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Managing institutional complexity in a football organization

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ABSTRACT

Rationale/purpose: In European club football, balancing sports and business is challenging. The clubs operate in a complex context, with competing institutional demands. The clubs face a demand for sporting as well as financial performance, and the purpose of this study is to examine how clubs manage competing institutional logics in order to prevent financial distress.

Design/methodology/approach: This study applies a case study design, and the data were collected by interviewing people with different affiliations to a football organization.

Findings: This study indicates that structural differentiation can lower tension between logics in a football organization, and hence improve the balance between sporting ambitions and financial performance.

Practical implications: This study finds that organizational structure may impact an organization's ability to balance partly conflicting organizational demands. Moreover, this study points to how a more business-oriented board of directors in a football club may reduce overspending and hence prevent financial distress. This has practical implications for managers and governing bodies in European football.

Research contribution: This study contributes to literature on sports management by empirically showing how specific organizational solutions can be implemented to improve the balance between sporting ambitions and financial performance in order to prevent financial distress in European club football.

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Institutional logics; club football; institutional complexity; financial distress

Introduction

European football clubs have struggled financially for years, an issue emphasized by for example Szymanski (2017) and Scelles et al. (2018). Professional football clubs face different institutional demands, such as sporting performance and financial viability, which may be conflicting. Smith and Stewart (2010) associate the tension between different demands, as sport fandom: "... consumers and clubs will,

for the most part, weight wins and trophies more highly than a healthy balance sheet." (p. 5)

The tradeoff between financial aims and sporting performance is essential to understand the financial situation in European football. For example, increased spending is expected to improve sporting performance, *ceteris paribus*. In general, sporting talent is the most important driver for sporting success, and the process of attracting players is a type of auction process

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as the winner is the club that offers the highest bid. This implies that, in an open market, such as European football, this mechanism might result in overspending and situations characterized as a winner's curse (Andreff, 2012). Another well-known feature of European football clubs is the utility- or win-maximizing perspective, which is contrary to, for example, the North-American clubs, which maximize profit (Fort, 2015; Késenne, 1996; Sloane, 1971). Moreover, the open league structure in European football, with promotion and relegation, constitutes a driving force for win-maximizing and hence financial distress (Noll, 2002). Gillett and Tennent (2018) propose that professional sporting organizations have their own institutional logic, an institutional logic of professional sport, which is typified by the focus on sporting achievements.

Football organizations in general face two main institutional demands: a demand for sporting performance and a demand for financial viability. This is, for example, central in the seminal paper by Carlsson-Wall et al. (2016), which studies the enactment of the sports and business logic in a football organization. Bertheussen (2023), who focuses on drivers behind the soft budget constraint, and Bertheussen and Solberg (2022) which combine the soft budget constraints theory and institutional theory, also discusses this. History has shown that European football clubs, in general, have prioritized or overestimated the value of investments in playing talent. Hence, due to financial problems and low profitability, European and national authorities have introduced financial regulations, such as the Financial Fair Play (FFP) regulations, introduced by UEFA (Union of European Football Associations) to contribute to improve the long-term financial viability. However, although financial problems in European football are touched upon in the literature, there is a lack of concrete case studies focusing on how to solve them.

Against this background, the main purpose of this study is to study how a football club

coped with financial distress and avoided bankruptcy. This paper is focused on a Norwegian football club, which after years of financial distress, was declared bankrupt by the tax-authorities. This became a turning point, as the club managed to turn the financial situation around. The case study is focused on two main periods. The first period describes a situation with increasing financial problems. While the second period focuses on and analyses how the club overcame the financial problems and improved the balance between the two main institutional logics: a demand for sporting performance and a demand for financial performance. Based on this background, this study analyses the dominating logics in the two periods, and the research question is as follows: How can a professional football organization make opposing logics of sporting success and financial performance compatible?

To answer this question, I used theory on institutional logics, suitable for describing contradictory beliefs in organizations (Friedland & Alford, 1991). Special attention was paid to structural differentiation and how different subunits act independently and according to their "own" institutional logic (Greenwood et al., 2010; Kraatz & Block, 2008). The institutional logics perspective is appropriate for studying how to manage different institutional demands, and in this case to achieve a healthy balance between the demand for sporting and financial performance.

The next section presents a literature review. The theoretical framework is then described, followed by a description of the research method, including a brief description of the case club. The empirical data are presented and analysed before directing attention towards the discussion and conclusions. Lastly, limitations and suggestions for further research are included.

Literature review

Financial distress and the challenge to balance sports and business in European club football

has been given substantial attention in the literature (e.g. Barajas & Rodríguez, 2010; Carlsson-Wall et al., 2016; Storm, 2012). An early study by Sloane (1971) argues that the main objective of European football clubs is utility maximization rather than profit maximization. Various scholars have further developed this perspective. For example, Késenne (1996) studied the win-maximizing objective in European club football, which typically leads to lower profit than in a profit-maximizing regime. Andreff (2012) introduced the “winner’s curse,” referring to an auction process where the auction winner is “cursed by having paid more for investing in an item than the true value” (p. 3). In sports, this is prominent in different situations, for example, when clubs overbid each other in player transfer processes (Andreff, 2012). As shown by Franck (2010), billionaire owners of football clubs are not profit-oriented as they are willing to inject funds in their clubs.

Storm and Nielsen (2012) suggest that because European clubs are seen as socially “big” they are “too big to fall.” Football clubs face a situation where investors, public authorities and banks are willing to bail them out, or support them financially, *ex post*, in case of financial problems (see also Franck & Lang, 2014; Jacobsen et al., 2021). This is related to the concept of soft budget constraints, which describes a situation where European football clubs operate with the expectations of being saved *ex post* in case of financial problems (Storm, 2012). The expectation of being saved *ex post* affects the incentives of decision-makers in football clubs (see for example Franck & Lang, 2014). Moreover, Nielsen and Storm (2017) propose in football organizations the best possible sporting results is superior to any other motives. This is in line with Gillett and Tennent (2018), which argue that football clubs are hybrid organizations with partial commercial and public logics, and a third unique logic which is characterized of sporting achievements. They propose a new type of logic – the

professional sports logic. Gillett and Tennent (2018) demonstrate how shadow hybridity is a means to avoid the obstacles that prevent the local government from being formally involved in a football organization. Thus, this enables the local government to support local clubs, within the law.

