successful despite not originating from one of the biggest football nations.

With the ever-increasing freezing of the football hierarchy and the decreasing competitive ability of the smaller countries, what is to say that kids growing up today and in the future with a passion for football will not satisfy the need for football competition through eSports instead of playing physically themselves? After all, it would appear to be the easiest way to eventually reach the top and be able to make a living as a professional at an elite level. Jørgensen even explicitly stated that it is difficult to attract youth to the stadium to watch "normal" football, and expressed a genuine fear that electronic football could overtake the physical edition. Such are the football preferences of the younger generations changing, that BIF and a number of other clubs have installed screens and gaming consoles around the stadiums so that the young spectators have the opportunity to play FIFA in case they are bored by what is happening on the pitch.

To summarize the discussion section of the thesis, we can safely say that the future of European football and the question of FFP's impact on competitiveness are complex subjects, not least due to the contingent nature of today's football environment. The sport is succeeding in many ways, with spectacular revenues and a growing global fascination. However, the future is uncertain as long as the romantic side of the game is increasingly being replaced by commercial and business-oriented motives. The FFP regulations have been argued to severely hamper the relatively smaller clubs and nations' opportunities to close the ever-increasing gap to the Big-5 leagues. This creates a worry regarding how the competitions will look like in the future as well as how the respective countries' football interest will be upheld, particularly in light of the evident digital trends being observed in the football industry. The essence is the importance of the competitive situation not reaching a level where there is absolutely no hope of challenging the richest and biggest.

"…it is crucial that we have a chance to play with the big dogs. Denmark won the European Championship in 1992, IFK Göteborg won the UEFA cup in 1987 – and that dream must be kept alive." (CEO, BIF)

7. CONCLUSION

The purpose of this thesis has been twofold. First, it aims to analyze developments in competitive balance at European football's highest level following the introduction of UEFA's Financial Fair Play regulations in 2011. Secondly, it discusses the strategic and financial impacts of the regulations on commercially mature and immature clubs respectively, in order to gain an understanding of which clubs and leagues that have been affected the most. In addition to examining trends in both sporting and financial competitiveness, the thesis discusses to what extent these trends can be attributed to FFP. The two purposes contribute by offering different perspectives when aiming to discuss and answer the thesis' research question:

What strategic and financial implications have UEFA's Financial Fair Play Regulations had on the European football club landscape?

After an initial introduction into football as an industry and the presentation of the research question, the structure of the thesis has been to highlight the different theories that have been applied when analyzing and discussing, followed by a section providing an overview of previous relevant football- and FFP-specific literature. Lastly, before moving onto the empirical findings and comparative analyses, the thesis presents its methodological foundation. This section includes descriptions of research approaches as well as data collection methods. The latter is particularly important as different types of data have been necessary to utilize in order to analyze the two opposing perspectives in European club football that are being compared throughout the project.

In the analytical section, we start by dissecting and comparing answers from the three in-depth interviews we conducted with top-level management from Malmö FF, Rosenborg BK and Brøndby IF. These insights were extremely important as we were able to obtain perspectives on how some of Scandinavian football's most important decision-makers felt about the current trends and future outlooks. The main takeaway from the interviews was that despite certain substantial differences between the clubs and countries in ownership structure and background, they were very similar in what their respective missions as football clubs are, as well as regarding their views on European football and future competitiveness.

Previous empirical research on the topic of competitive balance in the Big-5 leagues was included in order to develop an impression of European football's competitive state. Furthermore, quantitative analyses on uncertainty of outcome in both the commercially mature and immature leagues were conducted, generating useful data when comparing the respective club categories. Findings from previous research and our own analyses, combined with insights from the in-depth interviews, all painted a similar picture of declining competitiveness across Europe's top-level leagues. The Scandinavian and the Big-5 leagues overall exhibited similar downward sloping trends in uncertainty of outcome within the domestic leagues. In terms of league winner dominance, quantified by points per game and goal difference per game achieved by the respective champions each season, the Big-5 leagues showed considerably higher upward inclinations in both instances.

