

GOAL

THE BALL DOESN'T GO IN BY CHANCE

Management ideas from
the world of football



FERRAN SORIANO



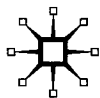
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Ferran Soriano

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Softcover reprint of the hardcover 1st edition 2012 978-0-230-35515-6

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First published 2009 in Spain by El Lector Universal, s.l. as *La pelota no entrap or azar*

This edition published 2012 by
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan in the US is a division of St Martin's Press LLC, 175 Fifth Avenue, New York, NY 10010.

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ISBN 978-1-349-59519-8 ISBN 978-0-230-35611-5 (eBook)
DOI 10.1007/978-0-230-35611-5

ISBN 978-0-230-39503-9 paperback

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

A catalog record for this book is available from the Library of Congress.

10 9 8 7 6 5 4 3 2 1
21 20 19 18 17 16 15 14 13 12

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ACKNOWLEDGEMENTS

I would like this book to serve in some small way as an acknowledgement of all those who, during this period in the history of Barcelona FC, have devoted some of the best years of their lives to the club they love.

To all my colleagues on the Board of Directors who believed that the ball didn't go in by chance and who have invested their time, efforts, talent, and a lot of emotion. To the employees of the club and its collaborators – the authentic “dream team” – who set an example of how a public entity can be managed as efficiently as a private business. To all the athletes, players, and trainers who have worn the Barcelona shirt with pride and passion over the years.

And to all the other fans who make FC Barcelona *more than a club*.

FERRAN SORIANO

It isn't luck

Luck in Moscow, 2008

It was exactly 11 p.m. on 21 May 2008. Manchester United and Chelsea were playing in the final of the Champions League at the Luzhiniki stadium in Moscow. John Terry, the Chelsea captain, was poised to take the fifth and final penalty of the shoot-out that would decide the match. After the regular 90 minutes the teams were locked in a one-all draw. After 30 minutes of extra time, the scoreboard had still not changed. The final would have to be decided by penalties. When John Terry made his way from the centre of the pitch to the penalty spot, nine other players had already been there before him. This last shot was down to him. Manchester United had already taken all five of their penalties. They had scored four, but Cristiano Ronaldo had missed. So far Chelsea had beaten the goalkeeper in all four of their attempts. The title of the Champions League all came down to what Terry did with his feet.

This was an incredibly important penalty for Chelsea. It was the first time in their history they had ever reached the final of the Champions League. It had been a few years now since Russian billionaire Roman Abramovich had bought the London club and invested heavily in players, buying up the world's best at the highest prices to achieve what was now just a few seconds away. Chelsea had already won the Premier League in 2005, 50 years after its last victory in the competition, and had taken the title again the following season, confirming the team's return to the elite of English football. Now it wanted European glory.

The line-up was packed with foreign players. Only John Terry, the captain, had made his way up through the ranks of the club. He, more than anyone in this team, knew what it would mean to the fans if he scored that penalty. Terry was one of them. This was his opportunity to make the wish they had treasured for so many years come true.

John Terry started his run-up towards the penalty spot, and his movements just before taking the shot were enough to deceive Manchester United's goalkeeper: the Dutchman Van der Saar threw himself to the right. All Terry needed to do was send the ball to the left, which is what he did. However, just before kicking the ball, just as he planted his left foot, he slipped and lost his balance, which spoiled his aim. He struck the ball with his right foot, managing to stay upright long enough to send it where he had intended – in the opposite direction from the goalkeeper – but not accurately enough, because it bounced off the post and away from the goal.

But the final wasn't over. There were more penalties to be shot. Anelka missed the seventh for the Londoners – and Manchester United won its third European Cup Championship. The Champions League had been just within Chelsea's reach, at the feet of its most symbolic player, who had the deepest feelings for the club, but his feet had let him down at the worst possible time. They lost the title and almost €30 million in just a second.

