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Abstract

Entrepreneurship has been touted as a crucial lens for the future of sports management scholarship (Hardy, 1996; Ratten, 2011). Ratten (2011a) specifically proposed sport entrepreneurship "as a category of entrepreneurship that fosters economic development in the sports management field" (p. 60). Yet, to date, no scholarly literature has applied the sports-entrepreneurship lens to local football (soccer) clubs in the United States. Thus, the purpose of this article is to use the lens of sport entrepreneurship to introduce the phenomenon of supporter owned football clubs in the United States (U.S.). Through the course of this article, sport entrepreneurship will be used not only as a conceptual framework for understanding supporter-ownership (SO) in the U.S., but also as a way to demonstrate that SO introduces unique practical issues of law, policy, and governance to the management of football in the U.S.

Keywords: *Fan ownership, football governance, soccer management, sport entrepreneruship, supporter ownership*

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Introduction

In late 2014, a group of soccer fans in Grand Rapids spawned the idea to create a supporter-owned soccer club. The impetus was the success of community-driven supporter-owned initiatives in the United Kingdom, such as FC United of Manchester. A similar situation occurred at the Nashville Football Club (NFC), which started as a supporter-owned club in 2013, though the club was dissolved in 2016 (Garrison, 2016). More recently, Chattanooga FC announced a Security Exchange Commission (SEC) approved offering of club shares, billing the offering as a supporter ownership initiative (Chattanooga FC, 2019).

Yet to date, no scholarly literature has applied the sports-entrepreneurship lens to local football (soccer) clubs in the United States. This article will use Grand Rapids FC and Chattanooga FC as cases to demonstrate the nature of supporter ownership as an entrepreneurial activity. Through the course of this article, sport entrepreneurship will be used not only as a conceptual framework for understanding supporter-ownership (SO) in the U.S., but also as a way to demonstrate that SO introduces unique practical issues of law, policy, and governance to the management of football in the U.S. Finally, this article contributes to the gap in critically informed literature on supporter ownership (Garcia & Welford, 2015).

Review of Supporter Ownership Literature

The majority of the literature on supporter-ownership is eurocentric, which reflects the more general body of supporter literature. The major themes developed in this literature suggest that the motivation for SO in Europe is to push policy and governance reforms while preserving what is perceived of as a traditional communal asset (for reviews of these concepts and scholarship see Kennedy & Kennedy, 2007a; 2007b; 2010; Martin, 2007). Holt, Michie, Oughton, Shailer, and Walters (2004, p. 48) indicate that football governance reform is one reason that increased supporter involvement is being encouraged. Garcia and Welford (2015) re-emphasized this in their literature review, and extended it by noting that the "two good governance principles that feature most dominantly in the literature around the supporters trust movement" are "the need for enhanced democracy and accountability" (p. 521).

Supporter Ownership in the United States

Not surprisingly, the supporter ownership movement in the United States is young and undeveloped. At present, Seattle Sounders II and Chattanooga FC are the only (partially) supporter-owned club operating professionally. Beyond these, there are currently approximately 14 partial or fully SO clubs competing in various national, regional, and local level amateur leagues (e.g., Himmarshee FC, Oakland County FC).

In some ways, motivations for supporter ownership in the U.S. are different than in Britain; in others, they reflect similar sentiments. For example, as noted above, British supporter trusts often articulate goals of democratic club governance and inclusion and see this as a means for reforming football (Tobin, 2017). In the U.S., many issues are seen to be on the league or federation level. In particular, the popular resonance of the promotion and relegation illustrates the point that a primary issue for supporters is access to the football market (Bank, 2018). This is especially salient because there are many communities in the United States that do not have a local elite level amateur team, much less a fully professional club, to support. Supporter ownership thus becomes a means to gaining entrance to the market, a creative end-around to a national federation that is resistant to reform (Bank, 2018).

