Accounting, finance and conflict in football arenas

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### Accounting, finance and conflict in football arenas

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1. Introduction

Prior research in football has explored the consequences of problematic configurations of ownership, governance, management and financial structures on sporting performance, competition, sustainability and social roles (Bosca, Liem, Martinez, & Sala, 2008; Gammelsæter & Senaux, 2011; Rohde & Breuer, 2018; Sánchez, Barajas, & Sánchez-Fernandez, 2020; Szymanski & Weimar, 2019). In common with many sport organisations (Andon & Free, 2012; Clune, Boosma, & Pucci, 2019), football clubs face challenges in mediating conflicts as to their nature and purpose while securing necessary resources (Bull & Whittam, 2021; Gammelsæter, 2010; Morrow, 2015). Other studies observe that clubs rely on co-operative relationships, particularly when under threat (Adams, Morrow, & Thomson, 2017).

Professional football clubs are important social, cultural and economic institutions. They operate in a complex set of interconnected arenas (Renn, 1992), subject to multiple influences on their behaviour and accountability: formal requirements from governing bodies and leagues, including financial regulation (Premier League, 2022); legal and taxation requirements; financial pressures and demands; aspects of social control (Cho, Janin, Cooper, & Rogerson, 2020; Sama & Shoaf, 2005); supporter and community expectations (Jaeger, 2021); and societal obligations (Raimo, Vitolla, Nicolò, & Tartaglia Polcini, 2021). Clubs engender intense emotional attachments, as well as social and financial commitments that manifest in complex relationships and accountability demands (Baxter, Carlsson-Wall, Chua, & Kraus, 2019; Morrow, 2003). In this paper we argue that together these influences and relationships constitute the governance of football clubs, defining governance as the broad understanding of all processes of social organisation and social coordination (Bevir, 2012). Accounting and accountability are integral to how the complex relationships between a club, social groups and institutions are governed.

Clubs are subject to accountability demands shaped by the relative power of stakeholders and the need for continuous renegotiation to maintain a balance of convergent interests, while respecting the divergent views of others in their arenas (Adams et al., 2017; Fischer & Reeves, 1995; O’Mahony & Bechky, 2008; Parker & Crona, 2012). Willingness to co-operate is contingent on different factors including informal accounting and opportunities for productive engagement (Morrow, 2015). However, studies have critiqued formal and informal accounting by football clubs as well as their management of key relationships (Andrews & Harrington, 2016; Cooper & Johnston, 2012; Garcia & Welford, 2015; Morrow, 2003, 2013).

This paper responds to the call for micro-level studies that engage with concepts of governance and accountability yet represent the experience of the supporter (Baxter et al., 2019; Carlsson-Wall, Kraus, & Messner, 2016; Cooper & Johnston, 2012; Garcia & Welford, 2015). Our longitudinal case study, focusing on the Scottish club Heart of Midlothian (Hearts), tells the story of the entanglement of accounting, governance and finance in resolving an existential threat to the Club, arising from the chaotic management of an overseas owner. This owner promised to make Hearts European champions but left the Club in administration. He is now subject to investigation by Interpol for alleged fraud, embezzlement and money laundering (Cerniauskas, 2018). We focus on how formal and informal accounting were used by different arena participants in an ongoing conflict over the Club’s future.
Our review of the literature (Andon & Free, 2012; Cooper & Johnston, 2012; Cooper & Joyce, 2013; Morrow, 2015) suggests that the complexity and dynamic nature of arenas within which football clubs operate, mean that effective accountability is not achievable through formal governance or accounting mechanisms. These rarely consider the dependency of a club on the provision of non-financial resources or emotional investments voluntarily provided by individuals, communities, or other institutions (Fans without Scarves, 2019). These emotional investments and non-financial resources are largely absent from formal accounts despite consistent findings that they are essential for any football club (Margalit, 2008; WGSIFC, 2015). We hypothesise that formal accounting and governance are insufficient to hold clubs and their owners to account and hence propose to address the following research questions in the case of Hearts:

- Were formal accounting practices sufficient to govern the complex relationships in a specific conflict arena and prevent the Club’s liquidation?
- Were informal accounting practices effective in mobilising and maintaining the flow of critical non-financial resources and emotional investments?
- To what extent did informal or formal accounts enable marginalised arena participants to act collectively in response to perceived threats to the moral foundation of the Club and its future existence?

To address these questions, we structure our research methods and analysis using an arena framework, extensively used in social and environmental accounting studies to explore the efficacy of different forms of accounting in governing conflict situations (Laine & Vinnari, 2017; Georgakopolous & Thomson, 2008; Thomson, Dey, & Russell, 2015; Tregidga, 2017). This multimethod study draws on data from representatives of key arena participants (see figures 1 & 2) and includes interviews with Club directors, activists and supporters, media analysis, documentary analysis of formal and informal accounts associated with the Club, as well as reports by regulators, analysts and political institutions. It is important to recognise that this conflict unfolded in a period when Scottish professional football clubs were struggling with the consequences of macro level financial changes in European football, compounded by over-ambition, short-termism, inactive ownership markets, limited borrowing opportunities, poor governance and financial mismanagement (Cooper & Joyce, 2013; Morrow, 2006, 2012, 2015).

In the next two sections, we set out the methodological foundations of our research and provide details of research methods, data collection and analysis. In the following section, we draw on the arena framework to present our analysis over three distinct conflict stages between 2010 and 2018. After evaluating accountability and engagement strategies over the period, we set out our conclusions and make suggestions for further research.

2. Methodological framework

Accounting is broadly conceptualised as an assemblage of formal and informal social, political and institutional practices that provide those within an institution and those who are part of institutional networks, with knowledge about actions, intentions, values, norms, objectives and willingness to withhold or share resources (Carlsson-Wall et al., 2016; Georgakopolous & Thomson, 2008; Hopwood & Miller, 1994). In this paper, we use Dillard and Vinnari’s (2019) differentiation between accounting-based accountability and accountability-based accounting.
This paper adopts an accountability-based accounting position, placing accountability as the purpose of any account or as the demand for information by arena participants. We distinguish between formal and informal accounting in the following way.

Formal accounting is the accountability required by rule enforcers or political institutions as part of a regulatory process or formal governance mechanism. The purpose, content, frequency, distribution and availability of these accounts are prescribed in regulations or standards. Examples include formal financial statements and regulatory returns to, for example, Her Majesty’s Revenue and Customs (HMRC), Companies House and the Scottish Football Association (SFA). A challenge faced by hybrid-type organisations (those that combine usually distinct governance regimes) is that frequently the accountability demanded is not fully satisfied by conventional financial statements (Hardy & Ballis, 2015; Morrow, 2003; 2015). Informal accounting includes all non-formal accounts, whether produced by an institution or alternative representations produced by stakeholders (Denedo, Thomson, & Yonekura, 2017; Gallhoffer & Haslam, 2019). Informal accounts are associated with different accountabilities, such as challenging or complementing formal accounts produced by an organisation, in order to promote the political objectives of those producing these accounts. The presence of informal accounting practices in an arena challenges the view of accountability as a unidimensional outcome of a formal accounting system (Dillard & Vinnari, 2019). For example, informal accounts have been used as part of political and moral campaigns to stimulate collective actions to reduce the harm experienced by marginalised or peripheral groups due to problematic regulatory regimes (Laine & Vinnari, 2017; Thomson et al., 2015). However, it is important to recognise that the lack of regulatory prescription or standards associated with informal accounts is both a strength and weakness: to contribute meaningfully to an arena, informal accounts need to be trusted (Roberts, 2009).

As outlined in the introduction, football governance, accountability and accounting practices are embedded in a club’s complex relationships and power struggles with formal and informal social institutions. Accordingly, we draw on the concept of the political arena, which has been applied in similarly complex settings outwith accounting (e.g. Hilgartner & Bosk, 1988; Jaeger, 1998; Renn, 1992; Tierney, 1989), as well as within accounting research (Laine & Vinnari, 2017; Denedo et al., 2017; Tregidga, 2017).

