

A STUDY ON THE MANAGEMENT AND THE FINANCIAL EFFICIENCY OF MANCHESTER UNITED FOOTBALL CLUB

Elena-Doina MIRCIOAGĂ *

“Victor Babes” University of Medicine and Pharmacy Timisoara,
e-mail: doina_mircioaga@yahoo.com

Dorian BARZUCA

“Victor Babes” University of Medicine and Pharmacy Timisoara

Alexandra MIRCIOAGĂ

“Victor Babes” University of Medicine and Pharmacy Timisoara

Ionică CĂRĂBAŞ

West University of Timisoara

Abstract: The study was conducted from April 2010 to May 2011 and dealt with the financial and operational efficiency of Manchester United Football Club in three months (fourth semester), from April 1st to June 30th 2010. Data concerning similar facts were collected for the same time intervals of 2009 as well.

In brief, the following aspects were observed:

- ⇒ The team's high level performance on the field;
- ⇒ Continuous investment in the team;
- ⇒ A 2.9% increase in the annual revenues from 278.4 to 286.4 million pounds. Reason for choosing this subject: the strong impact football has on masses, the “passion” and controversies it has caused and my direct involvement in this phenomenon.

Hypothesis and purpose of the paper: this paper aims to demonstrate that international prestige, great success in large-scale competitions and the prosperity of a club like Manchester United is based on performance management. The purpose of the paper is to provide football specialists and the large public that loves this wonderful game with a concrete example of the organisation and activities of one of the world's best clubs – Manchester United.

Key words: financial efficiency, management, revenues, expenditure, performance

* * * * *

THE THEORETICAL AND PRACTICAL IMPORTANCE OF THE PRESENT THEME

The sports activity represents one of the major aspects of human life in today's world. One can openly say that, due to the development of sport in the last decades, it became a religion for a large number of people. Sport has reached very high peaks when it comes to its development and this is an important aspect when it comes to gaining new supporters. When we talk about

* Elena-Doina Mircioagă

supporters we refer both to those who practice it as a performance sport activity and to those who do it for pleasure, be they fans of a particular branch of sport, persons in charge in a sports organization (the manager of a sports club) or those who work in the sports press, meaning all the people who have a connection with sport.[1-8]

Sports as a complex system, based on a relationship structure between cultural, political, economic and social phenomena, is based on a dynamic relationship between partners: clubs, federacy, local collectivities, the state, economic units, schools, the mass-media.[8-11]

The sports management represents another human activity which is highly important for the evolution of life and sport. These activities, the management and the sport itself, are tightly interconnected. Sports is one of the many domains which interest management and represents one of its branches. [12-13]

On the other hand sports involves many domains and branches. The present paper aims at studying the interdependence between the sporting management and a sports branch which is highly praised at a worldwide level, namely football.[14-15]

THE REASON FOR CHOOSING THE CURRENT SUBJECT

The choice of the theme was due to the high impact that this particular sport has on masses, the passions and the controversies which arise out of it and also due to my personal involvement in this phenomenon.

THE HYPOTHESIS AND THE PURPOSE OF THE PAPER

The present paper aims at demonstrating the fact the international prestige, the success in important competitions and the prosperity of a club like Manchester United are based on a performing management.

The aim of this paper is to present to specialists in this field, but also to the general public who loves this wonderful sporting activity, a specific example regarding the type of organization and the activity of one of the most performing clubs on a worldly level, namely Manchester United.

THE PHASES OF RESEARCH

According to the financial statistics (the financial department of the Manchester United club and the English audit) we have gathered the data for the 4th trimester (during 1st of April 2009 - 30th of June 2009), but also the results from the audit between the 1st of July 2008 - 30th of June 2009. [16-21]

Subsequently, we have gathered the financial data of the 4th trimester (the 1st of April 2010 - 30th June 2010), but also the results from the audit between the 1st of July 2009 – 30th of June 2010. [22-27]

INCOME STATEMENT

Matchday turnover

Matchday turnover for the quarter ended 30 June 2010 was £15.5 million, a decrease of £12.4 million or 44.4% over £27.9 million for the same period in 2009. This reduction is partially due to the progress the Club made in 2009 in the UCL resulting in matchday income for the semi-final and final. In addition, the Club had 2 less FAPL home games compared to the same period in 2009, resulting in lower revenue recognised in the current year period.

