

## **Chapter 9**

### **When stoplights stay orange. Control issues in Dutch top football**

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The organization of Dutch professional football is well documented in past contributions. For example, sports journalists Colin and Muller (1996,2002) describe the development of all major Dutch professional football clubs, the Dutch FA, and the competition. Furthermore, academics have analyzed specific aspects regarding the organization of Dutch professional football such as the failure of a dedicated sport TV channel (Sminia, 2003), the evolution of football hooliganism (Spaaij, 2007), the collective labor agreements (Hout, 2008), clubs' ownership and governance structures (Morrow, 2003), clubs' strategic actions (De Heij, Vermeulen, and Teunter, 2006), and clubs' business model transformation (Van Uden, 2005). Together these contributions provide rich and detailed insights in the organization of Dutch top football.

One of the first attempts to provide an integrative overview of how Dutch football is managed and organized is Dejonghe, Van Hoof, Lagae, and Verschueren (2010). They identified three phenomena that are important for the Netherlands: (1) the effect of an international open labor market on clubs that operate in the much smaller closed Dutch product market, (2) the differences in revenue sources between the Netherlands and “the European big five” leagues and (3) the necessity for changes in structure and format of the Dutch league structure. While we acknowledge the uneven playing field among the different European leagues, this paper highlights the strategic choices of the local constituents to explain the performance of Dutch football. Within market and policy boundaries, Dutch football clubs have taken different actions to manage the financial performance of their football clubs. In particular we show that Dutch football clubs have found ways to boost revenues and in so doing incur a lot of risks. As revenue streams from substantial initial investments have proved to be highly uncertain several football clubs have ran into financial problems. Until recently, the Dutch FA established barriers of entry to professional football, making life of professional football clubs relatively undisturbed. In 2010, the Dutch FA changed its policy by moderately lowering the barriers of entry and increasing the external control on the Dutch clubs.

This chapter is organized as follows. First, we provide a brief historical overview of the main events within Dutch top football. Second, the stakeholders of Dutch football are

presented. Third, we discuss the financial performance and control issues in Dutch professional football clubs. Finally, we describe the recent external supervisory measures the Dutch FA has undertaken in an attempt to address the financial problems within Dutch football.

### **A historical overview of Dutch top football**

Football was introduced in the Netherlands by English factory workers. The first recorded football match took place in 1865 in the city of Enschede. The first football club was established ten years later, followed by a rapid diffusion of the sport within the country. Initially, several associations organized football along the lines of the compartmentalization of Dutch society during these years (protestant, catholic, liberal). The Second World War caused a merger between these distinct associations after which the Dutch FA (KNVB), was founded in 1889. Initially, the Dutch FA did not allow professional football, arguing that professionalism would endanger the spirit of the game. It played hardball by not allowing professional players in the national team. That is why the first Dutch professional player, Bep Bakhuijs left the Netherlands in 1937 to play professional football in France.

By not allowing professionalism, the Dutch FA caused a massive outflow of talented players abroad which devaluated the quality of the Dutch competition and of its national team. It also led to severe power struggles as the 1954-55 football season started with two separate associations organizing football. Ten clubs had founded a new association which permitted professional football. On November 1954, the Dutch FA decided to lift the ban on professionalism and incorporated the ten clubs. Currently, the Dutch FA has over 1 million members, reaching one of the highest football participation rates in Europe (64 members per 1,000 inhabitants). The Dutch FA organizes around 30,000 matches every weekend for 3,800 registered clubs (Briene, Koopman & Goessen, 2005). Besides outdoor football, the Dutch FA also organizes indoor football (since 1968) and female football (since 1971).