Luck in Barcelona, 2003

On 16 June 2003, the day after I and 17 others were elected to FC Barcelona's Board of Directors, and also my thirty-sixth birthday, we went to the club's offices to start preparing the transfer of powers that would take place over the following weeks. That was the day when one of the main previous club managers at Barcelona said to me: "Let me give you a word of advice; boy, don't come here expecting to introduce great management techniques or wanting to use your common sense or business logic. Football is a different story. All that matters here is whether or not the ball goes into the net. If it does, then everything is fine, but if it doesn't, it's all a disaster. It's all down to luck." On 21 May

2008, at 11 p.m. on the dot, sitting in front of the television, when he saw John Terry slip at that decisive moment when he was taking the penalty, the man who gave me that advice in 2003 most likely exclaimed, "What bad luck!" confirming his belief that, when it comes to football, everything comes down to chance.

Visible and hidden logic

Managers of numerous companies in different sectors insist that their industries are different from all the others. This is a very human attitude. As the popular Spanish saying goes, "*cada terra fa sa guerra*" ("each country makes its own wars"), although as you travel around the world you come to realize that, if you look beyond the many characteristics that make each country different, when it comes down to it, all wars end up being more or less the same. All human beings are controlled by some sort of logic, although it might sometimes be hard to see the logic.

This means that everyone who wants to be successful in a human activity first needs to understand the logic behind that activity then reinterpret that logic and adapt it to new situations and challenges. Identifying and understanding the logic behind the specific human activity you want to access is the absolute minimum required. At some time or other you will have seen people who try to manage an organization without even trying to get a basic understanding of the way the industry, sector or the business itself functions. Sometimes, these well-intentioned people see life as a kind of roller coaster which they can get on and off, full of events that are either positive or negative, entirely dependent on luck or providence.

I remember a conversation I had with somebody who was a director of FC Barcelona at the time the club signed two very young Brazilian players: Geovanni Deiberson and Fábio Rochemback, both virtually unknown and with no experience of European football. I asked the then director why he had done it and why he had paid so much for them (€18 million and €12 million, respectively). He answered, "I was told that Rochemback was like Neeskens and Geovanni was the new Garrincha. I thought that after having made so many mistakes

and had so much bad luck, something would have to go well for us, it would only be fair if these signings turned out to be a good decision.” In other words, he had apparently decided that FC Barcelona should spend €30 million on two young, unknown players because he was convinced that providence would compensate for all their previous mistakes and bad luck. Naturally, there were more rational grounds for assessing the need to sign up these players and how much they were worth using methods that had nothing to do with luck, chance or the roller coaster of success and failure at the mercy of a capricious God.

Supporters of the classic “that’s football!” argument would give examples of small teams winning matches or even championships against other, more powerful, opponents, thus defying logic. However, if you were to explore the key to sporting success by doing a mathematical exercise by analyzing ten years of the Premier League (1990–99), as researchers Szymanski and Kuipers¹ did, you would see there is a variable that explains the teams’ sporting results, with an almost one-to-one correlation. This variable is their relative salaries. In other words, if we analyze a sufficiently long period of time, the winning teams are the ones that pay the highest salaries, the ones able to sign and pay for the best players at market rates. It is no more than common sense, but seeing it corroborated by mathematics is revealing because the fact that small clubs such as Real Sociedad de San Sebastián was on the point of winning the Spanish league in 2003, or that FC Porto won the Champions League in 2004, one could be misled.

So, if you want a champion team, a team with a chance of regularly winning championships, then you need to work consistently to have a big club that generates enough revenues to be able to sign the best football talent available. And you do this by working hard, using good management criteria and the same common sense used by the CEO of a multinational corporation or the manager of a corner shop. It has absolutely nothing whatsoever to do with luck.

¹ Stefan Szymanski and Tim Kuipers, *Winners and Losers: The Business Strategy of Football* (London: Viking, 1999).

If you will allow me to take this argument to the extreme, can we be certain that bad luck was the only reason why Terry missed the penalty? Might it not be down to some kind of logic? If you had been the Chelsea coach, under these circumstances and such extreme pressure, would you have decided that this, the final, decisive penalty, should have been taken by a player who was not used to taking penalties, who was the most emotionally involved of all the players in the team, a home-grown player who was also the captain? Or perhaps you would have preferred a cold penalty specialist to take the last one?

