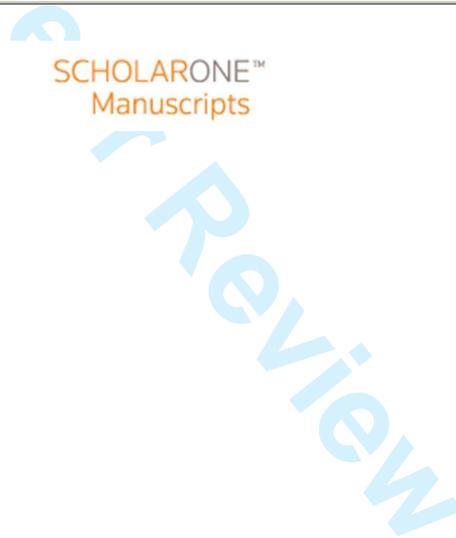




Power and logics in Scottish football: The financial collapse of Rangers FC

Journal:	<i>Sport, Business, Management: an International Journal</i>
Manuscript ID:	SBM-Aug-2012-0029.R1
Manuscript Type:	Research Paper
Keywords:	football finance, liquidation, power , logics, governance, stakeholders



Power and Logics in Scottish Football: The financial collapse of Rangers FC

Abstract

Purpose – To demonstrate the implications of power imbalance and over-emphasis on commercial logic on the structure and governance of Scottish football.

Design/methodology/approach – An in-depth analysis of secondary sources is used to identify the logics at play in Scottish football and to explore implications of the liquidation of Rangers for the structure of the game.

Findings – Over-emphasis on commercial logic has led to power being concentrated in two clubs, Celtic and Rangers, and to other clubs and the league itself becoming financially dependent on those clubs. The collapse of Rangers thus threatened the stability of other clubs and the league. The case highlights the challenge of reconciling competing logics and the role played by previously peripheral actors in bringing about change in the field.

Research limitations/implications – The on-going nature of the case, related investigations and legal process meant that it was not possible to supplement the secondary source material with primary evidence.

Practical implications – It demonstrates the multi-faceted nature of elite contemporary football and of the challenges faced by leagues and governing bodies in accommodating logics and multiple stakeholder interests. It also highlights the need for more effective financial regulation of corporate football clubs and their officials and emphasises the importance of inclusive stakeholder governance.

Originality/value – It highlights the risks inherent in football business in small markets dominated by one or a few clubs. It highlights the role that previously peripheral actors can play in bringing about change within a field.

Introduction

For one hundred and forty years, Rangers, has been one of the most recognisable and successful clubs in world football: winners of the European Cup Winners' Cup in 1968; UEFA Cup finalists in 2008; Scottish League Champions on 54 occasions; a club with an average home attendance of over 45,000 in season 2011/12 (Esplin and Walker, 2011). Despite this, The Rangers Football Club plc (hereafter Rangers) was placed into administration on 14th February 2012. In the months since then its status as a Scottish institution has been reflected in extraordinary media and public interest in its affairs. On the 14th June 2012 a Company Voluntary Arrangement (CVA) proposed by the club's administrators was rejected by the company's main creditor, Her Majesty's Revenue and Customs (HMRC), resulting in the club's principal assets being transferred to a new company (newco) and liquidators appointed. The administration period has focused attention not only on the chaotic financial mismanagement and governance failures at Rangers in recent years, but also on the economic structure, logics and governance of Scottish football.

Theoretical Background and Method

Over the last three decades or so, institutional theory has become one of the dominant approaches to understanding organisations (Greenwood *et al.*, 2008). A key concept of institutional theory is the organisational field, referring to organisations that in total constitute a recognised area of institutional life. Over time field-level studies have moved from emphasising the importance of conformity to the norms and expectations of the institutional environment, to more contextual-based approaches which examine the actions of actors within a field in light of their institutional circumstances. Central to this are institutional logics; broad cultural beliefs and rules that structure cognition and fundamentally shape decision making

1
2
3 and action in a field (Friedland and Alford, 1991; Thornton, 2002; Thornton and
4
5 Ocasio, 2008).

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7
8 Sport, with its distinct structures and stakeholders, provides an excellent empirical
9
10 setting in which to consider institutional perspectives (Washington and Patterson,
11
12 2011). Some sports such as professional sports leagues in the US are seen as being
13
14 committed to one institutional logic, namely the commercialisation of team sport as
15
16 an entertainment industry dedicated to the maximisation of returns (Quirk and Fort,
17
18 1999). Other sport fields like European football are seen to have competing or co-
19
20 existing institutional logics which also emphasise the importance of sporting reward,
21
22 of social and community well-being, of connectivity to the amateur game: in short of
23
24 the specificity of football (sport) (Gammelsäter and Senaux, 2011). Yet at the same
25
26 time, the increased prominence of a commercial logic emphasises financial stability
27
28 and certainty, thus questioning things like the merit-hierarchy structure predicated
29
30 on promotion and relegation and achievement-based entry to the Europe-wide
31
32 competitions which are seen as distinctive features of the European model of sports
33
34 (Gerrard, 2004; Meier, 2008; Szymanski, 2004). As Gammelsäter and Senaux note:
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36 'if there is a core logic of European football, it must be oxymoronic, simultaneously
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38 combining but also balancing the incongruous qualities of solidarity and inequality
39
40 and of cooperation and competition' (2011, 277).