Bertheussen (2023) presents an evolution of a soft budget constraint in a football club and contributes to a more in-depth understanding of the long-term underlying drivers behind the soft budget constraint in a football club. By combining the soft budget constraints perspective with institutional theory, Bertheussen and Solberg (2022) discusses the two paradoxical financial perspectives; first, that clubs continue to overspend even if the revenues continue to increase; and second that the football clubs rarely go bankrupt despite ongoing deficits.

Several studies focus on how to cope with financial distress and achieve long-term financial viability in European football, including financial regulations such as the FFP. However, such regulations are disputed. While Franck and Lang (2014) and Müller et al. (2012) in general are positive toward FFP, others raise concerns from both an economic perspective (Madden, 2015; Vöpel, 2011) and a legal perspective (Peeters & Szymanski, 2014). Drut and Raballand (2012) study the influence of financial regulations and suggest that in a win-maximizing league, clubs that can operate with deficits have better sporting results than clubs that operate with a hard budget constraint. Moreover, Drut and Raballand (2012) show that the FFP, theoretically, despite differences in revenues, should yield more financial equality and rebalance in European football. However, despite its intentions, the implementation of FFP has been disputed. The main criticism of FFP relates to the reduction in revenues due to the disappearance of external funding from benefactors, and hence an overall welfare loss (Drut & Raballand, 2012; Madden, 2015). However, Franck (2014)

suggests that FFP is an incentive for “good management” in a sector where clubs have relied on external funding to be rescued from bankruptcy. Müller et al. (2012) argue that FFP is promising both from a theoretical and practical point of view, but that the outcome depends, in practice, on the clubs’ level of acceptance and cooperation.

The phenomenon of financial distress in European football has been studied through applying different theoretical lenses. Carlsson-Wall et al. (2016) applied the institutional logics perspective in their study of management control systems in a football organization. The institutional logics perspective concerns how cultural beliefs shape the behaviours of actors in organizations (Friedland & Alford, 1991). Moreover, this perspective is beneficial to study settings where organizations face different institutional demands, or “logics” (Lounsbury, 2007). Studies of institutional logics in professional sports have revealed the need to supplement Thornton and Ocasio (2008) original competing logic types. Gammelseter (2010) describes how European commercialized team sports face seven institutional logics; idealist; identity; guild; agency; managerial; regulation; and politics. Gillett and Tennent (2018) studied the partnership between local authorities and a professional football organization, and found what they defined as “shadow hybridity,” which is an informal but functional partnership. Moreover, they argue that the club was typified by the need to avoid relegation, and hence proposed professional sport logic as a new institutional logic. Related to this, De Bock et al. (2022) discuss the balance between institutional logics in sports federations, while in a case study of Triathlon Australia, Pedras et al. (2020) explore the federation’s response to its complex operating environment.

Several studies have addressed the case of competing and the coexistence of institutional logics in sport (Gammelseter & Senaux, 2011; Parent et al., 2012; Senaux, 2011). In a

conceptual paper, Carlsson-Wall et al. (2016) analyse the role of performance measurement systems (PMS) in managing the coexistence of different institutional logics, and demonstrate that the degree of compatibility between logics varies between situations in the organization. Moreover, Carlsson-Wall et al. (2016) show how the sports and business logics in some situations compete with each other, while they are in harmony in other situations.

Theoretical framework

Institutional logics and institutional complexity

The institutional logics perspective, first presented by Friedland and Alford (1991), is suitable to describe contradictory practices and beliefs in organizations and to explore the interrelationships between individuals, organizations, and society. A common thought is that institutional logics provide the rules of appropriateness, making certain actions or solutions legitimate within a field, and provide meaning to both individuals and organizations (Glynn & Lounsbury, 2005; Thornton & Ocasio, 2008). Institutional logics affect the creation of rules and routines in organizations (Rautiainen & Järvenpää, 2012).

Empirical studies have focused on the relationship between different logics in organizations, and whether organizational actors experience competing demands due to the different logics. Research on institutional complexity suggests that multiple logics may coexist in organizations (McPherson & Sauder, 2013), while others indicate contestations and conflicts between logics (Battilana & Dorado, 2010) or blending of logics into a new logic (Binder, 2007).

Organizational fields

A core thought in institutional logics theory is that actions are more than a reaction to the

pressures of the external environment. Actions also include how the environment shapes, mediates, and channels choices. This context is emphasized in the term “organizational field” and can be defined as “a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than actors outside the field” (Scott, 2001, p. 84). Organizational fields may include any constituents that impose either a coercive, normative, or a mimetic influence on the organization (DiMaggio & Powell, 1991). Hence, organizational fields shape both the nature and the extent of institutional complexity that organizations face.

Studies concerning multiplicity of logics in organizations have shown that the degree of compatibility between logics in organizations is situation-specific. For example, Carlsson-Wall et al. (2016) argued that the degree of compatibility between the sports and business logics in a football club is situation-specific, as logics compete in some situations, while the same logics are harmonized in other situations. In situations when the club performed very well sportingly, the given course of action in the situation was most often regarded as in line with both the sports and the business logic.

Organizational responses to institutional complexity

Greenwood et al. (2010) distinguish between organizational strategies adopted by organizations to cope with institutional complexity and how multiple logics are reflected in organizations’ structures and practices.

