

The Organisation and Governance of Top Football Across Europe

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An Institutional Perspective

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10 German Football

Organising for the European Top

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In this chapter we give a brief overview of the history and some characteristic aspects of contemporary German top football and its organisational framework. We will emphasise three phenomena which are typical for the German case: (1) the registered association as the (former) typical German football club organisation, (2) the strict licensing regime, and (3) the joint marketing of broadcasting rights. All in all, the aim of this chapter is two-fold: to give an overview over the German case and to explain some typical phenomena.

In Germany football is by far the most popular sport. With 42,500 spectators per match on average the German League has the highest attendances in Europe (Bundesligareport, 2010, p. 13) and the attendance is still increasing. One plausible reason is the new stadiums that were built for the 2006 World Cup and, in comparison with some other European leagues, the absence of hooliganism. The German Football Association (DFB; hereafter German FA) comprises 25,703 clubs, 177,039 teams, and 6,756,562 single members (in 2010) and is the largest and richest single sport association worldwide. In 2010 the Bundesliga was fourth at the UEFA league coefficient ranking, closely behind Italy. It is now about to step forward to the third rank allowing a fourth team to qualify for the UEFA Champions League. Its best performance was during the 1980s and at the beginning of the 1990s. During these periods the German League was *the* number one league in Europe. Nowadays, the German League's governing bodies work hard to regain its former recognition. In fact, the professionalisation of German football is pushed forward mainly by this competition. In alignment with Gammelsaeter and Senaux (Chapter 1) we can define this competitive approach as institutional logic. The shift from the genuine registered association to a company mode within the clubs, the struggle over the allocation formula for the gains from broadcasting rights, and the strict licensing regime that prevents bankruptcy of clubs are all jigsaw pieces to strengthen the competitive position of German football.

In the next two sections we first give a review of the organisation of German top football and then shortly describe the competition structure. Afterwards we describe the typical German club structure and a consequential dilemma of decision making. Next we show the objectives and procedures for the strict German licensing regime. In the last section we analyse some problems of the joint marketing of broadcasting rights and the allocation formula.

ORGANISATION OF GERMAN PROFESSIONAL FOOTBALL

On September 30, 2000, an extraordinary congress of the German FA passed a seminal reform for the professional leagues, the so-called “licensed football” which denominates the top two divisions in Germany. As a consequence, the first league “Bundesliga” and the second league “Bundesliga 2” were removed from the German FA’s jurisdiction. From the 2001–2002 season, the 36 professional football clubs constituted themselves as members of the German professional football League Association (hereafter the League) which itself was set up as one of the 27 independent member associations of the federal and self-governed German FA. The other 26 members of the German FA are the regional associations comprising some 27,000 football clubs.

The emancipation of the professional clubs was driven by some bigger clubs to realise their interests. Although the aims of the opinion leaders within the German clubs were by no means homogeneous, they can be summarised as follows:

1. Natural conflicts of interest arising among German football clubs are better articulated and debated in an organisation that represents professional clubs and another representing amateur football. In the case of questions directly affecting the German League, a blocking minority by the professional clubs ensures that critical issues concerning professional football cannot simply be overruled by the majorities of small clubs as has been the case in the German FA.²
2. Institutionalised independence of league clubs is regarded as a prerequisite for professionalisation. This includes operations such as a perfect organisation of fixtures and venues, a wide range of services for the clubs, and an improvement of the German League’s brand within the context of international league rivalry. By handling their own joint marketing of broadcasting rights, proceeds from the championship as well as commercial income from sponsoring and advertising of the league were expected to be maximised.
3. There is a clear need for direct representation and participation in international football’s governing bodies like UEFA or EPFL.

Right from the beginning, the devolution of licensed football to the League was admitted under the terms that the close relationship with the German FA continues. Today there are close personal links between the bodies of the German FA and the League because the same trustees represent both organisations and mutual rights and obligations are anchored in a basic agreement³ between the German FA and the League. The German FA, for example, receives a leasehold income from the League amounting to 3 percent of the proceeds of the broadcasting rights and gate receipts from League matches. The League in return gets a substantial share of the revenues generated from the German FA by its marketing of the national team and its matches.

