

"The financial impact of the Financial Fair Play Policy on Spanish Football"

Abstract.

The objective of this study was to assess the impact that the Financial Fair Play Policy has had on the financial results of the clubs in the Spanish Professional Football League (LaLiga). It is a single-sector study whose materiality lies in testing whether the boost to responsible economic management (the main consequence of the implementation of the Financial Fair Play Policy) was reflected in companies' profits, financial results and other important indicators. For this purpose, we have adopted a quasi-experimental study design before and after the regulatory event. In this case, the event whose effects were examined was the entry into force of the Economic Control Regulation in the financial year 2012, and the hypothetically affected object was the financial performance of the clubs. This type of design is best suited to evaluate the object of study before and after a specific event, in order to determine whether this event has had any effect on the object.

Keywords: Corporate Social Responsibility, responsible business, financial compliance, football management, compliance culture.

Introduction

The objective of this study was to assess the impact that the Economic Control Regulation (ECR from here on) had on the financial performance of clubs in the Spanish Professional Football League (LaLiga from here on). It was a single-sector study whose principal value lies in the verification of whether a boost to responsible economic management (the main

consequence of applying the ECR) was reflected on company profits, financial results and other important indicators.

The aforementioned impulse should be understood in a double sense. On the one hand, the self-imposition of an economic control regulation, which in itself could be seen as a transcendental revulsive. On the other hand, the historical-cultural framework of the sector in question; a sector in which the corporate management culture was highly informal, with scarcely specialized management human resources and a weak culture of strategic planning. In this paper we argue that these two vectors (a voluntarist vector, and a cultural one) combine to generate a model of responsible corporate management that is rapidly becoming widespread in the sector. Thus, in 2012 the football clubs, through LaLiga (Spanish professional football's managing body) decided to furnish themselves with an obligatory model of governance which would guarantee every club's financial viability, penalizing those who did not comply. Non-compliance with the regulation could be punished by exclusion from competition. ECR led to the consolidation of a management model which could verify viability in financial management through criteria of responsible compliance, thereby bringing greater balance and transparency to the soccer league. As a result the ECR has become a by-word for financial balance and budgetary rigour. When the clubs decided to apply the regulation they gave up their powers of budgetary control to LaLiga, which thereby became an external accounting organ, taking on the role of financial officer.

From the theoretical point of view the model of responsible management was developed around the turn of this century. Academic studies of corporate sustainability had demonstrated that a concern for the environment and its incorporation into the company management model was both profitable and necessary for adaptation to market requirements. Once the competitive advantages of ethical behavior became clear, companies began to embrace additional dimensions of corporate sustainability (Anderson & Bateman, 2000). In this way a

management model arose which was designed to respond to consumers who are beginning to pay close attention to the behaviour of brands they trust. They will show their loyalty (or not) based on the company's responsible management, ethical behaviour, overall integrity and the clarity and transparency of information communicated to shareholders, investors and society at large. All of these factors combine to make up social responsibility (SR) (Lee & Shin, 2010).

Study justifications

Currently the sporting world, and particularly that of soccer, is coming under growing scrutiny in studies of economy and corporate management (Bryson, Forth & Stokes, 2015). At the same time the growing importance of soccer in the socio-cultural sphere is clearly reflected in the regulations, which have increasingly linked sport with values. In this respect we could mention, for example, European Parliament Resolution, 29th March 2007, on the future of European professional football (2006/2130 (INI) and the Nice European Council Declaration on Sport (10/12/2000; IP/00/1439).

This paper follows in this line, with a case study whose geographical context and historical precedent is the European Financial Fair Play Regulation. This was a set of regulations introduced by the Union of European Football Associations (UEFA) with the objective of incorporating the principles of responsibility and rationality into the club management model. It came into effect in May 2010 and was accepted by the whole European footballing ecosystem. The regulations introduced greater discipline and rationality into club finances and stricter balance in their accounts in order to make the game viable in the long term. Within the terms of these rules, clubs cannot spend more than the revenues they generate and are obliged to meet all their transfer and employee payment commitments at all times. In addition the regulations introduced criteria for basic budget and financial control and rigour,

while at the same time encouraging clubs to go *further* than the criteria themselves.

It was precisely this “going further” which in Spain LaLiga took to heart, due to the parlous economic and financial state of many of its clubs. At the end of 2012 the combined debts of first and second-division clubs amounted to €596.6m, compared with €741.7m in January 2012. Most of this debt was accounted for by teams in bankruptcy (€367.9m). Of the 42 first- and second-division clubs, almost 20 were then in administration (Professional Football Economic Report, KPMG 2015). In order to deal with this threat and ensure the financial viability of the Spanish game, LaLiga introduced regulations (the ECR) going further than the stipulations of the UEFA basic financial control rules. This new set of regulations was designed to allow more rigorous and precise tracking of club finances.

The findings outlined in this paper are discussed, in the final section, in the light of the sector’s particular features and from a theoretical-academic perspective; that is, seeking to verify the Spanish soccer sector’s current status with regard to sustainable-responsible management models. Has the application of the ECR succeeded in laying the foundations of more professional economic management? Could this new management model be reflected in some indicators that point to a better economic performance of the companies in the sector (soccer clubs)? Here we show that the indicators point towards a positive answer to both these questions, despite clubs’ precarious economic condition prior to the coming into effect of the ECR, the difficulties of their rapid adaptation to the new management model (substantially different from the previous one) and their heterogeneous economic, social and geographical contexts. The authors could be erring on the side of ambition, but in view of the results shown here and the specialized literature, improvements in financial sustainability could point to a future of positive social impact of an economic sector that is loaded with socio-cultural and emotional values of great social penetration. (e.g. Franch, Vivó & i Soler, 2008; Truñó & Criado, 2008; Mohr, Webb & Harris, 2001; Vivó & Franch, 2008). An in-depth analysis of the

general context of changes in corporate management models, or other contextual reasons, which could have contributed to the significant improvement of the financial indicators analyzed, is still pending.