The reasons for these anticompetitive developments, as well as the observed increasing differences between commercially mature and immature clubs, were discussed from two main perspectives. First, we discussed the dominating forces in the football landscape through a governance lens, comparing common control mechanisms of the two club categories and discussing probable FFP effects in a governance context. Given their contrasting positions on the commercial maturity scale, the thesis argued that there naturally were distinctions in which governance mechanisms that are most applicable. Essentially, the egalitarian and community-oriented nature of the Scandinavian sports culture appears to keep the clubs fairly in line, without the necessity for further regulations or restrictions. On the other hand, the commercially mature clubs in the Big-5 leagues are becoming increasingly complex businesses with global mindsets, meaning that a governance instrument like FFP is much more applicable and necessary in a commercially mature context.

This sentiment was solidified when discussing how FFP had affected the Scandinavian and Big-5 leagues respectively. The regulations were evidently more impactful on the latter, which the thesis argued to be a consequence of the rising power of Europe's elite clubs. With the shifting power dynamics in European football, the gaps in financial means are continuously widening and UEFA's ability to penalize clubs that systematically circumvent the regulations has diminished as a result of the contingent European Super League-threat. Against this backdrop, the thesis contends that FFP has had an adverse effect on European competitiveness, and that the regulations are unlikely to curb the trends in the future. Furthermore, we have discussed disruptive forces that are currently entering the football industry. Particularly the changing consumer preferences, with football increasingly becoming a digital game, was deemed a threat for the physical game if the current trends towards a closed hierarchy continue.

The commercialization of football has undoubtedly enhanced the economic interest and global accessibility of the sport. At the end of the day, football is dependent on romance as revenues are generated from fans buying tickets, merchandise and broadcasting. Will this unequivocal love for the game at a professional level be upheld if the outcome uncertainty continues its trajectory of becoming more and more predictable? From a long-term perspective, it can be argued that football would maximize its potential without regulations. After all, in what other industries is the injection of external capital more or less forbidden? Looking at the audio streaming platform Spotify, currently providing music and audio for hundreds of millions of users, they spent over a decade on making its business model profitable. If Spotify were subject to FFP restrictions, they would never have been able to embark on the journey they have taken.

The scholarly field of finance and strategic management in football remains relatively undiscovered. Future studies might analyze and compare other leagues than the ones included in this study, by utilizing similar theoretical and analytical frameworks in order to determine whether or not the trends are observable across all of Europe. Employing even more comprehensive and scientific approaches will additionally improve the totality of the Scandinavian and Big-5 perspectives in relation to FFP. Furthermore, there is a need for more thorough research into fields that are becoming increasingly important in football contexts, including politics and law, in order to bring new viewpoints that can complement the current literature. Last but not least, delving deeper into the contingent threats following the commercialization and digitization trends in the football industry is necessary to obtain a greater understanding of potential alternatives to FFP, which hopefully would strengthen the industry and put it in a position to succeed in the future.