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46 Several studies have addressed competing logics in sport fields and of how these can
47
48 provide the foundation for conflict and change over time, including change in a
49
50 field's dominant logic. In a study of rugby union in England, O'Brien and Slack
51
52 (2003) observed that institutional change, the professionalization of the game, was
53
54 accompanied by a shift in logic; a traditional amateur logic being replaced by a
55
56 dominant professional logic. In contrast in a study of French football, Senaux (2011)
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2
3 suggested that increased commercialisation led to the emergence of a new logic that
4
5 supplemented rather than replaced the original prevailing logic. This, it was argued,
6
7 led to institutional pluralism; a situation in which there is more than one set of rules
8
9 for the game. Challenges involved in seeking to change the rules of a game were
10
11 evidenced in a previous study focusing on Scottish football (Morrow, 2013
12
13 forthcoming). While that country's two dominant football clubs - actors that were
14
15 most privileged by domestic institutional arrangements - argued that the
16
17 consequence of an increasingly explicit financial logic within European football was
18
19 the need for further institutional change in the structure of the European field, other
20
21 competing logics continued to be of greater significance, in particular the continuing
22
23 centrality of national embeddedness and the importance attached to supranational
24
25 bodies in the specific setting of sport. In mainstream literature, change within
26
27 organisational fields has also focused on the role of peripheral actors, organisations
28
29 that are embedded within a field but less privileged by its existing institutional
30
31 arrangements (Leblebici *et al.*, 1991); and of the importance to these actors of
32
33 seeking to reconcile contradictory institutional arrangements (Seo and Creed, 2002).
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38 **Key to any consideration of logics and behaviour within an organisation field is**
39 **power. While difficult to define, the consequences of power are easily recognizable:**
40 **those who possess power are able to bring about the consequences they desire**
41 **(Salancik and Pfeffer, 1977). Power is not necessarily conceptualised as a static**
42 **resource belonging to a person or position, but rather can be relational; a function of**
43 **dependencies that arise between parties within a field (Bondy, 2008), resulting in**
44 **power imbalances within that field.**
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54 This paper makes extensive use of secondary source material to provide the context
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56 of the study: the economic and sporting structure of the Scottish football field, the
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3 administration and liquidation of Rangers FC plc and the issues arising therefrom.
4
5 This material includes: financial statements of Scottish Premier League (SPL) clubs;
6
7 financial reports on the SPL; the rules and regulations of the Scottish Football
8
9 Association (SFA) and SPL; publicly available reports and investigations carried out
10
11 into aspects of the Rangers case; the Creditors' Report and proposal for a Company
12
13 Voluntary Arrangement prepared by the administrators of Rangers, Duff & Phelps;
14
15 statements issued by key participants in the story; and extensive newspaper and
16
17 website coverage. The Rangers story has been reported on an almost daily basis
18
19 across the traditional media, in political and current affairs magazines (see, for
20
21 example, Knight, 2012; McKenna, 2012; Morrow, 2012) and in new media including
22
23 independent websites and blogs which have come to prominence during the
24
25 administration period, most notably Rangerstaxcase.com, awarded the Orwell prize
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27 for political writing for best blog.
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31
32 The on-going nature of the case, in particular continuing legal and other regulatory
33
34 investigations, mean that it is not possible to supplement this secondary source
35
36 information with, for example, primary interview material. However, the volume and
37
38 depth of secondary material available on this seismic event in Scottish football
39
40 provided a fascinating opportunity to use the Rangers story to illuminate the
41
42 structure, governance, power imbalances and logics in the Scottish football field. The
43
44 paper begins by providing an overview of the complex circumstances surrounding
45
46 the **administration and liquidation** of Rangers. This is followed by a section on the
47
48 context of Scottish football. The paper continues with an analysis of power in
49
50 Scottish football and of the logics at play therein, highlighting in particular the role
51
52 that commercialism has played in creating the present crises. The paper concludes by
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3 examining the resolution put forward for Scottish football, focusing on the role
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5 played by so-called peripheral actors.
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8 **The Rangers Failure – An Overview**