Reinterpreting logic for leadership

To achieve even the minimum of success in any industry or human activity, it is vital you understand the logic behind it. But if what you want to be is a leader and win, to keep ahead of your competitors, you have to reinterpret the existing logic and be capable of achieving a new understanding. You need to go to the roots, to the sources, and understand the demand, the offer, the competitors – and rethink everything. Industries make great innovations and steps forward when someone looks at and analyzes the situation in a new way and is capable of offering new products and services or introducing new business models in line with that new understanding of reality. This does not mean transferring the existing logic to the roller coaster of chance, it means finding a new logic.

There are also cases where people look for this logic in the wrong places. In football, chairmen or owners who have been successful in their business activities often arrive at a football club with the intention of using exactly the same logic that worked for them in the past, even though this is an entirely different world. When they are not successful they are the first to say, “this football business is different, there’s no logic to it.” I am afraid to say that there is logic behind it – the problem is that you have not found it because you haven’t looked hard enough.

Between both extremes, there are clubs and businesses that have a basic understanding of how the industry works, but they don’t reinvent it. They exist in the middle of the football league tables

and share market listings, earning profits from their ability to do no more than copy the best.

But in a competitive world like ours, the winners are the ones capable of using new interpretations of the situation ahead of the others, before their competitors. The winners are the ones who analyze the new situation, the ones creative enough to come up with new ideas and brave enough to put their ideas into practice.

This book

This book aims to share with you, the reader, some of this logic, common sense, and the management skills used in the football world in recent years. Some were successfully applied at FC Barcelona. But others weren't, and, sadly, the lesson came too late and we did not get the expected results.

However, this is not a handbook explaining all theories and tools. Neither is it a book of anecdotes, or a memoir, or a way of giving out medals to anybody. The intention is to explain the logic used by the management of FC Barcelona and other football clubs, how we put it into practice, what the results were and the lessons learned.

When it comes down to it, my intention for this book is for the reader to believe, like I do, that the ball doesn't find its way into the net by chance. It needs hard work, common sense, and all the management tools available to reach the final of the Champions League – even if when it comes to the decisive penalty the player slips just before he kicks the ball and hits the post.

The playing field: what business are you in?

In football, the playing field and its characteristics and conditions can have some influence on the result of a game. Within a certain rule, all playing fields are different. Some are narrower and some are longer. In some, the crowd is further back because there is an athletics track around it, in others the crowd comes right down to the edge of the pitch. Often the weather can affect the condition of the pitch.

Companies talk about the playing field to symbolize the markets or industries where they compete to win or lose. The characteristics of the industry, this symbolic playing field, are: the size of the market, the demand, the products available and their alternatives, current and potential competitors, the profitability generally obtained, etc. For entrepreneurs, being able to choose the playing field upon which they want to play, the industry in which they want to compete, is critical, but all too often this is a privilege not open to them. Instead, the best you can do is to understand the pitch available for play, in sufficient detail and depth.

The industry: choose a jungle

In business schools, when students are asked how they would organize an expedition into the jungle in the 18th century, they often respond by drawing pyramidal structures, with the head of the expedition at the top and those responsible for carrying all the material at the base. In the middle, and situated hierarchically, are all the people that one might imagine would form part of an

expedition of this nature: coordinators, lookouts, branch cutters, logistical staff, etc. But the majority of students tend to forget the most important person in the expedition and overlook the most essential requirement for the enterprise to be meaningful and successful. Few mention the person who is most probably in an office in London, perhaps a wealthy, philanthropic aristocrat, who decides to organize the expedition after identifying an unexplored jungle on the continent of Africa. This is the person who will probably fund the expedition. The *jungle chooser* takes the most important decision for the success of the expedition. It is the geography of the region, the fierceness of the natives, the climate, and the animal life that will determine, to a great extent, the success of the mission and on which the lives of the explorers will hinge.

In the same way, in business, making up your mind before anything else as to which jungle you want to explore, in which industry you want to compete, is the first and most crucial decision. Everyone has seen and has experience of a team with very talented managers that does not achieve the success one might expect, given its make-up and ability. Conversely, people who are far less prepared can become, unpredictably, extraordinarily successful managers. Often, the main reason for this apparent anomaly lies in the type of jungle that different people have decided to explore: small markets; saturated or very competitive markets; or big markets, which are growing or with weaker competitors.