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Appendices

List of abbreviations

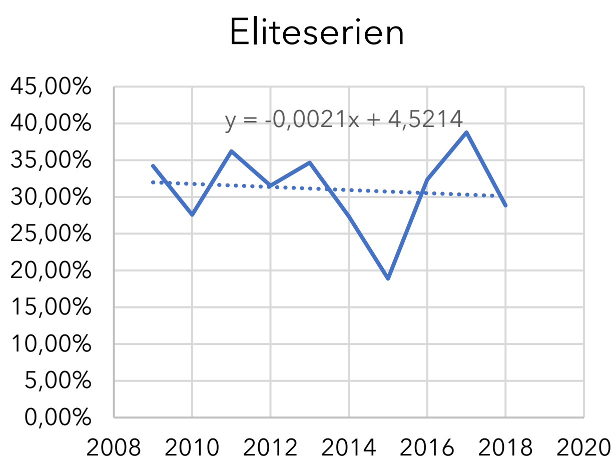
ADUG: Abu Dhabi United Group
AIK: Allmänna Idrottsklubben
Big-5: The English, French, German, Italian and Spanish First Division Leagues
BIF: Brøndby Idrætsforening
CFCB: Club Financial Control Body
CIES: International Centre for Sports Studies
CL: Champions League
CVF: Competing Values Framework
EPL: English Premier League
FCK: Football Club København
FIFA: Féderation Internationale de Football Assocication
FFP: Financial Fair Play
GD: Goal Difference
IFRS: International Financial Reporting Standards
MFF: Malmö Fotbollförening
MLS: Major League Soccer
NHL: National Hockey League
NBA: National Basket Association
PPG: Points per Game
PSG: Paris Saint-Germain
RBK: Rosenborg Ballklubb
UEFA: Union of European Football Associations
UO: Uncertainty of Outcome

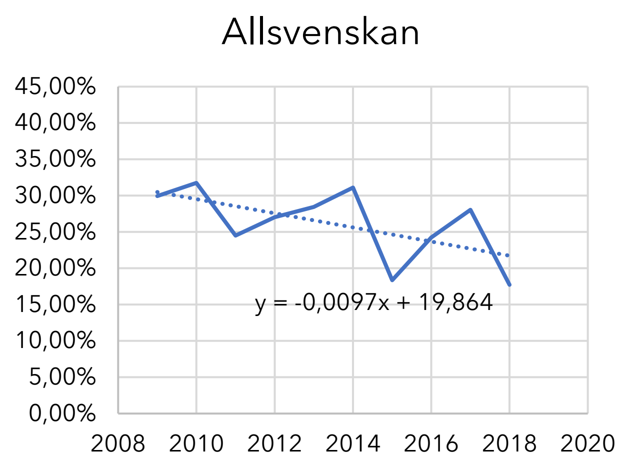
Appendix 1 – Attendances Eliteserien 2007-2018

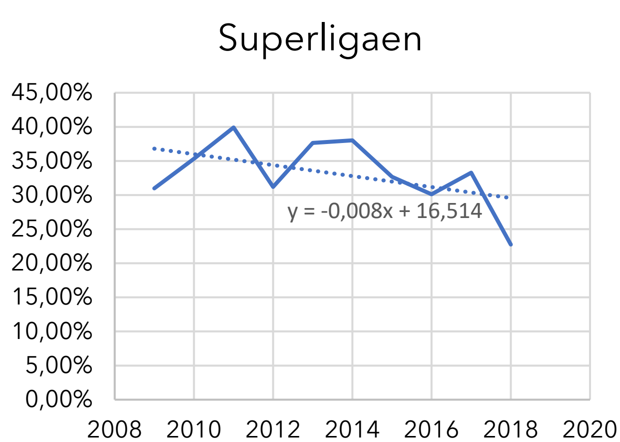
Season	Total attendance	Average per match
2007	1.914.327	10.518
2008	1.784.766	9.806
2009	2.150.210	8.959
2010	1.948.567	8.119
2011	1.919.325	7.997
2012	1.680.822	7.003
2013	1.638.796	6.828
2014	1.670.706	6.961
2015	1.610.684	6.711
2016	1.672.918	6.970
2017	1.607.802	6.699
2018	1.407.358	5.864

