Shedding light on the profitability of Italian professional football clubs where a different business model is performing

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Abstract: Over the last years, several research contributions have investigated the operations of professional football clubs, identifying their economic essence in the production of entertainment, whilst observing significant yearly economical losses in their annual reports. We provide evidence that this ‘model’ does not hold for all the professional clubs in the Italian ‘Serie A’ league. A closer look at the economic determinants of their performance shows that there are several entities whose business model runs differently, for: 1) the core activity is not the mere provision of entertainment; 2) the lower the size (in terms of players’ book value) the higher the operating profitability.

Keywords: football; players’ registration rights; business model; profitability.

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1 Introduction

1.1 The fundamentals of football clubs

Recent market researches (Deloitte, 2013, 2014; PwC, 2013) on the European football industry has clearly depicted this sector as a very large and increasing importance industry, having reached a total turnover around 20 EUR bn with the English ‘Premier
Shedding light on the profitability of Italian professional football clubs

League’ durably leading the ranking among Western Europe tournaments (the German ‘Bundesliga’, the Spanish ‘Liga’, the Italian ‘Serie A’ and the French ‘Ligue 1’).

While showing the status quo of the European football market, this evidence raises a question for academic researchers: what is ‘revenue’ for football teams? From a normative perspective, in the IFRS context each revenue “arises in the course of the ordinary activities of an entity and is referred to by a variety of different names including sales, fees, interest, dividends, royalties and rent” (IASB, 2012). Considering that most EU football clubs file their financial statements according to IFRSs, from this perspective, the notion of revenues proposed in the Conceptual Framework could be accepted as describing the ‘operating’ top line of football entities. What is then the ‘ordinary’, or ‘operating’, activity for football clubs? This question further links to the issue of business model (BM) in the context of football clubs.

Today, while football clubs are subject to the strict conditions to secure – by almost any means – their financial break-even imposed by the UEFA financial fair play (2012), it is still to understand the features making football a business which is still worth investing in. Understanding the BM of football clubs can help assessing the areas where it is worth to balance the two conditions of existence of these peculiar entities:

a the economic viability of clubs
b their sporting performance.

If the revenues traditionally regarded as being the ‘operating’ ones for football clubs – revenues from sporting events and show-related ones – no longer explain the profitability and market persistence of certain football clubs, other sources of income need investigation in order to identify elsewhere the drivers of profitability of these entities and, by this means, better defining their BM (Regoliosi, 2016).

Furthermore, in the specific field of football clubs, a closer look has to be had to the approach provided by the legitimacy theory (Suchman, 1995) to depict the peculiar importance of the social contract that exists between football firms and their reference environment (especially supporters). Given the ‘hot context’ they are working in, these entities, at each point in time, ‘fluctuate’ between the above depicted objectives:

a maintaining their economic equilibrium
b meeting foreseeable and reachable sport results.

In several moments directors may find quite difficult to choose and perform strategic plans if these provide poor sport results and they make supporters unhappy, even when such plans are deemed necessary for the firm’s survival with no more equity injection. For this specific reason, the governance model of professional sport clubs arises as an important factor in defining these clubs’ approach to achieve business objectives and, as a consequence, has to be in-depth analysed.

In the paper, Italian ‘Serie A’ league is observed on a time frame considering the last seven years (2005–2012). Particularly: the latest financial statements (2011–2012 season) of ‘Serie A’ clubs are analysed, in order to find evidence about the determinants of positive profitability, if any, of those teams which have achieved positive financial results over this time frame.

We refer also to the determinants of BM as a consequence of those determinants, since BM “at a minimum, […] would indicate: what activities it undertakes within the firm and how these are organised, what it buys and sells in market transactions, which
markets it operates in (i.e., who it buys from and who it sells to), and the nature of its relationships with these parties” [ICAEW, (2010), p.10].

Final, a firm’s BM can be identified by considering several factors. In the paper, we refer to BM as the set of sources of economic success, both performance-related and governance structure-related ones. Corporate governance characteristics, such as the board of directors (BoD)’ size, are an integral part of a firm’s performance model as they indicate – from the lowest operational level to the highest strategic one in an entity – how the production is organised.

1.2 The research objectives
Looking at both financial and asset and governance related factors, we tested the existence of a statistical association between those aspects (explanatory variables) and football clubs’ profitability (dependent variable) as expressed in terms of yearly operating earnings.

The main synthetic contribution of the paper is the search for the conditions of profitability, for these entities could be named as ‘profit seekers’ in accordance with, even in the context of football, which few researchers have previously investigated as a profit oriented environment.

Based on the above considerations, we identify two research questions:

RQ.1 What are the determinants of football clubs’ performance for Italian ‘Serie A’ league?

RQ.2 What are the governance and economic conditions of their durability as for profit entities?

As a consequence, we expect that several elements of the business could be different from those previously performed. For instance, once the main determinant of profitability (durability) of these entities is the show-related performance strength, a relevant effort should be paid to enlarge the range of worldwide fan-base, in order to increase merchandising and TV related revenues and so strengthen the economic results of the entities. Otherwise, if the ordinary model is not the best performer, whilst the gains from the sale of talented players’ rights could be a relevant source of earnings, we probably have to go deep into the BM to be performed in order to capture all the worth the market would be available to pay (B2B, instead of B2C, synthetically).

Finally, the option for a different model where the players are not the instruments for a show, but the final ‘product’ to sell, probably requires a strengthened attention to the way such relevant decisions, the sales of talented player’s rights, comes. In this respect, an analysis of the governance conditions for these decisions could arise, and this is the reason why governance related variables on the topic have to be explored.

The paper is structured as follows:

1 In the first section, the general context of the paper is set by providing a theoretical perspective (literature review) which helps us shaping our research questions; further, a snapshot of the Italian Serie A market (economic context) is sketched out in order to allow for the definition of research hypotheses consistent with the status quo and the pre-defined research questions, this section concludes with the indication of the expected relevance of this paper as a contribution to existing research.
2 The second section concerns the identification of the methodology used to verify the research hypotheses.

3 The following section presents the empirical results showing the extent to which research hypotheses have been verified and the cases in which this has not occurred.

4 The last section addresses comments on the empirical results, offers possible explanations to them in line with the theoretical reference framework and answers the research questions, proposing some considerations for further research.