Naturally, it isn't always possible to choose which jungle you prefer to explore. You often need to go out and play on whatever field you are assigned, and under the conditions you find there, which could be mud and rain. However, the task we can never leave to one side is making as much effort as we can to get to know the field and understand all its details, in the greatest possible depth. You need to understand the potential clients, their requirements, who you are competing against and how, the size of the current and future market, the suppliers available, and the regulations with which you need to comply.

This approach is also necessary for people who – like me and my co-appointees, when we became directors of FC Barcelona – wanted to manage the club and explore the football jungle. The

effort made to understand and comprehend the laws, which may or may not be logical, and that regulate the operation, was not something we could avoid. Quite the contrary, it was the basis upon which we built our entire strategic plan.

What product are you selling?

This question might seem superfluous, but actually it isn't. It is worthwhile for those who work in a company or have a business to give regular, deep consideration to this question. One of the most frequently repeated maxims in the sports world holds that it isn't getting to the top that is difficult, but staying there. In sport, managing to stay at the top depends, to a great extent, on the capacity to keep making sacrifices; for companies this need to sacrifice is the equivalent of making the effort to adapt constantly to the changing circumstances of the market and the customers' demands, having an in-depth understanding of what they want. Not in the sense of what product they buy, but in the sense of what need they want satisfied.

I have always been fascinated by the history of slide-rules, in spite of the fact I have never actually used one. But my father has. They were amazing tools, wonderfully precise, and comparable to a watch. They were about the size of modern plastic rulers, but with moving parts. They were used to make simple and complex calculations. Most of the companies that made them were Swiss. In 1972, Hewlett-Packard launched the first scientific electronic calculator on the market, the HP-35, and from that moment on, inevitably, slide-rules became obsolete – but something far more significant also occurred. In 1980, only eight years later, all the manufacturers of slide-rules had stopped production and they were out of business. No slide-rule manufacturer had become interested in the new technology in order to try to manufacture electronic calculators. They had not been forced to shut their factories because other companies had started making better slide-rules. The underlying reason was that they didn't understand what they were selling, what the ultimate need was that they were satisfying, and so they were unable to adapt to the technological changes taking place in their natural market.

In Chicago in the 1920s, there was a big, prosperous company: the Jefferson Ice Company, founded in 1925 and which specialized in the manufacture and distribution of ice. They knew their product well and were capable of making ice, first with natural water and then with so-called “artificial” water, which was more refined and safer for consumers. They had a very wide range of products – ice in all imaginable sizes and textures – and a very wide-reaching distribution system, which was the base of their business success. The Jefferson Ice Company invented the first ice cube in 1933.

The business started to decline in the 1940s, when electrical refrigerators became popular. Jefferson understood that what they were selling was *cold*, rather than ice, but they didn't dare enter the refrigerator manufacturing market. To be more precise, they thought that what they were selling was *temperature control* in houses, and so alongside their ice distribution business, they opened a division distributing fuel and coal for heating systems.

An air conditioner installation company followed this. Many years later, in the 1980s, the boom in convenience stores and supermarkets led to new growth in the ice distribution business, which Jefferson made the most of. The Jefferson Ice Company still exists in Chicago today.

In all markets, at some time or another, there are disruptions that shake up the status quo. These are often technological, but they might also be due to cultural, social or regulatory changes. It is likely that, in many contexts, this is a very difficult challenge to overcome, and that it marks the dividing line between companies that know how to adapt and manage to stay alive and those that do not or cannot keep up with the changes, and so succumb. This is when we need to make our greatest efforts to understand what we are selling and the ultimate need that we are satisfying.

In the widest sense, sports clubs supply their fans and the general public with entertainment. They also have their competitors, which are cinema, television, the theatre and other leisure activities. Of course, football clubs incite a much deeper emotional response from a lot of people, and their effect on society

is also much greater. There is still a fundamental difference between football and other forms of mass entertainment: and that is that the fans want to win more than they want to enjoy themselves. In other words, winning comes first, followed by enjoyment. If their team loses, some fans might be so emotionally affected that they lose their appetite and skip dinner, whereas disappointed opera fans would certainly not forego their dinners, regardless of how bad the opera performance had been. The identification of football clubs with their territories and populations is an exceptional fact. Football clubs are given social and sometimes even political values.

