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Going Public: The Organizational Restructuring of German Football Clubs

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This article argues that the organizational structure of companies and professional sports clubs are becoming increasingly similar through a convergence of 'top-down' and 'bottom-up' decision-making structures. This convergence helps soccer clubs to overcome the dilemma of having to balance members' interests with achieving the aims of the organization. Companies have developed this convergence because they have recognized the importance of employee commitment in achieving their aims. Three patterns of overcoming this organizational dilemma are discussed and illustrated by case studies from the German Bundesliga.

In organizational theory, a distinction is usually made between the three different types of organization: communities of interests,¹ administrations,² and companies (also referred to as the voluntary, public and private sectors). Drawing on case studies of German professional football clubs, this article analyses two of these organizational types more closely and, in particular, compares the decision-making structures of companies and communities of interests (of which clubs, and thus football clubs, are a subcategory).

All of the football clubs in the German Bundesliga could be defined as medium-sized businesses according to their financial turnover and number of employees, but traditionally German football clubs are organized along the lines of a club structure. In its ideal form, the decision-making structure of a club is organized democratically, or bottom-up. In contrast, the decision-making structure in a company is organized (in its ideal form) hierarchically, or top-down. The central, more general, premise of this article is that decision-making processes in companies and communities of interests converge. On the one hand companies break with traditional top-down decision-making patterns by systematically introducing democratic elements. On the other hand, communities of interest such as professional football clubs reduce the number of democratic decision-making processes in favour of more 'effective' or 'efficient' top-down decision-making processes. Both business enterprises and professional football clubs develop a variation of democratic-flexible forms of organization, in which inner-organizational decision-making and goal enforcement processes are only loosely coupled. Within the different aspects of the business (e.g. financial, personnel, marketing, and so on) – which are, and always have been,

hierarchically ranked – participatory, i.e. democratic, decision-making processes are carried out and this can be illustrated using examples of the three different forms of organization evident in contemporary German professional football.

We suggest that decision-making processes in companies and communities of interest have converged for the two following reasons:

1. Seen from a commercial perspective, the adjustment of the company structure results from the recognition that goals cannot be reached efficiently without sufficient commitment of the employees to those goals. The more bottom-up elements are integrated into the decision-making processes, the more likely it is that the employees will show the requisite degree of commitment.
2. Seen from the perspective of the professional football clubs, decision-making structures are adjusted to be more like company structures because a bottom-up orientation can endanger the organizational goals and their consequent implementation. Aims and procedures, which have been agreed upon once, are subject to constant revision through bottom-up decision-making structures. But, in recent years, the environment of professional football clubs has changed dramatically (e.g. becoming increasingly competitive, having a more mobile workforce) and the continuity of the organizational goal has become increasingly important for financial and playing success.

The reasons why clubs have difficulties in consistently achieving their goals are illustrated in the literature about voluntary organizations. This literature describes the problems of the classical club as follows:

1. A community of interests has to recruit members in order to be able to get membership fees.
2. Because it has to integrate the different interests of the members in order to legitimize its actions, a structured internal decision-making process is needed.
3. For a long-term, efficient, realization of strategic goals the community of interests needs to govern itself rationally.
4. Organizations of volunteers are usually founded in order to produce effects on their environments (e.g. to fight for political or social rights, or to structure sports fixtures to provide members with meaningful competition).

In this sense the association is confronted with the problems of finding and achieving its goals,³ the dilemma of producing collective goods (see the prisoner dilemma below) and achieving its goals,⁴ and the problem that a rapidly changing membership may require a revision of previously established goals.⁵ These problems – recruitment, decision-making, policy enforcement, and influence on the broader environment – not only describe the situation of a voluntary organization but, to a degree, they also describe the problems of management more generally. The case studies used here have been chosen according to how

they apply to the three typical organization patterns in German professional football. Because they are the features which are most affected by changes to the organizational structure, we will concentrate on the decision-making and goal-enforcement processes.

Classical and Flexible Company Structures

The ideal company, as described here, presents the classical answers to the four general organizational problems mentioned above. In recent years, however, these problems have been complemented or substituted with concepts such as 'lean management', 'learning organization', 'network organization', and so on.⁶ Today we can see a shift in their ideal type towards a participatory-flexible form of organization, as illustrated below.

Recruitment of Members

Formal membership of a company is directly related to paid work. Individual and organizational goals are not identical. The correspondence between the two goals is achieved through monetary and non-monetary incentives.⁷

Decision-making

Generally speaking two forms of decision-making can be distinguished: hierarchical (top-down) and participatory (bottom up). In the former case the decision is legitimate because the hierarchy of the organization is itself accepted. In the latter case the decision is the result of negotiation or exchange processes and is legitimate because of unanimity or majority decisions.⁸ The first form is more likely to be found in the classical company structure, participatory decision-making is more common in flexible company structures. In the classical, ideal type, company structure decisions are reached as close to the top in the hierarchy as possible. The more important and the more fundamental the decision is, the higher up the hierarchy a decision is made. Its enforcement is provided through selective incentives.

Historically, it seems that a shift from the first to the second scenario has taken place. In some cases it is not enough to establish routines to carry out given decisions through selective incentives. Whenever resources are pooled⁹ in an organization, selective incentives become inadequate motivational tools, for in such contexts it is a) difficult to measure the contribution of an individual externally and b) it is recognized that interaction within the group produces a more significant contribution than working alone. The creation of these pooled resources has become increasingly important and widespread in recent years. Project teams or other types of group are often employed to generate new ideas because they support collective learning and, through combining diverse types of knowledge and approach,¹⁰ make it possible to solve the kinds of complex problem which could not have been achieved by isolated individuals.¹¹

In these forms of organization the motivation of employees cannot be secured by selective or individual incentives because, as they only reward one aspect of a wider process, they may be inappropriately targeted (that is to say, the success or failure of the project is not determined by the competency and commitment of any one individual).¹² The participation of the employees has to be obtained by intrinsic motivation (that is, self-motivation) and the intrinsic motivation of employees increases when a higher degree of influence over actions and decision-making exists. Thus an approximation to the ideal community of interests is realized (although collectively reached decisions must not conflict with the broader goals of the organization which are, of course, determined top-down).

