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Shadow Hybridity and the Institutional Logic of professional sport: Perpetuating a sporting business in times of rapid social and economic change

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Shadow Hybridity and the Institutional Logic of professional sport: Perpetuating a sporting business in times of rapid social and economic change.

Purpose: Existing studies of the finance of English Association Football (soccer) have tended to focus on the sport's early years, or on the post-1992 Premiership era. We examine a case from the turbulent 1980s charting the struggle for economic survival of one club in a rapidly changing financial, economic, political, and demographic landscape.

Design/methodology/approach: We investigate the financial difficulties of a sport business, Middlesbrough Football and Athletic Company Limited (MFAC), examining the broader economic context, drawing on unseen archival sources dating from the 1980s to analyse the relationship between club, local and national government, and the regional economy.

Findings: We examine not only the financial management of the football club but also analyse the interventionist role of the local authority in supporting the club which had symbolic value for the local community.

Practical implications: This paper is relevant to policy makers interested in the provision of local sports facilities and the links between elite sport and participation.

Originality/value: We show that professional sports clubs are driven by a different institutional logic to state organisations and our findings enable us to define these differences, thereby refining Thornton et al's (2012) typology of institutional orders. Furthermore our case study highlights practices involving informal partnership between state and sport that we label *shadow hybridity*.

Keywords

Public sector intervention, cross-sector collaboration, institutional logic, hybrid organizations, professional sport

INTRODUCTION

Research on hybrid organizations has hitherto focused on social enterprise, government and their relationships with the private and voluntary sectors (Mullins *et. al*, 2012; Battilana and Lee, 2014; Doherty *et. al*, 2014; Santos, *et. al*, 2015; Gillett *et. al*, 2016). This paper postulates that partnerships between government bodies and professional sporting clubs require a reassessment of extant hybridity theory. This is because professional sporting clubs have their own institutional logic that affects the dynamic of the relationship in ways that are different to other institutional orders, which are summarized by Thornton *et. al* (2012) as family, community, religion, state, market, profession, and corporation.

Amongst professional sport, association football provides an interesting context because there have been many instances of clubs facing financial difficulty, and local authorities have often responded to assist. The extent to which local authority intervention can or should occur is debateable and little is known about how such partnerships manifest and operate. We show that professional sports clubs are driven by a different institutional logic to state organisations and our findings enable us to define these differences, thereby refining Thornton *et al*'s (2012) typology of institutional orders. Furthermore our case study highlights practices involving informal partnership between state and sport that we label *shadow hybridity*. These practices enable the organisations to work in an informal but functional partnership when attempts to establish a formal partnership were unsuccessful. Therefore shadow hybridity can be a way to circumnavigate what Skelcher and Rathgeb Smith (2015, p. 440) refer to as 'blocked hybridity' (the dysfunction arising from inability to resolve competing logics).

Whereas much published literature relating to association football has focussed on the sport before the Second World War or on developments since the introduction of the Premier League (Taylor, 2013; Tennent and Gillett, 2016), the focus of our paper is on the 1980s, an important but overlooked period in the sport's history. We use unpublished archival data relating to Middlesbrough Football & Athletic Company (the legal entity behind Middlesbrough Football Club, referred to hereafter as MFAC) and its relationship with local authorities at a time of significant change when club and geographic region faced financial difficulties. Governance and the political and economic environments are examined at the local rather than national level, although important national developments are also included. We contextualise the case in the declining economic context of Teesside, north-east England, drawing parallels with the simultaneous diminishing performance and finances of the football club.

We emphasise and explain how the local authority was an important stakeholder for football clubs. Our findings should be of relevance to contemporary local authorities and leisure providers, providing insight regarding the pitfalls of involvement with sports clubs, considerations for business and marketing planning when proposing multi-use and community-focussed leisure facilities, as well as showing some of the things that local authorities can do 'off balance-sheet' to successfully assist their local sports clubs and communities, whilst operating within the constraints to which they must adhere. Examples can be seen in North American sport and in higher-profile global sporting mega-events such as the Olympic Games, e.g. the London 2012 Olympic Stadium, which post-2012 faced difficulties finding a subsequent use (Zimbalist, 2016; Baade and Matheson, 2004; Hopkins, 2010; *The Guardian*, 2016). Walters and Chadwick (2009) point to the role of community trusts as a key strategy in galvanising the relationship between football clubs and local authorities, identifying this is important because local authorities have a gatekeeper role in planning and safety regulation. Such relationships involving organizations from different sectors require careful consideration because of the different priorities of each organization stemming from its primary function. We now explain this with reference to hybridity theory.

HYBRID ORGANIZATIONS

There are several ways to theorize the operation of organizations with social as well as financial objectives, including stakeholder, institutional, organizational identity, and paradox approaches (Dacin *et al.* 2011; Smith *et al.* 2013; Wilson and Post 2013). In this paper we are concerned with extending theories of institutional order and hybrid types because they offer the most comprehensive explanation of cross-sector collaboration, and yet do not sufficiently encapsulate the factors which characterise the type of limited companies that were originally established to own professional sports clubs in the UK.

Analysing our case through the lenses of institutional and hybridity theories helps us to better understand collaboration between government and professional sports clubs, specifically the reasons why and how they might attempt to work together for win-win outcomes (for example whether complimentary purposes can co-exist, and how they can manage around their differences for mutual benefit).

Hybridity

Hybridity is a form of organization that arises from a combination of different rationalities, termed institutional logics (Mullins, 2006; Sacranie, 2012; Meyer *et al*., 2014; Pache and Santos, 2013; Skelcher and Rathgeb Smith, 2015). Hybridity can also occur when organizations from different sectors collaborate (i.e. from public, private and non-profit sectors) to achieve ostensibly common outcomes consisting of multiple objectives overlapping the orthodox categorization of each sector (Billis, 2010; Battilana and Lee, 2014). Siebel (2015) and Skelcher and Smith (2015) include organizational forms labelled as 'public–private partnerships,[1] contracted-out service delivery structures, quasi-autonomous agencies, and user-managed public facilities, collaborative forums of various types, social enterprises, and systems of network governance' within this definition (Kickert, 2001; Koppell, 2003; Skelcher, 2005; Sørensen and Torfing, 2009; Smith, 2010).

Fulfilling these different objectives can be difficult because, as Thornton *et al* (2012) identify, each sector has its own dominant set of norms, values and institutional logics. For example, private sector business is typically guided by market forces to maximise financial returns, ownership typically involves shareholders, and the main income streams are sales and fees for service. Contrastingly, organizations in the public sector are typically owned by citizens and the state to achieve the principles of public benefit and collective choice, and are financed through taxation. The third or 'non-profit' sector is typified by social and environmental goals, organizations are owned by members, and revenue is generated from membership fees, donations and legacies. Non-profit distributing organizations are legally prohibited from distributing residual earnings to stakeholders with a managerial or ownership interest (Hansmann, 1980).

[1] Skelcher (2005) makes the point that the term public-private partnership can have specific or technical empirical meanings in different national contexts. However, he uses the term broadly in a theoretical sense.

Soccer constitutes a useful case study for hybridity in sporting industries. It is perhaps the most globally ubiquitous sport, its governing body FIFA having more members than the United Nations (De Bruijn and Leijten, 2007), and compared to other team sports in England it was professionalised early, with clubs representing industrial towns. The mode of professionalization was the Victorian limited liability company form, selected to protect club promoters who had to handle the considerable turnover of clubs as well as invest in ground facilities (Wagg, 1984; Holt, 1989). Yet while adopting the flag of convenience of corporate registration, the organizations continued to act as sporting clubs, aiming to maximise performance on the field rather than making a profit (Vamplew, 1988). This represents a blend of institutional logics, between the representative nature of soccer clubs and their commercial business form. Walvin (1985) highlights how this practice remained evident in the limited companies running football clubs even amidst the upheaval and change of 1980s, an important decade for football often overlooked by scholars or mentioned in passing as the prelude to the Premier League era (e.g. Walters and Hammill, 2013).

Institutional Logics

The hybridity theorization emerges from the institutional logic perspective, specifically, the corpus of work that is underpinned by a sociological perspective of institutional theory (see, for example, Ainamo *et al.*, 2010; Javernick-Will and Scott, 2010; Scott *et al.,* 2011). Here, conception of institutional theory, which "attends to the deeper and more resilient aspects of social structure" (Scott, 2005, p. 460), has adapted Scott's (1995) pillars framework, which emphasizes three main elements of institutions—they are regulative, normative, and culturalcognitive. Put simply, “institutions lead to regularized or homogenous behaviour within a group” (Mahalingam and Levitt, 2007, p. 523) as “a dominant institutional form will overcome a weaker one” (Ibid, p. 526).

This institutional logic perspective divides society into a series of distinct groupings of material practice and symbolic constructions (Friedland and Alford, 1991, pp. 248–49), and thus it is assumed that co-organization between sectors requires the mixing of plural logics (Skelcher and Smith, 2015: p. 439) together with diverse norms and values (Thornton *et al*, 2012). This is complicated by the view of organizations as bodies which collectively mobilize effort to achieve their aims, yet this effort is reliant upon the agency of individual actors, which is subject to a sense-making process of mediation between the institutional logic and organizational context. Thornton and Ocasio (1999) argue partnerships between institutions with varying logic will initially lead to conflict which is eventually resolved by a new equilibrium in which the logic of the more dominant partner is gradually imposed, a view supported by Nicholls and Huybrechts (2016, p. 702) who postulate that power configurations are critical in determining logic dominance within relationships.