2 Theoretical framework

For the last years, football industry has attracted significant interest by accounting academics. As stated, several “studies have tried to investigate from an accounting perspective this particular business, shedding light on several features of the income statement or the balance sheet (e.g., depreciation of players’ registration rights and the related recognition and measurement of intangible assets, see ex multis Trussel, 1977, Morrow, 1992, 1995, 1996, 1997, 1999, Michie and Verma, 1999, Rowbottom, 2002, Amir and Livne, 2005, Forker, 2005)” [Regoliosi, (2016), p.283].

Only a few researchers have so far tried to find evidence regarding one aspect of deeper concern, that is the determinants that are able to explain their economic durability in their ‘market’.

Most studies have focused on either:

1 major teams and/or listed teams (in the Italian context, see Risaliti and Verona, 2013)

2 aggregated and often by country data (Lago et al., 2006; Buraimo et al., 2006; Lago and Baroncelli, 2006; Gouguet and Primault, 2006; Frick and Prinz, 2006; Ascari and Gagnepain, 2006; Morrow, 2006; Barros, 2006; Dejonghe and Vandeweghe, 2006). However, none of the Italian studies went deep into the whole ‘Serie A’ league, as it was done for other countries with their respective major leagues, although from a more limited perspective (for example, Hall et al., 2002).

Regarding the first group of researches, the conditions of economic durability of those clubs largely depend on robust equity injections by their main shareholders. Also, a pure ‘surplus-maximisation’ approach does not fit the ordinary doing of those teams, as their strategic and managerial choices are seldom comparable to other entities (in this respect, we recall that Guzmán and Morrow, 2007 refer to football clubs as unusual businesses, p.309).

Regarding the second group of studies, the main weakness is referable to the co-existence of a few large teams together with many small ones. It provide means and aggregated data which could drive to mixed and unfair behaviours and results.

For these reasons, most studies focusing on football clubs restricted their analyses to the description of the status quo rather than providing the ‘economic rationale’ that is able to explain the BM of football clubs and their performance patterns.

One common misconception about professional football clubs (PFCs) is that their existence would be largely explained by their efforts in winning competitions and championships. This is where the difficulty of understanding PFCs as businesses is rooted.
A more oriented focus on the economic and financial determinants of football clubs’ operations may help both explaining their core activities and finding out, if any, their conditions of economic durability.

On the topic, Szymanski and Kuypers (1999) argued that the revenues depend on sporting results (see also Hoehn and Szymanski, 1999) which in turn depend on the average level of football player wages in the long term. Therefore, those clubs which are relatively wealthier than others are more likely to rank in higher positions (Murphy, 1999a, 1999b), and relegation is not a good news also for the ‘economic numbers’ of the involved clubs (Gerrard, 2002).

Nevertheless, the link between sporting results and revenues remains unclear once revenues (also ‘sporting revenues’ for Barajas et al., 2005) are the sum of “the income from match tickets and the pools (combined as the TAP variable), television rights (TV) and advertising/sponsorship (ADV)” [Barajas et al., (2005), p.12], and the results of, for example, the trading activity of players’ registration rights are out of the total.

As stated by several authors, when profitability is considered in association with sporting results, the degree of significance of the association loses a lot of significance [Barajas et al., (2005), par.5, pp.14–17; Bollen, 2010].

As previous literature contributions have rarely addressed the issue of the determinants of football teams’ economic results, we try entering this research field by following the alternative model developed in Regoliosi (2016) according to whom:

1. football teams pursue different patterns of profitability which differ from the mere production of revenues by means of ticket sale or brand merchandising
2. sporting results are far from being the unique or the ordinary focus of these entities when it comes to setting their profitability targets.

Focusing on the Italian football leagues, it is clear that:

1. most teams – generally the small and medium ones, as this paper provides evidence about, as well – do not necessarily compete with the realistic expectation to rank in the first few top positions of any tournament
2. their choices in terms of best players’ retention and players’ trading policies do not necessarily seem consistent with the objective of increasing the team’s potential to win competitions.

If “the mission of professional football clubs can be described as to offer entertainment to their spectators through the game of football” [Cincimino et al., (2012), p.116] and therefore the only ‘customers’ of football clubs were theirs fans, then probably none of the Italian professional teams would reach the economic equilibrium.

At the same time, in the Italian premier league, ‘Serie A’, most small and medium sized teams are generally profit-makers as opposed to some of the major clubs which are loss-makers.

The existence of those clubs that, as stated above, are not the best performers in their league but are profit-makers raises the question of why this happens and what are the determinants of such state of things. It concerns the different paths to achieve profitability they pursue, and the different model they perform. We agree with Lago and Baroncelli (2006): “if for the leading clubs, sporting results can be expressed in terms of victories (in the championship, European Champions League, UEFA Cup, etc.), for the provincial teams, they can be expressed in terms of them having managed to remain in Serie A and
their promotion from Serie B”, (p.22) there are likely also other factors of their operations that need to be investigated in order to identify the determinants of their economic durability.

The ‘ordinary’ lenses through which football clubs are usually analysed as mainly show-business providers, appear to be unsatisfactory. Show-business may be a relevant and even sustainable business driver if:

1. the club is renowned as being a competitive one (and, as such, it relies on strong and generally expensive players)
2. the club has a quite large fan-base either locally or in even remote regions which, however, are reachable via satellite television.

Of course, this is not the case for small and medium clubs which never meet these conditions because:

“The provincial teams are forced to replace a large number of their players every year. Teams that easily retain their position in Serie A let two, three, or even more talented players go each year, whom they replace with young players whose performance at the start of a season is uncertain […] although paradoxical, […] have more clearly defined economic objectives. These are clubs that are often linked to entrepreneurs who have no desire or cannot afford to run a business at a loss, and they must thus make a profit from invested capital.” (Ibidem, p.23 emphasis added)

Furthermore, even for major clubs, which the ‘BM’ of show providers seems to best fit, the mere sale of TV rights, tickets and merchandising items proves not to be economically sustainable (as shown in Risaliti and Verona, 2013 and also noted in Antonioni and Cubbin, 2000; Dobson and Goddard, 2001; Lago et al., 2006). Therefore the question of which factors are able to explain the existence and the economic durability of football clubs still remains unanswered also for those teams.