Another crucial issue in the basic agreement is a regulation governing promotion and relegation between the 2nd league and the 3rd league. The latter is the 1st division run by the German FA. As the notable fear by amateur clubs of professional clubs aiming for a closed-shop had to be banned, it was furthermore codified that all professional and qualified amateur clubs will participate together in the Cup competition (German FA Cup) organised by the German FA. Finally, the formation and organisation of referees, security issues, sports jurisdiction, and the training of coaches continue to be provided by the German FA.

The League established the “DFL—Deutsche Fussball Liga GmbH” (hereafter the League Company) to run its business, and is its sole shareholder. The board of the League consists of seven club representatives elected by the General Assembly comprised of the 36 professional clubs and the Executive Board of the League Company. The General Assembly also elects the League Company’s Supervisory Board. While the responsibility for the licensing procedure rests upon the League Company as the operational unit of the League, the League formally issues the license itself. Successful applicants receive the license by means of a contract with the League.⁴ This ensures that the most important decisions fall within the legislative framework that governs the association.

THE COMPETITION STRUCTURE

While football was already organised in national professional leagues in other European countries like Spain, Italy, or England in the 1950s and 1960s, there were great performance differences between German teams and the teams of other European countries. This was an important reason for introducing a single-track league. During the time Germany was a divided country, the “Oberliga” was founded in the German Democratic Republic (GDR) in 1949 and in 1963 the first national league “Bundesliga” was founded in the Federal Republic of Germany (FRG). After the German reunification, the clubs of the former GDR were integrated in the 1991–1992 season into the league pyramid run by the German FA.

Today, the male German football has three professional leagues and a lot of amateur leagues. The three professional leagues are: (1) The Bundesliga with 18 teams competing in a single-track league for the title of the German national champion, (2) Bundesliga 2 that was established in 1974 as a double-track league and changed in 1981 to a single-track league; (3) a single-track third professional league that was launched with 20 teams starting in the 2008–2009 season and remains directly organised by the German FA. The mode of relegation between the 1st and the 2nd league is as follows: The last two clubs of the ranking are relegated directly and are replaced by the two top-ranked teams of the Bundesliga 2. The third last team of the Bundesliga and the third best team of the 2nd Bundesliga play matches against each other to qualify for the Bundesliga in the following season. The same mode of relegation is used between the 2nd and 3rd league. The three last clubs of the 3rd league are relegated to the regional amateur leagues.

In addition, the German FA organises the German FA Cup that is the only knock-out tournament in Germany. In the first main round all of the 36 clubs of the first two leagues are qualified from the outset. Furthermore, 28 teams of the lower leagues take part but these have to qualify for the tournament. Since 1985 the final of the German FA Cup has been played in the Olympic Stadium of Berlin.

The German women's championship title was awarded for the first time in the 1973–1974 season in the FRG. In the GDR there was no comparable competition. In 1990 a double-track women's Bundesliga was founded. In 1997 this was changed into a single-track league with 12 teams, organised by the German FA.

CLUB ORGANISATION MODELS

Over the past 15 years, German top clubs have professionalised and modified their decision-making processes. Traditionally, German football clubs are characterised by two essential characteristics:

1. They are multi-sport associations; and
2. The clubs are organised along the lines of the German registered association (“eingetragener Verein; e.V.”). This means that they are organised as a special interest organisation in which the members decide about the running and development of their association. Hence, the decision process is bottom-up. Notably, the League is organised as a registered association, too.

A very important institution of these associations is the member's general assembly, which normally takes place once a year and is the highest decision-making body in the organisation based on a “one-member-one-vote”

rule. Any association whose main purpose is not directed upon an economic business concern can be freely founded and has to be registered at the district court.