Business sustainability: the progressive complexity of a multidimensional concept.

The idea of responsible business (the law and above and beyond the law), i.e. responsible, transparent and fair corporate management, has developed in tandem with the concept of sustainability and the increasing complexity of our view of the environment (Catton & Dunlap, 2001; Anderson & Bateman, 2000). There is no longer any doubt about the negative impact of irresponsible management and action, both on the environment and on the organization itself (Llodrà, Gilet & Val, 2008). Approaches aimed at minimising the negative impacts of business action and maximising its positive impacts have been gradually developing. This is based on the view that the socio-economic environment is a complex interactive network of highly sensitive and dynamic actors and relationships that are interdependent and constantly influencing each other (Antolín & Gago, 2004). The strongest versions of this approach argue that sooner or later organizational objectives are thwarted if the basic principles of sustainable development (in the social, environmental and economic spheres) are not respected (Godfrey & Hatch, 2007; Hirigoyen & Poulain-Rehm, 2014; Margolis & Walsh, 2003; Orlitzky, Schmidt & Rynes, 2003).

In such a way that a company can no longer be understood without taking into account its social, territorial, cultural, political and environmental settings (Martinuzzi and Schönherr, 2019, Engert and Baumgartner, 2016, Engert et al., 2016; Schönherr et al., 2017). Gradually a vision of SR is being adopted which makes it into an overall framework for the company,

giving more attention to aspects such as business ethics, policies for compliance with regulations, decent working conditions, taking social risks into account, the leadership model, constant improvement of internal communications, and commitment to the improvement of learning and training (Schönborn et al., 2019).

The idea of corporate citizenship (Hackett, 1969; Craig, 1974) could be the oldest theoretical predecessor of today's corporate responsibility, and therefore of the concept of sustainability in the field of corporate management. Epstein (1989) linked it to that of corporate social responsibility (CSR), stressing the element which was “alien” to the business world, closer to companies’ altruistic actions in favour of their stakeholders. His notion of corporate social and political process extends the moral burden to all decisions taken by company executives, whether such decisions have internal or external effects. This may well be the first *contemporary interpretation* of the CSR concept, which from the 1990s had arrived in the business world for good.

New dimensions were constantly being added to this concept, such as accountability (Dawkins, 2002), its connection to the brand and reputation (Dean, 1999), and the effects of relocation and globalization in multinationals (Henderson, 2000; Post, 2002); and these additions have given shape to the idea’s current profile. However, in this study we wish to establish a link between the idea of compliance and that of responsible corporate management practice. It is not just a matter of compliance with the law. The fact of complying with certain laws could, in general terms, or from the point of view of common sense, be qualified as responsible behavior. However, under the contemporary concept of corporate responsibility, compliance with the law is a behavior that must be taken for granted. Responsibility, therefore, would entail going beyond such expected behavior to one that exceeds the environment's expectation of the corporate actor (Althoff, C 2021; Singh K and Misra M, 2021; Vishwanathan P. et Al. 2019). In the case we are analyzing here, compliance is linked to a set of rules that an

economic sector of a country (professional soccer) imposes on itself. In other words, these are rules that go beyond what the general financial regulatory system imposes on the sector. Therefore, the concept of compliance acquires, in the case analyzed, a full sense of ethical behavior, of communion with the modern concept of CSR.

Another special feature of the case analyzed is that compliance focuses on normative self-impositions in the economic dimension of corporate behavior. This is a central dimension in the complex contemporary concept of sustainability, which is of paramount importance when dealing with the sustainability of a business. In this sense, the majority of studies suggest that principle elements of sustainability, Environmental, Social and Governance (ESG from here on), performance and earnings quality are positively linked (Velayutham, 2018; Velte, 2020). The majority of prior research analyzes the link between ESG performance on earnings quality (Bozzolan et Al. 2015; Fauser, 2019) and studies indicate a accrual-based earnings management (Lemma et al., 2020; Luo & Wu, 2019) is CSR assurance of better operating performance, expansion of the product market, and reinforcement of a firm's association with its society and stakeholders (Yoon et Al 2018)

On an operational level, financial compliance has become a tool for strengthening the links between profitability, sustainability and transparency in the normal workings of the organization (Ebinger F and Omondi B, 2020). It operates on two levels: (a) compliance with external rules imposed on the organization as a whole; and (b) compliance with internal control systems imposed to achieve compliance with external regulations (ICA).

The landing of all these concepts in the sports industry in general and soccer in particular has been late (Breitbarth and Harris, 2008; Smith and Westerbeck, 2007; Walters and Chadwick, 2009). As a consequence, the first research works emerged in the mid-2000s, in which several studies on this matter were published (Bayle et Al, 2011; Paramio-Salcines, Babiak and Walters, 2013; Rodríguez, Késenne and García, 2009). Several of these studies

focused on SR within professional soccer, especially after Breitbarth and Harris's (2008) who were the pioneering researchers in comparing SR around the world of soccer, which have inspired numerous studies of CSR by English football clubs (Anagnostopoulos, Byers and Shilbury, 2014; Anagnostopoulos and Shilbury, 2013; Walters, 2009; Walters and Chadwick, 2009; Walters and Tacón, 2010) and then European football clubs (Breitbarth, Hovemann and Wazel, 2011).

