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## New football directors in the twenty-first century: profit and revenue in the English Premier League's transnational age

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The importance of governance in football has been underlined recently by the UK government's cross-party enquiry which, amongst other issues, explored debt levels and ownership patterns in football. This article addresses the latter of these themes by exploring 'new directors' ways of developing revenue and potentially extracting profits from football in the twenty-first century. By embedding the argument into discourses about the globalisation of the English Premier League (EPL) that borrow from Castells' notion of the 'network society', I critically identify four potential areas in which 'new directors' can make money from associations with football. These are: (i) the proliferation of deregulated television revenues; (ii) using a football club as a vessel to promote other businesses; (iii) overseas stock market floatation; and (iv) promoting a football club into the EPL.

**Keywords:** football; commercialisation; global markets; revenue generation; English Premier League

### Introduction

The 15 August 2012 marked the 20th anniversary of the first round games in the English Premier League (EPL).<sup>1</sup> The league arose in 1992 out of a desire to radically restructure and repackage elite level English football for, principally, the British market in the light of falling match-day attendances and various economic and social 'crises' that the sport had experienced (Taylor, 1995). King (1997a, 1997b, 2002/1998) sought to understand the profound commercial changes that football had undergone at the birth and in the early years of the new league structure. In doing so, one of the key points he made was that from the late 1980s, a new 'type' of director emerged who partly treated football clubs like businesses and, most markedly, sought to monetise their fan bases (King, 1997a, 2002/1998). Twenty years have now passed since the rise of the Football Association (FA) Premiership and the structures in which it operates have gradually altered to such an extent that this work needs to be re-investigated. This article will meet this aim by exploring the issue of the 'new' football club 'directors' in the twenty-first century.

Millward (2011) argued that the early years of the twenty-first century have seen elite English football undergoing processes of 'globalisation'. In the wider sociological literature, 'globalisation' has become a key theme since the early

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1990s (Delanty, 2000, p. 82) and has been used to refer to widely ranging social transformations across the world, often in connection to processes related to national sovereignty and borders. Sport has not been exempt from this and a literature which explores the 'globalisation' of football which often focus upon the sociocultural notions of global processes, such as the hybridisation of local and global cultures (Giulianotti and Robertson, 2006, 2007), the development of post-national identifications (King, 2003; Millward, 2009) and the cultural ramifications of transnational broadcasts of football matches (Hognestad 2006, 2009) has emerged. At the same time, much of the globalisation discussion is traceable to notions of economic transnationalism that are said to underlie the multiple mobilities of people, information and images across the world. On this theme, Castells (1998, 2000/1996) argued that a transnational 'network society' developed through a transnational 'space of flows' that connects globally significant nodal points through mobilities of people, objects, capital and information (see also Sheller & Urry, 2006, pp. 215–216). The driving force in the development toward transnational networks is the change to 'disorganised capitalism' (Lash & Urry, 1987) and the quest to find larger markets – or spaces for material profit – which are located in the transnational 'space of flows' (Castells, 1998, 2000/1996). It is in this context that questions about the 'globalisation of the English Premier League' (hereon the EPL) can be raised.

At the end of 2009, Richard Scudamore, the Chief Executive of the EPL, stated:

The last 10 years have been about globalisation. [Previously] We had a couple of clubs who were known around the world: Liverpool and Manchester United. Ten years on I go to places in Asia where they can name the Birmingham [City] side, name the Hull [City] side, name the substitutes and discuss the performance of the Wigan [Athletic] left-midfield player from two weeks ago. (quoted in Heyward, 2009, p. 8)

Thus, the EPL has been described as a transnational football league on account the global mobility of increasing number of overseas players, managers and coaches in the post-Bosman era (see the burgeoning literature which exists on football player migration, for instance Lanfranchi & Taylor, 2001; Maguire & Stead, 1998; McGovern, 2000, 2002). Beyond this point, firm evidence of the global significance of EPL clubs as nodal points in a transnational sport network (see Castells, 1998, 2000/1996) is that its clubs constitute the highest proportion of all national football leagues in: *SportsPro*'s calculations of sports brand values (9 out of the 29 football clubs featured in the top 200 sports brands); *Forbes*' estimates of the highest valued football clubs (9 out of 25 football clubs) and regularly offering the largest number of teams with the highest revenues in football in Deloitte's 'football rich lists' (see Millward, 2011, p. 33). As such, the nodes in football's elite network are not restricted to EPL clubs, but its clubs are most likely to be positioned in this lucrative transnational space. In 2012, this space is largely fuelled by revenues generated by television broadcasting contracts and a further important dimension of the transnational capacity of the EPL has been the growth in the number of countries receiving broadcasts of live matches which reached 211 in 2008/2009 season that yield cumulative domestic and overseas broadcasting contracts worth over £1bn per year to the EPL. This has produced high revenues for clubs, such that *Deloitte*'s industry reports 'believe all 20 Premier League clubs are now in the world's top 50 by revenue' (Jones, 2008, p. 2). However, the