Goal Enforcement

Once goals have been established, the manner of their implementation becomes crucial to the overall success of the policy. In the ideal type company, coordination of the employees' contributions is realized through hierarchical communication and command structures in which the most powerful define duties and performance targets and instruct the less powerful members of the organization. In the new, participation-oriented structures, management determines the rules (the broader structure) according to which innovations (e.g. smaller scale projects) are carried out.¹³ The more options the employee has within these rules, the more the realization of goals is dependent on mutual cooperation and self-commitment.¹⁴

Relationship to the Environment

Companies and their environment are subject to continual change, and such changes form a two-way process. Thus the scope to recruit members, to decide and to reach goals efficiently are, on the one hand, dependent on the perception of options in the environment (which are created by other organizations) but also, to some extent, determined by the organization's position within that environment (i.e. its ability to compete). The new democratic-flexible forms of organization try to build close relationships with customers by establishing participatory networks or consultative groups (e.g. consumer panels or focus groups through which new products are piloted).¹⁵ These bridges between the organization and the external environment are important for the continual change of the organization, because new ideas of the environment can directly come into the decision-making process of the organization.

The Ideal Club and the Ideal Professional Football Club

Associations and clubs are often categorized according to their different aims and interests.¹⁶ Blau and Scott define the following categories:

1. Associations concerned with the support of their members;
2. Associations concerned with the support of a third party;
3. Associations concerned with the support of their members and third parties; and

4. Associations concerned with the establishment of values and preferences (e.g. political and religious associations).

The ideal club is characterized by voluntary membership and 'honorary' work. The interest of the club is oriented to all the members' interests. The ideal club is independent of a third party and not integrated into a competitive environment. Internal democratic decision-making structures are used to organize all of the club's concerns.¹⁷

The analysis of the ideal club is carried out again with respect to the four criteria of recruitment, decision-making, goal enforcement and relationship to the environment. In each category the characteristic features of the change from a club to a professional football club are presented. This transition shows an approximation to the structures of an ideal new participatory-flexible company. In the next section three empirical case studies (VfL Bochum, FC Schalke 04 and BVB Dortmund) are used to discuss the different stages which exist in German professional football.

Recruitment

Club membership is voluntary and (unpaid) work is organized on an informal, rather than contractual, basis. The incentive for new members to join lies in the compatibility between the club's goals and those of the individual. Although it can be assumed first of all that the aims of the individual members are (on the whole) compatible with those of the club or association, members' willingness to contribute to the running of the club cannot be taken for granted.¹⁸ Because clubs produce collective goods (e.g. the staging of sports competitions) the members tend to develop 'free-rider-behaviour'; that is to say, if the other club members produce the goods (sports competition) individuals can participate without paying the costs – of planning and organizing competitions, maintaining the sports grounds in good condition and recruiting new members, for instance. If other members already fulfil these duties, it is rational for the individual to consume the public good without contributing to the costs. However, if all members acted this way, no public/collective good would be produced, leading to a situation known as the 'prisoner dilemma'. The prisoner dilemma is most simply characterized as a two-person dilemma. The cooperative strategy illustrated in Table 1 is to invest time in producing the public good, the sports competition. The defective strategy is to not invest time (see Table 1).

TABLE 1
THE PRISONER DILEMMA OF SPORTS CLUBS

	Member I Invest time	Member II Do not invest time
Invest time	R / R	S / T
Do not invest time	T / S	P / P

If both players invest time, they divide the costs of planning, organization and so on with each accruing the net reward (R). If Member I does not invest time, but Member II does, the former receives the highest reward (T). Because he can consume the good without incurring any costs, Member I is a 'free-rider'. Member II yields the lowest reward (S), because he spends time organizing the club without the help of Member I. If both decide not to invest time, the sports competition (the collective good) will not exist (P).

In order to solve this problem the group needs sufficient capacity to supervise and sanction its members.¹⁹ In small groups supervision is relatively straightforward as the closeness of association means that members have the knowledge and contact to sanction inactive members (e.g. by shunning or shaming them).²⁰ In larger groups neither sufficient supervision nor the ability to sanction inactive members adequately exists. Therefore the group has to introduce selective incentives which serve to persuade individuals that the pursuit of the collective rational strategy appears individually rational. Hence, by means of a change in the rewards offered, the situation of the prisoners' dilemma is overcome.²¹

Compared with these considerations professional football clubs show more differentiated patterns of recruitment. Generally speaking it might not be justified to subsume clubs with professional or commercial sections among those sports clubs that only have an intrinsic orientation.²² The term *professional football club* indicates one of its most important characteristics: in any professional football club there is a separation of roles between voluntary membership and full-time employees. All the players of the youth teams (up to 18 years old) are members. In addition, every citizen and fan can become a member. Different types of behaviour are expected from different membership types: the voluntary member can 'afford' to show emotional identity; the employee (trainer, contract player, management) must show corporate identity. Whilst the member is bound to the club mainly by loyalty, the full-time employee is led by those professional criteria which are more normally found in companies.

Whilst almost anybody is free to become a voluntary member in a club, subject to the formal ratification of the managing board, professional players are not. Most club statutes forbid this coincidence of different roles. All full-time employees – managers and coaches, administrative staff, supporting staff, contract players and contract amateurs – are integrated into the club through formal membership rules that are similar to those of business organizations. The more professionally a club is organized, the more likely it is that managers and administrative employees are recruited on the respective job markets. In professional football clubs, the (licensed) players are hardly able to play the defection strategy in the prisoner dilemma (i.e. not contribute), because first their individual rewards (payment) will be affected, and second, their performance is transparent and judged every weekend by thousands in the stadium or by millions on television.

