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Roman Abramovich and his principles of management

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ABSTRACT

Almost one in three of the 92 Premier and Football League clubs are now substantially owned and incorporated internationally, including in offshore tax havens. Such ownership structure leads to the English football leagues being accused of allowing ownership structures of clubs that could be used for tax avoidance. What is ignored is the analysis of owners' management strategies and tactics. This article uses the example of Roman Abramovich and his Chelsea F.C. for analysis of application of the classic and neoclassic principles of management. It identifies the relative consistency and relevancy of traditional managerial principles in increasingly cross-sectoral and transnational enterprises such as Premier League Football Clubs.

KEYWORDS

Roman Abramovich;
Chelsea FC; International
Sports Management;
Management Principles

On 17 December 2015, Chelsea Football Club of the Premier League in England officially announced that the contract with the leading coach, Jose Mourinho, was canceled due to a mutual agreement. This is how the new page of the history of this noble club started. The reappearance of the coach, who used to call himself “special,” ended in a quiet divorce – no broken plates, no division of property. Both sides treated each other with respect during the separation – just like it used to be at all times.

“There were three championship titles, the English FA Cup and three League cups – all these factors make him the most successful coach of the club's 100-year-old history.” Jose agreed with the Board of directors that the results of the current season were not good enough and they found a suitable solution for both sides, which was to separate their ways. The club emphasized that their attitude to Jose would remain as good as it used to be, as he has played an important role in the history of Chelsea F.C. According to its website, “The club wishes to make clear Jose leaves us on good terms and will always remain a much-loved, respected and significant figure at Chelsea.”¹

Such carefully worded statements are acknowledgement of Jose's contribution to the history of the club. At the same time, such carefully worded statement is indicative of Mr. Abramovich, the club's owner, values and principles.

Towards the end of his most influential work, *Critique of Pure Reason* (1781/1787), Immanuel Kant argues that all philosophy ultimately aims at answering these three

questions: “What can I know? What should I do? What may I hope?” Kant’s ethics are organized around the notion of a “categorical imperative.” The Kantian categorical imperative is a universal ethical principle stating that one should always respect the humanity in others, and that one should only act in accordance with rules that could hold for everyone. Kant argued that the moral law is a truth of reason, and hence that all rational creatures are bound by the same moral law. Thus in answer to the question, “What should I do?” Kant replies that we should act rationally and consciously, in accordance with a universal moral law. While it is uncertain whether Mr. Abramovich has been exposed to Kant’s philosophical contributions, Mr. Abramovich’s actions are certainly consistent with Kant’s “rational and conscious” principle of categorical imperative.

The beginning

Roman Abramovich was born on the 24 October, 1966, on the beautiful coast of Volga river to the Jewish family of Arkady and Irina Abramovich. He was given an international name – Roman. Unfortunately, the young family suffered a devastating loss shortly after Roman’s birth. Irina Abramovich has died from blood poisoning when the boy was only one and a half years old. The fate was not done with young Roman yet. Two years later, Roman’s father Arkady died in an accident at the construction site where he was working. In this way, Roman became an orphan at a tender age of four years old. As it was accustomed in USSR at the time, the young boy moved to live with his relatives. Roman moved to his uncle Leib’s home in Uhta – a little town in the north of Russia. Uhta was where Roman started his schooling. In 1974, he moved to Moscow to live with another Uncle Abram Abramovich. Abram was a construction foreman/supervisor. Young Roman lived in Abram’s household until he turned 18 years old.

Young men in Soviet Russia followed a pretty strict and standard pathway: high school graduation was followed by a mandatory 2 year service in military forces. If a young guy showed promise and potential, he was then recommended for further education at an institution of higher learning (university or institute). If a young man proved himself as a diligent and disciplined student, that young man was then recommended as a candidate to join the Communist Party of the USSR and “lived happily ever after joining the Party.”

Roman appeared to follow such normal trajectory until late-1980s. Roman Abramovich graduated from Moscow school #232 in 1983. He served in military forces for two years and started his undergraduate degree at the Uhta Industrial Institute. By the end of 1980s, USSR was going through dramatic political, social, and economic changes known as *Perestroika*. The fast-paced socio-economic changes have opened up tremendous market opportunities. Young Roman made a fateful decision to drop out of the Uhta Industrial Institute and start his own business enterprise.