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10 On 14th February 2012, Duff & Phelps were appointed administrators of Rangers
11 following a petition to the Court of Session by the club's then owner, Craig Whyte.
12
13 The company had previously acted as an advisor to Whyte in connection with his
14 takeover of the club; a relationship that was alleged to amount to a conflict of interest
15 (Daly, 2012). Whyte had purchased Rangers in May 2011 from Sir David Murray for
16 the sum of £1, along with an agreement that the club's debt of £18m to the Lloyds
17 Banking Group, as well as securities the bank held over the club's principal tangible
18 assets, would be assigned to Whyte's companies and then repaid. Although Whyte
19 provided proof of funds to the satisfaction of Murray (SFA Judicial Panel, 2012, para.
20 30), it transpired that funds used to clear the club's bank debt were in fact provided
21 by a football finance agency, Ticketus (Herald, 2012a). Since 1999 it had provided
22 advance working capital to Rangers on an annual basis, being compensated from the
23 proceeds of subsequent season ticket sales. In this case it provided £24.4m which it
24 believed gave it the right to a significant number of season tickets at Ibrox for the
25 next three seasons (Duff & Phelps, 2012a).
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28
29 Duff & Phelps, questioned the validity of Ticketus' claim in the Court of Session, the
30 end result of which was that sum **being** included in the list of creditors, and
31 subsequently the CVA, prepared by the administrators. Ticketus **indicated that it**
32 **would pursue** Whyte and companies he controlled in respect of guarantees provided
33 to it (BBC Sport, 2012f), while the Crown office asked Strathclyde Police to start a
34 criminal investigation into Whyte's takeover and the club's subsequent financial
35 management (BBC, 2012c).
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3 The list of creditors was prepared on the basis of the club's maximum possible
4 liability and thus in addition to the obligations to HMRC (£9m) and Ticketus,
5 included sums potentially due in respect of tax cases which arose during Murray's
6 ownership of Rangers – an agreed settlement figure of £4m in respect of a so-called
7 'small tax case' (arising from a discounted options tax scheme for payments made to
8 two overseas players) and a provision of £75m in respect of what came to be known
9 as 'the big tax case' (Duff & Phelps, 2012a). This case centred on an Employee
10 Benefits Trust (EBT) set up by the then Rangers' parent company, the Murray Group,
11 as a vehicle to reward senior administrative staff and some top players. No PAYE or
12 National Insurance was paid by the club or by the recipient **in respect of loans paid**
13 **from the Trust** and its use was successfully challenged by HMRC. The club appealed
14 and the case **was referred to a** First Tier Tribunal hearing. One benefit of the EBT was
15 that it made the club markedly more attractive to higher quality players. Related to
16 the use of EBTs the SPL initiated an **independent** investigation into whether Rangers
17 had used dual contracts in conflict with the rules of the SPL, which require all
18 payments to players to be made in accordance with a single contract of employment
19 (SPL, 2012a, D9.3). **The First Tier Tribunal, which met initially in October 2010,**
20 **finally released its decision two years later on 29th October 2012; the delay in part at**
21 **least arising because the Tribunal of three individuals was unable to reach a**
22 **unanimous view, with a dissenting view being provided by the Chartered Accountant**
23 **member of the Tribunal. The majority verdict allowed the appeal in principle,**
24 **accepting the argument that the sums received by most recipients were loans rather**
25 **than absolute entitlements, and hence HMRC's assessment should be reduced**
26 **substantially with only some payments subject to taxation (First Tier Tax Tribunal**
27 **Tax Chamber, 2012). Following this decision, an e-petition was launched requesting**
28 **HM Treasury to examine the conduct of HMRC in terms of the investigation into**
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3 Rangers FC and in particular the leaking of confidential information
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5 (<http://epetitions.direct.gov.uk/petitions/42143>), while lawyers for Sir David
6
7 Murray called for a criminal investigation into how details of his tax affairs became
8
9 available in the public domain (STV, 2012c). HMRC subsequently indicated that it
10
11 was also seeking leave to appeal the tribunal decision (Herald, 2012d). The appeal
12
13 was launched on 4th February 2013 and the case will now be heard at an Upper Tier
14
15 Tax Tribunal (Williams, 2013). In its decision published on 28th February 2013, the
16
17 SPL commission, chaired by Lord Nimmo Smith, found the board of directors of
18
19 Oldco Rangers under the Chairmanship of Sir David Murray, guilty of deliberately
20
21 failing to disclose payments to players and others via EBTs, imposing a fine of
22
23 £250,000 on Oldco (in liquidation) (SPL Commission, 2013, para. 109). However, it
24
25 also concluded that Rangers had gained no significant competitive advantage from
26
27 using EBTs and that players paid via them were correctly registered (SPL
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29 Commission, 2013, para. 106).
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35 During the administration period the SFA set up an independent inquiry into
36
37 Rangers' business dealings. It found that Whyte was not a fit and proper person to
38
39 own a football club, resulting in the SFA charging Whyte and Rangers with seven
40
41 breaches of its rules (Regan, 2012). A Judicial Panel, appointed to hear the case
42
43 against Rangers, imposed a fine of £160,000 and a 12 month embargo on the club
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45 registering new players over the age of 18 (Murray, 2012); a sanction which resulted
46
47 in an outcry from the Rangers manager and many of its supporters (BBC Sport,
48
49 2012h; STV, 2012b). An appeal was launched by the club's administrators who
50
51 argued that the club should not be held responsible for Whyte's actions, but this was
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53 rejected (Appellate Tribunal, 2012). The administrators indicated that they did not
54
55 believe the transfer embargo to be competent and outside the powers of the tribunal
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3 and sought a judicial review of the decision in the Court of Session in Edinburgh
4 (BBC, 2012a). The Judge ruled in favour of the club and set aside the decision,
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6 passing it back to the SFA to reconsider the sanction, but also noting that his
7
8 judgement did not mean the club would escape with a lighter punishment (BBC,
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10 2012b).¹
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15 When Rangers was put into administration it was deducted 10 points by the SPL
16 (SPL, 2012a, Rule A6.8). During that period it became apparent that it was a matter
17
18 for the board of the SPL as to whether a newco Rangers, i.e. a new company
19
20 acquiring the assets of the old company in contrast to Rangers emerging out of
21
22 administration on completion of a CVA, could be permitted immediate entry back
23
24 into the SPL (McConville, 2012). Public reaction to this information coupled with its
25
26 own concerns about the fitness of its rules, saw the SPL bring forward financial fair
27
28 play proposals for consideration, including a 75% reduction in SPL pooled media and
29
30 commercial payments for a period of three seasons to any club re-launched as a
31
32 newco (BBC Sport, 2102d). Having initially deferred any decision to allow clarity to
33
34 emerge over the situation of Rangers (McLaughlin, 2012), the SPL members finally
35
36 decided at a meeting on 30th May 2012 that they would not in fact decide what to do
37
38 in the event of a newco applying for entry to the SPL; agreeing instead that any such
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40 application would be considered on its merits by all SPL members collectively should
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42 it arise, along with any sanctions it wished to impose (Grant, 2012).
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49 After a number of false starts, on the 29th May 2012 the administrators presented a
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51 CVA to creditors, based upon their acceptance of an £8.5m bid in the form of a loan
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53 to be repaid along with interest by 2020, from a consortium headed by Charles Green
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55 (BBC Sport, 2012e; Duff & Phelps, 2012b). In addition, a binding agreement was put
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3 in place with Green under which the assets of Rangers would be transferred to a
4
5 newco in return for a sum of £5.5m if the CVA was rejected. Unsurprisingly the
6
7 quantum of the CVA was not disclosed due to material and on-going uncertainty over
8
9 the club's liabilities and court action initiated by the administrators in respect of
10
11 Whyte's purchase of the club (Duff & Phelps, 2012b). On 12 June 2012, HMRC
12
13 indicated that it would not support the CVA, in line with its policy of not voting in
14
15 favour of a CVA where a company has a history of non-compliance in terms of its tax
16
17 obligations, but also reflecting the CVA's limited financial terms (Duff & Phelps,
18
19 2012c). Moreover this allowed it to appoint liquidators and to pursue those involved
20
21 previously with Rangers through the courts, without impacting directly on any newco
22
23 football club.
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28 The consequences of this decision were highly significant for Rangers. The first
29
30 priority for Green was to make an application for Rangers newco to be granted
31
32 permission to retain its membership of the SPL and to enter into discussions on the
33
34 terms of any such deal. Even if it had been granted continued SPL status, as a
35
36 minimum newco Rangers would not have been permitted to participate in European
37
38 football for three seasons. In addition the club had to initiate discussions with the
39
40 SFA about whether newco Rangers could retain its SFA registration, against a
41
42 backdrop of the Appellate Tribunal still considering the appropriate sanction to be
43
44 imposed on the club. The implications were no less serious for the other clubs as will
45
46 be set out in the following sections.
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50 51 **The Context of Scottish Football**

