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.

Sean Hamil of Birbeck Sports Business Centre asked why there are still so many problems in English football, when there has never been so much revenue coming into it? Almost half of all English league clubs have been placed in administration over the past fifteen years, some of which would have folded completely if it was not for the efforts of supporters' trusts.

Today, he pointed out, football clubs are increasingly being viewed as a branch of the entertainment industry and being run on strict business lines. However, unlike other branches of entertainment, audiences will attend even without success. Most football clubs make a loss, he said, and if left to market forces, will die.

Capitalists are not fans He warned that not enough safeguards are in place regarding ownership of these "fantastic institutions", many of which have survived for over 100 years. "Takeovers do not bring new money into clubs" he said. "Venture capitalists are not fans – they are serious about making money, and borrow on future revenues, meaning that clubs must pay interest on loans and must make a profit".

Most clubs' stadiums would be worth more as housing, he said. And if clubs do not make a profit, this new breed of investor will not think twice about looking to the value of all the clubs' assets – including its real estate – when looking to realise their investment.

"When 41 clubs in a 92 club league have gone into bankruptcy, that is a fundamental management and regulatory problem," he said. "The problem is not the product. The problem is not the players. The problem is the management. The current system is not sustainable".

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. To Sean Hamil the problem is not the origin but the background.

“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.

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”, Brøndby and FC Kopenhagen, 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.

It is time to give more attention to football fans, a group with great responsibility for what football has become, suggests Sean Hamil, director of Supporter’s Direct in the United Kingdom.