There has been some debate in recent years about the necessity of locality to the authenticity of support, especially with the increasingly transnational nature of football fandom (Giulianotti, 2002). Yet, using Guilianotti's (2002) well established typology of football fandom, supporters can be classified as traditional "hot" fans who engage in specific activities on behalf of their club, many of which occur on—and at—match day, such as tifo displays and choreographed chants. Thus it seems sensible to understand these supporter activities as a primarily local phenomenon, while understanding that it is not strictly bounded to locality (Giulianotti, 2002). If locality is important to U.S. supporter groups and access to a local club is a primary issue, then one way that supporter ownership in the U.S. can be understood is to characterize it as a response to the problem of market access.

Defining Sport Entrepreneurship

Ratten (2011a) defines sport entrepreneurship as "any form of enterprise or entrepreneurship in a sports context" (p. 60). Elsewhere, Ratten (2012) further defines sport entrepreneurship as "entrepreneurial activity leading to the establishment of new sports-related enterprises" as well as "continued innovation of existing sports organisations" (p. 2). The key elements of entrepreneurial activity are depicted as "discovering and meeting unfulfilled needs," assuming risk with uncertainty," "assembling networks capable of undertaking change," and "innovation" (Ratten, 2011b, pp. 58–59). Based on this definition, we suggest that the founding of Grand Rapids FC and the recent share offering by Chattanooga FC provide apt illustrations of how supporter ownership operates as an innovative entrepreneurial solution to the problem of access to a market based on a lack of financial capital.

Supporter Ownership as Entrepreneurial Activity

Following the 2014 World Cup and during the 2014 English Premier League season, a number of soccer fans in Grand Rapids loosely organized via Facebook began discussing what a local Grand Rapids football club might look like (Ewer, n.d.). Low-end costs for operating a club in the NPSL are around $50,000 per year, though more ambitious clubs have reported spending over $1,000,000 (Crowley, 2016; Shea, 2018). While these figures would seem to indicate that starting a football club is an achievable proposition, most of the members of the Grand Rapids initiative were working and middle class, and it was evident that no single individual would be able to finance the venture (Grand Rapids Fans of World Football, 2014). Inspired by the success of FC United of Manchester, these Grand Rapids fans looked to a supporter ownership model to raise the capital to start a local amateur football club (Ewer, n.d.). By the time Grand Rapids FC would play its first match in 2015, over 650 supporters had paid the $100 "Founding Members" fee, raising over $65,000 to start the club (Author, personal notes, September 2014). Club governance was not the primary reason these supporters pursued supporter ownership, though that was appealing for many investors (Author, field notes, 2018). Rather, supporter ownership was an idea with traction for soccer fans in Grand Rapids, and it helped bring a club to market where the traditional owner finance models was not a possibility.

The SO initiative by GRFC satisfies Ratten's (20l1a, 2011b, 2012) definition of sport entrepreneurship in several ways. First, it serves as an innovative solution to the problem of access to capital. Second, by establishing a local club, SO helped to satisfy the need for a local football. Third, SO can be considered a risky proposition—GRFC was denied entry to the National Premier Soccer League because of its ownership model and was forced to start the Premier League of America (now part of the United Premier Soccer League) (@grfwf, 2015). Finally, by bringing together a diverse group of individuals and sponsors, SO assembled a network that not only helped bring elite amateur football to West Michigan, but also established an entire league for elite amateur teams in the Midwest (@grfwf, 2015), creating an alternative model and pathway for future clubs (e.g., Dekalb United FC, Oakland County FC).

While Grand Rapids FC represents the entrepreneurial activity of a new sport venture, Chattanooga FC has used SO in an entrepreneurial capacity as an established sport organization. CFC was founded in 2009 and is one of the longest tenured clubs in the National Premier Soccer League. CFC is also one of the most successful amateur clubs in the United States, having competed for multiple national championships, and drawing record crowds for amateur soccer including 18,227 spectators for the NPSL national championship in 2015 (Henley, 2015).