In the last decade, we have observed that football clubs are changing from an association model into a business organisations model (Wilkesmann & Blutner, 2002). Some clubs are still registered associations but are characterised by a parallelism of “bottom up” and “top down” decision-making processes because they act as a special interest organisation and a business organisation at the same time. To understand this parallelism it is necessary to recapitulate the logic of both kinds of organisations. The most important point is that special interest organisations produce a public good. According to Olson “. . . an individual cannot exclude the others in the group from the benefits of that amount of the public good that he provides for himself” (Olson, 1965, p. 28). Every member can use this public good without giving contribution. In contrast to this, business organisations generate private goods. An individual can exclude another person from consuming a private good and it is rivalrous, that is, consumption by one consumer prevents simultaneous consumption by other consumers. Organising public versus private goods leads to two different logics of decision making: bottom-up and top-down. The governance of a public good cannot be effectively organised top-down because a potential superior has no sanction capacity. A potential subordinate could not be excluded from the benefits; therefore, participatory governance is more adequate. In alignment with Olson (1965), we can assess that all associations produce public goods, for example, collective labour agreements or organising football tournaments (Wilkesmann & Blutner, 2007). The specific logics can be shown by discussing the ideal types of special interest organisation and business organisation.

Registered associations as special interest organisations: The rules for the decision-making processes of a registered association can be found in the §§ 21ff. of the German Civil Code. During the general assembly meetings it must be possible to modify existing goals, to formulate new goals and to put these to democratic vote. In addition, the members elect the directors of the club (management board and presidency). Because different interests of members have to be coordinated in a special interest organisation it cannot adequately make use of a centralised authority for decision-making processes (top-down). It has to use participative logics (bottom-up). A plurality of different interpretations and subjective expectations exists in such organisations. This leads to the fact that a special interest organisation has to integrate the members’ different interests by bottom-up decision making in order to generate goal-oriented and collective action which presupposes the existence of a systematic and internal decision-making process, and effectively enforces goals which—if they are fairly long-term—presuppose the ability of self-administration (top-down). Hence, the more regularly the membership is consulted, the more likely is the fact that decisions will

block the efficient accomplishment of broader policy goals. To put it in a nutshell, bottom-up and top-down decision-making processes easily come into conflict with each other (Wilkesmann & Blutner, 2002).

Business organisations: Enterprises in the market are basically directed towards profit and sales volume. These criteria are steadily applied—independently from the implementation of new technologies, the entry of new members, or the change of environment. The criteria stand for a universal standard of measuring entrepreneurial success. However, the reference to monetary criteria makes it possible to formally integrate all tasks and efforts of loosely coupled departments within the enterprise. This integration can only be achieved by a centralised authority and a top-down decision-making processes. In the context of a football club moving from an association model to a business organisation model, the classical problem of effectiveness is becoming more important.

In Germany, the orientation from associations to professional clubs has developed along two paths:

1. The past decade has seen a shift from the registered association to a more professionalised club structure. Even though the formal structure is still a registered association the decision-making structures are increasingly modelled after the public limited company (Wilkesmann & Blutner, 2002). The first decisive change is achieved by the institutionalisation of an intermediate level, the supervisory board, which is elected at the general assembly. However, the election committee is very powerful because it shortlists just two or three candidates for positions on the board, and presents them to the members for election. The second decisive change is the empowering of the supervisory board to appoint the full-time board of directors. Members of the supervisory board cannot be part of any other organ of the club and the club cannot employ them. The tasks of the supervisory board are similar to those in a public limited company: They hold the power of appointment, consult, and supervise the managing board, and examine the annual accounts. This structure leads to a separation of the amateur and professional segments with different kinds of decision-making processes within the club. It also leads to a formal differentiation of licensed players as employees and amateur players as members of the association. This separation results in parallelism of voluntary and paid membership. In such an organisational environment, voluntary work decreases in significance and the rules of the business organisation will *de facto* prevail.
2. While previous regulation only allowed registered clubs to take part in the German leagues, the general assembly of the German FA decided on October 24, 1998, that football clubs are allowed to depart from the traditional club structure and to transform to joint stock companies by demanding that the association retains 50 percent plus one voting

