

Financial Fair Play: Can it regulate European club football?

An investigation into UEFA's Financial Fair Play regulations,  
how they work and its potential success or failure in regulating  
European club football

By

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## **Signed Statement**

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## List of Abbreviations

UEFA	Union of European Football Association
FFP	Financial Fair Play
EPL	English Premier League
FAI	Football Association of Ireland
DFL	Deutsche Fußball Liga
TFEU	Treaty of the Function of the European Union
EU	European Union
FIFA	Federation Internationale de Football Association
LOI	League of Ireland



## **Executive Summary**

European club football today has seen a financial trend where wealthy clubs in Europe are making substantial trading losses, spending way beyond their means in order to become successful in European and domestic competition. This is mostly gone on enticing the best playing talent to these clubs, paying ridiculous fees to buy them out of their current contracts and promising very lucrative wages. This leads to the revenue stream not being strong enough to cover these expenses and thus leads to annual loss making. But with the influence of wealthy investors, losses are covered by investment brought into the club and so, the playing talent desired can be afforded. This type of reckless financial management can put the viability of a club at risk, examples such as Chelsea, Manchester City & Paris St. Germain benefit from such investors.

With the introduction of UEFA's 'Financial Fair Play', it is hoped that regulating the spending of clubs hoping to participate in European competition will put a stop to this and to install a sense of financial discipline into European club football.

The aim of this research is to understand how FFP works and gain an overall opinion of football fans and two senior officials as to their confidence in FFP. The research methodology consists of a questionnaire and two semi-structured interviews.

The research findings indicate that the two senior officials are of the opinion that FFP is a good way to discipline football clubs and think it will work given time. The football fans also think it is a good idea but would question the successful enforcement of the rules. Seeing these rules enforced in future competition can be a basis for future research.

# **Chapter 1. Introduction**

## **1.1 Introduction**

The objective of this chapter is to give an introduction to the topic of this dissertation. This chapter will describe the overall aim and objectives to be satisfied, the rationale behind taking on the study and a brief background to the topic. It will then conclude with an outline of the structure of the dissertation itself.

## **1.2 Research Aim**

The overall aim of this research is to gain a better understanding of the Union of European Football Association's (UEFA) new Financial Fair Play (FFP) regulations and to critically assess its potential effectiveness in regulating financial activity in European club football.

## **1.3 Research Objectives**

The research objectives to be satisfied in order to pursue the above aims are as follows:

1. To review the topic of UEFA's FFP regulations using both primary and secondary data and of football fans and their impact on football clubs;
2. To gain an overall opinion of both football fans who follow clubs in the English Premier League (EPL), the president of the Football Association of Ireland (FAI) and a UEFA representative on their confidence in these rules regarding FFP's effectiveness in regulating financial activity in European club football;
3. To compare FFP to regulation of a similar nature already in place in other European leagues such as the German league (Bundesliga).

## **1.4 Rationale for Undertaking the Research**

As part of the Master of Arts in Accounting programme which the author is currently undertaking, there is a requirement of each candidate to complete a dissertation based

around a topic of each candidate's choice. The author is a keen follower of sport, football being one sport of particular interest and thought it would be far more interesting and worthwhile, upon the initial search for topic ideas, to find a suitable topic based around finance in sport.

Upon the initial search, the author found an article relating to the topic of proposed financial regulations known as Financial Fair Play, proposed by UEFA, to be enacted into UEFA run European club competition such as the Champions' League and the Europa League. Because this is such a hot topic in football circles around Europe and has the potential to affect many clubs' financial activity and the potential for the idea to spread into national leagues across Europe as well as European competition itself, it seemed like a topic the author would be interested in researching further.

From the following of recent trends off the field in terms of finances as well as on the field performances, the author is well aware of the reasoning behind UEFA taking action by introducing financial regulations such as this. Over the past five to ten years there has been an emergence of wealthy business tycoons seeing football as the next investment in their portfolios and have proceeded to make some high profile takeovers of big clubs in Europe, in particular ones which operate in more free market leagues such as the EPL as opposed to more heavily regulated leagues such as the German league (Bundesliga). These investors pump massive amounts of capital into their new investment hoping to see a return in terms of success i.e. winning competitions, or as most football fans and pundits will claim, trying to 'buy success'.

In free market leagues such as the EPL, clubs are allowed to spend beyond their means as much as they like because the owner would always have the capital to withstand it and there are no rules or regulations stating how much can be spent. UEFA's proposed new FFP regulations aim to curtail this trend and install a better financial discipline

amongst clubs in Europe and to protect the long term viability of club football in Europe.

## **1.5 Background to the Study**

### *1.5.1 Why regulate financial activity in European club football?*

Recent trends off the field in European football have seen wealthy business tycoons looking at football clubs, particularly ones in Europe, as their next investment to put in their respective portfolios. Clubs such as Manchester City, Chelsea & Paris Saint Germain have been taken over by wealthy business men who back up the club with their massive amounts of capital to invest in the team in order for it to become successful. This has led to these investors taking on a ‘winning at all costs’ mentality where they spend massive amounts throughout the year, particularly on playing talent, which means they eventually start reporting losses year on year when it comes to the end of financial year report. Of course in a market with very little regulation and wealthy investors backing up clubs, this can become very much a reality, threatening the long term viability of European club football itself. In order to put a stop to this and to install some form of financial discipline into club football in Europe, UEFA have introduced regulation they have named ‘Financial Fair Play’.

### *1.5.2 Financial Fair Play: UEFA’s desired affect*

UEFA as well as protecting the long term viability of the game in Europe have other aims and objectives in mind in order to better the game in Europe:

- To introduce more discipline and rationality in club football finances;
- to decrease pressure on salaries and transfer fees and limit inflationary effect;
- to encourage clubs to compete with (in) their revenues;
- to encourage long-term investments in the youth sector and infrastructure;

- to protect the long-term viability of European club football;
- to ensure clubs settle their liabilities on a timely basis. (UEFA, 2010)

With these aims and objectives in mind, it is hoped that the influence of external investors will weaken and a sense of financial responsibility be put in place in the modern game.

### *1.5.3 Financial Fair Play: The Rules*

UEFA's new financial fair play regulations now ask several new requirements of European clubs who wish to compete in European club competition. The two main new requirements that are the most important and are central to this dissertation are:

- The swift settlement of due payables and;
- The requirement for clubs to financially break-even.

With regard to the settlement of liabilities, UEFA have added two more cut-off dates, where club accounts must be presented to UEFA for investigation, along with their date of December 31<sup>st</sup>: June 30<sup>th</sup> and September 30<sup>th</sup>, when these dates come around, a “club taking part in a UEFA competition must not have any overdue and undisputed payables to another club, its employees, or social and tax authorities” (Muller et al., 2012, p.129)

With further cut-off dates, clubs can only withhold due payment to other clubs and employees for a short period of time before coming into conflict with the rulebook compared to before the new cut-off dates were introduced, where clubs were able to withhold due payables for as long as fifteen months at a time before coming into conflict with the rulebook.

The second and probably the most basic requirement are for clubs to at least show that they are breaking even over the monitoring period. The break-even result defined as “the difference between relevant income and relevant expenses” (UEFA, 2012, p.35).

This requirement starts to access at first two periods, reporting “periods ending in 2013 (reporting period T) and 2012 (reporting period T-1) which will be accessed during the season 2013/2014 and from then on three periods at a time will be accessed (T, T-1 & T-2), for example “the monitoring period assessed in the licence season 2015/16 covers the reporting periods ending in 2015 (reporting period T), 2014 (reporting period T-1) and 2013 (reporting period T-2)” (UEFA, 2012, p.35). If a club does report a deficit in a monitoring period they can demonstrate that the aggregate deficit is reduced by a “surplus (if any) resulting from the sum of the break-even results from the two reporting periods prior to T-2 (i.e. reporting periods T-3 and T-4)” (UEFA, 2012, p.38), in other words T-3 & T-4 being the two reporting periods immediately preceding T-2.

There is also the notion of acceptable deviation where a club can run a loss in a monitoring period up to an acceptable amount, the normal amount being €5million, but it can exceed that as far as the following figures provided it is guaranteed by equity investors:

- a) €45 million loss for the monitoring period assessed in the licence seasons
- b) 2013/14 and 2014/15;
- c) €30 million loss for the monitoring period assessed in the licence seasons
- d) 2015/16, 2016/17 and 2017/18;
- e) A lower amount as decided in due course by the UEFA Executive Committee for the monitoring periods assessed in the following years (UEFA, 2012, p.36).

#### *1.5.4 Regulation in the German Bundesliga*

In the German league, financial regulation of a similar nature is already in place which would leave German teams in European competition along with other leagues which are regulated more able to adapt to the new rules UEFA are putting in place and thus at more of an advantage. UEFA leave it to the discretion of the football association of that particular country if they want to regulate their national leagues. For example, the English FA decided to leave the EPL as a free market whereas the Deutsche Fußball Liga (DFL, a subsidiary of the German league association which is responsible for the operation of the Bundesliga) decided that regulation was the way forward. Regulation in the Bundesliga works under three pillars:

- The licensing system;
- Their safeguard fund and;
- Ownership rules (Budzinski, 2012).

The licensing system deals with setting down a cut-off date for submission of the relevant financial statements to the DFL and the minimum financial targets that must be met if clubs wish to participate in the following season of the Bundesliga. It also sets out the potential verdicts that can come from inspection of financial data and sanctions if the DFL are not satisfied with the financial outlook of the club in question.

The safeguard fund was set up with the intention of “bridging temporary liquidity crisis of clubs in order to safeguard match and league operations” (Budzinski, 2012). This acts as a loan facility where clubs borrow from the fund in times of financial difficulty and repay it when the next instalment of media contracts money is due to the club (Budzinski, 2012).



The ownership rule or the '50+1 clause' is a rule that means "a minimum of 51% of each club must be owned by the club's members" (Story, 2012). This rule is designed to limit the influence of external investors that hugely impact other leagues with a free market regime and to some extent, level the playing field.

#### *1.5.5 Fans as Stakeholders of Football Clubs*

Fans are a very important stakeholder of any football club. From a business point of view they are essentially the final consumer that the football club targets with their products and services. Fans provide huge emotional and physical support on match day which as any manager or player of a football team will tell you are vital. "Every manager will highlight that their everyday moral and psychological support is a necessary contribution and a key element in the team success. It is difficult to measure how the crowd can influence the team success but there is no doubt that this physical support is important on match day" (Bailly, 2003).

Fans as final consumers are also hugely important for the commercial opportunity they bring, "they pay to attend games, they buy the clubs' merchandise in clubs' shop and they also pay for a visit of the clubs' museum or a stadium tour when they exist" (Bailly, 2003). The author feels it would be interesting to hear a fans point of view regarding UEFA's FFP regulations as they could affect fans as well as the clubs themselves in terms of cheaper match day tickets which may result from the forced financial savings clubs will make as is the case in Germany.

## **1.6 Project Structure**

### *Chapter One – Introduction*

This chapter outlines the dissertation topic. It includes a rationale behind taking on the topic, the author's main overarching aim and the objectives behind it and it shows a

background behind the topic, dividing it into the main areas that the author wishes to research. This chapter also outlines the structure of the dissertation which consists of the chapters following this one.

#### *Chapter Two – Literature Review*

This chapter gives a critical review of the relevant literature found by the author on the topics of UEFA's FFP regulations, what they consist of, any evaluative opinions on them, regulation already in place in German football & fans as stakeholders in football clubs. The author critically reviews the literature in this chapter, keeping in mind what pieces of literature can help to satisfy the aim and objectives set out in chapter one.

#### *Chapter Three – Research Methodology*

This chapter examines the research techniques used in obtaining primary data for the purposes of this dissertation. An overview of various research methods available is given. The author then justifies the methods chosen and finally outlines any ethical considerations plus any inherent limitations which arose.

#### *Chapter Four – Analysis of Findings*

This chapter presents the data findings from the research methods chosen in chapter three. Empirical data analysis shows the facts and findings discovered using the research techniques chosen. All facts and findings are presented in graphical format along with analysis and explanation.

#### *Chapter Five – Discussion*

The aim of this chapter is to discuss and interpret the findings from chapter four. An analysis of the main relationships and principles of the data will be presented, taking into account, the literature review. This chapter will also discuss the main limitations that were encountered in the study.

## *Chapter Six – Conclusion*

This chapter will give an overall conclusion of the study regarding the work of the previous five chapters and recommend further areas of research in this topic.

Weaknesses are highlighted in terms of the data and the author discusses how it could have been done differently. Finally the author gives account of his personal reflection and experience of taking on this research project.

## **Chapter 2. Literature Review**

## **2.1 Introduction**

A literature review or a ‘critical review of the literature’ as Wallace and Wray (2011) would put it “should be a constructively critical analysis that develops a clear argument about what the published literature indicates is known and not known about your research question” (Wallace & Wray, 2011).

The purpose of this literature review is to source, review and analyse literature already published that is significant and relevant to the topic area in question. With the author placing a particular emphasis on the research aim and objectives, a review of the literature was based on UEFA’s FFP regulations, similar regulation already in place and fans of football clubs.

The literature review will touch on the following areas for analysis:

- Need for regulation in European club football
- UEFA’s FFP: Rules & Regulations
- Criticisms of new FFP regulations
- Financial Regulation in the German Bundesliga
- The Importance of Football Fans as Stakeholders of Football Clubs

## **2.2 Methods**

The literature review was mainly conducted using the library resources at the Athlone Institute of Technology, accessed both online and in person. The author predominantly used online books and journal articles for sources of information. These sources of information include books and journal articles from databases such as ProQuest and Hein Online which provided a great deal of relevant information. Relevant online news articles from organisations such as UEFA and Sky Sports also provided key information and opinions from people involved in the sport. Other helpful online resources include Google Scholar and Deloitte which proved to be quite useful. Key terms used in the search for relevant sources of information include “UEFA financial fair play”, “Sports finance”, “German Bundesliga Regulation”, “Football salary caps”, “Football Money League” and “Football financial regulation”.

## **2.3 Need for New FFP Regulations**

It seems that most if not all are in agreement as to the motivations behind the introduction of these FFP regulations, citing current problems in the sport such as clubs experiencing financial losses, vast amounts of funding from investors of clubs and a sense of unfair advantage towards wealthy clubs. Muller et al (2012) start off their paper explaining the reasoning behind the introduction of these regulations stating that “Professional football clubs throughout Europe have been experiencing significant losses despite sustained revenue growth. Furthermore, quite a few clubs show considerable levels of indebtedness. Long-term financial stability as well as going concern of even prestigious clubs is at risk. At the same time, enormous funding by investors and benefactors of football clubs can be seen as a means of keeping clubs alive and of gaining influence on sporting performance through investments in valuable players” (Muller et al., 2012, p.118).

In the same article they also introduce the term ‘financial doping’ as a means to help explain the influence of high levels of external funding from wealthy investors in European football clubs, comparing to the more widely known phrase ‘medical doping’ where athletes consume illegal substances in order to gain a competitive advantage on their rivals. “In this context, corresponding to the denotation of (medical) doping, excessive external funding could be classified as financial doping” (Muller et al., 2012, p.124).