Perestroika times and USSR’ approach to “new public management”

The 1970s–1980s were turbulent in the world. The economic recession after the oil-crisis of the 1970s resulted in giant deficits of the public budgets, making the welfare state prohibitively expensive. The need to cut back in the public sector, and especially the enormous size of the inevitable cost cuts, presented the major explanation for the necessity of radical

reforms in the structure and functioning of governments and administrations. Without harsh reforms, these draconian budget cuts could not be implemented and financial projections could not be met. This observation held true for both Western countries (such as USA and countries of Western Europe) and Socialist-Communist countries (such as USSR and countries of Warsaw Pact). A unifying theme between the polar opposite systems of the government is the call for governments that “works better and costs less.” This approach is known in the field of public policy and administration as the paradigm of “New Public Management” (NPM) (Morozov 2009). NPM combines values of previous public administration (PA) eras for achievement of the greater societal good in the most effective and efficient way. Concentration on operational effectiveness and efficiency of traditional (orthodox) public administration combined with greater attention to citizens of “new” public administration were revitalized in doctrines of new public management.

Although the term “New Public Management” is widely used in academic and governmental conversations, it is seldom characterized and defined. For many scholars (Barzelay 2001), New Public Management is not really about management. Instead it is about public policy and who the participants should be in the policy process (Morozov 2017). NPM is the theory about how the public sector needs to be governed. Originated in the United Kingdom in 80’s, it spread to North America, Australia, and especially New Zealand. Later on it reached Scandinavian region and continental Europe. Essentially, the theory of new public management contains elements of game theory, law, and economics.

NPM does not replace the older theoretical frameworks, but adds another aspect to public sector governance: contractualism. This theoretical framework makes contracts and contracting the communication environment in the public sector. Under NPM, the public resources are to be managed through an array of contracts. These contractual agreements cover not only the employment rapports, but also clarify the objectives and duties for service delivery. The reason for contracting of public services is the fundamental certainty that contracting improves the efficiency and effectiveness of operations.

Although there has been some discussion about the precisely accurate essence of the NPM, the classic definition of this doctrine holds that it consists of seven principles (Osborne and McLaughlin 2002):

1. Focus on “Hands-on” and “Entrepreneurial Management”, as opposed to the traditional bureaucratic focus on public administration (Clarke and Newman 1993).
1. Clear and unambiguous standards and measures of performance (Osborne et al. 1995).
2. Emphasis on output controls (Boyne 1999).
3. De-concentration (Jaber Ehdaie 1994) and decentralization of the public services (Pollitt et al. 1998).
4. Promotion of competition in provision of public services (Walsh 1995).
5. Superiority of private sector management style and its techniques (Willcox and Harrow 1992).
6. Efficiency and effectiveness in public resource allocation (Metcalf and Richards 1990).

According to some researchers (Stewart 1996), another reasonable doctrine to be added to previously mentioned corner stones of NPM is the “separation of politics from direct management of public services.” This resulted in governmental organizations performing less of the public functions themselves and regulating and steering more of the outsourced activities. Various forms of decentralized management within public service materialized including the de-concentration of agencies, budgets, and financial control. Public sector was increasingly exposed to market pressures of competition from the private sector in the field of services delivery. Also, the citizen was beginning to be perceived as a customer of the state. In this way, servicing citizens became a subject to performance evaluation. The combination of the above-mentioned principles results from a rational philosophical model, under which certain actions lead to certain outcomes. These characteristics were presented by Hood (1991). He also questioned the originality of the NPM trend as these 8 principles looked extremely like the old principles of classical private sector management. Later, this hypothesis was confirmed in a comparative study done by Pollitt (1990). He concluded that this new public managerialism was primarily composed of the classic Taylorian management principles from the beginning of the 20th century. After Taylor’s “principles of scientific administration”, various management theories and schools have been developed. There are multiple theories, models and techniques of business management. The trend to introduce business-like management in government was not so much inspired by scientific reason as it was by the ideological belief in private sector’s superior effectiveness and efficiency.

In assessment the overall contribution of “New Public Management” to the field of public administration and policy, it is difficult, and conceivably imprudent, to make oversimplified conclusions. NPM has brought back to the field of public policy and administration such values as “accountability”, “effectiveness”, “efficiency”, and “economic rationality.” These terms definitely appeared promising for the stagnating political and economic systems of the USSR. Therefore, it is not surprising that following the “funeral carriages’ race”² of early to mid-1980s in USSR, the newly elected General Secretary of the Communist Part of the USSR Mikhail Gorbachev has attempted to reform the USSR’s political and economic systems.