A main difference between the ideal professional football club and the classical club lies in the fact that the former has similar capital to companies. Contract players are a significant part of a club's capital, but can only be considered assets as long as they are bound to a club by a contract. Following the *Bosman* ruling, contracted players have gained more freedom,²³ and consequently many professional football clubs have attempted to diversify their investment of capital, to reduce their dependency on this one type of resource.

Decision-making

Clubs suffer from the classical dilemma of having to represent the will of the members and follow the aims of the organization.²⁴ The rules for the decision-making processes of a registered association are to be found in Bürgerliches Gesetzbuch (BGB, German Civil Code) §§ 21ff. During general meetings of the membership it is possible to modify existing goals, formulate new goals and to put these to a democratic vote. The consent of the membership to certain types of issue is often required by club statute. In addition, the members elect the organs of the club (management board, presidency) and oversee the fulfilment of their respective tasks.²⁵ But the more a club tries to involve its membership actively in the running of the club, the more regular modifications to the organization's policies are likely to be. Special or individual interests usually conflict with the more fundamental strategic decisions of the club, and hence the more regularly the membership is consulted the more likely it is that decisions will block the efficient accomplishment of broader policy goals. This can be especially problematic for professional football clubs. One employee of VfL Bochum complained when interviewed that parents of young players would often dominate general meetings with relatively narrow issues relating, for example, to the their son's playing opportunities, and consequently the President's re-election became contingent on his ability to deal with these rather parochial, as opposed to organizationally strategic, issues.²⁶

Power is not solely derived from membership rights; a member's voluntary commitment can also become a source of influence,²⁷ because others may become dependent on the functions which an individual member performs.²⁸ But members' opportunities to participate differ from those for employees. For clubs which operate commercially, tensions may develop between the large (but difficult to organize) group of members (Bayern Munich FC with its 90,000 members, for instance) and smaller groups with special interests (i.e. the management and contract players), and *infighting* may result.²⁹ However, because the individual contribution to the decision-making processes is potentially minimal, the motivation for the members of this larger group to take part is not great. Employees, in contrast, have membership alternatives; they can become employees of other football clubs (who are able to offer them similar rewards, i.e. money). Playing performance is a source of power for contract

players and, as their power increases, so does their ability to leave the club, perhaps against the wishes of their employer.

Goal Enforcement

Democratic decision-making processes can lead the organization to a situation in which its goals are permanently revised. What, though, are the consequences of such bottom-up decision-making processes? The more often an organization makes use of these bottom-up decision-making processes, the more likely it is that it loses the capacity to act strategically. The more often goals are enforced top-down, the more likely it is that the support of the members is absent, and thus active participation in the production of collective goods is destroyed. This presents democratic organizations with a dilemma. In professional football clubs this is very often resolved in favour of goal enforcement (as opposed to member's support). Decisions concerning the present or the future, such as the engagement of contract players or finding names for football stadiums, are often reached top-down as they are deemed to be necessary for the commercial survival of the 'club'. The different ways in which professional football clubs cope with the dilemma between democratic decision-making processes and efficient goal enforcement are analysed in the case studies.

Relationship to the Environment

The solution of the problems of membership recruitment, decision-making and efficient goal enforcement are – as already mentioned above – also influenced by environmental conditions. In a registered club of philatelists, for example, the production costs (the organization of meetings) of creating a collective good (comparing and exchanging stamps) are low. But as soon as another, competitor, club comes into being, the first club of philatelists is under pressure to make membership more attractive in order to stop members leaving. But, like any other organization, the club is not solely reactive to its environment, it plays a part in creating of that environment.

The professional football club environment act is peculiar because whilst the clubs are in competition with each other (for the championship or in the player transfer market, for example),³⁰ which leads to such things as salary and wage inflation, they also cooperate to produce a collective good (i.e. the championship and cup competitions).³¹ Only if clubs cooperate can the collective good be produced.³² Yet it seems that whilst the individual actors want to share the costs, they do not always want to share the profit (cf. conflict about the distribution of the money from television companies). In Germany this problem is institutionally solved through the association structure of the Deutscher Fußball Bund (DFB) which effectively controls individual clubs, giving guidelines for the structural and economic conditions to which clubs must adhere in order to take part in the competition. Hence the competitive situation is created by the association and secured by means of institutional integration with the DFB, in which structural

re-organizational issues (such as the increasing market-orientation of the clubs and the leagues) are discussed.

While the previous arrangement only allowed registered clubs to take part in the matches of the Bundesliga,³³ on 24 October 1998 an ordinary meeting of the DFB (at which clubs and associations were represented) decided that football clubs could depart from the traditional club structure.³⁴ Following this decision, clubs were permitted to move their professional football section into a joint stock company (on the condition that clubs retained the majority shareholding of these joint stock companies).³⁵ Thus the professional football clubs were able to mould their institutional environment and, as a result of this participation, they may now choose the legal form of their business organization. Clubs may become public limited companies (AG), limited liability companies (GmbH) or limited partnerships with share capital (KGaA). Two exceptions were introduced. Although contrary to the minimal standards of the DFB (which require that 51 per cent of shares are held by the parent company [i.e. the club] in order to avoid the influence of a third party), Bayer 04 Leverkusen Fußball GmbH is a 100 per cent subsidiary of the Bayer group (one of the world biggest chemical companies). This is permitted under an exceptional regulation which states that this requirement does not have to be reached 'in those cases where a business organization has been supporting the football of one club for more than twenty years continuously, and considerably earlier than 1 January 1999, and this company owns the shares of the subsidiary company only, or together with the parent company'.³⁶ The second exception concerns BVB Dortmund. The legal form of business organization preferred by the BVB Dortmund is a limited partnership with a limited liability company as the general partner with share capital (GmbH & Co. KGaA). The partner is allowed to have more than 50 per cent of the shares in circulation (cf. case study BVB Dortmund) because the independence of the professional football club, despite the extensive distribution of the shares, is preserved and decision-making remains in the hands of the club.