The Dutch professional football consists of a first and second division, both with 18 participating teams. The first division of the Dutch league has been dominated by three clubs (PSV, Ajax, and Feyenoord) winning 48 out of 57 championships<sup>i</sup>. Recently, AZ and FC Twente have been able to overcome the domination of the traditional top three by finishing first in 2009 and 2010 respectively. While this shift in competitive balance is interesting for the Dutch competition, it has perhaps also resulted in a declining visibility of Dutch clubs within European Competitions (currently 10<sup>th</sup> position on the UEFA Country Coefficient List). Initially, there was no automatic promotion/relegation between the top amateur level and the

bottom professional level. Until 2010-2011, clubs were only admitted to professional football when they met severe organizational and sportive demands over an extensive period of time. In effect, only 120 football clubs have ever been admitted to the professional football league by the Dutch FA since 1954. Of these clubs, eighty-six got their license in the 1950s, thirteen in the 1960s, nine in the 1970s, two in the 1980s, seven in the 1990s and three after 2000 (Wikipedia contributors, 2010). In 2010 the Dutch FA adjusted the promotion/relegation rule. From 2010-2011 onwards, there will be two third divisions with semi-professionalism and a mild licensing system. The current promotion/relegation rule implies that one club from the second division relegates under the condition that one of the champions from the third division has stated that they will accept promotion.<sup>ii</sup>

### **The stakeholders of Dutch Professional football**

*The Dutch FA* is a non-profit organization with the foundation as its legal form. It is centrally organized, with an overall board governing the foundation, and it consists of two business units, one governing and organizing professional football and one governing and organizing amateur football<sup>iii</sup>. Both business units have their own regulations, decision-making processes, and organize their own leagues. Overarching policy decisions are made twice a year within the federation meeting of the Dutch FA. Even though both business units have equal rights in the federation meeting, tensions have been observed as their interests do not always coincide. One of these tensions was notable with the introduction of a dedicated sport TV-channel in 1996 in which the Dutch FA participated. While the professional football unit was in favor of participation in this channel, the amateur side opposed to it (Sminia, 2003). Besides being responsible for all professional football in the Netherlands, the professional football unit also organizes all matches of the national team. The CEO prevails over 120 professionals in the headquarters. The professional football unit has a yearly turnover of around €2 million and is represented by 36 club-delegates who meet twice a year to decide on policy matters.

Dutch professional clubs are mostly organized as foundations, which is a legacy from the past. The Dutch FA initially allowed only associations (“verenigingen”) and foundations (“stichtingen”) to become a member of the professional league. Only a handful of clubs decided to adopt a more commercial legal form. Some clubs fighting for survival have used the corporate form in order to acquire investments from regional investors (i.e. AZ, Utrecht, and ADO Den Haag). Other clubs, like PSV and Ajax, changed to more commercial legal forms to prepare themselves for commercial fundraising opportunities (e.g. Morrow, 2003).

According to a list published by a leading Dutch financial newspaper the remaining clubs in the first league were foundations as late as in 2008 (Financieel Dagblad, 2008 August 28). It should however be noted that in practice the borderline between the commercial form and a foundation form has been gray all along (e.g., Valk, 2004: 13).

Clubs consortia have been formed to bargain out the collective rights of Dutch football clubs. Since the clubs hold a strong belief in earnings from broadcasting rights, the professional clubs of the first division (in 1997) and second division (in 1995) formed their interest groups (ECV and CED, respectively) to capture these rights and better manage their marketing incomes. Broadcasting rights have been a major source of tension, however. There have been competing claims between the professional clubs and the Dutch FA but also among clubs. In an early attempt to capture value from broadcasting rights, the Dutch FA launched a commercial TV channel named Sport 7 in August 1996. The business model caused massive controversies in Dutch professional football. The initiative failed in December 1996 and the president of the professional football business unit had to resign (Sminia, 2003). In particular, the issue of collective exploitation of broadcasting rights led to severe disputes between the Dutch FA and top clubs like PSV, Feyenoord and Ajax, which claimed a larger share of the collective rights. After legal procedures it was regulated that clubs can exercise their broadcasting rights individually. After long negotiations the clubs decided to form the ECV and agreed to divide the collective rights between solidarity and performance criteria.

An employer organization (FBO) was formed by the professional football clubs in 1968. Its members are all the clubs participating in professional football. The organization provides clubs with individual advice and information on economic and legal matters. Furthermore, it participates in negotiations with the players union in terms of collective labor rights, and maintains relations with the Dutch FA and the government.