Lindholm (2010), who sees the introduction of these regulations effectively as some form of salary cap, also highlights the competitiveness issue stating the usual motivation behind the introduction of salary caps, “Salary caps are frequently motivated by the goal of achieving competitive balance” (Lindholm, 2010, p.195). Those who support such measures subscribe to the theory that financial differences between teams translate into competitive differences, and that rules must be enacted to ensure that small and large market teams have equal chances to compete” (Lindholm, 2010, p.195). But then Lindholm goes on to say that this in fact is not UEFA’s desired effect, it is more so a competitive benchmark or floor rather than a balance that UEFA are looking for. “According to UEFA, neither the licensing system in general nor the Financial Fair Play rules in particular seek to achieve greater competitive balance. On the contrary, UEFA has emphasized that the licensing system does not seek to establish “a level playing field,” only a certain minimum level” (Lindholm, 2010, p.195).

Vopel (2011) highlights club deficits and the influence of external funding in his take on the rationale behind FFP. “Many clubs have reported repeated and worsening deficits which have led to record-high debt levels during the last years. In addition, private investors and other equity participants have increasingly extended their influence into professional football clubs” (Vopel, 2011, p.54).

He also takes into account the trend of clubs liquidity shortfalls and hence their inability to pay staff including players and other clubs for any fees involving the transfer of players. “Hence, some clubs have experienced liquidity shortfalls and have been unable to pay other clubs or their players in time” (Vopel, 2011, p.54). Vopel also shows us examples of major European clubs who seem to be spearheading this financial trend in European football, in particular English club Chelsea FC and making reference to Deloitte’s ‘money league’ (Battle et al., 2012) table toppers. “The best known example is FC Chelsea with its patron Roman Abramovich, who has spent about half a billion Euros within the past decade to finance the club’s quick ascent to being one of the leading teams in Europe. Moreover, today’s European club football is basically an oligopoly consisting of about ten clubs (including FC Barcelona, Real Madrid, Manchester United, FC Chelsea, AC Milan or Bayern Munich and others, called the “Untouchables” by Deloitte), who will continue to move further away from other clubs until the gap can no longer be closed” (Vopel, 2011, p.54).

#### **2.4 UEFA FFP: Rules & Regulations**

The same sources of information mentioned above, again, are rich in information amongst other sources as to the explanation of the actual rules and regulations themselves. Again most would go with a similar response when asked about UEFA’s aims and objectives regarding the impact of these FFP regulations on European football but Vopel’s (2011) short and sweet interpretation of the overarching aims of UEFA would seem to be the clearest explanation.

“These main objectives can be summarized in the following two principal goals of Financial Fair Play:

1. Protecting the long-term financial stability of European club football;



2. Restoring the competitive balance between clubs and leagues'' (Vopel, 2011, p.56).

#### 2.4.1 *Break-even rule*

This aspect of the FFP rules themselves is seen by many as the key aspect of the regulations in terms of stemming the tide on the influence of external funding from wealthy investors in European football clubs. In order for break-even to occur in any company its income will equal its expenditure and this rule states that in order for any European club to be granted permission to participate in European competition their expenditure must not exceed their income.

Again we turn to Muller et al for a more in depth explanation as to how this rule works. They start off with a basic explanation of the rules stating that ''clubs have to operate within their means and are basically not allowed to spend more than they earn in income'' (Muller et al., 2012, p.129). They also introduce us to the 'monitoring period' of a club's financial performance which means that it is not over every single financial year but over a three year period which the break-even rule is based which they have dubbed 'T, T-1 & T-2', ''Consequently, the break-even requirement is not applied with respect to every single financial year, but rather with respect to the so-called monitoring period covering three financial years: the reporting period ending in the calendar year that the UEFA club competitions commence (reporting period T) and the two preceding reporting periods (reporting period T-1 and T-2)'' (Muller et al., 2012, p.129).

They go on to explain that because of this three year monitoring period ''A possible break-even deficit in one financial year can then be compensated by a break-even surplus in the other two financial years of a particular monitoring period, of which the aggregate break-even result is the sum of the break-even results of the three financial years'' (Muller et al., 2012, p.129).

We also must investigate what many see as a softening of the break-even rule the definition of relevant income and expenditure of which a club's financial performance is based on for the purposes of this rule. This means that only certain types of expenses and income are accounted for in this rule. Szymanski (2012) gives us a list of income and expenses that are seen as relevant for the purposes of this rule

- **Relevant income:** Gate money, broadcasting income, sponsorship income, advertising, commercial activities, other operating income, profit or income from disposal of player registrations, excess proceeds from the sale of tangible fixed assets, finance income
- **Relevant expenses:** Cost of sales, employee benefit expenses, other operating expenses, amortisation and costs of acquiring players, finance costs, dividends (Szymanski, 2012)

Muller et al. emphasise the point that the break-even calculation must come from purely football operations which is why they cite the need to not only define relevant income and expenditures but to define operations as either football or non – football related.

“For football clubs operating within a corporate group, it is necessary for the break-even result to only represent the result from football operations (i.e., it is not influenced by non-football activities that could distort the calculation of the break-even result)” (Muller et al., 2012, p.131).

Another potential softener to the break – even rule is the notion of ‘acceptable deviation’ where clubs are allowed to deviate from a break-even position into a loss if the loss is of an acceptable amount. Vopel (2011), Muller et al and others all explain this very clearly but we will go with Vopel to explain to what extent clubs can deviate from a break-even position.

“The acceptable aggregate deviation from the “break-even requirement” is EUR 5 million. The deviation is allowed to exceed EUR 5 million up to EUR 45 million in the license seasons 2013/14 and 2014/15. This amount will be reduced to EUR 30 million for the license seasons 2015/16, 2016/17 and 2017/18, and will be reduced further thereafter” (Vopel, 2011, p.56). This means that clubs can have up to €5 million of a deficit at any financial year end with special deviations stretching as far as €45 million & €30 million in the first few years of the rules introduction as Vopel has explained above which serves to give clubs time in order to sort out their financial performances and to adapt to the new requirements. Vopel also highlights that the anytime deviation of €5 million is subject to it being “guaranteed and entirely covered by contributions from equity participants or related parties” (Vopel, 2011, p.56).

#### *2.4.2 Monitoring of Overdue Payables*

This aspect of the regulations is seen as an improvement on previous attempts on financial regulation by UEFA according to Muller et al. Until the introduction of FFP in 2010, clubs were able to withhold overdue payables for up to fifteen months whether it is due to employees or other clubs before they were seen as coming into conflict with financial regulation of UEFA as Muller et al explain using their example.

“Such overdue liabilities would come to the attention of the auditors only when the balance sheet was presented at the following statutory closing date (assume December 31). Even then the club had another three months until March31 (deadline for submission of the license application to the licensor) to effect the payment without being refused a license” (Muller et al., 2012, p.128). They also highlight the spiralling effect of delayed payment to other clubs “with the clubs owed such payables in turn falling behind with their own liabilities or simply being unable to pay due to a lack of liquidity” (Muller et al., 2012, p.128).

It could be said from this that UEFA are looking to avoid the domino effect of overdue payables to other clubs as well as instilling greater financial discipline into clubs. They also highlight the violation of business ethics from leaving employees unpaid and the breach of basic fair play from fielding unpaid players in competition. “If a club fields players it has not paid or is unable to pay as specified in the terms of their contracts, and wins games and points against clubs who are paying their squad in accordance with the underlying contracts and accordingly with the regulations, then the first club has used inputs under false pretences and in doing so reaped unjust rewards” (Muller et al., 2012, p.129)

UEFA’s answer to this is to install two more cut-off dates during the financial year in addition to December 31<sup>st</sup>, “June 30 and September 30, by which time any club taking part in a UEFA competition must not have any overdue and undisputed payables to another club, its employees, or social and tax authorities” (Muller et al., 2012, p.129). This is seen as UEFA more constantly monitoring club’s payables situation by having cut-off dates throughout the season as opposed to just the one. In terms of providing evidence of payment clubs must “submit a transfer payables table and issuing a binding declaration, no later than 14 days after each additional cut-off date, which is forwarded via the national licensor to UEFA” (Muller et al., 2012, p.129).

They also state that if clubs fail to comply with these monitoring requirements “then the Club Financial Control Panel may refer the case to the Organs for the Administration of Justice” (Muller et al., 2012, p.129) but that sanctions to be enforced are unclear due to the fact that the cut-off dates imposed are at the same time as on-going European club competition.

## 2.5 Criticisms of New FFP Regulations

The introduction of these new rules and regulations had sparked great debate amongst academics who have published work relating to these regulations talking about them from points of view such as economic, legal and finance amongst others which mainly seem to cast a negative light given their heavy criticism of these regulations. Although UEFA are trying to tackle the worrying trend of rich football clubs in Europe spending way beyond their means and the impending damage to competitive integrity in European club football it brings amongst other side effects, it seems as if the problem could be better resolved by a more robust and sound system of rules.

Muller et al (2012) after already taking a fairly comprehensive look at the rules lay down in these regulations and see both positives and negatives. They conclude their paper by stating “ We think that it does represent several remarkable steps, but that it probably requires amendments and enhancements in the future in reaction to the clubs’ behaviour to accomplish its intended objectives” (Muller et al., 2012, p.137). They applaud UEFA’s attempts to promote financial stability and discourage ‘financial doping’ through their implementation of the Financial Control Panel and break – even rule but from their research of the rules enforced, see some weaknesses also.

They see three ‘softeners’ to the break-even rule that soften the idea of clubs only spending within their means, leaving “owners with sufficient discretion on how to develop and bring forward their clubs” (Muller et al., 2012, p.136), which could lead to rule bending by some owners. They also see these softeners as “opportunities for creative accounting, such as shifting wage payments to players into expenditure on youth development” (Muller et al., 2012, p.136), more than likely leading to distorted final accounts at the year end and then the question is asked how will the club in question will be sanctioned as they have pointed out in the paper the fact that no clearly

defined sanctions are in place for breach of the break-even rule if the club is found guilty, pointing out that “extensive amendments of the UEFA statutes are still required for this purpose” (Muller et al., 2012, p.136).

Vopel’s (2011) criticism of the rules comes from an economic point of view, questioning if insolvency is really a problem in club football, “empirically, insolvency has not been shown to be a serious problem in professional football and, moreover, there is no obvious systemic risk resulting from the insolvency of a single club that would justify tighter regulation” (Vopel, 2011, p.59). He sees how FFP can work in terms of restoring some competitive balance from a short term perspective but questions its effects long term, “imposing a ceiling on deficits and excluding private equity participants from financing or donating clubs in professional football might help to rebalance competition from a static point of view. Regarding long-term effects, a tighter regulation might turn out to be dynamically inefficient as it unintentionally protects well-established clubs from being challenged by non-established clubs” (Vopel, 2011, p.59), concluding that “Financial Fair Play could ultimately and counter-intuitively confirm an unbalanced competition rather than making it more even” (Vopel, 2011, p.59).

Apart from his criticisms from the point of view of FFP contradicting the objectives of UEFA in implementing FFP he looks at a more simple weakness in terms of a cost-benefit analysis of FFP, “Regardless of what might be the specific outcome of Financial Fair Play the costs of regulation caused by implementing, monitoring and enforcing the rules are likely to be considerably high” (Vopel, 2011, p.58). From an economic and competitive perspective, Vopel overall doubts if FFP can work economically or even deliver any element of fairness to the game.

Lindholm (2010) looks at FFP from the perspective of European Union (EU) law to investigate if these rules contradict in any way E.U law, in particular labour laws. Lindholm introduces the theory behind salary caps in sport which is used in other sports mainly ones played in the USA (Basketball, American football, hockey etc.) which he believes FFP essentially boils down to because it only allows clubs to spend as much as they earn therefore restricting the amount clubs can spend on playing talent bar some exceptions to the rules. Lindholm discovers in his paper that FFP threatens to violate three articles in the E.U's Treaty of the Function of the European Union (TFEU), Article 101 which "prohibits anti-competitive agreements or decisions", Article 102 which "prohibits abuse of a dominant position" and Article 47 which "prohibits measures restricting workers from moving between Member States" (Lindholm, 2010, pp.197-98).

He firstly looks at Article 101 and how FFP comes into conflict with prohibitions toward anti-competitive agreements and decisions. He goes on to say that these "only apply to arrangements between undertakings, decisions by associations of undertakings and concerted practise among undertakings", 'undertakings' meaning "every entity engaged in economic activity, regardless of the legal status of the entity and the way it is financed" (Lindholm, 2010, p.198), thus defining professional European football clubs as undertakings.

The next complication was to categories UEFA, stating that UEFA in terms of FFP should be defined as an "association of undertakings" rather than an "undertaking", referring to case law involving the Federation Internationale de Football Association (FIFA). He also makes the point that in order for the act to be prohibited, "the decision must affect trade between member states" (Lindholm, 2010, p.199), affecting trade meaning "possible to see with a sufficient degree of probability on the basis of a set of

objective factors of law or of fact that the agreement in question may have an influence, direct or indirect, actual or potential, on the pattern of trade between member states’’ (Lindholm, 2010, p.199). He argues that FFP will affect trade between member states, stating that case law ‘‘shows that the provision can be used to challenge sporting rules such as FFP’’ (Lindholm, 2010, p.199). He then goes on to say that the impact of FFP must be appreciable before it can be prohibited. ‘‘In other words, anticompetitive agreements and decisions of ‘minor importance’ are not prohibited’’ (Lindholm, 2010, p.199). Importance in this instance is ‘‘determined by market share and turnover of the parties involved’’ (Lindholm, 2010, p.199). Lindholm then as a final piece of investigation in this instance states that the object or effect of FFP must be ‘‘the prevention, restriction or distortion of competition’’ (Lindholm, 2010, p.200). He goes on to state that FFP rules ‘‘have as their main and explicit aim, to reduce the amount clubs spend on wages’’ (Lindholm, 2010, p.200). Thus, according to Lindholm, FFP’s have the characteristics of being contrary to Article 101 of TFEU.

He then investigates if FFP violates Article 102 of TEFU which prohibits the abuse of a dominant position in the relevant market. Lindholm starts this investigation making the point that UEFA are the sole governing body present of professional football in Europe therefore having the potential to abuse a dominant position in the European football market.

He makes the conclusion that although the implementation of any rules and regulations by UEFA could be seen as an abuse of power; FFP doesn’t fall into any categories of abuse in this context to which he names three categories: exploitive, exclusionary and reprisal. ‘‘The financial fair play rules do not fall under either category, nor do they fit any of the examples listed in the treaty’’ (Lindholm, 2010, p.201).



Lindholm then finally investigates to see whether FFP comes into conflict with Article 45 of TFEU which prohibits any restrictions placed on the free movement of labour throughout the EU and its member states. He first introduces us to how FFP can potentially restrict labour movement or in this case playing talent within the EU. “A team will be unable to employ a player that is a free agent or whose club is willing to trade him or her if that team has too little cap space” (Lindholm, 2010, p.201). He points out that although it is not a restriction based on discrimination, it is questionable if they are acceptable in terms of article 45. He also makes reference to the now well known Bosman ruling which now plays a key role in disputes involving player transfers. Lindholm then concludes from analyses of case law that “the Financial Fair Play rules “preclude or deter” player movement to such an extent that it constitutes an unlawful obstacle to the freedom of movement of workers” (Lindholm, 2010, p.202).

Peeters and Szymanski (2012) in their paper develop a complicated statistical model to simulate the outcome of FFP if the exact same set of rules and regulations were introduced into the EPL.