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53 The SFA is the governing body of the sport in Scotland, overseeing all aspects of the
54
55 game including its professional leagues, the SPL (12 clubs) and the Scottish Football
56
57 League (SFL) (three divisions of 10). Its governance and structures were radically
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1
2
3 altered at its 2011 AGM, following recommendations made in reports on the future of
4
5 Scottish football prepared by former First Minister of Scotland, Henry McLeish
6
7 (McLeish, 2010). The SFA now has a main Board consisting of seven members,
8
9 including an independent non-executive director, which focuses on corporate
10
11 strategy and top-line decision-making. The main Board is supplemented by two
12
13 operational boards, one focusing on the professional game, the other the non-
14
15 professional game (SFA, 2012b).
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19 The SPL was formed in 1998, a break-away league from the SFL. Its objectives
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21 include to:
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- 24 • Build a league competition with standing and recognition throughout Europe;
- 25 • Represent and safeguard the interests of its members;
- 26 • Maximise the commercial value of SPL football by fully exploiting commercial
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31 rights and properties (SPL, 2012b).
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35 Scottish football has a long history of domination by Celtic and Rangers. The two
36
37 clubs **have often been** referred to as ‘The Old Firm’, a phrase first used in 1904, in
38
39 recognition of the commercial and financial benefits arising out of their rivalry and
40
41 their dominance of the Scottish game (Murray, 1988). On only 18 occasions has a
42
43 club other than Celtic or Rangers been crowned champions of the top division, the
44
45 last time being 1984/85. In the fourteen years since its inception, the SPL has been
46
47 won seven times each by Celtic and Rangers, with the other club being second in all
48
49 but one season. Until now neither Celtic nor Rangers had ever played other than in
50
51 the top division of Scottish football.
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55 These two clubs **have also dominated** financially (see Figure 1), generating
56
57 approximately 70% of SPL turnover. Peaks and troughs in the turnover of Celtic and
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3 Rangers are largely explained by participation in the UEFA Champions' League.
4
5 Attendance **have been** concentrated in these two clubs (see Figure 2), with between
6
7 55 and 60% of all SPL spectators attending either Celtic or Rangers home matches.
8
9 One consequence of this footballing and financial supremacy **was** that it provoked
10
11 widespread discussion, emanating from both the clubs directly and the Scottish
12
13 media, about the need for and prospects of structural change within British and
14
15 European football as a way of dealing with the perceived structural weakness of
16
17 Scottish football (Morrow, 2013 forthcoming).
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20
21 [Insert Figure 1 here]
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23
24 [Insert Figure 2 here]
25

26
27 The changed economics of football and the increased importance of media income to
28
29 clubs in large countries have been seriously detrimental to Scottish football and its
30
31 clubs. For example, the most recent SPL media deal sees approximately £18m pa
32
33 shared between 12 clubs, compared to over £1bn shared between the FA Premier
34
35 League clubs (Deloitte, 2012). Unsurprisingly therefore, the primary source of
36
37 income for SPL clubs is not media income but gate receipts. Among major European
38
39 clubs, Celtic and Rangers continued to draw a disproportionate share of their
40
41 turnover directly from gate receipts - between 45-60% compared to between 13% and
42
43 28% in the big five European leagues (Deloitte, 2010). At the same time, other SPL
44
45 clubs **have benefitted** directly from higher attendances for their home matches
46
47 against either Celtic or Rangers, **reflecting both the visiting supporters and increased**
48
49 **home and neutral support**. By far the majority of other clubs (n= 10) **have enjoyed**
50
51 their highest attendances against either Celtic or Rangers, the exception tending to
52
53 be derby matches between the Edinburgh clubs, Hearts and Hibernian (see Figure 3).
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3 [Insert Figure 3 here]
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6 Returning to media income, the other SPL clubs **have also benefitted** from a share of
7 the central SPL television deal. Figures provided to SPL clubs suggested that Rangers
8 participating in the SPL Division Three would result in a net loss of broadcasting
9 income of £14.7m (Darroch, 2012). While media income has contributed between 5-
10 10% to the turnover of Celtic and Rangers, it has constituted more than 30% of
11 turnover for some of the smaller SPL clubs. More pertinently each of the
12 broadcasting contracts (with Sky, ESPN and Sportfive) had termination clauses
13 should either Celtic or Rangers not be involved in the SPL (Darroch, 2012). This is
14 unsurprising when one considers the audience figures for SPL matches. Figures 4
15 and 5 are based upon season 2010/11 audience figures for the period to the end of
16 March 2011. These demonstrate emphatically the continuous pulling power of games
17 between Celtic and Rangers, and thereafter games involving either club.
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33 [Insert Figure 4 here]
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36 [Insert Figure 5 here]
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39 **Logics and Power in Scottish Football: Discussion and Implications**

40 The collapse of Rangers raised fundamental questions over the core logic of Scottish
41 football. One issue in particular crystallised the debate: whether and to what extent
42 Rangers should be further punished **when it emerged** from administration as a
43 newco, either alongside a CVA or as a consequence of liquidation? Unsurprisingly the
44 possibility of a newco Rangers being welcomed back into the SPL was not well
45 received by many supporters. An online survey of 16,500 supporters, found that
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3 they would boycott all fixtures were it to happen, while 32% would boycott only
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5 matches involving Rangers (SPL Fan Surveys, 2012).
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8 Table 1 sets out some opinions from some of the key stakeholders involved in the
9
10 SPL, those who would have been required to make a decision on how Rangers should
11
12 be treated post-administration and/or liquidation, on the issues which they saw as
13
14 influencing their decision-making. These comments were made between the 5th and
15
16 24th of May 2012, prior to the confirmation that Rangers was to be liquidated and
17
18 hence prior to any request for membership from the newco. Table 1, therefore,
19
20 presents the views of some key individuals in the SPL on the prevailing logic within
21
22 the league in cognisance of the financial and sporting context set out in the previous
23
24 section, while the newco application remained a hypothetical issue.
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27

