

# **(PP) REPLICABILITY ASSESSMENT OF REAL MADRID'S STRATEGY IMPLEMENTATION FROM THE RESOURCE-BASED VIEW OF THE FIRM PERSPECTIVE**

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## **Introduction**

In the strategy field, resources are considered to be of basic relevance for the competitive edge. Thus, the resource-based view of the firm (RBV) contributes to our understanding of the competitiveness of professional Sports teams, i.e sports and sports-related organizations (e.g., Amis, 2003; Amis et al., 1997; Mauws et al., 2003; Smart & Wolfe, 2000, 2003; Gerrard 2005). The RBV perspective helps to explain superior organizational performance from the perspective of the quantity and quality of the firm's endowment of firm-specific resources.

In 2000, Real Madrid won its eighth European Championship of League. In the same year its presidency election was held between two candidates: Lorenzo Sanz and Florentino Perez. The former promised to support his management by winning sports titles and cups, while the latter proposed more focus on business management leading the Real Madrid to more economically solvent position.

Florentino Perez, the elected candidate, was forced to resign after five years of presidency. He left the club amid Institutional and sports crisis, despite it having being named the club of football with the world's highest income (€ 275 million). (Deloitte & Touche 2006).

This paper contends that the failure and success of a sport club has not been correctly captured by traditional theory frameworks which tend to analyse it either from sport achievement or management perspectives, while we propose to discuss it from a more holistic angle. We argue that sport clubs' success or failure, thus captured will help to extrapolate to other clubs.

## **Methods**

The abundance of secondary data characterises the sport activities. Real Madrid is a typical case in point in this sense. Accordingly, journal articles, both of general management and specialised nature, were reviewed. Newspaper and magazine articles were conscientiously perused. The club's annual reports were analysed to establish the relations between the strategy followed and financial and economic effects. The analysis was carried out on the basis of the schema regarding financing systems for football clubs as proposed by Grundy (2004) and Barajas (2005; 209).

Text Data Mining using the newest version of Leximancer program was conducted on the published material of the club president's discourses in search of patterns of expressed strategy design. Interview survey based on a semi open-ended questionnaire was conducted with the team's management spanning the top and middle management layers.

Interviews with industry experts were conducted to confirm or disconfirm the findings (10 in total). For some of the meetings we employed a structured questionnaire approach although depending on the specific interest of interviewed persons, some flexibility in questions asked was admitted. The questionnaires were designed considering previous works about the effect of relegation and promotion (Gerrard, 2002; Noll, 2002). On the basis of this method an in-depth case study of the Real Madrid was conducted.

## Results

As mentioned below, our findings point to the management penchant for minimisation of sport risk by means of the financial and economic consolidation perhaps to the detriment of sport excellence.

- Focus on management – Definition of business domain: Real Madrid had developed a differentiating strategy as “content” provider.
- Focus on management – Cashflow maximisation: The lever made use of for the implementation of the strategy was the recruitment of star players contributing abundant and constant cash flow stream.
- Focus on management – Moving away from sport business instability: This has enabled the club to become an international brand regardless of sport results . We have denominated this as Global Sport Business approach.
- Failure factor: The weak points of this strategy are the management of the bench and the replacement of “aging” star players.

Therefore, building of management resources and capabilities was assiduously pursued during the presidency of Florentino Pérez. Our guess is that as win-lose scenarios being unavoidable in sport activities, improvement of business side (win-win could be possible) helps. Up to what degree is a question to be analysed in future research.

## Discussion

Whether a strategy is replicable or not has been a moot point for many studies. Some authors called into question the replicability of some strategies due to their limited comparability. However, we hold that certain reflections and components of a strategic approach could serve for other entities.

Sport clubs may differ in certain aspects from other business entities first because of the aspect of organisational effectiveness representing allocative efficiency, and second because of the aspect representing technical efficiency. Technical efficiency is amenable to cross-sectional statistical analysis across organizations provided that organizational performance is controlled for differences in the resource endowment. (Gerrard, 2005)

In our in-depth and case method-based research on a sport club we have detected a certain level of allocative and technical efficiency in management terms, brought about by the building-up of management capabilities. Accordingly, we conclude that replicability of management expertise is not “out of reach” for other clubs.

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