In light of this success, CFC has aspired to move beyond amateur status to fully professional status (Henley, 2018). However, the United States Soccer Federation has specific rules for professional clubs in its sanctioned leagues, including minimum net worth standards for majority club owners (United States Soccer Federation, 2018), which has made it difficult for clubs like CFC who do not have a majority owner who meets these financial standards. Complicating matters for CFC, a rival professional league has placed a new professional franchise in Chattanooga, threatening CFC's position in the market.

In response to these issues, CFC has offered 8,000 shares of common stock in an SEC-approved initiative that the club is explicitly labelling a supporter ownership opportunity (Chattanooga FC, 2019). This fund-raising initiative has enabled the club to join the NPSL Founder's Cup competition, which is a professional league that sought sanctioning from USASA rather than USSF so as to skirt USSF's owner net worth requirements (@FCAustinElite, 2019; United States Soccer Federation, 2018). In this sense, Chattanooga FC's SO initiative qualifies as sport entrepreneurship because it is an innovative activity pursued by an established sport organization. It also meets the other aspects of Ratten's (2011a, 2011b, 2012) definition: it leverages a broad network of people and seeks to fulfill the market need of professional soccer while responding to market pressure and competition from the new Chattanooga Red Wolves organization.

The responses of Nashville FC and Grand Rapids FC to market limitations show that supporter ownership, for at least these two clubs, was an entrepreneurial tactic to overcome a market limitation. Rather than pushing for supporter ownership as a way to change the governing structure of football, these supporters used supporter ownership for more pragmatic reasons—though governance reform at the federation level does lurk in the background as a primary factor limiting market access. Incidentally, this also positions SO in the U.S. as somewhat different than SO in Europe, where Kennedy (2012) and others have observed that supporter ownership is usually born out of club insolvency. Instead, for GRFC and CFC, SO was used to start a new club (GRFC) and to provide financial support for club growth (CFC). However, in other ways supporter ownership in the U.S. is similar to SO in England as supporter owned clubs in the U.S. have been primarily limited to amateur clubs, mirroring the situation in England (Tobin, 2017). Supporter ownership may represent an entrepreneurial opportunity, but it is still limited by the large amounts of capital needed to own and operate a fully professional club.

Implications

Supporter Ownership as Entrepreneurial "Management Technique"

In both of the cases of GRFC and CFC, the launch of these supporter ownership ventures was not only an entrepreneurial opportunity, but also a marketing opportunity (Gorse, Chadwick, & Burton, 2010). As Kennedy and Kennedy (2007a; 2007b) noted, the discourse on supporter ownership is a discourse that assumes, even if fictitiously, that football is a cultural good and community asset. Just as the discourse of football as community asset is crucial to the creation and maintenance of supporter ownership regimes in England, the same is true in the United States. Whereas football as a commercial enterprise and startup business proposition is unlikely to convince a bank to lend startup capital, football as a community asset allows entrepreneurs to market the club as a local, grassroots, community-oriented product to people who are invested in seeing local football (Kennedy & Kennedy, 2001a; 2007b). Through this process, the cultural aspects of football become commoditized aspects of a brand identity to be used as marketing tools (Kennedy & Kennedy, 2010). Beyond mere marketing copy, these cultural associations are necessary for sustaining the traditional community-oriented football discourse, which in effect, creates the market into which a local football club can operate. Football supporters not only consume football but help to produce it (Kennedy & Kennedy, 2010), a process that is amplified even further by supporter ownership initiatives.

