Heidrun Homburg

Financing World Football

A Business History of the Fédération Internationale de Football Association (FIFA)

**ABSTRACT:**
Using a modern business history approach this paper analyses FIFA’s strategy and structure since its first «World’s Cup» in 1930; it asks how the organization was restructured in the course of its growth; and it intends to show that FIFA’s organizational structure changed in accordance with its strategic option for growth and the business success of its main product, the men’s football world championship. In order to do so, the first section of the paper illustrates how FIFA’s main product and growth evolved over time; the second section analyses the composition of FIFA’s receipts as a means to illuminate FIFA’s growth strategies; and the third section follows up the impact of growth on FIFA’s organizational structure and asks when and how it was remodelled to better fit FIFA’s strategic goals. In the conclusion the main findings are discussed in relation to the long-standing, perennially renewed and vehemently expressed request for FIFA to improve its corporate governance.

Introductory remarks

In 1954, Jules Rimet, FIFA’s president from 1921 to 1954 and commonly dubbed «the father of the world championship» summed up his view of the Cup’s organization and evolution over five championships under the headline «Histoire Merveilleuse de la Coupe du Monde» 1. In a certain way the title Rimet chose for his book hit the pitch. The men’s football world championship is indeed a marvel of ingenuity and organizational learning. It is a stunning success story, a tale of sustained growth and of spectacularly rising profits, and it did marvels for its owner and organizing body, the Fédération Internationale de Football Association (FIFA). After the Second World War the quadrennial competition established itself as «the global sporting event number one», and «soccer’s most valuable one-off-event» 3 turned into «big business» in a big way.

Since the 80s the Cup has generated stupendous marketing and commercial revenues; at the end of the following decade it turned from a multi-million to a multi-billion affair, and since that time – at least – both FIFA’s arrangement and handling of the event, its fund raising policy, its administration of receipts and its corporate governance have come under public scrutiny. First of all the stunning business success of FIFA and its main product, the World Cup, were followed and eagerly reported. They were

discussed worldwide in sports and business journals and published in the mass media, and they became the object of investigative journalists. In the end, FIFA’s success story was not only admired, but also came under severe attack. At least since the 80s and even more so at the turn of the millennium, journalists and scholars of different fields (sport, sociology, business, economics) have attacked FIFA’s presidents, João Havelange (1974-1998) and his successor Joseph S. Blatter (since 1998) for autocratic or even worse dictatorial leadership, abuse of personal power, mismanagement, illegal business practices, bribery and corruption.  

Given this state of affairs, it seems important to clarify from the very beginning what this paper is about. The following contribution will not endeavour to top the work of investigative journalists in the sport business, and it does not pretend to provide additional or ultimate proof of recent malpractice in FIFA’s administration. Its purpose is far more modest. It tries to reconstruct FIFA’s evolution from a sort of gentlemen’s club to large corporation and modern enterprise. In his path-breaking studies analysing the historical expansion and the dynamics of large corporations, Alfred D. Chandler was able to show that a firm’s growth from a personal to a managerial enterprise depends both on its strategy and its structure. The product a firm manufactures and wants to sell defines its growth strategy and successful growth requires an adaptation of the firm’s organizational structure to its growth in scale and scope that allows for an efficient allocation, monitoring and control of the firm’s resources through hierarchies of employed managers. Based on the modern business history approach this paper will analyse FIFA’s strategy and structure since the first World Cup in 1930; it will ask how the organization was restructured in the course of its growth; and it intends to show that FIFA’s organizational structure was changed in accordance with its strategic option for growth and the business success of its main product, the men’s football world championship. In order to do so, the first section of the paper illustrates how FIFA’s main product and growth evolved over time; the second section analyses the composition of FIFA’s receipts as a means to illuminate FIFA’s growth strategies; and the third section follows up the impact of growth on FIFA’s organizational structure and asks when and how it was remodelled to better fit FIFA’s strategic goals. In the conclusion the main findings will be discussed in relation to the long-standing, perennially renewed and vehemently expressed request that urges FIFA to improve its corporate


governance. There are two main sources for this three-step analysis: on the one hand it relies upon documents produced by FIFA itself, in particular the Federation’s Statutes, Regulations of the competition, Reports and Congress minutes which can be found in the organization’s archives in Zurich or are accessible via its website fifa.com; on the other hand – and in particular for the more recent developments – it makes use of press clippings from the collection of the Swiss Economic Archives, University of Basel and from online editions that are accessible via internet.

The Product that was to become world football’s and FIFA’s «cash machine»

General remarks

Ambitions need resources. The greater the ambitions are, the greater is the need for regular and foreseeable resources. Income (or grants) need to be administered, spent, invested and distributed. The greater the success, the greater are the obligations for spending and the need for transparency. Although FIFA is a non-profit organization, its past is a history of expansion and of a stunning business success since 1950. The decisive growth factor was the men’s football world championship, its commercialization and marketing. Without adapting its organization at least in some crucial aspects along the lines of a profit-oriented and profit-making business firm, it is difficult to imagine that this expansion would have been possible. Modern business history offers the following concepts and models for analysing and comparing the evolution of firms.

Strategy and structure

It is assumed that growth requires a strategy and that such a growth strategy will have a deep impact on a firm’s organizational structure. A measure of growth is the firm’s output and turnover. A measure of a firm’s success and a precondition for its further growth are net profits that allow – when re-invested – improvements to the product and its marketing or expansion into new lines of activity. Growth in scale and scope brings more resources under the firm’s control. In order to use them in an efficient way, it must rebuild its internal organization (structure). It will tend to reduce risk, uncertainty and transaction costs by hiring professionally trained managers and by improving the specification of its property rights. The managers’ task is to coordinate and monitor the current production and the distribution of goods and services and to allocate resources for future production. In the process, the firm will turn into a bureaucratic, hierarchically structured organization.

Functional integration and diversification

In the process of expansion firms tend to internalize services and functions that have been provided by the market into the firm as a means to secure growth and to reduce transaction costs. They will also tend to diversify, offering new products and services as a means to further growth. All this will have a deep impact on the structure of an
organization. Without adapting the firm’s structure to its strategy it will not succeed in its strategy. Given the interrelationship and interdependence between these two variables there is good reason to argue that structure always follows strategy.\(^6\)

FIFA was by no means an exception to the rule. In the following I shall analyse the process of dynamic growth and interrelated structural change and I shall try to illustrate their impact on FIFA’s corporate governance over time from the first world championship in 1930 to its 18\(^{th}\) Cup in 2006.

**Branding the Cup**

Let’s first look at the product that was created, organized, fostered and «sold» by FIFA and that propelled FIFA’s growth. The product has shown a remarkable durability which is the more noteworthy as its name has been changed several times. The only element of continuity in the designation of the product over the 76 years of its existence has been the Cup, while many other things changed (cf. Table 1). The product was launched in 1930 as «The World’s Cup», and it figured under this name also in 1934 and 1938. After the war when the 4\(^{th}\) Cup was played in 1950, the name was changed to «Jules Rimet Cup», then from 1954 to 1970 (5\(^{th}\) to 6\(^{th}\) Cup) the national teams were invited to compete for «The World Championship and Jules Rimet Cup». From 1974 to 1982 (10\(^{th}\) to 12\(^{th}\) Cup) the competition figured as «FIFA World Cup». From 1986 to 2002 (13\(^{th}\) to 17\(^{th}\) Cup) the designation became more precise, beginning with «FIFA World Cup» followed by the name of the organizing national association and the year, e.g. «FIFA World Cup Mexico 1986». Finally in 2006 the competition’s name was altered one more time and changed into «2006 FIFA World Cup GermanyTM».

The changes in the product’s name are by no means insignificant. They represent not only a fading respect for Jules Rimet, once called «the father of the world championship»; in addition – and this is far more important in our context – they show FIFA’s struggle to improve the specification of its property rights as owner and organizer of the Cup. As evidenced by the scope of the different changes the high and last point in this struggle for ownership and far-reaching control was attained with the 18\(^{th}\) Cup when the Federation succeeded in registering its product, a sporting event, the «2006 FIFA World Cup Germany» as FIFA’s trademark.

FIFA’s claim to be the only corporation entitled to organize and control a world championship is rather old indeed; it was already alleged and written into its first statutes of 1904, and it was closely related to its sporting engagement and financial interests. The question was, however, how these two principal goals might be brought together and how to do it best. And this was obviously a long process of trial and error, depending on many external and internal actors and circumstances. But before I turn to this aspect let me briefly underline that FIFA was right when it insisted on its monopoly, because organizing a world championship really made sense in financial terms and it was to become ever more profitable for the Federation.

To launch a new product successfully is a rather tricky business. The offer must meet the demand in order to become effective; in other words, the new international competition, the World’s Cup must be accepted and "bought" by those whose interests it pretends to serve. Initially, these were first of all the national football associations affiliated to FIFA, the players and the spectators. In 1930, there were altogether 49 national football associations affiliated to FIFA. In regional terms Europe predominated. 32 – the overwhelming majority – of the affiliated national associations represented European countries, 17 had joined from overseas, among them eight from South America, five from North and Central America, three from Asia, and one from Africa. A precondition for success was that at least some of them were ready to participate in the competition. As is well known, their enrolment did not meet FIFA’s expectations when the Cup was launched in 1930. Only four European teams (Belgium, France, Romania, Yugoslavia) sent in their subscription forms for the first World Cup in Uruguay and were willing to leave the Old Continent for this rather costly adventure in the New World. The restrained enthusiasm that manifested itself on the European continent disappointed the Cup’s organizers and was criticised both by FIFA officials and South Americans alike. Nevertheless, although the total enrolment was

### Table 1: The World Cup 1930-2006: Numeration and Denominations

<table>
<thead>
<tr>
<th>Numeration</th>
<th>Year/Country</th>
<th>Denomination</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1930 Uruguay</td>
<td>Coupe du Monde – World’s Cup</td>
</tr>
<tr>
<td>2</td>
<td>1934 Italy</td>
<td>Coupe du Monde – World’s Cup</td>
</tr>
<tr>
<td>3</td>
<td>1938 France</td>
<td>Coupe du Monde – World’s Cup</td>
</tr>
<tr>
<td>4</td>
<td>1950 Brazil</td>
<td>Jules Rimet Cup (World’s Cup) 1950</td>
</tr>
<tr>
<td>5</td>
<td>1954 Switzerland</td>
<td>World Championship Jules Rimet Cup 1954</td>
</tr>
<tr>
<td>6</td>
<td>1958 Sweden</td>
<td>World Championship Jules Rimet Cup 1958</td>
</tr>
<tr>
<td>7</td>
<td>1962 Chile</td>
<td>World Championship Jules Rimet Cup 1962</td>
</tr>
<tr>
<td>8</td>
<td>1966 England</td>
<td>World Championship Jules Rimet Cup 1966</td>
</tr>
<tr>
<td>9</td>
<td>1970 Mexico</td>
<td>World Championship Jules Rimet Cup 1970</td>
</tr>
<tr>
<td>10</td>
<td>1974 West Germany</td>
<td>FIFA World Cup 1974</td>
</tr>
<tr>
<td>11</td>
<td>1978 Argentina</td>
<td>FIFA World Cup 1978</td>
</tr>
<tr>
<td>12</td>
<td>1982 Spain</td>
<td>FIFA World Cup 1982</td>
</tr>
<tr>
<td>13</td>
<td>1986 Mexico</td>
<td>FIFA World Cup Mexico 1986</td>
</tr>
<tr>
<td>14</td>
<td>1990 Italy</td>
<td>FIFA World Cup Italy 1990</td>
</tr>
<tr>
<td>15</td>
<td>1994 USA</td>
<td>FIFA World Cup USA 1994</td>
</tr>
<tr>
<td>16</td>
<td>1998 France</td>
<td>FIFA World Cup 1998 France</td>
</tr>
<tr>
<td>17</td>
<td>2002 Korea/Japan</td>
<td>2002 FIFA World Cup Korea/Japan</td>
</tr>
<tr>
<td>18</td>
<td>2006 Germany</td>
<td>2006 FIFA World Cup Germany™</td>
</tr>
</tbody>
</table>

Source: FIFA, Regulations, FIFA Archives.
rather meagre, the nine teams of South, Central and Northern America who joined the four European teams did support FIFA’s ambitions and nourished its dream of being able to organize a world championship.7

And those who believed in the future of FIFA’s «World’s Cup» were right (cf. Table 2). The second Cup (Italy 1934) went down well. The quota of members who enrolled for the competition increased from roughly a quarter to an impressive 58 per cent, and it reached 63 per cent for the third Cup 1938 in France. Never again in the Cup’s history was the quota of participation as low as in 1930. Admittedly, compared to 1938, there was some rollback when the Cup was played again after the interruption of the Second World War in 1950 (33 or 47 per cent of FIFA’s 70 affiliated national associations enrolled for the 4th Cup in Brazil) and it took several more Cups before the quota again reached the mark of 60 and more per cent in 1974 (69.5 per cent), yet, since the 10th Cup of that year it never again fell below two thirds and it stood at an impressive 94.6 per cent when 193 out of FIFA’s 204 affiliated associations sent in their subscription for the 17th Cup, the «2002 FIFA World Cup Korea/Japan».