28 [Insert Table 1 here]
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31
32 Ostensibly Table 1 demonstrates the existence of competing logics in the SPL. The
33
34 emphasis on financial logic is, of course, not new in European football as top football
35
36 clubs and leagues, national and transnational, have become increasingly dependent
37
38 on commercial actors and benefactors, which in turn has altered the structure of
39
40 power and institutional logics (Gammelsæter and Senaux, 2011, 286). This emphasis
41
42 is also evident in the changing structure of leagues in recent decades. The SPL itself
43
44 is a good example of mimetic isomorphism, its establishment being Scottish
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46 football's attempt to mimic the actions of the commercially successful FA Premier
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48 League in England. The financial logic prevalent in the SPL reflects the fact that its
49
50 inception was rooted in the financial self-interest of those clubs that agreed in 1998
51
52 to break away from the SFL. Each new SPL club was guaranteed 2 home matches per
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54 season against both Celtic and Rangers, while the expectation was that broadcasters
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3 and other sponsors would be more interested in financially supporting a competition
4 which involved an increased number of matches between Celtic and Rangers. Hence,
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7 Rangers supporters contributed income directly to other SPL clubs via gate receipts
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10 (see Figures 2 and 3) and indirectly via improved media deals (see Figures 4 and 5).
11
12 The historical resource dependency of other clubs on Celtic and Rangers is
13
14 emphatically clear. Any threat to those income sources presented a risk to the
15
16 viability of some Scottish clubs, already struggling to survive financially. For
17
18 example, those figures available for the 2011 financial year end indicated that four
19
20 clubs were technically insolvent, i.e. their liabilities were greater than their assets,
21
22 while net debt exceeded turnover at five clubs. For the most part the other SPL clubs
23
24 had become needy organisations, dependent directly and indirectly on Celtic and
25
26 Rangers for resources; in some cases those resources being necessary for their very
27
28 survival. The unplanned removal of Rangers invokes the risk of a financial crisis for
29
30 Scottish football where, similar to a banking contagion, the problems faced by one
31
32 individual club threaten the stability of other clubs (Lago *et al.*, 2006).
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36 Concomitantly, Celtic and Rangers' cognisance of the financial benefits gained by
37
38 other clubs through their participation in the SPL meant that they were in a powerful
39
40 position to make demands of the other clubs in terms of the distribution of income
41
42 and decision making within the SPL (Bondy, 2008). As a result the operating and
43
44 governance structures of the SPL became heavily skewed towards their interests. The
45
46 basis of redistribution of collective media and commercial rights specified in the
47
48 SPL's rules resulted in 32% of the annual income being shared between the clubs that
49
50 finish in the top two places in the SPL (SPL, 2012a, C4.3.2); invariably Celtic and
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52 Rangers. A three-tier voting structure had operated in the SPL: resolutions on
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54 operational decisions like introduction of a winter shutdown required an Ordinary
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3 Resolution and the backing of at least 8 clubs (out of 12) but major policy decisions
4 required close to a consensus: e.g. changes to the commercial rules of the SPL such
5 as the distribution of income required a Qualified Resolution and the support of at
6 least eleven clubs; while any change to the structure of the SPL required a Special
7 Qualified Resolution requiring the support of at least 10 clubs (SPL, 2010, Article 2).
8 Effectively, therefore, Celtic and Rangers acting together have carried the power of
9 veto.
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12 Hence, financial logic became dominant within this field. **This resulted in a power**
13 **imbalance, with power** concentrated among a very small number of primary actors
14 (Celtic and Rangers), along with a small number of external media companies which
15 had an implicit partnership with the Old Firm, at the expense of other actors like the
16 remaining SPL clubs and supporters. Forced into a debate about effective regulation
17 and fairness, the clubs were fully cognisant that prioritising integrity and fairness
18 would be to act against their clubs' own financial interests. The SPL's collective
19 response to the crisis was limited to the introduction of new financial fair play
20 regulations from season 2012/13. Other proposals like sanctioning a newco club or
21 altering the voting structure were deferred, as clubs struggled to come to terms with
22 the complexity of the situation facing them and its consequences. However, at its
23 simplest, this case highlights that in some, albeit extreme situations, it is not possible
24 for different logics to co-exist within a field and that conflict can only be resolved if
25 one logic constrains another. Any decision taken by SPL member clubs to punish but
26 not prohibit the newco option would be solely a financial decision; far removed from
27 the notions of the specificity of sport articulated by the European Union. At the same
28 time, the SPL is also a case study of flawed governance **and conflicts of interest**: the
29 league members are its clubs; its board is made up of representatives of its
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3 dependent member clubs, those same people charged with regulating and
4 disciplining other member clubs.
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8 **Reclaiming the Game – Power on the Periphery?**