Thornton, *et al.* (2012: 73) identify that competing logics have nine categories of defining characteristic – root metaphor, sources of legitimacy, authority and identity, the basis of norms, the basis of attention, the basis of strategy, informal control mechanisms, and economic system. Skelcher and Rathgeb Smith (2015: 438) focus more closely on their sources of legitimacy, authority and identity, identifying these as the principal salient factors.

Football Clubs as/and Institutions

Football clubs constituted Victorian and Edwardian sporting institutions (Walvin, 1985), which prioritised an institutional logic of on the pitch utility (Marshall, 1890). In the event of bankruptcy, they are often subject to ‘ashes to ashes’ asset redistribution including the transfer of the ground, goodwill and sometimes player contracts into a new corporate entity (Michie and Walsh, 1999; Conn, 2005). Under Football Association (FA) rules owners could not wind-up and asset strip a club – in the event that a club had to be wound up then any surplus assets had to be distributed either to sporting benevolent funds or to other local sporting institutions (Conn, 2005). FA Rule 34, which prevented football club directors from making a profit from their holdings, set this institutional logic and persisted through the 20th century. The Football Association (FA) perceived rule 34 to be of such fundamental importance that it was embodied within their rules that club’s legal status is that of quasi-public bodies. To reinforce this, Rule 34 explicitly restricted the size of dividend payments meaning that club’s were therefore of little value to conventional investors. (Conn, 2005; Hamil, *et al.*, 1999).

This unique institutional framework means that a football club’s ‘sprit and body’ can continue even if the football company, as a legal entity, ceases. The club is an imagined community (Calhoun, 1991) of fans shaped around shared experience who support the club informally or formally, a sphere of activity which can range from buying shares to reading the scores in the paper – but they have a stake in success. The ‘football company’ has to generate money to help the club achieve this and owns the assets of the club – and is a liability shield to protect against the financial costs of failure on the pitch. The ashes to ashes concept is also reinforced by tweaks to the usual corporate governance codes, including the football creditor rule that reinforces the community business angle by favouring other football related creditors over shareholders. They are also part of the entertainment sector and, while existence is sometimes sufficient, need to play to in a way that is aesthetically pleasing to the customers and balance it with trying to win trophies. Yet, football clubs are also different from conventional public services because they are of a voluntary opt-in character. Supporting a local football team is not obligatory nor excludable in the sense that access to the services of public bodies such as NHS, councils, school education, lighting, police, and fire services are considered to be, yet clubs provide a locale with a focus for identity and shared experience.

METHODOLOGY

We used inductively based archival research, drawing upon local authority and club documents together with periodicals and secondary sources to triangulate and compensate for the problems of archival silence and selection (Decker, 2013; Kipping, *et al.*, 2014). Following Gillett and Tennent's (2017) lead in applying a reflexive case method to a sports management history context, we returned to the documents generated in the 1980s by the original stakeholders to enable our understanding of the interaction between the institutional logics of Middlesbrough Football Club and Middlesbrough Borough Council to be contextualised within the constraints of the period, rather than applying contemporary understandings of the issues. This historically sensitive survey of the topic allowed us to examine the complex political and social forces at play as logics competed within the case study.

We consulted a range of archives generated by the key stakeholders, including:

- Middlesbrough Football Club Ltd. Annual Reports.

- Companies House Records.
- Local authority archives comprising records and correspondences within the council and with the football club.

By focusing on a single case study we attempted to outline the *deep structure* of the case drawing richer and more comprehensive understandings than possible from multiple case studies (Platt, 1988; Dyer and Wilkins, 1991). We use these insights to evaluate the case study, highlighting the general in the particular in order to uncover the 'dynamics of phenomena' (Maclean *et al.*, 2016, pp. 612-613). In doing this we follow the lead of Eisenhardt (1989) in highlighting the extent to which historical specificity matters, in this case creating opportunities for future researchers to exploit the differences between this and other cases of hybridity in professional sport. To inspire future researchers we introduce brief examples of comparative cases from the secondary literature that we do not directly research here.

Following Yin's (2003) matrix of relevant situations for different situations strategies, our study exists within the overlap of archival analysis, history, and case study. We were mainly concerned with the *how?* and the *why?* of our case in relation to motives and decision-making. Our archival analysis comprised three main phases. Eisenhardt (1989) refers to the usefulness of writing up a narrative account of the case as a suitable early step in the case study process. By evaluating key points and identifying the dates when important decisions involving the relationship between the local authority and the soccer club were made, we firstly produced a chronological narrative understanding of the project from an initial reading of the data to identify what compared and contrasted with existing literature and what was novel. Identifying events and producing a chronology provided the building blocks of our case, but to go beyond descriptive case history to produce a case study, we observed patterns within the data (Pettigrew, 1997, p. 338).

We explored public management theory for an explanatory framework following Eisenhardt's (1989) recommendation to ask ourselves 'what theory is this similar to? What does it contradict and why?' Eisenhardt claims linking to existing theory in this way enhances the internal validity, generalizability and general level of theory building from case research. We identified the hybridity view of institutional logics (Mullins, 2006; Sacranie, 2012; Meyer *et al*., 2014; Pache and Santos, 2013, Skelcher and Rathgeb Smith, 2015) as the best fit for our data, as we felt we were looking at a case with a cosmetic similarity to that described in the public-private partnership literature (Skelcher, 2005), but with the complication that football clubs themselves are not profit maximising, possessing a unique institutional logic which we unpack below, and that this case study seemed to involve private assets potentially becoming public, rather than the opposite, which is conventionally assumed.

Our theoretical choices were therefore made after data collection, and our research approach was exploratory and inductive.

CONTEXT FOR THE CASE

Late 20th Century Government Involvement in Sport

From the 1960s the UK Government increased its involvement and responsibility in sport, starting from its funding and involvement in the 1966 FIFA World Cup (Tennent and Gillett, 2016). Government saw sport as a channel to facilitate intervention in inner city problems (such as urban disorder amongst young people), as well as enhancing Britain's image abroad. Local authorities began to view and organise leisure provision as a distinct cluster of services: investment was made in new sports and leisure centres, reflecting a change in people's leisure patterns largely stimulated by rising disposable income (Houlihan, 1991). 'Community development projects' emerged, including the beginnings of schemes to enhance links between sports clubs and their communities.[1]

The second half of the 1970s was a particularly significant period for such developments. From mid-1970s central government had wanted the Sports Council to target its resources at specific groups in society. Then, an investigation in 1978 showed a need for 2900 local indoor sports halls in England. Incidents of hooliganism in and around soccer stadiums at this time appeared to be symptomatic of the these sorts of wider societal problems that government was concerned about, and were another trigger for political action: In 1978, following a serious incident of crowd violence at Norwich City, Sports Minister Denis Howell allocated £1.6 million through the Sports Council for schemes aimed at making football clubs more responsive to communities. The Sports Council formed a partnership with the newly formed Football Trust, which in turn provided money for the development of 'Football in the Community' schemes[2]. Such schemes were therefore stimulated more by the government than by the football authorities. The most successful schemes received money from the Training Agency and, importantly for the position taken in our paper, relied on the development of close links with local authorities[3]. Through part-ownership, the stadium was modernised in return for the expansion of community use of the pitch (Sutherland and Stewart, 1989).

Other schemes at around this time include the 'Action Sport' initiative: To encourage communities to participate in sports, including football, finance was made available to assist local authorities in metropolitan areas to provide new or improved facilities (Sports Council,

1981) and the 'Action Sport' pilot schemes were initiated in 1982. Common features included group work, emphasis on drawing non-participants into activity through the use of Sports Leaders, and the development of activities in non-purpose-built sports spaces. However, in the hands of local authorities that did not want sole control, the schemes failed to thrive, funding was ultimately withdrawn and partnerships dissolved (Watson, 2000).

Although the achievements were mixed, these new opportunities for sport and leisure investment are of interest when considering the history of public management, because they appear to have been part of a broader revival of municipalism, particularly among inner city authorities such as Greater London Council, Sheffield City Council, and West Midlands County Council (*New Statesman*, 1983). Councils acted, sometimes forming partnerships with sporting organizations such as football clubs, because of the previous failure of government to develop a coherent national policy (Cobham Report, 1973) which had resulted in much of the responsibility being left to the local level and sporting bodies.

Against this context, and contrary to the focus of some extant literature concerned with the history of the football 'business', we explain the 1980s as a decade distinguished not only by stadium disasters and sport's relationship with Margaret Thatcher's conservative government, but also by the related issue of greater involvement by local government, whose involvement Houlihan (1991) suggests was stimulated by several factors:

- Their general concern for quality of life for those who live near football grounds
- Their responsibility for funding the police
- The duties imposed on county councils by the Safety of Sports Grounds Act 1975.

Middlesbrough and Football

In 1966, ninety years after its formation, Middlesbrough Football Club hosted FIFA World Cup Finals Group Stage matches at its Ayresome Park stadium. As well as financing ground improvements using a government grant, the occasion was seen as an important political and diplomatic event (Tennent and Gillett, 2016). However, the building firm originally contracted to undertake stadium renovations was unable to fulfil the contract, thereby jeopardising the government grant. In response, MFAC Director Charles Amer, a local businessman from the hospitality and construction sectors, offered the services of his own firm, Parkway Estates, to complete the work at cost price. Thereafter, the board had agreed to Parkway Estates being the preferred firm for future remedial work, and granted authority to Amer for overseeing the work of outside contractors in the event of any specialist work (Amer and Wilson, 1998).