An arena makes visible interactions between formal and informal institutions that constitute the politics of a conflict, and positions accounting as part of these political discourses (Brown, Dillard, & Hopper, 2015; Gallhoffer & Haslam, 2019; O’Dwyer, 2005). An arena approach explicitly recognises differences in ideologies, values, resources, power and inclusion rights among those participating in any collective contested decision-making process. It is assumed that participants will attempt to influence the outcome of a collective decision process in accordance with their values and beliefs. Hence, any outcome is not determined by a single institution but by structural rules, informal institutional interactions, and coalitions of participants. In this context, we view governance, accounting and accountability as interconnected practices embedded within political dynamics that influence the composition of cooperative and conflictual coalitions in the arena. The importance of maintaining collaborative relationships and access to non-financial resources, through formal and informal governance and accounting, has emerged in other research into professional football (Carlsson-Wall et al., 2016).
Figure 1 provides a generic representation of an arena with the arrows mapping out a range of engagements, interactions and potential accountability channels.

Figure 1. Generic arena model

Different actors pursue their objectives while complying with formal codified arena rules and informal customs (Renn, 1992), mediated by their institutional roles and powers. For example, political institutions can change or introduce new rules and appoint (or remove) rule enforcers, while rule enforcers can enact regulatory sanctions for non-compliance. In the football arena, while political institutions are often silent, this is not always the case. For example, the financial turmoil in Scottish football in the early 2010s led to political intervention by the Scottish government which established a Working Group on Supporter Involvement in Football Clubs (WGSIFC, 2015). Other institutions e.g., the national association (the SFA) and the league (Scottish Professional Football League (SPFL)) frequently are empowered to act as rule enforcers, even if they are membership organisations, representing the interests of their member clubs (Morrow, 2021). Others identified as potentially active in football arenas include financial institutions, supporter groups, community groups, business partners and sponsors, the media and the wider public (Garcia & Welford, 2015; Jaeger, 2021; Senaux, 2008). Issue amplifiers, such as journalists, social influencers or the broadcast media, are able to communicate selective accounts to arena participants. The cultural significance of football results in high levels of reporting in both traditional media and largely unregulated social media (Boyle & Haynes, 2009; Cleland, 2011), which collectively frames areas of conflict (see, for example, Kelly, 2011). The media amplify, make visible and raise awareness of aspects of football club activities, including financial issues, business and governance issues, and problematic behaviour by individuals associated with clubs (Boyle, Dinan, & Morrow, 2002; Morrow, 2003; 2021). Hence, they are considered to be informal accounts of a club.
While political institutions and rule enforcers hold most of the formal powers in an arena, they can be challenged or overcome by coordinated efforts of other arena participants (Georgakopolous & Thomson, 2008; Thomson et al., 2015). Prior studies have shown how informal accounts have mobilised resistance to formal actions considered socially unacceptable (Denedo et al., 2017; Tregidga, 2017). At any point in time, it is possible to characterise the state of an arena. For example, an arena could be dormant indicating a general acceptance of the formal governing process, or in active conflict indicating a significant number of participants are dissatisfied with the conduct or intentions of others. It is expected that within an arena there will be participants seeking to shift other actors in line with their objectives, looking to construct new, temporary, mutually advantageous institutional arrangements (DiMaggio, 1988; Fligstein, 1997; Morrow, 2021). This is often achieved through coordinating and mobilising the resources and resource dependency of other arena participants (Pfeffer & Salancik, 1978). It can entail mobilising participants on the peripheries to act collectively in order to create (or resist) new institutional arrangements or transform existing ones (Dorado, 2013; Morrow, 2015). These disruptive engagements have been associated with informal accounts intended to renegotiate the purpose, rules, norms and frameworks of institutions in the arena (Georgakopoulos & Thomson, 2008; Thomson et al., 2015; Laine & Vinnari, 2017). In contrast, a resilient arena should allow the “creation of a common ground and a governance framework through the coordination and alignment of activities across actors and a shared understanding among actors” (Sajtos, Kleinaltenkamp, & Harrison, 2018, p.620. See also Battilana, Leca, & Boxenbaum, 2009). This could involve the production of informal accounts designed to connect institutions and create new coalitions underpinned by a shared imagined future. Accounting mechanisms are therefore part of engagements to influence the collective outcome of an arena, in line with imagined futures. Within any arena, the legitimacy of formal or informal accounts depends on those accounts being trusted, and they may be simultaneously supported and challenged by different participants dependent on their perceived impact on outcomes.

3. Research methods and data collection

This paper uses a single emergent case study, mixed methods research design (Lee & Saunders, 2017; Yin, 2014). The high-profile nature of this case, embedded in a period of wider systemic threats to Scottish football (WGSIFC, 2015), combined with direct engagement with key actors involved in resolving the crisis, means that there is a rich set of evidence to make a compelling contribution to our research questions. The primary period of analysis for this paper begins in October 2010 with the establishment of the Foundation of Hearts (Foundation). It was set up by a group of prominent supporters as a not-for-profit, one member one vote, company limited by guarantee (Foundation of Hearts, 2021), with the purpose of becoming majority shareholder in Hearts. The primary period ends in December 2018 with a Special General Meeting of the Foundation at which the long-term governance arrangements proposed by its board were approved. During this 8-year period the Club survived formal administration proceedings and was transformed from a closely held corporation to a supporter-owned hybrid corporate/mutual organisation. To help structure our analysis we identified two further critical moments which created three distinct sub-periods summarised in Table 1.
Table 1. Arena states

<table>
<thead>
<tr>
<th>State</th>
<th>Period</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>2010-2012 Rise of the Foundation</td>
</tr>
<tr>
<td>2</td>
<td>2012-2014 Winding up and administration</td>
</tr>
<tr>
<td>3</td>
<td>2014-2018 Rebuilding the Club</td>
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</table>

A mixed method research strategy was used to collect data (Brewer & Hunter, 2006; Tashakkori & Creswell, 2007). Guided by the arena concept, evidence gathered represented the perspectives of as many arena participants as practical. This required a pragmatic balance between gathering primary data and analysing secondary data already in the public domain. However, we were able to gather unique insights into this conflict from key actors within the Club and the Foundation, along with representatives of supporters. Initial primary data were obtained from participatory observations (Berry & Otley, 2004) over the period from 2015 to 2018 and from interviews in early 2018. Despite difficulties associated with negotiating access to organisations in a state of transition (Berry & Otley, 2004), we were able to observe a number of critical meetings and to interview key actors involved (see Table 2).

In January 2015 one of the authors became a co-opted member of the Governance Working Group (GWG) of the Foundation. He is an acknowledged field expert, a small shareholder in the Club and a member of the Foundation. The GWG was tasked with making recommendations on future governance and accountability for a supporter-owned club. Membership of the GWG enabled the researcher to carry out observations and data collection whilst participating as an active member. The Foundation and other GWG members were aware of his research interests and his shared interest as a fellow supporter.

We acknowledge that questions may be asked about the authenticity of the project due to one researcher’s proximity to the subject (Kanuha, 2000). This concern was addressed in the composition of the research team, which included independent researchers able to evaluate critically the evidence gathered during participant observation. However, we agree with Dwyer and Buckle (2009) that the intimacy of qualitative research allows us neither to be true outsiders to the experience we study, nor to be complete insiders given our status as researchers. But it provided a unique opportunity for the researcher to occupy the position of both insider and outsider in terms of the activities of the GWG. This included involvement and observation at eleven meetings, analysis and comment on internal documents, engagement in discussions and a range of formal and informal interactions with all the significant actors involved in the Club’s transition. While it was not possible to record the various meetings and other informal interactions, detailed field notes were kept, along with records/minutes of relevant meetings. Key issues included the structure of the new organisation; membership model for the Foundation; composition of the Club board; roles and accountability safeguards of the Club and the Foundation; and rules for the potential sale of Foundation shareholdings in the Club.
In addition to these observations, ten interviews were conducted with key arena participants (see Table 2). Seven interviewees were or had been Foundation directors and five interviewees were or had been Club directors, ensuring a good representation of views from both boards. Importantly, many of the interviewees had knowledge and direct experience of previous crises at the Club and provided insights into key moments in the unfolding of the conflict. The author on the GWG and one other author acted as interviewers at each interview. The semi-structured interviews on average lasted 78 minutes and were recorded and fully transcribed. The interviews concentrated primarily on interviewees’ experiences since 2010, our interview protocol focussing on conflict resolution, governance, accounting and accountability. We allowed interviewees freedom to comment on relevant matters they felt strongly about. We also had specific questions for interviewees based on their first-hand experience of events before, during and after administration. They were sent a draft of this paper, and all gave permission to use their quotes.