However, it is from 2018 onwards when more attention is being paid to SR in sport, both from the academic sphere and from its own actors (Kunz V. 2020). In this sense, several studies have underlined the relevance of professional football clubs incorporating SR as an integral part of their business processes and management systems and proactively developing their activities in this area. As it is often done in business organisations in other industries (Babiak & Kihl, 2018; Hildebrandt, 2019). The increase in the commercialization of the football business, the great media coverage, as well as the intensification of the demands of the interested parties, have influenced the behavior of many sports entities (Valeri, 2019).

Context and description of the case study

Although in this study we look at a specific sector (Spanish professional football clubs), our discussion of the role of financial compliance has an international relevance which, as we explain below, forms the backdrop to the case we study. An interesting example of this is the recent (and at the same time longstanding) debate on the *raison d'être* and real purpose of the European Union. After the financial crash of 2008, the rigidity and authoritarianism of the economic measures imposed by the European financial authorities on the member states had no equal in other compulsory measures in EU policy (social or environmental policies, for example) (Méndez, 2017). Thus it appears that situations of crisis are ideal for imposing regulations justified by the traditional culture of compliance, binding all parties to the rules of the game.

The fact that a specific regulation (in this case, of financial management) is imposed with special rigour has to do with two factors. (1) The first is the purpose of the relationship binding the obliged parties: here the extreme rigour of imposition of financial control has revealed the economic bases underlying the relationships between EU member states. This rigour has no equal in the EU's history; it has gone much further than any of the social bases of the system (for example, solidarity between states, a much-used argument in the Union's history), thus exposing the economic foundations of European relationships, as well as who wields the real power within the Union (certain states, the banking system and the multinational corporations, essentially). (2) The second factor is the context and consequences of non-compliance with regulations. To continue with our example, in the context of the international financial crisis certain key actors (specific states and the banking system) identified the high risk to the whole system (and especially to themselves) of "getting dragged into the abyss" by non-compliance of financial regulations. In the European Union financial crisis, factors (1) and (2) applied simultaneously. In the case of financial compliance in the football sector the two factors also overlapped: (1) directly affected the core of the business, profitability; while (2) unfolded in a context of blatant and generalised non-compliance of the most basic norms of responsible economic management.

With regard to factor (1), we could say that currently professional football is represented in terms of turnover, in line with the revenues generated by the entertainment industry in general – theatres, the cinema, television and other types of spectacle. The football industry accounts for €30,000m annually worldwide, a figure similar to the income of the large Hollywood studios (FITS Forum, Geneva, September 2015). The global football business now generates more revenue than all the large American professional leagues put together (the NFL, NBA, MLB and the NHL), and amounts to 40% of world sports-derived profits, estimated at €72,000m (Andrews & Harrington, 2016). These data show us the evident commercial side of

football that began with the launch of private television channels in the 80s (of the last century) with rapid and high economic gains (Drut, 2014). This focus on the commercial side of the sport has made it easier for European professional football to be seen by many people as a symbol of financial capitalism. A perspective that has been reinforced by the headline - making transfer fees and salaries that have resulted from clubs investing most to the television rights bonanza in players salaries and transfers, especially since the Bosman ruling in 1995 (François A & Bayle E, 2020) .

In turn, this image of European professional football was reinforced by its political use. Thus, in the mid-1990s, football was used by some governments as a key element to promote their own political objectives (Tacon, 2007). On the other hand it was an instrument used to boost and increase business in general (Anagnostopoulos and Shilbury, 2013). The comparison of the clubs' revenue sources before and after 1990 fully confirms this argument. Thus, there is a shift from a 1980s funding model based on the principles of speculation, subsidies, sponsors and localism (SSSL) to one based on the appeal to the media, the figure of the magnate, merchandising, the importance of markets and globalisation (MMMMG; Andrews and Harrington, 2016).

In that economical, commercial, political, context set up the UEFA “Financial Fair Play” regulations (FFP from here on) in European football and Spanish Football in 2010. The main target was regulate a sector which was fast gaining in economic weight, but which was among the least well-balanced and transparent. According to UEFA the FFP was supported by the entire football family and had the objective of imposing ethical principles in the economic and social spheres: introducing greater discipline and rationality in the football clubs’ finances; reducing the pressure of salaries and transfers and limiting their inflationary effect; encouraging the clubs to operate within their revenues; fostering long-term investments in the

youth sector and infrastructure; protecting the long-term viability of European football; and ensuring that the clubs met their financial liabilities punctually (UEFA website, Frank E, 2014, Dimitropoulos P, 2016).

These objectives were achieved by forcing the clubs, during a certain period, to balance their books. They were forbidden to spend more than they earned, as they had been doing previously; and they were obliged to comply with transfers and employee payments at all times. Clubs at high risk who did not fulfill their budget forecasts were required to provide detailed budgeting plans. The measures encompassed assessments over several years in order to lengthen the time covered and leave behind former habits of short-term vision in conceding licenses for competition. Clubs who did not respect the regulations could be excluded from national and international competition.

In Spain LaLiga designed and implemented a model which went further than the basic FPF and UEFA regulations. It includes hitherto unprecedented rules for budgetary forecasting prior to the start of the season and an economic compliance control regulation for during and after it. It could be said that, in the Spanish case, financial compliance stricter than the FPF has been imposed. The Economic Control Regulation (ECR) is defined as the sum of the regulations introduced by the Economic Control Committee, the budget forecasting regulations for clubs and limited sporting companies (also known as “a priori” economic control) and the League Clubs and Limited Sporting Companies Economic Control Code (known as “a posteriori” economic control).