To approach the above research questions, the analysis may not been limited to the ‘top-tier’ clubs, as the key features of football activities, able to explain their performance over a fairly long (seven-year) period, could probably be different from the usual show-provider model. The search for the conditions of the economic viability of football clubs suggests that a more in-depth look into their financial statements is needed. Analysing the financial statements, the search for a BM for professional Italian football clubs belonging to Serie A league will not simply consider the business and related accounting model as a given (in the Italian context many studies follow this approach, see ex multis, Rusconi, 1990; Teodori, 1995; Bianchi and Di Siena, 2000; Bianchi and Corrado, 2004; Regolosi, 2006; Pezzoli, 2007; Valeri, 2008; Mancin, 2009; Gravina, 2012), since we appreciate the BM as a consequence of several factors, among which the financial reporting elements are likely some of the most important.

3 The analysis setting

Aggregated data from PwC (2013) are very useful in providing a snapshot of the Italian professional football industry. In this report, several measures have been observed, such as total sales (broken down by revenues from competitions, revenues from TV rights, merchandising, etc.), and asset and liability key items (including players’ registration
rights and net financial position) for each of the following groups: ‘Serie A’ league, ‘Serie B’ league (Italian second division) and ‘Lega Pro’ league (Italian third division) during the period from season 2007–2008 to season 2011–2012.

Data relating to Serie A are given more emphasis and space in the document and, looking at the associated graphs and tables (pp. 84–95), it is possible to note some interesting factors which are useful in describing the economic status of Italian professional football teams:

1. the increasing weight of income from the sale of players’ registration rights on total revenues (from 12% in season 2007–2008 to 20% in season 2011–2012)
2. the decreasing weight of TV rights sales (in absolute terms the relative weight is quite high at 43% in season 2011–2012, but it was far higher four seasons before, at 53%)
3. the relative growth of players’ wages (from EUR 949 M in season 2007–2008, to EUR 1,182 M in the latest season)
4. the trend of the cumulated net income (from a cumulated loss of EUR 150 M during season 2007–2008 to a cumulated loss of EUR 282 M in latest season).

The teams of Italian ‘Serie A’ league which we refer to are those playing in Serie A as of the beginning of season 2012–2013 (these teams differ from those considered in the PwC report): (in alphabetical order) Atalanta, Milan, Bologna, Napoli, Cagliari, Palermo, Catania, Parma, Chievo, Pescara, Fiorentina, Roma, Genoa, Sampdoria, Inter, Siena, Juventus, Torino, Lazio, Udinese.

For each of these teams, we analysed the annual reports of last seven years (annual reports relating to fiscal years 2006–2012), disregarding the league they belonged to in the seasons preceding season 2012–2013.

If we sum the ‘ordinary’ revenues (i.e., sporting-related revenues, such as TV right sales, ticketing and merchandising revenues) to the line item relating to revenues arising from players’ transfer (which not all football teams include in the ‘total revenues’ section (‘Valore della produzione’ according to art. 2425 Civil Code)) for the 20 teams listed above, we have the results listed in Tables 1, 2 and 3 (please note that Pescara did not exist during years 2006–2009):

As we can easily observe in Table 1, during the analysed time period revenues and other income (R&OI) are very different among Italian ‘Serie A’ clubs. Only two firms have to be considered large-sized entities, because their R&S are above EUR 150 M, almost in each observed year. The majority of clubs in the ‘Serie A’ league, is small-to-medium sized and in some cases very small one (e.g., Pescara). Partly, R&OI results are impacted by sporting results, as it has been argued by several authors (see previous Section 2), and many of the most significant effects on the R&OI aggregates are due to relegations or promotions.

Furthermore, we note that most part of R&OIs for Italian PFCs stems from the following two main sources:

1. TV rights distribution
2. income from trading of players’ rights (IFPRT), whose distribution is shown in Table 3.
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<td>59,641</td>
<td>35,126</td>
<td>20,154</td>
<td>51,887</td>
<td>45,509</td>
<td>42,105</td>
<td>34,224</td>
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<td>Bologna</td>
<td>71,164</td>
<td>49,722</td>
<td>42,784</td>
<td>41,388</td>
<td>26,304</td>
<td>19,695</td>
<td>13,622</td>
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<tr>
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<td>38,030</td>
<td>32,894</td>
<td>16,587</td>
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<td>54,632</td>
<td>45,289</td>
<td>40,001</td>
<td>36,006</td>
<td>31,968</td>
<td>25,883</td>
<td>14,260</td>
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<td>84,208</td>
<td>79,501</td>
<td>70,247</td>
<td>67,449</td>
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<td>36,006</td>
</tr>
<tr>
<td>Genoa</td>
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<td>108,074</td>
<td>95,891</td>
<td>92,001</td>
<td>76,271</td>
<td>61,383</td>
<td>42,175</td>
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<td>Inter</td>
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<td>157,044</td>
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<td>189,313</td>
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<td>93,670</td>
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<td>76,271</td>
<td>61,383</td>
<td>42,175</td>
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<td>329,307</td>
<td>266,811</td>
<td>253,196</td>
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<td>218,663</td>
<td>104,486</td>
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<td>78,349</td>
<td>73,544</td>
<td>68,542</td>
<td>53,405</td>
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<td>Parma</td>
<td>15,636</td>
<td>11,356</td>
<td>9,680</td>
<td>8,248</td>
<td>6,424</td>
<td>4,283</td>
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<td>11,973</td>
<td>14,368</td>
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<td>16,626</td>
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<td>8,500</td>
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<td>94,366</td>
<td>73,544</td>
<td>68,542</td>
<td>53,405</td>
<td>34,202</td>
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**Table 1** Italian ‘Serie A’ 2012–2013 teams aggregated R&OI
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<td>2,798.22</td>
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<td>11,721.77</td>
<td>-10,747.82</td>
<td>-8,044.41</td>
<td>-11,311.04</td>
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<td>-6,109.27</td>
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<td>Not available</td>
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<td>-48,009.02</td>
<td>-28,287.94</td>
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<td>906.66</td>
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<td>6,113.23</td>
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Notes: *For adjusted EBIT, we consider the EBIT plus gains from players trading when presented as extraordinary items less losses from players trading when presented as extraordinary items. Red colours identifies negative amounts.
Table 3