A further important characteristic of the professional football club environment is the distinction made between members, fans and customers. In highly differentiated professional football clubs, members play a subordinate role because they are usually only able to exert influence on the 'lower levels' – for example, the youth teams or other sports teams.³⁷ Compared with the minimal influence exerted by members, fans (that is visitors to the stadium) and customers (consumers via television) are highly significant. Both fans and customers are target groups for merchandising. The customer is economically vital to the club because television broadcasts are the single greatest source of income. The fan becomes an important environmental factor through his/her ability to demonstrate discontent (by non-attendance or via a representative organ, for instance). One example of the significance of this influence is in the decision to keep terraces in German football (although they are not used for international competitions, and the costs of regular alterations are very high).³⁸ A significant

difference between fans and customers should, however, be noted. A fan's loyalty to their club is far higher than that of a customer who, whilst having an interest in football in general or a club in particular, will more readily switch allegiance according to the 'product' on offer. In this respect the customer has more in common with a consumer of, say, detergents.

Between Representation of Interests and Efficient Goal Enforcement: Three Case Studies, Three Solutions

The fact that processes of decision-making and goal enforcement of business enterprises and professional football clubs are assimilating to some extent has become clear from the theoretical discussion above. What is crucial to the successful development of a football club (based on collective decision-making processes) into an efficiently organized company, is the way in which the dilemma of representing a broad range of interests and the efficient achievement of objectives is resolved. Three case studies (VfL Bochum, FC Schalke 04 and BVB Dortmund) demonstrate the different ways in which professional football clubs have sought to solve this dilemma.³⁹ The approaches have been to: (1) uphold the classical club structure (VfL Bochum);⁴⁰ (2) develop the club into a public limited company, not a joint stock company (FC Schalke 04); and (3) establish a joint stock company in the form of an AG, a GmbH or a KGaA, (the special case of BVB Dortmund GmbH & Co. KGaA). Clubs in the first and second category are 'e.V.', denoting a registered society as defined by the German Civil Code (BGB) with bottom-up decision-making structures prescribed by law.

Though BVB Dortmund is the only football club/joint stock company examined here, in the course of this study there were four professional football clubs which established their professional teams as joint stock companies and became the owners of the DFB-licence. The professional football clubs of the Bundesliga in the season 2000/1 can be arranged according to their institutional structures as follows (see Table 2).

The football clubs selected for the research are all in the same cultural-regional environment (the industrial Ruhr area) and were selected for their variety of organizational types. Data were derived from: (1) an analysis of the club statutes and other internal documents; (2) interviews with selected (in some cases former) representatives of the clubs' boards which took place between April and June 2001;⁴¹ and (3) local newspaper reports which formed the basis of the interview schedules.

Upholding the Classical Club Structure - VfL Bochum

VfL Bochum has a voluntary management board/presidency, an economic counsel in accordance with the regulations of the DFB, and is directed by the general meetings of its members, in the bottom-up style of a classical club.⁴²

TABLE 2
STRUCTURE OF THE CLUBS OF THE BUNDESLIGA IN THE SEASON 2000/1

Old e.V. (registered society) structure	e.V. structure with supervisory board (reconstruction of the AG)	Joint stock company
FC Bayern München	Hertha BSC Berlin	BVB Dortmund GmbH & Co. KGaA
VfL Bochum	SV Werder Bremen	Eintracht Frankfurt AG
FC Energie Cottbus	Hamburger SV	Bayer 04 Leverkusen Fußball GmbH
SC Freiburg	1. FC Kaiserslautern	(in the 2nd Division also: Hannover 96 GmbH & Co. KGaA)
1. FC Köln	TSV 1860 München	
	FC Hansa Rostock	
	FC Schalke 04	
	VfB Stuttgart	
	SpVgg. Unterhaching	
	VfL Wolfsburg	

However in practice an election committee, consisting of three people (who have been club members for at least five years) elected at the members general meetings, filters election candidates to ensure that 'surprise candidates' are not elected to the presidency. The introduction of this committee is a reaction to the experiences of neighbouring club, FC Schalke 04, discussed below.

Although this mechanism ensures some continuity of personnel in management positions, efficient goal enforcement is not automatically obtained. On the contrary, the case study of VfL Bochum shows how the extent to which the management and the decision-making structures of a professional football club depend on the organization of financial resources. In the case of VfL Bochum the voluntary acting president invests his/her private property (or uses his/her property as a guarantee) in order to secure the licence for the club from the DFB. Whilst the president acts as a 'maximizer' of the budget, he often prefers to present himself to the public as a maximizer of profit. This serves to obscure the fact that the presidential election of VfL Bochum is always as closely connected to an individual's financial resources and contacts with possible sponsors, as it is to his good relationships with individual members (or groups). At the same time the president expects to gain not only public respect and social status because of his personal engagement, but enjoys personal veto-rights in all the economic decisions and those regarding personnel. As a result, for example, the economic counsel loses its influence as a body which controls and surveys economic affairs.⁴³ Its new function becomes more of a symbolic demonstration of economic transparency. Seen as a whole, the existing organizational structure allows targeted top-down decisions, but in the form of a patriarchal (and less effective) management style. Organization-wide legitimation is derived from the individual's ability to 'procure capital'.

After the period in which most of this research was undertaken, the decision-making structure of VfL Bochum was further transformed. In addition to the

voluntary president, it was proposed the introduction of a full-time management board, including a sports director, business manager, and public relations and marketing managers.⁴⁴ The rationale for this development was that a commercialized, professionalized football club required these skills to survive. In November 2001 a change in the statutes – voted by the members – made this possible and, as a stopgap measure, a panel of experts was introduced to give relevant advice to the president. Thus, management activities have been restructured in response to the perceived demands of a new, more competitive environment.

