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Value creation and strategic management: The sport and business strategy of Real Madrid and FC Barcelona (2000-2009)

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- Background

Professional football in Spain has become a very interesting field for management research. Professional football clubs in Spain are progressively becoming to look like entertainment firms. Their main activity continues to be the promotion of football, but they are increasingly centered on economic issues, like incorporating star players, attracting sponsors, selling TV rights, etc. Also relevant is their contribution to national accounts: professional football accounts for 1.7% of the national GDP, rising to 2.5% of the GDP if we just look into its contribution to the service sector (LFP, 2007).

Professional football also exhibits very interesting experiences of sporting and economic success, like Real Madrid and FC Barcelona. They are both amongst the richest clubs in the world since year 2006 (Deloitte, 2006; 2007; 2008; 2009) and have been struggling for decades for the first places in the Spanish and European championships. Nevertheless, though conditions seem similar, both have followed very different strategic paths and this is what motivates us to look into their performance and results.

- Objectives

Building on Kase, Gómez, Urrutia, et al (2006) work, and their conceptual matrix for analyzing the strategies of professional football clubs, the main purpose of our research is to extend their analysis by expanding the timeframe up to year 2009, and to look into the influences of the views of the presidents over the strategy followed by the clubs. This would allow us to have a better understanding of how the views coming from different presidents and the implementation of different strategies can lead to success in professional football.

- Methods

The conceptual matrix implemented by Kase, Gómez, Urrutia, et al (2006) looks into the economic and sporting results of professional football clubs, as well as into the different forms of capital available for a football club today (historical, social and economic).

With this model in mind, we constructed a database including quantitative variables related to sporting and economic results, as well as other referring to the different forms of capital.

We undertook a quantitative analysis, characterizing the different economic-sporting strategies pursued by the different presidents of the clubs, as well as the different results achieved by their teams during the period under review. Then, we analyzed the most important speeches of the presidents, in order to triangulate with qualitative information, and complement the economic and sporting results with their vision of a professional football club.

Our results refer to this particular period in order to extend the analysis developed in the cited paper, and to have the possibility of looking a longer period, which is better for the analysis of strategies (Mintzberg and Waters, 1982).

- Results

In relation to financial capital, results show that though both clubs increased their exploitation revenues and expenses during the period analysed, Real Madrid revenues are higher than FC Barcelona's, and the main sources of revenue vary considerably between them.

Historical capital is higher for FC Barcelona than for Real Madrid. The number of subscribed fans shows a higher increase in the first one, and the number of fan clubs increases at a higher rate also for FC Barcelona. In relation to social capital, even though both clubs have inferior divisions and social programs committed to the promotion of football, only FC Barcelona includes their social activities in their income statement, i.e. as part of their core activities.

The composition of their squads also differs. Real Madrid clearly demonstrates an intention of increasing the number of star players and home-grown players while decreasing the number of intermediate players during 2000 and 2006. Moreover, between 2006 and 2009 they increased the number of intermediate players while decreased the number of star and home-grown players. These two periods of time correspond to the term of two different club presidents. On the other hand, FC Barcelona, with the same president for the whole period analyzed, maintains the number of star players while changing the proportion of intermediate players and home-grown players every three seasons.

- Conclusion/Application to practice

Economic and sporting results of both clubs reveal the different strategies followed by Real Madrid and FC Barcelona. It is very difficult to improve sporting achievements, even more than it is to increase financial results and, although economic success can help to improve sporting achievements, it does not ensure them.

Growth in revenues can come through enhancing marketing activities, exploiting physical facilities, expanding the scope of the fans engagement or arranging better TV contracts. All of these sources have been exploited by Real Madrid and FC Barcelona, following different combinations of economic and sporting strategies depending on the different views of the presidents: Real Madrid uses the inclusion of star players for increasing marketing revenues and the inclusion of famous intermediate players to maintain it; whereas FC Barcelona explores

different combinations between home-grown and intermediate players with the idea of offering sporting events with higher winning probabilities and with the ability of strengthening local engagement.

The success of an economic and sporting strategy does not only depend on the correct exploitation of the different forms of capital available, as well as on focusing solely on increasing revenues or getting more trophies. The strategy is embodied in the ideas and mind of the president, which means that the human factor (skills, interests and own experience) is also essential for the different type of successes possible to be achieved by a professional football club today.

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