business principles that King (1997a, 2002/1998) argued that the new directors brought to football have not extended to a lowering of players' wages, as these have grown beyond increases in revenues flowing into football. For instance, *Deloitte's* (2008, p. 17) report shows that in 1995/1996 football season, clubs in the English top division spent, on average, 47% of their income on player salaries while 10 years later, in 2005/2006 season, the equivalent figure was 63%. This figure had grown to 67% by 2008/2009 season (*Deloitte*, 2010), with some clubs such as Portsmouth and Manchester City spending more than their entire turnover on player wages (Conn, 2010a; Kuo, 2010). These points clearly suggest that it is the players – the workers – rather than the football club directors (who 'own' the means of production) that have most clearly profited from increases in elite football's revenue in the context of the globalisation of the EPL (Millward, 2011). This connection between escalating elite player wages and clubs running on a capital deficit debt led the UK's 'Minister for Sport', Hugh Robertson, to announce that 'without a shadow of a doubt' football is the 'worst governed sport in the country' (Gibson, 2011a). Indeed, Bose (2010) claims that had 'normal' business practices applied, half of all current EPL clubs would be technically insolvent by 2010. Profit and revenue are therefore quite different in elite professional football: clubs generate revenues but often very high proportions are directly used to enhance a playing team, resulting in no profit or even balance sheet deficits. In the context of such changing finances in football, it is reasonable to ask how it is possible for directors of football clubs to profit from their ownerships of shares in English football club, rather than to merely generate revenue for a football club. This article will use Castells' transnational 'network society' framework to discuss four potential avenues that could do this: (1) using the cultural power of a football club as a vessel to promote external business interests; (2) exercising new legislation to exploit new developments resulting from deregulated broadcasting revenues; (3) overseas stock market floatation to produce a capital gains profit; and (4) also attempting to generate a capital gains profit by buying a football club in a lower division of English football and promoting it to the EPL before placing it on the market.

### Football club directors in social research

In the years, since King's research was undertaken a noticeable trend of major shareholders hailing from overseas has developed. Indeed, at the start of 2011/2012 season, half of all EPL member clubs have major shareholders from overseas. The motivations for owning football clubs are unlikely to be able to be generalised for such a diverse range of 'investors' who are united in a category only by courtesy of being born outside Britain. However, if King's research is to be updated, the strategies in which twenty-first century 'new directors' who might be either British or from overseas need to be explored in an era where many football clubs run up debts.

Historians are divided in their opinions about whether club owners traditionally made money out of football (Tischler, 1981, p. 80). Although Mason (1980), Taylor (1992), Wagg (1984), Vamplew (2004/1988) all imply that football club owners from the pre-War era appeared to have the interests of the team at the core of their association with their clubs, Tischler (1981), Taylor (2008) have suggested that many owners received direct and indirect personal financial gain. Mason's

(1980, pp. 21–23) research did not produce any compelling evidence about the motivations of football club owners in early periods of the modern game's formation, but he did suggest that religious-based teams were not profit driven. However, he contended that some hostelry landlords/owners promoted football teams as a way of increasing core customer bases for their outlets even though 'it is not very likely that many of them were in it for the money which could be made directly out of it' (Mason, 1980, p. 44). Teams connected to workplaces showed no uniformity in either ownership or support from industry, with 'few genuine works teams [becoming] active professional organisations, financially supported by a particular company and bearing its name' although 'many individual manufacturers and businessmen became involved with professional and semi-professional football clubs in their home districts and [...] were willing to put money into the game' (Mason, 1980, p. 30). Walvin (2004/1974, p. 87) argued that many clubs professionalised and changed to limited companies at the turn of the nineteenth century. As a result of the change of ownership structure, the FA introduced 'Rule 34' in 1892 to reduce the threat of intense commercialisation. This limited the level of shareholder dividends to 5% and was eventually modified to increase dividend payment to 15% of share value in 1981, although the rule has now been largely circumvented by those shareholders who place their club in a 'holding company' (see Holt, Michie, Oughton, Tacon, & Walters, 2005, p. 19; Morrow, 2003; Tischler, 1981).

King (1997a, 2002/1998, pp. 120–147) argued that throughout the late 1980s and 1990s a new type of director emerged within football. King (1997a, 2002/1998) principally suggested that 'new directors' emerged from – and pushed forward – free-market reform principles in football, and were the embodiment of Thatcher's hegemonic policies and ideology. As such, football ownership broke from being a 'philanthropic hobby ... [which was] part of a city's public amenities and a source of kudos ... [as it was] probably between the 1920s and 1970s' (1997a, p. 228). Such directors were less likely to have 'long-standing family ties' to clubs (Giulianotti & Robertson, 2004, p. 554) than previously dominant models and did not always hail from the club's locality but came from anywhere in the UK, sometimes even trading football clubs as they would any other business (Taylor, 2008). The pursuit of profit meant that the 'new directors' would often add football clubs to their other capital interests, or alternatively, put all their capital into the football and seek a return from it. As such, King (1997a) identified two different variants of the new director: the first, and most dominant, was the type who saw a football club 'an investment opportunity in itself – a business operating in its own right in different niches to multinationals' who saw it as 'essential that the football club is profitable' (1997a, p. 227). King (1997a, 2002/1998) named Ken Bates and David Dein as exemplars of this type of new director, in that Bates, who then owned the majority share in Chelsea (after trading up from shareholding – at different times – in lower division clubs Oldham Athletic and Wigan Athletic) but was identified as Leeds United's owner at the UK government's 'Football Governance' enquiry, told King in a personal interview that a football club had to be at least solvent, while Dein was predicted to lose money when he bought a 16.6% share in Arsenal for £300,000 in 1983, but ultimately sold that holding for over £75 m in 2007. Second, King described a second type of new director – such as Sir John Hall at Newcastle United and Steve Gibson at Middlesbrough – who would make substantial losses on football clubs because they