Despite spending the 1966-67 season in Division Three, from which they were promoted at the first attempt, the Club was moderately successful over the next decade. Amer would eventually become club chairman and his investment appeared to be paying-off by the end of the 1970s. MFAC, now over a hundred years old, was established in the top tier of English professional football. The board discussed upgrading its stadium, Ayresome Park, which was becoming dated (Amer and Wilson, 1998). Although the possibility of relocating the club to a new stadium elsewhere in the town was mooted MFAC instead invested in the continued development of its existing facilities.

In February 1979 Middlesbrough Borough Council (MBC) gave planning permission for MFAC to commence building a new indoor sports hall adjoining Ayresome Park, providing the club with modern training facilities, followed later by permission for gymnasium and squash courts. Costed at £1.3million, the project was to be ‘wholly self-financing’ (Amer and Wilson, 1998, p.179) with initial investment from The Sports Council, The Football Grounds Development Trust, The Football League's Safety of Sports Grounds Trust, a loan from Scottish and Newcastle Breweries (Gillett, Tennent and Hutchinson, 2015), Parkway Estates, and profits from the club's own lottery fund. There appear to have been a number of dealings and assumptions, which suggest a lack of foresight and presented a quite significant degree of risk: Firstly, the belief MFAC would continue to perform well, maintain its First Division status, and sustain its income from gate receipts, and its running costs; Secondly, much of the funding, including from the Sports Council, was in the form of a variety of grants with attached terms and conditions, such as the requirement to ensure that the facilities were open to the general public. Associated with this it seems that there was the assumption that all of the funding would be received in full and on time, and there appears to have been no alternative plan from the club's perspective if the money did not materialise or if the Sports Hall's opening to the general public was in any way delayed.

Decline On and Off The Pitch

Attempts to build a lasting chemicals cluster in the Middlesbrough area failed, paradoxically due to the local industry's concentration into the hands of ICI, and its focus of production on Teesside into large scale, capital-intensive petrochemicals (Chapman, 2005, p.606-607). When ICI's focus shifted, reducing its workforce from 33,000 to 15,000 between 1969 and 1986, there were few alternative employers. Teesside's other major industry, steel, suffering an even more dramatic decline. Although avoiding the complete closures that occurred elsewhere, between 1980 and 1986 the steel workforce fell from 23,000 to approximately 7,500 (Blyton, 1992: 640). Related industries related also suffered, such as Head Wrightson, which employed thousands of people during the 1960s, but in 1986 its final site was cleared, then visited by Margaret Thatcher for her ‘walk in the wilderness’ in 1987 (Graces Guide, 2016). Other examples include major employers Middlesbrough Dock relocating in 1980, and Smith’s Dock launching its final ship in 1986 (Warwick, 2013).

Government’s response to the collapse of heavy industries was a range of support schemes for urban areas suffering industrial decline, drawing upon European funding to support initiatives such as the Urban Fund (National Audit Office, 1990). The local councils of which Middlesbrough was a part (at that time Middlesbrough Borough Council and Cleveland County Council) sought to support local economic regeneration but had limited powers to act independently or finance discretionary activity,[4] and access to other funds was also restricted. These constrained powers meant that some of the intended developments were not fully realised. Nevertheless, both Cleveland and Middlesbrough Councils were active in developing partnerships with public and private sectors, although clearly without the same resources as those available to larger conurbations.

It is against this background that the activity of the council and the Football club must be seen; on one hand, the Sports Hall plan indicates a club with ambition for success and willingness to take advantage of the opportunities presented by government policy, given the encouragement and incentives we have explained were available for these types of schemes at that time. However, with the benefit of hindsight it appears that assumptions as to the plan’s viability did not fully reflect the financial fragility of the Club, nor the changes in its economic and political environment, not least those in its own locality. Walters and Hamil (2013) refer to a changing intellectual climate in the 1980s characterised by concern over the role of government, resulting in increased market competition and reduced government regulation, leading to privatisation and down-sizing of many state-owned and former 'national champion' industries. These changes appear to have impacted upon industrial areas, including Middlesbrough and the wider Teesside area in which it is located. Plans in the post-war period for substantial growth in the chemical and steel industries[5] were never fulfilled (Wilson, 1966; Chapman, 2005).

FINDINGS

Analysis of MFACs Finances

Having discussed the background of the club and its wider economic context, we now provide a deeper analysis of MFACs finances to highlight the specific challenges to its sustainability as an organisation. The first few seasons of the 1980s saw MFAC relegated from being a well-regarded First Division side to a struggling Second Division outfit. The proposed breakaway of the 'big 5' clubs (Arsenal, Everton, Liverpool, Manchester United and Tottenham Hotspur) was another potential threat to MFAC's sustainability but it was the removal of revenue sharing at away fixtures in 1983 that had more immediate consequences for the club's business model. In an era before TV rights were substantial enough to be mentioned separately in the accounts, apart from selling players, MFAC was now almost entirely reliant on the diminishing attendances at home matches, a tendency exacerbated by local unemployment. The club risked being on the wrong side of a poverty gap, with larger clubs benefitting from greater turnover and resources. Figure 1 shows how attendances changed between the 1946-47 and 1985-86 football seasons.[6]

<Insert Figure 1 around here>

Figure 1: Graph depicting a comparison of average match attendances 1946-47 – 1985-86

Source: European Football Statistics. *History of English Football*. Accessed 21st April, 2017, http://www.european-football-statistics.co.uk/englandcontent.htm

Although reasonably well supported around the turn of the decade, by the time MFAC was relegated to the Second Division in 1983, average attendance had almost halved in eight years. Between 1983-84 and 1985-86 MFAC recorded average attendances lower than the Second Division average, and of the Football League overall. As gate receipts from match attendance were the club's main source of income, the club's problems quickly escalated as it declined in relation to its rivals. Similarly to the industrial economy of Teesside, MFAC had slipped a long way since the previous decade, let alone its league and attendance 'peak' during the early 1950s.

Whilst match attendances declined, expenditure increased. Player and staff salaries were the most significant expense but the club does appear to have made efforts to improve its situation by reducing its wage bill, and the introduction of the club lottery in around 1977 provided a new, if variable stream of income. Furthermore, a new shirt sponsorship deal with locally based firm Camerons Brewery was announced (MFAC, 1983; Gillett, Tennent and Hutchinson, 2016), worth £15,000 per season (Coopers and Lybrand, 1986).

The club's accounts show a gradual deterioration in position starting from about 1979 when a negative return on assets of -21% was first reported (MFAC, 1979). Figure 2 shows the steep deterioration in net operating performance. The basic business model (Teece, 2010) of the club at this point was clear – home gate receipts after deductions to visiting clubs, typically accounted for between 30-40% of operating income. The club had enjoyed some commercial success in the 1970s in terms of diversifying revenue streams, bringing home gate receipts as a percentage of operating income down from the 1969 figure of 60%.

<< Figure 2 about here>>>

Figure 2. MFACs net operating performance

Source: Middlesbrough Football and Athletic Company Ltd. Annual Reports and Accounts

Following relegation at the end of the 1981-2 season net gate receipts reduced, season ticket income fell from £167,453 in 1981-2, to just £72,465 in 1982-83 (MFAC, 1983). The decline in this traditional 'lump sum' at the start of the season made the financial situation of the club more reliant on results. Revenue from cup-ties was also important but highly variable, based on the 50-50 split of income from FA and League Cup ties and cup income was maintained at between 10-18% of operating income (MFAC, 1981, 1982, 1983, 1984).

Ground advertising and sponsorship enabled MFAC to realise more income from its fans indirectly, allowing advertisers to target a captive audience in the stadium, and those nationally watching on TV, although relegation would have reduced this exposure. Income attributed to 'advertisements, rents and sundry receipts' slowly increased over the course of the 1970s but following the club's declining fortunes on the pitch, by 1983 the figure had fallen to £89,602

(MFAC, 1981, 1983), though the club's value as a 'shop window' for local advertisers continued.

Two further contributory operating revenue sources remained – the first being sales of the club programme and handbook, the second was social club profit. However, by 1981 only 1% of income came from social club profits, and relegation wiped them out entirely, leaving a loss of £9,616 in 1982 (MFAC, 1977, 1978, 1979, 1980, 1981, 1982). Programme sales were highly dependent on the variable audience figures, with printing costs to the borne even if sales were poor. The social club had declined as part of the match-day experience (and possibly in terms of use during the week) and neither the hospitality sector experience of the club's directors, or the club's closer links with Camerons Brewery seem to have been leveraged effectively.[7]

Cosmetically the cost profile of the club was complicated, but in reality the main costs were player and staff wages together with tax and national insurance. While the club mostly managed to operate within its means through the 1970s, the club started to run substancial operating deficits from 1979 onwards, with operating costs in 1982 reaching a peak of 190% of operating income (MFAC, 1969, 1970, 1971, 1972, 1973, 1974, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984). This was not just a proportional phenomenon; absolute player costs were also rising while income remained static or even fell. In 1978 player salaries cost the club £205,759; by 1982, this had risen to £540,416, although relegation allowed for this to be reduced by nearly £90,000 for the 1982-83 season. While player costs were generally rising after the abolition of the maximum wage in 1961, increased spending was not necessarily reflected in better results and higher league position. Off-pitch staff costs were also rising and constituted the second largest cost, almost doubling between 1978 and 1983 (MFAC, 1978, 1979, 1980, 1981, 1982, 1983). As Figure 3 shows, the ratio of staff costs to income was at its height just as the club was in the most difficulty.