Yet, seen as a whole, VfL Bochum has only shifted the dilemma between collective decision-making and efficient goal enforcement, rather than found a solution. Although the modified presidential election has led to more efficient, top-down, decision-making processes these cannot be used effectively because the appointment of, and subsequent decisions made by, the elected president are reliant upon the resources that an individual is able to mobilize. VfL Bochum depends on a president who procures financial resources for the club and, in return, receives social recognition, popularity and some powers of veto. The reliance on such personalities stands in the way of transforming the club into a professionally managed organization.

*Including Economic Decision-making Processes into Existing Club Structures
– FC Schalke 04*

In 1994 FC Schalke 04 changed its club statutes to include new decision-making processes, similar to those of a public limited company. This fundamental change was triggered by the surprise election as president of Helmut Kremers, who shortly afterwards confessed that he felt unable to fulfil the role satisfactorily. Regarded by the membership as a tenacious and self-sacrificing former player, Helmut Kremers was elected president after making an emotional and optimistic speech at a general meeting. At that time no mechanisms were in place to ensure that those elected to public office had the range of skills to run such a large organization. His sudden victory was based on his hopes for the future allied to his evocation of the club's tradition. His failure was perhaps not a surprise, because no professional club can survive 'in a tracksuit',⁴⁵ that is to say, without the business skills demanded by the contemporary professional football environment.

The case of Helmut Kremers sent out a warning signal beyond FC Schalke 04. Today, the majority of the professional football clubs in Germany are characterized by a decision-making structure similar to that of a public limited company, but one which nevertheless retains some of the features of a classical club. New decision-making structures, underpinned and voted for by the members, make it possible to enforce the organization's goals more efficiently. Within this new structure the members' general meeting can be likened to a shareholders' general meeting and the managing board can be equated with the

presiding board. What is different, however, is the institutionalization of an intermediate level, the supervisory board. The supervisory board is elected at the members' general meeting. The election committee is very powerful because it shortlists just two or three candidates for positions on the board, and presents them to the membership for election. Those people who are critical of the election committee, or of the prevailing powers, are thus very unlikely to become members of the supervisory board.⁴⁶

The second decisive innovation is the empowering of the supervisory board to appoint the full-time managing board. This board consists of no more than eleven members, who are then forbidden to be part of any other organ of the club, or to be employees of the club. Six of these members are elected at the general meeting, and the supervisory board, can appoint (with the agreement of the election committee) up to three additional members (normally representatives of the sponsoring companies). The tasks of the supervisory board are the same as those in a public limited company; that is to say they hold powers of appointment, consult with and supervise the managing board, and examine the annual accounts (statutes of Schalke 04 § 7 par. 5). As a result, the membership has only limited powers in such issues. The institutionalization of the supervisory board brings about a professionalization of the club's administration and reduces the chance that emotion and/or rhetoric will guide decision-making. By enabling the club to run in an economically rational way, the new professionalism, and the new top-down decision-making processes, are legitimized. However, a peculiar feature of Schalke's organizational structure is the statutory provision for the official fan group to appoint an additional member of the supervisory board (statutes of Schalke 04, § 7 par. 1). Through this mechanism the fans are consulted, their grievances aired, and the club is able to ascertain how the fans wish the club to be run. An additional member is delegated by the Sportbeirat (sports consultative committee) and represents the amateur side of the club on the supervisory board.

The managing board is a small group with five members, appointed by the supervisory board, all working for the club on a full-time basis,⁴⁷ and thus in contrast to the classical e.V. structures. Different economic activities that have been transferred into joint stock companies owned by the club,⁴⁸ ensure that the club's economic stability is relatively independent of its success on the field of play. The managing and supervisory boards of these companies are exclusively occupied by members of the managing and supervisory boards of the football club. The different companies are connected by networks of advisers.

Company Loosely Coupled with the Club – BVB Dortmund

As a legal business form, the GmbH & Co. KGaA, is quite rare.⁴⁹ It consists of two different types of shareholder: general partners with unlimited liability and limited liability shareholders (whose liability is commensurate with their capital contribution). The modified form GmbH & Co. KGaA, which has been chosen by BVB Dortmund (and also Hannover 96), is different in one key respect; the

partner with unlimited personal liability is a company, which itself has only limited liability.⁵⁰ The foundation of a GmbH (limited liability company), acting as general partner of the KGaA (a limited partner with share capital), minimizes the risks inherent in unlimited liability status. The DFB's special provisions concerning this legal form of business organization not only allow the company to gain more capital through the stock exchange than would be possible for an AG (public limited company), but enables the club to retain sovereignty over the company.

With respect to football clubs, the DFB imposed the following conditions for limited partnerships (KGs). In order to ensure the influence of the club over its administration, the club must be the general partner of the KGaA (or the only partner of the GmbH in between). In such a case, it is possible for the parent club to possess less than 50 per cent of the shares, as long as the parent club exercises sufficient influence over the development of the subsidiary company.⁵¹ Hence a football GmbH & Co. KGaA is organized as follows: the parent club is the (100 per cent) owner of a limited liability company (GmbH), which itself is the personally liable general partner of a limited company with share capital (KGaA). Whilst a proportion of the voting shares (which does not have to amount to 50 per cent plus one) is owned by the parent club, the rest of the shares may be owned by other limited liability shareholders.

The law affords the KGaA the opportunity to outline the general structure of the company in its statutes, but prescribes the existence of three organs: the personally liable general partner/partners, the supervisory board and the general meeting of the limited liability shareholders. The personally liable partner (or partners) manages the KGaA, that is, it has managerial control and represents the company in its external relationships. The personally liable partner is fairly autarchic in relation to the supervisory board which has no influence on the selection of the managers (though the skills of individuals on the supervisory board may well be of value to the personally liable partner). The limited liability shareholders basically function as providers of capital. They execute their rights at general meetings, which remain the main decision-making organ of the company, albeit that most decisions are not binding and may not necessarily be implemented.⁵² The members of the BVB Dortmund are formally involved in the decision-making processes which are carried out during the annual general meeting of the KGaA, because every member owns a share of the KGaA.