Gorbachev’s interpretation of the “New Public Management” became known in the Soviet society and throughout the world through words “Perestroika” and “Glasnost.” Perhaps the biggest deficiency of Gorbachev’s rather commendable attempt to reform the political and economic systems of the USSR stems from the lack of buy-in from frontline providers and public administration practitioners as well as from internal party politics. The discussion of such reasons for failure of Gorbachev’s reforms is well beyond the purposes of this article and is a topic for a stand-alone research of scholars from political science, economics, and public administration. For the purposes of this manuscript, it is sufficient to mention that the new wave of capitalism in Russia in the late 1980s had rather a decorative and propagandist character.

Abramovich during perestroika

Perestroika allowed more independent actions from various ministries and introduced many market-like reforms. The alleged goal of perestroika, however, was not to end the command economy but rather to make socialism work more efficiently to better meet the

needs of Soviet citizens by adopting elements of free markets. As such, the late 1980-s in the USSR could be characterized as zenith of unregulated or *wild* capitalism with its specifics.

The term “business” has conquered highly regulated and centralized USSR with a meaning of profiteering, price gauging, and speculation. It was a stark departure from the essence of the term *business* as occupation and/or employment. Pecuniary gain and excessive consumption were dominant motivating factors behind early business people’s actions in USSR.

The moral and ethical values and principles were dismissed as anachronistic artefacts of communism and socialism. Free currency exchange and free-for-all markets only intensified the contradictions among people of the huge country, which became an enormous market for everything. Pretty much everything was treated as if it was available to sale. Including, but not limited to state secrets, space technologies, and cultural values of the Soviet empire. The desire to become wealthy and “successful” in the newly emerging reality of quasi-capitalism had a devastating impact on public service careers of teachers, doctors, scientists, and/or laborers.

Roman’s decision to drop out from the Uhta Industrial Institute and start his business was most likely influenced by his uncle Leib Abramovich. Leib was heavily involved in the management of supply chain and logistics of industrial raw materials and consumer goods to Russian North, a very lucrative and influential field. Leib’s management position within the supply chain demanded a certain set of negotiation and communication skills to successfully “find” the *deficit* and *appropriate solutions*. The “*deficit*” was a broadly used term in USSR to define highly demanded consumer goods that were not easily accessible to regular consumers. Good examples of such *deficit* were foreign automobiles (such as Mercedes-Benz, a car afforded only by the most prominent and influential people in USSR), Yugoslavian furniture, and French cuisine. “In Soviet times there was pretty much nothing in the stores, but Leib Abramovich could sell you Yugoslavian furniture, fashionable clothes, food specialties. Leib himself had a personal car *Volga* (“Russian Mercedes” at the time) with a personal driver. In fact, Leib was providing major public authorities and figures all *deficit* consumer goods. Little Roman was always perfectly dressed and had his room full of rare toys.” Within this reality, Roman could not help but notice the difference between the lifestyle of his surroundings and the other people. Such background had a significant impact on Roman’s decision making process, shaping it as rational, intentional, and conscious method of doing business.

Roman’s rather limited academic/formal knowledge about business models, corporate culture, organizational behavior, and/or risk management had significant potential for improvement. However, Roman’s natural business acumen and the extensive network of his uncle’s acquaintances significantly contributed to his business success. An important role in his business success can be attributed to Roman’s perceptiveness to his uncle’s mentorship. Roman never questioned his uncles’ advices. Such loyalty to his uncles played a crucial role in Roman’s establishment as an individual business person. The high social status of Roman’s uncle Leib, his numerous business connections, and outstanding personal qualities helped the young businessman to open any doors, solve problems, and do the business.

Theoretical underpinning: Marxist and political economy

Karl Marx gave the world a great idea – money rule the capital and are equivalent to greed. Money makes the capitalists take immoral decisions, which can enrich the capitalists while

devastating the workers both morally and physically. This idea about role of money and capital is not the main conclusion of Marx' contribution to the economic body of knowledge. It is rather one of the numerous hypotheses that would be later used to release the world of different religions and other national collective identities. The Marx of Capital sees sport as materially dependent, and in Soviet era, sport was linked with Marxist-Leninist ideology and controlled by the communist party (Giulianotti 2015). In addition, the Neo-Marxist perceives sport as a tool for crude *economism* (Hargreaves 2002). According to those theorists, capitalism could make up the world of great wealth without money, because money and capital are evil, and "it is not fair to make money out of money" (Marx 1905, *Theorien uber den Mehrwert*, 525). This hypothesis is rather doubtful and it requires further research and empirical testing. However, this hypothesis deserves acknowledgement for understanding the context of Russia's Perestroika.