Quite eagerly and not without pride Rimet and Hirschman, FIFA’s honorary secretary and treasurer, and other supporters of the new sporting event counted spectators, and here they could claim a double success. Almost 0.5 mil people attended the 18 matches in Uruguay. For a premiere, this was an impressive number, and it set a mark not easily outdone even when compared to later events. The football fans that flocked to the first Cup in 1930 upheld FIFA’s vision. The product FIFA had cherished since its foundation in 1904 and finally launched in 1930 was evidently well accepted by the market; it met a demand and found its buyers.

The number of spectators was very important because it was their entrance fees that constituted the fundamental part of the organizers’ receipts from the early Cup competitions. This fact is well illustrated by the final accounts compiled in December 1931. By that time the balance showed the following figures: FIFA’s total expenditures for the World’s Cup in Uruguay amounted to 11,251.48 Dutch gilders (23,403.08 SFr – Swiss Francs). Its gross income from the Cup totaled 30,410.41 Dutch gilders (63,253.65 SFr). FIFA’s receipts were composed of two items: the entry fees of $200 per team and FIFA’s share (five per cent) of the gross income of the competition’s matches which

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7 The «World’s Cup» was neither the first multinational men’s football competition nor the first one organized by FIFA. It was preceded by the Olympic Football Tournament, the first of which – organized by the IOC – was played in 1908, and which had been controlled by FIFA since 1912/28. With rising tensions over the Tournament’s timing and allocation of receipts between FIFA and the IOC and the clash over the definition of «amateur» as a precondition for the eligibility of players for the tournament between FIFA, the IOC and the English Football Association in the 20s, FIFA’s idea to organize an independent worldwide competition of its own was revived. FIFA’s search for a compromise on the issue provoked heated and lengthy debates inside of FIFA at the time, it did, however, not hamper the launch of the World’s Cup in the end, though the resentment of some affiliated associations turned the organization of the Cup’s early competitions in fact into a sort of venture, and when played for the first time in 1930, it was a real start-up, requiring a venture capitalist to get things going; the governments of Uruguay (1930) and Italy (1934) both heavily subsidized the Cup. See Christiane Eisenberg/Pierre Lanfranchi/Toni Mason/Alfred Wahl, FIFA 1904-2004. Hundert Jahre Weltfußball, Goettingen 2004, 63, 68-69, 100-108; for the Olympic Football Tournaments see also Jürgen Buschmann/Karl Lennartz, Olympische Fußballturniere, vol. 1-4, Kassel 1999-2005.
the organizing Uruguayan Football Association had collected. The latter item was the bigger lump. It amounted to 25,956.14 Dutch gilders (53,998.77 SFr), thus 85.3 per cent of FIFA’s gross receipts were gate proceeds.\(^8\) In the last analysis, the spectators proved

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### Table 2: The World Cup 1930-2002: Entries, Participants (Finals), Spectators

<table>
<thead>
<tr>
<th></th>
<th>FIFA member Associations</th>
<th>Entries Prelims</th>
<th>Participants Finals</th>
<th>Groups</th>
<th>Matches</th>
<th>Total Spectators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>URU WC 1930</td>
<td>July 13-July 10</td>
<td>46</td>
<td>0</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Italy WC 1934</td>
<td>May 27-June 10</td>
<td>53</td>
<td>31</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>3</td>
<td>France WC 1938</td>
<td>June 04-June 19</td>
<td>57</td>
<td>36</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>4</td>
<td>Brazil WC 1950</td>
<td>June 24-July 16</td>
<td>70</td>
<td>33</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>CH WC 1954</td>
<td>June 16-July 04</td>
<td>80</td>
<td>38</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>SWE WC 1958</td>
<td>June 08-June 29</td>
<td>96</td>
<td>53</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Chile WC 1962</td>
<td>May 05-June 16</td>
<td>109</td>
<td>56</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>8</td>
<td>Engl WC 1966</td>
<td>July 11-July 30</td>
<td>126</td>
<td>71</td>
<td>16</td>
<td>4</td>
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<tr>
<td>9</td>
<td>MEX WC 1970</td>
<td>May 31-June 26</td>
<td>137</td>
<td>71</td>
<td>16</td>
<td>4</td>
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<td>10</td>
<td>GER WC 1974</td>
<td>June 13-July 07</td>
<td>141</td>
<td>98</td>
<td>16</td>
<td>4</td>
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<tr>
<td>11</td>
<td>ARG WC 1978</td>
<td>June 01-June 25</td>
<td>147</td>
<td>106</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>12</td>
<td>ESP WC 1982</td>
<td>June 13-July 11</td>
<td>150</td>
<td>109</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>13</td>
<td>MEX WC 1986</td>
<td>May 31-June 29</td>
<td>158</td>
<td>121</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>14</td>
<td>Italy WC 1990</td>
<td>June 06-July 08</td>
<td>166</td>
<td>112</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>15</td>
<td>USA WC 1994</td>
<td>June 17-July 17</td>
<td>191</td>
<td>144</td>
<td>24</td>
<td>6</td>
</tr>
<tr>
<td>16</td>
<td>France WC 1998</td>
<td>June 10-July 12</td>
<td>203</td>
<td>172</td>
<td>32</td>
<td>8</td>
</tr>
<tr>
<td>17</td>
<td>KorJP WC 2002</td>
<td>May 31-June 30</td>
<td>204</td>
<td>193</td>
<td>32</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: FIFA Media Zurich.

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8 Report from the Treasurer 1930 (Schricker) – Balance 31 Dec. 1931, in: FIFA Archives. The balance sheet of FIFA’s «World’s Cup 1930» proceeds and expenditures was slightly corrected in the financial reports of 1931, 1932 and 1933 as some additional proceeds (1,040 SFr) and expenses (2,085.82 SFr) were entered. The new figures had no impact on the main findings.
the Cup’s decisive asset and guaranteed the economic success of FIFA’s venture. This was also the case when FIFA’s balance sheet for the second and third Cup was established. Both times FIFA’s share of the gate proceeds increased slightly in absolute terms; in 1934 it amounted to 55,780.70 and in 1938 to 59,111.00 SFr. Both times this was the lion’s share. In 1934 these proceeds accounted for 85.3 per cent and in 1938 for 92.7 per cent of the total gross receipts that FIFA earned from its World’s Cup.\(^9\)

As long as there were no other important sources of gainful income, quite evidently, the choice of the right place for the competition was of crucial importance for its organizers, the organizing association (or host) and the Federation, which – in a very limited way – participated in the costs that went along with the Cup’s organization. Already the Barcelona Congress of 1929, which instituted the World’s Cup addressed this aspect. When it came to the item on the Congress Agenda «International Championship – Regulations concerning the Finance» the assembled delegates entered into a prolonged discussion of the question how the pursuit of their Federation’s sporting interest in launching the Cup could be harmonized with the poor financial means of FIFA at a time when it had no independent sources of income but was totally dependent on its members, their annual membership fees and their prompt payment of a rather meagre percentage of gate receipts from international matches played by them. The answer was twofold. First, some arrangement was required in order to limit FIFA’s financial engagement to a minimum; second, if the national association that undertook to organize FIFA’s championship was to bear the main financial burden and hence the largest risk, the choice of the right association and the right place was of paramount importance. However, everyone agreed that «financial considerations» should not prevail over «sporting arguments». In order to avoid the formation of a «sporting plutocracy» Vice-President Seeldrayers suggested a minimum requirement as a guideline. The choice of venue should see to it «that the Associations undertaking to arrange the tournament were able to fulfil what they accepted to do» – a bottom line that was «unanimously accepted» by Congress.\(^10\)

**An economic success exceeding all expectations**

Happily for all sides involved, that is for the hosting national association, the participating national teams and last but not least FIFA, the owner of the Cup, the gloomy idea that «FIFA might run the risk of a complete failure»\(^11\) if the wrong candidate organized...
the championship did not materialise. The Cup proved to be a gainful product and a profitable business from the very beginning (cf. Table 3).

FIFA earned a net profit from the first Cup in 1930, and its proceeds showed a remarkable propensity for growth. In the light of later rises of value, the results of the three pre-war Cups might seem meagre but given the anxieties of loss and failure in 1929, they were altogether important both in absolute and relative terms. Moreover, they were understood and read as a message that FIFA was on the right track; there was a market for the product it offered. And once the war had ended, this market expanded vigorously. Since the first post-war Cup in 1950 the globalizing demand turned the world championship into a ‘golden goose’ that produced profits for FIFA exceeding all expectations. Already the balance of the first post-war Cup in Brazil 1950 brought FIFA a «net benefit» of roughly 1.3 mil SFr. Admittedly, the 5th Cup in 1954 (Switzerland) did not outdo the previous Cup, but the 930,000 SFr were still a substantial sum. And this was by no means a foreboding of future decline. Quite on the contrary, after the 5th Cup it happened only once more in the Cup’s history that the proceeds of the previous Cup were not markedly outdone by its successor. Next to the Cup in Switzerland, it was only the 11th Cup 1978 (Argentina) that interrupted the general trend of rising income from Cup to Cup. And both in relative and absolute terms the Cup’s results were quite stunning. In 1958 they came close to two mil SFr, in 1966 they stood at 4.3 mil SFr, in 1974 they had doubled again (8.6 mil SFr). Three Cups later in 1986 (Mexico), they crossed the ten-mil-line when they rose to 21.7 mil SFr. And after they had again more than doubled in 1994 (USA – 57.1 mil SFr), they crossed the hundreds of millions line in 1998 (France – 273.3 mil SFr), and four years later they quintupled and rocketed to 1,442 mil SFr (Korea-Japan 2002).

Generating receipts for the world’s football organization
and «for the good of the game»

The basic reason for the Cup’s stunning financial success is well known; it was the «wedding» of football, television and commercialisation that announced itself with the 5th Cup in 1954 (Switzerland) and took an ever more definitive shape until it was consummated in the 80s. Far less known, however, is how this «wedding» came about and even less known is how the strategy of growth that went along with FIFA’s option for the World’s Cup influenced and actually shaped the organization’s structure.

In good time, FIFA realized the Cup’s special features and dynamics in financial and administrative respects. The Cup proved a source of highly welcomed additional income at a time when the Federation’s activities, its presence in the market of international football competitions and weight in international sport politics depended almost exclusively on the small budget that was fuelled and limited by the affiliated associa-

12 I borrow this expression from Douglass C. North who explains the so-called «Second Economic Revolution» by «the wedding of science and technology» which brought hitherto unforeseeable and continuous growth to those industrialised nations that were lucky to carry it on and to profit from it since the early 20th century, see, Douglass C. North, Structure and Change in Economic History, New York 1981, 67, 159-160,171-186, here 159, 171.
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The willingness (and ability) to pay their statutory membership fees and percentages of international matches to FIFA as the world’s football governing body. Increases in these statutory dues had to be negotiated, and the place to do so was the Federation’s Congress. Of course the delegates representing the affiliated national associations at past Congress conventions were never eager to consent to higher regular statutory contributions. By contrast, FIFA’s share of the Cup’s proceeds was of a different nature: its percentage had to be negotiated in Congress together with the regulations of every new World Cup, but its actual proceeds depended on the successful sale of the product. The Cup implied not only a chance to improve FIFA’s visibility but also to enlarge its range of action thanks to the rising financial means at its disposal. Needless to say, there was thus every reason for the Federation’s leadership to promote the product on behalf of the organization’s autonomy and to see to it that it sold.