Table 2. Details of interviewees (at time of interview)

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
<th>Background</th>
<th>Date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chair of Heart of Midlothian Shareholders’ Association and former Foundation Director</td>
<td>Chair since 2010</td>
<td>9 February 2018</td>
</tr>
<tr>
<td>2.</td>
<td>Majority shareholder, Chair and Chief Executive of the Club</td>
<td>Positions held since 2014</td>
<td>13 April 2018</td>
</tr>
<tr>
<td>3.</td>
<td>Former Special Advisor to the Foundation</td>
<td>Experienced non-executive director with expertise in governance</td>
<td>2 February 2018</td>
</tr>
<tr>
<td>4.</td>
<td>Founding Director and former Chair of the Foundation, and former Club Director</td>
<td>Held last two positions between May 2015 and December 2016</td>
<td>26 January 2018</td>
</tr>
<tr>
<td>5.</td>
<td>Foundation Director and Club Director</td>
<td>Held these positions since 2014 (Foundation) and 2015 (Club)</td>
<td>16 February 2018</td>
</tr>
<tr>
<td>6.</td>
<td>Former Finance Director of the Club</td>
<td>Director between 1998 and 2011</td>
<td>9 March 2018</td>
</tr>
<tr>
<td>7.</td>
<td>Foundation Director</td>
<td>Director since 2014</td>
<td>16 March 2018</td>
</tr>
<tr>
<td>8.</td>
<td>Initial Chair of the Foundation</td>
<td>Chair between 2010 and 2013</td>
<td>23 February 2018</td>
</tr>
<tr>
<td>9.</td>
<td>Foundation Director</td>
<td>Director since 2015</td>
<td>10 April 2018</td>
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</table>
This data set was complemented with secondary data. A range of accounting and financial documents were reviewed, notably the annual reports and financial statements of Heart of Midlothian plc (available via Companies House) over the period of analysis, a share offer document (Heart of Midlothian, 2012) and annual financial reviews into Scottish football compiled by the accountants PWC over the period 2004/05-2011/12 (PWC, various years). Data provided by the Club and the Foundation were obtained from their respective websites (www.heartsfc.co.uk/ and www.foundationofhearts.org/). Given the role of the media in amplifying issues concerned with the ownership and governance of football clubs (see Figure 2), we reviewed relevant coverage over the period 2004-20181. Other material collected included letters to Foundation members, statements from stakeholders and social media content. The classification of these documents as formal or informal accounts was determined in relation to their use in the conflict arena.

Data analysis of the transcripts, field notes and documents was undertaken collectively by all authors. We used an iterative approach in which we repeatedly challenged our interpretation of the data collected (Miles & Huberman, 1994; O’Dwyer, 2004). A combination of deductive and inductive analysis was employed. The starting point for our analysis was to reflect on theory and concepts in the academic literature which we considered to be of relevance to our case study. After immersing ourselves in the data we then sought to relate these concepts to the dynamics of our arena, specifically the relationships between individual actors identified as arena participants, the focus of those relationships and the differing types of engagement between individual actors. Over time this led to a set of comprehensive themes (see Table 3), which formed the basis of the interpretive analysis that follows.

Table 3. Data analysis themes

<table>
<thead>
<tr>
<th>Ownership and governance structure</th>
<th>Engagement and inclusion</th>
<th>Clarity of shared purpose and values</th>
<th>Quality of management</th>
<th>Accountability-based accounting</th>
<th>Financing mechanisms</th>
<th>Passion and commitment</th>
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4. Results and discussion

4.1 Setting the scene

The Club is structured as a public limited company. The 1980s and 1990s were turbulent for Hearts; a period of cup success, relegation, new owners and new investments, underpinned by growing debt and a deteriorating stadium. This came to a head in 2004 when the Club’s owners, faced with massive debts, proposed selling the stadium (Robertson, 2004). In response, a coalition of stakeholders - Save our Hearts - played a crucial role in preventing the stadium...
sale (Donaldson & Mackay, 2006), which in turn resulted in a take-over of the Club by Vladimir Romanov, a Lithuanian banker (BBC, 2005). Hearts was now financed by debt from Ukio Banko Investiciju Grupe (UBIG), also owned and controlled by Romanov, with its stadium held as security against the debt.

Initially there was a dramatic upturn in performance on the field, match attendance increased, and media coverage was generally positive, framing Romanov’s ownership as a possible transformative moment in Scottish football (Reid, 2006). But this was accompanied by a growing sense of unease: interference by Romanov in football matters leading to player and supporter unrest; sackings and resignations of key players and staff; non-payment of players’ wages; unpaid bills; accusations of money laundering; and allegations by Romanov of a corrupt, political agenda within Scottish football and the Scottish press (McLean, 2013). Romanov’s era ended with the Club entering administration in 2013.

The following sub-sections present our analysis of the emergent conflict, focusing on the three sub-periods outlined in Table 1 above. Figure 2 provides our representation of the Scottish football arena within which Hearts sits, and within which the crisis around the Club played out. The precise configuration of the arena, specifically the formal and informal actors involved, is different during each arena state and this is set out at the start of each of the three sections on the arena states. In addition, changes in the relationships and in the nature and role of formal/informal accounting are discussed throughout each of sections 4.2-4.4. Section 4 concludes with a summary table (Table 4) which provides an overview of the relationship between the arena framework and the empirical results.

Figure 2. The Hearts / Scottish football arena

### 4.2 Arena State 1 [2010-2012]. Emerging crisis – rise of the Foundation

During the early part of this arena state, the key actor was the Club’s owner, Vladimir Romanov. Over time other actors, notably elements of the Club’s supporter base, rule enforcers such as the Scottish Premier League (SPL) and the Professional Footballers’ Association (PFA) Scotland (the players’ union) became active in the arena, engaging formally and informally with Romanov. Issues of contention such as the Club’s financial position were highlighted in the media. Latterly, the Foundation and tax authorities emerged as important arena actors.

From 2010 there were growing media reports of managerial turbulence, driven by evidence of substantive failings in the Club’s formal accounting and governance systems. For example,

*There were no board meetings in the [first] six-years ... Well, there was one at the very start. ... Vladimir [Romanov] ran everything* (Interviewee 6, Former Finance Director of the Club).

Interviewee 8 noted the Club’s financial statements were regularly qualified from 2007/8 onwards (Heart of Midlothian, 2008) "because the auditor couldn't get information to examine
the myriad of companies that Romanov was involved with". However, these persistent audit qualifications did not trigger formal intervention from the football regulators, even though they are early indicators of financial problems. In the six years prior to administration, the wage bill of the Club was in excess of 100% of total income (PWC, various). PWC’s reports on the finances of Scottish football were extensively covered in the media. But despite this public amplification of Hearts’ unconventional cost structure, there was no formal regulatory intervention by the football authorities (Murray, 2011; Spiers, 2011). In contrast, most Club informal accounting communications conveyed very positive messages, underpinned by the refrain that Hearts’ future success depended on Romanov being in charge and on his benevolence in resourcing the Club. However, these external accounts did not represent what was going on inside the Club. For example, restrictive internal financial control mechanisms created business tensions.

I couldn’t pay suppliers, I had to send a list every week to [Director], and he would say don’t pay him and pay him, and there was no rationale in what he said. It was just, “I’m in charge, you’re not” (Interviewee 6, Former Finance Director of the Club).