When examining FFP they describe it as a vertical agreement explaining what defines a vertical agreement “Vertical agreements are usually defined as concerted practices among undertakings operating at different levels of a production or distribution chain” (Peeters & Szymanski, 2012, p.2), giving examples of such agreements “Typical examples include restraints placed on car dealerships by manufacturers, on bars and pubs by brewers or on high street retailers by producers of luxury goods” (Peeters & Szymanski, 2012, p.2)

They state that in this situation it is the more unusual restraint placed by a governing body on professional sports clubs, in this instance UEFA being the governing body. Their paper focuses on the impact of the break-even rule on competition within the

EPL. These results are based on various assumptions that they make on the behaviour of professional football clubs when restraints such as these are put in place and also take into account the varying situations of strong and weak clubs within the league.

They see FFP regulation as something that closely resembles a salary cap based on agreements in North American sports, the only difference being that in this case it is a team salary cap rather than an individual. They conclude from their simulation that “our paper shows that in this context a vertical restraint may restrict competition in exactly the same way as a horizontal agreement between competing firms” (Peeters & Szymanski, 2012, p.28). It also must be considered the fact they point out that “the rationale advanced by UEFA for its regulation is not the promotion of competitive balance, but “discipline and rationality” in club finances” (Peeters & Szymanski, 2012, p.28) before making judgements about competitiveness. They also make reference to its relevance to EU competitive law which Lindholm would have discussed also but in more detail.

## **2.6 Financial Regulation in the German Bundesliga**

Before the proposal of FFP, financial regulation or governance of this nature would have been at the direction of the national leagues themselves and still is in terms of regulating that particular league in question. National leagues such as the English and Spanish leagues are more free market in contrast to heavily governed leagues such as the French & German leagues. For the purposes of this project, the German Bundesliga and its financial governance will be looked at as a comparison to FFP.

According to Budzinski (2012), financial regulation in the Bundesliga which is carried out by the DFL consists of “three pillars:

1. Licensing System

2. Safeguarding Fund
3. Ownership rules'' (Budzinski, 2012).

Firstly the licensing system sets out the financial conditions to be met if the applicant in question wishes to compete in the following season in the league. ''Every league participant ('club') must submit by March, 15th comprehensive financial data to the DFL

- For the year before and the running year
- As well as a forecast for the upcoming season,
- Each certificated and commented by an auditing firm.
- DFL is granted comprehensive information disclosure rights reg. banks, auditors, etc'' (Budzinski, 2012).

There are also conditions attached to the financial information that is given to the DFL.

''Conditions for Approval:

- Forecasted positive liquidity situation at the end of the upcoming season,
- Positive net equity in the last regular balance sheet,
- forecasted positive net equity at the end of the upcoming season'' (Budzinski, 2012).

The DFL may also require further information, depending on the original financial information they get regarding any material items or corrections to be made. Based on this the DFL gives a final economic verdict in one of four ways:

- ''License without conditions and obligations
  - License without conditions but with specified obligations (e.g. debt reduction)

- License under conditions and with obligations (usually if negative liquidity is expected)
- No license''. (Budzinski, 2012)

Clubs can appeal this through DFL arbitration court, ordinary courts and the licensing board. Sanctions for failure to comply with the conditions and obligations include ‘‘warning, temporary suspension (max 2 months), points deductions and monetary fines’’ (Budzinski, 2012).

- The second pillar of financial regulation in the bundesliga is known as the safeguard fund. This is a fund set up by the DFL which helps clubs in the bundesliga in times when they may have a liquidity problem. ‘‘Goal: bridging temporary liquidity crisis of clubs in order to safeguard match and league operations’’ (Budzinski, 2012). This is where clubs are given financial aid by the DFL in order to ease their liquidity issues and in term the DFL will get reimbursed by the club when the next instalment of media revenue is due.
- ‘‘Financing: solidarity
  - Volume: 10 million € per season
  - Payment: max. Two-months of salaries or 5 million
  - Consequence for the club: up to 3 points deducted
  - Reimbursement: next rate of media contracts money’’ (Budzinski, 2012).

The third and final pillar of financial regulation in the bundesliga is known as the ‘50+1’ rule. This in simple terms means that the club itself must own at least the majority of voting rights within the club; this is usually done through fans owning shares within the company or club.

- “Football club (“eingetragener Verein”) must hold the majority of voting rights of the attached football company (plc. ltd., etc.) [50% + 1 voting rights in the General Assembly]
  - The issuing of non-voting shares remains unaffected (pure capital contributions are not restricted)
  - Two exceptions (incumbents’ rights): Leverkusen (Bayer AG) and Wolfsburg (Volkswagen AG)
  - No ownership of more than one club” (Budzinski, 2012).

Although many have argued that financial regulation in the Bundesliga has caused German teams in Europe to settle for mediocre results in the past there have been quite a few positives to take from it as well, as football365’s Daniel Storey will argue. He points out that because of this regulation, ticket prices for football games in Germany are the lowest among the top five leagues. He uses bundesliga club Borussia Dortmund as a classic example of this, “Dortmund have tickets available in their huge Die Südtribüne for around £10”. A season ticket for Borussia Dortmund costs £152 for 17 domestic home games and one European game” (Story, 2012). He also points out the German league’s impressive average attendance rate of 42,690 per game which out does the English and Spanish leagues. It is then noted how the bundesliga is one of the most competitive leagues in Europe, having four different winners and ten different clubs finishing in the top four in the past five seasons.

Drut and Raballand (2010) also examine league competitiveness when it comes to governance in football. They examine the five major European leagues (England, France, Germany, Italy, and Spain) to see how contrasting styles of governance have an impact on leagues competitiveness. From their conclusions they also agree that tightly regulated leagues such as Germany’s are very competitive nationally but struggle in

European competition, “Financial control deters clubs’ owners from adopting a win maximization model, which may (but not necessarily) bring profits but at the expense of competitiveness in the Champions league” (Drut & Raballand, 2010, p.12).

Dietl and Franck (2007) on the other hand don’t have as much confidence in German football regulation, saying that’s it’s somewhat confused in terms of not knowing whether to use market based regulation or go more rigid because of the fact that football clubs are seen in Germany as non-profit organisations and thus have no incentive to make profits. “Summing up, the German system of governance is stuck in the middle. Neither does it rely on the set of market-based mechanisms of governance (from concentrated club ownership to corporate governance) employed in England, which can be activated if football clubs become genuine business firms, nor does it rely on rigid regulation, as in the French case, because the licensors at the DFL are employees of the league, which, in turn, is controlled by the clubs” (Dietl & Franck, 2007, pp.668-69).

## **2.7 The Importance of Fans as Stakeholders of Football Clubs**

Fans of football clubs across Europe are seen as one of the most important stakeholders of a football club which should justify why the opinion of a football fan matters on issues such as financial regulation.

Bailly (2003) compiled a study based on four European clubs (two French and two English): Liverpool, Stoke city, R.C Lens and Amiens S.C in which he examines how stakeholders influence a football clubs strategy from which he discovered out of the four clubs asked, three of them listed fans as their most important stakeholder in the club with the exception of Amiens S.C, stating players as their most important (Bailly, 2003).

Bailly sees the support and income that the fans bring to the club as the two main reasons to their importance, suggesting that “It is difficult to measure how the crowd can influence the team success but there is no doubt that this physical support is important on match day” (Bailly, 2003).

He also makes claims of importance regarding the income the fans bring to the club also, “Fans represent a commercial opportunity: they pay to attend games, they buy the clubs' merchandise in clubs' shop and they also pay for a visit of the clubs' museum or a stadium tour when they exist” (Bailly, 2003). There are also facts and figures to give us an idea of how important fans are income wise as shown in the paper with 30% of Liverpool's income coming from match attendance alone, 32% for Lens and 18% for Amiens (Bailly, 2003).

Clubs realise this importance by setting up channels of communication for fans so that they can voice their opinions on the clubs performance. “It is an expression place where managers can easily discuss with fans, according to Mr Weathley of Liverpool F.C.” (Bailly, 2003). Bailly uses examples of this in his paper such as Lens employing a member of their fans association to deal with fans opinions. Another example would be Liverpool using surveys and setting up dinners with fans, not their representatives & Lens also setting up meetings with fans' representatives every three months. There is also emphasis on ticket price stability and violence eradication when it comes to fans' treatment.

It is interesting to note from Brandes and Franck (2006) about their conclusions fan attendance and competitiveness which may emphasise the need for clubs to keep open communication channels with fans. From their statistical analysis, they are of the opinion that competition intensity has nothing to do with the demand for match attendance in Germany due to the many scenarios that can unfold in football league

competition in Germany. “Due to the fact of promotion and relegation European leagues may capture fan interest by presenting two competitions simultaneously. Less endowed teams at the bottom of the league may activate fan interest by competing with each other against being relegated.

At the same time the top teams compete to qualify for promotion to the next higher league or to international club competitions like the Champions league or the UEFA Cup” (Brandes & Franck, 2006, p.23). They go on to say that “by providing several focal points for fan interest, European football leagues are less likely to become boring even if competitive imbalance is high” (Brandes & Franck, 2006, p.23).

## **2.8 Conclusion**

The purpose of this chapter was to critically review the literature available in relation to FFP, financial regulation already in place in the German bundesliga and any literature available on the study of supporters’ impact or influence on European club football. In this chapter, the author discussed the need for financial regulation in European club football, UEFA’s proposed solution in the form of FFP, similar regulation already in practise and the importance of fans in the game. The next chapter will cover research methodology used by the author in conducting this research.



## **Chapter 3. Research Methodology**

### **3.1 Introduction**

In the previous chapter the author undertook a review of the relevant literature in UEFA's FFP regulations and literature in the general theme of football finance. The literature highlighted how the regulations will operate, what UEFA's rationale is behind these regulations and potential weaknesses of FFP and from there, the author was able to outline his research aim and objectives. In order to collect the information needed to reach these aims and objectives, a suitable research strategy had to be constructed. A research strategy "will contain clear objectives derived from your research questions, specify the sources from which you intend to collect the data, how you propose to analyse and collect these, discuss ethical issues and the constraints you will inevitably encounter" (Saunders et al., 2012, p.159). This chapter will outline the research methods adopted by the author and the rationale behind choosing them.

### **3.2 Research Aim**

The aim of this project is to ascertain a better understanding of the workings of UEFA's FFP and to critically assess the potential success or failure of FFP in regulating financial activity in European club football.

### **3.3 Research Objectives**

In order to meet this aim, the following objectives were drafted in order to focus the author:

1. To review the topic of UEFA's FFP regulations using both primary and secondary data and of football fans and their impact on football clubs;
2. To gain an overall opinion of EPL football fans, the FAI president and a UEFA representative as to their confidence in FFP to effectively regulate financial activity in European club football

3. To compare FFP with similar regulation that's already in place in football leagues across Europe such as the German league (Bundesliga)

### 3.4 Research Methods

In order for the author to be able to get results based on the research aim and objectives described above, the author will use 'the research onion' coined by Saunders et al. (2012).

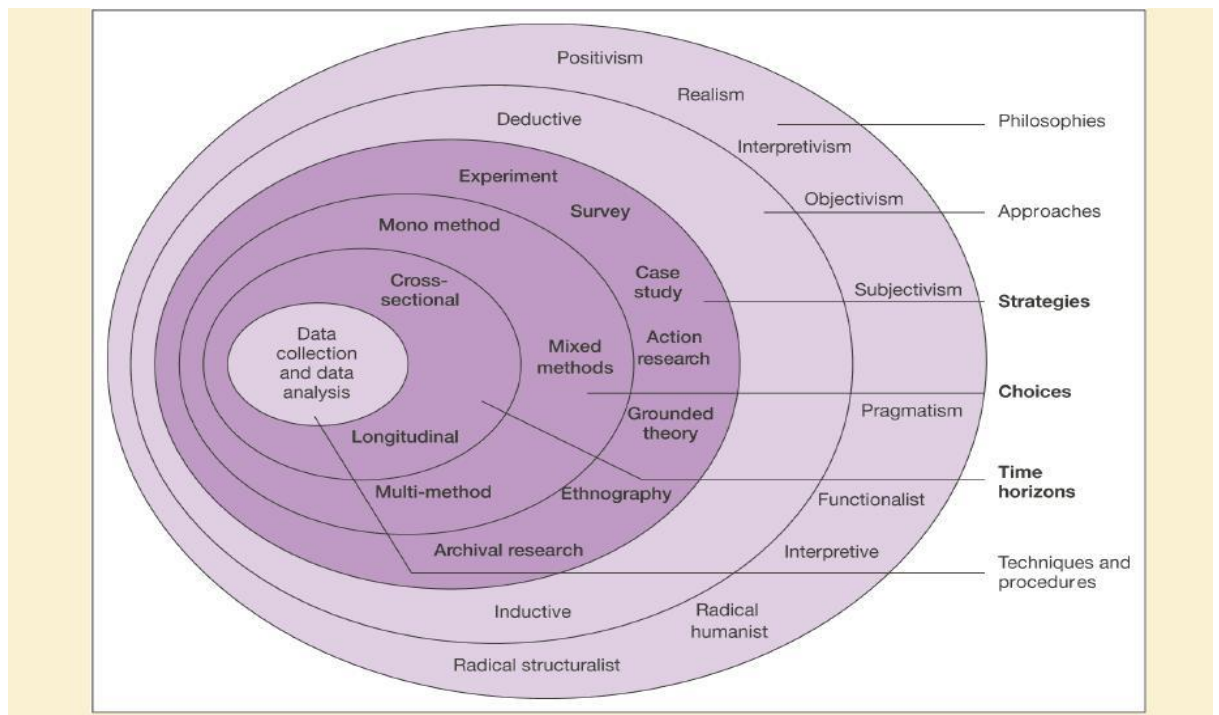


Figure 3-1 the Research Onion (Saunders et al., 2012)

This process contains six different layers; each layer is discussed in detail below;

- Research Philosophies
- Research Approaches
- Research Strategies
- Research Choices
- Time horizons
- Techniques and Procedures

### **3.5 Research Philosophy**

“The research philosophy you adopt can be thought of as your assumptions about the way in which you view the world” (Saunders et al., 2012, p.128). According to the research onion, there are four philosophical approaches to take to research: Positivism, Realism, Interpretivism and Pragmatism. For this piece of research, the author will take the positivist approach.

“If your research reflects the philosophy of positivism then you will probably adopt the philosophical stance of the natural scientist. You will prefer collecting data about an observable reality and search for regularities and casual relationships in your data to create law-like generalisations like those produced by scientists” (Saunders et al., 2012, p.134). The author feels that this approach is the most appropriate given that the author is trying to simplify the subject at hand in order to gain a better understanding of it.

Realism is “another philosophical position which relates to scientific enquiry. The essence of realism is that what we sense is reality: that objects have an existence independent of the human mind” (Saunders et al., 2012, p.136). This is very to the positivist approach because it takes a scientific approach to research.

Interpretivism would be an approach which wouldn't agree with the positivist's approach to research and would “argue that the social world of business and management is far too complex to lend itself to theorising by definite ‘laws’ in the same way as the physical sciences” (Saunders et al., 2012, p.137). “Interpretivism advocates that it is necessary for the researcher to understand differences between humans in our role as social actors” (Saunders et al., 2012, p.137). Finally, Pragmatism “asserts that concepts are only relevant where they support action. This means that the most important determinant of your position on each of the continua is the research question

– one position maybe more appropriate than another for answering a particular question” (Saunders et al., 2012, p.130).

This philosophy can have the potential for the researcher to take up multiple philosophies at once depending on what the researcher’s questions are.