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<td>5,410.92</td>
<td>4,921.44</td>
<td>21,946.92</td>
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<td>62,162.04</td>
<td>38,880.71</td>
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<td>Not available</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td>Catania</td>
<td>10,529.22</td>
<td>15,746.70</td>
<td>5,614.50</td>
<td>11,600.90</td>
<td>5,234.00</td>
<td>2,626.75</td>
<td>2,950.00</td>
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<td>Cagliari</td>
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<td>998.31</td>
<td>775.54</td>
<td>12,781.98</td>
<td>15,234.00</td>
<td>17,903.49</td>
<td>971.16</td>
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<td>Bologna</td>
<td>21,729.51</td>
<td>12,444.20</td>
<td>5,926.29</td>
<td>10,563.43</td>
<td>6,131.00</td>
<td>2,316.80</td>
<td>326.17</td>
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<td>Atalanta</td>
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<td>2,773.99</td>
<td>8,333.78</td>
<td>8,483.93</td>
<td>11,422.4</td>
<td>11,078.07</td>
<td>18,724.13</td>
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<tr>
<td>Fiorentina</td>
<td>35,680.83</td>
<td>592.41</td>
<td>3,103.84</td>
<td>33,631.49</td>
<td>3,499.23</td>
<td>14,827.39</td>
<td>971.16</td>
</tr>
<tr>
<td>Siena</td>
<td>11,938.03</td>
<td>9,566.24</td>
<td>9,707.87</td>
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<td>6,715.10</td>
<td>2,307.74</td>
<td>1,100.60</td>
</tr>
<tr>
<td>Chievo</td>
<td>14,431.27</td>
<td>5,456.82</td>
<td>5,211.80</td>
<td>4,030.72</td>
<td>13,357.83</td>
<td>11,142.63</td>
<td>3,389.46</td>
</tr>
<tr>
<td>Lazio</td>
<td>10,183.84</td>
<td>18,507.47</td>
<td>8,159.90</td>
<td>9,759.25</td>
<td>10,613.96</td>
<td>10,666.00</td>
<td>3.00</td>
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<tr>
<td>Juventus</td>
<td>18,433.50</td>
<td>18,239.44</td>
<td>14,664.72</td>
<td>17,270.84</td>
<td>17,129.73</td>
<td>41,531.10</td>
<td>4,444.84</td>
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<tr>
<td>Inter</td>
<td>44,369.20</td>
<td>51,458.25</td>
<td>72,876.00</td>
<td>11,111.07</td>
<td>8,045.77</td>
<td>23,974.01</td>
<td>7,495.19</td>
</tr>
<tr>
<td>Milan</td>
<td>53,436.73</td>
<td>25,566.92</td>
<td>25,333.24</td>
<td>74,024.45</td>
<td>20,453.44</td>
<td>15,661.90</td>
<td>44,807.11</td>
</tr>
<tr>
<td>Roma</td>
<td>18,405.00</td>
<td>7,821.00</td>
<td>21,406.00</td>
<td>16,601.00</td>
<td>15,274.00</td>
<td>8,530.00</td>
<td>3,527.00</td>
</tr>
<tr>
<td>Total</td>
<td>487,232.46</td>
<td>370,230.81</td>
<td>305,514.06</td>
<td>386,807.50</td>
<td>217,715.36</td>
<td>196,224.06</td>
<td>179,493.40</td>
</tr>
</tbody>
</table>
The rest of R&OIs comes from merchandising and, for Juventus only, from own stadium related business activities (Vendemiale, 2013).

A closer look at Table 2 shows some interesting elements that highlights the importance of the research questions described above. Particularly, some clubs constantly produce net profits as well as positive levels of adjusted EBIT (EBIT plus Gains from players’ rights when presented as extraordinary items less Losses from players’ rights when presented as extraordinary items).

Therefore, the purpose of this paper is to try identifying the determinants of the positive earnings of those clubs. As mentioned above, these factors have been considered in previous studies, in light of the hypothesised main goal of producing sporting results. However, in this paper a different – though not necessarily contrasting – pattern is proposed, by looking at the following two aspects:

1. The economic determinants of football teams’ adjusted operating profits, are investigated by splitting the total of revenues and other income in their elementary parts, i.e., ordinary sales (according to mainstream literature and common practice) and revenues from players’ trading.

2. Furthermore, the impact of the level of Intangible Assets, so that the amount of players registration rights (PRRs), has to be explored as it could be an important driver. Particularly, the larger it is, the wider the sporting expectations of the club and of the stakeholders around it, whilst the smaller the amount is (so probably disclosing not so great ambitions in term of sporting results) the higher the economic results.

4 Research hypotheses and methodology

4.1 Research hypotheses

In order to investigate the conditions of existence of the Italian football clubs in the terms stated above, we test the following hypotheses.

HP1 The operating performance of football clubs is a direct function of the relative weight of revenues from players trading as a share of football clubs’ total revenues.

HP2 The operating performance of football clubs is an inverse function of the amount of the PRRs in the balance sheet.

HP3 The operating performance of football clubs is an inverse function of the number of components of the BoD.

HP4 The operating performance of football clubs is a direct function of the option to appoint the statutory auditors of the external auditing, instead of an audit firm.

The first hypothesis builds on the evidence that markets where football players’ rights are traded, represent a relevant source of revenues for some Italian (at least) football teams. Particularly, these markets can be looked at as a source of valuable reserves for football teams. In the course of their ‘ordinary activities’ – that is, according to mainstream literature, providing sport shows – they could need to rely on these resources
when economic and/or financial difficulties arise as a result of excessively onerous operating costs or investments.

Instead, by looking at the financials of Italian professional clubs a different picture emerges. In fact, these markets are seldom a source of ‘last-resort’ revenues, while especially small and medium sized clubs rely on those markets as their primary source of earnings (see also Regoliosi, 2016). If verified, the proposed test under HP 1 will support the idea that the core business of football clubs is significantly oriented on players’ trading and much less on providing entertainment. In other words, far from relying on a ‘business-to-customer’ model, several football teams rely on a ‘business-to-business’ model whereas producing entertainment via sport events is a means for increasing the ‘tradability’ of individual players.

The second hypothesis focuses on the amount of the historical cost (in the course of the annual amortisation process), as especially small and medium sized clubs in terms of asset capability are devoted to maximise the value of their investments and sell their assets as a sufficiently relevant level of revenues could arise from that kind of operation, despite any sporting utility.