In the Netherlands the labor union has a long tradition in representing the rights of the players, and the players' union (VVCS) was set up by the professional football players in 1961. Besides acting as a sports agent for a large share of individual Dutch players, it also represents the collective rights of players by means of the collective labor agreements<sup>iv</sup>. During these negotiations the labor union has been successful in creating a favorable legal framework with tailor made fiscal and pension solutions for players in the Netherlands<sup>v</sup>. Some of their important achievements are (1) (compulsory) participation in a pension fund (since 1972) in which up to 50 percent of gross income can be deposited tax free, and (2) tax deduction during the active career of the professional player. The pension fund is considered to be a successful<sup>vi</sup> attempt to protect Dutch football talent against financial squandering. The

pension fund took into account the short lifespan of a football career. At the end of their contract as a player, the pension gives a bridging loan for ten years to the retired player in order to re-launch a new career. The pension fund also retains a small buffer for the player's retirement at the age of about 65.

Dutch coaches, referees and supporters also have established their interest groups. The coach association (CBV) was founded in 1946 and has currently approximately 400 members. All Dutch coaches hold a personal license in order to be formally recognized as coach of a professional football club. This certificate can only be obtained after completion of an intense course. Together with the Dutch FA, the CBV sees through that the quality of this course remains as high as possible and that only the most qualified potential trainers are admitted to attend. The high levels of qualification may be one of the explanatory factors for the strong international demand for Dutch coaches.

The Dutch referee association (BSBV) has played an important role in the professionalization of refereeing the Netherlands since its inception in 1972 by demanding a fair salary for the referees. For long, Dutch referees were amateurs in a sector where financial stakes were increasing. Nowadays, most referees in Dutch professional football are able to make a living from refereeing.

The national supporter association (SOVS) was founded in 2000 at a time when hooliganism reached its peak in the Netherlands. When the government increased regulation in order to ban out hooliganism, the supporters association stood up for the rights of the normal non-hooligan supporter. In order to defend its goals it has successfully accompanied several court cases against unpopular laws regarding photo registration and compulsory supporter transportation.

In 2002 the Ministry of Internal Affairs received a letter from the European Commission claiming that financial support to professional football clubs by (local) governments should meet the requirements of the European Treaty. This letter was followed by a research report investigating the prevalence and form of government support to football clubs (KPMG BEA, 2003).<sup>vii</sup> In total, 178 transactions were reported with a total value of €306.3 million. The report indicates that governmental support has ranged from gifts, loans, warranties, and financial transactions such as a reduction in stadium rent or maintenance. Of these transactions, 80 percent were directed to subsidize ground costs and 20 percent were directed directly towards the club. The report also mentions that these local communities tend to overestimate image-effects, city marketing and benefits to the local community, causing them to overstretch their financial backing to these clubs and their stadiums.

### **Strong risk-taking**

Increasing commercialization and the Bosman ruling has put severe pressures on the competitiveness of Dutch football (Dejonghe et al., 2010). The sales revenues of Dutch professional clubs averages around €23 million, which ranks the Netherlands 6<sup>th</sup> in the European league (KNVB Expertise, 2010). Dutch football clubs have diversified their income streams, as can be seen from table 9.1, but because some of these streams require substantial initial investments, they entail severe financial risks which not rarely result in financial problems.

---INSERT TABLE 9.1 HERE---

Match income in table 9.1 relates to ticket sales such as season tickets, free-sale tickets and bonuses for qualifying to (inter-)national tournaments. Match incomes equal 27 percent of total income for Dutch football clubs. Total income from ticket sales equals around €65.5 million in total (€1.6 million from season tickets; €13.9 million from free-sale tickets). On average, Dutch professional clubs earn €3.6 million from their ticket sales. While these amounts can be considered modest when comparing to other leagues, Dutch clubs have been relatively successful in attracting fans to their stadiums. Most matches are (close to being) sold out, with an average of 90 percent sold tickets (67 percent related to season tickets).