These economic control regulations are intended to improve the transparency and responsible management of a business which is publicly expected to exemplify values associated with sport; values which are deeply rooted throughout Europe and which the EU itself often refers to in official declarations and legal documents. “European sport, and football in particular, is an inalienable part of European identity, European culture and citizenship (...)

the European Football Model (...) is the result of longstanding democratic tradition and grassroots support in the community as a whole” (European Parliament Resolution 29.03.2007 section B). Also: “Football plays an important social and educational role and is an effective instrument for social inclusion and multicultural dialogue” (section C of the same resolution); “sport is a human activity based on essential social, educational and cultural values. It is a factor in insertion, participation in social life, tolerance, accepting differences and respect for rules” (Niza Declaration, Annexe IV). Hence the official view of the relationship between the economic and socio-cultural spheres is, in the case of football, more than clear.

Turning to factor (2), which refers to the context, we should stress that this coupling of concepts with practical endeavour is without precedent in other sectors of similar importance to the European economy. This is why malpractice in the sector’s economic management is in such striking contrast to the values on which the sport is founded. Precisely these financial malpractices force the football industry to observe a more strategic approach to SR. Only a strategic approach minimises risks (Breitbarth, Hovemann, Wazel, 2011), traditionally related to contradictions between its closeness to the positive values of sport (camaraderie, teamwork, health, sporting values, connection to the local community, identity, etc.) and corruption, match-fixing, scandals, fraud and other public stains (Mendelewitsch, 2007).

In addition to these risks, social laundering continues to emerge as a critical aspect that is wielded throughout the CSR implementation process. Sport is no stranger to this fact. The effective incorporation of SR in the strategic management of professional football is a key factor, although it is a slow implementation process that coexists with the immediacy in which the football ecosystem tends to develop (Fernández-Villarino, 2021).

Objective, method and analysis.

As we have remarked above, this study aims to explore how responsible corporate behavior,

specifically self-imposed financial regulatory control, might subsequently be reflected in the financial performance of companies subject to such regulation. That is, in this study we aim to explore how financial compliance in the form of the ECR has impacted on the financial performance of professional football clubs in Spain. To this purpose we adopted a *quasi-experimental before and after* study design. This type of design assesses the object of study before and after a specific event in order to determine whether this event has had any effects on the object. In this case the event whose effects were examined was the coming into effect of the ECR in the fiscal year of 2012, and the object hypothetically affected was the clubs economic performance.

HERE THE METHODOLOGY DIAGRAM

Our sample was composed by forty-four Spanish League football clubs. The criterion for inclusion in the sample was that at some time they had competed in one of LaLiga's professional categories (first or second division) and that during the seasons studied here the ECR was applied to them. The dependent variable (economic performance) was analysed using 98 financial indicators for each club and for each season included in the study, namely 2010-11 (before the ECR) and 2014-15 (after the ECR).

The data analysed here was furnished by the Economic Control Service of LaLiga, which called on the clubs to provide up-to-date financial figures. After assessing the bulk of this information, a process of categorization and recoding reduced the 98 initial economic indicators to 34 operational categories. These were then recoded into 16 final indicators which complied with the requirements of data availability, coverage, reliability and validity for the seasons included in the study. The categories also responded to criteria of maximum parsimony, i.e. respecting the reliability and validity of the information inputs at the same time as maximizing explanatory and summarizing power in the outcomes of the analysis. The final 16 indicators can be found in Graph 1.

Our analysis began by seeking to confirm our initial hypothesis, i.e. that the coming into effect of the ECR had affected the clubs' financial performance. Due to the study design, the number of cases analysed and the type of variables (interval scale), we began with a *t*-test for paired samples. The results often showed differences that were slight, in terms of statistical significance, but interesting from the analytical point of view. The brief interval between the two data-collection periods, the heterogeneity of the cases and the strong inertia of a traditionally independent sector, reluctant to cede budgetary control of their sporting domain to a third party, were causes that undoubtedly affected this first stage of analysis. However, the generalised nature of the changes and their positive tendency (better financial performance in 2014-15) encouraged us to explore further through the polarization of scores. For this purpose the indicators were dichotomized in order to show whether there was any change after the coming into effect of the ECR. These differences were then analysed descriptively before finally carrying out a two-step cluster analysis to reveal any regular patterns in the clubs' financial behaviour.

Results.

As we can see from Graph 1 and Table 1, almost all indicators show interesting differences between the 2010-11 and 2014-15 seasons. The most outstanding of these are in pre-tax profits and net results. In both (basic indicators in any company balance sheet) we found more than 11-fold increases in just four seasons. Of the 16 indicators analysed, the *t*-test showed statistically significant differences ($p \leq 0.05$) in four: and in 11 of the 16 the differences in means show improvements in financial performance. Thus we can confirm that in general terms and for the whole set of clubs analysed, the ECR has had a strong and positive effect on financial performance.

Graph 1: Changes in financial indicators after the ECR (thousand €).

Table 1: *t*-test for paired samples.

In addition to these overall indicators (pre-tax profits and net results), the most outstanding differences were found in other key indicators. The clubs' main revenues improved: match day by 14.5% (income from sponsorship, merchandising, etc.) and broadcasting more than 10% (income from matches shown on TV). The main expenses also improved, particularly financial ones, which fell by almost 34% ($p < 0.001$). This figure demonstrated a tendency towards economic independence and the restructuring of the sector which can leave no room for doubt. Of the indicators with significant differences, only commercialization showed (in the global analysis of the data) a negative trend (falling more than 18%, $p < .02$).