However, the Marxist and Neo-Marxist underplayed the connection between sport and politics. In the 21st century, as a global enterprise, sport is more related to the regional and national political economies (Nauright and Pope 2017). Today, the elite sport clubs are increasingly controlled by cartels of billionaires. Sport appears to be less accessible to the populace despite its popularity. Football is the world's most popular sport, and it was among the first to adjust to globalization (Giulianotti, in Nauright & Schimmel (Eds.) 2005). Billionaires all over the world have been focusing on the English Premier League (EPL) because it is the most watched sports league. Since Roman Abramovich's purchase of Chelsea Football Club (CFC) in 2003, many clubs in EPL were purchased by foreign businessmen. In this article, we will analysis Roman Abramovich's principles and management strategies, to better understand the political and economic reasons behind his purchase of Chelsea Football Club.

Roman Abramovich' management principles and values

It is difficult to overestimate the impact Leib Abramovich had on his nephew Roman Abramovich. Leib's influence on Roman extended beyond formal academic instruction of economics such as supply and demand within the context of socialist system of resources' allocation and wealth redistribution among members of society. Leib's mentorship contributed to Roman's development and maturity. As such, by the time Roman was a legal adult, his system of values and principles was well developed. It would be inaccurate to portray Roman's principles and values as a discrete process. It is rather a continuous process in which Roman learned from his uncle how to manage relationships and financial resources. Uncle Leib tried to warn Roman from all the temptations a young and wealthy man could meet.

The historical period of the restoration of capitalism in Russia was rather bizarre and ugly. With surprising frequency different firms and corporations were created and destroyed. The Soviet planned economy could not effectively face the aggressive "free" market *modus operandi*. Perhaps a very characteristic feature of that period was the existence of organized criminal groups, which waged gang-style wars on behalf of various businessmen. Reports of shootings and businessmen' deaths in early and mid-1990s resembled the war reports and were *business-as-usual* during that period. Roman Abamovich has not only survived in that wild environment, but he also has prospered and has become the equal among the best and the best among the equals in that environment. Roman's pathway to his existing

position is well-documented elsewhere in public domain. His wealth, yachts, mansions are rather meticulously recorded and reported in multiple vanity magazines and mass media. However, there is almost no documented evidence of how he managed to survive in such inhumane and crude business environment as was Russia in early 1990s. Russian business in early 1990s was a text book example of social Darwinism. Only the shrewdest business people survived and only the sharpest and the fittest excelled in that lawless environment. These experiences have defined Roman's managerial and life principles and values.

Henri Fayol (1916) in "General and Industrial Management" stated that there were a set of general principles of management that if violated would lead to a loss of efficiency. The principles were the division of work, authority and responsibility, discipline, unity of command, unity of direction, subordinated of individual interest to general interest, remuneration of personnel, scalar chain, order, equity, initiative and esprit de corps. Fayol also developed five elements of management (planning, organizing, command, coordination and control) that were necessary to organizational efficiency (Fayol and Others 1923, 38–39).

The work of Frederick W. Taylor on scientific management parallels the work of Henri Fayol. What differs between the two men is the direction of their approach. Fayol begins from the top of the organization while Taylor begins from the bottom of the organization. Taylor states that efficiency may be attained through scientific methods and principles. A particular operation could be planned in advance and controlled by experts working from a central office and using scientific methods the best way to do a task could be discovered. Taylor believed that it was a mental revolution that had to be embraced by the workers and by the management in order to be effective and lead the way to scientific management. The accomplishment of a task would be achieved by substituting science for the individual judgment of the worker by the scientific selection and development of each worker and by the cooperation of the management of workers so that together the work be accomplished through a combination of science, harmony, cooperation, maximum output and the development of each worker to his greatest efficiency and prosperity (Taylor 1911, 30–47).

Leonard White states that the "objective of [leadership and administration] is the efficient utilization of resources at the disposal of officials and employees. Good administration attempts to eliminate waste, conserves the material and energy and wants the most rapid and complete achievement of public purposes consistent with the economy and the welfare of the employees" (White 1939, 12–13).