would serve as symbols for a region. In such cases, the 'new directors' monetary return would be that the other industries they owned in such areas enormously benefit from the glamour and media exposure provided by such football clubs. While Morrow (2003, p. 85) generally agreed with King's analysis; he did caution that the rise of this new director was exaggerated as the likes of Hall and Gibson were still 'supporter/benefactor type' owners that part-financed their football clubs' playing successes.

While King (2002/1998, pp. 122–123) was cautious about uncritically accepting 'invented traditions' of chivalrous football club owners from a previous age, he argued that the new directors replaced 'traditional' chairmen. He stated that the former mode of football club owner was the most common in the years between the end of the Second World War and the rise of the new directors and 'administered and financially assisted clubs out of a sense of obligation to provide a service for a city or town in which their business interests lay' (2002/1998], p. 122). As such, his argument runs counter to Tischler's (1981) by accepting that traditional directors largely saw a football club as a 'public utility' (2002/1998, p. 122). Hence, the new directors began to emerge and sought to change football by increasing its revenue levels in ways such as chasing more lucrative television broadcasting contracts (which were retained by clubs in the new FA Premiership rather than being redistributed across the football league) and increasingly, to the chagrin of the 'traditional' groups of supporters ('the lads', as King, 1997a refers to them), seeking more affluent groups of supporters who could be treated as 'consumers' (King, 1997a, 1997b, 2002/1998). In the years following King's research, two new investment strategies emerged and then faded from elite level English football: stock market floatation and media investment in football clubs. First, in 1983 Tottenham Hotspur's principal shareholder, Irving Scholar (who King (2002/1998, p. 128) referred to as a 'visionary') floated the club on the London Stock Exchange, valuing the club at £3.8m. This move was followed eight years later by Manchester United, which floated at £3.85 per share, valuing the club at £42m (Bose, 2007, p. 83). In the period 1996–2007, a total of 22 English professional football clubs (and four Scottish teams) floated on one of the London Stock Exchange, PLUS Market Group/Ofex or the Alternative Investment Markets. From 2005, many clubs followed Manchester United's example and delisted, and by the time the markets were negatively impacted upon by the global 'credit crunch' in 2007, no clubs were still on the London Stock Exchange with just nine on the alternative markets (Bland, 2008). Second, in 1999 and 2000, ten English professional clubs received vertical integration investments – having had stakes in ranging in size between 5 and 10% bought in them – from media companies including *British Sky Broadcasting (BSkyB)*, *Granada* and *National Transcommunications Limited (NTL)*. However, by 2002 'investment into clubs by media companies had stopped and for some time City investors have been sceptical of football's business model, making it increasingly difficult to raise equity in the capital markets' (*Deloitte and Touche* 2002, p. 47). When allied to the insolvency of Portsmouth (the first EPL club to experience this fate) in February 2010, it seemed that the new directors' chase of profit accumulation from football had critically faltered. However, my argument is that the same principles may exist amongst some new directors in the twenty-first century, and those who are amongst this group have sought to generate capital – both directly and indirectly

– through their associations with the EPL and its clubs. These possibilities are raised in four distinct ways, which I will now discuss.

### Deregulated broadcasting revenues

King (2002/1998, pp. 114–117) highlighted that in the late 1980s, the emerging group of new directors sought to increase television revenues for the leading clubs in English football, and that this quest played a heavy role in the development of the FA Premiership that was broadcast of *BSkyB*'s 'Sky Sports' package (replacing the duopoly held by terrestrial channels *BBC* and *ITV*, also known as the *Independent Television group*). According to King (2002/1998, p. 62), the *BBC* and *ITV* had formed an 'uneasy cartel' in keeping television broadcasting fees for Football League at a low level since the late 1960s. However, in 1988 the *British Satellite Broadcasting (BSB)* company challenged their broadcasting dominance and although *BBC* and *ITV* won the shared rights to screen games, the fee for doing so rose from £3.1 m to £11 m per season, of which 75% was retained by clubs in the top division. Although all but Tottenham Hotspur (whose majority shareholder was Alan Sugar, the owner of Amstrad – a company that manufactured satellite dishes) from the 'big five' football clubs (widely accepted to then consist of Manchester United, Liverpool, Arsenal, Everton and Tottenham) appeared to favour a renewed contract with *ITV*, the 1992 contract was won by *BSkyB*, which had emanated from the merger of *Sky Television* and *BSB*, for a reported sum of £304 m. In return for this payment, *BSkyB* bought the rights to screen games over the subsequent five years. This sum was wholly retained by clubs in the new division as the Football League separately sold the broadcasting rights for its three divisions for a much lower fee.<sup>2</sup> These figures grew with each renegotiation of broadcasting rights contracts and in 2009 *BSkyB* and *Entertainment and Sports Programming Network (ESPN)* paid £1.782bn for three seasons of exclusive domestic rights (2009/2010–2011/2012). This deal guaranteed each broadcaster's exclusive rights to show different matches in the UK, and their respective monopolies are reflected in the offers made.