PSV and Ajax are responsible for almost 50 percent of the total match incomes. This skewed distribution of match incomes is due to Champions League participation. PSV alone cashed in €29 million from participation in 2007. This amount corresponds to 39 percent of its sales revenue and to 25 percent of the total match incomes of all the clubs in Dutch professional football. Hence, winning the championship and playing the Champions league has become extremely important from a financial point of view (KNVB Expertise, 2010).

On average 50 percent of total income in Dutch football clubs stems from sponsoring, making this the most important source of income. In absolute terms, in 2008-2009 clubs attracted on average €11 million from sponsoring, ranging from €2.5 million (FC Volendam) to €35.3 million (Ajax). A Dutch football club has 494 sponsors on average with high incomes from hospitality packages. Sponsoring incomes in the Netherlands are rated as above average when relating it to GDP (Nanninga, Graafeiland & Jagt, 2002). The Netherlands is a poor performer on incomes from broadcasting. Currently, broadcasting rights are divided into four packages and sold by auction. The broadcasting rights of the first highlights and radio for

2008-2013 have been assigned to the public broadcasting channel (NOS). A commercial channel (RTL) bought the right for the second highlights. Finally, live matches are broadcasted by a commercial TV channel (Eredivisie Live) which is owned by a large consortium in which Dutch football clubs participate. In 2008-2009, first division clubs received an average of €2.9 million from their broadcasting deals (ranging from €1.1 million for Volendam to €6.7 million for Feyenoord).

Though the sales revenue of Dutch first division clubs have strongly increased over the last years, their costs have increased even more. The costs related to the organization of matches, real estate, and administration have only increased marginally over the last decade, but player salaries, transfers, and (players) depreciations on the balance sheet have increased substantively. The most important financial indicator for football clubs is their personnel-cost ratio, which is the total player and staff salary divided by the net turnover. According to the Dutch FA, the football clubs should strive for a personnel-cost ratio below 60 percent in order to account for stable business operations. While having met this standard between 2005 and 2008, the ratio increased rapidly over the last two seasons. During the 2008-09 season, it averaged 63.7 percent for the first division clubs and 77 percent for the second division clubs (KNVB Expertise, 2010).

A root cause is that Dutch football clubs are price takers on the labor market as prices are set by European standards, both legally and commercially. Within the international labor market there has been a considerable demand for talented Dutch football players. While Dutch football clubs earn a considerable amount from international transfer of talented players, they have severe problems replacing these players with younger successors or by foreign players. This has put extreme pressure on clubs budgets in several ways. First, as young talented Dutch players are approached at younger ages, the salary demands of these young players increase severely. Second, in order to prevent an inflow of mediocre foreign players, Dutch law put a threshold on the salaries for foreign players, prescribing that foreign players should earn at least more than the average salary of players within the Netherlands (currently the average annual salary within Dutch professional football is approximately €450,000). In order to finance the players' salaries (and in most instances the transfer money), clubs have put the potential transfer value on the balance sheet, which have allowed them to attract new capital to finance these salaries. Putting potential transfers on the balance sheet is a consequence of the implementation of international accounting standards (IFRS) on intangibles.<sup>viii</sup> In some occasions clubs have directly financed salaries and transfer revenue with funding from external investors. In this way, clubs have found an innovative way to

externally finance players' salaries with the option of appropriating a part of future transfer money. Thus, as Dutch football clubs have earned a considerable amount of revenue streams from international transfers of talented players, there has been no real incentive to contain costs. In hindsight, this can be seen as a strategy with considerable risk: the investment pays off only when the player remains well, makes progress on the field, and is picked up by a foreign club that has the financial opportunity to match the transfer price.