There was a perception by supporters of a lack of meaningful accountability leading to growing discontent and a lack of trust:

We were unhappy with the way that the Club was being run at that point ... We felt ... that the owners - the custodians of the Club - weren’t treating the Club properly, the fans properly (Interviewee 4, Founding Director and former Chair of the Foundation, and former Club Director).

Interviewees reported that the centralisation of power, disregard of formal governance mechanisms and engagement through public pronouncement, ignored the Club’s dependency on other actors or institutions. While the consequences of this approach were sometimes masked by on-field achievements, a common theme from our interviews was that the overdependence on Romanov, combined with a lack of trust, discouraged others from voluntarily providing non-financial resources and emotional investment.

During Arena State 1, media accounts of formal governance failures and problematic behaviour became more prominent, creating further discontent. For example, reports of late payment of player wages or tax bills were circulated on social media and formed the basis of press coverage (Murray, 2019; Murray, 2011; Spiers, 2011). The cumulative impact of these regulatory and contractual breaches eventually triggered interventions from tax authorities, the SPL and PFA Scotland. From 2012 there was a series of formal and informal accounts of potentially significant punitive sanctions which threatened the existence of the Club (McCafferty, 2012).

Over time the combination of formal announcements, media reports and informal accounts provided a large body of evidence that pointed to problematic behaviour at the Club. In response, the Club produced its own informal accounts designed to counter the allegations, these often promoting Romanov’s ambitious aspirations. While these accounts appeared to be designed to legitimate Romanov’s regime and neutralise opposition, they triggered further counter evidence. For example, Romanov promised to spend over £50m on a new stand but supporters, the local community and enforcement agencies like Edinburgh City Council2 could observe and comment on the absence of stadium development and poor maintenance standards. This period highlights an inherent weakness of informal accounting. Actors, particularly those
on the periphery of an arena, may be unable to judge the legitimacy or trustworthiness of accounts provided and promises made. Moreover, emotional investment in the Club may inhibit critical engagement with the accounts provided.

Another action which created considerable reaction within the arena was the Club’s sponsorship by Wonga, a payday lender regularly criticised for charging exploitative interest rates to individuals in financial distress (Crompton, 2015). Nevertheless, this was presented by the Club as a positive partnership. Hearts’ commercial director was reported as saying:

_We’re absolutely delighted that Wonga is continuing to give such strong support to Heart of Midlothian Football Club and Scottish football for the remainder of this and next season. The partnership has been a great success. Wonga has been the most engaged and involved sponsor the Club has had and I’m sure supporters have seen that with the amount of fan initiatives taking place over the past two seasons_ (The Scotsman, 2013).

However, Interviewee 6 stressed both the commercial expediency of this decision but also its highly contested nature within Club management at the time.

4.2.1 The emergence of the Foundation

At this stage, supporters, in particular the Foundation, started to become crucial actors within the arena. The Foundation’s purpose was to accumulate sufficient financial capital to purchase the Club on behalf of the supporters, through a pledger model whereby individuals contributed a minimum of £10 per month. This entitled them to a single vote in key Foundation decisions, such as appointing directors or share sales, regardless of the size of their pledge. The Foundation sought to build a supporters’ coalition based on the shared vision of a supporter-owned club. In the early days of the Foundation many supporters were sceptical as to the feasibility of supporter ownership.

_The journey for the first two, three years ... trying [to] pull like-minded Hearts fans that we thought had a bit of clout, had a bit of knowledge, a bit of business acumen ... At that point it was very, very difficult to get people to believe that it [supporter ownership] could ever happen_ (Interviewee 4, Founding Director, former Foundation Chair and Club Director).

However, the Foundation’s role in coordinating resistance gradually empowered supporters to participate in the arena struggles and to challenge the acceptability of actions (or inaction) by those running the Club and those responsible for regulating the Club. This included the use of informal accounts, amplified by the media, which made visible the unacceptable consequences of Romanov’s regime. Interviewees noted that this strategy was also intended to activate individuals and institutions located on the periphery of the arena (Adams et al., 2017; Murray, 2019). Evidence of its impact was the Foundation’s growing membership, putative bids to buy the Club, critical media reports, the prevalence of negative supporter forum posts, and informal protests (The Scotsman, 2011). Interviewees reported that the vision of a secure, mutually owned club, aligned with its social values and history, was critical in mobilising the financial and emotional resources of Club stakeholders. This disrupted Romanov’s power within the arena in a similar way to the previous successful _Save our Hearts_ campaign.

4.2.2 And things kept getting worse…
Alongside the rise of the Foundation, the financial precariousness of the Club worsened, accompanied by concerns that its existence was at risk. Recurring themes in our interviews, observations and analysis of available documents included a sense that the social property of the Club was being impaired (Margalit, 2008), emotional support eroded, and the trust previously granted to the owner as custodian of the Club betrayed. This trust was further dented when in 2011 Romanov proposed selling Tynecastle stadium to resolve the worsening financial situation. This proposal, which threatened a powerful emotional symbol of the Club, further strengthened and energised the coalition that sought to overturn Romanov’s ownership and control (Cocieru, Delia, & Katz, 2019; Morrow, 2015).

In October 2012, the Club launched a £1.8m share offer. In the offer document, the Romanov era was portrayed as a golden period for Hearts despite evidence to the contrary. This document appealed to the moral foundations of the Club, emphasising inclusion, passion, commitment to place, history and purpose (Heart of Midlothian, 2012), very similar to the Foundation’s vision. However, this document also contained a warning:

The balance due to UBIG (£22,413,000) is secured by standard security over Tynecastle Stadium and a floating charge across the company’s assets. If UBIG were to demand repayment of the full amount, the company would be insolvent and would face liquidation. ... Unlike directors, who owe certain duties to the shareholders of the company, UBIG does not and can act largely out of self-interest at any time (Heart of Midlothian, 2012, p.18).

While this share issue did not meet its target, funds raised did allow the Club to avoid a series of short-term sanctions and meet contractual obligations. However, this was a temporary reprieve. The fundamental financial problems remained unresolved, resulting in further conflict escalation initiated by formal rule enforcers. Moreover, the relative failure of the share offer reaffirmed that the Club network no longer accepted the legitimacy of Romanov’s regime. Interviewees noted that this intensified discussion about the feasibility of supporter ownership. During this period the public position of the Club’s board was that it was receptive to receiving a ‘realistic’ bid from the Foundation (Murray, 2019) but disagreements remained over what constituted a ‘realistic’ bid (The Scotsman, 2012).

4.3 Arena State 2 [2012-2014]. Winding up and administration

During this arena state period, much of the emphasis was on formal relationships between arena actors, notably between Romanov/the Club and HMRC, the courts, the Administrator, the Club’s creditors, and the SPL. At the same time several actors were active informally, notably the Club’s volunteer base and its employees, including some of the players. The Foundation was active on several fronts: developing relationships with key individuals in particular, Ann Budge and local MP, Ian Murray; communicating its message and plan to the Club’s supporters; and finally, in partnership with Budge, working with the Administrator to submit a bid for the Club. The media played an important role in amplifying this arena work throughout the period.

In November 2012, a winding-up order was issued by the Court of Session for repeated failures to pay tax liabilities. In response the Foundation offered to extinguish the tax debts in return for ownership of the Club. This was dismissed as derisory by Romanov and there was
insufficient support in the arena to force Romanov to accept the offer. This rejection, combined with the winding up order, led Ian Murray to become involved in building alliances with key institutions to try to ensure the Club’s survival. Murray eventually became chair of the Foundation (Murray, 2019). This political intervention further strengthened the Foundation’s power, influence and legitimacy. Over the next few months, other supporter organisations joined the Foundation, citing a shared sense of belonging and emotional commitment (Huth, 2020). At the start of the winding-up process, there were 2,400 pledgers; by mid-May 2013, there were 3,300 pledgers at an average of £21 per month (Murray, 2019).