Additionally, the number of countries in which it is possible to subscribe to digital broadcasts of matches has exponentially grown in recent years and the cumulative values of the EPL's overseas broadcasting contracts have loosely doubled with each new negotiation in the twenty-first century. So, for instance, 2001s three year overseas broadcast deals were worth £178 m to the league, 2004s were valued at £325 m and 2007s at £625 m (Wilson, 2007). *Deloitte* (2008, p. 30) argued that the 2007 contract was particularly culturally important as it gave the tournament a cumulative television audience of three billion people and at the time, EPL Chief Executive Richard Scudamore said the largest increase in payments for rights had been in the Middle East and East Asia. Harris (2010) points out that despite the global recession, these contracts grew in value again when they were renegotiated to a cumulative value of £1.4bn for the following three years (beginning in 2010/2011 season). Although this figure does not surpass the domestic sale of broadcasting rights for a total of £1.782bn for three seasons (2009/2010–2011/2012) the gap narrowed. In the transnational network society that Castells (1998, 2000/1996) discusses, the nation-state supports nodal (often expressed as mega-cities) interests. In this application, the FA and particularly, the EPL constitute the national supporting role for the clubs in English football's highest division by providing global exposure for all of its teams

and distributing television monies across the league. Thus, the EPL sub-licences and sells packets of regional rights across its 211 countries and the 2010 deals saw the EPL forge 98 'broadcast partnerships' across the world. Of these, the Abu Dhabi royal family's (from which Manchester City's owner Sheikh Mansour is a part) television company *Abu Dhabi Media Company* won the rights for EPL matches across the Middle East and North Africa by paying over £200 m. In Singapore (population 4.8 m), *SingTel* paid £200 m for 2010–2013 and in Hong Kong (population 7 m) *i-Cable* paid close to £150 m. *WinTV* retained the right to show games in China (paying £3.3 m). In North America and the Caribbean, *Fox* and *Setanta* continued to be the main broadcasters of the EPL, and *Fox Latin* in South America, *ESPN Star* in 18 major Asia countries (including India) continued to hold their rights. In Europe, *Canal+* retained rights in France and Poland (in a deal worth about £60 m) but in Scandinavia *Medge Consulting* paid £111 m for the right to broadcast in Denmark, Finland, Norway and Sweden (for full details see Harris, 2010). These rising revenues are usually spent by clubs on escalating player wages.

In a globally networked world, it is possible that significantly cheaper parallel imported broadcasts – available from either set-top boxes or Internet live-streams – from overseas might undermine *BSkyB* and *ESPN*'s duopoly on domestic broadcast rights. For instance, EPL matches have been digitally parallel imported back into the UK – often broadcast in independent public houses – for a number of years, despite legal ambiguity on the issue (Geey, 2007). However, in February 2011 the Advocate General of the European Court of Justice (ECJ) recommended that customers should be able to legally 'parallel import' and purchase broadcasts of football matches from television stations based in other European Union/European Free Trade Area (EU/EFTA) countries as a result of an appeal launched by Portsmouth publican, Karen Murphy, who wished to pay for cheaper broadcasts from overseas (in her case, Greece) rather than subscribing to *BSkyB*'s 'Sky Sports' package (see Nixon, 2011). This story will continue to develop over the coming years after the ruling was supported by the ECJ, and on the back of new opportunities to source profit from football could be presented through a media platform purchasing the right to broadcast matches from inside the EU/EFTA and selling subscriptions to this channel to the British market.

*Abu Dhabi Media Company*, which, like Manchester City, is owned by the Abu Dhabi royal family, purchased the right to all broadcast EPL matches to the Middle East and North African countries, by paying just over £200 m for three football seasons at the 2009 round of negotiations. This is over £1.5bn less than *BSkyB* and *ESPN* paid to broadcast a restricted number of matches to the British market. While I am not suggesting that the group purchased Manchester City as a way of tapping into the British broadcast market, it is notable that in April 2010, the group announced – in conjunction with *Endemol Sport* – the launch of its subscription-based 'Premier League TV' platform of channels, which broadcast every EPL match (*AME.info*, 2010). Although this company carried an official aim of broadcasting overseas (via both set-top boxes and live-streams), significantly the company established the platform's base at *Endemol Sport*'s London studios (*Endemol*, 2010), meaning that it is positioned inside EU/EFTA boundaries. Thus, as a result of the ECJ ruling that allows parallel imported broadcasts, it is possible that British-based supporters might be able to subscribe to 'Premier League TV' receiving all EPL matches at a lower price than either *BSkyB* or *ESPN* charge. Whilst it is probably unlikely that Manchester City's owners bought the club to materially profit

in this way, and the size of the investment they have placed into the club's playing team mean that they are unlikely to directly profit from owning the club (see Millward, 2011), they may be able to source other revenue streams from football by having a television channel offering EPL match coverage that is positioned in the EU/EFTA.