### Table 3: The World Cup 1930-2002: FIFA’s share (Receipts in CHF)

<table>
<thead>
<tr>
<th>WC</th>
<th>Receipts (SFr)</th>
<th>defined in sources as*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 WC 1930 URU</td>
<td>38,805</td>
<td>Total Receipts</td>
</tr>
<tr>
<td>2 WC 1934 IT</td>
<td>53,226</td>
<td>Total Receipts</td>
</tr>
<tr>
<td>3 WC 1938 FR</td>
<td>59,963</td>
<td>Net Receipts</td>
</tr>
<tr>
<td>4 WC 1950 BRA</td>
<td>1,322,281</td>
<td>Net Benefit</td>
</tr>
<tr>
<td>5 WC 1954 CH</td>
<td>928,538</td>
<td>Net Benefit</td>
</tr>
<tr>
<td>6 WC 1958 SWE</td>
<td>1,810,238</td>
<td>Profit</td>
</tr>
<tr>
<td>7 WC 1962 Chile</td>
<td>2,117,546</td>
<td>Active Balance</td>
</tr>
<tr>
<td>8 WC 1966 ENG</td>
<td>4,374,304</td>
<td>Active Balance</td>
</tr>
<tr>
<td>9 WC 1970 MEX</td>
<td>6,154,810</td>
<td>Active Balance</td>
</tr>
<tr>
<td>10 WC 1974 GER</td>
<td>8,693,166</td>
<td>Active Balance</td>
</tr>
<tr>
<td>11 WC 1978 ARG</td>
<td>6,139,289</td>
<td>Income</td>
</tr>
<tr>
<td>12 WC 1982 ESP</td>
<td>9,517,920</td>
<td>Receipts</td>
</tr>
<tr>
<td>13 WC 1986 MEX</td>
<td>21,711,797</td>
<td>Receipt</td>
</tr>
<tr>
<td>14 WC 1990 IT</td>
<td>34,431,372</td>
<td>Receipts / WC share FIFA</td>
</tr>
<tr>
<td>15 WC 1994 USA</td>
<td>57,101,510</td>
<td>Receipts / WC share FIFA</td>
</tr>
<tr>
<td>16 WC 1998 FR</td>
<td>273,260,900</td>
<td>Total Receipts</td>
</tr>
<tr>
<td>17 WC 2002 KorJap</td>
<td>1,442,350,336</td>
<td>Gross Profit</td>
</tr>
</tbody>
</table>

* The denomination used for FIFA’s share of the total WC receipts varies in the sources reflecting the evolution of accounting techniques over time. Nevertheless, it is safe to assume that the figures listed above represent the amounts actually used by FIFA for budgeting and comparative earnings analysis.

** According to another source the net receipt amounted to 1.205 billion CHF, see rei [Felix Reidhaar] FIFA für Finanzfachleute, NEUE ZÜRCHER ZEITUNG, No. 242, 18 Oct. 2002 (SWA WWZ, University of Basel).
However, this additional income came in only every fourth year. In financial terms, this constituted the Cup’s second special feature. In administrative terms, the intermittent nature of this income meant a real challenge to develop some sort of husbandry of the funds and adequate accounting practices. Both features were to shape FIFA’s destiny. The option for the Cup meant an option for growth. The Cup was the basis of FIFA’s expansion and it became FIFA’s engine of growth. The «cash machine» called for an efficient management. The revenue FIFA garnered became the decisive factor in bringing about bureaucratisation and diversification alongside a growing autonomy of the Federation’s management vis-à-vis its affiliated associations and the imposition of its prerogatives when it came to the financial stipulations that ruled the Cup’s receipts and their distribution. The process is well illustrated by the Cup’s Regulations that FIFA revised a year or two before the event.
Defining FIFA’s share

No world championship without Regulations. From edition to edition, the Regulations were carefully revised. Changes and amendments were proposed by the members, the hosting national association and by FIFA’s management. The proposals were presented to the affiliated national associations in written form. In order to become effective they had to be adopted by Congress, FIFA’s legislative body. The first draft of the Regulations for the World’s Cup in 1930 was the work of a small committee that had been charged by Congress with this task. When the draft was presented to Congress in May 1929, each section offered ample ground for lively discussions, a practice that was to continue for later editions, too.13

The Cup’s Regulations are a fascinating source in several respects. They inform not only about the organization of the championship as a sporting event, the procedure of the competition, its organizers and active participants, but they also inform about the sharing of the financial burden and profits between all parties (organizers and participants) who were involved in bringing about the event. Event management and financial management were seen as inseparable twins from the first moment when FIFA seriously set about organizing its World’s Cup. Each edition of the Regulations contains a section called «Financial Regulation». This section offers valuable information as to the composition of FIFA’s share and its alterations. The main stipulations of this section are listed in table 4 (cf. Table 4).

As table 4 illustrates, FIFA’s share was composed of several items. The main categories were: subscription fees, percentages of the preliminary matches, percentages of the matches in the final competition, and a percentage of the so-called «Surplus Receipts». The evolution of these items over time differed in a quite remarkable way. Some items are to be found from the first to the 18th Cup, others were dropped. Some items were raised, some items were reduced in the process of revising the statutes. Some items were carefully elaborated, others not. Thus, only the subscription fees were raised several times, whereas the percentages attributed to FIFA stayed stable for a long time and when they were changed, they tended to be reduced; indeed some of them were even repealed. For a long time – from the second (Italy) to the 12th Cup (Spain) – FIFA’s percentages of the gate receipts of the final competition seem to have been the core element of the Federation’s share, as their careful specification and differentiation depending on the round suggest. A first turning point was apparently reached at the 9th Cup in Mexico (1986) when FIFA’s percentages of the matches played in the final competition and its share of the «Surplus of Receipts» were abolished altogether. A second turning point was reached in 2002 (17th Cup, Korea and Japan) and again in 2006 (18th Cup, Germany) when there were only a few elements of continuity left which allow for an easy comparison with earlier editions, while most items were redefined in a way that broke with the past. What had happened? What brought these changes about for the 1986 Cup and the 2002 Cup? Did these alterations have a heavy...


Table 4: FIFA World Cup – Financial Regulations, 1930–2006: FIFA’s Statutory Share

<table>
<thead>
<tr>
<th>Subscription</th>
<th>Preliminaries</th>
<th>Final Competition</th>
<th>Surplus of Receipts</th>
<th>Date of Regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Min. SFr</td>
<td>Com. Proper (1/8, 1/4)</td>
<td>Com. Proper (1/2 etc.)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cup</td>
<td>«Inscrip-</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>tion»</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>«Competition</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Proper»</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscription</td>
<td>Min. SFr</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 1930 URU</td>
<td>100 US$ (--)</td>
<td>(--)</td>
<td>(--)</td>
<td>1929 May 18</td>
</tr>
<tr>
<td>2 1934 Italy</td>
<td>200 US$</td>
<td>5% of gr rec</td>
<td>10%</td>
<td>Revised version</td>
</tr>
<tr>
<td>3 1938 France</td>
<td>50 SFr</td>
<td>5% of gr rec</td>
<td>10%</td>
<td>1932 May (Congress)</td>
</tr>
<tr>
<td>4 1950 Brazil</td>
<td>300 SFr</td>
<td>5% of gr rec</td>
<td>10%</td>
<td>(Schricker, Jan. 1939)</td>
</tr>
<tr>
<td>5 1954 CH</td>
<td>500 SFr</td>
<td>5% of gr rec</td>
<td>10%</td>
<td>1952 Oct. 25</td>
</tr>
<tr>
<td>6 1958 SWE</td>
<td>700 SFr</td>
<td>5% of gr rec</td>
<td>10%</td>
<td>1955 Sep. 17</td>
</tr>
<tr>
<td>7 1962 Chile</td>
<td>1,000 SFr</td>
<td>4% of gr rec</td>
<td>1%</td>
<td>1959 Apr. 24</td>
</tr>
<tr>
<td>8 1966 GB</td>
<td>1,000 SFr</td>
<td>4% of gr rec</td>
<td>1%</td>
<td>1963 Oct. 22</td>
</tr>
<tr>
<td>9 1970 Mexico</td>
<td>1,000 SFr</td>
<td>4% of gr rec</td>
<td>1%</td>
<td>1967 June 03</td>
</tr>
<tr>
<td>10 1974 FRG</td>
<td>1,000 SFr</td>
<td>4% of gr rec</td>
<td>1%</td>
<td>1971 Jan. 10</td>
</tr>
<tr>
<td>11 1978 ARG</td>
<td>1,000 SFr</td>
<td>1% of gr rec</td>
<td>1%</td>
<td>1975 Apr. 30</td>
</tr>
<tr>
<td>12 1982 Spain</td>
<td>1,000 SFr</td>
<td>2% of gr rec</td>
<td>400</td>
<td>1979 May 18</td>
</tr>
<tr>
<td>13 1986 Mexico</td>
<td>1,000 SFr</td>
<td>2% of gr rec</td>
<td>400</td>
<td>1984 Jan. 31</td>
</tr>
<tr>
<td>14 1990 Italy</td>
<td>2,000 SFr</td>
<td>2% of gr rec</td>
<td>600</td>
<td>1987 June 30</td>
</tr>
<tr>
<td>15 1994 USA</td>
<td>2,000 SFr</td>
<td>2% of gr rec</td>
<td>1,000</td>
<td>1991 June 13</td>
</tr>
<tr>
<td>16 1998 France</td>
<td>3,000 SFr</td>
<td>2% of gr rec</td>
<td>1,000</td>
<td>1995 May 31</td>
</tr>
<tr>
<td>17 2002 KorJap</td>
<td>3,000 SFr</td>
<td>2% of gr rec</td>
<td>1,000</td>
<td>1999 July</td>
</tr>
<tr>
<td>18 2006 GER</td>
<td>3,000 SFr</td>
<td>2% of gr rec</td>
<td>1,000</td>
<td>2003 May</td>
</tr>
</tbody>
</table>

Source: Regulations FIFA World Cup (Brochures), FIFA Archives. gr rec = gross receipts, Org Ass = Organising Association, Particip. Nat Ass = Participating National Associations.
impact on FIFA’s finances? As table 3 suggests, the repeals and totally new definitions of the Federation’s share had apparently no severe negative impact on FIFA’s receipts in absolute terms; on the contrary, the latter increased from Cup to Cup. There must have been some sort of compensation, but of what nature? An explanation can be found if we look at the stipulations dealing with the settlement of accounts, more precisely with the definition and the composition of the surplus receipts that were inserted into the Cup’s Regulations over time.

The invention of new sources of income

For several Cups it seemed pretty much self-evident what elements constituted the cake that was to be distributed among the organizing national football association (the host of the Cup), the participating national associations and FIFA. Basically, the Regulations distinguished between two categories of receipts that were to be distributed among the three parties involved, the regular and the surplus proceeds. On the one hand, there were the gross receipts a) of the preliminary matches and b) of the matches of the Competition Proper (the final competition) which were distributed to the three parties with priority according to the key defined in the Regulations. This income constituted so to speak a first – regular – serving. The second serving came with the Settlement of the Accounts and depended on the bottom line of the final competition’s balance after all other expenses had been taken care of according to the respective stipulations in previous articles of the Regulations. For the 4th Cup in Brazil, for example, article 20 stipulated the following procedure: if the final balance was to show a «surplus of receipts of the matches of the Competition Proper», this surplus was to be divided among FIFA (15 per cent), the organizing national football association, the host (30 per cent), and those associations participating in the final competition (55 per cent) «pro rata of the matches played by their teams and of the respective receipts».

And similar stipulations prevailed from the third to the 12th Cup in 1982 (Spain) for the three parties concerned. A remarkable change occurred, however, for the 13th Cup in 1986 (Mexico), when FIFA’s percentage of the surplus was no longer mentioned in the Regulations in the traditional way.

The provision for a potential surplus of proceeds and its distribution turned out to be a real mechanism for fund raising when the organizers discovered new ways and means to sell the main product. In the beginning, everyone seemed to believe that defining the surplus receipts was quite superfluous, as they all shared the idea that the number of spectators or gate entrances and hence the sale of tickets for the final competition was crucial for the Cup’s success and its financial pay-off for the organizers.

The need to specify the receipts of the final competition in greater detail in order to capture additional gainful elements that were linked to the sale of FIFA’s product presented itself for the first time after the 5th Cup in Switzerland. The championship of 1954 had been not only an impressive event in the stadiums with real spectators flocking to the matches, but it had also attracted an important virtual audience by means of

simultaneous radio- and television-broadcasts of the most important matches – the old and (forthcoming) new mass media.\textsuperscript{15}

The combination of real and virtual spectators opened up new dimensions of mass participation in the event. In September 1955, the Regulations for the 6\textsuperscript{th} Cup (Sweden 1958) were edited. Next to the «gross receipts of all the matches» there were now included «fees received for broadcasting, televising and filming».\textsuperscript{16} Three more items were to follow. For the 7\textsuperscript{th} Cup in Chile (1962) the Regulations of July 1959 added the «levy to be paid for friendly matches» that intended to capitalize on a team’s standing in context with the Cup. Such matches needed the permission of the Cup’s organizers and a levy was due to them if they were played «between those national Associations reaching the Final Competition and other Associations and clubs in America during a period of one month before and one month after the Final Competition».\textsuperscript{17} For the 9\textsuperscript{th} Cup in Mexico (1970) the Regulations of June 1967 entered two new items the list of receipts. Both the fourth and the fifth elements that were to supplement the income were closely linked to the discovery of new opportunities to capitalize on the commercial value of the championship as a big sporting and media event of intercontinental reach. Thus, the Regulations for 1970 stipulated that «fees received for ground advertising» and «a percentage of the incidental income from the commercial exploitation of the Final Competition (souvenirs, official programmes, etc.)» were part and parcel of the event and therefore had to be included in the receipts.\textsuperscript{18}

\textbf{The commercial exploitation of the Cup}

All the elements that were initially considered as receipts and surplus in the Regulations edited between 1955 and 1967 underwent, after their first introduction and definition, larger changes. However, with the exception of one item, «the levy to be paid for friendly matches» which was dropped after the 9\textsuperscript{th} Cup in Mexico (1970), the other four elements – «gross receipts of all the matches», «broadcasting, televising and filming», «ground advertising», «commercial exploitation of the Final Competition» – were kept, reformulated and cherished.