A key event in the growth of the Foundation was a meeting on 14 June 2013. Ian Murray explains:

_We had never really publicly verified what we were trying to do. We were set to test that at the fan meeting ... There was huge media interest in the Foundation by then. The Club was in trouble, and we were having to embark on a very public campaign for pledgers ... The fan meeting was a sell-out of over 300 tickets ... It went really well ... The supporters were in a tremendous position to buy the Club_ (Murray, 2019).

The Foundation’s strategy involved communicating a message that, while concentrated ownership of a club confers legal control over corporate assets, this does not extend to controlling the resources of the network of informal relationships upon which a club depends (Margalit, 2008). Specifically, it presented a viable alternative in terms of Club ownership, resourcing and governance, offering supporters the possibility of participating in the transformation of Hearts into a new responsible, more resilient institution (Andon & Free, 2012; ‘t Hart, 1993). The pledger model enabled the participation of many supporters with limited resources, while at the same time stressed the ongoing responsibilities of ownership. The foresight to embark on coalition building and capital accumulation before the arena crashed into full conflict was seen by interviewees as critical to their capacity to resolve this crisis.

Nevertheless, Hearts was placed in administration on 17 June 2013, with accountancy firm BDO appointed to run the business (The Guardian, 2013). Formal rule enforcement mechanisms now dominated the arena. Administration triggered a series of sporting related sanctions, including a deduction of 15 points, a player registration ban, a fire sale of players, staff redundancy, renegotiation of contracts and disposal of other assets (BBC, 2013). Collectively these actions constituted a real risk to Hearts’ participation in the league, and failure to exit administration could result in expulsion from professional football (Murray, 2019).

Being placed in administration changed the formal accounting and governance processes at the Club. A further complication was that the main creditor, UBIG was also subject to administration and regulatory investigations in Lithuania (The Herald, 2013). The intervention of formal insolvency law and insolvency practitioners substantively changed the power balance within the arena (Cooper & Joyce, 2013). Constrained by formal legal and administrative processes, the existence of the Club depended in the first instance on the Administrator satisfying creditors’ claims on any remaining corporate assets of the Club. Governance in the arena now involved the exchange of formal accounts of the Club’s financial position, creditor agreements and bids for the Club. The Administrator was only able to share information with the wider arena as determined by the formal rules of insolvency legislation and hence the
exchange of these formal accounts was largely private. However, the Administrator’s actions had left the Club with extremely limited resources to fulfil its sporting and financial commitments.

While the legal machinations were conducted in private, there was extensive use of informal accounting around three themes. First, speculation on legal developments and predicted outcomes; second, a call to arms for volunteers to undertake essential work to keep the Club in operation; and third, stories of the sacrifices made by players, managers and supporters. Informal accounts of the crisis and work required reflected the urgency of the situation and appealed to stakeholders’ emotional investment in, and commitment to, the Club (Baxter et al., 2019; Morrow, 2003). Arena participants were mobilised in many ways ranging from increased attendances for a team doomed to relegation, extensive volunteering to undertake business critical tasks, and professional staff working without pay or on reduced wages (Thomson et al., 2015). Some players agreed to pay cuts and ex-players rallied round to do what they could to keep the Club functioning.

The provision of these resources helped the Club fulfil its immediate sporting and legal commitments, enabling it to operate while the legal arguments played out. This voluntary mobilisation demonstrated how previously peripheral and apparently powerless actors could help shape an organisation’s political, regulatory, and economic environment (Shu & Lewin, 2017). Informal accounts, communicated through social media and then amplified by the mainstream media, presented new evidence of the financial crisis facing Hearts, such as debt levels, wages to turnover ratios and the risk of asset sales (Anderson, 2013b; Smith, 2013). Collectively these informal accounts helped to build coordinated interventions and to motivate arena participants to provide essential resources to the Club. All interviewees noted that without these voluntary contributions the Club would not have survived.

Meanwhile, the Foundation continued to push its inclusive ownership vision and financing model. This involved informal accounts of its plans, strategy and growing financial power, which formed part of its approach to legitimate the Foundation as future custodian of the Club. By July 2013, there were 6,000 pledgers with aggregate monthly contributions potentially able to cover operational cash flows and the servicing of the capital sum required to make the initial purchase (Murray, 2019).

At this stage there were several consortia interested in bidding for the Club, but only the Foundation bid was premised on supporter ownership. However, despite the growing financial strength of the Foundation, it was not in a position to fund the initial purchase and satisfy the creditors. This problem was resolved by the intervention of Foundation member and successful businessperson, Ann Budge, who risked £2.5m of her personal wealth to purchase a controlling stake in the Club. Budge’s intervention, financial power, professional status and social influence played a crucial role in changing the arena dynamics and eventually resolving the crisis. It involved the creation of a corporate vehicle, Bidco (1874) Limited, wholly owned by Budge, which was used to buy the 78.97% shareholding held in Lithuania. While this payment was wholly funded by Budge, it was underwritten by a Foundation commitment to repay this loan and to contribute to the ongoing financing of the Club (Murray, 2019). The Foundation signed a contract guaranteeing the transfer of 75.1% of the Club’s shares provided an agreed schedule of payments were met, which amounted to around £6m over a five-year period (Temple, 2014). The cooperation of Budge and the Foundation created further legitimacy and
trust across arena participants, which enabled further mobilisation of their resources (Fligstein, 2001; Pfeffer & Salancik, 1978) and increased the possibility of a more stable and supportive arena (Sajtos et al., 2018). The Bidco intervention helped build trust with regulatory bodies and those with a commercial stake in the Club, while the Foundation had built trust with political institutions, supporter groups and the media. The coalition between Bidco and the Foundation, coupled with the pledgers’ willingness to provide stable and recurring finances as well as to maintain emotional investments in the Club, helped convince the Administrator of the long-term viability of this hybrid solution (Murray, 2019).

Two points are worthy of emphasis regarding the resourcing plan. First, it offered no financial return to pledgers. It is a financial investment predicated on emotional commitment, made in anticipation of an intangible return - a more resilient football club, that recognises its social and community responsibilities (De Ruyter & Wetzels, 2000; Huth, 2020; Morrow, 2000). Second, the pledge model is aligned with the stated moral underpinnings of the Foundation. These include emotional commitment, long-term thinking, benefiting others, professional ethics, trust and prudence.

The Bidco/Foundation bid was granted preferred bidder status in August 2013 (Anderson, 2013a), triggering a further increase in pledges to approximately £1.3m a year (Murray, 2019). The Bidco/Foundation coalition could now be used to prepare a Company Voluntary Agreement (CVA). After the CVA was approved, the Bidco/Foundation deal was completed and in May 2014, Budge took control of the Club as the new Chair and Chief Executive. Ian Murray joined the new Club board as Foundation representative (McLauchlin, 2014).

4.4 Arena State 3 [2014-2018]. Active cooperation – rebuilding the Club

In the final arena state, the key actors were the new temporary owner Ann Budge, the Foundation and its members, the wider supporter base, and the Club’s commercial and community partners. New media was an important element of communication and amplification within the arena.

The following quote represents the imagined future shared by Budge and the Foundation, and this purpose was now to be promoted throughout the wider arena:

“The main challenges are to use the Club and Foundation working together, and along with Big Hearts [the Club’s official charity partner], to go out into the community, and make everybody’s life better in a whole range of different ways ... through having a community-based football club” (Interviewee 8, Initial Chair of the Foundation).

After emerging from administration, the Budge/Foundation coalition set about regaining trust and legitimacy including producing a combination of formal and informal accounts. They focused on improving the quality of formal accounting reports to key rule enforcers, ensuring full compliance with regulations, avoiding sanctions and rebuilding relationships. Informal accounting was used to try and maintain the levels of commitment, passion and engagement experienced during administration. A key message of these accounts was the acknowledgement of the contributions of arena participants in saving the Club. These informal accounts were produced by both the Club and the Foundation and were integrated with other forms of engagement. These included open meetings, Club newsletters, match day stadium announcements, email updates, social media and website content. More innovative engagement
included an annual Foundation Day and a shirt displaying the name of every pledger.

