The rewards have never been greater and the price of relegation never higher. But is English football’s financial model sustainable? A pertinent question as almost half of the English league clubs have been placed in administration over the past 15 years.

English football is experiencing a fundamental shift in its off-the-field structure, and many of the changes have their roots in the Taylor Report into the Hillsborough tragedy, Simon Chadwick, Professor of Sport Business Strategy and Marketing, Coventry Business School, told the conference.

Taylor’s recommendations led to the introduction of new all-seater stadia, which combined with the advent of satellite TV made clubs more attractive to investors. In the 1990s, football clubs began to be floated on the stock exchange and the concept of league clubs being run by businessmen to make a profit became widespread. Other contributory factors such as the Bosman ruling led to an increased flow of money into a league that is now home to some of the biggest clubs in the world.

Premier League spending
Brian Sturgess of Bournemouth University and the website soccerinvestor.com pointed out that a growing number of clubs invest in the trappings of Premier League status – expensive stadiums, elite academies and players earning tens of thousands of pounds a week – without actually being in the Premier League. The relationship between clubs’ expenditure on talent and their on-the-field performance is greater than ever, and today’s clubs cannot achieve success without spending money.

English football’s second tier, “The Championship”, has become unstable, he continued, due to the huge sums of money involved in promotion to and relegation from the Premier League. No current member of the Championship has remained in the league for more than 13 consecutive seasons, and many are now paying the financial price of an earlier gamble to join the nation’s elite.

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Money is rolling in for English football clubs. Still, the majority have financial problems. Photo: Stockexpert.com

No shame in insolvency
Professor John Beech, Head of Sport and Tourism Applied Research at the UK’s Coventry University
The Premier League is often referred to as the wealthiest league in the world. But it does not mean a profitable league. Among the other 72 clubs of the Football League a great part is neither wealthy nor profitable.

“Clubs rarely make legal profit. Forty-one out of 92 Football League clubs have been in financial administration over the 1992-2007 period. The most prominent latest example is Leeds United,” says Sean Hamil, director of Supporter’s Direct.

Supporter’s Direct is an initiative funded by public money in the United Kingdom which offers support, advice and information to groups of football supporters. It promotes supporter ownership and representation through the formation of supporter’s trusts. The first of them was established at Northampton Town FC in 1992.

During all this time, though, Supporter’s Direct has mainly been called to help clubs when they are in administration, when things seem to be out of control. And according to Hamil, this is something that should not happen:

“It is too demanding. It is much more difficult to help in moments like that. But clubs should not have to get to that point. But it is risk taken, in football the institution is always expected to be saved because of its public component. Football has never been challenged because it is football. The trust model is simply an ambulance service.”

Much has been said about the arrival of foreign investors to British football, but British chairmen are also among the ones to blame.

“Not everybody should be able to take over a club. In the last seven years the owners of Chesterfield, Darlington and Exeter have gone to jail. Nelson Mandela could not pass the fit and proper test of the Premier League due to his criminal convictions but the deposed Prime Minister of Thailand could. There is something wrong about that,” he says.

The problems and stories repeat themselves. Maybe it is time for a change. Time to give more attention to a group with great responsibility for what football has become.

“It has not been about the fans in first place. It is historically a cash business” says Hamil.

Business School pointed to another problem – namely the ease with which English football clubs declare themselves insolvent.

Insolvency - the state of being unable to pay ones creditors - used to be looked upon as an extremely shameful moral situation, he said, and was usually punishable with a prison sentence. Today, football clubs are declaring themselves unable to pay their creditors on a regular basis, seemingly without too much ethical agonizing beforehand.

According to Beech, the current situation is due in part to the provisions of Britain’s Insolvency Act of 1986 and the Enterprise Act of 2002, both of which sought to ease the devastating effects of insolvency. These well meaning acts have given rise to a whole industry of specialist insolvency advisors, he said, who offer different ways to exploit the rules.

“The ease in which clubs can avoid their debts through administration is encouraging a culture of greater risk taking”, he warned.

Overspending also the norm in Denmark

English football clubs are not alone in operating on the edge of financial stability. According to Rasmus K Storm, a Senior Research Fellow at the Danish Institute for Sports Studies, the situation is similar in Denmark. Despite their apparent success, most Danish clubs either break even or operate at a loss. In football, overall growth rates are almost wholly due to income generated by Copenhagen’s “big two”, Brondby and FCK, and this growth is not translating into higher profits. Figures related to Denmark’s second most popular sport, handball, are similar.

Storm portrays professional sport as a “complex mix between state, civil society and the marketplace” operating according to “peculiar logic” where overspending is the only way to compete with overspending opponents.

An ambulance service for beleaguered clubs

by Rafael Maranhao, Freelance journalist, Brazil

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Much has been said about the arrival of foreign investors to British football, but British chairmen are also among the ones to blame. To Sean Hamil the problem is not the origin but the background.

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“It is incredibly important that Play the Game continues. It is a unique institution. It is filling a hole in the market that has not been occupied before”.

Steven Powell, Spokesman of Football Supporters Federation, UK.