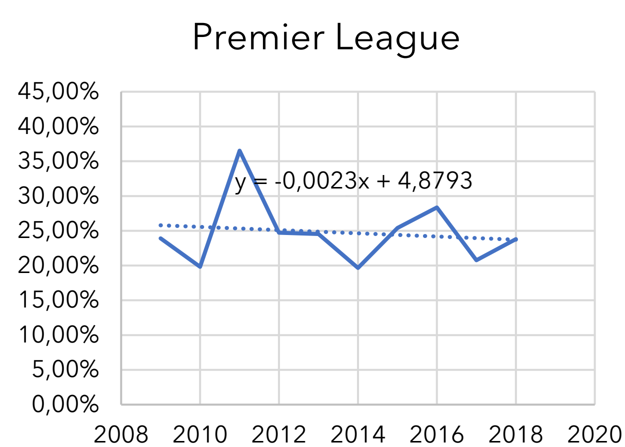
Source: Own figure inspired by altomfotball.no; Bach Olsen, 2018

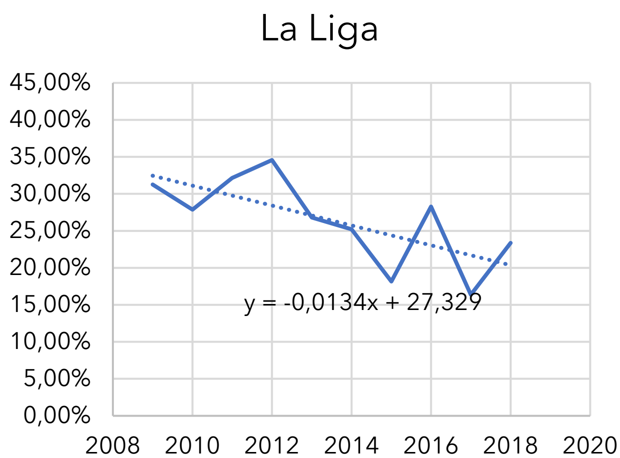
Appendix 2 – Uncertainty of Outcome in Scandinavian and Big-5 leagues