Pache and Santos (2013) suggest that the strategies adopted by organizations are, at least partly, a function of whether multiple logics are directly represented in the organization. Generally, organizational responses depend on the relative power of each logic present in the organization. Hence, in situations with multiple logics, the outcome of decisions

and behaviours will depend upon the distribution of power within the organization. Kraatz and Block (2008) suggest four types of responses to institutional complexity. First, organizations can resist or eliminate the tension between logics. Second, organizations can strive to balance the different institutional demands. Third, by building lasting identities, organizations can immunize themselves against external and multiple pressures for compliance. Last, organizations can choose to relate to various institutional constituencies by “compartmentalizing.” Greenwood et al. (2010) point out that institutionalists often consider compartmentalization as a type of decoupling, which is a process by which organizations distinguish between prescribed and operational structures (Meyer & Rowan, 1977). Another strategy to manage institutional complexity, decoupling, is to manage organizations according to their values, objectives and practices by one logic (Pache & Santos, 2013). This implies that organizations symbolically endorse practices prescribed by one logic, while in reality implementing another logic in their practices (Pache & Santos, 2013). Often, this latter logic is more aligned with their organizational goals (Pache & Santos, 2013). Thus, in decoupling there is a gap between symbolically adopted policies and actual organizational behaviour (Tilcsik, 2010).

The other main approach, suggested by Greenwood et al. (2010), to studying organizational responses to institutional complexity is concerned with how organizational structure and practices reflect multiple logics. For example, by separating subunits that deal with one specific institutional logic from the rest of the organization, which is often referred to as “structural differentiation” or “compartmentalization” (Carlsson-Wall et al., 2016; Greenwood et al., 2010; Kraatz & Block, 2008). Structurally differentiated organizations consist of different subunits that can act independently and according to their “own” institutional logic (Greenwood et al., 2010; Kraatz

& Block, 2008). Consequently, these subunits act according to different institutional logics (Greenwood et al., 2010). However, a challenge with structural differentiation is the need for at least some integration between the subunit groups because dividing the organization into different subunits can undermine the need for cooperation. Moreover, structural differentiation as a response to institutional complexity can lead to less effectiveness and lack of cooperation due to the fragmented organization (Greenwood et al., 2010). Thus, on the organizational level, structural differentiation implies some compromises.

A related mechanism for managing institutional complexity is *compromising*, which intends to balance conflicting expectations of multiple constituents (Oliver, 1991). Theoretically, there are three ways to achieve compromise (Pache & Santos, 2013). First, it can take place through conforming to the minimum standards of what is expected. Second, by bringing together elements from the competing logics into a new behavior. The last strategy implies bargaining with institutional referents to alter their demands. Newer research has focused more specifically on responses to competing logics. For example, Greenwood et al. (2010) suggest that organizations may reconcile competing logics by enacting a combination of activities drawn from a wide range of field-level actors.

Institutional complexity in the field of European club football

Studies of institutional logics and institutional complexity in the field of football have identified various institutional logics that football organizations face. As mentioned previously, Gammelsæter (2010) presents an overview of seven institutional logics relevant to European commercialized team sports. Further, Carlsson-Wall et al. (2016) identified sports- and business logics as the main institutional logics in their study of a Swedish football club. Table 1 shows an overview of the institutional logics

Table 1. Overview of institutional logics most relevant in this study (Carlsson-Wall et al., 2016; Gammelsæter, 2010; Gillett & Tennent, 2018).

Institutional logics	End	Measurement criteria
Sports	Success in sports	Trophies and promotion/avoiding relegation
Regulations	Financial fair play and competitive balance	Meet external regulatory demands
Managerial/business	Financial viability	Revenues, profit, low depth and book equity
Politics	Political objectives	Community wellbeing

most relevant to European professional football organizations, what characterizes these logics and what criteria they are measured against. Further, based on the finding of this study, this study mainly focuses on the institutional logics of sport and business.

Literature on sports underlines the role played by special features of sport, for example, the specific nature of a club's competitive environment and the characteristics of the product. European football clubs typically operate under a win-maximizing objective (Késenne, 1996). To stay competitive in relation to the lower performing clubs, clubs have to invest in player talent (Nielsen & Storm, 2017). Dietl et al. (2008) describe how these aspects may contribute to "overinvestments" in playing talent and increase the clubs' willingness to gamble on success.

Nite and Edwards (2021) point out that, in sports, the institutional logics perspective has been used to understand challenges of managing settings that are shaped by competing or contradictory ideals. Nielsen and Storm (2017) describe how "the pursuit of the best possible sporting results is superior to any other motives in all team sports clubs independent of whether it is a non-profit voluntary organization or a for-profit business enterprise" (p. 153). Typically, in the field of sport, the "sporting logic" appears as a dominating institutional logic, and clubs aim to maximize their wins under a breakeven constraint. However,

the institutional mechanisms put the clubs under pressure to exceed the breakeven constraint to stay competitive. In any other industry, such stressed financial situations would have significant consequences. However, European club football is characterized by high survival rates (Storm & Nielsen, 2012). A possible explanation for such situations is that clubs are bailed out and saved by external benefactors, such as rich individuals, the local government or private creditors (Storm & Nielsen, 2012). Football clubs tend to behave as if there are no books to balance and as financial losses are not a threat to their survival, indicating that clubs operate under soft budget constraints (Nielsen & Storm, 2017).

Research methods

A case study methodology provides an opportunity to study the phenomena in its own context (Baxter & Jack, 2008). Hence, a case study is a suitable approach in situations with a clearly identifiable case with boundaries and where the aim is to provide an in-depth understanding of one case or multiple cases (Yin, 2009). This study applies a single case study due to the aim of studying the dominating logics in the two periods, and the issue of

improving the balancing of competing institutional logics in a football club.