The organizational structure of the BVB Dortmund as a whole can be characterized as a loose coupling of partly autonomous sections.⁵³ The annual general meeting of the e.V. elects an economic committee, the candidates of which are shortlisted by the election committee. The economic committee consists of the same members who constitute the advisory council of the KGaA. The advisory council of the KGaA appoints the managing board of the GmbH, which again has an overlapping membership with the managing board of the KGaA. Hence the members of the club have the opportunity (if only theoretically) to

dismiss the managing board of the KGaA. This organizational structure allows for a loosely coupled decision-making connection between the e.V. and the joint stock company, but nevertheless, it ensures a degree of continuity over decision-making. It is thus possible to reach decisions quickly in a range of different areas, because the members of the managing boards of the club, the GmbH, and the KGaA are identical. The GmbH & Co. KGaA comprises the whole economic business including the professional football, the amateurs, youth teams and the ladies' handball first team. In addition, a couple of subsidiary companies were founded in order to provide the joint stock company with a degree of economic independence from the performance of the teams on the field of play.⁵⁴

The (internal) organizational structure of the GmbH & Co. KGaA is that of a modern company. Those sections which are not part of the core business (that is to say, sections other than the performance of the professional, contract, players) and all the subsidiary companies, have clearly defined goals and objectives and are allowed to act autonomously within the scope of their budgets. The managing board of the KGaA only defines strategic goals. But in the core business, the performance of the first team, the management intervenes in the operative business, i.e. it decides which players to buy and sell. In this divided, goal-oriented structure of the BVB Dortmund, the loose coupling of the separate business sections becomes clear. The decision-making process takes place top-down in the core business but in other sections of the business decisions can be reached autonomously. With respect to the goal enforcement of the KGaA, the two managers implement all the operative, as well as strategic, decisions in the core business. They are both publicly perceived to be competent managers who have successfully developed the organization. This helps to legitimize their decisions within the organization. Theoretically, the members of the club have the chance to dismiss the two managers, but there are many impediments that make this case very unlikely. The prospects for membership participation are largely reduced to a symbolic act.

Conclusion

This comparison of companies and clubs, and of decision-making and goal enforcement mechanisms, illustrates a process of convergence. On the one hand companies stress the importance of employee self-motivation and introduce new forms of working characterized by giving more freedom to the individual, and place a greater emphasis on bottom-up decision-making processes. Bottom-up or democratic decision-making structures, however, characterize an ideal-type club. Professional football clubs are currently in an environment which has heightened the dilemma between membership participation and efficient, effective goal enforcement. The following three patterns can be distinguished in the case of the Bundesliga:

- The classical 'bottom-up' decision-making pattern is conserved. The elected president's ability to procure capital legitimizes the high degree of control which he/she has, and thus the dilemma is solved in an ad hoc manner, in favour of goal enforcement.
- By becoming a public limited company (AG), without joint stock, the participation of the membership is preserved, albeit only through the introduction of a supervisory board. This new organizational structure, however, has been introduced bottom-up, i.e. with the consent of the members. Sections of critical value are hived off into subsidiary companies in order to prevent direct control of the members, though a degree of indirect control remains by choosing personnel for senior positions in the club/company (the management of subsidiary companies is exclusively performed by members of the managing and the supervisory boards). One effect of restricting democratic decision-making processes in favour of more effective decision-making through the supervisory board, is the potential for the influence of fan groups as representatives on the supervisory board.
- The pattern of a GmbH & Co. KGaA restricts the members' participation to symbolic acts. Thus only a loose coupling exists between decision-making of the members and goal enforcement. As a countermove, flexible organizational structures typical for companies (loose coupling of semi-autonomous sections) are built up. This development is reflected in the internal participation of the employees – not of the members – in the decision-making processes, which are designed to set out and reach objectives more efficiently.

There is no deterministic relationship between organizational structure and success on the football pitch, which is analogous to the findings of modern organization and company research. At the end of our observations during the season 2000/1, in addition to VfL Bochum, with its classical e.V. structure, both a team run by a public limited company (without joint stock) (SpVgg. Unterhaching) and a team with a joint stock company structure (Eintracht Frankfurt AG) were relegated to the lower (second) division.

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NOTES

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1. The distinction is based on the different logical structures and environments in which the types are involved. The club is a subcategory of the type of the community of interests. U. von Alemann, *Organisierte Interessen in der Bundesrepublik* (Opladen: Leske+Budrich, 1989), p.30.