### Football clubs as vessels to promote business

Using a football club as a vessel to promote its owner's other commercial enterprises is not a new phenomenon. For instance, John Houlding formed Liverpool F. C. so that he could sell refreshments from his hostelry which bordered the Anfield playing field where the team played (see Mason, 1980, p. 45; Walvin, 2004/1974, p. 88). However, the huge global markets that the EPL is broadcast to opens up further opportunities for high profile advertising and player endorsements of products. A case in point of this latest new director strategy for producing profit from football could lie behind Indian poultry manufacturers 'Venky's' buying Blackburn Rovers.

To elaborate, in November 2010, the Jersey-based Blackburn Trust, who had controlled the club since benefactor Jack Walker died in 2000, sold a 99.9% stake in the club to Indian poultry firm 'Venky's' for £23 m. This deal was also premised on Venky's paying off Blackburn's residual debt of £21 m (*The Guardian*, 2010), after the Trust had written off the 'soft-loans' that it and Walker had made to the club – totalling at around £100 m – in 2007 (Conn, 2010b). In the three years the club had been available on the market, there had been very little serious interest from buyers. However, Venky's business incentives for purchase appear to be threefold: first, as long as Blackburn Rovers retains its status as an EPL member, it will receive transnational television coverage. For a down payment investment of £44 m, Venky's will then be able to promote their products off the back of the club. Hence, Venky's will hope that they and Blackburn Rovers become marketing partners as highlighted by Venky's revealing to the media that they were considering renaming the club's Ewood Park stadium after their business and the company also insisting that the club's star players partake in an advert, aimed at the Indian market, for their fried chicken product.<sup>3</sup> Second, Venky's will hope that the relatively modest outlay they have paid for Blackburn Rovers will grow or at least be wholly recouped when the company decides to sell its stake in the club. Once more, this plan is dependent upon the club at least remaining in the 'global brand' of the EPL. Third, the company intended to grow Blackburn Rovers into 'a truly global brand' (Venky's chairperson, Anuradha Desai quoted in *The Guard*, 2010, p. 2). At Chelsea and Manchester City, attempts to increase marketability across the world have involved strategies to dramatically improve the playing team's chances of winning major trophies of transnational repute, such as EPL or Champions League titles. Although Venky's would wish Blackburn Rovers to win these tournaments, it is not prepared to fund spectacular improvements to the playing team and wants its recruitment strategy to be based on loaning players from other clubs. In Castells' (1998, 2000/1996) argument, nodal points in the network society are such because they carry the cultural power to connect local sites to the lucrative transnational space and, in this example, the connection between Blackburn Rovers and Venky's is such that through the former's space in the transnational sporting space, the latter's products gain global exposure. Thus, without overspending on player wages, Venky's seek returns on its investment by both a capital gains

appreciation in the club's value and using the club's (and the EPL's) cultural power to advertise and/or open up new markets for its products.

### **Capital gains: overseas stock market flotation**

As earlier discussed, there is a recent history of elite English clubs being floated on the British-based stock exchanges. However, in 2011 rumours surfaced that Manchester United - one of the most powerful 'node' in the sporting world's network - might be listed on Singapore's stock market by its American owners, the Glazer family. The family's ownership of the club had been ensconced in controversy following their leveraged buyout in May 2005, which immediately placed the club in around £800 m of debt before interest payments on the loan were taken into account. This strategy of leveraged buyout was replicated by Tom Hicks and George Gillett who bought Liverpool F.C. less than two years later and marked a new way of financing a purchase of the football club. This practice effectively meant that football clubs were being bought with borrowed money that was then placed upon the club, but any appreciation in the club's value (after interest on loan repayments were taken into account) belonged to the football club owners. The strategy involved the Glazers incrementally buying shares in Manchester United on the London Stock Exchange until they reached a 70% stake, at which point they were compelled to launch a full buyout of the company. Once they purchased the club, they delisted it from the stock market, which King (2010) argued saved it from the full wrath of the post-2007 global financial crisis.