### **3.6 Research Approaches**

The second layer of the research onion deals with the research approaches that the author could take. The author investigated two possible approaches to take:

- Deductive approach
- Inductive approach

A deductive approach to research would be to have in place a particular hypothesis related to an existing theory and to collect data for use in evaluating this theory, either to falsify or verify the theory. As the research moves on the theory will move from a general to a more specific one and the researcher will have to collect data under these more specific circumstances. “Deduction owes much to what we would think of as scientific research. It involves the development of a theory that is then subjected to a rigorous test through a series of propositions” (Saunders et al., 2012, p.145).

An inductive approach on the other hand wouldn’t have any theory in place but rather, use data collected to help formulate a theory. The researcher may find other variables untested that would challenge the theory which is why, opposite to deduction, the research will go from being specific to general. Instead of testing a theory, “data collection is used to explore a phenomenon, identify themes and patterns in order to create a conceptual framework” (Saunders et al., 2012, p.144).

As a result of the literature that was found on the subject, the author decided to go with a deductive approach. Because the authors of the relevant literature were mostly pointing out weaknesses of FFP, it seemed more appropriate to test these statements of weakness in FFP and to see if they are valid.

### **3.7 Research Design**

The research design “is the general plan of how you will go about answering your research questions” (Saunders et al., 2012, p.159). The research design explains the “sources of which you intend to collect the data, how you purpose to collect and analyse these, discuss ethical issues and the constraints you will inevitably encounter” (Saunders et al., 2012, p.159). Before any design can take place, the author must explain the purpose of his research.

#### *3.7.1 Research Purpose*

In order to formulate a research design, it is said that the researcher must first understand the purpose of the research before creating a research design. The purpose of the research can be described under one or a combination of the following headings: Exploratory, Descriptive or Explanatory.

Exploratory study is “a valuable means to ask open questions to discover what is happening and gain insights about a topic of interest” (Saunders et al., 2012, p.171). It is a useful purpose when the researcher has very little knowledge of the area and would like to get to know it better so as to make a decision on whether to go ahead with the project or not. Descriptive research of which the object of it is to “gain an accurate profile of events, persons or situations” (Saunders et al., 2012, p.171), this maybe the spawn from a piece of exploratory research where the researcher has gained enough knowledge of a subject area and would like to get more specific knowledge of that area.

Explanatory studies are “studies that establish casual relationships between variables” (Saunders et al., 2012, p.172).

In this study, the researcher studies a particular topic in order to establish relationships between different variables, for example, the relationship between spending levels of football clubs on playing talent, their success on the pitch and overall financial performance in a given period.

The author describes the purpose of this research to be a combination of exploratory and descriptive. Exploratory research will produce an introduction to FFP and the reasoning behind its introduction while descriptive research will look into how FFP actually operates, what it means for future financial activity in European club football and the confidence levels in fans and a senior FAI official in its success in regulating it.

### *3.7.2 Research Strategy*

A research strategy can be defined as “a plan of how a researcher will go about answering their research question” (Saunders et al., 2012, p.173). There are a number of strategies the author can chose to go with. These include:

- Experiment
- Survey
- Archival Research
- Grounded Theory
- Narrative Inquiry
- Case Study
- Ethnography
- Action Research

When choosing the best strategic fit for the project, the author decided to go with a survey approach using a questionnaire and semi-structured interviews. The survey strategy chosen by the author is discussed in further detail below.

According to Saunders et al (2012) the survey strategy is a popular and common strategy in business and management and “is the most frequently used to answer ‘what’, ‘who’, ‘where’, ‘how much’ and ‘how many’ questions” (Saunders et al., 2012, p.176). Survey techniques such as questionnaires can be a great way to find out how a particular population behaves or reacts to something that would concern them, which is what the author is trying to discover in terms of fans’ reaction to FFP. It would be a widely known fact that a survey strategy is a very popular choice because of what can be seen in a news bulletin or a show where discussion is involved and more often than not, the results of a survey will be mentioned within that discussion or report.

It is also an easy way to compare different sets of data because of the standardised way in which surveys are usually drafted. There are also some shortfalls of the survey strategy such as the researcher’s inability to find real truthfulness in the response of participants due to the structure of the survey restricting the response to a particular point.

### *3.7.3 Research Choices: Qualitative and Quantitative*

In order to distinguish between qualitative and quantitative research, it is easier for the researcher to focus on numerical and non-numerical data.

Saunders states about quantitative research that “quantitative is often used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data” (Saunders et al., 2012, p.161). In other words, quantitative research is research to do with numbers and



numerical facts and findings. In contrast Saunders states about qualitative data that “qualitative is often used as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or uses non-numerical data” (Saunders et al., 2012, p.161). In this case, the data involved will be theory based rather than data that would contain numbers.

The author has decided to use a combination of both qualitative and quantitative means of research. A questionnaire will be administered as part of the quantitative side of the project whereas a case study and an interview will be used as part of the qualitative side of the project.

#### *3.7.4 Triangulation*

Triangulation states that “mixed methods may be used in order to combine data to ascertain if the findings from one method mutually corroborate the findings from another method” (Saunders et al., 2012, p.169).

The author has decided to use a mixed method approach in order to refine the research area and to triangulate the research findings. As mentioned above, qualitative research was used in the form of semi-structured interviews and quantitative research was carried out in the form of a questionnaire. The former was used to enhance the reliability of the findings and to gain an opinion from an official’s point of view whereas the latter was used to gain an opinion from a more grounded level in terms of football fans.

### **3.8 Time Horizon**

When conducting research, the author has a choice of two time scales:

- Cross – sectional: Otherwise known as a ‘snapshot’ study
- Longitudinal: Otherwise known as a ‘diary’ perspective (Saunders et al., 2012, p.190)

Given the fact that this study can only be completed over the time limit of an academic year, the cross – sectional timescale was chosen. This involved an evaluation of UEFA’s FFP regulations at a particular point in time, i.e. before they became fully enforceable.

### **3.9 Techniques and Procedures**

The final layer of the research onion is deciding on the techniques and procedures that will be used to collect primary data. In this instance, the author has chosen a combination of questionnaires and semi – structured interviews in order to collect primary data for the project.

#### *3.9.1 Questionnaires*

The collection method of questionnaires were used to gain an insight into what football fans thought of the FFP regulations that UEFA were setting in place, their awareness of them, their confidence in these regulations in controlling financial activity in European club football and any ideas for possible alternatives if they thought FFP wouldn’t work.

One of the main advantages of using this method is that “they allow the collection of standardised data from a sizeable population in a highly economic way, allowing easy comparison” (Saunders et al., 2012, p.177).

When choosing the type of questionnaire design to use, it seemed clear to the author that an internet questionnaire would be the most appropriate form to use. In comparison to other questionnaire designs such as postal and spreadsheet questionnaires, the internet version is more efficient, less time consuming and would seem to be the most convenient method for the target respondent population. Through the use of internet means of communication, mainly social media, it would be a solid assumption that the respondent would have no difficulty in accessing the questionnaire and would be

comfortable with the method of completing the questionnaire online. A questionnaire design website, Google drive, was used to put the questionnaire together. This was a very good website to use as the questionnaire looked very professional, user friendly, was at no financial cost and provided great question design ideas in order to make it more attractive and easier to complete.

### *3.9.2 Questionnaire Design*

The questionnaire contained a total of 12 questions, 10 of which were closed ended and 2 open ended. The author was aware that too many open ended questions could have put the respondent off completing the questionnaire due to either the effort or lack of knowledge or awareness of the subject.

The author felt that asking the closed ended questions first would engage the respondents better and would more than likely lead to a better response rate in the open ended questions with the possibility of the respondent becoming more confident in giving an open ended opinion after filling in the closed ended questions.

In addition the questionnaire was designed so that respondents were only required to answer the closed ended questions and did not have to complete the open ended ones if they didn't want to, which the author felt would also help in getting a good response rate. The recommended time to complete the survey was a maximum of five to ten minutes. The author was conscious of not making the questionnaire too time consuming as to not put potential respondents off completing it.

### *3.9.3 Population and Sampling*

Because of the large following European club football has, the author decided to restrict the questionnaire to mainly one major league in Europe, the EPL, but there was room in the questionnaire for respondents who follow clubs outside of that league to participate.

After deciding on the sample, the author began to send the questionnaire on to close friends via social media who were fans of English premier league clubs. Along with sending it to friends, some of those contacted volunteered to send it on to their own group of friends. This vastly improved the response rate.

#### *3.9.4 Response Rate*

As previously mentioned, the questionnaire was sent around to close friends via social media and some volunteered to send it on to friends of their own using the same means of communication. Because the author was unaware as to the amount of people who would have received the questionnaire, a percentage response rate could not be calculated, but from the amount of people that received it, 169 people completed the questionnaire, 165 responses were deemed to be valid by the author as the remaining four were clear to be seen as not taking the questionnaire seriously. Because the author set out with an aim of between 150 and 200 responses, it was a satisfactory response and the author was happy to proceed to analysis with this amount of valid responses.

#### *3.9.5 Data Analysis*

The results of the questionnaire were automatically analysed by Google docs and transferred into an excel spreadsheet document which are included in the appendices. Graphs and charts represent the quantitative data received while a summary of the responses from the open ended questions are also provided.

#### *3.9.6 Interviews*

In addition to the questionnaire, the author decided to conduct two semi-structured interviews, one which was done through email, in order to gain an in-depth knowledge of FFP and how it works. These interviews were undertaken with the president of the FAI and a financial adviser to UEFA on FFP.

The first interview was carried out with Mr. Paddy McCaul, president of the FAI who is an Athlone resident. He was contacted firstly by telephone by the author's supervisor who is a personal contact of his and the interview itself was face to face. A list of questions was prepared by the author as a guideline while conducting the interview. The interview was recorded after gaining permission to do so. The main objective of this was to gain his interpretation of the new rules and his opinion on them as well as gaining an understanding of his own experiences of financial regulation in club football given his involvement in the running of the League of Ireland (LOI).

The second interview was conducted with Mr. Padraig Smith, UEFA financial analysis manager for club licensing and financial fair play. He was a professional contact of Mr. McCaul (The first interviewee) and was subsequently contacted as he was recommended to the author by Mr. McCaul for a more expert opinion. Because he is based in Switzerland, email was deemed to be the most appropriate way to conduct the interview.

The rationale behind this interview was to get a more expert and technical understanding of FFP and to gain an internal opinion of FFP as well as looking to sources outside of UEFA such as football fans. The author also took this as an opportunity to perhaps understand better how the German league is regulated, assuming Mr. Smith, working for UEFA, may have some knowledge on that particular league.

### *3.9.7 After the Interview*

Where recordings were taken, the interviews were transcribed into a word document and are included in the appendices. Where recording was prohibited, reference notes were immediately transcribed to ensure the author did not lose any key points.

### 3.9.8 *Data Analysis*

In order to analyse the information from the interviews, the author used cross case analysis which involved “grouping common answers to questions or analysing different perspectives on central issues” (Patton, 2002, p.440). Each interview was taken using similar questions posed to the interviewees and the responses have been grouped into central themes based on those matching questions.

### **3.10 Ethical Considerations**

Research ethics can be defined as “the standards of behaviour that guide your conduct in relation to the rights of those who become the subject of your work, or are affected by it” (Saunders et al., 2012, p.226).

The main ethical considerations facing the author in his own research would have been maintaining the privacy and confidentiality of the questionnaire participants and to maintain a level of honesty and reassurance towards interviewees. A number of steps were taken to make sure that each participant of the questionnaire remained anonymous.

Any personal questions such as name or age were avoided because such data was not necessary in this piece of research. Participants were asked what club they support, but this would only be used in a grouping scenario as this would be an important finding in this research. Participants were asked to complete the questionnaire at their own discretion and were given a brief synopsis about the research topic in order to make an informed decision.

Regarding the interviews, permission was sought before hand to record the interview and to include the transcript and the names of the people involved in the interview in the dissertation. It should be noted that, in storing and maintaining the data, the author kept in line with data protection principles.

### **3.11 Research Limitations**

Like any other researcher, the author has come across some limitations to his research and has outlined them below.

While the response rate was positive, over half of the respondents were supporters of the same team which means a sample representation can only be made of supporters of that team while the rest of the respondents may not be an accurate representation of the population who support that particular team. Also it is unclear the level of informed, quality responses received in the questionnaire due to the fact that some of these football fans may not know anything about the subject they are being asked about.

Perhaps if there wasn't such a time constraint on the dissertation, the author may have found time to gather more responses from a variety of club supporters in order to get a better representation of at least a few clubs rather than just one or two.

### **3.12 Summary**

This chapter has discussed the research methodology employed by the author while outlining the ethical considerations and limitations. The next chapter will analyse the findings of the research collected by the methods outlined in this chapter.

## **Chapter 4. Analysis of Findings**



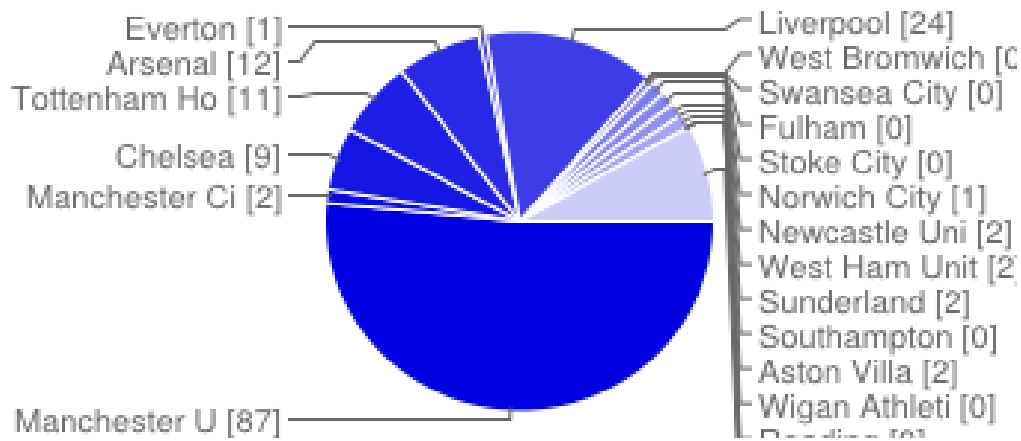
## **4.1 Introduction**

The purpose of this chapter is to evaluate the primary data collected using the methods outlined in the previous chapter. The findings of this data will be analysed based on the over-arching research aim and objectives set out by the author. As previously stated, the questionnaire, the results of it and the transcriptions of the interviews are included in the appendices.

The main aim of this dissertation, as mentioned before, is to get a better understanding as to how UEFA's new FFP regulations work and to critically evaluate their potential success or failure in regulating financial activity in European club football. This will be achieved by examining the primary data collected under the headings of the research objectives that were previously identified.

## **4.2 Quantitative Data: Questionnaire**

As discussed in the previous chapter, the author's quantitative source of primary data was captured using a survey strategy in the form of a questionnaire. The target audience was football fans of clubs in the English premier league. A total of 169 responses were received and were broken down in terms of what team each respondent supported. For the most part, all respondents will be grouped together when analysing the results under each topic of concern. Figure 4.1 shows the number of respondents and what team they support.