Chattanooga FC used this "cultural capital" as a way to distinguish themselves from the Chattanooga Red Wolves, a club with (as yet) no history, and thus lesser connections to the local Chattanooga community and culture (MacCoon, 2019). Similarly, Grand Rapids FC also capitalized on this "cultural" capital during its initial fund-raising effort. And, even though GRFC is no longer a supporter-owned club, GRFC still uses the language of a "crowd-funded" model to refer to its origin story (@zsmith78, 2016). Both clubs draw on the discourse of supporter ownership as "technique[s] of economic management" (Kennedy & Kennedy, 2007b, para 2.4) to create certain cultural associations with their clubs and illustrate the extent to which football-as-cultural-commodity operates within the confines of market logics. Supporter ownership, as a management technique, is used as an innovative way to create certain cultural associations with a club, fusing these with more strictly economic "entrepreneurial" purposes like fund-raising and network-building (Ratten, 2011a; 2011b; 2012). As Kennedy and Kennedy (2007b) argued, supporter ownership initiatives may thus "represent an important strand in a range of 'techniques' aimed at the 'economic management' of football supporters in the context of the increasing commodification of the game" (para 3.10).

Sustainability of Supporter Ownership Model

While supporter ownership is a viable option for starting a soccer club in the U.S., the long-term sustainability of the model in the U.S. is unproven. The "success stories" of clubs like Nashville FC and Grand Rapids FC are tainted by the fact that one club is defunct, and the other is no longer supporter-owned. At the moment, it is too early to tell whether Chattanooga FC's initiative will be successful over the long term. The benefits of SO have been extolled by supporters and scholars alike (Kennedy, 2012). But, at least in the U.S., there is not enough evidence to support the long-term viability of supporter owned teams. While SO might qualify as sport entrepreneurship, it remains to be seen whether supporter ownership, while innovative, is a sustainable model of club ownership in the U.S. As supporter ownership in the U.S. continues, longitudinal research on organizations using the model should take up the issue of long-term sustainability and success.

Legal Structure of Supporter Owned Clubs

To date, only Chattanooga FC's initiative is formally approved by the U.S. Security Exchange Commission. Oakland County Soccer Group, LLC established a supporter trust in 2018 for Oakland County FC, which seems to meet local and Michigan state-level regulations. Supporters purchase shares in the Trust, which in turn operates as a stakeholder in the club. Outside of these two clubs, the particular legal mechanisms with which supporter owned clubs are being formed remains unclear. A survey of legal documents indicates that most clubs are primarily formed as limited liability companies (e.g., Grand Rapids FC, Oakland County FC) or nonprofit corporations (e.g., Himmarshee FC). Within these structures it is not clear how “shares” or ownership stakes in the club are being issued. The lack of regulation of these initiatives by the football leagues or federations, and the legal gray areas that these initiatives operate in, opens spaces for mismanagement, as has been alleged about now-defunct supporter owned club Nashville FC (@zsmith78, 2016). Further research on the legal aspects of supporter ownership in the US is warranted, especially as it concerns issues of club governance and consumer protections.

Conclusion

This article applied the concept of sport entrepreneurship to supporter-owned football clubs in the United States. Using the cases of Grand Rapids FC and Chattanooga FC, it argued that supporter ownership can be considered a form of sport entrepreneurship. Additionally, this article highlighted both similarities and differences between the SO movement in Europe and SO initiatives in the United States. This research demonstrates the utility of sport entrepreneurship as a conceptual framework for sports management research and shows that an entrepreneurial frame can also operate as a critical tool for conducting research with practical and applied implications for the management of sport organizations.

Future studies on entrepreneurship and supporter ownership are warranted, especially as the model continues to grow in popularity. Scholars should also look at supporter-funded (e.g., crowdfunded by supporters) initiatives, such as the way that the Little Rock Rangers supporters generated $20,000 in 48 hours to finance their club’s playoff travel to Miami (Kubena, 2018). These types of initiatives are common but understudied. More research needs to be done in order to begin answering questions about organizational sustainability and fund-raising fatigue, which should be linked to the development of organizational models for football clubs as well as suggestions for regulating supporter ownership. Research on this front could specifically look at the legal categorizations of these clubs, and address regulation at the various levels of club, league, and federation to create standards for practice.

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