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10 At a special meeting of the SPL held on July 4th 2012 the SPL clubs voted by a
11 majority of 10-1 – bizarrely the vote in favour coming from Rangers itself, the
12 abstention from Kilmarnock FC - to reject the application from Rangers newco for a
13 place in the SPL (Herald, 2012c). By the time of the meeting, the decision was a
14 foregone conclusion as a sufficient number of clubs had already made public the fact
15 they would vote against the newco. It is clear that a number of factors contributed to
16 the SPL clubs' decision, including strongly-held views of some club directors and
17 chairmen on: the need for fairness and integrity; the need for Rangers' behaviour to
18 be punished; and the perceived lack of contrition by some individuals connected with
19 Rangers. One factor, however, was central to their decision, namely pressure and
20 expectations brought to bear on clubs by their supporters.
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35 While there is widespread acceptance of football club businesses as stakeholder
36 organisations, with supporters identified as key stakeholders therein (see, for
37 example, Brown *et al.*, 2006; Brown *et al.*, 2008; Hamil, 1999; Hamil and Morrow,
38 2011; Morrow, 2003; Senaux, 2008), at the same time the commercialisation of
39 football has left many supporters feeling increasingly marginalised. Despite this, the
40 multi-faceted nature of supporters' relationship with the club they support means
41 that historically they have been reluctant to use market-based approaches such as
42 exit (i.e. withdrawing their financial support) as means of controlling or disciplining
43 behaviour in their club. Under some conditions, forms of social control may offer an
44 alternative to economic-based approaches. Typically if society deems an organisation
45 unworthy of continued support, it will withhold that support and the organisation
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3 will cease to exist (Sama and Shoaf, 2005). Recent examples include the
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5 disappearance of both the accounting and auditing firm Arthur Andersen in the wake
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7 of the Enron debacle, and the British tabloid newspaper, The News of the World, as a
8
9 result of the phone-hacking scandal. In these situations the organisations are deemed
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11 to forfeit their licence to operate. The anti-Glazer family ownership protests at
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13 Manchester United, the Green and Gold campaign, in which supporters invoked
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15 notions of the club's origins as Newton Heath was an attempt to use social control in
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17 a football setting. However, the very centrality of the club to many people's identity
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19 and the fear of undermining the institution rather than the owners meant that
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21 without supporters also being willing to invoke economic sanctions to restrain the
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23 club, the end result was no change.
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28 The Rangers case raises grave concerns about issues as wide-ranging as social and
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30 ethical responsibility and integrity, and as narrow as unfair competitive advantage
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32 and fair play in sport. The indiscriminate on other clubs and on the image of Scottish
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34 football perhaps best explains the response of other SPL clubs' supporters and to
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36 their inclination to combine social control and pressure with the threat of economic
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38 sanctions in the form, for example, of non-renewal of season tickets, as way of
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40 ensuring discipline. This was progressed in two ways: first, as a result of more
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42 inclusive forms of stakeholder governance, communication and accountability
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44 through which clubs engaged directly with their supporters prior to finalising their
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46 newco decisions; and second, through supporters use of social media as a way to
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48 articulate their concerns, to engage their communities and to influence the agenda of
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50 the mainstream media. While the extraordinary circumstances surrounding Rangers
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52 may have been the catalyst for change in the field, supporters' involvement can be
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54 seen as an endogenous explanation of change, enabling previously peripheral actors
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3 to take steps to alter the institutional arrangements and logics prevailing in the field.
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5 **In any field, power is not fixed and neither is the nature of the relationships therein.**
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7 **In this situation, the involvement of supporters and, in effect their building of a**
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9 **coalition of interest within the field, strengthened relationships between sources of**
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11 **dependence, and acted as a way of challenging long-standing, powerful interests**
12
13 **(Benson, 1975; Morrow and Idle, 2008; Podolny and Page, 1988).** The threat of
14
15 market-based discipline, coupled with social control arising from widespread
16
17 dissatisfaction about the **perceived** failure of a putative Scottish institution to fulfil its
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19 basic social and corporate obligations and the implications of its behaviour in terms
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21 of sporting fair play, have resulted in a situation where institutional change became
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23 both necessary and possible.
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29 Like other governing bodies, the SFA had acquiesced previously to the (financial)
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31 demands of the major clubs, in accepting and authorising the setting up of the SPL.
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33 Its role in the Rangers situation has been paradoxical. From one perspective it has
34
35 looked like an impotent bystander, in particular over its unwillingness and/or
36
37 inability to intervene during the takeover of Rangers by Craig Whyte, citing its lack of
38
39 resource (Forsyth, 2012b). But from another perspective arguably the case has
40
41 allowed it to begin to re-impose itself as the body at the summit of the Scottish
42
43 football governance pyramid, showing a renewed willingness to lead and to govern.
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45 Following the McLeish report (2010), the SFA set about modernising aspects of its
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47 governance and discipline procedures, revising its Articles of Association, to establish
48
49 an independent Judicial Panel through which to carry out its Disciplinary Procedures
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51 (SFA, 2011, Article 65). One reason for so doing was to deal with potential conflicts of
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53 interest in the governance of Scottish football of the type discussed above with regard
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55 to the SPL as well as at the SFA itself (Thomson, 2012). The initial recommendation
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3 of that Panel, reiterated by the Appellate Tribunal, was that sanctions including a 12-
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5 month transfer embargo be imposed the club due to weaknesses in its financial
6
7 management and governance. Perhaps of greater significance, however, are the facts
8
9 that a) the Panel noted that it had considered the ultimate sanction available to the
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11 ultimate governing body of the game in Scotland, namely withdrawing the club's SFA
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13 membership (SFA Judicial Panel, 2012) and, b) that throughout the various appeal
14
15 stages the SFA has resolutely reminded observers of the Panel's independence and
16
17 that the SFA, and its clubs, are bound by its decisions. While ostensibly Rangers
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19 decision to successfully challenge the sanctions in the civil courts may seem to
20
21 undermine the hierarchical power of the SFA, at the same time the SFA's decision
22
23 not to appeal the court's judgement but instead to refer the case back to the Panel – a
24
25 decision supported by FIFA – sought to reaffirm its status as the final arbiter in
26
27 football authority.
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32 One unwelcome consequence of the SPL clubs' decision to reject newco Rangers was
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34 to pass the question of how to resolve conflicting logics in Scottish football onto the
35
36 SFL; its clubs now faced with an application from the newco to join. Working
37
38 together the three governing bodies made the case, albeit belatedly, for a collective
39
40 response to the situation, arguing that forcing newco Rangers into the SFL Division
41
42 Three could lead to a financial crisis for Scottish football, arising out of a marked
43
44 reduction of media and commercial income for SPL clubs and resultant diminution
45
46 in SFL clubs' income as a result of the SPL being unable to pay its settlement fee to
47
48 the SFL, a legacy of the inception of the SPL. Admitting newco Rangers into SFL
49
50 Division 1 was proposed by the SFA Chief Executive, Stewart Regan, as essentially
51
52 the least bad option. This solution would ensure the continued support of the SPL's
53
54 broadcast partners and also included the SPL making a payment of £1m to the SFL
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3 for the broadcasting rights for Rangers games in SFL Division 1. The proposal was
4 also accompanied by Memorandum of Understanding between the three bodies,
5
6 setting out proposals to alter the structure of Scottish football from 2013/14,
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8 increasing the number of clubs in the SPL to 14, a merger of the SFL and the SPL and
9
10 the introduction of a pyramid system for all SFA licensed clubs from 2014/15
11
12 onwards (Fisher, 2012). At the same time newco Rangers would be required to accept
13
14 responsibility for football debts and fines incurred under the previous regime.
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19 However, many SFL clubs were extremely unhappy at the situation they were placed
20
21 in by the SPL and its clubs and by the arguments and language used by of SFA Chief
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23 Executives, Stewart Regan, and SPL Chief Executive, Neil Doncaster (see, for
24
25 example, Herald 2012b), and this proposal was comprehensively rejected by a
26
27 majority of 25-5 at a meeting of SFL clubs in Glasgow on 13 July 2012 (Jordan,
28
29 2012). As a result newco Rangers was invited to participate in SFL Division 3 in
30
31 season 2012/13. At this juncture the precise implications of explicitly prioritising
32
33 sporting logic over commercial logic and on the sustainability of Scottish football of
34
35 course remain to be seen. However, early evidence suggests that the financial
36
37 situation is not as challenging for SPL clubs as had been feared, largely due to the
38
39 decision of its broadcast partners to continue supporting the league, as well as the
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41 rights to show five SFL Division 3 games involving Rangers. In terms of attendance,
42
43 of the ten SPL clubs who also played in the SPL last season at the mid-point of season
44
45 2012/13 five clubs report an increased average attendance and five a decreased
46
47 average attendance compared to the average for the complete 2011/12 season;
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49 equivalent to an overall drop among these clubs of close to 4%
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51 (www.scotprem.co.uk). But at the same time the increased attendances enjoyed by
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3 SFL clubs when hosting Rangers has had a very positive financial impact on those
4
5 clubs, resulting in some redistribution of income throughout Scottish football.
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8 Looking ahead it is essential that the crisis and the response of clubs, supporters and
9
10 the wider public thereto act as a catalyst for managed change in the structure and
11
12 organisation of Scottish football. Taken together with the vitally important role
13
14 played by supporters in having their voices heard, the hope is that in future fewer
15
16 actors in Scottish football will be found on the periphery and that greater cognisance
17
18 is taken of the distribution of power and the importance of logics in the football field.
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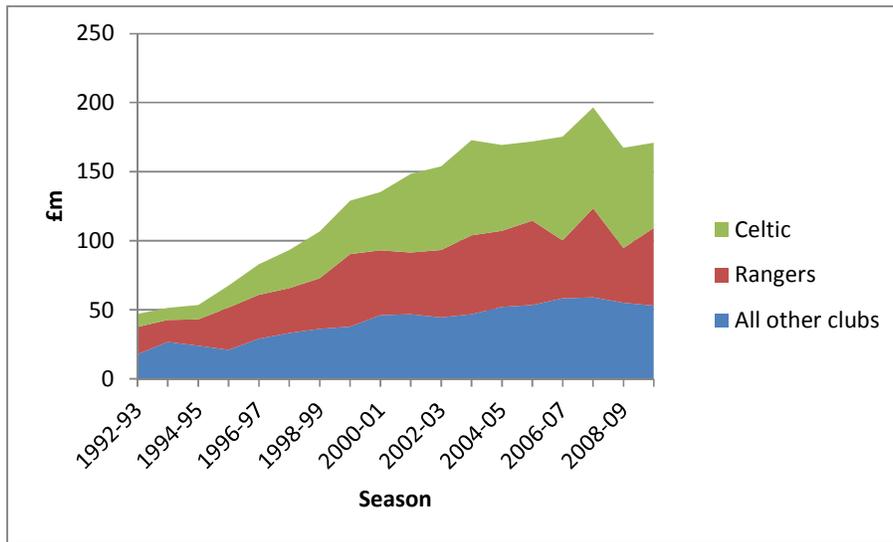
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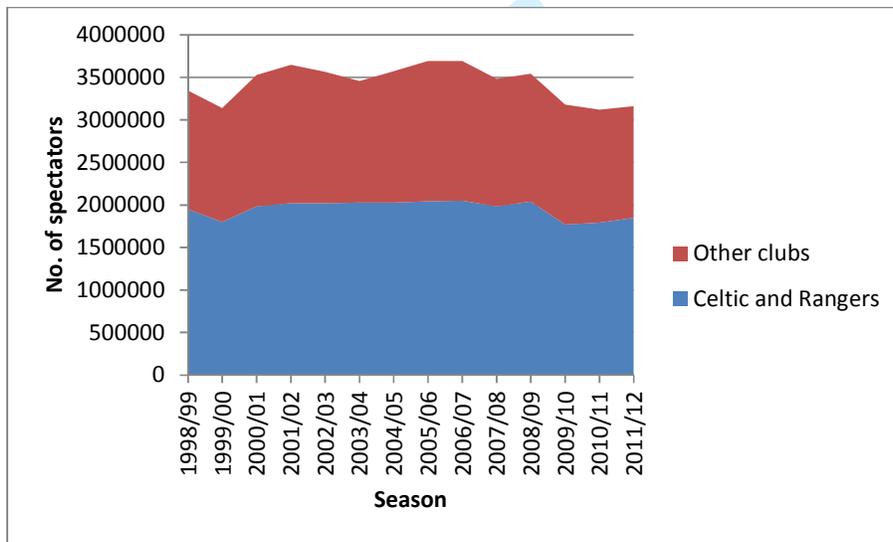
For Peer Review