The case club, Nordic FC,¹ was chosen for three reasons. First, it provides an opportunity to study how a football organization copes with different, and partly competing, institutional logics. Secondly, due to the turnaround after years of financial problems combined with the success on the pitch, it is possible to explore how to improve the balance between sports and business in a football club. Last, in the second period the club operates with a stated policy of prioritizing financial performance. Hence, it provides an interesting case to study how to improve the focus on financial performance and improve financial viability in a football organization.

The case

The case chosen for this study, Nordic FC, is a Norwegian top-division football club located in one of Norway's largest cities, where a more successful club is also located. Despite sporting success, including promotion to the top-division in 2017, financial distress has characterized the club for many years. The financial problems peaked in June 2016, when the club was declared bankrupt by the tax authorities.

Table 2. Overview of the Nordic FC's financial results and development in the period 2016–2020 (NOK).

	2020	2019	2018	2017	2016
Operating income	24,635,745	30,198,709	28,384,729	11,317,132	10,033,040
Operating costs	22,521,475	30,936,645	24,640,527	10,735,447	9,923,103
Operating profit	2,114,270	-737,936	3,744,202	581,685	1,090,937
Result	2,028,100	1,660,638	3,084,516	234,720	-741,197
Intangible assets	809,943	261,299	60,900	106,568	65,368
Fixed assets	7,299,370	7,973,695	7,741,324	4,084,597	4,728,203
Financial assets	4500	4500	4500	0	0
Receivables	2,085,347	751,771	751,771	760,260	587,648
Current assets	6 761 266	4,340,512	4,335,512	1,774,906	804,660
Sum	14,875,079	13,769,214	12,899,007	6,696,331	6,185,879
Equity	10,054,011	8,025,911	6,365,267	3,282,516	3,047,796
Long-term debt	1,606,682	1,767,500	1,977,500	0	886,160
Short-term debt	3,214,386	3,975,803	4,556,240	3,413,815	2,251,923
Sum	14,875 079	13,769,214	12,899,007	6,696,331	6,185,879

¹Nordic FC is a fictitious name of the case club.

Nordic FC is a member organization, strongly connected to the local community, with four people employed in the administration. Hence, the operations of the club involve a lot of voluntary work. The club practices a semiprofessional model, which implies that the players are part-time employed and combine football with a second job or studies. Furthermore, they only hire local players.

In 2016, Nordic FC managed, through substantial organizational changes, to turn their financial situation around and the club presently has a focus on financial viability. Table 2 shows Nordic FC's financial situation and development in the period 2016–2020. Overall, the numbers show a financially healthy development, both in terms of financial results as well as in book equity.

Data collection and analysis

The main source of data is interviews with people connected to Nordic FC, such as current and former board members, chairmen and employees in the administration, one former head coach, and one current player (see Table 3). The collection of data took place from February to September 2019. The length of the interviews was about 60 min, and all interviews were recorded using a digital voice recorder. In order to ensure a good flow in the conversation during the interviews and to avoid misunderstandings due to the language, all interviews were conducted and transcribed

into Norwegian. Thus, the chosen quotes used in this paper were then translated into English. The first five minutes of each interview was used to describe the purpose of the study and confidentiality, and was not recorded. Subsequently, all interviews were transcribed into a verbatim script by the author. Table 3 shows an overview of the interviews.

The format of the interviews was semi-structured and the prepared questions were broad questions concerning the interviewees' own experience of the management of the club, and were rooted in institutional logics theory. Initially, all interviewees were asked to describe their background, occupation, and how they became involved in Nordic FC. Further, the interviews addressed themes such as the former and current financial situation of the club, how the club is structured and organized and how the club managed to turn the financial situation around. Lastly, the interviews dealt with the issue of maintaining financial control and viability and avoiding financial problems in the coming years. The semi-structured technique allowed room for follow-up questions during the interviews.

To complement the interviews, I used a selection of documents, such as annual reports (see Table 4). Further, I used strategic documents, which I got from the CEO, and I such for relevant newspaper articles by using the Retriever, which is a webpage for such in media and newspaper articles in Norway. For example, the case club's annual reports provided supplementary

Table 3. List of interviews.

Position	Former/current	Gender	Date	Format	Duration
Member of board	Former	Male	February 2019	Personal	1 h 12 min
Member of board	Former	Male	September 2019	Personal	1 h 4 min
Member of board and voluntary	Current	Male	February 2019	Personal	58 min
Member of board	Former	Male	March 2019	Personal	1 h
Member of board and voluntary	Current	Male	April 2019	Personal	59 min
Member of board	Former	Male	September 2019	Personal	1 h 1 min
Member of board and voluntary	Former	Male	April 2019	Personal	53 min
CEO	Former	Male	April 2019	Personal	1 h 6 min
CEO	Current	Male	June 2019	Personal	53 min
Player	Current	Male	August 2019	Personal	55 min
Coach	Former	Male	April 2019	Personal	54 min

Table 4. List of documents.

Document	Year
Financial statements	Financial year 2016
Financial statements	Financial year 2017
Financial statements	Financial year 2018
Financial statements	Financial year 2019
Financial statements	Financial year 2020

information about the club's financial performance. Using multiple sources of information is typical for case studies (Yin, 2009).

For analysing the empirical data, the transcribed interviews were coded by using NVivo. The coding process was done in two main steps. In the first step, codes were derived directly from the empirical material and labelled according to the language used by informants. The codes were developed by analysing the transcribed interviews carefully. Hence, this resulted in many codes which were then organized in the second step. In this step, the codes were analyzed and sorted into meta-codes, which were more superior and thematic, and less connected to the empirical data. Examples of such meta-codes were "financial problems," "sporting ambitions," "technical-heart" and "new board and new CEO." Through this process, with creating codes based on the empirical material, I kept the codes close to the empirical data. The intention with this process was to avoid too much interpretation from the researcher.

An impression from the interviews was that the focus on sporting performance appeared toned down, and the interviewees stressed the importance of sporting ambitions being embedded in long-term strategic plans. This could be related to the period when the interviews were collected. The interviews were conducted in what is defined as the second period, when financial performance had the highest priority.