Matchday turnover for the year ended 30 June 2010 was £100.2 million, a decrease of £8.6 million or 7.9% over £108.8 million for the same period in 2009. This decrease was largely the result of the Club reaching the final of the 2009 UCL compared with the quarter-final in 2010. In addition, 1 less home domestic cup game and 3 less away domestic cup games were played in 2010 compared with 2009 due to the early FA Cup exit in 2010.

Media turnover

Media turnover for the quarter ended 30 June 2010 was £28.1 million, a decrease of £11.0 million or 28.1% over £39.1 million for the same period in 2009. This decrease reflects progress made in the 2009 UCL, reaching the final, compared with progression to the quarter-final in 2010. In addition, the Club had 2 less home FAPL matches and 2 less live televised matches compared to

the same period in 2009. Media turnover for the year ended 30 June 2010 was £104.8 million, an increase of £5.1 million or 5.1% over £99.7 million for the same period in 2009. This increase reflects the growth in the overall UCL distributions from UEFA for participants in the Champions League, offset by a reduction in the Club's share of these distributions due to only reaching the quarter finals in 2010. Income from the FAPL was higher due to an increase in the equal share and other FAPL distributions, partially offset by 1 less live TV game being shown during 2010 and a reduced merit payment due to finishing runners-up in 2010 compared with being winners in 2009.

Staff costs

Staff costs for the quarter ended 30 June 2010 were £37.1 million, an increase of £1.9 million or 5.4% over £35.2 million for the same period in 2009. This increase largely relates to growth in player compensation but is also due to a small increase in overall headcount in the business. The growth in player compensation was partially offset by a reduction in bonuses paid due to finishing as runners up in the FAPL and quarter finalists in the UCL. Staff costs for the year ended 30 June 2010 were £131.7 million, an increase of £8.6 million or 7.0% over £123.1 million for the same period in 2009. This increase largely relates to player compensation but is also due to a small increase in overall headcount in the business. The growth in player compensation was partially offset by a reduction in bonuses paid due to finishing as runners up in the FAPL and quarter finalists in the UCL.

Commercial turnover

Commercial turnover for the quarter ended 30 June 2010 was £23.5 million, an increase of £5.3 million or 29.1% over £18.2 million for the same period in 2009. This increase was a result of additional sponsorship revenues generated by an increase in the number and value of our global, regional, mobile and supplier sponsors. The 2010 commercial turnover figure also reflects a partial recognition of the cumulative profit share associated with the Nike partnership.

Commercial turnover for the year ended 30 June 2010 was £81.4 million, an increase of £11.5 million or 16.5% over £69.9 million for the same period in 2009. This increase was a result of additional sponsorship revenues generated by an increase in the number and value of our global, regional, mobile and supplier sponsors. The 2010 commercial turnover figure also reflects a partial recognition of the cumulative profit share associated with the Nike partnership.

Amortisation of players' registrations

Amortisation of players' registrations for the quarter ended 30 June 2010 was £9.8 million, broadly consistent with £9.9 million for the same period in 2009. Amortisation of players' registrations for the year ended 30 June 2010 was £40.1 million, an increase of £2.5 million or 6.6% over £37.6 million for the same period in 2009. This increase was primarily due to the acquisitions of new players since January 2009, in particular Valencia, Diouf and Obertan. The increased amortisation associated with these acquisitions was partially offset by the disposals of Tevez and Ronaldo.

Profit on disposal of players

Profit on disposal of players for the quarter ended 30 June 2010 was £3.3 million, a decrease of £75.1 million over £78.4 million for the same period in 2009. The 2009 profit on disposal related to the sale of Ronaldo in June compared with the disposals of Foster and Tosic in the same period for 2010. Profit on disposal of players for the year ended 30 June 2010 was £12.7 million, a decrease of £68.0 million over £80.7 million for the same period in 2009. The 2009 profit on disposal related to the sale of Ronaldo in June, with the profit on disposal in 2010 being due to Martin and Campbell during the summer 2009 transfer window, Simpson in the January 2010 transfer window and Foster and Tosic during the summer 2010 window.

Working capital

Working capital for the quarter ended 30 June 2010 produced a cash inflow of £55.0 million, an increase of £16.2 million over £38.8 million cash inflow for the same period in 2009. The working capital movements during the three month period are principally a result of the Club receiving season ticket and seasonal hospitality monies prior to the start of the season, the income

from which is then deferred and recognised over the number of home games in a season resulting in income, with no associated cash inflows. The increase of £16.2m is the result of a greater portion of season ticket monies being received in the final quarter of 2010 compared to 2009 offset by an advance payment received in respect of a sponsorship agreement in May 2009.