<<<figure 3 about here>>>

Figure 3. Ratio of staff costs to income

Source: Middlesbrough Football and Athletic Company Ltd. Annual Reports and Accounts

Rising costs added pressure to an already difficult situation. The financial struggles of MFAC and of the new sports hall were high-profile enough to be the subject of an article published within *Private Eye* (1982) which was controversial for insinuating that certain club directors had acted inappropriately, although these claims were denied and then successfully contested (Amer and Wilson, 1998). Regardless of where blame lay, the fact remained that unopened to the public, the sports hall produced no direct revenue and as an asset its market value was below cost (MBC, 1984a). Furthermore, the condition of the Sports Council's £120,000 grant (Coopers and Lybrand, 1986) was that the facility should be open by 31 Dec 1983, but in summer 1984 it was still unopened (Carter, 1996) reportedly due to problems with aspects of its construction that would incur further costs to remedy. Also it was uncertain whether or not the complex could be profitable when opened to the public (Paylor and Wilson, 2014). Amidst concerns that the Sports Council, under pressure from central government (Jefferys, 2016), may take action to reclaim the grant the club served a High Court writ to Charles Amer, who had resigned from MFACs Board of Directors in January 1983. The writ, which was later dropped (Coopers and Lybrand, 1986), included a claim for damages against Parkway Estates, which had been commissioned to develop the facility, and allegations that in building the Sports Hall, he had failed to act in the best interests of the club (Amer and Wilson, 1998).

A Possible Solution?

Administration was not introduced for insolvent companies until 1986 (United Kingdom, 1986). Therefore, in the early 1980s failing clubs had to find some other way to survive closure. For example, in early 1982 Bristol City Football Club Plc was on the verge of appointing a trustee to liquidate. An offer was made by a group of local businessmen to take over the club – and a 'phoenixing' plan emerged, involving the creation of BCFC (1982) plc, which bought the club's stadium, some of the players' contracts, and share in the League from the old company, financed by the sale of shares to fans. The eight most expensive players, with long contracts still to run (known as the 'Ashton Gate Eight') were forced to accept redundancy (Woods, 1994). Between 1982-84 a series of other professional clubs 'phoenixed' or went through a similar process by threatening creditors with it to gain a moratorium. These clubs survived at the expense of their creditors, including players, banks and the taxman (Szymanski, 2010).

Other clubs sought intervention from the public sector. Although Walters and Hamil (2013) assert that the political economy of the 1980s was typified by increasingly free-market rather than interventionist principles, in reality it was not uncommon for local authorities to assist their teams. In fact a memo distributed by the Association of District Councils (ADC) evidences they were encouraged to do so. In 1984 The Football Association met with the ADC to discuss how authorities might help Clubs facing financial problems due to the economic climate, in view of the Councils' 'responsibility for planning control, economic development and related matters within their areas' (Association of District Councils, 1984). For example, District and Borough Councils in Ashford, Portsmouth, Gillingham, and Hull had all provided assistance through both formal and informal channels in the form of useful advice and, where feasible, financial support that would enable Clubs to remain viable. Such support often centred on stadia and land assets, e.g. by zoning sites for residential development to enhance value, allowing retail developments, and contributing to the cost of developing facilities.[8] An example within the academic literature is Bradford City FC, who transferred their assets to an off-the-shelf company, Meshweb Ltd., renamed to Bradford City AFC (1983) Ltd.; Bradford Council were to loan the club £100,000, equivalent to around a quarter of the new companies' start-up finance (Bradford City AFC Ltd., 1983; Arnold, 1988).[9] The involvement of MFACs local authorities presents a new perspective with which to study the club and offers insight regarding the link between FCs and local government.

MFAC used the Sports Hall crisis to approach the County and the Borough Councils, initially to negotiate a joint user agreement for the sports hall. Central Middlesbrough was short of sport and leisure provision at this time, although multi sport facilities existed in outlying areas, such as the Eston Leisure Centre and the neighbouring Herlingshaw Centre in the nearby Borough of Langbaurgh, although the latter facility was only open for four and a quarter hours per day (BBC Domesday Reloaded, 1986a and 1986b). Local authority archives show that Cleveland County Council (CCC) and MBC were receptive although cautious, initially believing the Sports Hall would require additional remedial work estimated at between £40,000 – 70,000 to comply with Building and Fire Regulations (MBC, 1983a), a figure later revised to £175,000 (MBC, 1984b). In 1983, efforts by the County and Borough to secure funding to make the centre accessible by community groups were turned down by the Department of Environment (DoE), which suggested that MBC should instead consider deferring payments to other schemes if it wished to assist the football club (MBC, 1983b). An article published in the Sunday Times quoting an anonymous source within the DoE shows the level of rejection: 'All the Whitehall bargepoles came out on this one. We want nothing to do with it.' (*Sunday Times*, 1984).

MBC continued to explore the idea of a User Agreement for the sports hall so that it could be used by disadvantaged groups of its choosing (MBC, 1984c). When considering financial intervention to help open the Sports Hall, either with a User Agreement or to enable the Club to launch a private leisure centre, MBC was concerned as to whether the Hall could make any contribution to the overall financial status of the Club. After all, if MFAC were to go out of business shortly after the Hall opened it would not represent good use of public money, which could have been invested elsewhere in the turbulent local economy.

A plan and cash-flow forecast for the Sports Hall were prepared by a representative of the Club's sponsor, Camerons Brewery. If the projected cash-flow from the Sports Hall were to become reality then it would contribute significantly to resolving estimated losses. The report was however criticised by MBC for being naive and based on over-optimistic assumptions around demand and in particular the value and timing of money that the local authorities would contribute. The cash-flow projections also made no provision for coaching/supervision, repair and maintenance, or VAT. Furthermore, MBC's own analysis also questioned the projections for income generated by a proposed licensed bar within the Sports Hall facilities, deemed to be an over estimate because drinking and health activities might not be compatible (MBC, 1984c).

Gradually the council's concern ballooned from ensuring the future of the sports hall to ensuring the future of the entire club. The local authorities explored options to provide Capital

Relief although any such contribution would need to have been in the form of a grant because loan finance would only cause further problems. It was suggested that assistance as a ‘rescue’ of a business would come under the Authority of Section 137 of the Local Government Act 1972 but other powers also existed under the Education and Local Government Acts which would enable the County to provide grants on the basis that MFAC provide sporting facilities and entertainment. Despite a great deal of time and effort on the part of Council Members and Officers, and with attempts to obtain Inner Area funding having twice foundered at Ministerial level, by January 1985 the Club’s situation showed little sign of improvement: Despite reducing overheads by more than 20%, MFAC was still in difficulty and its bank dissatisfied with the size of overdraft and worsening financial position (Midland Bank, 1985).

MFAC was clearly running out of options, and looking for a lifeline again approached MBC in February 1985 with a proposal amounting to formal semi-municipalisation involving a hybrid partnership. This envisaged a joint operation between MFAC and MBC (referred to by MBC (1985a) as ‘Middlesbrough United: A Partnership’), allowing use of the Sports Hall as well as other club facilities, including the training ground and the Ayresome Park ground. MFAC also claimed to be open to discussion around Council involvement in ‘the financial, commercial and administrative management of the Club’ (MFAC, 1985). They were assured that MFAC would be a ‘community club into which the Council would have a significant input in return for its significant risk.’ The Club were also prepared to transfer a ‘substantial shareholding to the Council at no cost’ along with representation on the Board (two directors, with full voting rights, and the possibility of a ‘golden vote’ to provide ‘the power of veto over any Board decision which affected the community and/or the Council’s financial position in relation to the bank and/or the Club’) (MFAC, 1985).

In return Ayresome Park stadium and the attached sports hall, together with the Hutton Road training ground, and a residential property were offered as security (MBC, 1985b). The Council's view as to the value of these assets differed from that of the Club: it concluded that Ayresome Park could not easily be disposed of for building developments. This was due to the likely demolition cost, its location, and possible planning uses which it was thought may be further constrained by the attached Sports Centre which itself could not easily be disposed of. The council also had doubts over the value of the training ground, due to its location in the middle of a residential area, meaning that planning permission would be unlikely. Meanwhile, the value of the residential property was affected by the discovery of shale, reducing its valuation (MBC, 1985c).

Regardless, the financial viability of the proposal was considered. To survive and prosper MFAC would have to be put on a 'sound financial footing', which MBC thought would require substantial new funds, given that 'phoenixing' through winding up the company and reforming as a new venture would not be possible. A financial injection would also require a radical change in the Club's financial control, because despite ability, willingness and enthusiasm amongst the Board there was a lack of executive direction (MBC, 1985d): 'To some extent, the club has been so preoccupied with the legacy of the past that it has been unable to come to terms with the present let alone the future!' (MBC, 1985e). It was concluded that the Club's proposal could work although to do so would require: Minimum of £900,000 new funds; Increased share capital from £2,000 to £100,000, to be used as a reserve to meet the cost of loan repayments; Council User agreement for Sports Hall; Appointment of a CEO to have overall responsibility for financial and commercial activities, and; Attendances of 6,000 or more (MBC, 1985e).