right.⁵ The consequence is that clubs could become public limited companies (“AG”), limited liability companies (“GmbH”), or limited partnerships with share capital (“KGaA”). Two exceptions were introduced in the negotiation process. The first exception concerns clubs that were already closely linked to a company. Since 1999 Bayer 04 Fussball GmbH, for instance, is a 100 percent subsidiary of the Bayer Group. In an exceptional regulation it is stated that the 50 percent requirement does not have to be reached, “in those cases in which a business organization has been supporting football of one club for more than twenty years permanently, and considerably earlier than 01/01/1999, and this company owns the shares of the subsidiary company only, or together with the parent company” (DFB, 1998, p. 5). Another example is the VfL Wolfsburg, which is a 100 percent subsidiary of the Volkswagen AG (VW) since 2001. The second exception is the legal form that was preferred by BVB Dortmund and many other clubs since 2000. It contains a limited partnership with a limited liability company as the general partner with share capital (“GmbH & Co. KGaA”) and is allowed to have more than 50 percent of the shares in circulation. In this case,

Table 10.1 Structure of the Clubs in the German 1st and 2nd League in the 2008–2009 Season

<i>Clubs registered as association “e.V.” with supervisory board</i>	<i>Clubs registered as joint stock company</i>
<ul style="list-style-type: none"> • VfL Bochum 1848, e.V. • FC Energie Cottbus, e.V. • Hamburger SV, e.V. • Karlsruher SC, e.V. • FC Schalke 04, e.V. • VfB Stuttgart, e.V. • Rotweiss Ahlen, e.V. • FSV Frankfurt, e.V. • SC Freiburg, e.V. • 1. FC Kaiserslautern, e.V. • FSV Mainz 05, e.V. • 1. FC Nürnberg, e.V. • Rot-Weiss Oberhausen, e.V. • VfL Osnabrück, e.V. • FC St. Pauli, e.V. • FC Hansa Rostock, e.V. 	<ul style="list-style-type: none"> • Hertha BSC Berlin, GmbH & Co. KGaA • Arminia Bielefeld, GmbH & Co. KGaA • Werder Bremen, GmbH & Co. KGaA • BVB Dortmund, GmbH & Co. KGaA • Eintracht Frankfurt, AG • Hannover 96, GmbH & Co. KGaA • 1899 Hoffenheim, GmbH • 1. FC Köln, GmbH & Co. KGaA • Bayer 04 Leverkusen, GmbH • FC Bayern Munich, AG • VfL Wolfsburg, GmbH • Borussia Mönchengladbach, GmbH • Alemannia Aachen, GmbH • FC Augsburg, GmbH & Co. KGaA • MSV Duisburg, GmbH & Co. KGaA • SPVGG Greuther Fürth, GmbH & Co. KGaA • FC Ingolstadt 04, GmbH • TUS Koblenz, GmbH • TSV 1860 Munich, GmbH & Co. KGaA • SV Wehen Wiesbaden, GmbH

Source: Bundesligareport, 2009, 82–117

the independence of the professional football club is preserved because the decision-making competence is still in the hands of the club, holding 100 percent of the equity of the general partner despite the extensive distribution of the shares. Table 10.1 illustrates the structure of the German League clubs in the 2008–2009 season and contains all clubs of the 1st and 2nd German League.

(2) The changes of the organisational structure among German football clubs reflect a higher and more direct entrepreneurial orientation. The football pitches have not only transformed into event arenas and media palaces; furthermore, new business fields emerge beyond football. A typical example for these activities is health care (e.g., rehabilitation). Most clubs of the German League have founded joint ventures with hospitals or health care companies, which are quite successful. Moreover, the fundamental economic orientation of the professional football clubs has increased the heterogeneity of interests caused by the different types of members: amateur and professional players, fans, VIPs, business partners, sponsors, and shareholders. It seems that in this context a bottom-up decision-making process cannot manage the customer-oriented event culture. Thus, a top-down decision-making process becomes more and more adequate.