Figure 1: Turnover in the SPL



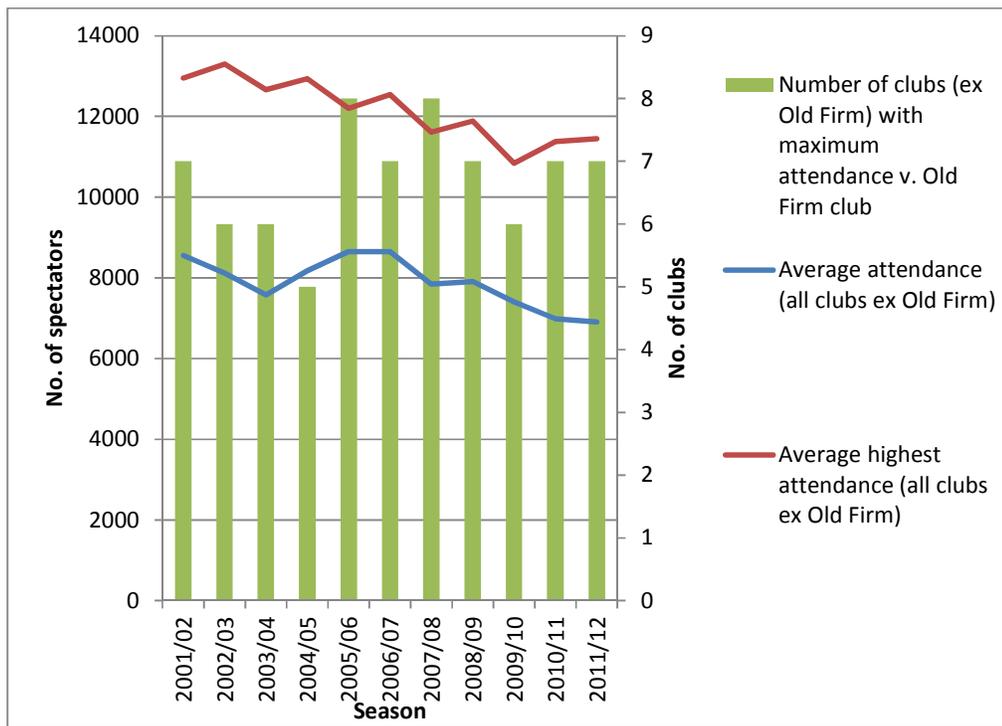
Source: PWC (various years)