A further complication was finding a new bank willing to take on the Club's account. The Co-operative Bank were mentioned by the Club but according to an MBC memo in reality were not particularly interested, and had only tried to appear receptive 'out of courtesy to the Council' (Ibid).

MBC did however perceive some merits in the plan, realising that if the Club was allowed to fail then it risked redundancies, loss of facilities, and the loss of league football in Middlesbrough: MFAC played a part in the promotion of the town; Facilities could be used, with influence from the Council, to significantly benefit the people of Middlesbrough; If the Club could be placed on a sound financial footing then it could progress rather than 'continually having to live with the misfortunes of the past'; If the transformation came about, MBC could get access for community to an important sporting facility for relatively little outlay (i.e. the cost of the user agreement) and would continue to have influence for the community in the Club's activities (Ibid).

Meanwhile, it was recommended that in legal terms, MBC had the power to guarantee a financial loan under Section 137 of the 1972 Local Government Act, but that in financial terms 'the decision is less clear cut' (MBC, 1985d). The reasoning behind this highlights the complexity of the situation and indicates how 'saving the football club' was not something that the Council could just do:

- MBC could only guarantee a twenty-year loan of £750,000. Whilst this was deemed sufficient to pay off the Club's existing overdraft (£650,000) and open the Sports Hall (by this point estimated at £100,000) it would not provide any working capital. Therefore a separate overdraft facility would need to be found but without Council backing – a difficult task , given MFACs previous financial record.

- There was concern that investment in the football club would commit resources at the expense of other equally or more deserving projects. This was particularly important given the council's broader commitment to economic and social development.

- Such Commitment to the Club would place an additional constraint on MBCs expenditure options over the longer term because funding stemmed from other sources in addition to the Inner Area Programme, such as the Revenue Budget, with overall restrictions put in place by central government to restrict increases in council rates in line with national financial priorities.

- Because of projected council expenditure of £18m against a target of not more than £16m, 'painful decisions will have to be made, even without the added burden of providing financial support to the Football Club.' Even so, the cost of £150,000 to rate-payers would be £300,000 due to penalties (£150,000 excess expenditure would incur a £150,000 reduction in grant).

MBC thought it unlikely that MFAC would 'disappear' (MBC, 1985e, p. 4) and likely that it would survive even without local authority assistance, although the 'means of its survival may not be to the liking of the present Board of Directors'. Overall, there appears to have been some reluctance within MBC to pursue the Club's proposal on the basis of financial reasoning, although it does still seem to have valued the Club for societal reasons and as such, was giving careful consideration to proposals.

For the time being, MBC did not have to decide. On 12th February 1985, a letter was received from MFAC's incoming Chairman, local businessman Alf Duffield, who had a different vision for the Club. Thanking those at the Council who had helped so far, he insisted the proposed loan guarantee and partnership between Club and Council was 'to go into abeyance for the time being' (MBC, 1985f). However, it was not long before Duffield discovered the extent to which further investment was required to bring MFAC's facilities up to scratch when Cleveland County Council imposed stringent safety measures on the deteriorating Ayresome Park stadium, refusing to renew the Safety Certificate for the whole ground, reducing the capacity for the 1985-86 season from 42,000 to 10,658 although the team were only attracting crowds of around half of that at the time (Carter, 1996). Furthermore, MFACs debt for policing, also handled by the County Council, was unpaid and had risen to £102,645 (Coopers and Lybrand, 1986).

Duffield's tenure culminated in his petitioning for the club's winding up in May 1986, the club subsequently entered voluntary liquidation (*Evening Gazette*, 1986a). This followed MFAC's relegation to the Third Division. The Sports Hall remained unopened to the public and the Club's financial situation was perilous with many bills still unpaid and both Amer and Duffield attempting to retrieve money previously invested (Allan and Bevington, 1996). The receivers were called in to MFAC which was therefore the last football club to have to follow the 'old' winding-up process; MFAC was perhaps unlucky because just two months later, in July 1986, the introduction of the Insolvency Act (1986) and Insolvency Rules (1986) made it easier in future for businesses including those which owned football clubs to be 'saved' via a new process of Administration.[10]

A consortium of new owners from local industry (Allan and Bevington, 1986; Paylor and Wilson, 2014) - for which MBC Secretary Stephen Robinson was initially spokesman (*Evening Gazette*, 1986b) - took ownership of the club using an off the shelf company, Blackplay Ltd, as a vehicle in August 1986 (Blackplay Ltd., 1986a). Significantly, on 22 Aug 1986 Blackplay Ltd. changed the name to Sporting Club Middlesbrough Ltd (Blackplay Ltd., 1986b). Using off the shelf companies was a common phoenixing approach, c.f. (Bradford City AFC 1983 Ltd, 1983; Charlton Athletic Football Company Ltd., 1984) The 1986/87 football season began the very next day on 23rd August 1986, with the first 'Home' fixture played at the nearby stadium of Hartlepool United, because the Ayresome Park stadium was still padlocked and had not yet been made available to the new owners.

A special resolution gave Sporting Club Middlesbrough Limited specific powers to operate a much broader sports remit than just a football club allowing it to 'provide football and other athletic games, sports, pastimes, festivals, galas and other entertainments'. As well as football, it was intended that the club would have powers to prepare grounds for lawn tennis, cycling, gymnastics and athletics among other activities (Sporting Club Middlesbrough Limited, 1986). Whilst other phoenixed clubs used their Memoranda of Association to grant themselves powers to participate in multiple sports, the proposed 'Middlesbrough United' partnership suggests that there was genuine intention to form a hybrid organization to pursue this in the Middlesbrough case. This triangulative evidence demonstrates that Sporting Club Middlesbrough had broader intentions than the usual company registration practice of taking on broader powers than required as a contingency.

Interestingly, the existence of Sporting Club Middlesbrough Limited is not apparent in local newspaper reports, nor is it mentioned at all in the club's official match-day programme, suggesting this 'behind the scenes' restructuring process was done without much fanfare at the time and considered a temporary arrangement once the borough council had made clear that it would not formally join the consortium. However, over the summer of 1986 the borough council had informally supported the consortium by providing it with meeting space in the town hall and even ran the payroll function and covered the wages of MFAC's apprentices during the summer (Inland Revenue, 1986).[11] Documents also suggest that the council was examining its options for taking a stake in the club by investing directly into the ownership to guarantee access to the sports hall as community facility, but after much deliberation decided it did not have the powers to do so (MBC, 1986). The council did however allow the team to train on local parks and school fields, and generally assisted the club to survive receivership and retain its place in the football league (Paylor and Wilson, 2014; Allan and Bevington, 1996). Overall, it is apparent the local authority contribution to the football club throughout the 1980s included a significant amount of council officers' time, working with the club to make sense of its finances and produce reports, explore available options, aided the club in negotiations with its creditors, and helped to broker and represent the consortium of new owners (*Evening Gazette*, 1986b). Furthermore, local government was a major advertiser in the club's match programmes.[12]

Middlesbrough Football Club: 1986 and Beyond

Having played the first few matches of the season under ownership of Sporting Club Middlesbrough Limited, official documents show an application was submitted on 9th September to once again change the name of the limited company to 'Middlesbrough Football & Athletic Company (1986) Limited' emphasising the year of the formation of the new company, and that this was officially approved by the Companies Registration Office on 16th October 1986 (Sporting Club Middlesbrough, 1986). It was by this name that the limited company which owned the club would move forward with the objective to provide more effective governance and stewardship than had been provided by the previous company, Middlesbrough Football & Athletic Company Limited.

Between 1986 and 1988, Middlesbrough Football Club enjoyed successive promotions, climbing from the third to the first tier of the professional league system with many of the players who had been registered as professionals or in the youth system since the mid-1980s. The financial constraints upon the club and its reliance on these young players perhaps contributed to the club being relegated back to the second tier in 1989, although Middlesbrough made its first ever cup final appearance at Wembley, the national stadium, in 1990.

For the next five years the club existed between the top two tiers of the league system, including promotion to the top tier for the inaugural season of the new 'Premier League' of English football. Although relegated immediately, the new income streams for football, primarily from television, presented financial opportunities hitherto unavailable to teams such as Middlesbrough.

Changes were made to the ownership of the club, the consortium gave way to a new control structure that placed more authority with Chairman Steve Gibson who continued to invest in the club and provided stability in ownership. Initially, the club continued to use the 7.8 acre Hutton Road training ground, but moved much of the club's training programme to the more up-to-date sport facilities at Durham University's Maiden Castle complex, although a longer term strategy would be required.

Due to the worsening structural condition of Ayresome Park, Middlesbrough finally moved to a new stadium, the Riverside, in 1995[13]. The new stadium coincided with other developments to the club's operations. The Chairman invested heavily in the club with ambitions to establish it as a major Premier League team. A 'big name' manager was hired; Bryan Robson was a highly respected player who had captained England through the 1980s. With financial resources and his reputation and contacts was able to buy the contracts of several international star players. The club's owners in consultation with Robson also invested heavily in infrastructure including a new stadium and also its training and development facilities, and recognised the necessity to engage local people in the club for its core support and to source potential future players. To this end the club also invested substancially in youth development and community outreach programmes.