Following relegation, the pre-season and early stages of the following season (2014/15), saw staff, players and volunteers working together to fulfil fixtures with virtually no resources. As the complex legal issues were resolved, the financial position stabilised allowing the rebuilding of the squad and non-playing staff. This enabled Hearts to win the title and return to the top division with a substantial increase in attendances and season ticket sales. Plans were drawn up for a new main stand. Moreover, the Club’s financial position and performance improved markedly (Heart of Midlothian, 2017), as did that of the Foundation, with membership steady around 8,000 (Murray, 2019). Given the Bidco/Foundation coalition was predicated on inclusion, trust and shared values, accounting, both formal and informal, was seen as critically important in how they engaged with others in the arena. It changed from a reactive re-legitimating activity designed to maintain the status quo, to a proactive legitimacy-building process premised on ensuring co-operation of arena participants in line with a shared vision. Accounting was seen as necessary to enable the collaborative mobilisation of the resources of the Club’s network. This approach was based on the need to ‘think like a supporter’.

I’m sitting here thinking, if it wasn’t me sitting here but this was, you know, whoever, [a supporter] … how would they react [to a particular decision]? (Interviewee 2, Chair of the Club).

An example of this involves the request for supporters to pay cash for season tickets.

I remember looking at season ticket sales and saying “Right, okay, so we’re going to get that amount of money in”, and being told “Oh well, no … because the credit card companies … release it on a game-by-game basis … So, you collect all that money from your supporters, but you don’t see it … and I thought but … we need that money now in order to survive … So I said “The only thing I can do is explain it to the supporters and say please, please, unless you absolutely have to, please pay cash”, and a number of the cash machines around here ran out of money because I mean seriously, the supporters were incredible (Interviewee 2, Chair of the Club).

Using accounting to explain and justify requests for action by supporters was seen to encourage dialogue, participation and to recognise diverse opinions, while also acknowledging the Club’s critical dependencies on others. It was also an opportunity to build trust in the professionals employed to manage the Club.

It’s down to relationships at the end of the day and trust and communication - everybody knowing what’s happening and being involved (Interviewee 3, Former Special Adviser to the Foundation).

The content of these informal accounts directly challenged the myth that supporters are only interested in winning teams (Baxter et al., 2019). Rather, informal accounts stressed the vision of an inclusive, resilient, financially stable club, in touch with its history, aligned with its moral foundations, accountable to the local community and owned by its supporters. Sporting ambition was framed as re-establishing Hearts as one of Scotland’s top four clubs.

How would I measure and define success of the Club? Football success and stability are two metrics, but total societal impact, particularly in Edinburgh, is something that I measure the Club’s future success by as well (Interviewee 7, Director of the Foundation).
This enhanced accounting created new visibilities as to what the Club was doing and how they were doing it, allowing supporters new opportunities to hold the Club accountable. However, openness on its own was seen as insufficient to gain the trust of supporters: it also required observable changes in actions. Two highly visible examples related to shirt sponsorship and signing up to the Living Wage Foundation; decisions made during a period of extreme financial vulnerability, but where Hearts was innovator and first mover within professional football in the UK.

The termination of Wonga’s sponsorship contract was considered a radical but responsible decision (Bradley, 2014). The acceptance of this decision and its short term negative financial consequences was facilitated by informal accounts that explained how continuing with this contract was inconsistent with the Budge/Foundation vision for the Club. The initial plan was to go without any sponsorship and forgo a problematic income stream. However, after the decision to break with Wonga, a group of anonymous benefactors brokered a deal, which saw the Club’s shirts displaying the ‘Save the Children’ logo and a seven-figure sum split between the charity and the Club (Murray, 2015).

We’ve gone from having Wonga on the shirt to Save the Children; all of these things have a massive positive effect on how the Club is now perceived (Interviewee 9, Foundation Director).

Adoption of the UK Living Wage, designed to prevent in-work poverty, was consistent with the Club’s new values. While this resulted in an increase in expenditure, it was presented as fulfilling the Club’s social responsibilities to its employees. Informal accounts were used to explain how the benefits of this decision outweighed the financial costs, stressing that social value and values cannot be represented in formal financial reports. These informal accounts were consistent with prior calls for consideration of different types of value in football clubs, in particular, the need to broaden the scope of accountability beyond that provided by economic accounts (Morrow, 2013). Both the above decisions presented the Club as making a positive impact on its employees and communities.

Interviewees commented on how this approach to governance and accounting challenged the assumption that the involvement of supporters would result in irrational or irresponsible decision-making. Our analysis of interviews and accounts of supporter participation provided evidence of realistic, responsible behaviour and bounded ambition. In this case the adoption of more inclusive accounting and governance mechanisms by the Club and the Foundation resulted in cooperative rather than deviant behaviour.

Interviewees accepted that any future governance structure needed to address tensions between the commercial requirements of the Club and the more inclusive, democratic obligations of the Foundation. Mechanisms would be needed to ensure an appropriate balance of power. This was evident in the ‘Working Together’ document which forms part of the governance framework (Foundation of Hearts, 2018b). After extensive consultations over the period from April 2017 to November 2018 (Foundation of Hearts, 2017), the governance arrangements were backed by almost 99% of votes cast in a Special General Meeting of the Foundation (Foundation of Hearts, 2018a). By the end of 2018, most of the obstacles to supporter ownership had been removed3.
### 4.5 Key observations across the arena states

Several actors have been active during each of the different arena states, some in very specific circumstances, others more generally. Focusing on three of the key actors in the case study, Table 4 provides an overview of the relationship between the arena framework and the empirical results, with an emphasis on changes in relationships across the three arena states and the forms of accounting used.

<table>
<thead>
<tr>
<th>Changes in</th>
<th>Arena State 1</th>
<th>Arena State 2</th>
<th>Arena State 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actor: The Foundation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity focus</td>
<td>Became interested in Club management and finances over latter stages of the Romanov period.</td>
<td>Moved from peripheral pressure group to presenting itself as a credible purchaser.</td>
<td>Focused on governance and ownership.</td>
</tr>
<tr>
<td>Relationship emphasis</td>
<td>Maintenance of dialogue with Romanov, and internal relationship building, including key supporters with political and financial capital.</td>
<td>Engaged with Romanov and then the Administrator. Solidified associations with Ann Budge, key political figures, and other supporter groups.</td>
<td>Foundation members, other supporter groups, rule enforcers, the media.</td>
</tr>
<tr>
<td>Accounting</td>
<td>Relied on traditional media for amplification of the financial impact of Romanov’s problematic behaviour. Informal accounting among members.</td>
<td>Working through Budge, provision of credible bid and business plan.</td>
<td>Emphasis on accountability-led accounting to supporters (e.g., Foundation statements; social value messaging).</td>
</tr>
<tr>
<td><strong>Actor: The media</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship emphasis</td>
<td>Romanov. Latterly the Foundation and rule enforcers.</td>
<td>The Administrator. Ann Budge, Ian Murray MP, the Foundation.</td>
<td>The Budge / Foundation coalition.</td>
</tr>
<tr>
<td>Accounting</td>
<td>Moved from largely uncritical reporting of Romanov’s ownership and governance, to reporting on problematic behaviour (e.g., unpaid wages and taxes).</td>
<td>Reporting of communication from the Administrator and of putative bids for the Club.</td>
<td>Amplified formal Club communication, narrative and financial. Amplified informal accounting from the</td>
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</table>
In the three different arena states, rule enforcers were focused on ensuring compliance with relevant regulations. Aspects of this, including formal accounting, were routine, but other interventions involved reacting to events. The Foundation progressed from reaction in Arena State 1 to pro-action, particularly in Arena State 3 where it was influential in shaping the new institution. This was apparent in its activities; in the focus of its relationship building; and in its espousal of informal forms of accounting, used initially to question the Club’s financial performance and ultimately to promote accountability-led accounting. Throughout, the media’s focus inevitably tended toward the relevant key actor during each arena state (Romanov, Budge, the Foundation). Over time the media responded to the increasing influence of the Foundation, giving greater prominence to its engagement with the issues of ownership and governance and to its informal communicative approaches. The following section will explore further some of the accounting implications in relation to accountability and engagement strategies.