**Figure 4-1: Number of respondents and the teams they support**

*\*Note: 14 remaining respondents missing from diagram choose the option 'other'.*

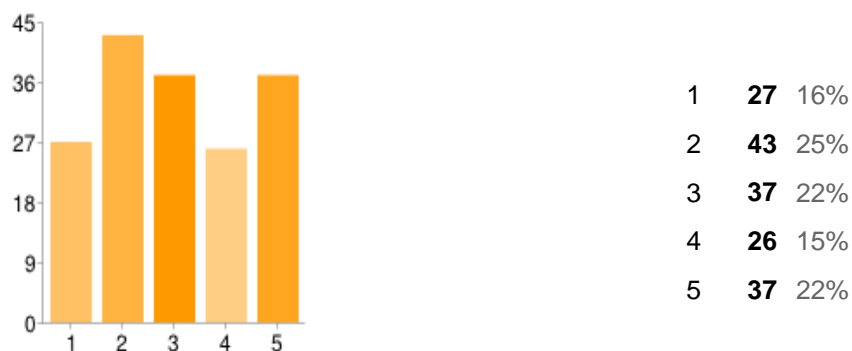
As you can see from Figure 4-1, a total of 169 people responded to the questionnaire, over half of which came from fans that support Manchester United. Some questions showed greater variations in response in terms of what team people support than others and will be shown separately if needed in order to show these variations.

### **4.3 Findings from Questionnaire**

As mentioned in the previous paragraph, the questionnaire started off with respondents being asked about what team they support. Over half of the respondents said they support Manchester United (52%) with respondents that support Liverpool being the only other sizeable sample with 24 supporters (14%). Only supporters of Arsenal and Tottenham Hotspurs reached over 10 respondents with the rest of the EPL teams having a very low level of response.

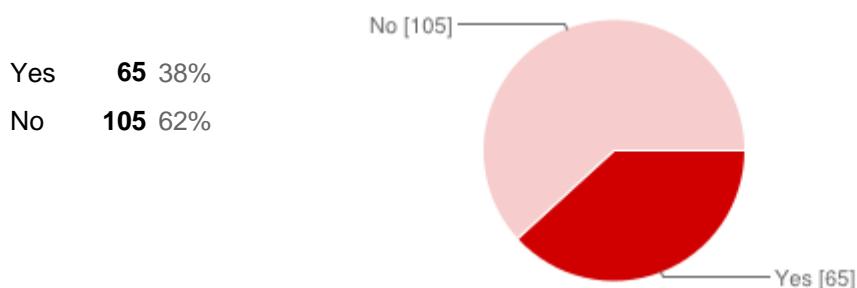
The next question asked the respondents on a scale of 1 to 5, how aware they were about financial regulation in the league in which they follow with 1 indicating that they were fully aware and a 5 indicating no knowledge at all. It was an even mix of respondents from all levels of knowledge with 16% of respondents saying they are fully aware, 22% saying they have no knowledge at all and the rest of the respondents in

between that choosing either 2, 3 or 4 which would indicate a good deal of knowledge, some knowledge and very little knowledge respectively. 25% choose 2, 22% choose 3 and 15% choose 4. The author asked this as a potential indicator to the amount of informed and quality responses that could be obtained and to the potentially interesting points that could be brought up in the open ended questions later in the questionnaire.



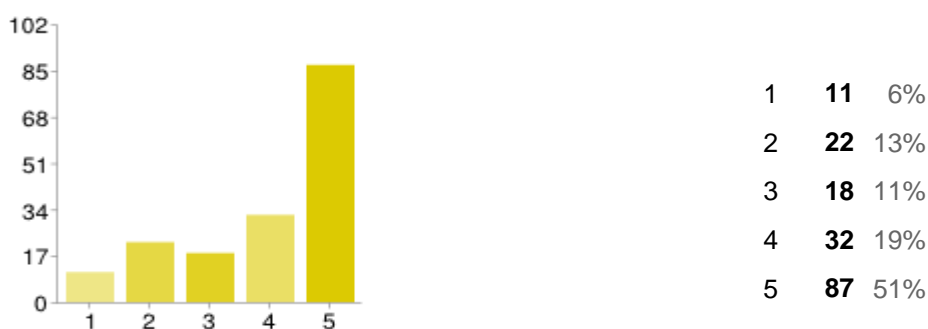
**Figure 4-2: Level of awareness of financial regulation in their supported league**

Around 62% of respondents have said that they don't think the team they follow is at an unfair advantage/disadvantage given the influence wealthy investors in their league. Only 36% of Manchester United supporters think that they are at an unfair advantage which would explain the unusually high overall rate of 62%.



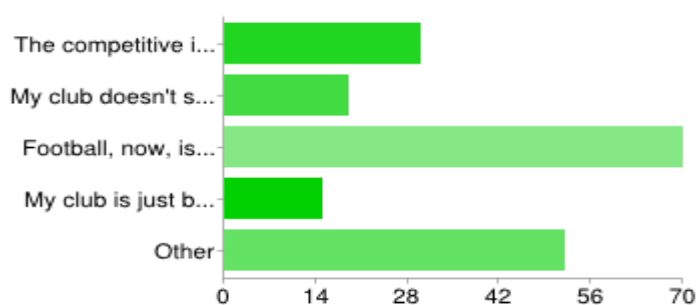
**Figure 4-3: Do fans think their club is at an unfair advantage/disadvantage given the influence of wealthy investors in their league**

Fans were then asked had these recent trends of wealthy business tycoons taking over football clubs and investing huge amounts of capital into them had impacted on their support of their team. This was again on a scale of 1 to 5 with 1 representing a huge impact on support and 5 being no impact at all. Over half of respondents (51%) said it had no impact on their support while a further 19% and 11% said it had little impact and only some impact respectively. Only 19% had said that it either had a sizable or dramatic impact on their support.



**Figure 4-4: The impact of spending power of clubs on fan's support of their club**

The author followed up on the above results asking how it has impacted on their support if any. The respondents were given four possible reasons plus an 'other' option in case none matched their outlook and for those whom it had no impact.



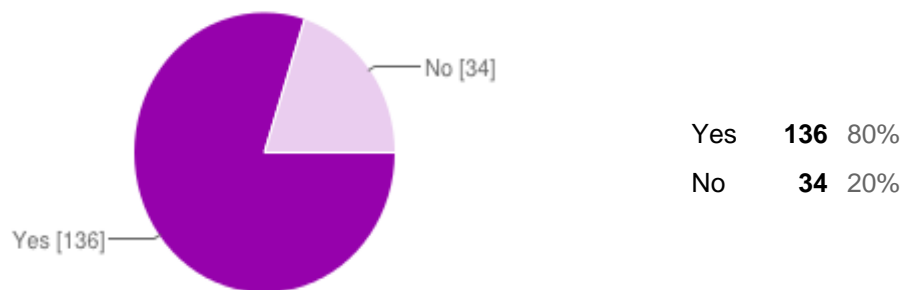
The competitive integrity of the league is gone	<b>30</b>	16%
My club doesn't stand a chance of competing with other clubs spending so much on new players	<b>19</b>	10%
Football, now, is just a business	<b>70</b>	38%
My club is just buying success	<b>15</b>	8%
Other	<b>52</b>	28%

**Figure 4-5: How it has impacted on fans support**

Figure 4-5 shows that 72% of respondents choose one of the options provided while the 28% went for the ‘other’ option. Out of the 28%, 36 respondents said it had no impact while the rest expressed their own reasons, some of which are as follows:

- *“Better rival clubs” (Tottenham Hotspurs fan)*
- *“No recent success, one of few clubs financially stable” (Arsenal fan)*
- *“Frustrating to see clubs buying titles, paying outrageous fees and wages” (Arsenal fan)*
- *“My club had money leeches out of it to service debt put into it by predators who bought it using that money” (Manchester United fan)*

After receiving feedback from the above question, the author went on to ask is there a need for financial regulation in their club’s league to which a unanimous 80% agreed that yes, there was a need for it.

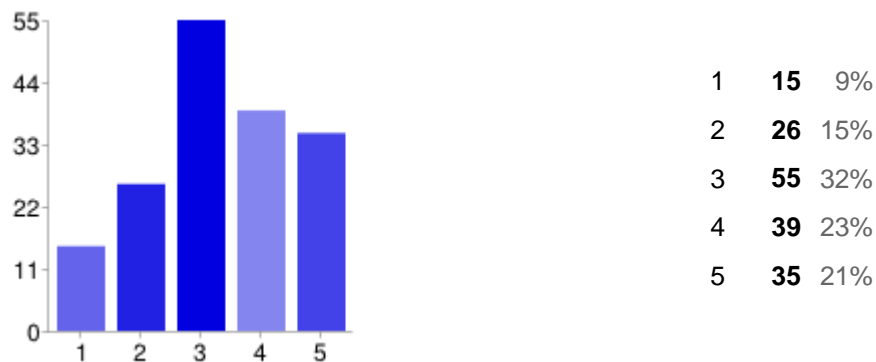


**Figure 4-6: Is there a need for financial regulation in European club football**

Next, the author asked respondents whether they would be confident in UEFA’s FFP regulations in stopping clubs with wealthy owners gaining an unfair advantage due to the massive investment involved. Again the author posed this question using a scale response of 1 to 5 with 1 indicating full confidence in FFP and 5 indicating no confidence at all.

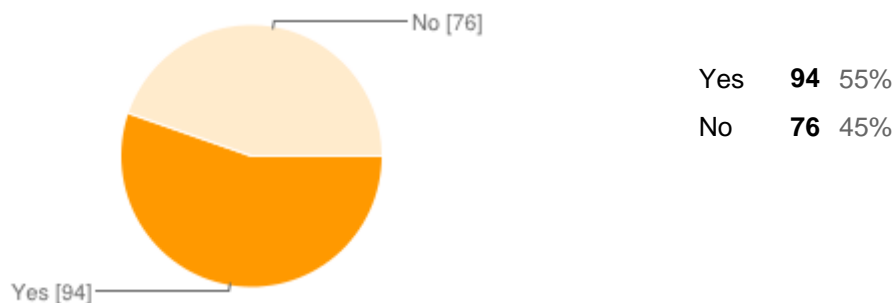
The most popular choice was a 3 on the scale which would indicate uncertainty about FFP and its success with 32% of respondents going for that option.

23% of respondents had very little confidence going with 4 on the scale, 21% said they had no confidence at all going with 5, 15% went with 2 saying they were very confident and only 9% of respondents admitting they are fully confident going with a 1 on the scale.



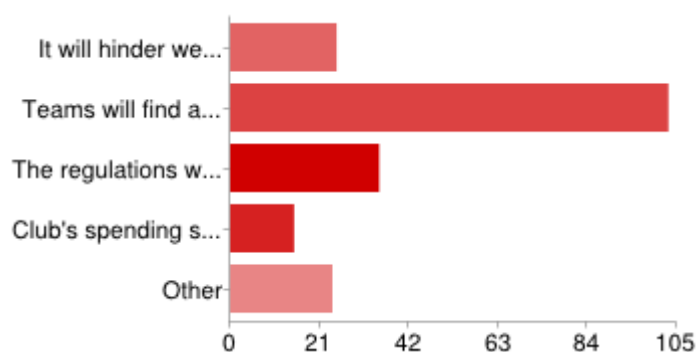
**Figure 4-7: Confidence in FFP to regulate the influence of wealthy investors in football clubs**

Respondents were then asked if they thought that if something similar were to be implemented in their clubs league, would it have any effect on the influence of wealthy investors in football. This had a fairly even response rate between ‘yes’ and ‘no’ with 55% saying yes and 45% saying no which, like the previous question, would show a level of uncertainty about FFP amongst football fan.



**Figure 4-8: Fans response to similar regulation being implemented into their club's league; do they think it will affect the influence of wealthy investors?**

After posing the two questions above, the author asked respondents why they felt that FFP wouldn't work or if they thought it wouldn't work in their clubs league. Again, four possible responses were put forward followed by an 'other' option in case none of the responses matched how they felt. The 'other' option was also used for the respondents that felt the opposite about FFP to indicate that they thought it would work. Figure 4-9 shows that the most popular response with 51% of respondents feeling that clubs will find loopholes in FFP to exploit, 17% felt FFP won't be taken seriously, 12% saying it will hinder weaker teams as well as stronger ones and only 8% feel that club spending should not be regulated. 11% choose the 'other' option with 13 of those respondents saying FFP will work.



It will hinder weaker teams as well as teams with wealthy investors	<b>25</b>	12%
Teams will find a way around the system	<b>103</b>	51%
The regulations won't be taken seriously	<b>35</b>	17%
Club's spending should not be regulated	<b>15</b>	8%
Other	<b>24</b>	12%

**Figure 4-9: Why fans think FFP will or will not work**

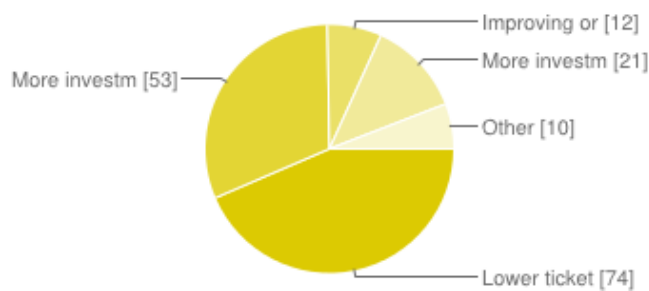
The rest of the responses who choose the 'other' option had different views to the list that was put forward to them. Some of which are as follows:

- *“Economic power will reign, look at United, Bayern and Madrid’s sponsorship power” (Manchester United fan)*

- *“Arsenal’s position is due to the club spending less rather than others spending more. It’s a very strict financial model” (Arsenal fan)*
- *“UEFA will be toothless against big money” (Charlton Athletic fan)*
- *“Player power will prevent a decrease in wages, meaning clubs won’t be able to reduce debt substantially and will thus fail in the test” (Manchester United fan)*

The last of the closed-ended question asked respondents what they would like to be seen done in their club, given more financial stability. Again, similar to the above question, four possible responses were put forward followed by an ‘other’ option if they had other opinions.

Figure 4-10 shows that the most popular response was cheaper ticket prices, chosen by 44% of respondents, youth development was next with 31%, then charitable causes and infrastructure investment both with 7%. Lastly 6% chose the ‘other’ option, citing their own opinions with some very similar to the other four choices mentioned previously and some suggestions such as investing in playing talent and turning financial stability into success on the pitch.



Lower ticket prices for matches	<b>74</b>	44%
More investment in youth development	<b>53</b>	31%
Improving or building a new stadium	<b>12</b>	7%
More investment in community development and donations to charity	<b>21</b>	12%
Other	<b>10</b>	6%

**Figure 4-10: What fans would like to see their club do with more financial stability**



Finally, the last two questions were open-ended, asking respondents, firstly, any suggestions as to the improvement of FFP and, secondly, any further comments on the issue. Responses to both questions seemed to be similar in a sense that both were used to debate how FFP could be improved or to put forward other ways of regulating financial activity. Responses circled around the following themes:

- *Salary caps*
- *Minimum amount of home grown players used in a club*
- *Ban football clubs from being floated on the stock market*
- *Introduction of a draft system for playing talent (Similar to American sports)*
- *Minimum spend on youth development*
- *Limit sponsorship deals*
- *Tighten possible loopholes*
- *Cap on revenue from broadcasting rights*

#### **4.4 Qualitative Data: Interviews**

As mentioned in the previous chapter, the qualitative source of primary data for the author was captured via two semi-structured interviews. These interviews were carried out with the President of the FAI and a financial advisor of UEFA on FFP. When analysing the interviews, responses recorded will be shown separately, when needed, under each research objective in order to seek any variations, if any, in each person's opinion.

