

# THE REAL MADRID WAY: A CASE OF THE PROTO-IMAGE OF THE FIRM APPROACH

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## Context

Sport activities have seen a phenomenal growth in economic terms during the last two decades. Availing himself of the concept of Gross Domestic Sports Product (GDSP), the sum total of value-added by the sport product of a country in one year, Hirose (2004) estimated the ratio of GDSP to GDP (Gross Domestic Product) for Britain in 1985 at 1.6%. In 1990 Britain's GDSP amounted up to £8.27 billion or 1.7% of GDP (according to a Henley Centre 1992 study cited by Hirose, 2004). The Olympic games have become a multi-billion dollar business, helping host countries to change their physiognomy, both physical and economic. A study by PriceWaterHouseCoopers(2004), an audit/accounting firm, estimated that the economic impact of the 2000 Sydney Olympic Games on Australia's economy represented 2.78% of its GDP, compared to 2.41% impact on the US economy of the 1996 Atlanta Games.

Relatively little attention has been so far paid to this phenomenon from the viewpoint of business administration and related social science fields, except for marketing on aspects such as sport marketing, brand management, etc., though numerous paradigms have been offered singly or on combination, including positivism, pragmatism, critical social science, post modernism (Frisby 2005).

Success of a sports team or its failure has not been captured in a theoretical framework. Replicability or otherwise of a successful formula or avoidance of a failure depends on a gut explanation.

Thus, our study analyses a success case of a sport team, Real Madrid FC, and attempts to give a coherent explanation to the functioning of its strategy. Our interest also centres on answering such a question as: Is the successful case or scheme replicable in other places or clubs? Can it be explained by the framework of business administration, namely, does it offer some generalisable aspects?

## Methods

The abundance of secondary data characterises the sport activities of famous clubs like Real Madrid. Journal articles, both on general management and in specialised magazines, were reviewed. Interview surveys based on semi open-ended questionnaire were held (20-30 in total) with the team's management. Interviews with industry experts were conducted to confirm or disconfirm the findings.

## Results and Discussion/Implications

The cognitive perspective was our starting point (Kiesler and Sproull, 1982; Schwenk, 1988). One of the two schemata identified by Kase et al (forthcoming) were used as a construct. The PIF (proto-image of the firm) approach was the keystone of this study. It refers to decision-making on the basis of the firm's belief system and shared values.

Real Madrid bears, under the leadership of the current president, all the characteristics of a PIF firm. First of all, it repeatedly insists on the importance of its emotion-laden values such as honesty, discipline, fighting spirit, leadership, camaraderie, chivalry, nobility (señorío), etc. It is summarised as "Madridismo" (Martínez-Jerez & Martínez de Albornoz, 2004). Tradition is highly emphasised when reference is made to the legendary player, Alfredo Di Stéfano and the real founder of the club as it is now, Santiago Bernabéu (president between 1943 and 1975) as instillers of leadership, education, discipline and will to triumph. Second, focus is definitely on the mid to long-term. Elimination of a heavy debt, and restructuring its revenue structure by buying back commercial rights as for TV broadcasting, were some of the measures taken to set a base for future consolidation. Third, broad new competences and products are fostered in the interests of long-term going concerns. Merchandising of Real Madrid-brand goods and Real Madrid's TV channel are some examples. Box office revenues have come to signify only a small part in Real Madrid's profit and loss account. Fourth, instructions

and guidance from the top are often ambiguous, but thanks to the shared proto-image, the staff can intuitively guess what is expected of them.

Our interviews with Real Madrid managers and the analysis of published materials in journals and magazines point to the plausibility that at the base of Real Madrid's strategy lies the proto-image of the firm (PIF) its players, managers, and 'socios' or club members share. A PIF cannot be built overnight. It sometimes takes several decades. Time compression diseconomies (Collis & Montgomery, 1997) exist, which signifies that in its path-dependency, time creates a barrier to enter. This is something money cannot purchase, because the PIF needs to be brought in by conviction.

Based on the PIF, the current Real Madrid management defined its business as being "an exciting challenge to build a story of value upon simple concepts: brand and content" (Quelch & Nuevo, 2004). For its president the action needing to be taken was "to equip the club with a professionalized structure, which may enable Real Madrid to position itself as a universal brand (marque)." Therefore the PIF and the brand (based on the former) are the pillars of Real Madrid's strategy. Revolving around these two core strategic elements are (1) marketing, (2) manning, (3) manoeuvre, and (4) money. In the presentation, we will explain how these elements work.

## References

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