An example that clearly reveals the underlying risks is the talent pool of Feyenoord. In 2007 Feyenoord found a creative formula to turnaround sports and financial performance by grouping the transfer rights of seven young talents in a players' pool called Talent 1. Warrants for this fund were offered to a network of local wealthy supporters who were granted a 50 percent share in future transfer money of a group of home grown talented players. There was a considerable amount of interest for these warrants. With the invested money, debt-ridden Feyenoord caused a stir by signing four internationally experienced Dutch players amongst whom were Van Bronckhorst (from Barcelona) and Makaay (from Bayern Munich) to make their comeback to the Dutch premier league. On paper, the plan was perfect as external financing was able to create a mix of talented homegrown players with internationally experienced Dutch players. The problem was that one year later Feyenoord had to look back on a season that was disastrous in sporting as well as financial terms. The poor sports performance on the pitch contributed to decreasing revenues as fewer supporters had visited the stadium and the financial crisis resulted in lower incomes from business seats, broadcasting incomes and lucrative transfers. Consequently, Feyenoord had to write off the book value from transfer rights and to see a record loss and massive cuts (Financieel Dagblad, 2007, July 7; 2009 December 12).

The suppliers of private equity have ignored the high level of risk-taking of the football clubs and have supplied money to the clubs. This has most probably occurred because these investors are emotionally committed and more activist than investors in normal firms. Given that many investors are more fans than investors, they will not act as the ultimate gatekeepers of good corporate governance in football clubs. This can be illustrated by focusing on the motives and timing of participation of two of the most important financial backers of football clubs: the local private investors and the local municipalities. The first group consists of private investors, who are often fans. Corporate governance problems increase when they get majority stakes in the club, since they tend to use their power not for monitoring purposes but for imposing their vision on the club. These investors create an

artificial zone of financial comfort for their clubs without demanding control, accountability and returns.

The second group consists of local municipalities. Generally, local municipalities get financially involved in football clubs as lenders of last resort as clubs are on the brink of bankruptcy. Clearly, the interest of local municipalities is not in maximizing shareholders value but in guaranteeing survival of professional football within their community. A combination of optimistic managerial risk-taking and weak corporate oversight increases the odds of bankruptcy. Yet, most Dutch football clubs have been able to survive because they can rely on inexhaustible stream of investor-fans and on local authorities to play the role of lender of last resort. These rescue operations seriously mitigate any undesirable impact of undue risk-taking on survival.

An example that reveals this kind of undue risk-taking is the case of Vitesse.<sup>ix</sup> The transformation of Vitesse into a modern football club coincided with the plans for a new and multifunctional stadium in the beginning of the nineties. The initial business plan to erect a multifunctional ground dates back from the early 1990s. The plan was to host football matches and cultural international events in the same stadium. The business plan was co-developed with a German project developer (Wund) and a German construction firm (Holzmann) who had chosen Arnhem, a town close to the German border for their ambitious plans. The main attraction of Arnhem was the vicinity of the large multinational company AkzoNobel who seemed to be willing to sponsor the stadium. Unfortunately, financing the project turned out to have too many obstacles, causing both AkzoNobel and Holzmann to withdraw from the project. The initiative was then taken over by a group of local investors, headed by Mr. Aalbers. Even with the cooperation of these local investors who scaled down the original project, funding remained a daunting task. When the finance for the arena was finally arranged, court cases of local communities delayed the construction works. Ten years after the initial plan, and an investment that exceeded the initial plans by 25 percent, the multifunctional stadium opened on March 25. 1998.

This milestone did not mean the end of the financing problems, however. Only one year after the opening of the new stadium, the chair Mr. Aalbers had to solve the financing puzzle anew as interest and redemptions on the loans had to be financed by the club's financial operations. As the financing problems diverted the managerial attention from full exploitation of the multifunctional nature of the stadium, the Gelredome arena was mainly used as a football stadium.

To resolve the financing problems, Mr. Aalbers turned to the Mr. Swelheim, the chair of their main sponsor NUON, a large Dutch energy provider. NUON's extra loans implied that the role of NUON changed from being a sponsor into becoming the private banker of Vitesse. By then, the relationship between Mr. Swelheim and the chair Mr. Aalbers had become very close. Mr. Swelheim even engaged in decisions regarding transfers of individual players. Player transfer became an empire building activity leading to an oversized pool of players (see also Colin & Muller, 2002:194-195). In the meantime, the chair of NUON had declined to disclose all information to the supervisory board of NUON. When his involvement got noticed in the press, Mr. Swelheim had to admit to have been secretly helping out Vitesse by means of loans. The supervisory board and some activist shareholders of NUON urged Mr. Swelheim to lower its financial stake in the club. Yet, since due diligence research by NUON revealed that the financial situation of Vitesse was critical, NUON reluctantly decided to save Vitesse from bankruptcy by offering an extra loan (see also van Mierlo, 2001). Not much later, Mr. Swelheim financially backed Vitesse again, this time using his private fortune, to provide Vitesse with an extra loan as the Portuguese football club Benfica failed to pay Vitesse transfer money on time. Combined with allegations of fraud by Mr. Aalbers, this last gesture of Mr. Swelheim caused NUON to retreat its financial engagement as soon as possible. NUON breached its sponsoring contract and most of the outstanding loan was written off.