Turning to expenses, in the context of the regulation and control imposed by the ECR, these outline a scenario which can be seen as positive. The rise in expenses in non-sporting personnel (21.4%) is due to the professionalization of the clubs' management departments; thus we should interpret this as a proof of appropriate financial performance (productive investment). We can also see in the same positive light the slight rise in expenses in sporting personnel (5.3%) and the increase in supplies (more than 37%) and other exploitation expenses (9.1%): these can be interpreted as positive when profits also rise, as they did very sharply over the whole set of cases (increasing by 10,5 times).

Amortization of intangible assets also showed a positive tendency (rising by more than 11%), since it encompassed factors such as the reduction of outstanding debts and compliance with tax liabilities. In professional football this term also includes an essential item for financial control: player's federation rights. This is traditionally linked to the "faults" in clubs' economic

management, but, after the ECR, marked a positive trend. For tangible assets the average overall difference was almost zero.

Other depreciation indicators also showed a positive trend. Those referring to the players showed a substantial improvement of almost 30% ($p < .000$) after the ECR. Indicators in non-sporting employees reflected investments in human resources, which is why we can also see the 4.4% difference as positive. These figures underline the improvements made in rationalization of investments and concern for their medium-term capitalization.

As we have already seen, the *t*-test only showed statistically powerful differences in a quarter of the total indicators. Most differences, however, had high magnitudes. Taking these two statements together, we may suspect the presence of causes strongly linked to the wide heterogeneity of the cases analysed (as we see from Table 1, standard deviation measures). Also other reasons of a more structural nature, such as a particular management culture with strong inertia in the face of such radical changes (the imposition of compulsory regulation of a corporate cultural nature), or the degree of economic development of the clubs' local areas, may shed light on the whole analysis and thus afford insights into the ECR's impact on financial performance. These last two causes are discussed further in the following section (Discussion).

Table 2: Two-step clusters.

By means of the cluster analysis (Table 2) we aimed to shed light on the degree of heterogeneity in the set of cases studied. Although the high levels of standard deviation in the *t*-test had already pointed in this direction, the results of the cluster analysis corroborated the large differences between clubs in the impact of the ECR. The analysis yielded three groups of clubs, or (what amounts to the same thing) three ways that the clubs absorbed the financial changes stemming from the ECR. In terms of distinguishing features, we observed:

C1: There was a clear contrast in profits and results between C1 (no club in the group improved after the ECR) and the other two clusters. C1 was the smallest group of clubs, and also registered weaknesses in match day, broadcasting, commercialization, other revenues and other expenses. The other indicators showed positive trends in the majority of clubs making up this group, with higher scores in amortizations/depreciations and staffing costs.

C2: C2 was the cluster showing the best effects in financial performance. Nearly all the clubs in this group showed positive changes in results and profits, as well as match day and broadcasting.

C3: This group was also notable for positive results in match day and broadcasting revenues, while showing improvements in commercialization (bearing in mind that overall, this was the indicator that evolved most negatively after the ECR) and worse results in financial costs, where only three of the 18 clubs in the group improved after the ECR.

Discussion and conclusions

Our findings reveal a general improvement in the economic performance of the clubs after the coming into force of the ECR, with a particular stress on profits and results. The threat to the sector noted by Martín (2016) has been reduced by complying with the ECR as a step towards ethical business practice. This ethical practice, then, could be linked with economic improvement, a relationship which has already been noted by studies in other sectors (Maignan, Ferrell & Hult, 1999; Barko, Ranneboog, Baker, Filbeck & Kiyamaz, 2015). In turn, this coupling of two types of performance (financial and ethical) makes the profitability of the sector easier to uphold for shareholders; and this purpose fits with the current social context, which demands greater transparency and more sustainable social behaviour from the business community. Therefore this study's initial hypothesis meets a positive response. This is a change

which, while it was imposed from outside (UEFA regulations), has within a very short period prompted a highly advantageous turn for the better in company financial management.

The outstanding growth in the most important revenue indicators can be attributed to the increase in match attendance and the larger number of matches played. The main causes could be found in more proactive commercial management in the media and the clubs' greater efforts towards professionalization – not only in advertising management, but also in the whole area of non-sporting personnel, increasingly professionalised and highly trained in their various management fields. This improvement in the modernization and professionalization of human resources for management tasks could be expected to improve financial health of the clubs: 1) cutting and subsequent elimination of debts with the players. In this way, in the 2015/2016 season, following the implementation of ECR, the clubs managed to significantly reduce the debt owed to their players. Proof of this is the drastic reduction in the number of complaints filed by footballers for non-payment of wages. Thus, in the 2015/2016 season, 6 complaints were filed (amounting to €500,000.00), while in the 2014/2015 season, 60 were filed (amounting to €7 million), a decrease of 90%. (LaLiga data 2015 <https://www.laliga.com/noticias/reduccion-historica-de-las-denuncias-de-jugadores-a-clubes-de-laliga>) 2) Indirectly, these debts generated others with the Social Security and the Tax Agency, which were also being corrected. In consequence, public debt has experienced a variation of almost 87% between June 2013 and June 2018. Moreover, at the end of the 2017/2018 season, all maturities of deferrals and one-off agreements with public finances were fully met (Professional Football Economic Report. LaLiga 2018 pag. 88). 3) Discipline of cost-income balance in the main expense of professional clubs: player contracts (Professional Football Economic Report. LaLiga 2018 pag. 151 y 152). 4) Progressive change in the management culture, turning towards modernization, rejuvenation of managers, business diversification, or contribution to employment and the Spanish economy. In this regard, at the

close of the 2017/2018 season, the growing importance of LaLiga in the Spanish economy as a whole is evidenced by the cumulative average annual growth of the revenue generated by LaLiga (+12.3%) with respect to the Spanish Gross Domestic Product (GDP) at market prices, over the last seven years (+2.5%). Thereby, since LaLiga has been analysing this data, prior to the application of the NCE (2011/2012), the average annual growth differential has widened to almost five times the cumulative total. (Professional Football Economic Report. LaLiga 2018 page 82). With respect to LaLiga's contribution to employment, in the 2016/2017 season, it is estimated that around 1.0% of the total employed population in this country is related to professional football (Professional Football Economic Report. LaLiga 2018 pag. 86)