If we look at these four enduring elements, only one of them is linked to the real spectators who participate immediately in the event in the stadiums, whereas the common denominator of the three other elements is the commercial exploitation of the event. It seems sound to assume that all parties involved in bringing about the event – and in particular the organizing national association who bore the brunt of the financial risk according to the regulations in the beginning – had a manifest interest that the championship proved a gainful enterprise. As they all got their share of the proceeds,

\textsuperscript{15} See, also for the following, Eisenberg et al., \textit{FIFA 1904-2004} (cf. n. 7), 252-260 (media), 236-251 (commercialisation).
\textsuperscript{16} FIFA, \textit{Regulations World Championship Jules Rimet Cup 1958}, 20 (article 30), in: FIFA Archives.
\textsuperscript{17} FIFA, \textit{Regulations World Championship Jules Rimet Cup 1962}, 19 (article 29), 21-22 (article 32). This stipulation was slightly revised later on; it was retained until the 13\textsuperscript{th} Cup in 1986 (Mexico). See FIFA, \textit{Regulations FIFA World Cup Mexico 1986}, 23 (article 35), in: FIFA Archives.
\textsuperscript{18} FIFA, \textit{Regulations World Championship Jules Rimet Cup 1970}, 17 (article 30, para. 1, and 2), in: FIFA Archives.
increasing the total receipts implied for each side a slice of a bigger cake. However, not all items composing the receipts lend themselves to the same degree of dynamic growth. Increasing the «gate receipts» encountered obvious «physical» limits – they depended 1) on the capacity of the stadiums, the number of teams admitted to play at the competition and the total number of matches played in the competition, 2) on its attractiveness for the football fans and 3) on the ability and willingness of the (potential) spectators to attend the matches and to pay the requested price for the entrance ticket. Though these limits could be manipulated and were indeed extended over the course of time, they were nevertheless real and a factor to be reckoned with. Such «physical» limits were seemingly non-existent when it came to the commercial exploitation of the Cup. The proceeds falling into this category were regulated by the market and they were technology-driven when it came to the mass-marketing of the product via new mass communication media. Generating commercial revenues depended on the organizers’ inventiveness, their salesmanship and, last but not least, on their partners in the event business. The potential for a dynamic increase of the proceeds by exploiting the Cup commercially was realized at the latest in 1955 (Regulations for the 6th Cup, Sweden 1958) when radio and TV-broadcasting were registered as receipts, and more commercial inventiveness was deployed in 1967 (Regulations for the 9th Cup, Mexico 1970) that included «souvenirs, official programmes, etc.» as part of the Cup’s paraphernalia.

And this inventiveness did not come to a standstill in the process of organizing the following Cups. On the one hand, the organizers included new communication and data-storing technologies on the list of media attributable to FIFA for transmitting or recording the event, thus «sound recording of the matches» in 1967, «television recording, closed circuit televising, cassette televising» in 1971, «the official film of the Final Competition» and «video-cassette» recording in 1984, «pay-per-view television» and «the use of film footage in electronic data carriers and in multimedia data bases» in 1995 were added to the list. Finally, in 1999 the relevant article was totally remodelled and now read: «Media rights shall mean the right to broadcast, transmit, display, film and photograph the 2002 FIFA World Cup Korea/Japan and all recordings thereof (or any part thereof) in any form and in all media known or hereafter devised, including but not limited to, the radio and television broadcast rights.»

Also the grip on advertising and its revenues was extended by redefining FIFA’s area of spatial control. A point in case is ground-advertising. At first, FIFA’s exclusive rights to sell advertisement space applied within the precincts of the stadiums. In 2002, it extended its sovereignty to the «Controlled Access Sites» (17th Cup Korea/Japan) and for the 18th Cup in Germany it was to include the «event stadiums» and «other official sites». Furthermore, the players themselves, their bodies and uniforms, were regis-

19 The number of teams was increased from 16 to 24 in 1982 and from 24 to 32 in 1998.
20 See FIFA, Regulations World Championship Jules Rimet Cup 1970 (June 1967), 16 (article 28); Regulations FIFA World Cup 1974 (January 1971), 17 (article 29); Regulations FIFA World Cup Mexico 1986 (January 1984), 18 (article 29); Regulations FIFA World Cup France ’98 (May 1995), 18-19 (article 31);
Regulations 2002 FIFA World Cup Korea/ Japan (July 1999), 30 (article 38), in: FIFA Archives.
21 See FIFA, Regulations 2002 FIFA World Cup Korea/Japan (cf. n. 20), 30 (article 37);
Regulations 2006 FIFA World Cup GermanyTM (May 2003), 38-39 (article 40), here 39 (40.2), in: FIFA Archives.
tered as fresh ground for advertising purposes and integrated into the commercial exploitation of the event. In 1978 and 1982, the Regulations stated that «it is strictly forbidden to carry any form of publicity visible on the clothing or equipment», but a first inroad upon the players’ bodies was admitted for the 13th Cup (Mexico 1986). The relevant paragraph of the Regulations edited in 1984 now stipulated: «At a FIFA World Cup it is strictly forbidden to wear any form of advertising on sports clothing. The manufacturer’s trademark shall be allowed. However, this shall only figure once on the jersey and shorts and not measure more than 16sq.cm.»

This first exception to the rule (which by the way continued to be reiterated in the introduction to the pertinent paragraph and was reworded for the purpose of further specifications) was followed by a quite interesting sequence of expanding the bodily advertising and serving the commercial interests of the sporting goods manufacturer. For the 14th Cup (Italy 1990) the attributed space for the «manufacturer’s trademark (alone or with the trade name)» was enlarged to «20 sq.cm» on the «jersey and shorts», for the 15th Cup (USA 1994) «socks» that had been explicitly designated as zones free from advertising and manufacturer’s trademarks in the previous edition, were admitted as advertising media with a size of «twelve cm²», but – in a sort of trade-off for this conquest – the manufacturer’s trademark on the shorts was at the same time downsized from 20 to twelve cm². In 1994, the goalkeeper’s gloves were allowed to show the manufacturer’s trade mark on a space of five sq.cm; in 1998 (France) five cm² on the goalkeeper’s cap were added to the two times five cm² on the gloves. However, the cap seems to have disappointed as advertising media, for the 17th Cup in Korea/Japan (2002) it was dropped and exchanged for two times 25 cm² on the goalkeeper’s gloves.

In general, the championship in 2002 brought a great leap forward as new articles of the players’ outfit were conquered for «the authorized trademark of the manufacturer»: after the shirt (20 cm²), shorts (twelve cm²) and socks (two × twelve cm²) there were now added thermal shorts (twelve cm²), wristbands (twelve cm²), the track suit jacket (20 cm²) and track suit shorts/trousers (20 cm²). The list of items fit for advertisement remained unchanged when it came to the 18th Cup (Germany 2006), but the space for advertisement greatly expanded. Regulations now allowed for a standardized size of 20 cm² for the manufacturer’s trademark on each previously listed article. The exclusivity of this bodily advertising privilege was underlined both in 2002 and 2006 by a long negative list of garments and equipment (including underwear) where «any and all forms of advertising or commercial identification» were «strictly prohibited»; moreover the Regulations urged «players, goalkeepers, team officials etc.» to follow the book

22 FIFA, Regulations FIFA World Cup 1978 (April 1975), 14 (article 21), see also Regulations FIFA World Cup 1982 (May 1979), 14 (article 21), in: FIFA Archives.
23 FIFA, Regulations FIFA World Cup Mexico 1986 (cf. n. 20), 14 (article 21).
24 FIFA, Regulations FIFA World Cup Italy 1990 (June 1987), 15 (article 22); Regulations FIFA World Cup USA 1994 (June 1991), 14 (article 20), in: FIFA Archives.
25 FIFA, Regulations FIFA World Cup USA 1994 (cf. n. 24), 14 (article 20); Regulations FIFA World Cup France ‘98 (cf. n. 20), 14-15 (articles 20, 21); Regulations 2002 FIFA World Cup Korea/Japan (cf. n. 20), 23-24 (article 25.2).
26 FIFA, Regulations 2002 FIFA World Cup Korea/Japan (cf. n. 20), 23-25 (article 25.2).

Assembling all the elements that allowed the Cup’s organizers to capitalize on the event in the most gratifying way was a long and cumulative process. The continuous drive towards bringing the Cup’s commercial exploitation to perfection is perhaps best illustrated by the wording of the pertinent article in the Regulations for the most recent championship in 2006.

«Marketing rights» – it states – «shall mean all rights of exploitation (in whatever form) of all types of advertising, including electronic and virtual promotion, marketing, merchandising (including but not limited to publications, musical compositions, coins, stamps, DVDs, videos, commercial hospitality, apparel and electronic games of any nature), licensing, franchising, sponsorship, hospitality, publications, and other rights and/or commercial opportunities related to or in connection with the 2006 FIFA World Cup™, including advertising, franchising, displaying, sampling and selling rights of any nature at the event stadiums and other official sites. The marketing rights also include the exclusive right to use and to sub-license the use of the marks.»28

To sum up, the first official steps towards a systematic commercial exploitation of the Cup dated back to the Regulations that were revised in 1955 and 1967 for the championship in Sweden (1958) and in Mexico (1970). They underlined once more the strategic option that guided FIFA and its member associations. In search of rising proceeds, they opted for a strategy of growth. However, a strategy needs a structure. Thus, with the economic success of the product the organization needed not only to foster growth, but also to improve its management. FIFA and the organization of the Cup were to be thoroughly transformed in the course of looking for the best way to cope with the administrative challenges of growth.

The administrative challenges of growth

The decision of May 1929 to launch FIFA’s new product, «The World’s Cup», by accepting Uruguay’s offer to host the first world championship did not please everyone. When the delegates of the affiliated national associations assembled for FIFA’s 19th Congress in Budapest in early June 1930, 37 days before the historical kick-off on 13 June 1930, some associations gave vent to their displeasure. They criticized the Federation’s Executive Committee. In their view it had pushed the Cup’s institution but then had not given «proof of sufficient initiative or sense of organisation» in order to resolve the financial problems involved and to overcome the reservations of many affiliated European associations. The ensuing heated exchange pinpointed basic organizational traits of FIFA and their possible deficiency in view of the new task. In defence of the Executive

27 See FIFA, Regulations 2002 FIFA World Cup Korea/Japan (cf. n. 20), 23-25 (article 25); Regulations 2006 FIFA World Cup Germany™ (cf. n. 21), 30-31 (article 28).
28 FIFA, Regulations 2006 FIFA World Cup Germany™ (cf. n. 21), Section XIX. Exploitation of commercial rights, 36-40 (articles 38 to 40), here article 39.2.
Committee and its alleged lack of stringency one delegate reminded the meeting that it had not been the Federation’s governing body but Congress itself who took the decision and that “[t]he Federation consists of organisations with so diverging interests that such a body could not be managed in the same way as a National Association. A dictator was not possible in the FIFA”. One of FIFA’s Vice-Presidents, Seeldrayers, joined in. He repelled the critics’ technocratic efficiency fantasies and conveyed his deepest disgust at their authoritarian inclinations when he pointed out: «Those who spoke of a dictator would have had him and the FIFA would have represented the slaves.» 29 72 years later, roughly one month before the kick-off of the 17th Cup in Korea/Japan on 31 May 2002, the tide had turned.30 There was no longer a search for energetic management and authoritarian rule, but instead severe criticism of an overdose of both was raised from within. The Federation’s General Secretary first internally and then publicly charged FIFA’s president and his staff of running the organization «like a dictatorship» and after he had presented his lengthy report, it turned out that his critical view was shared by a faction, including some weighty members of the Federation’s Executive Committee. Obviously, things had changed over time and FIFA had reacted to the administrative challenges. In the following I shall discuss when these changes came about and how they were related to FIFA’s expanding business, its strategy of growth and the successful marketing of the Cup.