2. The current discussion tries to apply organization and management concepts, taken from the area of the companies, to public administrations. U. Wilkesmann, 'An welchen Leitbildern orientiert sich Beratung von kleinen Kommunalverwaltungen?', *Die Verwaltung – Zeitschrift für Verwaltungsrecht und Verwaltungswissenschaften*, 33, 2 (2000), 219–40.
3. H. Weitbrecht, *Effektivität und Legitimität der Tarifautonomie* (Berlin: Duncker & Humblot, 1969); W. Streeck, 'Das Dilemma der Organisation. Tarifverbände zwischen Interessenvertretung und Stabilitätspolitik', in W. Meißner and L. Unterseher (eds.), *Verteilungskampf und Stabilitätspolitik* (Stuttgart: Kohlhammer, 1972), pp.130–67; H. Wiesenthal, 'Akteurkompetenz im Organisationsdilemma. Grundprobleme strategisch ambitionierter Mitgliederverbände und zwei Techniken ihrer Überwindung', *Berliner Journal für Soziologie*, 3, 1 (1993), 3–18.
4. M. Olson, *The Logic of Collective Action* (Harvard: Harvard University Press, 1968).
5. C. Offe and H. Wiesenthal, 'Two Logics of Collective Action', *Political Power and Social Theory*, 1, 1 (1980), 67–115; Wiesenthal, 'Akteurkompetenz im Organisationsdilemma'.
6. U. Wilkesmann, *Lernen in Organisationen* (Frankfurt am Main: Campus); M.D. Cohen and L.S. Sproull (eds.), *Organizational Learning* (London: Sage, 1995).
7. C. Barnard, *The Functions of the Executive* (Cambridge, MA: Harvard University Press, 1938); J.G. March and H.A. Simon, *Organizations* (New York: Wiley, 1958); as shown below, this is only partly applicable to the new participatory-flexible forms of companies.
8. H. Esser, *Soziologie – Spezielle Grundlagen: Institution*, Band 5 (Frankfurt am Main: Campus, 2000).
9. B.S. Frey and M. Osterloh, *Successful Management by Motivation* (New York and Berlin: Springer, 2002).
10. U. Wilkesmann, R. Piorr and R. Taubert, 'Konfliktarenen im Unternehmen – am Beispiel des Co-Managements', in A. Clermont, W. Schmeisser and D. Krimphove (eds.), *Personalführung und Organisation* (München: Vahlen, 2000), pp.715–730
11. In addition, there are no decision-making criteria for a 'correct' solution of such complex problems and there is no prescribed way to solve the problem. Moreover, the number of steps and the sequence of actions needed to deal with the problem may also be unknown.
12. Frey and Osterloh, *Successful Management by Motivation*; U. Wilkesmann and I. Rascher, 'Lässt sich Wissen durch Datenbanken managen? Motivationale und organisationale Voraussetzungen beim Einsatz elektronischer Datenbanken', in T. Edeling, W. Jann and D. Wagner (eds.), *Wissenssteuerung und Wissensmanagement in Politik, Wirtschaft und Verwaltung* (Opladen: Leske und Budrich, 2002 forthcoming).
13. D. Courpasson, 'Managerial Strategies of Domination. Power in Soft Bureaucracies', *Organization Studies*, 21, 1 (2000), 141–61; U. Wilkesmann 'Unternehmensethik und organisationales Lernen – Zur theoretischen Fundierung einer pragmatischen Unternehmensethik', *Die Unternehmung – Schweizerische Zeitschrift für betriebswirtschaftliche Forschung und Praxis*, 55, 1 (2001), 5–23.
14. D. Blutner, 'Brandstifter unter Hochdruck: Spekulationen über Voraussetzungen innovativen Handelns im Vertrieb', in T. Edeling, W. Jann and D. Wagner (eds.), *Reorganisationsstrategien in Wirtschaft und Verwaltung* (Opladen: Leske und Budrich, 2001), pp.91–115; D. Blutner and A. Metzner, 'Entwicklung organisationsinterner Steuerung im Privatisierungsprozess', in T. Edeling, W. Jann and D. Wagner (eds.), *Öffentliches und Privates Management: fundamentally alike in all unimportant respects?* (Opladen: Leske+Budrich, 1998), pp.161–85.
15. U. Kowol and W. Krohn, 'Modernisierungsdynamik und Innovationslethargie', in B. Blättel-Mink and O. Renn (eds.), *Zwischen Akteur und System* (Opladen: Westdeutscher Verlag, 1997), pp.39–65; Blutner, 'Brandstifter unter Hochdruck'.
16. P.M. Blau and W.R. Scott, *Formal Organizations* (London: Routledge, 1970); U. von Alemann, *Organisierte Interessen in der Bundesrepublik* (Opladen: Leske+Budrich, 1989).
17. K. Heinemann and H.-D. Horch, 'Ist der Sportverein etwas Besonderes?', *Sportwissenschaft*, 21 (1991), 384–98.
18. Olson, *The Logic of Collective Action*.
19. M. Hechter, *Principles of Group Solidarity* (Berkeley: University of California Press, 1987).
20. J.S. Coleman, *Foundations of Social Theory* (Cambridge: Belknap Press, 1990).
21. Olson, *The Logic of Collective Action*.
22. K. Heinemann and H.-D. Horch, 'Ist der Sportverein etwas Besonderes?', *Sportwissenschaft*, 21 (1991), 384–98.
23. FIFA rules, agreed on 3 September 2001, made the implications of the *Bosman* ruling applicable to the game, worldwide.