Turning to costs, these are consistent with this analysis. There were investments in professionalization which represented (in the medium term) a radical change in the football sector on a company level. If we look at amortizations, their tendency after the ECR seems to mark a path towards the professionalization of the sector, both in internal terms (labour relations) and external (commercial exchanges). If we look at players and intangible assets in particular, the improvements may be explained by: (1) a fall in the price of players due to the adjustment of costs to the real financial capabilities of the clubs; and (2) a boosting of football academies and reserve talent stock. The excesses in costs and outstanding debt, due to the purchase of federation rights, had previously been one of the endemic wrongs of clubs' economic management. It is often argued in the sector that this was the reason that UEFA created and implemented the Financial Fair Play regulation.

In contrast, however, we are currently seeing a threatening *revival* of the previous management model which set sporting objectives over and above clubs financial viability: "winning" at the cost of putting the organisation's survival at risk. The paradigmatic case was Barcelona Football Club's release of Neymar from his contract to Paris Saint-Germain in the 2017-18 season through a €222m buy-out clause. This marked the start of a spending spree in

transfers with completely unprecedented fees. Since then the transfer market has shown signs of inflation, thereby putting clubs financial balance at risk. This should be a warning sign to football's top executives, and in fact the whole sector, as the undesirable consequences of this management model are unfortunately well-known.

On the other hand the improvement in indicators of staffing costs and other exploitation costs have brought higher social security contributions and better punctuality in payments of salaries and suppliers. This is another proof of improvements in the quality and specialization of personnel. This in turn is linked to the unstoppable growth in the football industry, which is increasing compelling clubs to seek highly qualified workers in innovative professions with very scarce presence in the traditional labour market. Indicators such as jobs created in Spanish professional football in 2011-13 point in this direction: more than 140,000 full-time jobs were created, broken down into 66,000 direct jobs, 60,000 indirect and 17,000 induced (Socio-economic Report on Professional Football in Spain, KPMG, 2015). In Spain the total earnings of the football industry for the 2016-17 season were more than €15,688 million, 1.37% of Spanish GDP. Furthermore, for each euro of the LaLiga's direct activity, €4.2 were generated in additional income in the wider economy (PWC report, based on LaLiga data, 2018). Thus we can conclude that the Spanish football sector is breaking all the major trends in the labour market in Spain, which in general shows the opposite tendency.

As we remarked above, our findings, and especially the results of our cluster analysis, suggest that the clubs heterogeneity may explain the wide variability in results (both in the descriptive statistics and the cluster analysis). Although there are reasonable similarities in clubs corporate culture, there are also many differences in context among them, for example their histories, cultures, geographical locations and economies, which also have an obvious impact on the profiles of their executives and the quantitative and qualitative characteristics of their members and fans (A Social Responsibility Map of Spanish Professional Football League

Clubs, page 84; LaLiga Foundation, 2015) .

In addition to heterogeneity as an explanation for the varying responses of clubs to the ECR, our findings suggest a second hypothesis in the sphere of corporate management: that of a radical shift. While we cannot confirm this conclusively from our data (due to low levels of statistical significance in most of the financial indicators analysed in the *t*-test), our findings do suggest that professional football clubs can move rapidly from traditional attitudes and informal management habits towards more modern practices in which professionalization, the regulation of processes, regulation and formal relationships mark a new model. The introduction of the ECR has proved a rapid boost to control mechanisms and their benefits. The top management of Spanish football in particular seems to have taken the first step towards responsible business. This “tone at the top” favouring compliance has been seen to be a spur for employees in organizational structure and other roles, in terms of accepting this culture and making endeavours towards its positive impact, both internally and externally (Schwartz & Tilling, 2009; Lail, McGregor, Stuebs & Thomasson, 2015).

Corporate changes in the area of compliance and responsible entrepreneurship in professional football should not be distinguished in any special way from any other sector. Thus in football we may expect to find similar trends to other business areas where the culture of compliance and responsible practice has shown radical impacts. Our findings here concur with the conclusions of various scholars in other sectors. For example, Vanni (2017) finds that the culture of compliance in the banking sector should not be seen as a cost, but rather an investment, due to the wide range of positive impacts it generates in a modern business, where improvements in compliance yield benefits in corporate stability and credibility-reputation, creating more advantageous returns than investments in processes. In a very short time compliance has become a real working method which has taken root in all the departments and areas of organizations.

Hence we may foresee that the culture of compliance will spread from the finance departments to other management areas. Its connection with ethical business practice is directly linked to the more complex (in social terms) concept of the “citizen company.” Walters & Chadwick (2009) suggest interesting bases on which professional football clubs might move from a traditional profit-oriented company model towards a more contemporary one oriented towards relationships of integrity with the sport’s environment. Our study shows that the ECR has been a starting point for the development of Spanish professional football clubs towards this type of “citizen company,” which sees its sphere of activity as socially diverse and interconnected. Appropriate, responsible management of diversity and interconnection can lead to business sustainability in its widest sense: economic, social and environmental.