In June 2011, stories emerged that Manchester United would be floated on the Hong Kong stock market, with a value of £1.7bn, after a number of upmarket western brands had successfully taken this route in the preceding months (Wachman, 2011). It was also hoped that the club's huge following across Asia would be interested in purchasing shares in the club at premium prices in the event of an initial public offering. It is suggested that a Singapore stock exchange-centred proposal will see a stake of 30% floated and an aggregate price of £614 m, meaning that the Glazers would retain a 70% share in the club. This figure will pay off the majority of the price paid for the club in 2005, whilst allowing for further profits to be made in future appreciations in value (Gibson, 2011b). It was argued that the Singapore stock exchange was chosen over the larger alternative in Hong Kong because of fewer questions that would be raised about EPL clubs failure to monetise the Chinese markets, where pirated consumer goods are rife, that might have lowered the share price. Both of these markets were preferred to the British alternatives as they are easier to launch dual-share class structures in, which mean that stakes can be offered without accompanying democratic decision-making rights. This point is significant to Castells' argument, as he suggested that nation states support nodes in the transnational space (1998, 2000/1996). Here, the national legislation regarding stock market floatation, and the connection of people in such countries to Manchester United mean that national contexts - which does not necessarily refer the country in which the club is physically located - facilitate the development of economic interests for nodal points, such as globally leading football clubs. These plans to float the club on the Singapore stock exchange are still at the stage of conjecture but have been predicted by usually reliable analysts. Should the idea come to fruition and prove to be successful in generating capital gains revenues, it would come as little surprise to see it adopted by other clubs.

This strategy of twenty-first century new directors' profit extraction from football is therefore premised on a longer standing idea that capital gains can be made of football clubs that have generally appreciated in value since the launch of the FA Premiership.

### **Capital gains: buying a football club and achieving promotion to the EPL**

Ken Bates bought a 29.5% stake in Chelsea for £1 (and took on debts of about £1.5m) in 1983 and then sold a 50.1% share in the club, leaving about £80m of debt, for £17m in 2003. Thaksin Shinawatra purchased 74% of Manchester City shares for £81.6m and then sold them for (a reported) £200m one year later. Despite Seymour Pierce's investment banker Keith Harris – who is the broker who paired Roman Abramovich with Chelsea in 2003 – arguing that football clubs are not particularly good investments (Conn, 2008), the recent history of football elite English football is littered with stories of capital gains appreciation on the valuations of clubs over periods. Bates and Shinawatra provide just two examples of individuals that have personally profited from this trend. A ceiling price for football clubs must exist, but for those who have leading 'global brand' status in sport, it is disputable whether – even in the light of post-credit crunch devaluation – this has yet been reached.

In July 2011, *Channel Four's* 'Dispatches' series broadcast an undercover documentary which appeared to show a Thailand-based enterprise named 'The London Nominees Football Fund' allegedly act as agents in the matching up of wealthy business consortiums with 'underperforming' English and Welsh football clubs. In this context, underperformance appeared to refer to football clubs from large British cities that were not in the EPL but, in most cases, had once been established in English football's top division. As such, 'The London Nominees Football Fund's' core members were portrayed to include its chief executive Andrew Leppard, former England football captain – and then manager of Thailand's national football team – Bryan Robson and Joe Sim, who owned the rights to the 'Manchester United Café' bar franchise in Bangkok. In the documentary, they offered Dispatches' fake consortium of Chinese and Indian investors nine clubs: Birmingham City, Crystal Palace, Derby County, Leeds United, Leicester City, Oxford United and – most forcibly – both Sheffield Wednesday and Sheffield United. Of these, Leicester City and Cardiff City were purchased by investment groups from Thailand and Malaysia in 2010, Birmingham City had been takeover by Carson Yeung – from Hong Kong – in 2009 (after a protracted period in which he appeared to lose interest when the club was relegated from the EPL), and the Culture, Sport and Media Committee's 'Football Governance' enquiry (2011) highlighted that Leeds United chairman, Ken Bates, was loathe to identify himself as the club's majority shareholder. The documentary broadcasted members of the agency speaking about ways in which the FA's rules – that have been ratified by the European Commission in the light of the English National Investment Company group purchasing significant stakes in five European football clubs (see Geey, 2004) – that prohibit ownership of more than one football club being bypassed. The business plan that the 'London Nominees' suggested was that a football club from outside of the EPL could be bought relatively cheaply, even if it was heavily indebted, and the investors could use Joe Sim and, particularly, Bryan Robson's connections to leading EPL clubs to borrow promising young players who would help the club achieve

promotion into the EPL. As such, Robson suggested that investors could buy a club, 'build it up from nothing and say it was worth three million when you bought it and now you can sell it for £150million – that's great business by you' (*Dispatches*, 2011).<sup>4</sup> Sheffield Wednesday, who own a stadium which can seat almost 40,000 fans at each match and have long history in English football's top division but currently reside in its third tier, were sold to former Portsmouth and Leicester City owner, Milan Mandaric's 'UK Football Investments' group for £1, but paying off £7m of debt and negotiating 'terms to wipe out £30m debts' in December 2010 (*BBC Sport*, 2010). In footage taken at a similar time to Mandaric's purchase, Bryan Robson advises *Dispatches*' undercover reporter that Sheffield Wednesday would be a particularly savvy investment given that if it could be purchased and then achieve promotions to the EPL, it could be sold for '£300 million to £350 million'. Although the group's proposals to assist in the purchase of multiple football clubs broke the rules of the sport, most of their suggestions were merely indicative of the ways in which hyper-commercialised sport can be principally treated as a business, as King (1997, 2002/1998) argued that the new directors did in the 1980s and 1990s.