For example, the 160-acre Rockcliffe Park complex was developed in County Durham. This featured world-class facilities including outdoor and indoor football pitches, gymnasium, rehabilitation rooms, steam rooms and Jacuzzis as well as a restaurant. In contrast to the Ayresome sports hall plan, Rockcliffe was reliably financed and these facilities were informed by research involving fact finding visits to leading clubs around the world, such as Ajax Amsterdam. Rockliffe became the new centre for training, fitness and day-to-day operations relating to the team. Costing £7million the facility was officially opened by then Prime Minister Tony Blair (MFC Club and Community, 2017), who's 'new' Labour Party was more open than Thatcher's Conservative government to the political capital that could be gained from aligning with popular culture such as football. As a result of these investments Middlesbrough become the first football club in the world to win an ISO 9002 management award for its Youth Academy (Ibid, 2017). Further developments in 2012 following the Premier League's Elite Player Performance Plan, such as classrooms for members of the club's youth academy so that they could continue their education whilst away from school, and training facilities also received upgrades (ibid).

Today, the Rockliffe complex is still used for MFCs Academy and Reserve team games and training purposes as well as by the senior team, and has been used by the England national team. It is also regularly used by Billingham Synthonia Football Club, one of Middlesbrough FCs local non-league neighbors with which it has enjoyed an historic relationship (ibid). Land adjoining the Rockcliffe training complex was developed by the club's chairman Steve Gibson who established a luxury hotel, spa and golf course, reportedly costing Gibson £50million (Cole, 2010).

MFAC was one of the very first Football Clubs to establish a charitable foundation to serve its local community and engage local youngsters to participate in activities at the new stadium. 'Middlesbrough FC in the Community' was launched in 1995 and became a charity the next year, benefiting from the Regional Development Agency (RDA) 'One Northeast' introduced during the 'New Labour' era (MFC Foundation, 2017). The RDA was abolished in 2012 and the charity had to find new ways to finance its activities (One North East, 2012). 'Middlesbrough FC in the Community' was re-launched that year as the MFC Foundation, with a broader remit to include other stakeholder groups such as the elderly.

The new MFC Foundation was formed out of The Middlesbrough Football Academy (Eston) Limited, which existed between 1996 – 2012 (Companies House, 2017). The Foundation inherited the Eston Academy's facilities at The Herlingshaw Centre, a complex of all-weather football pitches, located adjoining the Eston Leisure Centre (the former municipally owned and operated facility now commissioned to leisure contractor Sports and Leisure Management Limited) (Sports and Leisure Management Limited, 2017).

Today, the Tees Valley area (comprising Middlesbrough and its neighbouring local authority boroughs of Stockton on Tees, Redcar & Cleveland, Hartlepool and Darlington) still contains some of the most socially and economically disadvantaged areas in the UK. Within the Tees Valley, of the three professional league clubs in existence during main timeframe of our case (the 1980s), only Middlesbrough remains in the football league, after the sub-region's other two professional clubs, Darlington and Hartlepool, were relegated to the non-league. Middlesbrough's fortunes have remained somewhat mixed, including achievements that might have seemed outlandish in 1986 when the club was struggling to exist, such as winning domestic trophies and even finishing as runners-up in the UEFA Cup in the 2005-2006 season. However, the club has tended to hover between the English league's top two tiers, but its raison d' etre has been achieved - it survives as a competitive and fully professional league club, and its relationship with its local community is now more effectively realized through the MFC Foundation.

DISCUSSION AND THEORETICAL CONTRIBUTION

Similarly to Arnold's case studies of Bradford (situated in West Yorkshire area, in the North of England), Workington and Barrow (situated in Cumbria, in England's north-west) Middlesbrough FC (in the north-east) also suffered from industrial decline in its locality, including that of steel and ship-building. Our findings demonstrate how the 1980s were a turbulent period in which MFAC struggled to adapt to changing financial circumstances, as it was primarily dependent on gate receipts and profits from transfers to meet its outgoings. Restrictions in earnings of professional footballers were disappearing, resulting in higher spending. Additionally, clubs were facing different expectations from fans and regulators including the licencing functions of local authorities, meaning ground improvements were vital. The case illustrates the historic nature of the relationship between football and local government and shows it as interwoven with other stakeholders and the wider community and economy. What is demonstrated is the importance of 'place' – the context of industry and the roles played by local government and of the local football club.

Middlesbrough was the last English football club to be dealt with under the old regime of liquidation. It seems likely that the club's liquidators delayed knowing that the administration procedure was on the cusp of introduction. From the late 1990s this financial device came into its own for football clubs that had run out of money – Buraimo *et al.* (2006) identified twenty clubs who had spells in administration between 2001 and 2005, mainly from the north and midlands. Even the introduction by the Football League of a points deduction for clubs in administration did not act as a sufficient deterrent – Beech *et al.* (2010) show that six clubs entered administration in 2007. By 2014 the House of Lords noted the high number of administrations in a debate on the role of football supporters in club governance, running concurrent with Coalition government policy to encourage the ownership of football clubs by supporters, itself consistent with that government's 'Big Society' agenda, pursuit of 'social value' and the introduction of community interest companies (Conservative Party, 2010; Great

Britain Localism Act, 2011; Hansard, 2014; Gillett, 2015). National government as well as local had come to accept that football clubs could provide an important focal point for communities.

A New Institutional Logic: Professional Sport

Earlier in this paper we referred to Skelcher and Rathgeb Smith's (2015) distillation of Thornton *et al.'s* (2012) categories for distinguishing typologies of competing logics, summarizing three of them - 'sources of legitimacy', 'authority' and 'identity' as the main basis for comparison. Applying this framework to our findings reveals that Thornton *et al.'s* (2012) existing nine competing logic types are not congruous with our case organization, a professional soccer club, which shares some characteristics with the extant logics but was typified also by the need to avoid relegation from the professional league – a factor relevant to elite sport. Similar to Thornton (2004) who developed her theory of institutional types based on her study of a single industrial context, higher education publishing we use the context of professional association football to extend the framework. We therefore propose a new type of logic – Professional Sport Logic.

Table 1 summarises the ideal typical logic of our case, a professional sport club, with reference to the three categories, and shows which factors common to other logics and also the unique factor (the requirement to avoid relegation) relate. Thornton *et al.* (2012) identify seven institutional orders (family, community, religion, state, market, profession, and corporation). Our case shows that aspects of the sources of legitimacy, authority, and identity from four of these institutional orders (family, community, profession, corporation) can be found within the institutional logic of the professional sport club.

The source of legitimacy for an elite level professional football club in England is derived from loyalty of supporters and avoiding relegation or expulsion from the professional league. We see congruence with Thornton's notion of familial loyalty in terms of the loyalty of the supporters to a football club and the role of reputation, which go far beyond the usual expectations of brand loyalty, expressed through the hard-core of supporters who would continue to support the club despite relegation to the lower leagues. The club needs enough of these hard-core supporters to justify its existence. This was why the local authority believed the club would continue to exist in some form, even if it went out of business, though ultimately the club would have to avoid relegation or expulsion from the professional league. MFAC sustained itself through its difficult years and survived bankruptcy because of directors, mainly chairmen, who invested personal wealth to keep the club afloat. In the language of institutional theory, this evidences a form of paternalism and highlights the 'Source of Authority', which is consistent with Thornton *et al.'s* (2012) Corporate as well as Family logic. However, for sports clubs the profit motive is suppressed as we shall explain later.

The third variable shown in Table 1 is 'Source of Identity'. Consistent with the 'Profession' logic, professional elite sport derives its source of identity from an association of quality, derived from craft based practice in the playing of sport together with a sense of communal loyalty (the institution of 'Community') which manifests itself between the broad emotional connection between a locality and its football club, a relationship which exists beyond the hard-core fan base.

Table 1: Ideal Typical Logic of Professional Elite Sport

<INSERT TABLE 1 ABOUT HERE>

Source: Adapted from Thornton et al (2012)

In our findings we discussed the interaction between the football club and its local authorities. The club became increasingly interested in the prospect of collaborating with the public sector bodies as the pressures on its finances increased and prospect of survival diminished. The borough council was interested in assisting and understood the potential benefits from having a local professional club, but its own priorities were somewhat different, weighted as they were primarily towards community benefit and meeting the challenges of providing health, fitness and leisure opportunities to an urban community in a time of economic recession, and secondly to provide a 'flagship' for the area and a means to attract 'away supporters' as visitors from other localities on match days. The club's priorities were to survive and to sustain its existence by winning sufficient games to maintain a sufficient level of support. These differing priorities were shaped, we argue, by the institutional logics of their respective institutional orders, i.e. Thornton *et a.l's* (2012) 'State Logic' and our proposed 'Professional Sport Logic' – Table 2 provides comparison.

<TABLE 2 ABOUT HERE>

Table 2: Contrasting Logics between Middlesbrough Football Club and the local authority

Source: Adapted from Thornton et al (2012)

Football clubs in the 1980s were still essentially Victorian and Edwardian sporting institutions (Walvin, 1985). Limited companies were established to own and operate the clubs to provide a liability shield and raise capital - however, the main motive for the clubs was utility maximisation (on the pitch success) rather than profit maximisation (shareholder returns were minimal or non-existent) (Marshall, 1890; Vamplew, 1988). Indeed, the Football Association's Rule 34, established in the 19th century but still relevant at the time of our case, meant that club directors could not asset strip clubs and if the clubs went bankrupt their assets were to be redistributed amongst other local sporting clubs. Football clubs are also part of the entertainment sector and need to win games and honours, but ideally in a way that is aesthetically pleasing to the customers, who enjoy the craft aspect.