In that sense, an in-depth analysis of the general context of changes in corporate management models, and specifically in football management model, as well as other contextual reasons, which could have contributed to the significant improvement of the financial indicators analyzed, is still pending. Some of these reasons could be found in the rise of pay-per-view television, where football has played a driving role and a great commercial force. At a more general level, the pressure of new standards and requirements demanded by the market itself, in addition to regulatory expansion: ethical expectations, sustainability standards (millennium goals, SDGs, ISO26000, GRI ...). With our initial objective met, we can now suggest further lines of research. We have already mentioned the interest of exploring and explaining in more depth the structure of the sector and its development in the pre-post ECR period. But it would also be particularly interesting to determine to what extent improvements in financial performance have also boosted social performance. Confirming such a positive effect would represent a direct vindication, from the social point of view, of the endeavours made by the clubs in the area of economic control. Further, and as the specialized literature states (Franch, Vivó & i Soler, 2008; Truñó & Criado, 2008; Mohr, Webb & Harris,

2001; Vivó & Franch, 2008), it would endorse the argument that ethical improvements in corporate culture have a general effect on business financial viability in its different aspects: economic, social, environmental and in governance.

The main studies in this line also acknowledge both the enormous interest of exploring this relationship in greater depth and the scarcity of classical, systematic, in-depth studies linking the two types of performance, especially in the sporting sector. Some research with objectives pointing in this direction exists, for example that of Inoue et al. (Inoue, Kent & Lee, 2011), who study the relationship between financial and social performance using a single indicator, that of beneficial cost, as an influential variable in boosting financial performance in the professional clubs of four large American leagues (basketball, American football, baseball and hockey). Their most interesting conclusion stresses the key role of the assimilation of CSR in company culture as a real driver of financial performance. Those studies which demonstrate the relationship between CSR and financial performance most conclusively also stress, with the same clarity, the need to undertake further research to unequivocally clarify this relationship on an experimental level, focusing to sufficient depth on specific case studies (Extejt, 2004).

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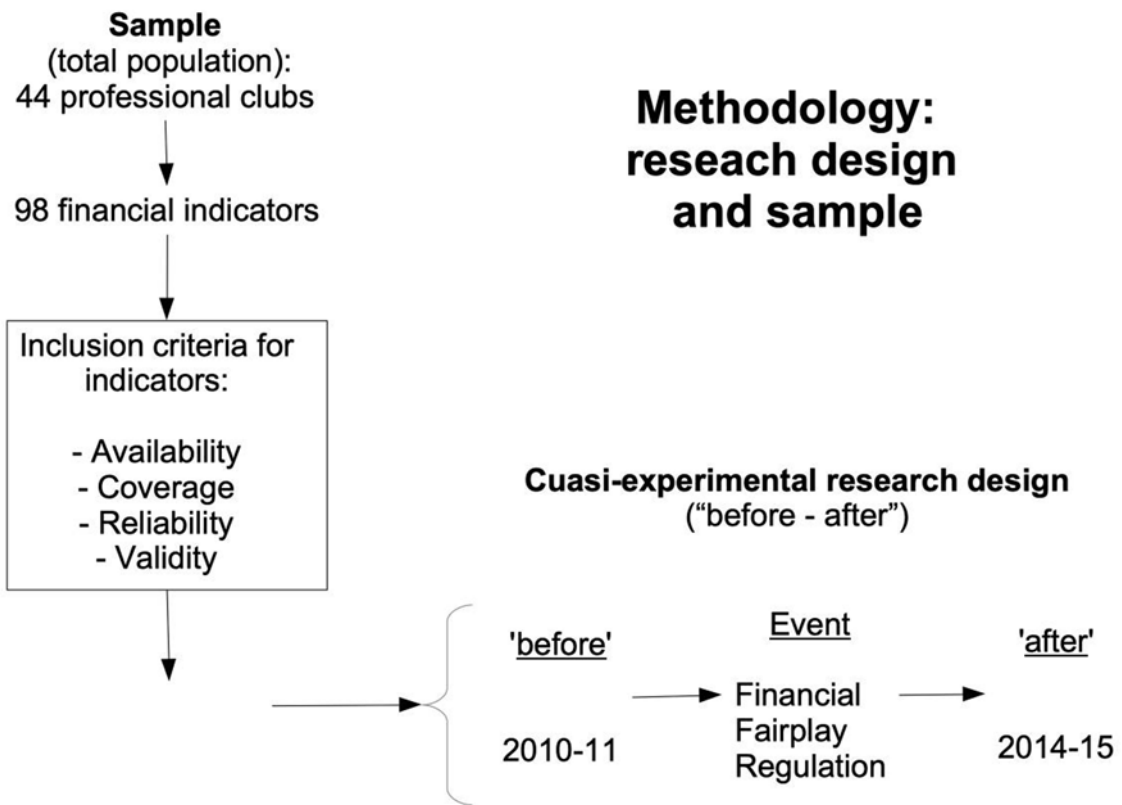
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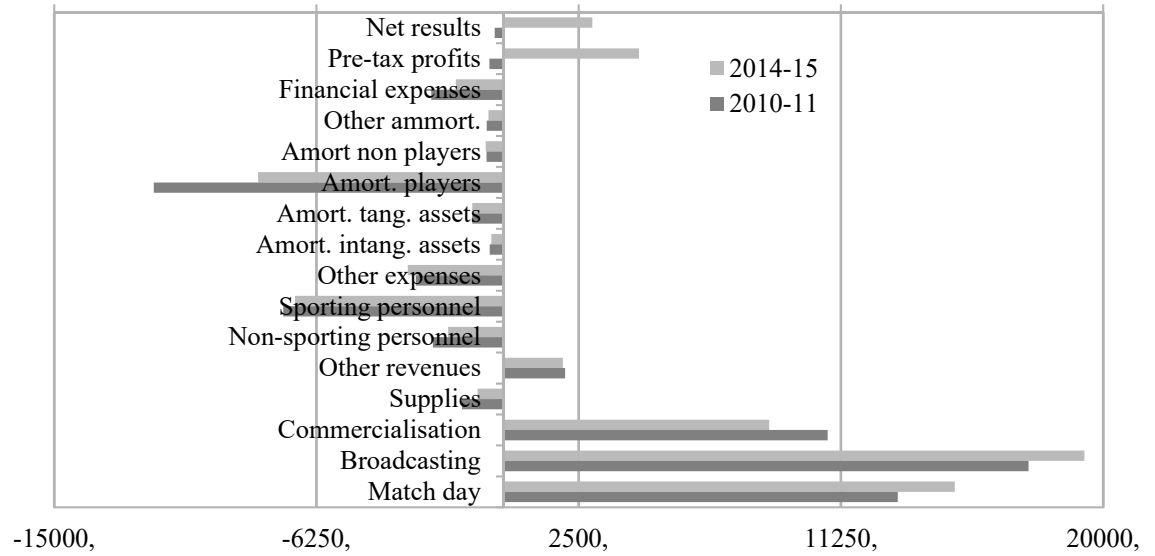
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Tables and figures.