OBJECTIVES AND PROCEDURES FOR GERMAN LICENSING

The licensing regime in the German League covers financial criteria as well as sporting, legal, personal, administrative, infrastructural, and safety requirements (Müller, 2005). Top priority is given to maintaining the operations of all League members during the season in order to ensure the stability, integrity, and continuity of national and international competition. It is believed that the financial damage of the brand “Bundesliga” and the claims for damages by its contractual partners would be enormous if a club would have to withdraw its team from the championship for financial reasons. Moreover, the match fixtures could probably no longer be followed.

The League Company’s licensing department is responsible for the licensing process, on behalf of its executive board. The process starts with a written application submitted to the League Company not later than March 15 together with a legally binding declaration by the applicant that the licensing documents are complete and correct. The following documents have to be attached to the application:

- A balance sheet of the club as of December 31 t-1 (t = current year) audited by an auditor appointed by the League Company in response to the application by the club;⁶
- An audited statement of profit and loss (P & L) for the first half of the current playing year (July 1 t-1 to December 31 t-1);

- A status report by the management board;
- A forecast P&L statement for the second half of the current playing year (January 1 t to June 30 t) and for the complete season to be licensed (July 1 t to June 30 t+1); and
- An additional report by the auditors concerning the plausibility of these documents and the appropriate certification.

In addition, the applicant is required to submit a series of legally binding written declarations in which and with which the applicant:

- Commits oneself to give the League access to important agreements in the area of marketing and operations;
- Assures that up to the December 31 t-1 all liabilities vis-à-vis its employees have been fulfilled and that salary taxes and social security premiums have been properly paid, or a substitute regime has been instituted;
- Assures that on December 31 t-1 any transfer due to commitments has been paid, or revised terms agreed with the club raising a claim;
- Waives the banking secrecy in its own bank in favour of the League;
- Permits the League Company to request information from the appropriate German Inland Revenue Office (tax and social security authorities);
- Reveals its holdings in other companies; and
- Commits oneself to adhere to conditions set within the framework of granting of a license.

A licensing committee whose members are the elected members of the League board judges complaints. From a theoretical point of view a conflict of interest could occur because the members of the committee are elected by the licensing applicants.

For the licensing procedure the League Company assesses the applicant's economic strength by scrutinising the documents presented. If these are insufficient, more documents, proofs, or declarations are requested in bilateral negotiations with the applicant. When the liquidity forecast for the following season—based upon the documents submitted on March 15 and the following bilateral talks—a shortfall a condition is imposed, meaning that only in case of its fulfilment the license will be granted.

The decision is normally forwarded by the League Company in the second half of April. A liquidity shortfall can be covered by providing evidence of projected but still contractually undocumented revenue, for example, a still outstanding agreement with a (main) sponsor or a transfer agreement to prove planned proceeds in the forecasted P&L. It often happens that at the beginning of March the banks have not yet prolonged their lending lines to the applicant until the end of the following season, and only the

presentation of such signed credit agreements will be seen as a proof of a credit facility that is needed to reveal sufficient liquidity.

Alternatively, a shortfall in the cash flow statement can be covered by deposits of liquidity reserves on a League Company trust account or by submission of a bank guarantee that gives the League Company complete freedom to cash in the bank guarantee at any time. Only when the applicant has precisely and conclusively fulfilled the conditions within the stated period, the economic viability for the upcoming season is regarded as being proved as a precondition for granting the license. The licensing committee makes the decision on the basis of a proposal by the League Company's licensing department.

What are the typical causes of the refusal to grant a license? License refusal may be put into three categories. The first is when the license applicant presents incomplete documentation in order to portray its financial situation in a better light than it really is. On becoming aware of this fact, however, the basis for granting a license will be disbarred and tough sanctions will be imposed. The second and the most frequent category of conflicts concern the meeting of conditions. Unfortunately, it occurs quite often that clubs fail to meet deadlines. For the protection of other clubs, which could probably be affected, observing the rule is tightly controlled. The last category includes commissions and omissions with regard to the submission of contracts of all types. Briefly, the licensing process includes more than one annual proof of liquidity. All clubs know that the League statute serves to ensure the integrity of the League competition and unanimously support the system.