Football companies then were different to other forms of British capitalism, and Morrow (2003) recognises the social aspects that delineate football from purely economic activity, identifying how its economic basis affects its communities. However, despite their community/public role, such English football companies are different from conventional public services because they are of a voluntary opt-in character whereas NHS, councils, school education, lighting, police, and fire services are not.

With reference to our theoretical lens, football clubs mix familial loyalty with corporate legitimacy in the sense that the organization driven by communal identity wraps itself in a framework intended for the profit-making corporation. This means that football clubs superficially take on the identity of the limited company with a Board of Directors giving the club authority over its supporters (although it should be noted that some Directors might themselves be supporters, and some clubs have support collectives represented on the board, although the role of director requires a different dynamic to that of the supporter on the terrace).

Since the late Victorian era football clubs have derived their sense of identity from the local community, reinforcing a sense of place and local identity, sometimes reinforced by ties to local churches or employers, amongst the supporter base (Bale, 2000; Hindley and Williamson, 2013). This sense of place and local identity was evidenced within our case – the local authority and also local businesses assisting, sponsoring and investing in the club. Since our case, English soccer has increasingly globalised and there is an apparent increase in investment and sponsorship from abroad however the importance of the local economy and government remains, particularly in lower tiers of the professional league (Partridge, 2017). According to the business consultancy Deloitte and Touche (2004: 55) "a strong relationship between club and community is…good for business."

We therefore argue the existence of an institutional logic of elite professional sport. Football clubs are hybrid organizations with partial commercial and public logics incorporated but also a unique logic as the third element –sporting achievement (winning games and honours) as well as a craft or entertainment factor. Our case has detailed a hybrid Collaboration between a football club (itself a hybrid) and a local government organization, which reveals an atypical public/private partnership because of the different institutional logics involved.

Gillett (2015) highlights that by working relationally or collaboratively rather than taking a transactional or adversarial approach to their service providers, including organizations based within their local economies, local authorities can better achieve their broader societal objectives. The case study we have presented in this paper has highlighted some of the challenges of putting that into practice as well as some of the approaches that a local authority can take to work relationally with a local provider whilst remaining within the framework in which it must operate. Because of their differing priorities the formal partnership proposed by the football club did not come to fruition and instead a consortium of private investors financed the club's reformation. However, the borough council acted as a catalyst for this to happen and provided tangible as well as intangible assistance in the form of a payroll function, space for meetings and press conferences, and even accommodated players' training sessions, as well as modest financial assistance and perhaps just as importantly, assistance from council officers in resolving the limitations of the club's financial planning and control. Unlike extant theory on PPPs, hybrid organizations and organizing, this was an informal 'partnership' with no contract, because the representatives of the local authority did not deem that it could progress with formalizing any such arrangement without certain assurances from the football club which were never fully resolved to the their satisfaction. Instead, we can consider the arrangement as being a virtual but functional, project-based collaboration. The virtual organization this created involved hybrid motives and culture stemming from the contrasting Institutional Logics of the two parties. We label this form of virtual but functional PPP as *shadow hybridity*. Two organizations work 'as one', within and around the constraints of their different institutional logics, without formalizing the arrangement with contracts or establishing a new or arms length company to administer the arrangement.

Our findings demonstrate how this shadow hybridity was a means by which to circumvent the obstacles that prevented the local authority from being more formally involved, enabling it to help whilst remaining within the law and without compromising its wider responsibilities. In this sense, the informal shadow hybridity arrangement was a means by which MBC and MFAC overcame what Skelcher and Rathgeb Smith (2015, p. 440) refer to as 'blocked hybridity' (the dysfunction arising from inability to resolve competing logics) that would likely have occurred had they formalised the plans proposed in the 'Middlesbrough United: A Partnership' document.

An Agenda for Further Research

Our paper has constituted an initial exploration into the phenomenon of shadow hybridity as it affects professional sport, in an evolving economic environment. We propose that there are broader possibilities for the study of shadow hybridity both within the study of professional sport, and also more broadly. The hybridity literature assumes hybridity by design, deriving the concept from the biological concept of the stemming of plants, and thus focuses on formal hybrid organizations. The reality as it plays out over time is messier, with partners having to actively accommodate competing and conflicting logics, some of which do not fit the prescribed boxes assumed by the previous literature.

The Middlesbrough case constitutes a reverse Public-Private Partnership, where the public sector invested money into the private sector, and thus departs from the orthodox form often considered to emerge from the 1980s onwards. Further, while government subsidy of and intervention in private industry was common in the UK in the period up until the 1980s (Owen, 1999) this was not a typical case of the government intervening to 'bail out' a 'lame duck' but normatively profit making private industry such as British Leyland. Rather, this was a utility maximizing private organization, which does not fit the normative view; in this case there was no substantial threat to employment nor to exports or even manufacturing expertise, but rather the potential loss of a representative organization in which the main mission was to stay within the professional league. Thus existing frameworks, which assume a profit motive, are not an easy fit with the professional sports logic, and certainly a different fit to typical corporate industry logic.

Within professional sport, other case studies exist which would benefit from further illumination. Other English soccer clubs were a focus of more or less formalized local government involvement in this period, particularly the South East London club Charlton

Athletic FC, who had a long history of local authority involvement, both formal and informal from the club's liquidity crisis in the 1982-83 season on into the 1990s. Greenwich Council's involvement at Charlton was convoluted but ranged from appraising the possibility of buying the club's freehold at their ground, The Valley in 1983, to providing informal support to bring the club back to The Valley after it was forced to leave the ground in autumn 1985, due to a conflict between the chairman, John Fryer who 'phoenixed' the club to save it in 1984, and previous chairman Micheal Gliksten, who retained ownership over some of the ground site. While Charlton continued playing at Crystal Palace's ground, Selhurst Park (some seven miles distant from The Valley and outside Greenwich) until 1992, and then briefly at West Ham United's Upon Park stadium, Greenwich Council played some role in trying to broker a return to the borough. However, fans felt a sense of betrayal in 1990 when the council's Planning Committee rejected the club's planning application to return to the Valley Site. The fans then contested local elections that year under the banner of the Valley Party (Redden, 1990; Everitt, 2014) and achieved around 11% of the vote which put enough pressure on GBC to grant planning permission to upgrade The Valley in 1992 (Sutherland, 2013).

The Charlton case, which differs considerably from the Middlesbrough case in that Charlton continued to play in Division One (the pre-Premier League 'top tier' of professional soccer in England) throughout much of their exile, may demonstrate further the conflicting logics inherent in public sector support for a professional sports club, particularly that while it may be desirable for a locality to be represented by a professional sports team, not all residents may feel it necessary or desirable, professional sport lacking the solid economic case possessed by many other forms of industry, even if it is culturally significant.

Charlton has subsequently echoed Middlesbrough in its Football in the Community Schemes, which have formalised the links between local authorities and football clubs. Indeed, football has provided an attractive platform for government to achieve wider social outcomes, due to the almost universal popularity of football as an elite vocation and amateur pastime (Hindley and Williamson, 2013, p. 319).

Further research may also add a broader dimension to the debates around governance in football, particularly the longstanding claim that British football is different from that in continental Europe, where local authorities are often more closely involved, for example in Italy the majority of stadia are owned by public authorities (Hamil, et al., 2010). Cultural factors may matter here, enriching the institutionalist perspective further and providing an opportunity to relate the hybridity literature back to its core theoretical genesis. Zimbalist (2015) and Baade and Matheson (2004) have also pointed to the involvement of local authorities in the United States in attracting team franchises as well as global sporting mega-events in various elite sports to large cities based upon the claims of an 'economic multiplier effect'. This theory may be further refinable by reconsidering it through the lens of shadow hybridity where local authorities may be involved from the genesis of a project through to its final implementation, and the local authority may also later remain involved in the sense of wanting to retain the professional franchise in the area to maintain prestige.

The existence of shadow hybridity, which combines together intangible and tangible institutional factors, is something which can be best prized out by examining the development of public-private partnerships over time. Such partnerships may start with a formal intention for cooperation, or the simple desire of the public sector as a stakeholder in a professional sports club or other similar prestigious institution, to maintain that institution as a symbol of the locality over time. Conflicting logics may come together temporally to block the possibility of the formalization of the partnership, but this lack of formalization does not mean that some form of hybrid organization is not present. These logics are likely to change and evolve over the lifetime of a collaborative project, in tandem with larger scale political, economic and social trends, which exert exogenous shocks onto the project. Thus the involvement of the public sector body may evolve, and move from the informal to the formal and back again, with the formal arrangement type often being precluded from successful formation.

Conclusion: Local Government, Football, and the 1980s

The 1980s were an important time in football at the cusp of a period of dramatic change, during a decade often associated with changes in approach from Keynesian to free-market political economy. However, our study demonstrates that it was not uncommon for local authorities to assist their local teams and that they were actually encouraged to do so by the Association of District Councils, perhaps in response to what was happening at the central and national level.