### 5. Evaluation of accountability and engagement strategies

While Romanov limited his informal accounting to making propaganda-like financial and sporting promises to drive out dissent, the Budge/Foundation approach was framed more towards sharing, educating and encouraging collaboration with key arena actors (Sajjtos et al., 2018). This approach sought to harness the supporter base mobilised by the Foundation with Budge’s ability to engage effectively with legal systems, financial institutions, football regulators and wider business networks. Budge/Foundation’s formal and informal accounts sought to manage their dependencies on others who provided essential financial and non-

<table>
<thead>
<tr>
<th>Relationship emphasis</th>
<th>SFA and SPL - limited to formal regulatory requirements. Reactive interventions from PFA Scotland, HMRC, City Council.</th>
<th>The Administrator, HMRC and the courts were prominent in the legal aspects of administration. The Administrator, SFA and SPL were prominent in the football governance aspects.</th>
<th>Limited to formal regulatory requirements.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>Primarily formal requirements. Media amplification of reactive interventions.</td>
<td>Formal processes were largely private.</td>
<td>Primarily formal requirements.</td>
</tr>
</tbody>
</table>

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**Actor: Rule enforcers**

- **Activism of Foundation and credibility of members encouraged critical engagement (e.g. questioning the absence of formal accountability).**
- **Foundation and others. Cross-over with new media.**
The Club now used its website as a tool to amplify and communicate informal accounts of activities⁴. These included opportunities for supporters to comment, and for senior managers to account for the reasons behind their actions, even when these were not popular. Examples include: educating Foundation members as to limits of their powers; communicating the Club’s financial dependency on supporters; and promoting ways supporters could contribute to the Club.

I had to engage, from day one, with the supporters in a very positive way and the way to do that ... was tell them the truth, say it as it is and if we need your help, we’ll tell you we need your help and if you can help us, I’m sure you will. And I believe that’s what has partly contributed to the success of the Foundation (Interviewee 2, Chair of the Club).

In the Romanov era supporters’ trust in the owner was spectacularly abused resulting in the expropriation of supporters and the wider community (Cooper & Johnston, 2012; Morrow, 2012). In stark contrast, Budge/Foundation prioritised the need to put in place governance and accounting mechanisms that protected the Club from being controlled by an unsuitable individual.

We certainly don’t want to fall into the hands of someone who just wants to use the Club as their cash cow, their hobbyhorse, and then bring it to its knees when it all goes pear shaped because they don’t understand the game or the passion ... our governance is really there to provide clarity as to the running of the Club and how that’s going to continue ... that it will be run as a going concern with the relevant legal protections in place. This is for the fans who are pledging and also for the Club and, indeed, the system as a whole (Interviewee 9, Foundation Director).

Engagement activities focused on creating common ground between key actors in the arena (Sajitós et al., 2018), coordinating activities to achieve long-term resilience rather than securing a short-term fix. How accounting in the arena was undertaken was integral to the development of a long-term inclusive governance framework.

We’ve positively worked with the football club since the start. Whereas when you look at some other supporters’ organisations, it is: “we want the board out, we want regime change” (Interviewee 10, Chair of the Foundation and Club Director).

The GWG actively explored future problem scenarios, including potential stress points and possible future conflicts, in order to mitigate their negative impacts. This resulted in the Foundation acting as owners, governors and stewards, rather than executives or operational managers. The separation of roles was seen to require robust accountability mechanisms to allow the Foundation to monitor and evaluate the exercise of powers by Club executives and allow Foundation members to monitor and evaluate the exercise of power by Foundation directors (Cooper & Joyce, 2013). Therefore, it was agreed to maintain two distinct institutions, the Club and the Foundation, with independent formal accounting and governance processes. This also allowed both organisations to use informal accounting appropriate to their purpose and different networks. A dual board structure, with two Foundation directors on the Club board, created opportunities for supporter participation in Club governance and strategy development.
The Foundation’s commitment to provide finance after ownership transfers to the Foundation is distinctly different. Normally, the transfer of share ownership is a single transaction, which limits future liabilities. In this case, the prospective owners voluntarily accepted the responsibility to fund the Club on an on-going basis (Adams & Armitage, 2004). The proposed governance and accounting systems reflected this institutional distinctiveness, designed to enable enduring financial and emotional commitments by Foundation members.

The message is that the Foundation is for the long-term. ... It is not for one specific project or one specific task, and even indeed, once final ownership is achieved, that is not the end of the journey (Interviewee 7, Foundation Director).

6. Conclusion and future research

Evidence is presented on how formal accounting practices were largely ineffective in resolving the financial crisis towards the end of Romanov’s period, which ended with the imposition of formal regulatory sanctions initiated by serious breaches of rules. This is contrasted with the impact of informal accounting produced by those attempting to resolve the existential crisis facing the Club and to rebuild the network of relationships in a contested arena. We highlight how informal accounting was mobilised as a mechanism to pursue a radical transformation of the Club, towards a supporter-owned hybrid institution.

Our research demonstrates the centrality of informal and formal accounting mechanisms to interactions in contested arenas. We show how informal accounting scrutinised and challenged the Club’s performance under Romanov’s management, including its financial performance. The emotional commitment of supporters and their collective expertise produced early warning accounts of governance weaknesses. Our evidence suggests that these informal accounts were needed to complement formal financial accounts that failed to act as early warnings or trigger preventative action by football’s governing bodies or other regulators.

While the case focused on a club in crisis, our analysis suggests there is merit in a programme of ongoing engagement with stakeholders rather than as a reaction to an existential crisis. Crucial here was the Foundation’s mobilisation of supporters and stakeholder coalition-building activities around a vision of supporter ownership, three years prior to the Club entering administration. Supporter involvement and informal accounting contributed to resolving observed weaknesses in formal governance and accountability structures. The case supports other research suggesting that there should be a more inclusive approach to accountability. This should take into account power imbalances, resource dependency relationships and the supportive and disruptive work practices in the political arenas in which a club is embedded. Moreover, the benefits of adopting a more inclusive approach to accountability is not limited to football or even sport clubs but has applicability to any organisation which has engaged stakeholders with at times convergent interests and power imbalances. Returning to football, the ongoing challenges around the adequacy of fit and proper requirements for owners and directors is evidenced in the Fan Led Review of Football Governance (Crouch, 2021) which recommends that new tests be introduced in England to ensure that only good custodians can run vital football club assets.
Our findings suggest that:
- formal accounting and governance were of limited use in managing the complex network of stakeholder relationships and in preventing the abuse of power or existential crises.
- informal accounting played an important role in mobilising critical resources and maintaining supporters’ emotional investments, particularly in periods of intense conflict that threatened the future of the Club.
- informal, rather than formal, accounts enabled collective action and coalition building that helped to reduce the harm experienced by stakeholders due to the abuse of power and/or failure of formal governance systems.
- stakeholders, supported by their use of informal accountability mechanisms and media amplification, were able to resist and disrupt powerful actors that threatened the moral foundation of the Club (Cooper & Lapsley, 2019; Denedo et al., 2017).

In this particular case we observed a relationship between informal accounts and the movement towards supporter-ownership. However, the content of these accounts was deeply entangled with the specific unfolding dynamics of the conflict and our methodological design limits the generalisability of our findings. The findings are subject to a number of limitations associated with our case study methods and accessibility constraints. These include an inability to interview some key actors involved in the conflict, e.g., Romanov, some of whom were based in Lithuania and subject to legal or criminal procedures. This does introduce a political bias as we had to rely on secondary data on their position, rather than primary data. In addition, given the diversity and scope of those involved in the 8-year conflict period, some other voices and opinions could only be included through secondary data analysis.