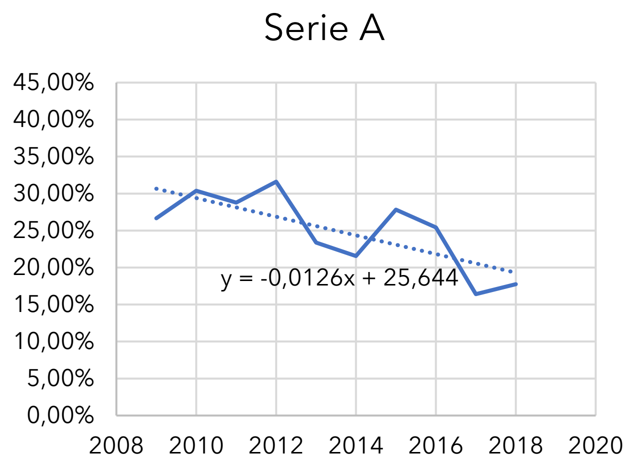


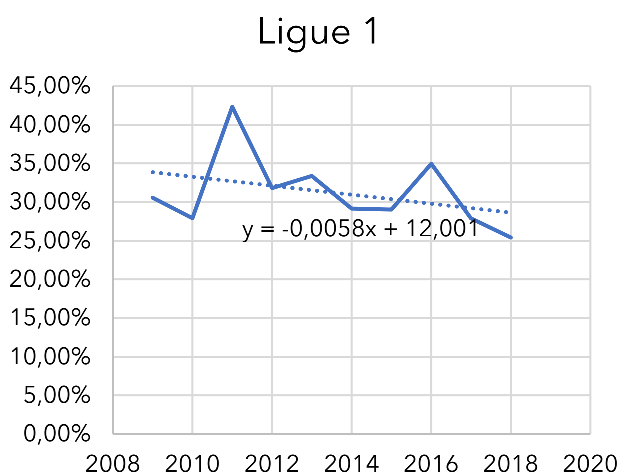


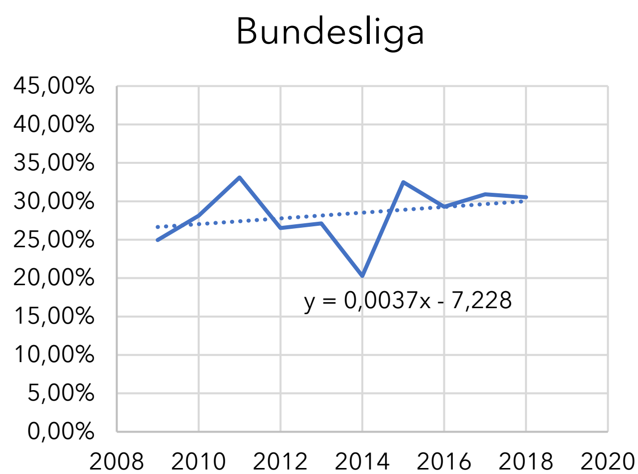





La Liga
45,00%
40,00%
35,00%
30,00%
25,00%
20,00%
15,00%
10,00%
5,00%
0,00%
y = -0,0134x + 27,329
2008
2010
2012
2014
2016
2018
2020


Serie A
45,00%
40,00%
35,00%
30,00%
25,00%
20,00%
15,00%
10,00%
5,00%
0,00%
y = -0,0126x + 25,644
2008
2010
2012
2014
2016
2018
2020


Ligue 1
45,00%
40,00%
35,00%
30,00%
25,00%
20,00%
15,00%
10,00%
5,00%
0,00%
y = -0,0058x + 12,001
2008
2010
2012
2014
2016
2018
2020


Bundesliga
45,00%
40,00%
35,00%
30,00%
25,00%
20,00%
15,00%
10,00%
5,00%
0,00%
y = 0,0037x - 7,228
2008
2010
2012
2014
2016
2018
2020

Appendix 3 – Combined UO calculations for Scandinavian and Big-5 leagues respectively

Average UO of all Scandinavian leagues combined

	Eliteserien	Allsvenskan	Superligaen	Scandinavia
2009	34,21%	29,94%	30,97%	**31,71%**
2010	27,57%	31,75%	35,32%	**31,55%**
2011	36,22%	24,49%	39,91%	**33,54%**
2012	31,54%	27,02%	31,19%	**29,92%**
2013	34,68%	28,45%	37,64%	**33,59%**
2014	27,34%	31,10%	38,02%	**32,15%**
2015	18,89%	18,36%	32,66%	**23,30%**
2016	32,36%	24,22%	30,11%	**28,90%**
2017	38,78%	28,04%	33,27%	**33,36%**
2018	28,83%	17,72%	22,75%	**23,10%**

Average UO of all Big-5 leagues combined

	EPL	La Liga	Serie A	Ligue 1	Bundesliga	Big-5
2009	23,92%	31,27%	26,67%	30,55%	24,96%	**27,48%**
2010	19,81%	27,87%	30,39%	27,91%	28,13%	**26,82%**
2011	36,52%	32,15%	28,77%	42,32%	33,10%	**34,57%**
2012	24,73%	34,57%	31,61%	31,81%	26,51%	**29,85%**
2013	24,54%	26,81%	23,38%	33,38%	27,13%	**27,05%**
2014	19,66%	25,20%	21,55%	29,16%	20,28%	**23,17%**
2015	25,41%	18,16%	27,84%	29,04%	32,49%	**26,59%**
2016	28,37%	28,27%	25,42%	34,95%	29,28%	**29,26%**
2017	20,77%	16,37%	16,41%	27,89%	30,90%	**22,47%**
2018	23,81%	23,37%	17,75%	25,41%	30,53%	**24,17%**