As a consequence, the third hypothesis deals with the need for a narrow board, that could provide an easier process of evaluation of the decisions to be taken, particularly when they are troublesome for someone (e.g., the supporters of the club). As already investigated by Regoliosi (2016), in such events the directors need a strong ‘room of manoeuvre’ to take decisions which are in the best interest of the club’s economic performance. Some corporate governance literature attributes the ability to take more rapid and sharper actions to relatively smaller boards as opposed to largely democratic structures. Klein (2002) recalls that “Lipton and Lorsch (1992), Jensen (1993), and Yermack (1996) argue that the board’s decision-making quality decreases with board size because the more people in the group, the lower the group’s coordination and processing skills (see Steiner, 1972; Hackman, 1990). Yermack (1996) finds evidence consistent with this argument” (p.438). Consistently with these studies, when governance structures of football clubs, i.e., BoD, increase their degree of democracy, the operating performance could get proportionally deteriorated because – as noted by Eisenberg et al. (1998) – “increased problems of communication and coordination as group size increases, and decreased ability of the board to control management, thereby leading to agency problems stemming from the separation of management and control” (p.37) (see also Bhagat and Black, 1996; Hermalin and Weisbach, 2000).

This is the reason why, alongside several control elements which in turn will be discussed below, a particular attention to the governance structure has been stated.

If the direct function between a small BoD and the economic performance would be found out, this test would show how a lean governance structure may ‘protect’ the economic viability of football clubs from social and emotional pressures which may lead to anti-economic operating decisions.

Final, the fourth hypothesis deals with the entitlement of the statutory auditors for the legal audit of the financial reporting. In Italy this option is allowed for smaller entities, since they could need a stricter link between the auditors and the directors choices; as the statutory auditors could take part to the board meetings, this link is stronger and could be helpful for a more effective action.

The link between the above research questions and the research hypotheses is shortly illustrated in Table 4.
Table 4 From the RQs to the RHs

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Research hypotheses</th>
</tr>
</thead>
<tbody>
<tr>
<td>RQ.1 What are the determinants of football clubs’ performance for the Italian ‘Serie A’ league?</td>
<td>HP1 The operating performance of football clubs is a direct function of the relative weight of revenues from players trading as a share of football clubs’ total revenues</td>
</tr>
<tr>
<td>RQ.2 What are the governance and economic conditions of their durability as for profit entities?</td>
<td>HP2 The operating performance of football clubs is an inverse function of the amount of the PRRs in the balance sheet. HP3 The operating performance of football clubs is an inverse function of the number of components of the BoD. HP4 The operating performance of football clubs is a direct function of the option to appoint the statutory auditors of the external auditing, instead of an audit firm.</td>
</tr>
</tbody>
</table>

In order to test HP 1, the determinants of operating profitability are analysed in terms of the main sources of revenues for fiscal years 2006–2012. In order to test HP 2, the association between the amount of intangible assets and the operating profitability (Yermack, 1996; Bhagat and Black, 1996) of each Italian football team during the same time frame is tested. In order to test HP 3 and HP 4, the association between:

1. the number of directors and the operating profitability
2. a dummy variable related to the appointment of the external auditing task and the operating profitability is analysed.

To verify the existence of any association between the different drivers of BM and the operating profitability of football clubs, as expressed in terms of the adjusted return on investments (we largely deal with below in Section 5), we estimated an OLS model where the Adjusted ROA is an interactive function of economic and financial related variables, discussed below in Section 4.4.1 and a set of governance variables, discussed in Section 4.4.2.

4.2 The sample

The observed clubs are all those involved in Serie A league during season 2012–2013. We considered their consolidated (if any) or separate financial statements for the seven-year period between 2006 and 2012 (a total of 136 reports). For most clubs, the reporting period ends on 30 June each year, however for a few clubs the reporting period ends on 31 December. Therefore for one club in the sample, financial statements for years 2006 through 2008 were not available as the legal entity it belonged to during that period defaulted in 2009. The complete list of clubs is reported above in Table 1.

Most clubs report their financial statements under Italian GAAP, only three clubs report under IFRSs as they are listed in Italian Stock Exchange. We believe that this fact does not impact on our results nor it requires specific adjustments to the methodology applied as the share of publicly exchanged stocks is very limited and the significant equity injections which these clubs have requested to their main shareholders over the
years have significantly diluted the interests of minority investors. Further there are no differences in the financials the paper goes through between the two different accounting models.

4.3 The dependent variable

In order to verify the existence of any association between the determinants of the BM and the operating performance, an adjusted version of the Return on Investments ratio (‘Adj ROA’) as a proxy of the profitability as our dependent variable has been considered.

To reach a logical configuration of this ratio, a two-step process needs to be performed.

Firstly, for both listed and non-listed companies, the line items included in the Income Statement as required under Italian GAAP (‘ITA GAAP’) and which total up to the ‘Risultato della Produzione’, also referred to as Operating profit balance (‘OPER’) was considered.

As argued above, even if the line items included in the IFRS income statement (rectius statement of profit or loss) differ in name from the items included in OPER under Italian GAAP the consistency was achieved through the appropriate review of the notes referring to each single line item; at the end, regardless for the ‘taxonomy’ adopted in each set of statements (ITA GAAP and IFRSs respectively), line items were fully comparable content-wise.

In order to ensure that the operating profitability includes revenues, gains, costs and losses from both the provision of sport entertainment and the activities of players’ trading, the OPER balance has been adjusted to include items classified under ITA GAAP as extraordinary items. This adjusted balance (‘OPERplus’) is therefore the sum of OPER and some extraordinary items. OPERplus is the numerator of the Adjusted ROA, we considered this figure as a proxy for the gross operating profit.

The denominator of the Adjusted ROA is the sum of annual total assets. The resulting Adjusted ROA, therefore represents the ratio between OPERplus and total assets.

4.4 Selection of the independent variables

4.4.1 Economic variables

The test involving economic variables highlights two potentially different BMs, as described in Regoliosi (2016) and in Section 1.1.

In the test, total revenues is the sum of revenues from the sport-event related activities and incomes from players’ trading activities, this is named after ‘total sales’.

Because associativity applies to the elements which sum up to total sales, the nature of the BM from the economic perspective is tested by reference to income from the sale of football PRRs (‘trading income’). Therefore the independent variable for the purpose of testing the BM from the economic viewpoint is the ratio between trading income and total sales which we refer to as ‘BUS_MOD’.