Luther Gulick in the *Notes on the Theory of Organization* (1937) extends the work of Fayol. Gulick believed that the division of work was the foundation and reason for the organization. Division of work was necessary since men differ in nature, capacity and skill. As the field of knowledge and work advances, one individual cannot master all of its practices, principles and skills and requires task specialization. It was very important for the division and specialization of labor to attain the completed objective. Thus, specialization of work required planning, coordination and supervision to reduce any worker confusion. This coordination would progress from the top of the organization to the bottom. Coordination would be attained through an organization by a system of executive authority to attain the major objective. Gulick was interested in how to organize the executive. The acronym of POSDCORB referred to the activities of planning, organizing, staffing, directing, coordinating, reporting and budgeting were functions of an executive (Gulick 1937, 3–45).

Roman Abramovich is the embodiment of self-taught and self-made leader and manager. Abramovich is distinguished by his personal principles and his unique management style, which unknowingly to Roman combined the management elements from Fayol, Taylow, Gulick, and others' theories in a manner that worked for him. Roman was always himself and never sought neither political power nor the public attention. Roman prefers to conduct a reserved and modest way of life. The famous football agent Herman Tkachenko draws attention to the fact that Roman Abramovich never ever increases his voice: "I have never heard him raise his voice. But Abramovich can be so quiet that everyone would feel pretty uncomfortable" (Raus and (2013).

Abramovich is not a slave of money and always pays his bills. It is still almost impossible to find a person to whom Roman promised to pay money as a result of any financial transaction and did not pay. Some of my friends-businessmen who happened to have business with companies of Roman Abramovich still sincerely speak about his financial integrity. Such a reputation is more valuable than the "concrete" assurances on financial liabilities and is the most important result of following the principle of honesty in relationships.

Such attitude towards financial resources is the main principle of Abramovich' management style. He doesn't let any money dictate his decisions. The Russian *nouveau riche* businessmen, who would do anything for money, are now only portraits on the most prestigious plots in cemeteries. And this is also part of the history of the formation of market relations in Russia. These conflicts, which were later linked between Abramovich and Berezovsky, Yukos, and Chigrinskiy are part of under-surface politics, struggle for influence and power. It is obviously an impure and dishonest business, not the business we are used to now.

It is interesting and instructive to read Alfred Kokh, Deputy Prime Minister, who oversaw the Russian government in the privatization process, speak about money: "You know, people are divided into two categories. For some of them, money is equivalent to freedom. For others, money is an equivalent for power. And those people are different from each other. For me, money is the equivalent of freedom. And if I see that the process of making dough restricts my freedom rather than increases, the process is terminated, because freedom is more important than money. At least for me" (Bondakov 2014). Some of the partners of Roman Abramovich, who tried to use money to achieve power, had a lot of troubles, but did not achieve their goals.

An important factor in the success of Abramovich's business and one of his management principles were the relations in the team's security policy. Jim Collins was still writing his bestseller "Good to great" in the United States, while Roman Abramovich has already formed his team on the principle of "First, who? And then what?" on the territory of Russia. It is people who became the basis of all Abramovich' successes and achievements. Valery Oif, Andrew Bloch, Eugene Shvidler, Eugene Tenenbaum, David Davidovich, Irina Panchenko, Andrey Gorodilov, Marina Granovskaya became the core of the team. The Abramovich' security service (personal protection) team is markedly different from other counterparts. The security service of Roman Abramovich deals not only with the security of top managers and their family members. Each employee can count on the support and participation of the Abramovich' security service in cases involving conflicts in business, personal life, problems with law enforcement, tax services, and crime. This is known not only in companies but also in the external environment. Such policy calls for more respect for the whole structure of the business tycoon.

Another factor that explains the commercial success of Roman Abramovich was the ability to create a social network of interests on the principles of centralization and decentralization well before the era of the Internet. Continuing the work of uncle Leib, Roman developed business contacts and personal contacts with special readiness. Roman Abramovich became the founder of more than thirty companies for different projects and activities. In this case, he held various positions in these organizations, delegated authority and regulated their work around the clock. It also highlights his ability to build relationships with partners and cherish them. Let's think about how many entrepreneurs will be able to disclose the names of their business partners they work with more than twenty years? Abramovich has a lot of such partners both in Russia and around the world.

The theme of the family of Roman Abramovich must be discussed separately. In 2006, the marriage of Roman and Irina Abramovich broke up. We will not discuss the reasons for such a step. Not going to search for why he would be willing and able to abandon his family and five children for any fantastic reason. But we will draw your attention to the fact that almost all of the property of Abramovich is decorated by a few trusts in Cyprus because offshore trusts are not taxed. Trusts are agreements on trust management of property, the income from which is given to the beneficiaries. In the list of beneficiaries, there are all five children of Roman Abramovich, who will be able to exercise their rights after they reach adulthood. At the time of preparation of the article, there are already seven children of Abramovich. All children are not left without proper attention from his father. For ethical reasons, we will not interfere in the private life of the Abramovich family. There is no doubt that the theme of family is sacred for him.