A goal of achieving a place in the EPL is central to the proposals offered by the London Nominees, for both reasons of the global exposure provided by the league, which unevenly – across different territories – develops revenues/status for football clubs, and the division's lucrative domestic and overseas' broadcasting rights contracts that are collectively sold by the EPL. An appeal of EPL clubs – rather than alternatives in some other high profile European leagues – is that such revenues are distributed to clubs on the basis of achievement and solidarity membership payments, meaning that all of its clubs receive some membership and prize money. These points acknowledged there are obvious flaws to the business plan. First, a general trend that emerges from *Deloitte*'s annual football finance reports are that most EPL clubs do not generate profits, with those that do falling into two categories: (a) those that are amongst the best established and highest status and are often classed as clear 'global brands' (i.e. Manchester United, Arsenal and Liverpool) or (b) those that do not have a recent history of competing in the EPL, but are positioned in it for the first time in a number of years and have not replaced the majority of the squad from the previous season. Thus, such clubs carry a player wage bill that is not out of step with some of those that are the largest in the Championship (i.e. in recent years this list includes Wigan Athletic in 2005/2006 season, Watford in 2006/2007 season and Blackpool in 2010/2011 season). However, if this type of club avoids immediate relegation from the EPL, it tends to begin to make net financial losses as it 'invests' in players commanding higher wages. Therefore, there are only a small number of EPL clubs that consistently generate profits. The second potential flaw connected to this strategy concerns identifying a buyer that will pay a premium price for a club like Sheffield Wednesday, even if it promoted to the EPL. To be sure, the nine clubs that the 'London Nominees' named all offer the potential for 'growth' but, in the most positive scenario for investors, this would probably not see the club's size surpass that of either Everton and Newcastle United, who are both established as EPL clubs with large fan bases. Indeed in 2008, investment banker Keith Harris was employed to find new owners for both of these clubs. However, just a few months later, he reported having made 'no progress at all' at Everton, on the grounds that the club failed to generate sufficient revenues (Conn, 2008, p. 1). He argued that this is largely because Liverpool, where Everton

is geographically based, 'is not a very wealthy city' (Conn, 2008, p. 1). In an elaboration of these points, Harris further argued:

In Liverpool the fans have a really good choice between two clubs, and if they like lower division football they have another choice in Tranmere Rovers as well. Then within a short spit they have all that wealth of football cream in the north west, too. That all offers a multitude of choice. Everton also has a stadium issue. You can't stay at Goodison for all the reasons that are well rehearsed. This goes beyond the debate as to whether it should be in Kirkby or anywhere else. Then there's the history of the issues surrounding where it should be, and over your shoulder there's the knowledge that Liverpool are in exactly the same boat. The model that Arsenal used when it moved from Highbury to the Emirates, going from 38,000 to 67,000 and immediately filled it with corporate seats, was done at a time of substantial corporate wealth, and done at a time when levels of wealth in the south were higher. That's not quite so straightforward anywhere in the north. The big cities outside London don't have that level of personal income and don't have that number of companies clamouring for boxes ... and it was also four years ago. Keith Harris (quoted in Prentice, 2008, p. 56)

Investors would ordinarily look for clubs who have a transnational profile and a large, affluent, match-attending fan base. Ideally, they should be the only football club in their home city and have access to a modern stadium. Castells (2000/1996) argued that in the wider society, affluent mega-cities are more likely to attract international investment than smaller, more provincial urbanities. Harris would appear to suggest that this argument has resonance in football as clubs based in London are more attractive to investors than those in other cities in the UK. Although the city of Newcastle, like Liverpool, is of national and supreme regional importance, it would not be labelled as a 'global mega city'. However, unlike Everton, Newcastle United has a large, modernised stadium and does not share a city with another high-profile football team. Yet, as with Everton, Harris had not been able to find a buyer for the club, despite referring to the club as 'an iconic brand ... [that is] debt free' (Harris, quoted in Chu, 2008, p. 2). Keith Harris predicted that the least likely clubs to attract investment in the EPL are those which are located in 'congested, northern markets' (quoted in Harris, 2006) which would preclude clubs such as Sheffield Wednesday, Sheffield United and Leeds United, and possibly also stretch to Birmingham City, Derby County and Leicester City. Thus, while a sizable capital gain on a club bought in the lower divisions and then promoted to the EPL remains a possible way to generate revenue from football, it must not be assumed to be a business plan with success guaranteed.

## Conclusion

'Globalisation' is a difficult concept to define, and has been the topic of much debate across the social sciences in the past two decades. Castells' argument concerning the emergence of a 'network society' that is set across a transnational space of flows that accounts for connections of globally significant nodal points that span across the world. The driving force in this theory is the desire of a capitalist class to exploit the conditions of a 'disorganised capitalism' (Lash, 1987) and find larger markets that are located at the transnational level (Castells, 1998, 2000/1996) but also accounts for the development of specific – often localised – identities to develop. This article has focussed upon the economic dimensions of the network

society thesis to explore questions about the 'globalisation' of the EPL and in that context, discuss ways in which football club directors can potentially exploit their associations to member clubs to generate profit that is may be detached from club revenues.