In the test, the value of the players is expressed in terms of clubs’ intangible assets (‘INTANG’). Moreover, three control variables are considered to ensure that our results are not distorted by
1. the size of the football club (‘SIZE’)
2. the degree of its financial leverage (‘LEV’)
3. the relative weight of depreciation charges for the intangible assets (represented by the players in the team) and the total personnel cost (‘AMO&PERS’).

### 4.4.2 Corporate governance variables

In order to include the commitment issue, the size of the BoD (‘BoD SIZE’) expressed in terms of the total number of directors (Klein, 2002) in each of the 20 teams for the seven-year period has been included in the test (as noted above, one club defaulted in 2009, and only 136 observations are in the sample).

One more control variables has been used to ensure that the association between BoD SIZE and profitability would not be distorted by the nature of the entity in charge of performing external audit activities (‘AUDIT’), this is expressed by means of a dummy variable to indicate the use of external auditors or the board of statutory auditors.

### 4.4.3 A summary

#### Table 5 The research design

<table>
<thead>
<tr>
<th>Research design</th>
<th>OLS model</th>
<th>The Adjusted ROA is an interactive function of both economic and financial related variables and a set of governance variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample</td>
<td>Atalanta, Milan, Bologna, Napoli, Cagliari, Palermo, Catania, Parma, Chievo, Pescara, Fiorentina, Roma, Genoa, Sampdoria, Inter, Siena, Juventus, Torino, Lazio, Udinese</td>
<td></td>
</tr>
<tr>
<td>Time period</td>
<td>2006/2007 to 2011/2012</td>
<td></td>
</tr>
<tr>
<td>Dependent variable</td>
<td>Adj ROA = Ratio between operating profit adjusted for gains from player rights’ trading and total operating assets.</td>
<td></td>
</tr>
<tr>
<td>Explanatory variable</td>
<td>BUS_MOD = ratio between gains from players rights’ trading and total sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LEV = ratio between net financial position and equity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>INTANG = total intangible assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>AMO&amp;PERS = ratio between the amortisation ratio of intangible assets and personnel cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SIZE = logarithm of total sales</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BoD SIZE = the number of board members</td>
<td></td>
</tr>
<tr>
<td></td>
<td>AUDIT (dummy variable) = 1 if the auditors belong to an external entity, 0 otherwise.</td>
<td></td>
</tr>
</tbody>
</table>

### 5 Empirical results

#### 5.1 Descriptive statistics

Table 6 shows the mean, median, minimum, maximum and first and third quartiles of the untransformed variables used in the regression analysis.
Table 6
Descriptive statistics for untransformed variables used in analysis of profitability of Italian football teams for a sample of 136 annual reports

<table>
<thead>
<tr>
<th>Variable</th>
<th>Hypothesis number</th>
<th>Mean</th>
<th>Minimum</th>
<th>Q1</th>
<th>Median</th>
<th>Q3</th>
<th>Maximum</th>
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</thead>
<tbody>
<tr>
<td>Adj ROA</td>
<td>-0.0800</td>
<td>-1.1424</td>
<td>-0.1872</td>
<td>-0.0287</td>
<td>0.0484</td>
<td>0.2672</td>
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<tr>
<td>BUS_MOD</td>
<td>1</td>
<td>0.1896</td>
<td>0</td>
<td>0.0701</td>
<td>0.1574</td>
<td>0.2854</td>
<td>0.7056</td>
</tr>
<tr>
<td>LEV</td>
<td>2</td>
<td>-0.857</td>
<td>-123.127</td>
<td>-1.018</td>
<td>-0.084</td>
<td>0.454</td>
<td>24.865</td>
</tr>
<tr>
<td>INTANG</td>
<td>3</td>
<td>59,174</td>
<td>2,499</td>
<td>21,377</td>
<td>48,805</td>
<td>81,036</td>
<td>209,495</td>
</tr>
<tr>
<td>AMO&amp;PERS</td>
<td>4</td>
<td>0.4275</td>
<td>0.1071</td>
<td>0.2578</td>
<td>0.3823</td>
<td>0.5345</td>
<td>1.1275</td>
</tr>
<tr>
<td>SIZE</td>
<td>5</td>
<td>11.139</td>
<td>8.439</td>
<td>10.632</td>
<td>11.019</td>
<td>11.673</td>
<td>12.705</td>
</tr>
<tr>
<td>BoD SIZE</td>
<td>6</td>
<td>7.110</td>
<td>2</td>
<td>4</td>
<td>7</td>
<td>9.750</td>
<td>16</td>
</tr>
<tr>
<td>AUDIT</td>
<td>7</td>
<td>0.8088</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes: Variable definitions: Adj ROA = ratio between operating profit adjusted for gains from player rights’ trading and total operating assets; BUS_MOD = ratio between gains from players rights’ trading and total sales; LEV = ratio between net financial position and equity; INTANG = total intangible assets; AMO&PERS = ratio between depreciation of intangible assets and personnel cost; SIZE = logarithm of total sales; BoD SIZE = the number of board members; AUDIT (dummy variable) = 1 if the auditors belong to an external entity, 0 otherwise.

5.2 Correlations
Table 7 presents Pearson correlations between the transformed dependent and independent variables.

Table 7
Pearson correlation (and p-values) among the dependent and explanatory variables

<table>
<thead>
<tr>
<th>Adj ROA</th>
<th>BUS_MOD</th>
<th>NFP/E</th>
<th>INTANG</th>
<th>DEP&amp;PERS</th>
<th>LN sales</th>
<th>BoD SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUS_MOD</td>
<td>0.165</td>
<td>0.055</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEV</td>
<td>-0.021</td>
<td>0.045</td>
<td>0.805</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTANG</td>
<td>-0.003</td>
<td>-0.029</td>
<td>0.124</td>
<td>0.970</td>
<td>0.741</td>
<td>0.152</td>
</tr>
<tr>
<td>DEP&amp;PERS</td>
<td>0.168</td>
<td>0.262</td>
<td>-0.113</td>
<td>0.225</td>
<td>0.050</td>
<td>0.002</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.342</td>
<td>-0.111</td>
<td>0.236</td>
<td>0.804</td>
<td>0.098</td>
<td></td>
</tr>
<tr>
<td>BoD SIZE</td>
<td>-0.208</td>
<td>-0.167</td>
<td>0.185</td>
<td>0.554</td>
<td>-0.185</td>
<td>0.535</td>
</tr>
<tr>
<td>AUDIT</td>
<td>-0.180</td>
<td>0.104</td>
<td>0.208</td>
<td>0.376</td>
<td>0.122</td>
<td>0.370</td>
</tr>
<tr>
<td></td>
<td>0.036</td>
<td>0.228</td>
<td>0.015</td>
<td>0.000</td>
<td>0.158</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 7 also shows that many explanatory variables are significantly correlated with each other. The tests of the formal hypothesis are based on multiple regression analysis.
5.3 Multiple regression results