This case study demonstrates the challenges of building successful hybrid organizations where the competing logics of professional sport and the public sector conflict together, blocking formal hybridity from emerging. Football clubs may be formalized organizations but lack in themselves the rationalised, bureaucratic structures and democratic sources of legitimacy inherent in British local government. Taking over the football club might therefore have undermined the council's legitimacy as an actor. This prevented a direct municipal partnership with the football club but did not prevent the council from helping the club to survive in informal ways. We propose that public sector bodies should be more conscious of professional sport logic in policy making around sport and recreation; in the post-1980 era professional sport has been an attractive way to regenerate declining areas around the world, but it comes with its own institutional priorities that are difficult to meld to the public benefit.

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[1] In the instance of The Sport Council and 'Sport for All' participation initiative, the centralist tendency to use sport as a medium through which to tackle urban problems appears to have won through. From mid-1970s central government expected the Sports Council to target its resources at specific groups in society and "thus 'sport for all' slowly become 'sport for the disadvantaged' and 'sport for inner city youth' (Jefferys, 1991).

[2] These schemes were mainly established in the mid-1980s (Hindley and Williamson, 2013), flagship examples included Coventry City FCs *Sky Blue Connection* initiative, and Aston Villa's Sport and Leisure Centre.

[3] Exemplified by partnerships such as that between Calderdale District Council and Halifax Town FC

[4] In 1986 the flexibility permitted by S137 of the Local Government Act 1972 was limited to the product of a 2p rate.

[5] Harold Wilson, 'A Message from the Prime Minister'. *Evening Gazette Industrial Supplement*, 3 January 1966, p. 3.

[6] 1946/47 was when the league was restarted and attendance figures reported, and 1985/86 marks the final season of Middlesbrough Football and Athletic Co. as a legal entity.

[8] Association of District Councils (1984): Oxford United were offered £250,000 from Oxford City Council, match-funding investment from the club to improve its stadium facilities in exchange for community use. Similarly, Greenwich LBC was granting £50,000 a year to Charlton Athletic FC, which from the council's perspective was an investment of ratepayers' money in exchange for a seat on the Club's Board of Directors, use of match programmes for council announcements and advertisements, and the promotion of the Club in the community, particularly for the direct benefit of young people.

[9] A debt for £100,000 appears in the 'Financial Statements for the year ended 30th June 1985' (Companies' House, 1985), although it's source is not specified. Arnold misnames the club Bradford City (1983) Ltd., missing out the AFC.

[10] Following the Cork Report (1982), the Insolvency Act (1986) and Insolvency Rules (1986) were introduced to address enterprise failure in the United Kingdom. These changes enabled the appointment of an Administrator without having to go through court processes, and were introduced to make it easier to rescue businesses, in order to minimize losses and impact on all stakeholders including employees, creditors, and wider communities. When a company cannot be rescued its assets are sold and the proceeds used to pay-back creditors in order of priority. This is comparable with US Bankruptcy code, perhaps most closely resembling 'Chapter 11' although there are certain differences as well as similarities.

[11] The wages of the professional players was covered by the *Professional Footballers' Association* (Coopers and Lybrand, 1986; MFAC 1986a; Inland Revenue 1986).

[12] Large advertisements were regularly included in MFACs match programmes through the 1980s, to reach the local population and demonstrate support for the football club.

[13] The Ayresome Park Sports Hall was demolished together with the stadium in the 1990s. The former training ground at Hutton Road meanwhile laid dormant. Full Conditional Planning consent was eventually given, for the development of 75 dwellings granted in 2007 (M/FP/1912/07/P) (http://www.colliersproperty.co.uk/development-opportunity-for-sale/middlesbrough/23883) and the land listed for sale in 2009 for 2.5million (http://www.rightmove.co.uk/property-for-sale/property-14015193.html). Perhaps because of the economic downturn following the financial crisis of 2008 and perhaps also because of the prior history of difficulties in releasing the land on the site, there were no takers. A further Outline Conditional Consent for the development of 90 Dwellings was granted in 2011 (M/OUT/1158/10/P) http://www.colliersproperty.co.uk/development-opportunity-for-sale/middlesbrough/23883 although the land was still available for sale at the time of writing in 2017. Contrastingly, the municipally owned 'Clairville' athletics stadium located around half a mile away from Hutton Road was closed in 2014 following budget cuts to Middlesbrough Borough Council, demolished and replaced by a housing development. Municipal athletics provision was moved two miles south, away from the town centre to Middlesbrough Sports Village (https://www.everyoneactive.com/centre/middlesbrough-sports-village/) a new facility located in the suburb of Marton-in-Cleveland operated by a private contractor 'Everyone Active'.

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Table 1: Ideal Typical Logic of Professional Elite Sport

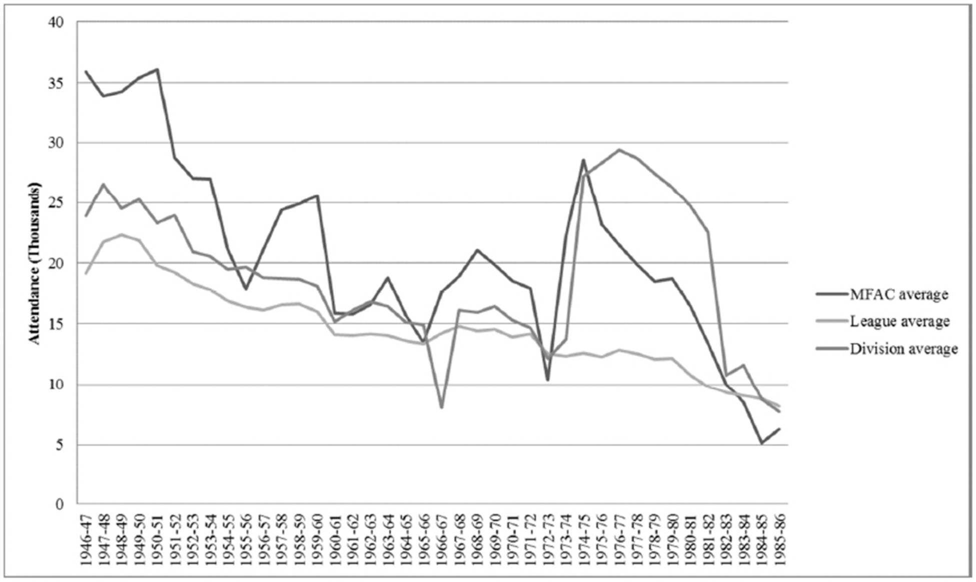
Variables	Elite Sport Logic	Source drawn from
Source of Legitimacy	Loyalty from supporters Avoiding relegation from the professional league	Familial Loyalty Unique to professional sport
Source of Authority	Board of Directors	Corporation
Source of Identity	Association with quality of craft Emotional connection to community, territory, shared experience and sense of place, and reputation	Profession Community (feeling of communal loyalty rewarded by success and quality of craft)

Source: Adapted from Thornton et al (2012)

Table 2: Contrasting Logics between Middlesbrough Football Club and the local authority

Variables	MFAC	MBC
	Institutional Orders	
	Elite Sport Logic	State Logic
Source of Legitimacy	Loyalty from supporters Avoiding relegation from the professional league	Democratic participation
Source of Authority	Board of Directors	Bureaucratic domination
Source of Identity	Association with quality of craft Emotional connection to community, territory, shared experience and sense of place, and reputation	Social and economic class

Source: Adapted from Thornton et al (2012)



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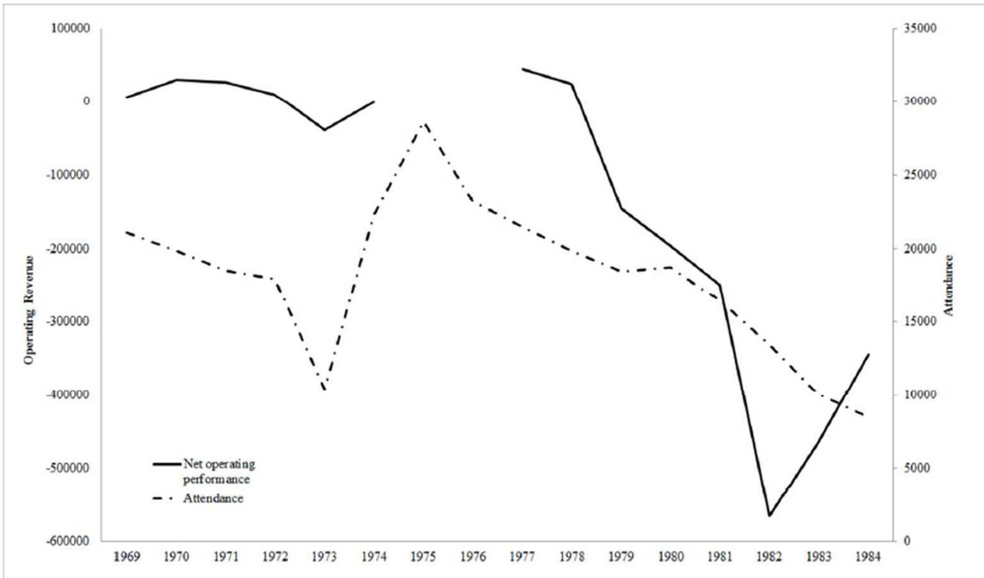

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