King (1997a, 2002/1998) made a strong attempt to capture the commercial changes that elite level English football underwent in the 1990s, in which the rise of the 'new directors' was central. While it is possible that football's embrace of the free market was not new to the era that gave rise to the FA Premiership, the evidence certainly suggests that commercialisation was propelled to a higher level than in preceding decades. Today, the EPL has now taken these processes into the transnational 'space of flows', potentially opening the doors to new club revenue and personal profit making exercises. As such, understandings of the 'new directors' need to be updated to understand the strategies at work in the twenty-first century.

Evidence emerging from *Deloitte's* annual football finance reports – alongside the first administration of an EPL club in 2010 – paints a clear picture that shows that if the new directors' aims are shaping football in the current era, they are not usually running football clubs as enterprises that should remain solvent. In short, elite English football clubs had never previously accrued such cumulatively high levels of debt whilst also generating record levels of revenues. However, the argument that I have presented here shows illustrates possible – but sometimes risky – ways in which the current 'new directors' may profit from associations with the EPL. Making money out of football is not a simple enterprise for 'investors' in either the context of King's (1997a, 2002/1998) 'new directors' or in the current period, and it needs to be underlined that most football club directors do not make money out of their associations with football clubs. Thus, there are caveats and notes of caution that are embedded across the presented argument. Nevertheless in the present and near future this has been – and may be – done in four ways. First, the likely deregulation in television contracts across the EU/EFTA opens up new possibilities for broadcasters who had previously bought rights that have an unrestricted number of EPL matches for smaller sums of money than *BSkyB* and *ESPN* pay for a restricted number of matches the possibility of selling Internet streams and set-top received broadcasts to the UK market. *Abu Dhabi Media Company*, which belongs to the same parent company that owns Manchester City, could very well lead in this development having gone into partnership with *Endemol Sport* to broadcast their 24 h-a-day, seven-days-per-week 'Premier League TV' channel from studios in London, positioning the media platform inside the EU/EFTA. Given that it has paid £1.5bn less than *BSkyB* and *ESPN* have for access to more EPL matches, it seems quite likely that the group may be able to offset any weekly loss Manchester City make through paying out large player wages with subscriptions to alternative broadcasting channels. Second, as might be the case with Venky's purchase of Blackburn Rovers, the latest round of new directors may use the strong cultural power of football to promote the products that they produce in their other business interests. Indeed, if a club has been bought for a comparatively small price (next to other EPL clubs) and at least retains its place in the EPL, this form of product promotion may even give rise to capital gains when the club is eventually sold. Third, capital gains may also be produced if, as looks to be the case at Manchester United, stakes of leading football clubs are floated on overseas stock markets. This is appealing as in

such instances; a share in the club does not always give its holder a democratic right in decision-making processes, but is sold for a premium price. Should this exercise prove to be profitable to the clubs that led on this initiative – such as Manchester United – it seems likely that other clubs with truly global profiles such as Liverpool, Chelsea, and if their owners current plans to develop the club in a ‘mega-club’ are successful, Manchester City might follow suit. Fourth, following the trend set by investment banker Keith Harris who paired EPL clubs with wealthy investors at the beginning of the twenty-first century, it is claimed that capital can be gained by buying an underperforming ‘big city’ (or potentially ‘mega-city’ in Castells’ 2000/1996 argument) football club that is currently lying outside of English football’s top division and supporting its promotion to the EPL can develop large returns for investors. This plan was carefully detailed in *Channel Four*’s ‘Dispatches’ documentary in which ways to circumvent FA rules on multiple club ownership were also discussed. Like any capital making exercise, there is a risk associated with such investments given that ‘big city’ clubs that are established in the EPL such as Everton and Newcastle United cannot find potential buyers, despite the efforts of Keith Harris over past number of years. All of these enterprises show revenues could be potentially generated by those with business interests in elite English football clubs in an era in which the EPL and its clubs operate in the transnational ‘space of flows’ (Castells, 1998, 2000/1996), and therefore provide an update on King’s theories around the development of the ‘new director’ in the 1980s and 1990s.

## Notes

1. The tournament is now widely known internationally as the EPL, after it was initially named the FA Premiership in 1992 but rebranded to the FA Premier League in August 2007.
2. In the EPL’s life span, it is reasonable to describe *BSkyB* as more than the principal broadcasters of EPL games; rather they could be understood as ‘marketing partners’ as the broadcasting contracts have encouraged football fans to take up subscription offers (Boyle & Haynes, 2004) but, in return, *BSkyB*’s advertising of the EPL has opened up new markets for the league to attract new supporters that did not previously follow football (King, 2002/1998).
3. The advert can be seen at: <http://www.youtube.com/watch?v=IYwf2SBWa5o>.
4. Significantly, in the light of King’s argument about the new directors being central to the formation of the FA Premier League and the pursuit of rising incomes in the 1990s, Robson argued that ‘I disagree with people when they say football’s a sport. Football lost its sporting thing when all the money started going up and Sky TV and all that. Football’s a business’.

## Notes on contributor

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