Equation (1) is the regression equation, the related empirical results are presented in Table 8 here.

\[
\text{Adj ROA} = -3.13 + 0.317 \text{BUS}_\text{MOD} - 0.00166 \text{LEV} - 0.000003 \text{INTANG}
+ 0.0935 \text{AMO&PERS} + 0.306 \text{SIZE} - 0.0213 \text{BoD SIZE} - 0.173 \text{AUDIT}
\]

As shown in Table 8, the adjusted $R^2$ is 0.592 which is fairly high compared to regression models applied in previous similar studies.

Table 8 Explanatory variables of adjusted ROA based on regressions for a pooled sample of 136 annual reports (years 2006–2012)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Coefficient</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUS_MOD</td>
<td>0.31744</td>
<td>0.0000***</td>
</tr>
<tr>
<td>LEV</td>
<td>-0.001659</td>
<td>0.1160</td>
</tr>
<tr>
<td>INTANG</td>
<td>-0.00000283</td>
<td>0.0000***</td>
</tr>
<tr>
<td>DEP&amp;PERS</td>
<td>0.09351</td>
<td>0.1220</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.30619</td>
<td>0.0000***</td>
</tr>
<tr>
<td>BoD SIZE</td>
<td>-0.021261</td>
<td>0.0000***</td>
</tr>
<tr>
<td>AUDIT</td>
<td>-0.17262</td>
<td>0.0000***</td>
</tr>
<tr>
<td>Adjusted R-square</td>
<td>0.592</td>
<td></td>
</tr>
</tbody>
</table>

Note: ***Significant at the 0.01 level.

We also tested the Durbin-Watson’s statistics and do not reject the null hypothesis for autocorrelation.

6 Discussion

As a result of the above OLS model, and with reference to the described research hypotheses, we find out the following:

a regarding our economic related variables, Adj ROA is significantly positively associated with BUS\_MOD (p < 0.01) and negatively associated with INTANG (p < 0.01)

b regarding our governance related variables, Adj ROA is significantly negatively associated with board size (p < 0.01), and AUDIT (p < 0.01), while it is positively associated with SIZE (p < 0.01).

The positive association between Adj ROA and BUS\_MOD is consistent with our initial hypothesis and with the theoretical framework which we referred to (Lago and Baroncelli, 2006). These results indicate that the BM of Italian PFCs in the Serie A league would be better described with reference to the developing and trading of players’ registration rights, rather than the provision of entertainment services through sporting events as the main determinant of its operating activities.

The negative association between Adj ROA and INTANG is also consistent with our prediction, and with the theoretical framework which we follow (Regoliosi, 2016). Since
smaller clubs do not perform sporting result but may regularly achieve economic viability, the smaller is the amount of investments (so that, the PRRs) the larger is the profitability.

Turning to governance related variables, the negative association between Adj ROA and board size is also consistent with our initial hypothesis and with part of the general literature (see above Section 2) and with the specifically football-related one (Regoliosi, 2016). This association could be explained by highlighting that a closer board concentration allows for more profit-oriented activities and partly ‘immunises’ the club from social pressures on improving competitive sporting results at the expense of economic performance.

This evidence also suggests that further research may confirm whether our understanding of the best governance structure of football entities is correct in terms of the ownership structure of the club. In fact, the combination of the two factors:

1. negative correlation between operating performance and board size
2. positive correlation between ownership concentration and operating performance,

would indicate that a closer ownership oversight and a direct involvement in the management of the club’s operating activities are key factors to explain football clubs profitability.

On the other hand, larger boards may suffer from social pressures more significantly than smaller ones, this may be particularly true in the Italian environment where football is certainly regarded as being the ‘national sport’ and, especially in local communities, a right balance between profitability and reasonable competitive results may be difficult to achieve.

Furthermore, the positive and negative associations concerning control variables are, in our opinion, consistent with previous literature. Particularly, the negative association between Adjusted ROA and the presence of an external (single person or team) auditor can be explained with the fact that in Italy, especially individual entrepreneurs may be more willing to perceive external auditors as a burden to their ‘entrepreneurial freedom’ due to their lack of information with respect to the importance of having strong external monitoring bodies (such as an external auditor). In fact, the preference on appointing the board of statutory auditors as external auditor adds a supplementary task that may reduce the level of oversight, leading to weaker attention in guaranteeing that reliable and faithfully representational financial statements are issued. By this means, clubs could more easily implement earnings management practices by reducing the degree of oversight (even if this could also increase the level of risks in operating and financial activities the club is exposed to).

At the end, the positive association between AMO&PERS and profitability suggests a latest information. As the ratio increases when the investment of a team for their players is comparably larger than the wage they pay for the services they get, the underlying meaning deals with the capability of the managers to ensure the club young talented players: an entering price higher than the wage highlights this mismatch. Otherwise, an old player, ordinarily, has a wage comparably high and is going to be ‘bought’ with a smaller amount since his useful sporting life is going to end. For this reason, also this last control variable is fully consistent with the hypothesis this paper is built on.

As a summary, a short response to the Research Questions can be provided. The RQs are here below reminded, with the emerging answers.
RQ.1 What are the determinants of football clubs’ performance for Italian ‘Serie A’ league? As a result of the analysis, the main determinants of positive performance, in terms of adjusted ROA, concern the buy-and-sell activity of PRRs.

RQ.2 What are the governance and economic conditions of their durability as for profit entities? The governance and economic conditions of the durability of PFCs in Italy are the small size in terms of squad worth and the smallest size of the BoD. Mainly, in terms of governance structure, the smaller the board, the higher the profitability.