24. H. Weitbrecht, *Effektivität und Legitimität der Tarifautonomie* (Berlin: Duncker & Humblot, 1969).
25. By means of becoming member of an organization, shifts in the balance of power can take place. During this study, for example, some members of the VfL Bochum made other people join the club in order to be able to elect a new board during the annual general meeting 2002.
26. Interview Bernhörster, p.6.
27. Heinemann and Horch, 'Ist der Sportverein etwas Besonderes?'; H.-D. Horch, 'Vereinigungsveragen. Ein "Institutional-choice" – Vergleich zwischen Sportvereinen und kommerzieller Sportorganisation', *Sportwissenschaft*, 20 (1990), 162–81; H.-D. Horch, 'Ressourcenzusammensetzung und Oligarchisierung', *Kölner Zeitschrift für Soziologie und Sozialpsychologie*, 44 (1992), 99–115.
28. Coleman, *Foundations of Social Theory*.
29. Olson, *The Logic of Collective Action* (Harvard: Harvard University Press, 1968).
30. These conflict situations can be described as 'zero sum games': anything that one club wins, another one loses.
31. The championship competition cannot be described by a zero sum game, however for all clubs obtain a degree of success relative to other clubs within the league.
32. Because of this a central marketing organization for the Bundesliga would be more efficient. If one sponsor only supports one team the sponsor cannot be guaranteed a 'good' performance of the team, and thus a return on their investment. If the sponsorship included the Bundesliga as a whole, the sponsor would have a guaranteed return, as they would always be the sponsor of the champions. E. Franck, 'Zur Organisation von Sportligen', *Die Betriebswirtschaft*, 59 (1999), 531–47; E. Franck, *Die ökonomischen Institutionen der Teamsportindustrie* (Wiesbaden: Deutscher Universitätsverlag, 1995).
33. Cf. §§ 5 lit. c, 7 No. 1 lit. a DFB contract player statutes.
34. Thirty-six representatives of the individual professional clubs, 137 representatives of the provincial associations (Landesverbände), ten representatives of the regional associations and 23 members of the DFB board.
35. Cf. § 1 DFB statutes and § 7 No. 1a DFB contract player statutes.
36. Deutscher Fußball-Bund, *Schriftliche Fassung der Entscheidung des DFB Bundestages vom 24.10.1998*, p.5.
37. K.E. Weick, *Der Prozeß des Organisieren* (Frankfurt am Main: Suhrkamp, 1985).
38. Interview Meier 2001. A further example is the re-introduction of the 3.30 p.m. Saturday kick-off time. German television agreed with the German Football Association that some games should be staged on Fridays and Sundays, thus enabling the broadcast of more games. However, following considerable fan protests, traditional kick-off times were restored.
39. Bayer Leverkusen was the first club to be allowed to transfer the licensing for the participation in the Bundesliga for the season 1998/99 to a limited liability company. The second attempt to build a joint stock company was carried out by Tennis Borussia Berlin e.V. (season 1999/2000). The club hived off its contract player section into the Tennis Borussia Berlin Fußball GmbH & Co. KGaA. The limited liability shareholders are the parent club with 75.7 per cent and the main sponsor Göttinger Gruppe with 24.3 per cent. The attempt did not last for long: after a disastrous season in which it was in danger of relegation, despite the investment of huge sums on new players, the DFB rejected the company's application for licence for the 2nd Division for the following season due to its unstable economic situation.
40. During this study all clubs of this category launched initiatives with the aim to transform the old structure into one of the other two categories. The dilemma between participation of the members and efficient goal enforcement increases the necessity to act in direction of a transformation.
41. At this stage we want to thank Günther Bernhörster, Erwin Steden (both VfL Bochum), Josef Schnusenberg (FC Schalke 04) and Michael Meier (BVB Dortmund).
42. The main tasks of the general meeting are the election of the members of the presiding board (proposed by the election commission), the discharge of the presiding board, the election of the members of the election commission (proposed by the economic counsel), the election of the members of the honorary committee and decisions about changes of the statutes. There is no right to information or consultation concerning economic factors (statutes VfL Bochum § 15).
43. The economic counsel has five members of whom only the chairman is elected by the general meeting. The other four are appointed by the presiding board. The board has to ask the economic counsel for its approval of important business transactions, but this approval is *de facto*. The agreement is met if at least six members of the presiding board and economic counsel consent. This means that together with the presiding board only two members of the economic counsel (of the four members of the counsel have been appointed by the board) have to agree.

44. Interview Bernhörster.
45. Kremers used this rhetoric in his speech when describing the former victories over the BVB Dortmund.
46. Interview Schnusenberg. The general meeting of the members also accepts the annual reports of the managing board and the supervisory board and it discharges both organs. In contrast to a general meeting of shareholders every person has equal voting rights; there are no priorities.
47. *De jure* two of the members of the managing board are working on an honorary basis, but they are paid nevertheless. This regulation 'ad personam', is to make sure that these people's other economic activities are not influenced; interview Schnusenberg.
48. FC Schalke 04–stadium-associated company mbH & Co., real estate administration KG, FC Schalke 04–stadium-catering company mbH & Co. KG, FC Schalke 04–stadium-operation company mbH, Ticket and Secure GmbH, and FC Schalke 04–football museum GmbH.
49. In § 278 par. 1 of the Law on Limited Companies the KGaA is defined as 'a company having a legal personality of its own, of which at least one partner is liable absolutely (personally liable partner) and the other participates in the capital stock of shares without being personally liable (limited liability shareholders)'. The definition illustrates the characteristic organizational structure of a KGaA which is a mixture between a partnership (KG) and a joint stock company (AG); hence the entrance to the organized capital market is provided as well as the flexibility of a partnership.
50. The alternative with a GmbH as the only general partner was, and still is, debated by jurists because the general partner of a KGaA is very powerful and this power can only be justifiable by an unlimited liability. E. Zacharias, *Going Public einer Fußball-Kapitalgesellschaft* (Bielefeld: Erich-Schmidt Verlag, 1999), p.286. The legal correctness has been proved by a decision of the Bundesgerichtshof, 24 Feb. 1997.
51. Deutscher Fußball-Bund, *Schriftliche Fassung der Entscheidung des DFB Bundestages vom 24.10.1998*, p.5.
52. The general meeting reaches decisions (e.g. about the annual financial statement), but the personally liable partner has the right of veto. Nearly all decisions of the general meeting depend on the agreement of the general partner. The limited liability shareholder does not have any voice in matters of management or representation with the result that the general partner cannot be dismissed by the vote of the general meeting. If there are important reasons, a dismissal is possible through a court ruling.
53. BVB Dortmund owns 100 per cent of the GmbH and 33 per cent of the shares of the KGaA.
54. The KGaA holds 75 per cent of the Westfalenstadion Dortmund GmbH & Co. KG. This company leases the stadium and promotes its facilities which produces a profit in addition to the profit which accrues from the use of the stadium for football matches. The KGaA owns 100 per cent of a sportswear and sports equipment company (gool.de sportswear GmbH) and 50 per cent of a company which edits and produces Internet web sites (Absolute Sports GmbH). It also has direct stakes in a rehabilitation centre (Orthomed GmbH, 33.4 per cent) and a travel agency (B.E.S.T GmbH, 51 per cent).