Case analysis

The Norwegian field of football

The Norwegian male elite league is, financially, a medium-sized league from a European

perspective (UEFA, 2018). Contrary to most European leagues, the Norwegian Football Association prohibits sports organizations from operating as limited liability companies. Hence, Norwegian football clubs are structured as volunteer-based, non-profit, member organizations. However, there is an opportunity for Norwegian clubs to have contractual relationships with limited companies, which is set up outside and partly by the club (Gammelsæter & Jakobsen, 2008). Such companies typically operates the commercial part of the club, such as the stadium. Hence, this forms a dual governance structure, with a sports organization and a limited company.

The sports and business logic

In 2006, Nordic FC signed a three-year cooperation deal with a larger Norwegian top-division football club in the same city. The purpose was to establish a club in the second-highest division in this city, which was essential for the development of players for the top-division club. In addition to collaboration on player-logistics and training facilities, the larger club covered the cost of Nordic FC's head coach. This collaboration became a starting point for improved sporting results in Nordic FC, but it also caused higher spending and hence financial challenges.

A main goal with the cooperation was to achieve promotion to the second-highest division. Thus, the increased sporting ambitions led to investments in players beyond those borrowed from the larger club. A member of the board explained the financial consequences:

Before the season started, back in 2007, I saw that we would not be able to pay the players. Each player did not earn that much, but we had more than 20 players.

Hence, the collaboration affected Nordic FC's ambitions and increased their costs to a level beyond what they could handle.

The first two years of cooperation, in 2006 and 2007, Nordic FC failed to make it to the

second-highest division, and the pressure for promotion increased. Before the 2008 season, a new and more experienced head coach was hired, and the team achieved promotion. However, the price paid was high, and the financial situation worsened. In addition, the financial support from the larger club ended after these three years, and along with the promotion came a number of external requirements (i.e. club licence):

At that time, we did not have the financial foundation for the new level we gained promotion to. Hence, it required a lot of work from everyone to make money. After all, it was difficult for everyone, especially for the members of the board and the CEO. Sporting wise it was great fun, while financially and administratively it was challenging. (former chairman of the board)

In the following years, Nordic FC had substantial financial problems and struggled to avoid bankruptcy:

It is very demanding when you get pushed into a corner by creditors, who obviously want their money. You have to pay them, and thus you build up new debt. Because even if the operations were actually quite healthy, from year to year, when you pay the invoice from 2010 in 2012, you cannot pay the new invoice in 2012. The liquidity situation was poor 12 months a year. (former CEO)

Nordic FC's financial problems continued and peaked in 2016, when the club was declared bankrupt by the tax-authorities:

At worst, the players got paid 2–3 weeks late. ... In my second and third year [in the club] I was in the wardrobe 10–11 months in a row to tell the players that we were not able to pay them on time. (former CEO)

A former chairman and board member admitted that the club operated irresponsibly at that time:

You might say that we, who managed the club, were irresponsible people.

In 2016, all players had to accept a wage decrease. The CEO described the situation:

There were wage cuts, at least twice, and there were outstanding wages. This process tired both players and coaches, the entire organization. (board member)

However, the interviewees also pointed to an advantage with the wage cuts:

There were some heavy processes. At that point, it could have been easy to obtain external funding to cover the players' wages. However, we could not do that, because everyone would know. I said, our maximum wage is NOK 20.000. Then the top scorer left the club. In the end, we benefited from that, because it became a case in the media, and we "won". Everything is connected, and we won new friends. (CEO)

Relevant to the study, the interviewees focused on two main institutional demands, which appear to be at least partly competing (Lounsbury, 2007). The interviewees point to the importance of the daily operations, including the financial operations, with a focus on financial viability. Most of the interviewees emphasized the importance of preserving a healthy financial situation and not spending more money than the club can afford. This institutional logic suggests that Nordic FC's sporting ambitions are guided by the financial situation, as described by a former board member: "We do it [investments] because we can afford it." Further, all clubs in the top two divisions are subject to national financial regulations (i.e. club licence system) and are hence required to report on the financial situation and fulfil a set of demands (e.g. positive equity) twice a year. This institutional demand is "*business logic*."

The other main institutional demand identified, termed "*sports logic*," refers to Nordic FC's core activity – sporting performance – and is similar to the professional sports logic by Gillett and Tennent (2018). The sports logic is, for example, expressed in their main goal: to play in the top-division. The current

chairman said: "Football is an emotional thing; therefore, you are very often a part of football because you enjoy the success. However, it is not that fun when things go wrong." This belief system typically recognizes and predominates European club football. A former CEO, on a general basis, said this about managing football clubs:

Some football clubs are managed by emotions. If we do this, then we will stay in the top-division and avoid relegation. But then, they incur costs higher than they are able to afford.

A former CEO in Nordic FC talked about the risk of letting emotions interfere with decisions making:

I notice that the head has to be in place first, before the emotions. Then the emotions begin to take over, especially during matches. ... Often business leaders think with their heads first, then it goes on for a couple of months and the emotions take over. And when the heart is in control of your decisions, it usually goes wrong."

The interviewees also point to other relevant institutional logics, such as regulations or external demands and volunteering. Further, the two main logics, the sports and business logics, inhabit features of the institutional logics in Gammelsæter's (2010) perspective. For example the sports logic has similarities with the idealist logic and the identity logics, which is described as "practising sport" and "sport club as a medium." While business logic inhabits features from, for example, managerial logic and regulations.

New external demands

All Norwegian clubs in the two top divisions are subject to a quite comprehensive club licence system.² In the interviews, the stadium requirement Nordic FC faced after promotion in 2009 appeared as a central element:

The main issue, I would still argue, was that when we achieved promotion to the second highest division it was a requirement in the club licence, which forced us to develop the stadium, where we started at zero. (former CEO)

Further, the former CEO elaborated how the requirements limited their ability to have a holistic focus:

You can say that the attention, when you are going to build a club the first years [after promotion to a higher league-level], then the attention is devoted to developing the stadium. Not to developing the club otherwise, in terms of administration, marketing etc. Therefore, you may get a ... yes; there will be a goal displacement.

