Is foreign investment in English football really worth it?

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Aim of paper and research questions
The purpose of this paper is to establish whether foreign investment in English Premier League Football is bringing with it financial and on-the-pitch success.

Literature review
Foreign investment is becoming an increasingly prevalent occurrence in English football as club’s become ‘toys’ for foreign businessmen with vast amounts of money. Investors are coming from far and wide and Premier League clubs now have Americans, Russians, and Sheikhs running their boardrooms and sometimes even dictating what players to sign. Anyone who still wondered whether football was a sport or a business should wonder no more. The vast majority of those who undertake work in football do not do so in a crowded penalty-box, or the close quarters and battle of the midfield, but in boardrooms and corridors, on the mobile telephone or via the small screen. These people are the administrators, lobbyists, club chairmen and directors who run the game, the agents and broadcasters who live off it and the politicians, policemen and bankers with the telling interventions from outside (Moore, 2003).

The opportunities for money to made both domestically and globally attracts vast sums of money to the Premier League and has already begun to transform English Football into a multi-national, cosmopolitan, cash-rich league where the rich get richer and the poor are left to suffer. The top four clubs in England at the present time – Manchester United, Arsenal, Chelsea and Liverpool currently owe more than £2bn between them (Kay, 2008). Despite the clubs in question brushing aside debt issues, it does beg the question ‘is foreign ownership, however, a benefit to clubs and does it really lead to more money or just more debt?’

Research design and data analysis
The annual reports of four English Premier League clubs (Chelsea, Aston Villa, Sunderland and Fulham) provided the framework for the methodology. Key financial indicators of performance were analysed in relation to the data obtained from the annual reports. These indicators included; growth, profitability, liquidity, defensive positioning and return on capital employed (ROCE) – all key financial areas of performance. The clubs were selected using the final Premier League Table from the 2007/2008 season. The league table was split into four quartiles. Three clubs under foreign ownership were found in the first quartile (Manchester United, Chelsea and Liverpool), four were found in the second quartile (Aston Villa, Portsmouth, Manchester City and West Ham) and one was found in the third quartile (Sunderland) and one in the fourth quartile (Fulham). From this, Sunderland and Fulham are automatic choices for the study as they are the only clubs under foreign ownership in the respective quartiles. The other two clubs are chosen on how easy it will be to access the club’s accounts.
Results, discussion and conclusion
Chelsea – thanks largely to the substantial amounts of money invested into the club by Roman Abramovich – announced large increases in profit and turnover in recent years. However, these personal loans owed to Abramovich have meant that the club have been left saddled with liquidity problems and substantial amounts of debt. Chelsea insist this is not a problem – with turnover continuing to rise – and also state that the debt has been misinterpreted as Chelsea has no external debt and makes no punitive interest payments to external funders (Kelso, 2009), in addition to Chelsea winning back-to-back league titles and having in contention for major domestic trophies. Consequently it can be argued that foreign investment has had a positive affect at the club.

Aston Villa have recorded slow and steady progress under Randy Lerner after originally recording relatively poor profitability and growth figures. The club’s liquidity figures have also dropped but the American has injected a substantial amount of personal capital into the football club and insists he is at the club for the long haul (BBC, 2007). On the pitch Villa are improving but it will take time to establish whether Learner’s investment is positive or not.

Sunderland saw no real impact at all on either finances or on the pitch performances. Fulham on the other hand seem to have a different outlook and motive to other foreign investors. That Fulham owe a lot to Mohammed Al-Fayed cannot be questioned however, during his time at the club the Egyptian has taken Fulham into the Premier League and the club still remain stable in this division. Therefore, it can be argued that originally foreign investment benefited Fulham but at the present time it is having little or no effect.

References
Kay, O. (2009). Chelsea have not aged well and Abramovich knows it. The Times, 16 February.