***Objective 1: To review the topic of UEFA's FFP regulations using both primary and secondary data and of football fans and their impact on football clubs.***

The author has already satisfied part of this objective in the literature review, having already researched FFP and football fans using already available sources. Now, the

author wants to get a primarily sourced interpretation of FFP. Mr. McCaul's (President of the FAI) interpretation of FFP is "that there will be a cap on the percentage of income that the clubs can pay on wages and transfer fees. It sometimes suits the owner to include them in the company accounts or sometimes to include them in their own personal assets and to write them off over a certain period and I think it's to do with the tax they pay in the country where they are resident". If you pay €10 million for a player, you would probably amortise him over five years and if there is a profit in the accounts, that will be a write off on the tax element of it and the individuals will probably use the tax write off for their own benefit. It depends on what way the club is set up. I would imagine they are trying to regulate all of this in FFP.

"To me, FFP is very simple, for example you take in €100 million a year, €75 million goes towards paying wages and transfer fees and €25 million goes towards running the club and to make sure it doesn't get into financial difficulties".

When asking Mr. Smith (Financial Advisor to UEFA) his interpretation, he referred me to some already available material on FFP published by UEFA that the author had investigated already. He then reassured me that his interpretation of FFP would be no different to what UEFA have said already on the matter. Although when asked about the impact of FFP on the transfer of playing talent and perhaps competitiveness, he did state that "the outcome I am most hopeful for is a scenario whereby home-grown players will actually stay and develop a year or two longer before making a big move abroad or to a bigger domestic club. A basic philosophy for player development is "the best, with the best, against the best". Essentially to improve you need to play with the best players and against the best players all the time. The key word for me though is 'play'. If you are not playing you cannot maximise the return from your talents. What we have seen over the past few years is the hoarding of talent in ever increasing squads.

This is detrimental to not only the competitiveness of the league but to the development of the player as well as they are not playing in as many competitive games as their development would require. If clubs have to be more rationale in their financial behaviour it is logical to assume that they will not be as willing to take chances on player acquisitions. They may want to see how a player does for an extra year before making a large financial commitment”.

***Objective 2: To gain an overall opinion of both football fans who follow clubs in the EPL, the president of the FAI and a UEFA representative on their confidence in these rules regarding FFP’s effectiveness in regulating financial activity in European club football.***

Again, part of this objective is satisfied elsewhere. The response of football fans was analysed earlier in this chapter using the questionnaire but the author also wanted to seek the opinions of senior officials in European football as a way of comparison to fans of the sport.

Mr. McCaul would seem to be very confident in FFP, stating that “UEFA’s next challenge is to get FFP to work without losing the bigger clubs, having said that, I don’t think it will be accepted if bigger clubs decide to break-away or break the rules because the rules will be embedded into UEFA”. When asked was he satisfied with FFP, he went on to say “Absolutely, well from what we can see from the nature of the clubs, when UEFA succeeded in controlling the G-14 (A former organisation of European football clubs) and bringing them onside. I think it will be half ‘iron fist’ and half free market but the main thing is to get the big clubs on board with it then they will be able to rule fully with an iron fist and they have the resources in UEFA to police it and it will be a legacy for the likes of Michelle Platini to show he was proactive in this area”.

Mr. Smith also seemed pretty confident in FFP having the desired effect UEFA are looking for, stating that “Yes, we are confident that the objectives outlined can be achieved. I believe we have already seen changes in the behaviours of the vast majority of clubs. Transfer fees are down, some clubs are moving toward more incentive based salary payment schemes and overall clubs losses are decreasing”.

Regarding why Mr. Smith would seem confident, he stated that “By encouraging clubs to live within their means and operate at breakeven we strive to create a situation where expenditure matches income. By allowing deductions for spending on youth, community and infrastructural projects we are promoting a future based on a sustainable financial model which is driven from within rather than from external and in general more expensive options. The overall effect of these factors will be to ensure the long-term viability of European club football”.

***Objective 3: To compare FFP to regulation of a similar nature already in place in other European leagues such as the German league (Bundesliga).***

The author wanted to know how FFP would compare to financial regulation already in practise in European club football. Mr. McCaul could be able to describe how financial regulation works in the LOI while Mr. Smith could give comparisons from other instances such as the German Bundesliga.

Mr. McCaul gave the author an introduction to how regulation of the LOI all started. “When we formed a merger with the LOI, I was majorly in favour with it because up until then, the league was running itself. I’d like to think the support of the merger was one of my greatest achievements because we managed to reduce the LOI clubs’ debt from €7 million to just over €230,000 over a 5 year period”. When discussing how it actually works, he went on to state that “firstly, when we see irregularities in the wage

structure of a club, we stop them from signing new players and that will apply again in this instance. That's the biggest thing you can hold over clubs, to stop them signing new players. Clubs can be deducted points if they don't pay their creditors on time, for example players' wages. The biggest thing in this is the sporting way of disciplining clubs.

If you can't pay your players or the transfer fee owed to other clubs for players or simply, if you can't operate within your means, they are going to apply football rules to it i.e. deduction of points, transfer embargos and refusal of entry into European club competition".

Regarding Mr. Smith's response, he stated that "We looked at lots of different financial regulations in sports industries around the world prior to developing our own regulations. Each set differ in many ways while containing various similarities. It would not be possible for me to give you an in-depth analysis of the differences".

Although, when asked about the potential impact FFP could have on future high profile transfers, the author got a good insight into how clubs may adopt their transfer strategy to satisfy FFP. "Each club will have their own strategy in terms of meeting the FFP break-even requirement and that will include how they structure their transfer policy.

Placing an appropriate value on a player is a challenge and one which requires a lot of detailed analysis. I do believe the majority of clubs will look to improve their youth academies to produce as many top class players as possible. This will essentially provide a base for clubs to build from. There will always be competition for the top players though and where there is excess demand over supply prices will remain high. This could mean that the top end of the market continues to grow while clubs look to reduce their output on so-called 'squad players'. The FFP regulations will not stop the big clubs wanting to sign Bale or Ronaldo and for a lot of money".

## **4.5 Conclusion**

This chapter has analysed and illustrated the responses collected through the internet questionnaire and the semi-structured interviews. The findings relate to the overall aim and objectives of this research project. The next chapter will discuss the findings from the primary research carried out by the author and compare and contrast it to the research findings in the literature review.

## **Chapter 5. Discussion**

## **5.1 Introduction**

The previous chapter of this dissertation presented an analysis of the research findings by, firstly, each individual survey question and then by each individual research objective. In this chapter the author will provide an in-depth discussion of these findings and will link them to the research objectives and the literature discussed in chapter two.

The aim of this research was to better understand UEFA's new FFP regulations and to critically assess their potential success or failure in effectively regulating financial activity in European club football. The author mainly looked at the 'overdue payables' and 'break-even' requirements of FFP. The author hoped to find out how FFP works and the rationale behind it as well as gaining various opinions on FFP. The findings chapter resulted in a lot of interesting information which the author will discuss relative to each objective.

**Objective 1: To review the topic of UEFA's FFP regulations using both primary and secondary data and of football fans and their impact on football clubs.**

This research objective was addressed both in the literature review and the analysis of findings as part of the author's own research. This objective goes into how FFP works regarding rules and regulations, the rationale behind introducing FFP and how football fans impact on the clubs they follow.

The literature review went into detail about how FFP works in terms of the 'overdue payables' and 'break-even' policy. It points out the introduction of two further deadlines throughout the financial year along with the annual deadline already in place where club accounts must be presented in order to show that any monies owed to staff, players and other sources are paid off by the time these deadlines arise. It also defines UEFA's version of 'break-even', the monitoring periods of break-even over three years,



what relevant income and expenses are taken into account for the calculation of break-even and the idea of acceptable deviation from break-even.

The literature review also discusses the impact that fans can have on the clubs they follow. It discusses how fans are viewed by clubs as very important stakeholders of a club. These fans have a direct impact on the clubs revenue stream in terms of merchandise and match day revenue but also have an emotional impact on the club from the vocal support they provide on match days.

The research carried out confirmed all of this plus some additional information.

Regarding the two interviewees, they confirmed to the author about how FFP works with one describing it as a 'cap on spending'. The other interviewee, because he is an official of UEFA, reassured the author that he would have no different to say on the matter than what UEFA have said about the matter already. Findings from the questionnaire have shown that only 41% of fans asked could say that they are either fully aware or have a good deal of knowledge of financial regulation currently in operation in club football while 80% of fans agreed there was a need for it. Also, assuming clubs will become more financially stable, the most popular way to take advantage of it, according to fans questioned, was to lower ticket prices.

The author believes that football fans aren't being made aware enough of when regulation such as this is being introduced and how it works which, the author believes, leads to such a low level of awareness about it. Football fans are aware, though, that there is a need for it to be introduced.

**Objective 2: To gain an overall opinion of both football fans who follow clubs in the EPL, the President of the FAI and a UEFA representative on their confidence in these rules regarding FFP's effectiveness in regulating financial activity in European club football.**

As well as getting primary data from the sources mentioned above, the literature review also brought out the opinions of various academics who wrote articles on the subject.

The literature review seemed to show a lack of confidence in FFP, citing various criticisms of FFP from various points of view. Lindholm (2010) made the point that adjustments will have to be made as time goes on to take into account club's behaviour towards FFP. Another author looks at FFP from an economic point of view, making the point that insolvency isn't really much of a problem in football with rich investors guaranteeing club's spending. He also mentions the cost of implementing and running FFP to be another disadvantage. Another author makes the point that FFP contradicts EU law in three ways:

1. FFP is an anti-competitive agreement
2. It's an abuse of a dominant position
3. It restricts movement of players within Europe

Football fans would also share a lack of enthusiasm about FFP. From the research carried out by the author, 32% of respondents said they are unsure about FFP having the desired effect of regulating financial activity in football while a further 44% said they had little or no confidence at all. The author believes that this maybe due to the fans' lack of knowledge of FFP and the fact that it hasn't been seen in operation yet although the opinions of the various authors mentioned would carry more credibility.

In contrast, the two interviewees would seem to be very confident that FFP will work. One interviewee's reasons for such confidence, as he pointed out, was how powerful UEFA as an organisation has become over the big clubs of European football, although he did make the point that these big clubs still maybe needed to be convinced that FFP is the way forward in European club competition. He went on to say that over time UEFA will be able to enforce FFP with more of an iron fist with more of the big clubs beginning to put trust in FFP. He also voiced his confidence in UEFA having the resources to enforce FFP.

The author's second interviewee made the point that there had already been changes to clubs behaviour because of FFP, citing such changes as the reduction in transfer fees and clubs changing their wage structure to a more incentive based one with the result being the reduction in club losses. Regarding why he thinks it will work, the main reason given was the encouragement of clubs to operate within their means but at the same time giving an allowance to some expenses such as infrastructure, youth development and community projects. He also cites the promotion of a future based on a sustainable financial model with is driven from within rather than externally. The overall effect of all this, according to the interviewee, is to ensure the long term viability of European club football.

**Objective 3: To compare FFP to regulation of a similar nature already in place in other European leagues such as the German league (Bundesliga).**

The literature review carried out by the author looked at financial regulation in the German Bundesliga as a means of comparison to FFP. The German Bundesliga would be seen as a more tightly regulated league in comparison to the EPL and the literature review found that it is regulated under three pillars:

1. Licensing System

2. Safeguard Fund

3. Ownership Rules

1. The licensing system explains that each club must submit their audited club accounts and by what date, the conditions or requirements to satisfy in order to obtain a license to compete in the league and the type of license a club can receive based on how well they meet the requirements. It also explains through what channels a club can appeal the decision made in terms of what license is awarded and the sanctions in place when a club fails to comply with the conditions or requirements.
2. The safeguard fund is a fund set up by the DFL to help German Bundesliga clubs who find themselves in a temporary liquidity crisis in order to safeguard the running of the league. The club in question, after receiving the financial aid, will need to reimburse the DFL when the next instalment of media revenue is due to the club. There are also sanctions for a club when they need to avail of this aid.
3. The ownership rules explain the requirement of each club to limit the influence of external investors by means of at least 51% ownership must come from the club itself, usually through fans owning shares.

It is also mentioned the benefit to fans of such regulation, resulting in cheaper ticket prices for matches across the league. Regulation has also resulted in the league becoming more competitive also with a wider variety of winners year-to-year comparing to the EPL. One negative point that was mentioned about the German league was its apparent confusion on whether to implement more market based regulation or to go more rigid.

From the research carried out by the author, fans wouldn't seem to have much awareness of financial regulation as described earlier in this chapter. The key pieces of research in this area came from the one of the interviewees, he being able to give an account of financial regulation in the LOI. He cites the main area in club accounts being their wage structure in terms of investigation, explaining that if irregularities are showing, the transfer of players to that club will be stopped until the issue is resolved. He also points out other sanctions such as deduction of points for not paying creditors on time and refusal of entry into future competition.

The author believes from the literature review and the research carried out, the main issue, directly or indirectly, seems to be the monitoring of a club's wage structure. With the LOI looking directly at player's wages and making sure they are stable, the German Bundesliga looking at it from a more indirect point of view in terms of a club's liquidity position and FFP itself and indirect approach, focusing on break-even.

The author can understand the importance of monitoring player's wages and trying to cap them due to the fact that player's wages, because they have been hugely inflated over time, have taken over as the biggest expense at a professional football club.

## **5.2 Conclusion**

This chapter has discussed the research findings and the literature review in relation to each of the research objectives. The following chapter will provide the overall conclusion of this thesis, limitations in the research and recommended areas for possible future research.

## **Chapter 6. Conclusion**

## **6.1 Introduction**

This chapter will bring the dissertation to a conclusion, using the research analysis and discussion of the findings. The author will provide his concluding comments on the research in relation to each research objective. Finally, limitations of the research and potential areas for future research on this topic will be discussed.

## **6.2 Concluding Comments**

The author began carrying out the research project with the aim of assessing the potential success or failure of FFP in regulating financial activity in European club football. UEFA's executive committee approved the FFP regulations in May 2010 and after extensive consultation, had an updated 2012 version which had an 'overdue payables' policy being monitored since the summer of 2011 and the 'break-even' policy with the year end periods 2012 and 2013 being monitored during the 2013/14 season. This dissertation has provided a vast and interesting collection of data and information. The author will provide comments and will state whether he was successful or not in meeting each of the research objectives.

*Objective 1: To review the topic of UEFA's FFP regulations using both primary and secondary data and of football fans and their impact on football clubs.*

The author looked at FFP from its two main rules, its 'overdue payables' policy and its 'break-even' policy. The 'overdue payables' policy set out to ensure that club's settle their liabilities in a timely fashion such as player's and staff wages, transfer fees owed to other clubs etc.

Before the introduction of FFP, there was only one annual deadline to submit club accounts to show that liabilities were being paid which gave clubs more time to withhold payment of these liabilities but now that FFP has introduced two more dates

within a single financial year, clubs must now present their accounts three times within the financial year to ensure their liabilities are paid off which forces them to be more active in settling liabilities. The ‘break-even’ aspect of FFP ensures that clubs do not spend beyond their means in terms of their revenue stream, thus installing a sense of financial discipline and limiting the influence of external investors. As the term ‘break-even’ suggests, clubs cannot let their expenses exceed their income with FFP allowing for some expenditures such as youth development, infrastructure and community projects. Through carrying out primary and secondary research, the author feels that significant data and information was captured to satisfy this objective.