In the run-up to the elections to the Management Board of FC Barcelona, we reflected on what the members of the club were expecting and which criteria the new managers of the club should meet. To summarize, this is what we thought the members wanted:

1. *To win.* A winning team would have to be built. But it should also play good football in keeping with FC Barcelona's spectacular style.
2. The club, members, and, by extension, the people of Catalonia would have *to be well represented* and have a good image.

To achieve both these aims, the club would require sufficient financial resources to build such a winning team and excellent management in all senses.

The size and shape of the cake

Once you have correctly defined the product you want to sell and the need you are satisfying, the next question to ask is how big the cake is or the size of the market you are targeting. You want to know how big it is and the current business models, their evolution, and their perspectives for growth.

Anybody analyzing the football market would first be surprised by the growth that had taken place during the 1990s and the first decade of the 21st century. Generally, clubs' annual incomes had increased very significantly and consistently year on year,

at between 10 and 25 percent, which is far higher than that seen in most industries. Few readers will have had the privilege of working in an industry that has grown so much for so long.

There are many answers to the question as to which is the best league in the world, according to the individual preferences of the fan, but from an economic point of view there is only one correct answer. The Premier League is the best football market in the world, and is significantly bigger than the other four large world markets: Spain, Italy, Germany, and France. Take a look at Figure 2.1.

This extraordinary growth also involved a very substantial change in the business model, which can be seen if we look at the structure of the clubs' revenues.

In the 1980s, television started taking football everywhere: it became a truly global sport. The clubs began transcending their local markets, though they were still in the very initial stages of this process. For all the clubs, the majority of the revenue came from the sale of match and season tickets. The business model of football in those days was almost like that of a circus: a local spectacle where the income came from the spectators who went to see the show live.

The model changed in the 1990s when the public television monopoly was breaking up across Europe. The arrival of the

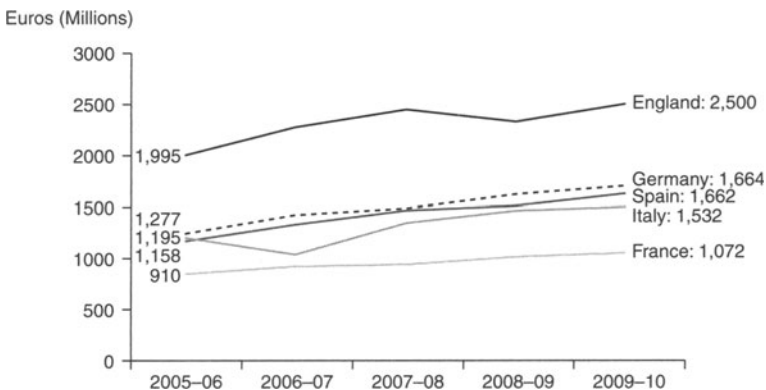


Figure 2.1 Revenues from European leagues

Source: Based on data provided by the leagues concerned.

private channels created additional competition and bidding for the broadcasting rights of the matches. Income started shooting upwards and television rights became an increasingly important source of revenue for the clubs, even more so than the sale of tickets and season tickets. Managing audiovisual rights became an essential part of the football business.

The contribution of private television channels brought in much more money for the clubs. This went for all of them in general, not just the biggest ones. Circumstances meant that this cash injection coincided with a legal decision that abolished the frontiers of European football. The result of the Bosman case – a modest player from a Belgian club who demanded the free movement of workers in the European Union so as not to be deemed “foreign” in any of the Member States – shook the market. Then, the clubs had more money and a bigger pool of players from which to choose. The laws of supply and demand, according to which when the supply increases the prices should fall, did not actually come into effect, because the clubs, with their pockets full, launched themselves onto the market, leading to inflated prices for transfers and salaries.

The football industry is still suffering the effects of the bubble that started swelling in the mid-1990s. Player transfers grew exponentially. This was also true of their salaries, which became the main incentive for attracting footballers wanting to change teams. Since then it has been rare for players to start and end their football careers at a single club.