Chelsea F.C

Roman Abramovich' fascination with soccer was almost accidental. Anecdotally, it started in March 2003 after his visit to an UEFA Champions League match. Manchester United was playing Real Madrid at the stadium Old Trafford. Abramovich watched this match in the company of businessman Alexander Mamut and football manager Herman Tkachenko, who described his experience this way:

"It was a great match, which converted a person absolutely not interested in the football, into a driver of this game.

...Before leaving for the stadium we didn't have time to rent a car, but the famous Scottish football player and coach Graham Souness gave us a ride. On the podium next to us there were sitting the big players of the past — the former striker of Real Madrid Jorge Valdano, who then worked as a sports Director of Real Madrid, Bobby Charlton... And the three of us — two people from the list of "Forbes" and me receiving great pleasure from the game. The stadium was packed to capacity, Ronaldo, who played in the visitors, was first chanted by fans "rubbish". But after the Brazilian scored a hat-trick, while he was replaced, the bleachers started cheering him standing, though he was a player of the opposing team. Back to the hotel, we were driven by another British soccer star, Rio Ferdinand, as we were all without a car.

All this occasion made a lasting impression on Abramovich. He called me in the night with a question: "Look who we had behind the wheel?" And I realized — the man was ill with

football. Then he went on: “Let’s buy Manchester United”. “Why?” - I asked him. — “It’s better to buy some other club.” He considered the possibility to buy Tottenham, the issue was almost resolved. But in the end, he bought Chelsea...” (Bondakov 2004).

Why Chelsea?

There are several reasons behind Roman Abramovich’ decision. First, Roman’s initial plan was to purchase a club in the capital of England as a justification for his visa status and residence in London. The faithful match between Manchester United and Real Madrid impressed Roman to the degree that he was seriously considering purchase of Manchester United. However, a price tag of £1.5 billion was hefty even for a billionaire of Roman Abramovich magnitude. Then, there was the unyielding fan base (trust organization) that prevented Rupert Murdoch, an Australian born American media mogul, from purchase of the club in 1998. Other soccer clubs available at the time were based in Leeds, Liverpool, or Birmingham. While these clubs had significant heritage and history of success, these clubs were still not from London. Given Roman’s intent to achieve global recognition with his own soccer club, such peripheral clubs simply did not interest him.

The second reason for purchase of Chelsea was the existing structure of the club ownership. Only one person (Ken Bates) owned Chelsea F.C. It was easier for Roman to handle the negotiations with one person rather than a group, such as the management group representing Tottenham Football Club. Another example of ownership complexity is Arsenal F.C., which had a wide network of stake holders. The complexity was further expanded by the excessive ambitions of the existing owners due to Arsenal’s F.C. recent crowning as the Champions of the English Premier League in 2001–2002 season.

Third, at that time, the Chelsea F.C. already had a significant real estate. The club owned its stadium and supporting infrastructure such as hotels in highly demanded part of London.

Perhaps the most compelling reason for Roman Abramovich’s purchase of Chelsea FC was the financial condition of the club. At the time, Chelsea FC was under significant financial stress. The club was practically flirting with insolvency and bankruptcy. The stars have aligned in such a way that Roman Abramovich needed Chelsea FC for his personal goals and ambitions while Chelsea FC was desperate for Roman’s financial strength and might. Thus, Roman Abramovich’ purchase of Chelsea FC was a mutually beneficial transaction.

Such transaction has occurred at an excellent point: on the transaction date, Chelsea FC was literally 1 (one) day within filing for bankruptcy. During that specific day, Roman Abramovich has literally saved Chelsea FC in the truest sense of the word and has become the most popular figure in the Islands. Nowadays, Chelsea F.C. is a football club with an estimated market value of \$1.37 billion (£903 million), a truly global brand, the winner of various trophies and titles, and true trend-setter of football fashion. In 2015 Chelsea FC has generated \$115 million as match-day revenues, \$227 million as broadcasting revenues, and \$184 million in commercial revenues while leading the English Premier League in number of social media followers (Ozanian 2019).