METHODOLOGY DIAGRAM



Graph 1: Changes in financial indicators after the ECR (thousand €).



Source: created by the authors.

Table 1: *t*-test for paired samples

		Average	N	Deflection típ.	Error típ. Of the average
Pair 1	Match day 1	13144,448	44	36903,1645	5563,3614
	Match day 2	15047,024	44	45355,5851	6837,6117
Pair 2	Broadc. 1	17512,671	44	33275,1831	5016,4226
	Broadc. 2	19374,114	44	33470,0491	5045,7998
Pair 3	Comm. 1	10808,949	44	33636,0634	5070,8274

Pair 4	Comm. 2	8856,220	44	36823,3881	5551,3346
	Supplies 1	-1393,548	44	3654,7439	550,9734
	Supplies 2	-874,652	44	2015,3317	303,8227
Pair 5	Other reven. 1	2046,860	44	3200,3392	482,4693
	Other reven. 2	1975,661	44	3812,4474	574,7481
Pair 6	Non sp. per. 1	-2361,799	44	6117,6429	922,2694
	Non sp. per. 2	-1855,249	44	5039,2375	759,6936
Pair 7	Sp. per. 1	-7359,760	44	10580,9123	1595,1325
	Sp. per. 2	-6968,143	44	12207,1545	1840,2978
Pair 8	Other exp. 1	-2935,769	44	6062,5865	913,9693
	Other exp. 2	-3203,576	44	7342,1338	1106,8683
Pair 9	Amort. int. as. 1	-466,452	44	582,5554	87,8235
	Amort. int. as. 2	-414,944	44	511,8177	77,1594

Pair 10	Amort. ta. as. 1	-1052,179	44	2207,0003	332,7178
	Amort. ta. as. 2	-1051,060	44	2628,2519	396,2239
Pair 11	Amort. play. 1	-11677,310	44	16643,8842	2509,1600
	Amort. play. 2	-8194,419	44	15690,3429	2365,4082
Pair 12	Amort. non. p. 1	-576,000	44	341,7387	51,5190
	Amort. non. p. 2	-601,233	44	775,6574	116,9348
Pair 13	Other amort. 1	-571,250	44	192,1906	28,9738
	Other amort. 2	-507,643	44	163,2691	24,6137
Pair 14	Financ. exp. 1	-2416,079	44	4549,3581	685,8415
	Financ. exp. 2	-1598,012	44	3826,6687	576,8920
Pair 15	Pre-tax prof. 1	-476,148	44	19586,3467	2952,7529
	Pre-tax. prof. 2	4508,102	44	11439,1289	1724,5136
Pair 16	Net results 1	-303,670	44	17860,6931	2692,6008

Net results 2	2953,932	44	8607,1676	1297,5793
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Source: created by the authors.

Table 2: Two-step clusters.

		C	
		C1	
Match day	Non improv.	9	
	Improv.	2	
Broadcasting	Non improv.	6	
	Improv.	5	
Commercialisation	Non improv.	10	
	Improv.	1	
Supplies	Non improv.	3	
	Improv.	8	
Other revenues	Non improv.	10	
	Improv.	1	
Non-sporting personnel	Non improv.	3	

	Improv.	8	
Sporting personnel	Non improv.	1	
	Improv.	10	
Other expenses	Non improv.	11	
	Improv.	0	
Amort. Intang. Assets	Non improv.	4	
	Improv.	7	
Amort. Tang. Assets	Non improv.	3	
	Improv.	8	
Amort. Players	Non improv.	1	
	Improv.	10	
Amort. Non players	Non improv.	9	
	Improv.	2	
Other ammort.	Non improv.	2	
	Improv.	9	
Financial expenses	Non improv.	7	
	Improv.	4	
Pre-tax profits	Non improv.	11	

	Improv.	0	
Net results	Non improv.	11	
	Improv.	0	

	Freq	%
C1	11	25.0
C2	15	34.1
C3	18	40.9
Total	44	100.0

Source: created by the authors.