Literature as to what constitutes authentic accountability-based accounting for professional football clubs remains under-developed. Arguably, too much attention has been afforded to studying and understanding a small number of high-profile super-clubs. Our research suggests that a football club is imbued with multiple meanings. Typical clubs rarely win trophies. Their ambitions are focused on being competitive, maintaining their relevance within communities, and remaining solvent. Improving our understanding of the nature of such clubs has implications for future approaches to governance and accounting in football. More broadly, our findings suggest that any sporting organisation should develop accounting mechanisms that enable the organisation and arena participants to coordinate their activities in pursuit of a shared understanding. This should encourage co-operation amongst those committed to its survival and relative success.

From a theoretical perspective, this study responds to previous calls for more research on how actors engage within an arena (Georgakopolous & Thomson, 2008, Dillard & Vinnari, 2019, Denedo et al., 2017). As demonstrated in our analysis, while rule enforcers were identified as powerful and influential, there are other actors with power and influence, whose activities and interaction provided the opportunity to change the rules in the arena. Moving beyond formal accounting was valuable in focusing attention on the interaction and engagement of different participants within the arena, and in providing an opportunity for previously marginalised arena participants to act collectively. In turn this provided an opportunity for authentic accountability. While our study focused on the arena of a football club, many areas of social and business life are complex and contested, and involve a variety of participants, interacting and negotiating as they seek to resolve conflicts and balance differing objectives. This study illustrates the role that informal accounting, not necessarily produced by the organisation, can play in terms of resolving power imbalances within complex arenas, coordinating activities, and seeking to
develop areas of shared understanding among arena participants. It also highlights the important role of media amplifiers in this process. Reiterating Garcia & Welford’s (2015) suggestion of the need to encourage micro-level studies that remain grounded in the experience of the supporter, we encourage further detailed case study research into other post-crisis clubs. This should focus on their distinct governance, accounting, management, engagement and resourcing models.

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1 This review of media coverage extends beyond the period (2010-2018) that is the focus of this paper. However, given the emergent nature of this case study and the importance of past crises in forming the response to existing crises, we extended this review to the previous crisis in which Romanov was seen as the solution.

2 The old main stand was problematic in terms of public safety with threats of enforcement notices and potential closure.

3 Ownership transferred to the Foundation in August 2021 at which point Hearts became the largest supporter-owned football club in the UK. Foundation members have continued to provide regular financial contributions to the Club.

4 For example, Hearts issued more Club statements in season 2017/18 than any other Scottish club (The Scotsman, 2018).
Table 1. Arena states

<table>
<thead>
<tr>
<th>State</th>
<th>Period</th>
</tr>
</thead>
</table>
| 1     | **2010-2012 Rise of the Foundation**  
A period of EMERGING CRISIS |
| 2     | **2012-2014 Winding up and administration**  
A period of ACTIVE FORMAL CONFLICT that also mobilised massive support from the Club’s arena |
| 3     | **2014-2018 Rebuilding the Club**  
A period of ACTIVE COOPERATION after the Club emerged from the administration process |
Table 2. Details of interviewees (at time of interview)

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
<th>Background</th>
<th>Date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chair of Heart of Midlothian Shareholders’ Association and former Foundation Director</td>
<td>Chair since 2010</td>
<td>9 February 2018</td>
</tr>
<tr>
<td>2.</td>
<td>Majority shareholder, Chair and Chief Executive of the Club</td>
<td>Positions held since 2014</td>
<td>13 April 2018</td>
</tr>
<tr>
<td>3.</td>
<td>Former Special Advisor to the Foundation</td>
<td>Experienced non-executive director with expertise in governance</td>
<td>2 February 2018</td>
</tr>
<tr>
<td>4.</td>
<td>Founding Director and former Chair of the Foundation, and former Club Director</td>
<td>Held last two positions between May 2015 and December 2016</td>
<td>26 January 2018</td>
</tr>
<tr>
<td>5.</td>
<td>Foundation Director and Club Director</td>
<td>Held these positions since 2014 (Foundation) and 2015 (Club)</td>
<td>16 February 2018</td>
</tr>
<tr>
<td>6.</td>
<td>Former Finance Director of the Club</td>
<td>Director between 1998 and 2011</td>
<td>9 March 2018</td>
</tr>
<tr>
<td>7.</td>
<td>Foundation Director</td>
<td>Director since 2014</td>
<td>16 March 2018</td>
</tr>
<tr>
<td>8.</td>
<td>Initial Chair of the Foundation</td>
<td>Chair between 2010 and 2013</td>
<td>23 February 2018</td>
</tr>
<tr>
<td>9.</td>
<td>Foundation Director</td>
<td>Director since 2015</td>
<td>10 April 2018</td>
</tr>
<tr>
<td>10.</td>
<td>Chair of the Foundation and Club Director</td>
<td>Held these positions since 2017</td>
<td>16 February 2018</td>
</tr>
</tbody>
</table>
Table 3. Data analysis themes

<table>
<thead>
<tr>
<th>Ownership and governance structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement and inclusion</td>
</tr>
<tr>
<td>Clarity of shared purpose and values</td>
</tr>
<tr>
<td>Quality of management</td>
</tr>
<tr>
<td>Accountability-based accounting</td>
</tr>
<tr>
<td>Financing mechanisms</td>
</tr>
<tr>
<td>Passion and commitment</td>
</tr>
</tbody>
</table>
Table 4. Changing arena relationships and forms of accounting

<table>
<thead>
<tr>
<th>Changes in</th>
<th>Arena state 1</th>
<th>Arena state 2</th>
<th>Arena state 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actor: The Foundation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity focus</td>
<td>Became interested in Club management and finances over latter stages of the Romanov period.</td>
<td>Moved from peripheral pressure group to presenting itself as a credible purchaser.</td>
<td>Focused on governance and ownership.</td>
</tr>
<tr>
<td>Relationship emphasis</td>
<td>Maintenance of dialogue with Romanov, and internal relationship building, including key supporters with political and financial capital.</td>
<td>Engaged with Romanov and then the Administrator. Solidified associations with Ann Budge, key political figures, and other supporter groups.</td>
<td>Foundation members, other supporter groups, rule enforcers, the media.</td>
</tr>
<tr>
<td>Accounting</td>
<td>Relied on traditional media for amplification of the financial impact of Romanov’s problematic behaviour. Informal accounting among members.</td>
<td>Working through Budge, provision of credible bid and business plan.</td>
<td>Emphasis on accountability-led accounting to supporters (e.g., Foundation statements; social value messaging).</td>
</tr>
<tr>
<td><strong>Actor: The media</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship emphasis</td>
<td>Romanov. Latterly the Foundation and rule enforcers.</td>
<td>The Administrator. Ann Budge, Ian Murray MP, the Foundation.</td>
<td>The Budge / Foundation coalition.</td>
</tr>
<tr>
<td>Accounting</td>
<td>Moved from largely uncritical reporting of Romanov’s ownership and governance, to reporting on problematic behaviour (e.g., unpaid wages and taxes). Activism of Foundation and credibility of members encouraged critical engagement (e.g. questioning the absence of formal accountability).</td>
<td>Reporting of communication from the Administrator and of putative bids for the Club.</td>
<td>Amplified formal Club communication, narrative and financial.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amplified informal accounting from the Foundation and others.</td>
<td>Cross-over with new media.</td>
</tr>
<tr>
<td><strong>Actor: Rule enforcers</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship emphasis</td>
<td>SFA and SPL - limited to formal regulatory requirements. Reactive interventions from PFA Scotland, HMRC, City Council.</td>
<td>The Administrator, HMRC and the courts were prominent in the legal aspects of administration. The Administrator, SFA and SPL were prominent in the football governance aspects.</td>
<td>Limited to formal regulatory requirements.</td>
</tr>
<tr>
<td>-----------------------</td>
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<td>------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Accounting</td>
<td>Primarily formal requirements. Media amplification of reactive interventions.</td>
<td>Formal processes were largely private.</td>
<td>Primarily formal requirements.</td>
</tr>
</tbody>
</table>
Figure 1. Generic arena model

Source: Renn (1992, p. 190)
Figure 2. The Hearts / Scottish football arena