Roman Abramovich and his team have optimized the governance structure of Chelsea F.C. The organizational structure was organized as follows:

- The shareholder company Fordstam Limited – directly owned and controlled by Abramovich himself.
- The operating holding company of Chelsea F.C. PLC, and
- “Chelsea Football Club”

The Russian billionaire’s money passes through this chain from top to bottom. For example, getting a loan from Abramovich, Fordstam Limited either buys new shares of Chelsea F.C. plc, or issues it a loan. Over time, all debt of the operating company is converted into shares — thus, the Chelsea F.C. PLC owners’ equity exceeds £850 million. The loan provided by Roman Abramovich to the London football club Chelsea has exceeded £1 billion. The amount of the loan as at June 2014 amounted to £1.04 billion with a maturity of up to 18 months. In 2013, the amount was £984 million; therefore, during the year it increased by just over £57 million

Continuing the conversation about the principles of Roman Abramovich we note that in the structure of business management of Chelsea F.C. there are the same managers who formed a team and solved business problems in Russia – Eugene Shvidler, Eugene Tenenbaum and Marina Granovskaya. And for the rent of guest lodges at club stadium “Stamford Bridge” Abramovich every season pays to the cashier of the club £3 million, without making exceptions for himself and his guests.

Roman Abramovich and Russian sport

Roman Abramovich’s first interests have been expressed in the Russian city of Omsk in Siberia, where largest oil refinery that belonged to “Sibneft,” a Roman’s company. Sibneft is an artificial word that suggests that the company was operating in the Siberian region in the gas and oil industry. Sibneft became the General partner of the hockey club “Avangard”. But Roman Abramovich again chose not to delve into hockey politics and engaged in infrastructure development. This project was very successful. Avangard won the Hockey Championship of Russia in 2004. Roman Abramovich has annually provided \$10 million as financial assistance. Additionally, he has invested \$70 million in the construction of the Ice Palace, a significant infrastructure project. For fifteen years a whole generation of talented players grew up, the club became a formidable heavy weight in the Russian hockey league, the frantic pace of the hockey subculture in the region increased. Thanks to the investment of Roman Abramovich, Jaromir Jagr, Tomas Vlasak, Oleg Tverdovsky, and Maxim Sushinsky came to play in Siberia. There was a team-dynasty.

In 2012, the hockey story of Abramovich officially ended with the transfer of the Arena Omsk on a Pro Bono basis to the non-commercial partnership “Sports club Avangard”. But the region still fondly remembers the days of hockey power of “Sibneft”.

Along with the purchase of Chelsea F.C. and legalization of business in London, Roman’s “Millhouse capital” was continuously restructuring and optimizing Roman’s businesses. Corporate restructuring is a demanding and challenging process everywhere. Still, Roman kept in close contacts with the Russian government. He accurately performed all the tasks assigned to him by the Russian government. These tasks included (but not limited to) the funding of the “National Academy of Football,” signing up Guus Hiddink as the head coach of the Russian National Team of Men’s Soccer, and the Russia’s bidding campaign to host the World Cup 2018.

After the incredible purchase of Chelsea F.C. and the rapid growth of popularity in football circles in Europe, Roman Abramovich has become a more visible player in the Russian football market. In 2004 the company “Sibneft” has signed a record \$54 million three-year sponsorship deal with the football club CSKA. Evgeny Giner, one of the owners of PFC CSKA, is Abramovich’s friend and partner. The influence of Giner in Russian football has grown in proportion to the influence of Abramovich in the football world. This alliance has contributed a restart of the Russian football in the international arena.

In addition, Roman Abramovich has decided to finance the Russian Football Union (RFU). Following his own principles, Roman did not get involved in the politics of RFU. He has on the football infrastructure, rightly considering it to be a cornerstone for future successes. He has created a Fund “National Academy of football” to run the program of construction of football fields in the country. For several years the Foundation “National Academy of football” under control of Sergey Kapkov has built about 200 fields with artificial turf and has provided funding to dozens of training programs for football experts. Russia has never seen sports infrastructure projects of such magnitude. One of the main items of expenditure of “The National Academy of football” was the salary of the coaching staff of Russian national team on football, led by Guus Hiddink (€7 million a year), because Roman personally guaranteed the contract, continuing to surprise with his principles the football community and football officials. Total project costs are estimated at \$150–200 million.

In 2010, after Russia’s failure to qualify for the final stage of the World Cup, the real governance of football in Russia was passed to structures “Gazprom.” In 2015, control of the football in Russia was taken by its government, a tremendous centralization. Vitaly Mutko, the minister of sport, agreed to hold the positions of minister and president of the RFU with the leadership of FIFA. Later in September 2015, he was elected at the conference of the RFU.