The setting

The first six Cups (1930 to 1958) were organized and administered in quite a traditional way. Nevertheless, three changes have to be reported that set the stage for later developments. FIFA had been founded as a non-profit corporation (and it is still registered as such today). In governance-terms it was a loose federation of national football associations that were legally independent enterprises in their own right. Basic strategic decisions about policy and procedures, the raising and monitoring of funds and the allocation of resources had to be negotiated. The legislative body to do so was the general meeting, FIFA’s Congress. Until 1932, the tasks of implementing these basic decisions, of representing FIFA’s interests and negotiating on FIFA’s behalf with other sporting organizations etc. as well as the actual day-to-day administrative work that came up were exclusively dealt with in an honorary capacity. The managing committee was elected and appointed by Congress. It comprised the Federation’s Executive Committee which was composed of a president and several vice-presidents, a secretary-treasurer and an auditor.

In May 1932, FIFA’s 21st Congress assembled in Stockholm. It decided to change the traditional setting in two important ways. First of all, and in view of the Federation’s

29 See FIFA, 19th Congress 1930 (Budapest, 6–7 June 1930), Minutes, 5–6, here 5, FIFA Archives.
30 On Friday, 03 May 2002, FIFA’s General Secretary at the time, Michel Zen Ruffinen, presented a 21 page report that was submitted to the organization’s executive committee.

In the introduction the author stated «FIFA is run like a dictatorship». See Fifa rocketed by new allegations, in: THE TIMES (4 May 2002), 28; Blatter under pressure as split widens within Fifa «dictatorship», in: THE TIMES, (6 May 2002), 22; Tomlinson, The world’s most popular sport (cf. n. 3).
low funds and the depressed economic situation in general, the Congress decided to meet every other year instead of every year, a decision that was not to be revised for several decades even after the initial reasons had become invalid. Financial and additional administrative concerns propelled two more reforms in 1932. On the one hand, the delegates remodelled the composition of the managing committee so that it became more hierarchical, functionally specified and effective. In the future, the Executive Committee was to consist of a president, two vice-presidents and six members (instead of a president and eight vice-presidents); one of the Committee’s members was to be «specially charged to control the financial administration of the Federation» and there were to be two auditors instead of one. On the other hand, the delegates attending the Congress were willing to support a more professional administration of the Federation’s day-to-day work and to invest some of FIFA’s funds in a salaried full-time manager. They decided that their previous year’s declaration of intent to have a paid secretary and to establish a permanent secretariat should now come into effect, and they opted for Switzerland/Zurich as the future seat of FIFA. The new permanent secretariat was to be filled with two hired employees. The German lawyer and football official Dr. Ivo Schricker, who had been acting as FIFA’s honorary secretary and treasurer since 1 November 1931, was appointed General Secretary and was employed as full-time manager together with an assistant secretary, the Dutchman Rijnink.

The replacement of the two honorary auditors by hiring the services of «a trustworthy firm […] to examine and certify the accounts» took shape when Congress discussed FIFA’s new Statutes in November 1953 and came into effect in 1954 when Congress appointed for the first time and «unanimously» the «firm of Chartered Accountants ‹Fides› at Zurich to verify the accounts of FIFA in 1955 and 1956».

With one exception, the basic traits of this institutional structure remained unchanged.

31 It took FIFA altogether 72 years before it changed the Statutes in this regard. According to the new Statutes that were ratified by the 2003 Extraordinary FIFA Congress in Doha on 19 and 20 October 2003, Congress was to meet (again) annually as from 2004. See FIFA.com, FIFA Organisation. A truly extraordinary FIFA Congress in Doha, 06 October 2003, http://www.fifa.com/print/article/0,4039,72201,00.html (as of 18 February 2007); FIFA, Statutes (Doha 19 October 2003, effective as of 1 January 2004), article 22. Already in 1999 FIFA’s new president Blatter (elected in 1998) had announced his intention that Congress should meet every year. See idem, «The House of FIFA, Vision and Aspirations for the future». FIFA Booklet, 21, presented at FIFA, Extraordinary Congress 1999, FIFA Archives. For FIFA’s comment on the delayed statutory realization of this intent, see FIFA.com, FIFA Congress. 55th Ordinary FIFA Congress Agenda, 19 Aug. 2003, http://access.fifa.com/en/article/0,4151,109156,00.html (as of 18 Feb. 2007).

32 See FIFA, 21st Congress 1932 (cf. n. 11), Minutes, 5, 6 and 9, also FIFA, 20th Congress 1931 (Berlin, 22-23 May 1931), Minutes, 5 and Schricker (General Secretary), FIFA, Financial Report 1932, FIFA Archives. Schricker received a salary from May 1932 onwards.

33 FIFA, Extraordinary Congress 1953 (Paris, 14-15 November 1953), Minutes, 20, new Statutes, article 29; 29th Congress 1954 (Berne, 21 June 1954), Minutes, 11, FIFA Archives. This meant the beginning of a long-time cooperation between FIFA and «Fides». The firm’s services continued to be hired until 1985, it was then temporarily replaced by the Zurich based firm Sutter Control, in order to be appointed again in 1999, now, however, after some mergers had taken place in the business in 1987 and 1992, under the name of KPMG Fides Peat, one of the big four, internationally active and highly respected audit companies. See FIFA, Congress, Minutes and Financial Reports, 1954 ff.; FIDES, Firma, http://www.fides.ch/html/d/
for roughly three decades. However, in the early 60s when the success of FIFA's business idea to organize a football world championship was a solidly established fact and after FIFA had gained some idea of the growth potential of its Cup, the old structures no longer seemed appropriate to administer and ensure growth. In two steps, 1961 and 1964, the organization of the Cup and the governance structure of FIFA underwent fundamental changes that set the stage for the fully-fledged commercial exploitation of the Cup in the decades to come.

In search of administrative coordination

Already in the 50s the «Reports» presented by the Federation’s General Secretary to Congress made it clear the extent to which the running of the Federation was dependent on its share of the Cup’s proceeds. In his Secretary’s Report for the years 1952 and 1953, written in February 1954 and prepared for FIFA’s 29th Congress in 1954, Gassmann informed the affiliated associations that «the net profit for FIFA from the Jules Rimet Cup in Rio de Janeiro in 1950» amounted to 1,322,281.26 SFr. In his general discussion of the Federation’s «financial position», he wrote quite bluntly: «Once more, income was not sufficient to cover expenditure». The biennial financial period under review closed with a final deficit of 25,127.37 francs. He commented on this dismal state of affairs: «It has frequently been stated, that the ordinary income is not sufficient to meet the total expenses, although the expenses remain within the estimates.» – and concluded: «The profits [sic] from the World Championship – Jules Rimet Cup, which is held every four years, is expected to cover any deficit.»

Subsequent reports repeated the same message; thus the Secretary’s Report for 1958 and 1959, written in February 1960 and prepared for FIFA’s 32nd Congress in 1960, informed the delegates that «the financial year 1959 closed with an excess of receipts of Sw.fr. 1,691,026.02. This sum represents the reglementary [sic, i.e. statutory, HH] part of the FIFA on the benefit of the World Championship – Jules Rimet Cup 1958 in Sweden. Thanks to this sum it was to pay off the deficits of the previous years and to increase the amount of property of the Federation». When it came to forecasting FIFA’s income and spending for the biennial period 1961/62 Gassmann presented two estimates. Both estimates envisaged receipts of 410,440 SFr, but they differed in respect of the expenses which amounted to 707,000 SFr in estimate I and to 892,000 SFr in estimate II, which would leave FIFA with a deficit of 296,560 or 481,560 SFr respectively at the end of 1959. Given this state of affairs where it seemed impossible to increase the Federation’s regular income and where apparently nobody was inclined to reduce the current expenses in such a way that they would match the regular receipts, there was obviously no other way to settle the accounts but to speculate on future receipts. In a certain way it had already become a mantra, when Gassmann came to the
conclusion: «In view of the receipts which at present can be realised, the expenses reach a high level. Only the part of the FIFA on the benefit of the World Championship – Jules Rimet Cup 1962 can procure the necessary means to cover the deficit.»

These forecasts were reinforced by the actual balance sheets of 1960 and 1961. For 1960 «the accounts closed with an excess of expenditure amounting to Swiss francs 95,373.76» and «the financial year 1961 ended on 31st December, with an excess of expenditure of SFr 274,371.67». These forecasts were reinforced by the actual balance sheets of 1960 and 1961. For 1960 «the accounts closed with an excess of expenditure amounting to Swiss francs 95,373.76» and «the financial year 1961 ended on 31st December, with an excess of expenditure of SFr 274,371.67».

The Federation’s financial status as it was expressed in its balances called for some remedy. It was found in 1961 when FIFA’s extraordinary Congress met for a further revision of the Statutes in London at the end of September. The assembled delegates approved «without comment» the new wording of the old article 28 (the future article 30) as it had been proposed by the Executive Committee. In the new Statutes the article would read: «The financial period of the Federation is of four years starting on the 1st January preceding the final round of the World Championship – Jules Rimet Cup. Intermediate balances shall be established on the 31st December of every year.»

The change was commented on by Käser at the very end of his General Secretary’s Report for 1961 not without a certain satisfaction when he stated: «The estimates for the Financial Period 1962-1965 have been made up according to the new stipulations of the statutes of FIFA and submitted to the Finance Committee and then the Executive Committee. These estimates, covering a period of four years, are balanced.»

Furthermore, the Congress approved without detailed discussion the amended article 8 (new article 9) which established a «General Secretariat» (instead of just a «General Secretary»), and 18 (new article 19) that defined the powers and duties of the Federation’s governing board. The revised article stipulated:

«The Executive Committee shall be responsible of the administration of the Federation. It shall have the fullest powers in administration and management. The Executive Committee shall meet at least once a year, in addition to the meeting to be held at the time of Congress. … The Executive Committee shall appoint the General Secretary and, on his recommendation, approve the engagement of the permanent staff of the Secretariat.»

Last but not least the General Secretary’s duties and powers were redefined and extended. In view of the fact «that the volume of work at the Secretariat was constantly increasing and that the General Secretary might have to make additions to the staff at short notice», the Executive Committee proposed to Congress that the Federation’s General Secretary «should be responsible for the appointment and work of the staff». Congress agreed to the proposal without any discussion. The new article 28 read:

36 See Kurt Gassmann, The resigning Secretary General, FIFA. General Secretary’s Report for 1960 (Morcote, February 1961), 4-5, here 4 (quote); Dr. Helmut Käser, General Secretary’s Report for 1961 (Zurich, February 1961), 13-14, here 13, in: FIFA Archives.
38 Käser, General Secretary’s Report for 1961 (cf. n. 36), 14.
39 FIFA, IIIrd Extraordinary Congress 1961 (cf. n. 37), Minutes, 14, 18.
«The General Secretary shall be the head of the Secretariat of the Federation. He shall keep the accounts, the Minutes of the Meetings of the Executive Committee and of the Commissions, conduct the correspondence of the Federation, and act as the link between the Federation, the National Associations, the Confederations, the Organisations and Committees. He shall be responsible to the Executive Committee for his administration and the appointment and work of the Staff of the Secretariat. …».40

Indeed, these assignments in combination with the new paragraph 30 (quadrennial financial period) that were inserted in the Federation’s Statutes in 1961 marked a watershed in its history. It was not only the beginning of a new era with balanced budgets and receipts and expenditures accounts at the end of the quadrennial period as Käser’s comment suggested, moreover it reoriented FIFA’s activities in general. The new business period recognised that balancing FIFA’s income and spending depended on the extraordinary receipts of the Cup and it linked both FIFA’s financial status and its general fate to the successful sale of its main product. In a certain way this – formal – admission and the fullest powers assigned to the Federation’s board together with the establishment of a general office set the rules anew and gave birth to FIFA as a sort of profit-oriented business firm albeit with the peculiarity that it was bound to re-invest its profits into the promotion of association football worldwide. This reorientation set off a new organizational drive towards administrative coordination and a governance structure where policy and decisions about allocation could be made by «administrative fiat» rather than by legislative processes.41

The next steps that were to pave the way for FIFA’s transformation followed in 1964 and they illustrate how FIFA thought to cope with the administrative challenges of growth. When the delegates of the affiliated national associations convened for FIFA’s 34th Congress at Tokyo’s Metropolitan Festival Hall on 8 October 1964, several important items awaited a decision. The Executive Committee submitted a lengthy proposal that was to revolutionize the allocation of «future World Cup Competitions» and shifted the power balance definitively away from the Congress by switching decision-making from legislative processes in the direction of «administrative fiat» that characterizes a centralized operating corporation.42 The proposal came in a rather over-elaborated formulation and was dressed in paternalistic concerns for the well-being of the affiliated associations, the avoidance of conflict and competition among them and for their common interest which was best served by the Committee’s taking care of the best allocation of the Cup. The proposal read:

«At its meeting in Tokyo, Congress will decide the venues of the 1970 World Cup Competition. Subsequently, the Executive Committee intends to ask Congress to authorize them to allocate future World Cup Competitions and Congresses on the lines of the schedule set out below.