The subsequent management buy-out was not built to last. When the economic crisis hit football clubs in 2003, both the Gelredome arena and Vitesse were in need for financial backing as the financial problems were structural. Next to increasing costs related to arena exploitation, the football club Vitesse had problems of its own as player wages caused severe financial distress in the organization. The local municipality Arnhem stepped in and made a clean sweep. Aside from containing costs, it decoupled the arena from the football club in order to restore its true multifunctional nature.

After two years of gradual exploitation of the arena the municipality was able to sell the stadium to a commercial company. Vitesse, however, kept on vacillating between survival and financial death. When the credit crisis hit Dutch football in 2008, first the municipality and then a local investor, Mr. Schouten, invested substantial amounts of money in the club and Mr Schouten was appointed chair of the club in 2009. In August 2010 Mr. Schouten sold the club to a Georgian football agent, Mr. Jordania. The take-over reached the headlines because Vitesse was first football club in the Netherlands in foreign hands. Moreover, the

aspirations of the club were immediately upgraded: The new chair wants to see Vitesse as a team in the top tier of the Dutch football league.

### **External supervision**

Although football clubs have always found some deep pockets to quench one's thirst, the Dutch FA has increasingly directed managerial time and effort to the supervision of the management of the game. Most salient has been the intensification of club licenses by the Dutch FA.<sup>x</sup> An (independent) license committee was set up in 2003 to scrutinize and judge the financial wellbeing of clubs. It was given the authority to take back club licenses and to sanction clubs with a deduction of points or administrative penalties. Initially, the Dutch FA resorted to a system that was not made public and relied on severe punishments for non-compliance. It tried to take away club licenses from clubs that were persistently not meeting their criteria. In 2003, 30 out of 34 clubs were initially declined a license, but because many local entrepreneurs and municipalities gave a helping hand, in the end all the clubs were able to get licensed. All professional clubs of the first and second division need to comply with the license regulations. In 2009 the Dutch FA made efforts to withdraw a club's license for the first time (Fortuna Sittard), but it was overruled by a civil court claiming procedural errors. Backed by the Vermeend report (Vermeend, Francis, Haverkort, Jacobs, Mulder, Pheijffer, Rutten & Sleijfer, 2010) the Dutch FA recently made some changes to the external supervision of professional football. The report contains recommendations for both football clubs and the Dutch FA to improve their monitoring of the management of the game. The recommendations to clubs include the publications of annual reports, long-term (3 years) financial budgets, sanctioning and excluding failing board members, and imposing reporting requirements for expenditures above certain amounts. The report also includes recommendations for better control by the Dutch FA. In particular, it suggests that the Dutch FA should 1) draft a control protocol for club auditors to increase uniformity, 2) take up severe sanctions for misleading the licensing committee (which has occurred in the past), 3) set up a group of auditors that controls the financial reports on location, and 4) professionalize the licensing committee, by referring to the English Financial Compliance Office. In effect the Dutch FA has changed its approach in 2010. An important part of the license regulation has become the Financial Rating System (FRS, current version 2.1), which monitors the financial well-being of Dutch football organizations. Together with club representatives the financial ratios were updated in 2008 and implemented on January 1st 2010.

In August 2010 the Dutch FA for the first time shared publicly the clubs' financial ratios. The media reported that the Dutch FA has classified 13 clubs under category 1 – denoted “strong supervision” – which meant that the clubs were forced to cope with additional regulations. It further classified 19 clubs according to “medium supervision” while 4 clubs satisfied the demands of the license criteria (e.g., DePers, 2010 August 4). Additionally, the Dutch FA has also instituted some short term warnings.

