

# The impact of development on recruitment strategies of football clubs

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## Abstract keywords

Football Clubs, Recruitment Strategies, Football Academies, Transfer Market, Economic Development

## Aim of paper

A firm invests in human capital by in-house training of its employees and/or by recruiting employees that have been trained by other firms. An interesting analogy can be drawn to the professional sports sector. A sports club may establish a youth academy to train its own players, and/or rely on the transfer market to recruit players trained by other clubs (Szymanski and Smith, 1997).

In European countries, most sports clubs employ both recruitment strategies. They operate a professional youth structure comprising of a variety of youth teams for different age categories to train their own players (Ferrari et al., 2009), and they hire players on the transfer market. Before 1995, transfer market recruitment was mainly organized through a network of agents and scouts operating on the (domestic) transfer market (Cornelissen and Solberg, 2007). From 1995 onwards, several court cases transformed the transfer market into an international one. Consequently, transfer market recruitment of foreign players accelerated.

A particular sports sector where clubs' recruitment of foreign players has been strongly increasing over the past two decades is the football (soccer) sector. Unlike in other sports, recruitment of foreign players by European countries' football clubs has been facilitated by the emergence of football academies in developing countries, predominantly in Africa and Latin America.

It has been argued that a motivation for establishing football academies in developing countries is that the training cost/quality ratio of football players is particularly favorable in these countries (Poli, 2006; Darby et al., 2007). This suggests that the economic development of the country where a club wants to recruit players from (the 'origin country') is an important factor that affects football clubs' choice of recruitment strategy. However, this argument is only based on ad-hoc evidence. The goal of this paper is to develop a general theoretical model that allows analyzing the impact of an origin country's economic development on the recruitment strategies of football clubs. In this way we aim to contribute to a better understanding of the economic rationale behind the establishment of football academies in Africa and Latin America by European countries' football clubs.

## Theoretical background

Some studies discuss the social and economic implications of player recruitment through the establishment of a football academy within their own club (e.g. Monk and Russell, 2000; Monk and Olsson, 2006; Ferrari et al., 2009) or through the establishment of partnerships with clubs or academies in developing countries (e.g. Darby et al., 2007). These studies lack any formal analysis. In contrast, economists do have paid some attention to modeling costs and benefits of player recruitment through the transfer market (e.g. Szymanski and Smith, 1997; Dobson and Gerrard, 1999, 2000; Bougheas and Downward, 2003).

## Methodology

Our theoretical framework models the recruitment decisions of a football club which is assumed to have two potential recruitment channels available to source players from one particular origin country. The club may establish a football academy in that country and employ players trained in this academy, and/or the club may recruit players from this country through the regular transfer market. The quality of players recruited through the football academy depends on the size of the club's investments in the academy's football facilities, while the quality of players on the transfer market is fixed and observable from previous performances in football competitions. Taking into account the different costs and benefits of these recruitment strategies, the club decides on the fraction of players to recruit through its football academy and the quality of these players.

## Results

First, we show that, because of the fixed costs of establishing a football academy, the equilibrium quality of players trained in the football academy differs from the quality of players available on the transfer market. Second, we show that if the fraction and quality of players recruited through the football academy are strategic substitutes (complements), the equilibrium quality of players trained in the football academy exceeds (falls below) the quality of players available on the transfer market. Third, we show that multiple conditions have to hold simultaneously for the origin country's economic development to be either positively or negatively related to the equilibrium fraction of players recruited through the football academy.

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