The upward race among the clubs caused economic and financial problems for those who became too enthusiastically involved because, and this is a characteristic of football and other professional sports, the majority of the extra cash has ended up in the footballers’ (the workers’) pockets and not with the clubs (the companies). The crisis was inevitable. In Spain, for example, the government had to intervene. The restructuring of football involved changing the sports association model, with the conversion of the majority of the clubs into companies. Of the top division teams, only FC Barcelona, Real Madrid, Athletic Club de Bilbao, and Osasuna avoided this and remained sports associations, but the law required that management boards take responsibility for the eventual losses occurring under their management.

At the beginning of the 21st century, to face growing economic needs, the clubs – especially the biggest, most global, clubs – were generating a third source of income: marketing. This is basically the income that the clubs receive from their sponsors, merchandizing, and the tours and friendly matches they play, generally in cities and countries far from the places where the clubs are located.

Nowadays, the revenue structure of the big football clubs can be divided into three areas: ticket and season ticket sales, broadcasting rights, and marketing. There is a trend showing that the latter two are gaining in weight. The growth of the third source of income culminates in a fundamental change of model, which converts the football club business into a global entertainment business. This is a business in which the output, basically football matches and some personalities (players and trainers), creates mass spectacles that can be watched live, whose broadcasts are produced and sold, and from which marketing activities are generated. This is the point where the big football club ceases to resemble a local circus and becomes more of a Walt Disney or Warner Bros.-like global entertainment business. Disney uses its characters, such as Mickey Mouse, to produce audiovisual content, sell T-shirts, and instigate theme parks. Manchester United might not have had Mickey Mouse, but it did have David Beckham, who was used to sell a whole lot of television programs (football matches), T-shirts, and to turn Old Trafford into a lucrative theme park.

The business is global because football has become the biggest sport in the world, with rapidly growing areas in Asia and the United States, where there are no local clubs that are large and strong enough to compete with the leaders of the main European leagues, which thus constitutes an opportunity for the big European clubs to become global brands.

The field where clubs compete consists not only of the cities of the big European clubs, their members, and fans, but also a great mass of teenagers, fans of all ages, and new supporters, all of whom are potential buyers of shirt kits and tickets to matches in cities as far away as Tokyo, Toronto, or Shanghai.

Based on this evolution, and in this setting in 2003, we reached the conclusion that in the football industry there was a startling

gap between the clubs that had become entertainment providers with global brands and the other clubs who were limited to their local markets. The former could continue to grow, signing the best players, winning championships, and bringing in more money that would allow them once again to sign the best and so win again. In those days we defined this as the “virtuous circle.” On the other hand, the clubs outside the circle had far fewer opportunities to win and were forced to compete in smaller circles or markets.

In the context I describe, each club needs to choose the market in which it wants to compete. If it is a voluntary choice, staying in the local market does not need to be a negative thing. To make this decision, each club needs to be clear about its values, the area it can cover, and whether or not it wants to go any further. In the next chapter we will look at examples of different football club strategies and different ways of participating in the industry, of playing in this field.

The value chain, or who gets the money

Children know full well that when they go to a birthday party, the most important thing is not the size of the birthday cake, but the size of the piece they are going to get. Knowing the size of the market and the business model is as important as knowing how to share out the value, the wealth generated.

This is a very simple example. If a chair is on sale in a furniture shop for €100, we want to know how much of that is for the retailer, how much it cost to transport it from the factory to the store, what profit the manufacturer made, the cost of the labor, the depreciation of the machinery, and the cost of the raw material (wood). We want to know how much profit each of these parties participating in the process is getting if we want to be retailers, manufacturers, or timber merchants. In football, the value chain can be explained in the simple terms shown in Figure 2.2.