Figure 2: Attendances - SPL and Celtic & Rangers



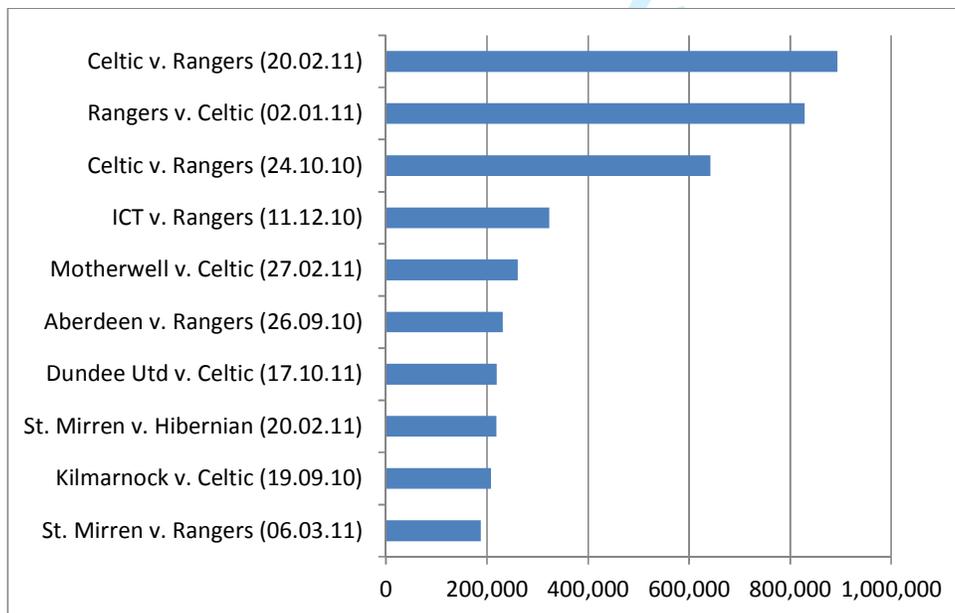
Source: www.scotprem.co.uk

Figure 3: Estimating the Old Firm impact on home attendance



Source: www.scotsprem.co.uk

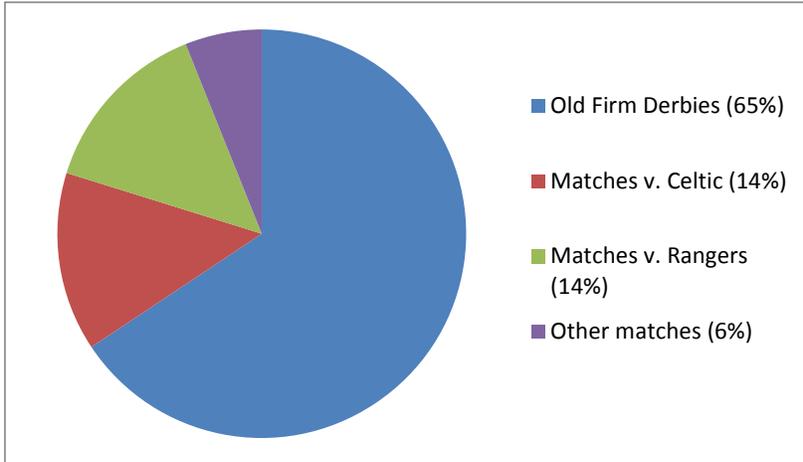
Figure 4: Average Live Match Audience August 2010-March 2011/ Top 10



Source: IFM (2011)

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Figure 5: Average audience August 2010-March 2011– share by fixture



Source: IFM (2011)

Peer Review

Table 1: Prevailing logics in the SPL

	Sporting logic	Equivocal / undecided	Financial logic
Rod Petrie Chairman of Hibernian FC	It is important to us that the integrity of the competition that we take part in is maintained to the highest standards. It's not a question of any sum of money in return for that integrity (McLauchlin, 2012)		
John Yorkston Chairman of Dunfermline Athletic	[that a newco Rangers, if it ever comes into existence, should be denied a share in the SPL] is what I'll be arguing for, but I do understand that others will look at the financial side, and that will have more sway than sporting integrity (Forsyth, 2012a).		
Neil Doncaster Chief Executive of the SPL		sporting integrity ... [was] very, very important ... [but owners are] concerned with the survival of their clubs (Macdonald, 2012)	
Peter Lawwell Chief Executive of Celtic plc		We will do what is in the best interests of Celtic [FC] and our supporters, consistent with upholding the interests and reputation of Scottish football (BBC Sport, 2012c)	
Stewart Milne Chairman of Aberdeen FC		We will continue to give this matter our full attention and do what we believe is in the best interests of Aberdeen [FC] and Scottish football and will communicate this to our supporters at the appropriate time (Daily Record, 2012)	
Steven Brown Chairman of St Johnstone FC		If I've got a vote then I certainly will not let Rangers in without sanctions. ... I think Rangers themselves and the majority of supporters accept that they're going to have to get some form of punishment (STV, 2012a).	
Statement from Motherwell FC		We do not believe we can separate the sporting integrity of our league from the sustainable future of our club; the two go hand in hand (BBC Sport, 2012g)	
Stephen Thompson Chairman of Dundee Utd FC		We are in a very, very difficult situation and at a crossroads for Scottish football. I understand how all the fans feel [admitting a newco Rangers to the SPL would damage	

		sporting integrity beyond repair] and I have great sympathy for them. But I have a legal responsibility to run Dundee United and a legal responsibility as a director of the SPL. We've got to think about our own clubs and about the whole of Scottish football. It is impossible. ... We've got to think about the fans: without fans you don't have a club. But you have all the contracts, we don't know where Sky and ESPN sit in all this. If we did it might make the decision a bit easier (BBC Sport, 2012b)	
Michael Johnson Chairman of Kilmarnock FC			Members see the commercial benefits of having Rangers, even as a newco. The clubs are mindful of a sporting integrity aspect but the commercial benefits may outweigh that (BBC Sport, 2012a).

For Peer Review

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