***Objective 2: To gain an overall opinion of both football fans who follow clubs in the EPL, the president of the FAI and a UEFA representative on their confidence in these rules regarding FFP’s effectiveness in regulating financial activity in European club football.***

Carrying on from the author’s research on how FFP actually works, he hoped to get an opinion from the points of view mentioned above on how they felt about the introduction of FFP and their confidence in it to effectively regulate financial activity in European club football. That is, explaining the research carried out in the previous objective to football fans and getting their opinion on it. Of course, because of the knowledge of the interviewees in this area, this was not needed for the interview part of the primary research. Through the research conducted, there seems to be a mixed response between senior officials in football, football fans and academics in this area.

While the senior officials interviewed would seem to be very confident in FFP, responses from the questionnaire and the literature review would seem to indicate a lack of confidence in FFP. Although the author’s research would seem to convey mixed feelings about FFP, a good deal of research was carried out to satisfy this objective.



*Objective 3: To compare FFP to regulation of a similar nature already in place in other European leagues such as the German league (Bundesliga).*

The author looked at examples of financial regulation in football in action as a means of comparison to FFP. Leagues such as the German Bundesliga and, as the author found out through primary research, the LOI, have regulations dealing with the financial activity of clubs within their respective leagues, already in place. While carrying out the literature review, the author was introduced into financial regulation in the German Bundesliga.

The author learned that audited accounts need to be submitted by the date specified to the DFL proving the club to be liquid. If the club was not liquid they would run the risk of being banned from competing in the league the following season. There is also a safeguard fund set up to help clubs who find themselves in a temporary liquidity crisis and the minimum amount of shares that must be owned internally by each club.

From the research carried out by the author via one of the interviews, he was introduced to how financial regulation works in the LOI. The interviewee's main points were how the league monitors clubs' wage structures and if irregularities are found, transfer of players to that club are halted. The interviewee also made the point that when clubs in the LOI come into conflict with financial regulation, sporting sanctions are applied to those clubs such as deduction of points, transfer embargoes and refusal of entry into the relevant competitions. Through the research carried out, the author managed to answer this objective.

At this moment in time, the main issues regarding FFP and its potential success in effectively regulating financial activity in European club football, from the research carried out, would be as follows:

1. Backing from powerful clubs – One of the interviewees made the point that in order to make FFP work, UEFA, as powerful as they have become, must ensure that the more powerful clubs in Europe must be onside with FFP to ensure that cooperation with the new rules will be taken seriously. If the more powerful clubs are seen to be abiding by the rules, other clubs, hopefully, will follow that example or else there could be a risk of some clubs pulling away from the competition, deterring the image of it at the same time.
2. Clubs finding loopholes in the system – Another challenge for UEFA would be to make FFP air-tight in terms of ensuring that clubs do not find ways around the system so that it could potentially damage the integrity of the sport. This could be by means of taking advantage of technicalities in the rules or by means of creative accounting. The author believes this could be an issue given the fact for example; certain expenses under FFP are allowable, which could prompt clubs to adjust their accounts to suit FFP, perhaps unfairly.
3. The impact of FFP on smaller clubs – The introduction of FFP could have a negative impact on smaller clubs who qualify for European competition. Because FFP is essentially a cap on a clubs spend, smaller clubs, who will probably have weaker revenue streams than the more powerful clubs, will be forced to stick to their smaller budget thus not giving them a chance to invest as much as they wish on playing talent in order to compete with their more powerful rivals.

Overall, the author believes that FFP can be successful if implemented and operated correctly by sticking to the objectives UEFA have stated about FFP and its desired effect. Of course, other concerns besides the three mentioned above could become a challenge to UEFA but will only surface once we see FFP in operation.

### **6.3 Limitations of the Research**

As with any research project, the author, during his research, came across limitations of his own in completing the dissertation. Despite the efforts of the author, certain constraints were encountered that restricted the findings of the research.

The time constraint, as with the other participants in this programme, was an issue that affected the scope of the research. The author had to limit the amount of research to be carried out in order to meet the deadline set by the college. If a longer period to complete the dissertation was allowed, more valuable information would have been obtained.

The major shortcoming in the research carried out was the lack of variety in what clubs football fans follow when analysing the responses from the questionnaire. More than half of the respondents of the questionnaire supported one team and a further 33% supported four other clubs which leaves the representation of the rest of the clubs in the EPL very weak.

Also it is unclear as to the level of informed, quality responses in the questionnaire due to the fact that not every respondent to it will have a good knowledge of FFP, financial regulation in football or just may not have a good grasp of finance in general. Despite these limitations, the author ensured that the research carried out would be of an acceptable quality and volume.

### **6.4 Recommendations for Future Research**

The author believes the subject of FFP is, at the moment, very topical in football circles and will be even more so in the future when FFP is fully enforced and seeing its effects takes place in European club competition. There is a lot of potential for further research in this topic and the author feels this should be exploited.

The author's research took place at a point in time where FFP was not fully enforced on European competition. A lot of further research should be conducted post enforcement of FFP to see its true impact and clubs behaviour as time goes on.

The author conducted his questionnaire amongst football fans of the EPL. However, because the introduction of FFP can have an impact almost any stakeholder within a football club, perhaps the opinions of stakeholders more directly affected should be accounted for such as managers, players, staff etc. For example, managers will be affected in terms of how much they can spend each year on playing talent, the players themselves on their earning capacity and staff on the swiftness in receiving their wages.

The author, in his literature review, looked at criticisms of FFP. Perhaps, as time passes, more weaknesses in the FFP system could surface while being enforced which need to be investigated. Also, some suggestions could be given on how FFP could be improved to more effectively regulate financial activity in European club football.

## **6.5 Summary**

This chapter provided the overall conclusions of the research dissertation. The limitations to the research and recommendations to conduct further research on this topic were also highlighted.

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# Appendices

## Appendix I

### Interview 1: Paddy McCaul – President of the FAI

**G.M: The Author (Interviewer)**

**P.C: Paddy McCaul**

(Interviewee)

**G.M: First of all Paddy, thanks so much for taking time to have a chat with me about UEFA's new financial fair play situation. So starting off, to the best of your knowledge, could you give me a brief introduction as to what Financial Fair Play is in this instance?**

**P.C:** Your very welcome, no problem. From what my understanding of it is that there will be a cap on the percentage of income that clubs can pay on wages on transfer fees I presume. The way transfer fees are accounted for are different for each club, for example it sometimes suits the owner to include them in the company accounts or sometimes to include them in their own personal assets and to write them off over as certain period and I think it's to do with the tax that's paid in the country where the owner is resident.

**G.M: So they can include the transfer fee in the club's accounts or they can....**

**P.C:** or they can personalise it, it depends on what role they have within the company.

**G.M: Would this have been the issue raised when the whole story about Carlos Tevez broke when he was at West Ham<sup>1</sup>?**

P.C: No, that would have been an ownership issue, as in who owned him at the time but the fact of that matter was that he was bought and paid for.

The way that company made their money was that every two years they would move him on to a different club which is why Manchester City had a huge problem when he signed a four year contract with them and wanting to move again after two years.

If you pay 10 million for a player, you would probably de-value him over a five year period and if there is a profit in that period, that will be a write off on the tax element of the profit and the individuals will probably use those tax write offs for their own benefit which they can depending on what way the club is set up. I would imagine it is all of this they are trying to regulate in FFP. To me FFP is very simple, for example you take in 100 million a year, maximum of 75 million can go toward wages of players and transfer fees but the other 25 million must go towards running the club and to make sure they don't get into any financial difficulties.

There's something wrong in football when there has never been as much money in the game as there is now with sky<sup>2</sup> increasing their distribution of broadcasting revenue to clubs and yet clubs are still finding themselves

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<sup>1</sup> This is reference to the story that broke at the end of the 2006/2007 season where Tevez played a key role in keeping West Ham in the premier league at the expense of Sheffield United and doubts were raised as to Tevez's eligibility to play for West Ham. Sheffield United took a case against West Ham about it and received a compensation settlement but ultimately were not reinstated with a place in the premier league and thus were relegated.

<sup>2</sup> Sky is a broadcasting company with significant influence in TV coverage of the premier league as well as the champions league and distribute broadcasting money to clubs in exchange to film their matches live.



insolvent. For example in the major European leagues such as la liga<sup>3</sup>, Malaga is banned from European competition for the next five years because they went bankrupt. Although this maybe somewhat due to the fact that most of the broadcasting revenue in Spain goes towards the top two clubs in Spain, Real Madrid and Barcelona which is very unfair on the rest of the Spanish league.

But what people don't realise is that the G-14<sup>4</sup> was very close to breaking away and forming their own European club competition but now UEFA have gotten stronger because now clubs see the European competition as a cash cow because of the financial reward a club gets for qualifying for European competition. Now the power of the G-14 has diminished but the next challenge UEFA face is to get FFP to work without losing the big and powerful clubs in Europe but having said that I don't think it will be accepted if one of the big clubs try to break away or break the rules because they will be embedded into UEFA policies.

**G.M: From that I've researched it seems that one of the objectives of FFP would be to give smaller clubs a better chance to compete and perhaps shift the balance of power in football so that bigger clubs won't be able to spend as much as they have up until now. Would you agree?**

P.C: No, not necessarily. For instance take what West Ham manager Sam Allardyce recently said in the papers about because of the protocol being introduced, West Ham wouldn't be able to buy a player for £17 million<sup>5</sup>, surely that's not an advantage to smaller clubs.

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<sup>3</sup> La liga is the top league competition in Spain

<sup>4</sup> The G-14 was an organisation that was set up in 2000 to represent at first 14 big clubs in Europe to negotiate with UEFA and FIFA and increased to 18 in 2002 but then was disbanded in 2008.

<sup>5</sup> At the time of the interview some papers had released the story about the manager in question complaining about not being able to permanently sign on loan striker, Andy Carroll from Liverpool because they could afford his wages or the transfer fee under new protocol.

I think stronger clubs will still be strong but they won't be able to sign all the top quality players they want like they're doing now so maybe in that way they will have to settle for lesser talented players and then it may become more competitive.

Top clubs such as Barcelona, Real Madrid, and Manchester United etc. won't be able to sign all the best players available which means a top player may go to a club like Everton for example so to give them a better chance to challenge the top clubs of England or in Europe should they qualify, so in that context it may make it more competitive.

**G.M: So more top players will be up for tender?**

P.C: Absolutely, so that not all the top players will be at the one club.

**G.M: In your opinion, what is the reason behind UEFA introducing FFP to European club football?**

P.C: Well when the FAI<sup>6</sup> formed a merger with the Eircom league<sup>7</sup>, I was majorly in favour of the idea because up until then, the league was running itself. While the association was ultimately responsible for the bad name it had, it was handcuffed because of all the trouble of the league was coming back on the FAI and I'd like to think that one of my greatest achievements was the support of the merger and getting the clubs over the line to merge because when they did merge, the clubs went from being over €7 million in debt to just €230,000 in five years.

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<sup>6</sup> Football Association of Ireland

<sup>7</sup> This was the former name given to the premier league competition in the Republic of Ireland, it is now known as the Airtricity League because of the change in sponsorship.

This came from strong iron methods, we didn't allow clubs to govern the league so when we took that away, we started looking at the league objectively. We couldn't allow them to spend what they didn't have which was happening at the time amongst others.

We had four independent people along with the chairman who would have been an ex-club man, the chief executive and general secretary of the FAI and these would be the key people on the committee that would direct the operation and protocol and the league director would then enforce it. I would imagine would do something similar but of course on a bigger scale.

**G.M: So you think to 'rule with an iron fist' is the way to go?**

P.C: Absolutely, it's the only way this will work.

**G.M: Looking at FFP from a league of Ireland perspective, assuming that if a league of Ireland club qualifies for European competition, for example Shamrock Rovers last year, they will have to abide by the rules, would you see any difficulties in league of Ireland clubs adhering to FFP?**

P.C: I don't think they will struggle because if you take Shamrock Rovers in that year for example, they got over €1 million for qualifying for the Europa league and they would have made over a million in profit that year as well because of the gate money earned. One of the reasons their manager left was because he wanted the club to reinvest that money so to make sure they qualified again next year and the club wouldn't do it because their members wanted to make sure that the club didn't go down the road of bankruptcy again.

There is a football argument in this situation about whether they should have reinvested the money back into the club because it was money that the club had earned. For a small club such as Rovers to get into European competition for the first time, they needed luck but the payment you get for qualifying makes sure that you're not relying on luck the next time to qualify. Sure enough, Rovers fell apart the next year when they were competing in the Europa league, they had so many games and they didn't win the league that year and at the time I thought we had a breakthrough on our hands. I'm not for clubs spending huge amounts of money but they weren't spending money they didn't have so there is a football argument as well as a financial one in this situation.

**G.M: So this would be a similar situation to the owners of Man United (the Glazer family) putting their shares up for sale with fans wanting some of that invested in the club as it had appeared to it being used either to pay off the debt they owed or to keep they proceeds for themselves?**

P.C: Yes it would but you can say all you want about the Glazer family but they have gotten it right over the years and it looks like they are going to win the league again but they generate so much money because of the huge crowds they attract. That being said, football is so dependent on TV money now with companies such as sky buying the rights to matches. There's something wrong in football when a team with an average attendance of 12,000 such as Wigan can generate more money than Glasgow Celtic who have an average attendance of 50,000.

**G.M: Purely because of TV money, because the Premiership is more marketable?**

P.C: Exactly, when you look at the accounts of any premiership club versus the top Scottish clubs like Celtic who attract 50,000 per game and because of TV money, their total revenue is probably only half of what a team like Wigan earns in total.

**G.M: So TV money has a huge pull in football today?**

P.C: Oh absolutely, it's very powerful and even if we take for example the balloon payment for clubs who get relegated from the premiership, that's being increased to £12 million whereas for Celtic winning the Scottish league will only get £4 million, so there's a huge difference between those two leagues.

I remember a conversation I had with a man who used to own West Ham as part of an Icelandic bank who invested in the club but then went bust but I asked him "there must be something I'm missing but why do wealthy billionaires spend so much money in investing in clubs with so little financial gain in return, where is the profit?" to which he responded "there is none, it's just ego driven". Of all the institutions in football, Barcelona and Man United really are the only profitable ones, Real Madrid maybe but they spend so much of that and more at the same time which is what this protocol is trying to stop. If you think of when TV money first went to Italy, it was the time when the Italian league was really popular about ten years ago and they have their own version of sky out there as well but after a while all of that money dried up and lots of clubs got into trouble and the stadiums in Italy in general are very poor, for example when Ireland played Italy in Bari in a world cup qualifier, I seen firsthand how bad the stadium was.

All of the money Italian football had seemed to go on players and very little in infrastructure when in comparison, England's stadiums are very good, German stadiums are quite good but the clubs in England are so much in debt and it's unknown by how much they owe because taking for example Rangers<sup>8</sup> and what's called 'ticketus money' which is money that's forwarded to you on the basis that you're going to have so many at your matches in future seasons and Rangers had sold on that ticket money for 2 years in advance, kind of like a hire purchase agreement where they give you the money up front and for example there is 10% interest on it and you have to pay that back based on your ticket sales for that period and Rangers got into major trouble because of it now that they are not in the premier division anymore. There was also a case examined where an English club did something similar but for five years in advance.