Working capital for the year ended 30 June 2010 produced a cash inflow of £2.7 million, a decrease of £16.4 million over £19.1 million inflow for the same period in 2009. This decrease is largely a result of an advance payment we received in respect of a sponsorship agreement in May 2009, offset by an overall increase in other sponsorship monies received in the year to 30 June 2010 for the 2011 financial year.

Shareholders' funds

Shareholders' funds in the Group increased by £321.5m largely due to the £405.8m capital contribution referred to above.

The results:

According to the study we have gathered the following data:

Summarizing we can briefly present the following financial balance sheet of the club for the mentioned periods:

INCOMES	EXPENSES
286.4 MIL. £	185.6 MIL. £

Making the difference between the two columns one can notice a net profit of 100.8 mil. £

Conclusions and proposals

Based on the current study and on the results we have obtained one can draw the following conclusions:

- The net profit of the Manchester United club demonstrates a performing management
- There is a tight interdependence between the financial side of sport and the sporting performance, both of these factors being a necessary condition for the other. This fact was proven by the substantial lowering of the income when the team had not moved forward to the superior phases of the Champions League;
- The sporting performance is the main pillar of the management plan, the club making true financial efforts regarding the acquisition of valued players who can face the strict requirements of today's football
- The management of the Manchester United club represents a success model which should be studied and applied by Romanian clubs, but also taking into account its specificities
- The hypothesis of the paper has been confirmed, the Manchester United club proving to have a performing management both due to the sporting performance along the years, but also when we refer to the financial aspects – which were always on the plus side.

Proposals:

- The urgent implementation of sports management to the sporting structures in our country
- Finding concrete ways to co-interest potential investors in this domain
- Creating in time true "club brands" capable of making profit
- Co-opting in the organization structures of the clubs of marketing and management professionals, who can apply the correct strategies for achieving high sporting performances.

REFERENCES

- Anghelache C., (2001), *În imperiul fotbalului*, Editura Economică, București.
- Brîndescu S., (2009), *Elemente teoretice de management sportiv*, Editura Mirton, Timișoara.
- Certo C. (2000), *Managementul modern*, Editura Teora, București.
- Lazăr I., (1997), *Management general*, Editura Dacia, Cluj Napoca.
- Lăzărescu A., (1999), *Management în sport*, Editura Fundației „România de mâine”, București
- Mihail A., (2003), *Globalizarea și managementul în sport*, Editura Spirit Românesc, Craiova.
- Purcărea A., Niculescu C., Constantinescu D., (2002), *Management. Elemente fundamentale*, Editura Niculescu, București.
- Robinson S., (1999), *Management financiar*, Editura Teora, București.
- Russu C., (1993), *Management*, Editura Expert, București.
- Stâncioiu I., Militaru Gh., (1999), *Management-Elemente fundamentale*, Editura Teora, București.
- Toma R., (1995), *Fotbal la noi și în lumea bună*, Editura Number One SRL, București.
- Verboncu I., (2000), *Manageri&Management*, Editura Economică, București.
- Verboncu I., (2000), „Cum conducem?-Ghid metodologic pentru manageri”, Editura Tehnică, București.
- Voicu S., (2002), *Managementul sportului*, Editura Mirton, Timișoara.
- Zorlețan T., Burduș E., Căprărescu G., (1998), *Managementul Organizației*, Editura Economică, București.
- <http://www.manutd.com/Splash-Page.aspx>
- http://en.wikipedia.org/wiki/Manchester_United_F.C.
- <http://fclub.ro/manutd/>
- <http://www.fifa.com/>
- <http://www.uefa.com/>
- <http://www.eurosport.com/>
- <http://www.investmentmoats.com/stock-market-commentary/value-investing/an-analysis-of-manchester-united-and-arsenal-full-year-20092010-financial-results/>
- <http://www.independent.co.uk/sport/football/premier-league/manchester-united-report-financial-upturn-1914653.html>
- <http://www.forbes.com/>
- <http://www.guardian.co.uk/football/2010/oct/08/manchester-united-losses>
- <http://financial-report.info/manchester-united-with-anual-loss-of-80-millions-gbp/>
- <http://www.thefootynet.com/unitedmanagement.html>