Nordic FC had to develop their stadium, which was both expensive and caused challenges related to hosting their home matches. In the meanwhile, they were exempted by the national football association from using their current home stadium. However, for a period, during the most intensive building periods, the club borrowed a stadium for their home matches. However, borrowing the stadium was very costly:

We did not manage to finish building the stadium before the start of the season. Therefore, we had to establish both standings and changing rooms at the borrowed stadium. ... The total cost was more than NOK 2 million, and we did not have that money. (former CEO)

The interviews unveiled divided opinions regarding whether these requirements were solely unfavourable. This is because, despite the investment requirements concerning stadium facilities, these requirements also had some benefits, such as working as a driver for achieving financial support from external stakeholders (e.g. the municipality, the local community, and sponsors). As a former chairman said:

I have not been one of those criticizing the licence requirements. However, many people

²<https://www.fotball.no/lov-og-reglement/klubblisens/lisenskrakter-og-retningslinjer-for-tippe-og-obos-ligaen/>

believe that these requirements are unreasonable. [...] It is important that the municipality understands that they have to help. For us, it [the licence requirement] was a necessary push so we got access to the plot [from the municipality] so we could build the stadium.

Hence, such requirements worked as a driver for financial support from the municipality. In addition, the municipality signed a lease contract for parts of the new stands, which was a necessary warranty to be granted a bank loan. Hence, the support from the municipality was an essential piece for realizing the new stadium.

The new grandstand building was planned to be a future, stable revenue source for the club, through lending out parts of the buildings. However, with overdue payables and poor liquidity, the club had to sell the grandstand in 2016 to avoid bankruptcy:

It is clear that, if we had not managed to realize the grandstand building, we would never have managed to get out of this. Because we did not have any players or anything that we could get a lot of value out of at that time. (member of board)

Not everyone agreed with that decision, but the financial situation and the threat of bankruptcy gave the club no other choice:

We had no money! The club had used money from the employer's tax account and the holiday pay account. It was an illegal offence.

We had the tax authorities breathing down our necks. What could we do?

Organizational structure – a way to balance the sports and business logics

The interviewees described the administrative part of Nordic FC as twofold, with a board of directors and a small administration of four employees. A main distinction between the two units is that the board of directors are elected for a limited period, on a voluntary basis, while the CEO and the employees in the administration hold a permanently paid position. Figure 1 shows the organizational structure, where the board holds the supreme authority and the CEO manages the administration.

The composition of the board of directors: a way to cope with the coexistence of different institutional logics

Prior to 2016, the board of directors in Nordic FC had mainly consisted of people with a long history in the club, and with little or no experience of traditional business. In the most demanding period, financially, the interviewees describe a situation where two to three people, in practice, managed the club on their own, without involving other units of the club sufficiently. Moreover, they described how the important decisions were not made in the

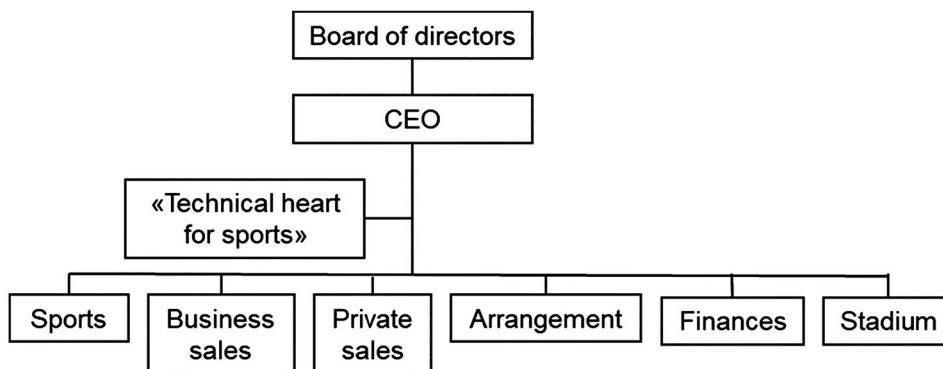


Figure 1. Organizational structure of Nordic FC.

board meetings, but rather before and after. A member of the board elaborated:

The board meetings were no longer important. It was a protocol to justify that we had talked about how bad our finances were. The meetings only verified that we had assessed the finances and that we had indicated one or another future direction. The solutions were not created during the board meetings; they were created through work in advance.

The employment of the current CEO in 2015 was described as the beginning of the process of restructuring the club, and he described the situation when he entered:

On the one hand, I had an okay insight into the financial situation, while on the other hand such situations are always a bit worse than the drawn picture. [...] So, I went into this with a clear understanding that the [financial] situation was going to get worse before it got better.

In June 2016, when the club was threatened with bankruptcy, the board seceded which became an opportunity to bring in new people and resources. One of the former board members described the situation:

We [in the board] were so concerned with sporting issues that at one point, and that point could naturally have come earlier; we had to bring in some new resources.

Several interviewees suggested that the board was too strongly associated with financial distress and struggled with gaining trust and credibility in their surroundings (e.g. among creditors and sponsors). For example, several newspaper articles highlighted the demanding financial situation in Nordic FC.

The CEO, together with the election-committee made a strategic decision; *to form a new board of directors consisting solely of people with a background in business* (e.g. economists, managers, and lawyers), and avoid people with a history in the club or with solely sports or football knowledge. The CEO described the

new board of directors as “hand-picked with relationships in business,” and the importance of limiting opportunities for “emotionally motivated choices.” One of the new board members justified the strategic direction for the new board with the challenges of emotions in sport:

Sport is emotional. Therefore, when we decided to set the new course of management and how the board should operate, I did not want to include sport [people with a football/sport-related background] on the board.