**G.M: So by selling these ticket sales rights your banking on future ticket sales levels to remain as predicted**

P.C: Yes, well QPR (Queens Park Rangers) at the moment will be £80 million in debt when they get relegated and the balloon payment being only £12 million they'll still be in debt because of the fees they paid for players bought into the club, in fairness they took a gamble to stay in the premier league but they weren't well geared coming into it. There was an article written by James Lawton in the Irish Times about Wolves for instance when they got relegated and being forced to sell their two best players in Steven Fletcher and Matt Jarvis and he made the point about where they left with? The players that weren't good enough and who were on high wages and now they are being relegated again to the next tier of English football.

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<sup>8</sup> A former Scottish premier league club who because of some major financial problems, were demoted to the bottom tier of Scottish football for this season 2012/2013.

The key thing for relegated clubs is to move on players but to keep their key players so they can get back into the top division quickly and if that doesn't happen a club can get into serious trouble with examples such as Leeds United have shown us<sup>9</sup>.

**G.M: So from that, how have the League of Ireland clubs in general performed financially over the last five years or so? Do you think they are financially stable?**

P.C: Yes, well we've stabilised them through mainly the merger and taking control of the league away from the clubs. People will argue that you need to invest in order to win things with cases such as Shamrock Rovers coming back from the brink of bankruptcy to qualify for the Europa League but Sligo Rovers have shown that financially stable clubs can be successful as well.

At the moment there is some good football being played in the League of Ireland, wages have been stabilised, for example seven or eight years ago Shelburne would have been paying their players around €2000-€3000 net per week and the top players would get around €5000 net per week but now a top player would earn around €40000-€50000 per year. The League of Ireland is in a better place now but it's hard to compete with the likes of the Premiership in England and the GAA, rugby etc. in terms of popularity and viewer ratings.

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<sup>9</sup> Leeds United were a successful English club until they got relegated and weren't able to get back into the top division and were even as low as league 1 for a period because they were unable to keep hold of their best players and thus are still struggling to get promotion back to the premier league.

**G.M:** I've been told that the League of Ireland have their own set of regulations in terms of financial activity in place, would they be much different to UEFA's FFP?

P.C: No, I think it will be in the same principle but on a bigger scale. Firstly, when we see irregularities in a club's wage structure, we stop them from signing new players and that will apply again in this instance. That's the biggest thing you can hold over clubs, to stop them from signing new players, clubs can be deducted points if they don't pay their creditors on time, for example wages or transfer fees owed to a different club. The biggest thing in this is the sporting way of sorting this out because these regulations are based on sport. If you can't pay your players or pay the transfer fee or overall, not operating within your means, football rules will be applied i.e. points deduction, embargo on transfers and in this case, banning clubs from participation in European competition.

**G.M:** When you say wage irregularity, how often would you investigate it and how?

P.C: We would review it every game and we would review it on a player by player basis because if we seen a potential deal going through and if we thought the club couldn't afford it, we wouldn't allow it to go through.

The biggest problem though is for the potential for clubs to understate what they are paying their players because of private 3<sup>rd</sup> parties paying some of their wages. For example a private party throws in €100 per week for a player's car, it's very hard to monitor payments such as these because it's only what's on the contract that applies but that sort of thing wouldn't happen in the bigger leagues



because everything is on paper, you wouldn't be able to slip money 'under the table'.

It just wouldn't happen because of the amount that is involved. It may take a while but avenues such as this will be cut off.

**G.M: So the main question that will be asked of clubs is can they afford it when it comes to future player transfers?**

P.C: Absolutely, the way club licensing works in the League of Ireland is that clubs apply for their license at the end of the season which grants them to compete in the next season which involves furnishing their accounts, their stadium manuals, first aid, it's pretty cumbersome because our licensing manual is approved by UEFA and each league in Europe has one. It's all sporting sanctions that will apply to breaches of regulation as mentioned earlier and of course the big challenge is for the big clubs of Europe to buy into it and for club owners such as Roman Abramovich to not find loopholes in the system and I would be confident in UEFA's ability to govern it.

**G.M: So just one final question, would you be happy with UEFA's attempt at regulating European club football? Would you be of the opinion to rule with an iron fist or let the market free and to regulate itself?**

P.C: Absolutely, I would be happy with it. Well from what we can see from the nature of the clubs, when UEFA succeeded in controlling the G-14 and bringing them onside, I think it will be half iron fist and half free market but the main thing is to get the big clubs on board with it, they will be able to rule with an

iron fist and they have the resources in UEFA to police it and it will be a legacy for the likes of Platini<sup>10</sup> to show he was pro-active in this area.

**G.M: Very good, I think we'll leave it at that and just to say huge thanks for taking time out to discuss this issue with me.**

P.C: No problem at all, you're very welcome.

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<sup>10</sup> Michelle Platini is the current president of UEFA who is spear heading FFP.

## Appendix II

### **Interview 2: Padraig Smith – UEFA Financial Analysis Manager of Club Licensing and FFP**

**G.M: The Author (Interviewer)**

**P.S: Padraig Smith (Interviewee)**

**G.M: Could you give me a brief introduction into what financial fair play is. (How it works etc.).**

**P.S:** You should refer to the regulations and the public statements made by UEFA in this regard:

[http://www.uefa.com/MultimediaFiles/Download/Tech/uefaorg/General/01/80/54/10/1805410\\_DOWNLOAD.pdf](http://www.uefa.com/MultimediaFiles/Download/Tech/uefaorg/General/01/80/54/10/1805410_DOWNLOAD.pdf)

<http://www.uefa.com/uefa/footballfirst/protectingthegame/financialfairplay/index.html><sup>11</sup>

In addition to these you should do a search on the subject and review some articles by Daniel Grey among others.

**G.M: Why are UEFA introducing this? What are they hoping to achieve?**

**P.S:** Answered in the 2<sup>nd</sup> link above

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<sup>11</sup> Please note the author has already referenced this material in the ‘Introduction’ and ‘Literature Review’ chapters

**G.M: How would it compare to regulation already in place in leagues such as the German Bundesliga?**

P.S: To be honest I am not an expert on the German regulations. We looked at lots of different financial regulations in sports industries around the world prior to developing our own Regulations. Each set differ in many ways while containing various similarities. It would not be possible for me to give you an in-depth analysis of the differences.

**G.M: Would you be confident that financial fair play will work and why?**

P.S: Yes, we are confident that the objectives outlined can be achieved. I believe we have already seen changes in the behaviours of the vast majority of clubs. Transfer fees are down, some clubs are moving toward more incentive based salary payment schemes and overall clubs losses are decreasing. In terms of why we think it will work I believe this is relatively straightforward. By encouraging clubs to live within their means and operate at breakeven we strive to create a situation where expenditure matches income. By allowing deductions for spending on youth, community and infrastructural projects we are promoting a future based on a sustainable financial model which is driven from within rather than from external and in general more expensive options. The overall effect of these factors will be to ensure the long-term viability of European club football.

**G.M: Do you see any particular club or clubs that could struggle or flourish under financial fair play?**

P.S: I cannot answer this question as the information is our possession is confidential.

**G.M: Do you think that because of FFP (given the break-even requirement), more high profile playing talent may go to less obvious clubs because, for example, more dominant clubs such as Barcelona can't afford the player under FFP regulations? Do you think European club football in any way may become more competitive because of it?**

P.S: I think there will always be a concentration of the top talent at the top clubs however I do believe that there may be a better spread of talent in the future. The outcome I am most hopeful for in a scenario whereby home-grown players will actually stay and develop a year or two longer before making a big move abroad or to a bigger domestic club. A basic philosophy for player development is “the best, with the best, against the best”. Essentially to improve you need to play with the best players and against the best players all the time. The key word for me though is ‘play’. If you are not playing you cannot maximise the return from your talents. What we have seen over the past few years is the hoarding of talent in ever increasing squads. This is detrimental to not only the competitiveness of the league but to the development of the player as well as they are not playing in as many competitive games as their development would require. If clubs have to be more rationale in their financial behaviour it is logical to assume that they will not be as willing to take chances on player acquisitions.

They may want to see how a player does for an extra year before making a large financial commitment. The FFP rules are not designed specially towards competitive balance however there is no doubt that it would be a positive side effect. In my personal opinion the more competitive a competition the more enjoyable it is for fans.

**G.M: How do you think FFP will impact on more high profile transfers such as, for example, Edison Cavani going to PSG for roughly £55 million (I think)? Will the amount of money involved decrease or will the amount of transfers decrease so that clubs can save money up in order to fund these high profile transfers, will it impact on how a high profile player is valued?**

P.S: Each club will have their own strategy in terms of meeting the FFP break-even requirement and that will include how they structure their transfer policy.

Placing an appropriate value on a player is a challenge and one which requires a lot of detailed analysis. I won't speculate on PSG's strategy but I do believe the majority of clubs will look to improve their youth academies to produce as many top class players as possible. This will essentially provide a base for clubs to build from. There will always be competition for the top players though and where there is excess demand over supply prices will remain high. This could mean that the top end of the market continues to grow while clubs look to reduce their output on so-called 'squad players'. The FFP regulations will not stop the big clubs wanting to buy Bale or Ronaldo and for a lot of money.

## **Appendix III**

### **Questionnaire**

#### **UEFA's Financial Fair Play Regulations**

In recent years European club football has seen a worrying trend of clubs spending way beyond their means (i.e. making huge annual losses) in order to gain a competitive advantage over their rivals, this can only be done if the club is backed by a wealthy investor or investors, for example clubs such Manchester City, Chelsea & Paris Saint-Germain are the latest clubs to benefit from this situation without breaking any rules or becoming insolvent. Of course there are other, older examples such as Real Madrid and Manchester United (Man United owners mainly used debt capital).

In order to try and put a stop to this and to make big clubs such as these more financially responsible, UEFA have introduced what's called 'Financial Fair Play' (FFP) regulations which will apply to any club that hopes to enter any European club competition such as the Champions League and the Europa League. FFP has several requirements for clubs to meet, the two main requirements being more swift settlement of moneys due from a club to staff like wages or to other clubs such as fees for player transfer, UEFA have set up a more cut-off dates throughout the financial year that requires clubs to have cleared their debts by the time these dates come around.

The other requirement is for clubs to break-even i.e. that their expenses at minimum don't exceed their expenses. UEFA will monitor this for the first time in the 2013-2014 season, initially covering two, and later three financial years of clubs. The first set of financial statements to be considered will be from the 2011-2012 season.

The main reason for taking multiple periods into account is that a loss in one can be offset by a profit in another, so long as the club is over the 2 or 3 year period overall is at least breaking even, they are fine.

Other adjustments that soften the idea of break-even are the definition of relevant income and expenditure which means that any income or expenditure that isn't relevant is excluded from the calculation of break-even. For example expenditures such as youth development, maintenance of infrastructure and community development are excluded so any expenditure under these headings can be as high as a club wishes.

Another softener of the break-even rule is that there is an 'acceptable deviation' from break-even that clubs are allowed. In the first two years of assessment, clubs can have an acceptable deficit of between €5 million and €45 million and between €5 million and €30 million in the three years thereafter. In the years following that, the deviation will get lower and a figure will be placed in due course by the UEFA executive committee. The reasoning behind these huge deviations at the start one can assume is for clubs who experience massive losses to be given time to adjust to the new requirement.

UEFA's main aims of FFP is to encourage clubs to spend within their means, limit debt levels in clubs, encourage clubs to settle debts on time, to stop excessive spending on wages and transfers, to stimulate long term investment in youth and infrastructure, encourage sensible financial management, to limit influence of external funding from investors, lenders or benefactors and to be more transparent in their dealings with UEFA. So that is a brief synopsis of what FFP is and how it works, I hope it helps in completing the survey, the survey itself should only take a few minutes at most of your time, thank you for participating and your feedback is much appreciated.

\* Required



**Q.1) Which team do you support? \***

Choose 'other' and enter the team's name if you don't support any club in the English Premier League

- Manchester United
- Manchester City
- Chelsea
- Tottenham Hotspur
- Arsenal
- Everton
- Liverpool
- West Bromwich Albion
- Swansea City
- Fulham
- Stoke City
- Norwich City
- Newcastle United
- West Ham United
- Sunderland
- Southampton
- Aston Villa
- Wigan Athletic

- Reading
- Queens Park Rangers
- Other:

**Q.2) Are you aware of how the league in which your club competes is regulated regarding financial activity? \***

Regulation such as salary caps, minimum financial performance targets, restrictions on spending etc. or a free market with no rules or regulations. 1 indicating you are fully aware and have a great knowledge and 5 being no awareness or knowledge at all.

1    2    3    4    5

Fully aware



No knowledge at all

Select a value from a range of 1, Fully aware, to 5, No knowledge at all ,.

**Q.3) Do you think that your club is at an unfair advantage/disadvantage in terms of funding from club owners in its league, given the current situation? \***

- Yes
- No

**Q.4) Have recent trends in rich clubs spending power impacted on your support of your team? \***

1 indicating that it has had a dramatic effect on your support and 5 indicating no impact at all

1 2 3 4 5

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Yes, dramatically



Not at all

Select a value from a range of 1, Yes, dramatically, to 5, Not at all

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**Q.5) if it has impacted your support, in what way? \***

Choose the statements that best apply to you, if it has not had any impact on your support, just tick 'other' and type in the box "No Impact" or if it has had an impact but none of the statements apply to you, choose 'other' and explain how it has impacted your support.

- The competitive integrity of the league is gone
- My club doesn't stand a chance of competing with other clubs spending so much on new players
- Football, now, is just a business
- My club is just buying success
- Other:

**Q.6) Do you feel that there is a need for financial regulation in your club's league given recent trends in financial activity? \***

Trends such as clubs having wealthy investors, clubs spending beyond their means through the use of investor funds etc.

- Yes
- No

**Q.7) Do you feel confident that UEFA's Financial Fair Play regulations will stop teams with wealthy owners gaining an unfair advantage in European competition via the use of owner funding? \***

1 indicating you are confident that it will stop them and 5 indicating that you have no confidence in these regulations whatsoever.

1 2 3 4 5

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Fully Confident

Select a value from a range of 1, Fully

Confident, to 5, Not Confident at all,.

Not Confident  
at all

---

**Q.8) Do you think that if similar regulation were to be imposed in your club's league, would it stop teams with wealthy owners in that league gaining an unfair advantage through the use of club owner's funds? \***

- Yes
- No

**Q.9) If you are not confident in UEFA's Financial Fair Play or don't think that regulation of this kind will work in your club's league, why do you feel that way about it? \***

If you are confident and think it will work simply tick 'other' and type in the box "It will work" or if none of the statements apply to you, choose 'other' and give your opinion

- It will hinder weaker teams as well as teams with wealthy investors
- Teams will find a way around the system
- The regulations won't be taken seriously
- Club's spending should not be regulated
- Other:

**Q.10) Assuming clubs being more financially stable as a result of UEFA's financial fair play regulations, what would you like to see your club do, given more financial stability? \***

If none of the statements apply to you, choose 'other' and give your opinion

- Lower ticket prices for matches
- More investment in youth development
- Improving or building a new stadium
- More investment in community development and donations to charity
- Other:

**Q.11) Do you have any suggestions as to how to improve on UEFA's Financial Fair Play regulations or how to reduce the influence of wealthy investors in club football?**

**Q.12) Any further comments on this issue?**

If you feel that you didn't get the opportunity to express your particular opinion on the subject please do so here, any extra feedback would be greatly appreciated