7 Conclusions and suggestions for future research

In this paper, we tried providing some evidence that football clubs, and particularly Italian professional clubs in the ‘Serie A’ league, can be investigated with the lenses of ordinary business and that there exist economical and governance patterns that are worth investigating to better understand their conditions of economic durability.

The importance of understanding the economic determinants of football clubs is two-fold:

1 expressing more informed judgements regarding the economic viability of football clubs, in order to put into effect any reward mechanisms for those teams which show a certain ability to remain fairly competitive and, at the same time, maintain a reasonable level of profitability

2 a deeper understanding of the BM of football clubs allows for better economic planning and for sharper actions in case of any restructuring plans.

From the analysis identified in this paper, the emerging core activity driving to higher levels the operating performance of football clubs, is poorly described in the accounting model currently provided by all the clubs, listed and not listed. The income statement should at least highlight the balance of the two main activities performed by Italian football clubs:

1 the result of the provision of sporting events to the public

2 the result of players’ registration rights trading.

Finally, this research may represent a seminal work for future contributions in the area of business and accounting research on football clubs, at least in two respects:

1 On one hand, it would be interesting to investigate whether the two general BMs identified in Regoliosi (2016) and tested in this paper can be equally applied to all football clubs regardless for their dimension, popularity, ownership structure and nationality. It is not necessarily the case. Particularly, our findings suggest that within the general BM identified in this work, future research may look at identifying at least two possible clusters of football clubs in the Italian ‘Serie A’ league (and possibly in other national or international leagues as well):

   a the ‘providers’ of players

   b ‘consumers’ of players.
2 On the other hand, our identification of the BM of Italian PFCs may suggest a revision of the existing accounting schemes (or models) under which, at present, financial information of football clubs are reported in Italy. For example, an accounting model consistent with our findings would be one that shows, in terms of presentation of the income statement, at least a distinction between the balance of ‘sport shows-related activities’ and ‘players’ trading activities’. Furthermore, in light of our conclusions, also the measurement aspects of the ‘available for sale’ or ‘held for trading’ players may need to be revised in order to present their current values, rather than their historical cost information. In this respect, a relevant question arises about the correct classification of players’ rights in the financial statements and also the annual impairment assessment of these assets.

References
Autorità Garante della Concorrenza e del Mercato – Antitrust (2013) *Segnalazione 1773*.


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Notes

1 We acknowledge that the notion of ‘business model’ has assumed several meanings (Penman, 2007; Ronen, 2014; Singleton-Green, 2014) and that no shared definition exists among different disciplines where this term is most frequently adopted (for example, Zott et al. (2010) considered the concept of business model in the following areas: e-business, information technology in organisations, strategy, innovation and technology management), also Page (2012) provided an overview of the term business model in the context of financial regulation. Throughout this paper we will consider the notion of business model by referring, in general, to those factors that are able to explain the operating performance of football clubs.


3 In the particular context of PFCs – at least in Italy – the traditional agency (Jensen and Meckling 1976) and managerial capitalism (Berle and Means, 1932) theories do not necessarily explain the nature of the relationship that exists between clubs’ owners and managers. This is because the degree of control that the former exercise on the latter, with respect to the core business decisions (such as buying/selling key players or hiring/firing a team’s coach), is so pervasive that there is a low level of information asymmetry. Furthermore, at present, most chairmen or CEOs of Italian football clubs are the owners themselves. This may suggest that governance-related features need to be interpreted in a way that considers this peculiarity of football teams, so that for example, a small number of members of the BoD does not necessarily signal a situation of lack of transparency or a reduced degree of collegial decision making, but it reflects the fact that majority owners are also directly involved in the clubs management.

4 From a purely economic perspective, football clubs are very peculiar entities as the competitive conditions of the market they operate in are different from the ordinary competitive conditions of firms which do not operate either in monopolistic or oligopolistic conditions (Sloane, 1971). In fact, as opposed to ordinary businesses, football (as any other sport) clubs benefit the most when there is a perfect degree in competition with the other teams in the same league. The existence of a team that is far more competitive than the others in the same league (a sort of monopoly situation) pushes its earnings close to zero, and even in the case of a few strong competitors (a second-best hypothesis in mainstream economic theories) the reasonable expected returns are lower than those arising from a market with a situation of perfect competition, see Neale (1964). From this perspective, in fact, it has also been noted that “sports fan interest is greatest when sporting competition is at its most intense” [Boughes and Downward, (2003), p.88] and that sports fans are football teams customers. See also Rottenberg (1956), Cairns et al. (1986) and Dobson and Goddard (2001). From a different perspective, El Hodiri and Quirk (1971) contributed to better understanding the peculiarities of the football business environment according to antitrust rules (for the Italian antitrust regulation, see Autorità Garante della Concorrenza e del Mercato – Antitrust, 2008, 2013). See also Malone et al. (2006).

5 Nevertheless, as opposed to what stated by these authors, this way of performing is not a constrained choice, but it is rather a sought-after model.
This seems to be a key issue for the owners of professional football teams; in fact, the tendency to select different managers to cover different positions in football teams, by separating, for example, those who are in charge of technical-sport issues (attributed to a general manager or to an operating one) from those involved in economic, financial and commercial issues (whose responsibilities are attributed to internal sector specialists or to external professionals) is growing. The importance of effectively managing business-related aspects is particularly important nowadays for the growing pressure that the strategic option to build club-owned stadiums has gained as the means for increasing volume and nature of revenues by expanding the portfolio of business activities (e.g., hospitality, food services, shopping centre, etc. also by means of selected agreements with travel agencies and tour operators, schools and universities, etc.).

The different timeframe considered also explains the differences in our balances for each measure compared to those from PwC (2013).

The reference to the term ‘market’ is not intended in the sense of ‘active market’ as defined in IAS 38 Intangible Assets as the market for players’ rights does not qualify as an active one according to the requirements of this standard.

“We do not argue that good corporate governance produces good corporate performance. Some of the most successful companies are managed by entrepreneurs who disdain what we view as good corporate governance” [Lipton and Lorsch, (1992), p.64].

In NOIF accounts (the Italian football federation accounting and organisational rules), any club may choose to recognise gains and losses from trading either as extraordinary or operating items.

Recently, according to the NOIF regulation, Italian teams have to disclose in a specific section (in tabular form) of their annual reports, the result from players trading; however this additional information have not attracted significant interest so far.