Appendix 4 – PPG and GD in Scandinavian leagues

	Points per Game			Average Goal Difference per Game		
	Eliteserien	Allsvenskan	Superligaen	Eliteserien	Allsvenskan	Superligaen
2003	2,35	2,23	1,85	1,54	1,38	0,58
2004	1,85	2,00	2,06	0,69	0,88	0,88
2005	1,77	2,04	2,09	0,50	1,31	1,15
2006	2,04	1,92	2,21	0,88	0,85	1,06
2007	2,08	1,88	2,30	0,77	0,85	1,12
2008	2,08	2,13	2,15	1,31	1,27	0,67
2009	2,30	2,03	2,24	1,27	0,53	1,24
2010	2,27	2,23	2,06	1,13	1,17	1,18
2011	1,93	2,10	2,45	0,53	0,93	1,45
2012	2,07	1,97	2,06	0,67	0,63	0,82
2013	2,10	2,10	1,97	1,33	0,87	0,91
2014	2,37	2,07	1,88	1,27	0,93	0,67
2015	2,30	2,20	2,15	1,53	0,90	0,91
2016	2,30	2,20	2,15	1,33	1,13	1,03
2017	2,03	2,13	2,46	1,23	1,20	1,81
2018	2,13	2,23	2,31	0,90	1,13	1,31

Appendix 5 – PPG and GD in Big-5 leagues

	Points per Game					Average Goal Difference per Game				
	PL	La Liga	Serie A	Ligue 1	Bundesliga	PL	La Liga	Serie A	Ligue 1	Bundesliga
2003	2,18	2,05	2,12	1,79	2,21	1,05	1,16	1,03	0,58	1,32
2004	2,37	2,03	2,41	2,08	2,18	1,24	1,16	1,21	1,00	1,21
2005	2,50	2,21	2,26	2,08	2,26	1,50	1,16	1,05	0,89	1,24
2006	2,39	2,16	2,00	2,21	2,21	1,32	1,18	1,00	1,11	1,03
2007	2,34	2,00	2,47	2,13	2,06	1,47	0,68	1,21	0,97	0,71
2008	2,29	2,24	2,24	2,08	2,24	1,53	1,26	1,13	0,97	1,38
2009	2,37	2,29	2,21	2,11	2,03	1,16	1,84	1,00	0,79	1,15
2010	2,26	2,61	2,16	2,05	2,06	1,87	1,95	1,08	0,87	1,21
2011	2,11	2,53	2,16	2,00	2,21	1,08	1,95	1,08	0,84	1,32
2012	2,34	2,63	2,21	2,16	2,38	1,68	2,34	1,26	0,89	1,62
2013	2,34	2,63	2,32	2,18	2,68	1,13	1,97	1,26	1,21	2,35
2014	2,26	2,37	2,68	2,34	2,65	1,71	1,34	1,50	1,61	2,09
2015	2,29	2,47	2,29	2,18	2,32	1,08	2,34	1,26	1,24	1,82
2016	2,13	2,39	2,39	2,53	2,59	0,84	2,18	1,45	2,18	1,85
2017	2,45	2,45	2,39	2,50	2,41	1,37	1,71	1,32	2,00	1,97
2018	2,63	2,45	2,50	2,45	2,47	2,08	1,84	1,63	2,08	1,88

Appendix 6 – Combined PPG and GD in Scandinavian and Big-5 leagues

	Scandinavia		Big-5	
	PPG	GD per game	PPG	GD pg
2003	2,14	1,17	2,07	1,03
2004	1,97	0,82	2,21	1,16
2005	1,97	0,99	2,26	1,17
2006	2,06	0,93	2,19	1,13
2007	2,09	0,91	2,20	1,01
2008	2,12	1,08	2,22	1,26
2009	2,19	1,01	2,20	1,19
2010	2,19	1,16	2,23	1,39
2011	2,16	0,97	2,20	1,25
2012	2,03	0,71	2,34	1,56
2013	2,06	1,04	2,43	1,59
2014	2,10	0,96	2,46	1,65
2015	2,22	1,11	2,31	1,55
2016	2,22	1,17	2,41	1,70
2017	2,21	1,41	2,44	1,67
2018	2,22	1,11	2,50	1,90