This strategic choice to exclude football-persons from the board illustrates how Nordic FC avoided people with solely sporting values and motivations. The intention was to include persons who were guided by values, beliefs, and rules suitable for staying financially viable. Forming a board that prioritizes business logic over sporting logic shows how the club prioritized financial viability.

A technical-heart: a way to cope with the integration of sports and business logics

Prior to 2016, one person in Nordic FC, termed “director of sport” had the responsibility for all issues concerning sports, such as player transactions, contract negotiations, follow-up of players and coaches and developing strategic plans for sport. The interviewees draw a picture of a person who was very passionate about the club and who was respected for everything he did for the club. However, several interviewees emphasized unfavourable consequences of providing just one person, with a passion for the club and sporting performance, with the sole responsibility for sporting issues. A former board member described an incident after the Nordic FC was promoted to the second-highest division:

We discovered deals that in case of promotion would result in bonuses [to the players]. There were many skeletons in the closets. It has been a bit like that ... gambling beyond our capabilities.

This excerpt illustrates that Nordic FC had limited information about the deals with players, including financial obligations. The interviewees indicated that this caused tension in the organization. A former CEO described that the financial situation in the club was much worse than he was foreshadowed:

When they persuaded me to take over as the CEO of the club during the summer, they gave me the impression that the financial situation was good. However, after a short time the skeletons came out of the closets. Agreements had been made with individual players, perhaps the best players, who had remuneration. The salaries were not high, but they had a certain remuneration.

In conjunction with electing a new and more business-oriented board, Nordic FC decided to replace the director of sport position with a new subunit. The subunit was called the “technical-heart” and described as “the club’s supreme sporting decision-making authority” (CEO). It consisted of the CEO, the head coach and one representative from the board. The technical-heart holds the authority to make decisions concerning sporting related issues, including player transactions and resigning contracts. Further, they have the responsibility to make sure that their decisions are in line with the club’s long-term strategic plan. Separating the board of directors and the technical-heart is an example of structural differentiation (Kraatz & Block, 2008).

The chairman of the board described how the technical-heart operates:

Here is the sporting part of the club [pointing at the organizational map]. We have chosen a structure with a “technical-heart”, where we discuss sporting-issues. The head coach is a part of the subunit, and significantly involved, and there is one person representing the board and the CEO. This unit has a lot of the same mandate and decision-making authority as a director of sport. The subunit reports to the chairman of the board.

Practically speaking, the technical-heart is an independent unit. However, the board

establishes the financial limitations. Within the given limits, the technical-heart has the authority to make decisions, and such decision authority facilitates structural differentiation (Kraatz & Block, 2008). Decisions beyond these financial limitations have to be submitted to, and approved by, the board. This structure contributes to differentiation between sporting- and business-related issues and decisions, which creates a kind of compatibility in the club by establishing a hierarchical structure of power. The chairman of the board describes Nordic FC’s new organizational structure with these words:

The structure of the club is clearer. It is more like a reporting-system, in different directions. However, the board is very concerned with communication with all elements of the club, and we meet regularly in board meetings to inform the board about our operations.

One of the board members pointed to another advantage with this organizational structure:

You feel that suggestions [from the technical-heart] are better rooted in the organization. Or, at least that everyone has taken part in the process of prioritizing what is most important for us.

Both the new composition of the board and the change in the club’s organizational structure illustrate how sport and business logics are separated in different units.

The sport and business logic – resulting in sporting success

The organizational changes led to clear improvements in Nordic FC. The interviewees explained that the club’s credibility slowly increased, as they were able to meet their financial obligations. In addition, the new board worked strategically with resigning and signing new partners. In this process, they were concerned with keeping and developing a local profile with a focus on engaging the local community and solely hiring local

players. At home matches, you can see Nordic FC flags on many houses in the area.

At the same time, they performed well on the pitch. Three times, they played the qualification matches to the top-division, and in 2017, only a year after the bankruptcy threat, they were promoted to the top-division. In their first season, they performed well, and at the end of the season, they were in the upper half of the league's standing. Of course, the promotion was financially beneficial as it led to significantly higher revenues. However, Nordic FC stayed loyal to their strategy by prioritizing financial performance.

Discussion and concluding remarks

Overall, the empirical findings in this study point to the implications of organizational structure in balancing different, and partly conflicting, institutional logics in a football organization. The findings support Gillett and Tennent's (2018) assumption of a unique sports logic, characterized by sporting achievements. This study identifies two periods in the running of Nordic FC, where the sports and the business logic were in the driving seat in one period each. In the first period described, the sports logic dominated. The study shows how the collaboration with the top-division club increased Nordic FC's sporting ambitions and became a driver for sporting priorities. In this period, promotion was the main priority, and the conviction was that promotion would increase revenues and solve the financial problems. Decisions were mainly based on sporting priorities, which increased the financial problems. Thus, in this period the club operated under a soft budget constraint (Nielsen & Storm, 2017). This illustrates how external factors can have an impact on the balance between sport and business. Sports-oriented people made decisions. Consequently, the sports logic became dominant. From the outset, such a dominating logic can cause low or moderate conflicts in organizations

(Besharov & Smith, 2014). However, this shows that prioritizing sporting performance also led to increased financial expenditures, beyond the level that the club was able to handle, leading to severe financial distress. The financial situation no longer enabled the club to prioritize the sport logic, and the distinction between the sports and business logic became apparent.