Broadcasting and the Allocation Formula

In Germany the marketing of broadcasting rights is centralised and covers free-TV, pay-TV, Internet, and radio. The League Company bargains with TV companies on behalf of the League. Since 2006, it does not only sell the broadcasting rights, it also produces a TV program through its own TV production company ("Sportcast"; a 100 percent subsidiary of the League Company) and sells it to the broadcasting companies.

In Germany the broadcasting rights are sold jointly, and the revenue from it has to be allocated to the clubs. The so-called allocation formula is a special rule for the collective distribution of the broadcasting money. Theoretically, such rules can oscillate between the two poles of equal distribution and distribution by performance. Often small football clubs (in the sense of their budget) favour equal distribution. Their argument is that all the clubs own the broadcasting revenue because the broadcasting rights cover not only single matches but the whole championship. Big football clubs (in the sense of their budget) favour the distribution by performance. Their argument is that they contribute more to the product than do the smaller clubs because a match between two more renowned clubs generates more

revenue than a match between two of the less successful clubs. Moreover, large clubs compare themselves more to internationally successful clubs than to smaller clubs in the German League. In a democratic association with a bottom-up decision-making process, we will expect that the majority, which in the German League are the small clubs, will push towards the equal distribution rule. As we will see in the following, this is not the case.

The History of Broadcasting Revenue and Changes of the Allocation Formula

Revenue from broadcasting rights have increased rapidly since 1967 (€0.41 million) and particularly between 1990 (€26.89 million) to 2009 (€439.47 million) with the exception for 2003 when the bankruptcy of the biggest broadcasting-right trade company in Germany caused a dramatic downturn. All in all, the entrance of private broadcasting companies into the market led to the rise of broadcasting gains. In comparison to other European countries (e.g., Italy and England), however, the market for pay-TV is small in Germany. The public-free-to-air broadcasting company shows the highlights of more or less all matches 1 hour after the end of the round on Saturdays. Moreover, a private free-to-air TV channel broadcasts the 2nd league with one match live weekly. All in all, the highlights of all matches are broadcast on free channels. Despite this, the broadcasting rights are on average the biggest income stream in the budgets of the football clubs, amounting to 29 percent (Bundesligareport, 2010, p. 11). In comparison, advertising amounts to 28 percent, tickets to 21 percent, transfers to 8 percent, merchandising to 4 percent, and others to 10 percent. Accordingly, the allocation formula for the broadcasting revenue is of highest priority for the clubs.

Since 2000 there have been three different allocation formulas introduced into the German League. In 2000 the broadcasting revenue was distributed as follows: The whole budget (€600 million at the time) was divided into 80 percent for the Bundesliga and 20 percent for the 2nd league. Fifty percent of the budget for the Bundesliga was equally shared among the 18 clubs and the other 50 percent was allocated according to sporting performance, easily measured by the position in the final ranking. Seventy five percent of this performance was measured by the place in the ranking at the end of the last three seasons and 25 percent by the recent season. In the 2nd league 75 percent of the budget was evenly divided between the 18 clubs and 25 percent was based on distribution by performance.

In 2006 the allocation formula changed as follows:

1. The distribution basis between 1st and 2nd league was set to 79 versus 21 percent;
2. The spread between the first club rank and the last rank was 2:1. The best club was paid double to the last ranked one; and

3. The 2nd league earned at least 86 million Euros (Bundesligareport, 2006, p. 33).

The allocation formula in 2006 led to a more performance-based distribution because the main difference between the formulas was the spread between the first and the last rank: The proportion increased from 1.7:1 in 2000 to 2:1 in 2006.

In 2009 there was a small change of the allocation formula again: From now on only the Bundesliga clubs are awarded the returns from international broadcasts.