The World Cup in South Africa and the emergence of Abramovich in Johannesburg in the summer of 2010 on the stand of the Russian delegation representing the bid to host the World Cup in Russia in 2018 is one of the brightest actions of that tournament. Preparation for the presentation was not going well. On the road to Johannesburg, the Russian stand was stuck in the Indian port of Mumbai. But by the beginning of the event at the Sandton Convention Centre, everything was ready.

The organizers assumed that a major figure of the Russian stand would be the football player Andrey Arshavin. He was ready for this role, gave interviews and took pictures with fans. But only until the moment when Roman Abramovich rose to the stand accompanied by the first Deputy Prime Minister of Russia Igor Shuvalov. Then began a show with the popular guest. And together with all participants Abramovich patiently carried on the Russian booth a few hours.

“It was really worth seeing!” — remembers with delight a member of the Russian delegation. — “In front of us in this great hall was the booth of England, where there was David Beckham. He, as Abramovich saw, immediately left his booth and came to us. After that, only the laziest would ignore us.” With equal ease and shy smile, Abramovich talked with the young football fans and FIFA President Joseph Blatter (Bondakov 2014).

After the victory of the Russian bid for the Men’s Football World Cup, Alisher Usmanov started to play a more prominent role in the Russian football politics, assuming the role previously played by Roman. Alisher Usmanov, a shareholder of Arsenal F.C., took over the

financing of the RFU and personally has guaranteed the employment contract of the Russia's Soccer Men National Team head coach Fabio Capello.

What's next?

As it is known, history develops in a spiral. On the eve of Roman Abramovich' fiftieth anniversary of, it's time to pay the attention to the children of the businessman, who will continue his work. Roman has seven children from three wives. The eldest son, Arkady Romanovich Abramovich, while being 22 years old, has managed to create an investment company, ARA Capital. In 2010 Arkady has negotiated the purchase of football club "Copenhagen" in Denmark. In 2014 the family of Abramovich thought about buying the football club "Mallorca" in Spain. As we can see, the excitement for football in the family is still there. But Roman Abramovich prefers his son to practice in the Russian business. And, as in his time with uncle Leib, Roman teaches Arkady the rules and principles of building business relations.

Nowadays the main interest of Roman Abramovich in Russia is the business project of his son Arkady, who owns an oil and gas company Zoltav resources. In 2013, Abramovich Jr. purchased the British oil and gas company Vostok Energy with producing assets in the Saratov region – Side plot with 10 explored fields along the Northern border of the Caspian petroleum province. Another of his well – known project in the Khanty-Mansi Autonomous district in 2014 "Siberian geological company", belonging to Zoltav Resources, was opened in West Koltogorsky oil field.

Although, of course, Abramovich Jr. gets help not only from friendly investments on the people in his father's network (e.g., David Davidovich), but he also is helped by a professional Board of Directors and management that has industry experience in the CIS countries. Basically, Abramovich Jr. relies significantly on Roman's network of connections and acquaintances. Even with this kind of support, it is important to keep in mind the Russian local business culture that still has elements of the wild capitalism of early 1990s. In fact, a year of doing business in Russia should always count as four years of business in the western world.

Roman Abramovich will personally receive a royal gift for his 50th anniversary. Hollywood's film company Warner Bros. and RatPac Entertainment have decided to shoot a movie based on the Ben Mezrich' book (2014) "Once Upon in Russia: The Rise of the Oligarchs – a true story of ambition, wealth, betrayal, and murder". The story seems very interesting because Ben Mastic is the author of "Billionaires Willy-nilly" (2010), the book that served as a basis for the movie "The Social Network" about rise of Facebook and Mark Zuckerberg's businesses. So the eventful life of the famous Russian businessman will soon be immortalized in the creative workshops and studios.

Notes

1. Club Statement; <https://www.chelseafc.com/en/news/2015/12/17/club-statement> retrieved March 10, 2020.
2. The period between 1980 and March 11, 1985 in USSR history. This period is also referred to "Pyatiletka [Five years, *Russian*] of Lush Funerals." During this period, the leaders of the Communist party died (such as Brezhnev, Andropov, Ustinov, Chernenko, Kosygin, and others), resulting in a significant turnover among the party's top leadership. This period ended with the election of Mikhail Gorbachev as the General Secretary of Communist Party of the Soviet Union on March 11, 1985.

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