In the second period, the business logic became more prominent. The point when the club was declared bankrupt appears as a turning point, and an essential driver for the changes. The threat of going out of business was crucial for achieving a common understanding of the gravity of the financial situation. Thus, this points to the psychological effect of such a threat. The crisis contributed to creating an understanding and acceptance for lower sporting ambitions in the club. A part of this process was to elect a new board of directors. It appears as essential that the board consisted of people with a business-oriented background, without a long history in the club. The new board, from the outset, prioritized financial performance. Further, the club established a subunit, with the main responsibility for sporting-related issues. This subunit became an important – and suitable – arena for discussing sporting-related issues. In this period, the organizational structure forms a clearer distinction between business and sport. Hence, this caused a stricter budget management and a hardening of budget constraint (Nielsen & Storm, 2017). The sports and business logic became partly separated into different units, which suggests that the club applied structural differentiation as a tool to cope with institutional complexity (Greenwood et al., 2010; Schäffer et al., 2015).

This study suggests that structural differentiation clarifies the division of responsibilities. First, it is clear that the board, together with the CEO in the second period became responsible for the overall financial performance. Further, the board assigns the budget for

sporting activity, which the technical-heart manages. This underlines the structural differentiation in the club (Greenwood et al., 2010). This suggests that such structural differentiation could be beneficial for the financially sensible balance between sporting and financial performance. Dividing the main institutional logics into separate subunits appears to facilitate good decision-making processes and decisions less affected by emotions, which previously had been challenging. A board of business-oriented people may reduce the tension between the logics in a sports organization. Moreover, this caused less attention on sporting achievements, which is considered a challenge in football organizations (Gillett & Tennent, 2018; Storm & Nielsen, 2012). Thus, this study suggests that the organizational structure might affect the balance between the institutional logics.

This study emphasizes business logic as the one setting the terms, while the sports unit exercises authority concerning sports, given certain limitations. Theoretically, this contributes to understanding how competing institutional logics can coexist in organizations (McPherson & Sauder, 2013). The empirical findings suggest that the sports logic in the club accepted, and even supported, the increased focus on financial performance. The findings suggest a situation with low conflict between the different logics and having one logic (i.e. the business logic) guide the organizational actions (Besharov & Smith, 2014). When the board became more business-oriented and the sport was separated into a subunit, the tension between the sports and business logics eased.

Theoretically, the empirical findings contribute to understanding how structural differentiation can lower tension between logics in a football organization. From the outset, structural differentiation can potentially cause tension between the different subunits (Greenwood et al., 2010). In relation to this, Carlsson-Wall et al. (2016) show how the tension between logics can vary between situations

within an organization. In contrast to studies assuming a constant degree of compatibility (Besharov & Smith, 2014; Greenwood et al., 2010), Carlsson-Wall et al. (2016) suggest that institutional logics are more or less compatible in different situations within an organization. In line with Carlsson-Wall et al. (2016), the empirical findings in the present study suggest that the compatibility of logics depends on the situation. However, contrary to Carlsson-Wall et al. (2016), this study indicates that sporting performance does not necessarily affect the compatibility of the logics. A main finding in the present study is that the business logic appears to be the dominating and prioritized institutional logic. Hence, in the second period the sports logic (i.e. sporting performance) is only prioritized in situations with satisfying financial conditions. Even at the risk of relegation, financial viability is, allegedly, prioritized over sporting performance. This implies that in situations with sound financial management it is acceptable to make decisions that emphasize sport values and promote potential sporting performance. This is contrary to Carlsson-Wall et al. (2016) for example, which found that in cases with high risk of relegation (i.e. poor sporting performance) the sport and business logic are in harmony and approve on the buying of new players because avoiding relegation means avoiding negative financial consequences the next year. A possible explanation for these, at least partly, different findings is the variety in sporting ambitions and former sporting performance. Nordic FC was newly promoted to the top-division with a short history, and the number-two club in the city. Hence, the club experiences lower expectations from the surroundings and their stakeholders (e.g. supporters, media, local government and sponsors) than more merited clubs would do, such as the best club in the city. This may have made it easier to prioritize the business logic.

Lastly, the findings in this study are relevant to the debate in the sports literature on

financial distress and financial regulations in European club football (see for example Franck, 2014). Previous studies have mainly focused on the use of financial regulations to cope with financial distress. However, Müller et al. (2012) point out that the effect of financial regulations in practice depends on clubs' acceptance and cooperation. Contrary to many other football clubs, which tend to operate with a soft budget constraint, Nordic FC appears to have operated within a hard budget constraint in the second period in the sense that the club imposed financial regulation upon itself due to its prior financial instability and threat of being closed by the tax-authorities. By restructuring the club into an organizational structure, with separated sub-units, the club was able to prioritize financial stability and improve financial viability. Thus, the present study contributes knowledge to the existing literature regarding ways in which European football clubs can prevent financial distress, and cope with – or manage – financial distress in European club football, as well as other sports.

Limitations and suggestions for future research

This study has limitations. First, Nordic FC is a relatively small Norwegian football club, and findings may not be relevant to bigger clubs or clubs in bigger leagues. Future research is needed to determine whether it is possible to use organizational structure as a tool to manage institutional complexity in smaller clubs in other leagues as well as bigger clubs.

The study acknowledges that football clubs probably comprise institutional demands other than the business and sport logics, such as demands from governmental authorities or fans who may influence decision-making. Hence, future research should focus on including other institutional logics as well. Further, the present study touches upon the relevance of emotions in sports. Hence, future research

should study the role of emotions related to balancing institutional demand.

Findings of this study point to a need for more studies on whether and how clubs can use structural differentiation to cope with institutional complexity, also by including logics other than sports and business, such as local government or shareholders/owners, to study how sports organizations cope with several institutional logics. Moreover, it could be interesting to study how stable such mechanisms are over time. Typically, financial crisis, threat of bankruptcy and absence of sporting achievements will threaten such mechanisms. Further, it could be interesting to study whether, and possibly in which situations, clubs are willing to take risky financial decisions. Such studies should investigate institutional complexity in larger football clubs, as well as clubs in other sports. Lastly, future research could explore how institutionalization of tools to manage institutional complexity is used to cope with overspending and financial distress in European club football.

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