At the start of the 2010-11 season the Dutch FA deducted seven clubs between one and seven points because of non-compliance with license regulations (DePers, 2010 July 28). The new approach of the Dutch FA helps it to gradually build up a case against persistently non-complying clubs, but more severe punishments are unlikely to occur soon because the clubs in category 1 are expected to fulfill an action plan that will set things right within three years at the risk of losing their license. Thus while the stoplights have shifted from green to orange for Dutch professional football, it seems that it will remain orange for at least several more years.

### **Conclusion**

In an era in which commercialization and deregulation have increased in European professional football, Dutch professional football clubs have been very creative and risk-prone to maintain a viable position in the game. Because there have always been lenders of last resort, it seems as if there has been few limits to their risk-taking. Thanks to private or public investors who are mostly regional, wealthy, and usually fans, Dutch football clubs have been able to survive fairly easy<sup>xi</sup>. On top of that, the Dutch FA has traditionally established barriers of entry making life of professional football clubs relatively undisturbed. In 2010, the Dutch FA changed this policy by moderately lowering the barriers of entry and increasing the external control on the Dutch clubs. Whether the Dutch FA will be able to truly enforce its own legislation will become clear during the next years. The stoplights for Dutch football clubs have not yet shifted to red.

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<sup>i</sup> Ajax (twenty-one times); PSV (eighteen times); Feyenoord (nine times); AZ (two times) and FC Twente, DWS, Sparta, DOS, Roda JC, Willem 2 and FC Eindhoven (one time).

<sup>ii</sup> Clubs from the third division need to declare if they accept promotion before February 1st. Clubs have this choice because of the additional requirements prescribed by the license regulations.

<sup>iii</sup> The amateur football business unit (with a yearly turnover of about €40 million and 310 staff members) is currently divided into 6 separate regions. Each district has its own office with around 50 paid professionals, governed by seven or nine voluntary board members that are chosen by the clubs in that district. Each board member has a specific focus area: president, finance, outdoor soccer, indoor soccer, football development, refereeing, fair play or club support, and has a seat in one of the seven head committees at the national level. The head committees advise on policy matters to the general board amateur football, which consists of a president, treasurer and secretary, supplemented by the six presidents of the regions. Delegates have the task to control the functioning of the board and executing professionals at the regional level as well as at the national level. From each district 10 delegates form the national delegation, charged with the right to vote on new policy initiative and the right to discharge the general board of amateur football.

<sup>iv</sup> The current collective labor agreement started in 2008 and ends in 2011.

<sup>v</sup> Foreign players have a separate legal framework allowing them a tax-dispensation on the first 30 percent of income (under certain criteria). They can also decide to use the regular fiscal and pension framework.

<sup>vi</sup> Two indicators of success: One is that there are plans to roll-out the initiative at the European level, hence it is seen as a model. Second, the pension fund outperformed all other Dutch pension funds during the 2009 credit crisis.

<sup>vii</sup> The letter is attached as an appendix in the report of KPMG BEA (2003).

<sup>viii</sup> The situation is similar in all countries applying these standards, though practice may vary on what is included (e.g. Amir, E., & Livne, G. (2005). Accounting, Valuation and Duration of Football Player Contracts. *Journal of Business Finance & Accounting*, 32(3-4), 549-586.)

<sup>ix</sup> The narrative we provide is based on newspaper articles of a leading financial Dutch newspaper ("Het Financieel Dagblad"). The articles were retrieved from [www.fd.nl](http://www.fd.nl) from 1985 till September 2010.

<sup>x</sup> The license regulations were revised in 2004 and improved in 2006 and 2008.

<sup>xi</sup> As an indication, while many clubs have encountered periods of severe financial distress, only four professional clubs have been forced into bankruptcy: SC Amersfoort in 1982, FC Wageningen in 1992, VC Vlissingen in 1992, and HFC Haarlem in 2010.