40 Ibid., 21.
42 Ibid., 5.
If accepted, this will enable national associations concerned to make adequate preparations without encountering strong competition which regrettably is occurring in connection with the present campaign.

The present uncertainty causes national associations much expense to canvass for votes; puts strain on friendships of some [...]​; involves them in much work, worry and expense and prevents them from concentrating their efforts on more fruitful activities. The Committee feels that many of the delegates who exercise their vote do so without having seen the facilities which are offered by the various applicants and are therefore forced to base their choice on not wholly relevant issues. All this will be avoided if the following plan, proposed by the Executive Committee is found generally acceptable.«

The timetable presented by the Committee listed years, continents and national candidates for the next five Cup competitions and it spanned altogether 16 years. After the 8th Cup (England 1966), it proposed the following scheme that encompassed all currently known applicants and alternated between Latin America and Europe: The 9th Cup (1970) was to be hosted by Argentina or Mexico, the 10th Cup (1974) by West Germany or Spain, the 11th Cup (1978) by Mexico or Argentina and the 12th Cup (1982) by Spain or West Germany, that is by the second American or European applicant respectively who had not been entrusted with the Cup’s organization in the first run. Next, the members of the Committee pledged themselves to visit the countries selected, to inspect all facilities to ensure they were «suitable» and to see to it «that financial requirements and national economy of the potential host was [sic] satisfactory». The implication of the proposed scheme was underlined by the Federation’s president Sir Stanley Rous who stated that once it had been adopted «future venues would be selected by the Executive Committee and not by Congress». The scheme apparently met the demand, it was «approved by 55 votes to 7».43

Congress complied and thus ceded a right that previous conventions had jealously guarded. Again and again the delegates had discussed extensively the different candidates for the Cup and there had been times in the not too distant past when Congress had insisted on its rights and indeed itself shaped the Federation’s outlook by conditioning the rules for the Cup’s allocation. Thus, the delegates at FIFA’s 29th Congress 1954 in Berne had all consented when the Federation’s Vice-President Seeldrayers – on behalf of the Executive Committee and supported by President Rimet himself – had advised the convention against fixing any privileges for any association or continent and recommended «that it would be wise to leave it to the Congress to choose freely the organising country among the proposals submitted».44 And in 1961, at FIFA’s extraordinary Congress in London, it had been the delegates of Argentina and Brazil who took the floor and successfully won their colleagues over to a new multi-continental scheme for the allocation of the Cup that was stipulated in the new article 35 of the Federation’s Statutes:

43 FIFA, 34th Congress 1964 (Tokyo, 8 October 1964), Minutes, 7-8, in: FIFA Archives. 44 FIFA, 29th Congress 1954 (cf. n. 33), Minutes, 14.
«The Federation has the sole right to organise World Championships, the venue of which shall be selected by Congress, so that these contests shall be staged successively in different continents on condition that they are in a position to ensure that they shall be organised according to the rules and financial regulations of the World Championship concerned. The World Championship – Jules Rimet Cup cannot take place twice in succession on the same continent.»

However, the last time Congress had the final say was at its convention in Tokyo in 1964. After having listened to the speeches of both the representative of Argentina and the representative of Mexico in support of their respective association’s candidature a majority of delegates (56) finally voted in favour of the Mexican Football Association as organizer of the «World Championship – Jules Rimet Cup 1970». In the future, it would be up to FIFA’s Executive Committee to decide on the Cup’s allocation and it made it a rule to do so at least six years in advance of the event.

Thus, in the early 60s the restructuring of FIFA’s organization along the lines of a growth-oriented, centrally administered corporation broke new ground. In 1961, the Cup was formally acknowledged as FIFA’s nerve centre, its engine of growth and its cash machine. At the time, no one objected to growth. However, to further growth, a strategy of growth as such was not sufficient; expansion needed also a structure that suited with these ends. It seems fair to say that by 1964 FIFA’s affiliated national associations were ready to cede their rights and that they opted for an administrative control of the Cup in view of the many (including financial) pay-offs it promised. By 1964, FIFA’s governance structure had been finally remodelled in a way that allowed for long-range planning and administrative coordination. The personality who pushed ahead these structural reforms in the early 60s was FIFA’s president, Sir Stanley Rous, the former secretary of the English Football Association who had been elected to the office in September 1961 and presided over FIFA’s fate for roughly 14 years until June 1974. Ironically, it was not Rous himself but his successors Havelange (1974-1998) and Blatter (since 1998) who were to reap what Rous had sown. Along with FIFA’s General Secretary (Käser 1961-1981, Blatter 1981-1998) and an expanding staff of
Managerial control and corporate governance

The new governance regime manifested itself in a series of new stipulations that were entered into the Cup’s Regulations. The new approaches to monitor and allocate the Cup and its receipts shall be briefly summed up in chronological order. In 1978/79 Havelange and FIFA’s General Secretariat started to centralize all negotiations of TV- and marketing rights for the final competition. Accordingly, as evidenced by the pertinent articles in the Regulations and starting with the 12th Cup (Spain 1982) both the hosting national association and the Cup’s Organizing Committee lost more and more of their former rights to negotiate any general or financial terms of the contracts with TV-, marketing or merchandising companies. Obviously, it was not only FIFA’s President and General Secretariat who pushed ahead and imposed managerial control. The outside world also played a role. The new media and marketing partners as well as the sponsors who were willing to pay significant sums for their companies’ visibility at the event needed a reliable partner and administrator of their contracts. And from the very beginning, they confronted FIFA with sophisticated demands for exclusivity of their dearly bought rights and for extended guarantees. The mutual effort of FIFA and its partners to increase receipts and visibility resulted in an ever-increasing drive to centralize coordination and to extend FIFA’s administrative control of the event to all aspects imaginable.

The managerial seizure of control at FIFA’s main office is reflected by the Cup’s Regulations, in particular by those articles that regulated the Cup’s finances. Ultimately,

49 For the figures from 1960 to 1984 see FIFA General Secretary, Secretary’s Report and FIFA Congress, Minutes, FIFA Archives; for 1974 and 1998: Peter Haab/Hans Schneeberger, Interview: João Havelange «Ich hinterlasse der Fifa 100 Millionen Dollar», in: CASH (Zurich), No. 22, 29 May 1998, 46.


51 See FIFA, Regulations FIFA World Cup 1982 (cf.n. 22), 18-19 (articles 29, 29bis); FIFA, Regulations FIFA World Cup Mexico 1986 (cf. n. 20), 18-19 (articles 29, 21, 32); Regulations FIFA World Cup Italy 1990 (cf.n. 24), 20 (articles 20, 23, 34); Regulations FIFA World Cup USA 1994 (cf.n. 24), 19 (articles 29, 22, 32); Regulations FIFA World Cup France ’98 (cf.n. 20), 19 (articles 32, 21, 33); Regulations 2002 FIFA World Cup Korea/Japan (cf.n. 20), 29 (articles 35, 29-30, 37, 38); Regulations 2006 FIFA World Cup Germany TM (cf.n. 21), 36-40 (articles 38, 40, 41), also 28-31 (articles 27, B, 28).
all the former stipulations that had regulated the distribution of the Cup’s receipts were deemed superfluous. A totally new regime was introduced in 1984 by the Regulations of the 13th Cup (Mexico 1986). Section XVIII addressed the Financial Regulations in four articles (30 to 34). With respect to the final competition and the distribution of its receipts, articles 32 and 33 signalled the change.

Article 32 defined the receipts. They consisted of four items:

«a) the proceeds of entrance tickets of all gates;
b) the sum of the TV contract concluded by FIFA;
c) the sum of the contract on ground advertising concluded by FIFA;
d) the levies from the friendly matches according to article 35 of these Regulations.»

And its last paragraph stipulated: «These four sources of revenue shall form total receipts and flow into the finance pool.»

Articles 33 and 34 specified the use and distribution of the receipts by listing the expenditures that were to be deducted from the gross receipts and by naming all the items that were to be served with priority before the remainder, the «profit», was paid out to the «Local Organising Committee», that is to the hosting national football association (30 per cent), and «to the National Associations participating in the Final Competition in proportion to the matches played and respective receipts» (70 per cent). The list of obligatory deductions made clear that FIFA’s general office, its activities and finances, were placed on an entirely new footing. First of all – as the ranking in the long list of items suggests – the Federation’s general office was to profit from the TV and marketing contracts it had negotiated and concluded: 19 per cent of the gross receipts were earmarked for «FIFA’s general organisation and administration costs for a period of four years». The second party to benefit was a fund to promote football: one per cent of the total receipts were earmarked «as contribution to a FIFA-administered fund for the development of football in the continental Confederations».52

In sum, this meant that at least 20 per cent or one fifth of the total gross receipts were reserved for FIFA and were to fuel those activities which FIFA’s president and general office monitored and allocated by «administrative fiat».

The pertinent articles of the Regulations for the 14th Cup (Italy 1990) increased the share to be administered by FIFA’s general office to 25 per cent. The biggest part, 19 per cent, was earmarked – as before – «for FIFA’s general organisation and administration costs for a period of four years», 5 per cent (instead of 1 per cent) were earmarked as a «contribution to a FIFA-administered fund for the development of football, 2 per cent of which goes to the continental Confederations», and the last 1 per cent was earmarked as «contribution to a special fund, the use of which is to be decided by the FIFA Executive Committee».53 These stipulations were effective for two more championships until 1998, and it is safe to assume that they reflected FIFA’s successful sale of the TV rights for 1990, 1994 and 1998. In 1987, the European Broadcasting Union had offered a lump sum of 340 mil SFr for the broadcasting rights of the

52 See FIFA, Regulations FIFA World Cup Mexico 1986 (cf. n. 20), 20-23 (articles 31-34), here 21 (quotes).
53 FIFA, Regulations FIFA World Cup Italy 1990 (cf. n. 24), 22 (article 35, quotes), see also article 34.
three Cups. At the time, it seemed an excellent arrangement, and FIFA was ready for the deal.\textsuperscript{54}

After the 16\textsuperscript{th} Cup (France 1998) these financial stipulations were replaced. They must have been amended, but how they were changed exactly is hard to say. The Regulations of the 17\textsuperscript{th} Cup (Korea/Japan 2002) and 18\textsuperscript{th} Cup (Germany 2006) do not allow researchers to follow the changes. The sections «Financial provisions and ticketing» in the Regulations for 2002 (Section XIX) and 2006 (Section XX) refrain both from defining the different sources of revenue that form the Cup’s gross receipts and from detailing their use and distribution, and the Federation’s «Statutes – Regulations Governing the Application of the Statutes – Standing Orders of the Congress» as of 1999, 2000, 2001 and 2004 also remain silent.

It is hard to believe that the income generated by selling FIFA’s main product did not matter any longer. After all, the proceeds from the commercial exploitation of the Cup were FIFA’s main source of income and they rocketed from the twelfth Cup (Spain 1982) to the 18\textsuperscript{th} Cup (Germany 2006) as FIFA’s management seized control over the financial terms of the contracts, tightened its grip and tried hard to specify its property rights so that the Cup might yield more and more (cf. Table 5).

\textit{Table 5: The World Cup 1982-2006: FIFA Receipts from TV and Marketing Rights, 1982-2006 (mil SFr)}

<table>
<thead>
<tr>
<th>edition</th>
<th>WC</th>
<th>TV Rights</th>
<th>Marketing Rights</th>
<th>TV and Marketing</th>
</tr>
</thead>
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<tr>
<td>12</td>
<td>1982 Spain</td>
<td>39</td>
<td>36</td>
<td>75</td>
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<td>13</td>
<td>1986 Mexico</td>
<td>49</td>
<td>45</td>
<td>94</td>
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<td>14</td>
<td>1990 Italy</td>
<td>95</td>
<td>56</td>
<td>154</td>
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<td>15</td>
<td>1994 USA</td>
<td>113</td>
<td>75</td>
<td>188</td>
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<tr>
<td>16</td>
<td>1998 France</td>
<td>162</td>
<td>110</td>
<td>272</td>
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<tr>
<td>17</td>
<td>2002 Korea/Japan</td>
<td>1,485</td>
<td>504</td>
<td>1,989</td>
</tr>
<tr>
<td>18</td>
<td>2006 Germany</td>
<td>1,700$^a$</td>
<td>1,000$^a$</td>
<td>2,700$^a$</td>
</tr>
</tbody>
</table>

$^a$ Provisional figures, the final account was not available.