Negotiations for the Different Allocation Formulas

As stated above, decisions about the allocation formula are made by the League. All of the 36 professional football clubs are automatically members of the League and all allocation formulas are negotiated under its democratic organisation rule. The difference between the allocation formula of 2000 and the one of 2006 is that it is not in accord with the interests of the small clubs or, to put it in a nutshell, it is against the interests of the majority of the 36 members because it depicts a (small) shift from equal distribution to distribution by performance. This leads us to question why the majority of small football clubs agree to promote the interests of big clubs rather than their own.

Three clubs took part in the public debate that took place about the new distribution rule in 2006: for the small clubs Eintracht Frankfurt and VfL Bochum and for the bigger clubs FC Bayern Munich. In the following we will refer to this debate by using results from an empirical survey that analysed the debate and conducted interviews with some involved persons (Wilkesmann & Blutner, 2007). On the one side, board members from FC Bayern Munich threatened small clubs in interviews published in newspapers with taking the case to the European Court of Justice, suing the League to cancel the central marketing of broadcasting rights so that Bayern Munich could negotiate their own. With the theoretical underpinning of Hirschman's (1970) approach this action can be constructed as a threat with an exit option. On the other side, the small clubs made public threats too, arguing that in that case they would not play against the big club (Munich, Bremen, Schalke, etc.) in a competition anymore because the popularity of the championship is based on the competition among all League clubs.

Because the League is a democratic association with elections and negotiation processes, voice option also exists. If all the small clubs had voted for equal distribution they could have collectively increased their benefit. This did not happen, however. In our empirical survey we found that the reasons for which they accepted the new allocation formula were as follows (Wilkesmann & Blutner, 2007):

The most important reason is that small clubs perceive themselves as big clubs. Even if they are playing in the 2nd league they imagine that they are playing next season perhaps in the Champion League. Therefore, they compare themselves with the big clubs in other European leagues. The few clubs perceiving themselves as small clubs are mostly “elevator clubs” (moving up and down between the two leagues). Another reason is that the two or three clubs that move up from the 3rd to the 2nd league are new members of the League. Often these clubs have no experience and understanding of how to act ‘professionally’ within the association. A third reason is the lack of professionalism in small clubs. They have little experience in lobbying, few resources for supporting strategic decisions, less knowledge of internal affairs in the League, and, therefore, the allocation formula was difficult to understand for “freshmen” (see next paragraph). Moreover, in the past directors of the League usually were coming from big clubs.

The Current Allocation Formula in German Football

The League’s total income from the sale of domestic broadcasting rights and marketing rights in the 2009–2010 season amounts to €437 million, which is to be distributed among the 36 professional clubs. There are two different ways of distributing this income:

(1) For the national pot the board of the League introduced a so-called “four year ranking list” which accrues to the final position of a club in the league ranking of the three preceding years and the average ranking after each match day in the current season. These four rankings of a club are weighted between one to four times during the four years in order to focus more on the current performance and to allow clubs participating in both leagues. This is done by assigning 36 points to the first ranked in the Bundesliga and 19 points to the last, (18th place), and accordingly 18 points to the top ranked club in Bundesliga 2 descending to one point for the last ranked club. These points are multiplied by four for the current season, three for the previous season, etc. FC Cologne, for example, finished third in 2nd league in the 2007–2008 season generating 16 points. For its 12th rank in Bundesliga in the 2008–2009 and 2009–2010 seasons the club earned 25 points each. Therefore, for the upcoming 2010–2011 season the position of Cologne in the “four year ranking list” will be calculated by determining the total of points: $1 \times 16 + 2 \times 25 + 3 \times 25 + 4 \times$ the current average (equal position after each match day are divided through total match days played so far). This total for the club is ranked within the total of points of all other professional clubs. Each ranking in this list attributes a certain percentage of the total revenues to a club. The best club in the Bundesliga gains 5.76 percent, which amounts to the double of the share of the last ranked club. In Bundesliga 2 the top ranked club receives 1.84 percent of the total domestic income of both leagues, and the last ranked clubs half of that (see Table 10.2 for an overview of the 2008–2009 season).

