

FINANCIAL MANAGEMENT IN FOOTBALL CLUBS; STRATEGIES FOR SUSTAINABLE GROWTH AND SUCCESS

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1. Rational and Objective of the Thesis

This thesis aims to explore various financial aspects of football clubs to identify effective strategies and practices that can contribute to the long-term sustainability of football clubs. Analysis of financial management in football clubs is vitally important. This research can have significant positive implications for football clubs, their stakeholders, and the broader area of sports finance research. By studying the possibility of promoting the sustainability of football clubs in this continuously changing industry, this research seeks to present needed insights and recommendations to ensure the long-term success of football clubs. Therefore, the primary focus of this thesis is: first and foremost, to fill an obvious gap in the current knowledge regarding football clubs' financial management. Although a lot of research exists about various aspects of football, including playing methods, fan behavior, or the societal outcomes of sports, there is a lack of comprehensive studies that examine financial management. This thesis aims to address this gap by examining the financial aspects of football clubs. This thesis intends to present useful insights that football club owners, managers, and stakeholders can utilize, as well

as the greater academic and football community to understand the critical role that financial management plays in ensuring football clubs' long-term sustainability and success. The goals of this research are:

1. Analysis of the current financial position of football clubs and identification of the main challenges in managing their finances.
2. Study of the effective financial management strategies used by football clubs and their impact on long-term growth and prosperity.
3. Provision of detailed recommendations and approaches for football clubs to improve their financial management effectively.
4. Conduct a detailed case study on the financial problems of FC Barcelona.

2. Methodology of the Thesis

The aim of the comparative analysis of the thesis is to evaluate and compare the financial management strategies applied by both FC Barcelona and Real Madrid. The financial analysis will use financial indicators such as liquidity, solvency, debt, and profitability ratios to identify the strengths and weaknesses of both clubs. Comparing these two elite football clubs offers a clearer picture of the potential practices of financial management that other clubs can adopt to ensure its smooth operation. The financial analysis used quantitative data reported in the financial statements, clubs' annual reports, of the clubs.

The following ratios were analyzed:

- 1. Liquidity (Current) Ratio:** It has been used to check the clubs' ability to pay their short-term obligations at an objective time.
- 2. Solvency (Debt-to-Asset) Ratio:** It has been utilized to check the ability to continue their operations, obtain their external financing and the clubs' ability to manage their financial leverage.
- 3. Profitability Ratio (ROE):** It has been conducted to check the clubs' ability to generate profits in connection with the club's total assets.
- 4. Profitability Ratio (ROA):** It has been conducted to check the clubs' ability to generate profits in connection with the club's total equity.

3. Summary of Findings

This chapter provides insight into key findings, outlines important conclusions, and provides recommendations based on the conducted research. The overview of the findings is presented in the form of a summary that shows an overall assessment of the financial management practices, putting emphasis on efficient approaches and opportunities for improvement. The comparative analysis of FC Barcelona and Real Madrid provides valuable insights into their financial management. The unique brand value of both clubs enables them to maintain huge sponsorship deals and the loyalty of global fans. FC Barcelona remains a sustainable club driven by its democratic governance and the philosophy of the youth academy, simultaneously conserving its own identity. Real Madrid functions as a centralized club, prioritizing stability and financial discipline to fund its investment policy targeting both on-field and off-field success.

The comprehensive analysis during a five-year period from 2018/2019 to the 2022/2023 season provided valuable insights into the financial dynamics and performance indicators of the two football clubs. FC Barcelona experienced significant challenges throughout the period, which were driven by the COVID-19 pandemic. Specifically, the club had variation in their total assets, total liabilities, and net income, showing the difficulties the club faced financially. Pandemic led to a substantial decrease in total equity after negative net income in 2020 and 2021. The club, however, managed to recover from the crisis and achieved substantial growth in total assets and net income in 2022 and 2023. This indicates FC Barcelona's commitment to stabilizing their financial performance and striving for long-term growth.

Real Madrid on the hand, maintained a relatively stable performance during the analyzed period. The club demonstrated a consistently growing trend across all major indicators with minimal fluctuations. Net income fluctuated somewhat but remained positive, compared to FC Barcelona's negative experience. The debt-to-asset ratio also demonstrated sustainable growth, showing that Real Madrid aimed for long-term success. The comparative analysis of the financial ratios also shows a contrasting liquidity, solvency, and profitability ratios between FC Barcelona and Real Madrid CF. Almost all the indicators obtained from Real Madrid's financial analysis significantly exceeded FC Barcelona indicators, making real Madrid financially stable and resilient especially during the era of the covid-19 pandemic. FC Barcelona's financial ratios reflected the profound impact of the COVID-19- on the club and their resilience to fight for financial stability. Both clubs experienced financial challenges within the analyzed period and demonstrated their unique financial strategies.

4. Conclusion

The comparative analysis of the financial ratios presented demonstrated FC Barcelona and Real Madrid's contrasting liquidity, solvency, and profitability profiles. Real Madrid tends to maintain superior liquidity and solvency, which symbolizes its financial stability and the ability to survive during crisis. Meanwhile FC Barcelona's financial performance reflects the impact of the COVID-19 pandemic and the club's recovery resilience. The analysis provides insight to stakeholders, practitioners, and researchers for the development of financial decisions. This analysis reveals the financial strength and weakness of both football clubs, and how they demonstrated different long-term strategies for financial growth and success. The insights of the two clubs provide key features of excellence that would resonate with other clubs seeking to maintain stable financial management in the football industry. There are best practices clubs can adopt to ensure they model their success after FC Barcelona's and Real Madrid's.

Revenue diversification, cost management, and financial risk management are more factors that lay a strong financial management foundation contributing to the football club's financial stability and sustainability. The case study of FC Barcelona's financial crisis showed various factors that could cause financial instability. High wage bills, overdependence on broadcasting income and misappropriation of funds in transfer activities, among others, were some of the challenges FC Barcelona experienced when trying to maintain financial stability. Therefore, football clubs can use these insights to manage their financial management activities for sustainable growth and success in the football industry. The change in financial management for football clubs because of the COVID-19 pandemic, is an opportunity for learning and strategizing with innovation, cooperation, and sustainable practices, and football clubs would be able to build financial performance back better.