\textsuperscript{54} See Kistner/Weinreich, \textit{Milliardenspiel} (cf. n. 4), 100, 115f. At the time (1987), the deal was celebrated by Havelange as big success and mass media worldwide reported on the enormity of the price, later on when the demand expanded and the prices for TV (and marketing) rights of sporting events continued to soar in the 90s, the press called FIFA’s deal «the biggest miscalculation in the history of sport» (dpa) and Havelange as well as FIFA complained that they had accepted the deal at «a dumping price». See Kistner/Weinrich, \textit{Milliardenspiel} (cf. n. 4), 115; Haab/Schneeberger, Interview: João Havelange (cf. n. 49); rei [Reidhaar], \textit{WM-Rechte} (cf. n. 50).
It is disturbing that after 1998 neither the Cup’s Regulations nor the Federation’s Statutes keep track of the distribution of the Cup’s proceeds and FIFA’s relative share. However, it is also most revealing and might be read as a strong indicator of further changes in the organization’s structure that have been discussed in this section.

Scrutinizing the available documents, there is only one subtle hint that might help to explain why FIFA no longer needed to specify its share and allocation of receipts explicitly in the Cup’s Regulations for 2002 and 2006. On 9 July 1999, 195 of a total of 203 affiliated members attended the extraordinary FIFA Congress in Los Angeles. It was the first Congress to be presided over by Joseph S. Blatter, who after 24 years of service for FIFA, first as Development, then Technical Director and since November 1981 as General Secretary, had been elected the Federation’s new President in June 1998. Once more the member associations were asked to revise the Federation’s Statutes. Among the amendments proposed by the Executive Committee was one dealing with the Federation’s financial administration. The proposal referred to one word in article 45 and asked the Congress to replace «following» by «preceding». After the amendment the new wording was to stipulate that the Federation’s quadrennial financial period «shall begin on 1 January preceding the final round of each FIFA World Cup» instead of «shall begin on 1 January in the year following the final round of each FIFA World Cup» (emphasis added, HH). The Congress Agenda gave the following explanation for the proposal: «Reason: This change in the budgetary period has been proposed to adjust the FIFA four-year financial period so as to coincide with the terms of payment laid down in the new FIFA marketing and television contracts.»

Before the delegates were asked to vote on this item, it seems that they received some additional information; the minutes, however, are not very informative. The relevant paragraph reads:

«Chairman of FIFA Committee for legal matters had explained the advantages for FIFA in adjusting the four-year budgetary cycle to commence on 1 January of the year immediately following the final competition of a World Cup so that the business activities would coincide with the terms of payment laid down in the new FIFA marketing and television contracts, the proposal was put to vote with the following result; 146 votes in favour, no votes against. The proposal was thus approved.»

After the proposal to amend article 45 had been adopted by Congress, things started happening very fast. The balance sheet for 1998 and the receipts and expenditure account for the calendar year 1998 (obviously they had been prepared in advance in anticipation of the approval) were presented and FIFA’s Senior Vice President and Chairman of the Finance Committee, Julio Grondona, pointed out that «this year’s account» (1998) had been prepared as «a single year falling between two financial peri-

55 FIFA, 51st Congress 1998 (Paris, 7-8 June 1998), Minutes, 17-18, in: FIFA Archives. In the first ballot there were 111 votes for Blatter and 80 votes for Lennart Johansson (UEFA), neither candidate had attained the 2/3 majority required in the first ballot (128 votes), the second ballot was relinquished when the latter withdrew his candidature and Blatter was declared President.

56 FIFA, Extraordinary Congress 1999 (Los Angeles, 9 July 1999), Agenda, 37 and Minutes, 11, in: FIFA Archives.
ods» (that is 1994-1997; 1998; 1999-2002); in other words, 1998 was transformed into a «period» in its own right. Happily for FIFA and its constituency, the year’s books closed with «surplus receipts» that totalled 33,584,218 SFr. In an unusual move, at least two delegates looked carefully at some listed items and asked for explanations. In reply to their inquiries, both President Blatter and Michel Zen Ruffinen, who had succeeded the former as the Federation’s General Secretary, assured the Congress that there was no cause whatsoever for any anxiety. Blatter pointed out that «FIFA’s new financial management and the new auditors [KPMG] would ensure that international standards of accounting were adhered to», and Zen Ruffinen hastened to add «that FIFA had now restructured its administration and had employed highly specialized staff to deal with the expanding FIFA revenue». The reason for their efforts to reform FIFA’s financial management was soon to follow: it was the «expanding FIFA revenue». Blatter ventured to unveil the secret when he turned to the next item on the agenda, the budget of FIFA’s forthcoming (new) quadrennial financial period covering the years 1999 to 2002, and proclaimed:

«That the entire football family would now have a share in the revenue from the sale of the 2002/2006 World Cup television and marketing rights which amounted to almost CHF 2,000 million. All national associations would receive a sum of USD 1 million (USD 250,000 per annum over a period of four years), with USD 10 million going to each confederation. In addition, CHF 100 million had been budgeted to cover the new GOAL project which was a programme to provide tailor-made assistance to the most needy associations. Backing would also be given to the CIES [International Centre for Sports Studies], the F-Marc programme, the SOS Children’s Villages and a project now under study to make sure that players were adequately insured.»

[…] «He concluded» – the minutes record – «by saying that this was how the total expenditure for the budget amounted to CHF 1,600 million, 33 per cent of which was destined directly to development purposes. FIFA was thus putting the idea of solidarity into a tangible form.»

It was then up to Grondona to add one further item to the list of expenditure that Blatter had forgotten to mention, namely the 760 mil SFr «that would be absorbed by the cost of staging the 2002 World Cup» (including «compensation for the hosts, Korea and Japan, and a share in the profits for each of the 32 finalist teams» etc.). Grondona expanded on «the income of over CHF 1,800 million (primarily stemming from the sale of television and marketing rights)» that was to cover all these marvellous things along with an anticipated «surplus of CHF 245 million» for FIFA at the end of the budgetary period.58 Not surprisingly, after having heard all the good news, the Con-

57 Blatter seems to refer to Urs Linsi, a financial expert and manager at Crédit Suisse in Zurich (FIFA’s house bank) who had joined FIFA on 1 June 1999. He was appointed as «director of finance» and new head of FIFA’s finance division and deputy of the general secretary, three years later he was to replace Zen Ruffinen as FIFA’s general secretary. See Urs Linsi Gene-

ralsekretär a.i., BASLER ZEITUNG, No. 149, 29/30 June 2002, 3; Lukas Hässig, Hundert zu Null. Urs Linsi, DIE WELTWOCHE (Zurich), 14/04 (http://www.weltwoche.ch/artikel/print.asp?AssetID=7384&CategoryID=66, as of 18 Jan. 2007).

58 FIFA, Extraordinary Congress 1999 (cf. n. 56), Minutes, 11 (quote Blatter), 12 (quote
gress approved both the balance sheet alongside the receipts and expenditure account for the one year period from 1 January to 31 December 1998 and the quadrennial 1999-2002 budget. When put to the vote, both items garnered 144 votes in favour, none against.\textsuperscript{59}

However, neither Blatter nor Grondona nor any one else thought it necessary to inform the delegates at this point (or earlier) about the impact of FIFA’s new contracts and its «new financial management» on the relationship between the affiliated national associations on the one hand and FIFA’s board and general office in Zurich on the other. Though one of them, borrowing «KMPG’s own advertising slogan» remarked «it’s time for clarity»,\textsuperscript{60} none of the delegates insisted on being informed. And why should they? On the one hand, long-term contracts for the commercial exploitation of the Cup that were negotiated and concluded by FIFA’s board and General Secretariat on behalf of the Federation were nothing new; indeed, this had been practiced by President Havelange and his staff since 1984,\textsuperscript{61} and some information as to the new contracts for the 17\textsuperscript{th} (2002) and 18\textsuperscript{th} Cup (2006) that had been assigned in 1996 and 1997 had already circulated. On the other hand, perhaps all of them understood immediately that «the sums due from the sale of the 2002 World Cup rights which were guaranteed by signed contracts with FIFA’s contractual partners»\textsuperscript{62} – as Zen Ruffinen pointed out – put FIFA’s management under enormous pressure and implied far-reaching structural reforms. And if they did so, they were in fact right. The «expanding revenue», along with FIFA’s main contractual partners who guaranteed it, developed a momentum of its own that was to change FIFA’s government structure and the organization altogether in important ways. Five points form the bottom line and deserve a closer look.

First of all, the above-mentioned contracts had already been signed by FIFA in July 1996 (television rights for Europe and for the rest of the world with the exception of the United States of America) and December 1997 (marketing rights and TV rights USA) for the next two Cups in 2002 (Korea/Japan) and 2006. FIFA’s contractual partners – Taurus Film GmbH/Leo Kirch and Sporis Holding for the TV rights (Europe, rest of the world with the exception of the USA) and the ISL (marketing rights world- 

\textsuperscript{59} FIFA, Extraordinary Congress 1999, Minutes (cf. n. 56), 12.

\textsuperscript{60} In addition, Mr. Suketu Patel, the President of the Seychelles Football Federation also «suggested that it would be preferable for the accounts to be accompanied by explanatory notes detailing significant accounting policies adopted when preparing them, in keeping with the provisions of international accounting standards». Ibid, 11.

\textsuperscript{61} See Haab/Schneeberger, Interview: João Havelange (cf. n. 49). For FIFA’s early marketing and sponsoring contracts and the role played by Horst Dassler (Adidas) and ISL/ISMM see also Barbara Smit, Drei Sterne gegen Puma. Zwei verfeindete Brüder im Kampf um die Weltmarktführerschaft, Frankfurt a. M. 2005, 131-136, 164-172, 183-185 (idem, Pitch invasion: three stripes, two brothers, one feud: Adidas and the making of modern sport, London 2006). 

\textsuperscript{62} FIFA, Extraordinary Congress 1999 (cf. n. 56), Minutes, 11.
wide and TV rights USA) – guaranteed minimal revenues of 1.3 bil SFr (TV rights) and 420 mil SFr (marketing rights) for the 17th Cup in 2002 and 1.5 bil (TV rights) and 470 mil SFr (marketing rights) for the 18th Cup in 2006.\(^6\)

Secondly FIFA’s business partners signed a contract of advanced annual payments to FIFA. They thus contributed to FIFA’s budget by partial payments of the total contractual and guaranteed amount in the three years preceding the Cup and in the year of the event itself. Thirdly in view of this scheduled and guaranteed income FIFA changed its business period so that the Federation – by contrast with its former practice – no longer capitalized on past events (e.g. the Federation’s revenue of the 1998 Cup) to finance its administration, its general goals and the organization of the forthcoming Cup for the next three years to come. Instead since 1999, it relied on the advance payments of the forthcoming Cup’s total minimal income from TV and marketing rights that was guaranteed and transferred to FIFA’s accounts in four uneven instalments in the course of its quadrennial business period.\(^4\)

Fourthly as the total annual cash influx of the advance payments went to FIFA, there was no longer any need to specify its share of the Cup’s gross receipts, since the lump sum of the forthcoming Cup’s revenue was under FIFA’s administrative control from the very beginning. Fifthly the implication of FIFA’s extended control was twofold. On the one hand, it allowed FIFA’s president to implement effectively the pledges of his campaign with respect to the Federation’s increased commitment to development projects and to the global promotion of association football since he controlled the financial means to do so on a regular and scheduled basis. In fact, under this new general set-up FIFA’s salaried top manager was obliged to pledge himself «that the entire football family would have a share in the revenue from the sale of the 2002/2006 World Cup television and marketing rights». Blatter followed these guidelines not only at the extraordinary FIFA Congress in July 1999 but again and again at ensuing Congresses and in his presidential messages to the «football family» in the years to come. However, FIFA’s top management did not leave it at that. The declaration of intent became formal with the entry of a range of pertinent items into the Federation’s quadrennial budget for 1999-2002 that was presented by FIFA’s management to the member associations and approved by Congress in July 1999. Thus, the allocation of resources and the transfer of goods and services from the central organization (respectively from top down) to FIFA’s constituency, the member associations, became mandatory, and henceforth they were to be defined by accounting procedures.\(^5\) First the budget itself, next the annual balance sheets and then the final account at the end of the quadrennial bud-

\(^6\) See Kistner/Weinreich, Milliardenspiel (cf. n. 4), 121, 123, 126-127, 173-174.

\(^4\) The FIFA Financial Report 2003 (according to International Financial Reporting Standards), Annex, Consolidated financial statements, Notes to the Consolidated Financial Statements, Accounting Policies, Note F, 61, explains the nature of these contracts in the following way: «Under these revenue generating contracts, FIFA receives royalties in the form of guaranteed minimum payments and sales-based additional payments (profit share).» For more information on the «profit share» see ibid., Other Disclosures, Note 30, 89, «Contingent Revenue». The Report was presented at FIFA’s 54th Congress 2004 (Paris, 20 and 21 May 2004), it is available at FIFA.com.