Table 10.2 Allocation of National Broadcasting Money, 2008–2009 Season

<i>Club</i>	<i>Percent</i>	<i>Share in €</i>
Bundesliga		
1	5.76	23,443,200
2	5.60	22,792,200
3	5.44	22,140,800
4	5.28	21,489,600
5	5.12	20,838,400
6	4.96	20,187,200
7	4.80	19,536,000
8	4.64	18,884,800
9	4.48	18,233,600
10	4.32	17,582,400
11	4.14	16,849,800
12	3.96	16,117,200
13	3.78	15,384,600
14	3.60	14,652,000
15	3.41	13,878,700
16	3.22	13,105,400
17	3.05	12,413,500
18	2.88	11,721,600
Total	78.44	319,250,800
Bundesliga 2		
1	1.84	7,488,800
2	1.72	7,000,400
3	1.60	6,512,000
4	1.49	6,064,300
5	1.39	5,657,300
6	1.29	5,250,300
7	1.21	4,924,700
8	1.14	4,639,800
9	1.09	4,436,300
10	1.05	4,273,500
11	1.03	4,192,100
12	1.01	4,110,700
13	0.99	4,029,300
14	0.97	3,947,900
15	0.95	3,866,500
16	0.94	3,825,800
17	0.93	3,785,100
18	0.92	3,744,400
Total	21.56	87,749,200

Source: Internal document DFL, used with permission

(2) Revenues from international sale of broadcasting rights are only allocated to the 18 clubs of the Bundesliga. This allocation takes into account the relevance of matches in the Europe League and the Champions League and the interest of international broadcasters.

The pot for 2009–2010 totals €30 million and will increase to €45 million until the end of the current sales period of TV rights lasting until 2012–2013. In 2009–2010 each Bundesliga club received a share of an amount of €19 million related to its final position in the league ranking. The German Champion in the 2009–2010 season was rewarded €2.75 million, the second €2.25 million, the third received €1.75 million, and the fourth and fifth club €1.25 million each. The remaining amount of €9.75 million was evenly distributed among the other 13 clubs.

The remaining share of €11 million is distributed to the clubs with appearances in the UEFA competitions within the last five years preceding the current season. These are the clubs that have scored the UEFA coefficient of the German League. The clubs received their share of this pot according to their contribution to the German coefficient. Applicable to the 2009–2010 season when the shares amounted to €11 million, the largest shares of roughly €2.4 million went to Bayern Munich and Werder Bremen who both qualified for the UEFA competitions in all five years.

CONCLUDING REMARKS

Historically football in Germany is rooted in the non-profit sector. However, in the context of the increasing competition with the other four big European leagues, we observe patterns of reorganisation, professionalisation, and commercialisation. Changes in the organisational structures of football clubs and their decision-making processes, negotiations about the allocation formula for distributing broadcasting incomes, and the strict licensing regime are examples of this development. During the last 30 years German football has developed its own societal subsystem with its own democratic governance structure, political tactics, an economic system with more than €2 billion annual revenue, and more than 37,000 employees in 2009 (Bundesligareport, 2010). This societal, economic, and scientific phenomenon is of high interest and should correspondingly be investigated further by means of empirical research (e.g., Franck & Müller, 2000; Wilkesmann & Blutner, 2007).

NOTES

1. The authors are grateful for comments on previous drafts of this article by the editors and Maximiliane Wilkesmann.

2. See § 21 Satzung DFB. http://www.dfb.de/uploads/media/02_Satzung_01.pdf
3. http://www.dfb.de/uploads/media/13_DFB_Liga_Grundlagenvertrag_01.pdf
4. http://static.bundesliga.de/media/native/dfl/ligastatut/anhang_i_zur_lo_2009-01-20_stand.pdf
5. See § 8 No. 2 in the Constitution of the League (http://www.bundesliga.de/media/native/dfl/satzung/satzung_ligaverband_2007-10-30_stand_.pdf) and § 16 c Constitution of the German F
6. If the auditor's certification is denied or not given no audited financial statements are deemed to exist and the applicant cannot participate in the licensing process. The examination by the auditor takes place according to the League's "Requirements for reporting on the audit of annual/interim financial statements of clubs and companies by an auditor".

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