\(^5\) For a general discussion of FIFA’s wide-ranging development policies since the mid-70s, their implication and assessment as «top down» interventions see the excellent article by Christiane Eisenberg, Der Weltfußballverband FIFA im 20. Jahrhundert. Metamorphosen
The getary period became now – so to speak – the indicator of the «completion» of FIFA’s mission. And it seems that the tangible result of this formalized (accountable) pledge was immediately understood, indeed, that it was taken for granted by those whose development and integration into global football depended on it. Perhaps not surprisingly, it was the President of the Zambia Football Association who hit the point. Immediately, he said: «[...] vowed his wholehearted support for the budget but urged that the funds for the national associations be released as soon as possible because their progress depended largely on being able to employ this money without delay».

On the other hand, however, not only did FIFA’s members grow more dependent on FIFA’s administrative coordination but FIFA’s management also grew more dependent on the reliability and solvency of its business partners, just as the latter had gained a vested interest in FIFA’s successful organizing of the Cup on behalf of the most profitable exploitation of their rights. Since 1999, the benchmark for all parties involved was FIFA’s accountancy and the organization’s transparency. This, indeed, put pressure on FIFA, an organization that had avoided transparency for so many years. The natural, though (un-)intended consequence of this accrued interdependence was a series of structural innovations that were to transform FIFA more and more into a modern business enterprise – at least as far as the management and marketing of its income-generating sporting events were concerned – while it continued to be registered as «an international non-governmental, non-profit organisation in the form of an association according to Swiss law». And quite paradoxically – at least according to Swiss law – the combination of efficient event management in line with modern management techniques and a financial reporting system that respected the Federation’s stakeholders made all the more sense. FIFA’s legal form and exemption from taxes do not depend on the amount of the Federation’s revenues, but on the allocation and constant re-investment of its gross profits in order to «improve the game» and to «promote it globally». According to the Swiss taxation rules for associations, it is the adequate spending of revenues that counts not the getting of revenues by organizing the Cup and by selling «the license to exploit the radio and television rights as well as marketing rights» of FIFA’s flagship event.

Financial reporting and the twisted road to transparency

At the end of the 20th century, the «House of FIFA» badly needed reconstruction – this was the basic, though not plainly stated message of FIFA’s new president and his advisers in 1999. And indeed, the reconstruction started to take shape in the years to come.
come. The main steps that signalled the transformation and the general restructuring of FIFA since 1999 were the following: Starting with the annual balance sheet of 1999, KPMG Fides, one of the «Big Four» global players in the business, was appointed as FIFA’s external auditors. As had been recommended by one delegate at the extraordinary FIFA Congress in July 1999, the Federation reviewed its accounting system. On the advice of KPMG Fides, the Federation’s management and its member associations opted in August 2000 at the ordinary Congress in Zurich to keep the Federation’s accounts henceforth «in conformity with International Accounting Standards (IAS) to ensure that they were comprehensible and transparent». In May 2002 at the extraordinary FIFA Congress in Seoul, Grondona, the Chairman of the FIFA Finance Committee, reported on the progress in the matter and commented on the scope of FIFA’s earlier decision: «[…] FIFA has successfully negotiated the transition from a traditional method of club bookkeeping to a modern commercial system of accounting that is also employed by many global, listed, profit-oriented organisations». The new system of accounting was to be fully applied and all accounts were to be rendered in line with the new standard as of January 2003 when FIFA’s new financial period began (2003-2006). The old system of accounting based on cash method principles according to Swiss legal minimum requirements was not immediately abandoned. It had been used in 1999 for budgeting FIFA’s quadrennial receipts and expenditures and it remained the point of reference for all annual financial statements until the end of that business period. Moreover, it was effective when the forecast of revenue and expenses for the 2003-2006 period was established in 2002.

Nevertheless, the transition to the new system of accounting in accordance with the International Financial Reporting Standard (IFRS, formerly IAS) meant that FIFA’s structure had to be reorganized in a way that fitted the system’s requirements and helped the Federation’s endeavour «to produce internationally acknowledged financial reports» that were «in line with [the] expectations of [the] international community», assured «more transparency through disclosure to the external world» and ensured «high standards of quality and transparency with regard to its member organisations». «The new FIFA organisational structure» was apparently designed at the end of 2002 and approved in March 2003. It introduced clear-cut managerial hierarchies and responsibilities by defining the tasks of the President, the General Secretary, three «Service Units» (National Associations & Football Administration Units, Stadium & Security Unit, Legal Unit) and five «Divisions» (Development, Competitions, Finance & Controlling, Human Resources & Services, Business). According to the new structure, the President, FIFA’s salaried top manager, «monitors the implementation of decisions taken by the Congress and the Executive Committee; he is supported by the Presidential Office & Communications. This ensures uniform communication to the outside world. The General Secretary is responsible for implementing the decisions taken by the Congress and the

70 See FIFA, 52nd Ordinary Congress 2000 (Zurich, 4 and 5 August 2000), Minutes, 12, FIFA Archives.
73 Ibid., 51.
74 Ibid., 46 and 47.
Executive Committee. He has three Service Units and five Divisions reporting to him.

The «internal reorganisation» was mirrored in the breakdown of expenses and revenues that listed five operational accounts: 1. FIFA operational expenses and services (Presidential Office, General Secretary, Committees, etc.), 2. Business (FIFA Marketing AG), 3. National associations and football administration (Congress, Relations with national associations, etc.), 4. Competitions and 5. Development (Financial Assistance Programme, Confederations payments, Goal, Humanities Support Fund etc.).

The «internal reorganisation» in combination with the transition to new systematic accounting practices in line with the International Financial Reporting Standard (IFRS) provided transparency for all parties concerned, both insiders and outsiders, FIFA’s football family, FIFA’s business partners and the tax authorities in the outside world. The new system came along with fourfold assets and liabilities. It allowed FIFA 1) to state its quadrennial business period as related to its main source of income and expenses, the «FIFA World Cup™», 2) to profile its operating revenue and expenses as event-related (the Cup and «additional FIFA events», e.g. Women World Cup, U-19 Women’s World Championship, World Youth Championship, FUTSAL), 3) to link the organization’s operative business activities to FIFA’s statutory obligation and primary mission «to promote the game of association football in every way it deems fit», and 4) to prove by systematic accounting procedures and audited annual consolidated financial statements according to IFRS that «FIFA uses all its profit, reserves and funds in pursuit of this primary mission».

The «internal reorganisation» of 2002 reflected FIFA’s soaring income and it was a precondition for FIFA’s further growth. Both were closely linked to the Federation’s organizing monopoly of the Cup and its skilful commercial exploitation. In order to reduce transaction costs FIFA internalized functions that had been previously provided by the market and regulated by contracts. In 2000, the Federation terminated its contracts with the Swiss travel agency BTI Kuoni and founded FIFA Travel GmbH as a 100 per cent subsidiary to take care of all its travel arrangements and insurance matters. A step of far-reaching implications followed in May/June 2001. When the insolvency of FIFA’s marketing partner ISL/ISMM was imminent, the Federation founded FIFA Marketing AG on 10 April 2001. The ISL/ISMM bankruptcy procedure started on 21 May 2001. After the bankruptcy FIFA took over the activities in football marketing that it had previously contracted with the ISL/ISMM group.

75 Ibid., 57, also 50. See also the chart of the «New FIFA Organisational Structure», 56.
76 Ibid., 50-51.
78 See Karin Kofler, Kuoni muss den Ball abgeben. Mit dem Weltfußballverband Fifa verliert BTI Kuoni einen viel fliegenden Grosskunden und damit ein Millionengeschäft, CASH (Zurich), No. 18, 5 May 2000, 3 (on-line edition). In 1999 Kuoni’s sales to FIFA had amounted to roughly 6 mil SFr, an increase to sales of two-digit millions was expected for 2000. See also FIFA Financial Report 2003 (cf. n. 64), Annex, Consolidated financial statements.
the Federation’s new 100 per cent-subsidiaries deployed their activities, FIFA’s personnel soared; in 2003, the corporation employed an average of 223 employees, in 2004 that number had risen to 240. And apparently, it was only after FIFA Marketing had launched out into the work of renegotiating FIFA’s commercial contracts in the course of 2001/02 that the idea finally took shape to specify FIFA’s property rights of the Cup in an all-inclusive legally binding way and to register it globally as FIFA’s trademark.\textsuperscript{80} All in all, these developments accentuated FIFA’s entrance into the world of big business, the business of event marketing, and they transformed FIFA’s corporate governance. Structure followed strategy.

Emphasizing the complexity of management’s new tasks, Grondona summarized FIFA’s recent development in October 2003: «The quantum leap that FIFA made in revenue […] demanded the use of new tools to deal with the financial management of our organisation — exercised, as always, with due care and in compliance with the Statutes and regulations of FIFA.»\textsuperscript{81} And President Blatter added more insights into FIFA’s recent transformation when he stated in spring 2003: «The act of tendering and selling rights for mammoth sporting events boils down to a battle for the available capital. International sports federations are consequently compelled to deal in the manner of commercial corporations — in direct competition with one another — and other institutions (especially cultural ones) to procure this precious commodity.»\textsuperscript{82} As in the past, FIFA’s management and the Federation’s member associations were willing to accept growth and its structural challenges.

Admittedly, the first «FIFA Financial Report. Facts and Figures 1999-2002, 2003-2006» formed part of Blatter’s campaign for re-election at the FIFA Congress in Seoul on 29 May 2002. Moreover, it was published at a time of crisis and financial stress. One after another, FIFA’s most important business partners, ISL/ISMM (21 May 2001) and the Kirch Media group (8 May 2002), had filed for bankruptcy. Some feared FIFA’s solvency might be endangered, and Blatter’s crisis management in the case of ISL/ISMM had caused, inter alia, the organization’s General Secretary Zen Ruffinen along with some members of FIFA’s Executive Committee to file a legal complaint in mid-May 2002. As already mentioned above, Blatter was re-elected and prevailed over his opponents. And it might well be that the carefully edited Report contributed to this outcome, although the KPMG auditors reported some rather «unconventionally» booked items and looming financial risks.\textsuperscript{83}


\textsuperscript{81} FIFA Financial Report 2002 (cf. n. 58), 8.


Be that as it may, the «FIFA Financial Report» of May 2002 was a landmark. It was not only the first effort of FIFA’s management in recent times to provide «a comprehensive and transparent insight»\textsuperscript{84} into the Federation’s finances and management, it also announced the conversion of FIFA’s accounting system to International Accounting Standards (IAS) by 31 December 2002. Notwithstanding the particular setting and the tactical use of transparency that motivated the first «FIFA Financial Report», the fact is that it marked once more a turning point in FIFA’s (business) history. Beginning in 2001/02, FIFA’s president and general office launched a fundamental reform of the Federation’s corporate governance structure. It was to bring the organization in line with the modern managerial business enterprise and it enlarged the scope of administrative coordination by professional managers. At the same time, however, the reform offered for the first time a reliable means to monitor the organization’s management. Though FIFA started to invest more seriously than ever before in efficient management techniques, it was now also investing in transparency. When FIFA decided to render its accounts in line with International Financial Reporting Standards, it was not only claiming the status of a global (business) player in event marketing, it was now also ready to disclose more information than ever before. When the Federation voluntarily introduced the same accounting practices and financial reporting standards in 2003 that were to become obligatory for all listed companies in Europe in 2005, it not only consented to publish detailed financial reports annually, but it also signalled that it was willing to cope with the legitimate interests of its various stakeholders in a more responsible and transparent way. As part and parcel of this new drive for transparency, in 2004 the Federation renewed its pre-1932 practice to hold a Congress every year. It was now up to the various stakeholders – FIFA’s business partners, its member associations and last but not least association football and the general public – to make the best use of FIFA’s new transparency. All of them shared in the game’s popularity, in the growing market value of FIFA’s Cup, the organization’s flagship event, and the revenues generated by FIFA’s management through the sale of the rights associated with it. They are all called upon in order to control FIFA’s management, its business strategy and sport politics and to see to it that transparency is indeed instilled into the organization and its activities. This requires, however, that transparency is transformed from a formal exercise of using modern financial reporting standards, organizational schemes, managerial control and collective decision making into a rule of conduct definitely obliging the organization, its management and its members. Clearly, this is a giant task given the novelty of FIFA’s drive towards transparency in the critical year of 2002 when the stakes were high. The future will show if FIFA lived up to the challenge and if, at least in the long run, Blatter’s presidency, now in its third term, actually marked the beginning of a thorough reform and turnaround.

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\textsuperscript{84} Blatter, in: ibid., 6.