Television channels buy broadcasting rights at very high prices, because football attracts big audiences and allows them to gain market share. However, they generally have difficulty making returns on these investments. As a rule, the clubs don't make a



Figure 2.2 The value chain in football

profit; the nature of the business, the ownership, and regulatory structure mean that many of them are nonprofit or loss-making organizations. The sponsors and advertisers pay market prices for football assets and obtain similar results as those from other advertising investments. But the regulatory bodies (leagues, UEFA, FIFA) do obtain significant profits, and these are distributed among the national associations or clubs, as appropriate. And the players themselves are the part of the chain that absorbs most of the wealth. They get paid very high salaries, much higher than those earned for most other professional activity, and their agents are also paid substantial fees and commissions. This means that if you want to participate in the football value chain, your best choice is to be an elite player or coach, or if you can't, to be an agent of one.

In a meeting in Los Angeles a Hollywood producer told me that his industry was very similar. Football is not the only industry in which the employees (players) earn extraordinary sums of money while the businesses (the clubs) lose. This can also happen with film stars and cinema producers. Stars make high appearance fixed fees (up to \$20 million) that they get regardless of the success of the movie, on top of sharing the profits if the movie does well.

The competition

Once you have analyzed and understood the playing field, the next step is to take a look at who your main competitors are. Who are the leaders? Who are the best and the worst? And what can we learn from them?

We have seen that the Premier League is the biggest in the world. And it is not very difficult, leaving personal passion

aside, to see which club led the industry at the end of the 1990s and the beginning of the 21st century. Manchester United has consistently been the top earner, yielding profits practically every year. The club has become a good example to those of us who began managing FC Barcelona in 2003, for many reasons. One of the most significant is evident if we take a close look at how its revenue has evolved (Figure 2.3).

It is very enlightening to notice how Manchester United and Tottenham Hotspur earned identical revenue in the 1992–93 season. Tottenham was a historic, great London club that had had famous players such as Hoddle, Ardiles, and Gascoigne and great coaches such as Terry Venables. The same applied to Manchester United at that time.

Ten years on, in 2003, Manchester United was making 2.5 times more revenue than Tottenham. The management at United, competing with Tottenham, starting in a very similar place and in the same market, achieved spectacularly superior financial results. It is clear that these results were translated into

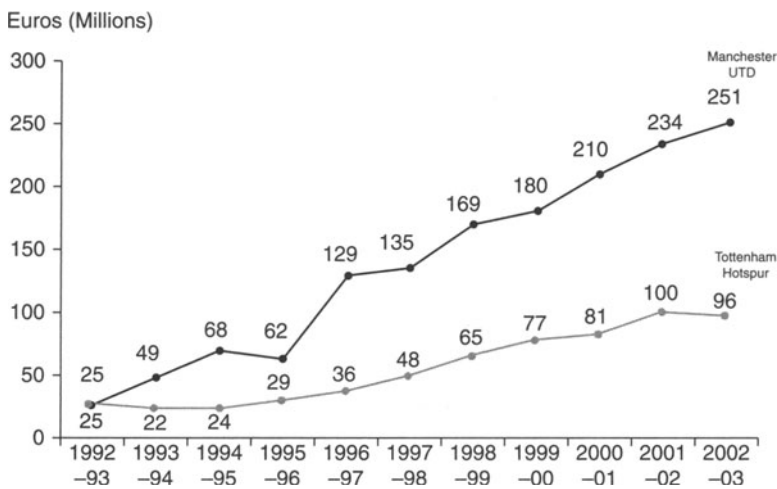


Figure 2.3 Revenue: Manchester United and Tottenham Hotspur (1992–2003)

Source: Based on data supplied by the clubs concerned.

continuous sports success on the field, and Tottenham has never been able to make up the ground it lost during those years.

A similar argument could be built by comparing Manchester United's revenue with that of FC Barcelona in the period between the 1995–96 season and the 2002–03 season (Figure 2.4).

During the 1995–96 season Barcelona (€58 million) and Manchester United (€62 million) earned similar revenues, but seven years later United had double the revenue of Barcelona (€251 million and €123 million, respectively). It was essential for us to understand what had happened during those years and what Manchester United had achieved that neither FC Barcelona nor Tottenham could match. The answer lay in reading the close relationship between economic potential and sporting potential, and exploiting all sources of income, such as through marketing or at the stadium, all of which United had done before anyone else. The graph in Figure 2.4 presented an inspiring challenge for those of us standing for election to the FC Barcelona board in 2003: if United could do it, then so could we.

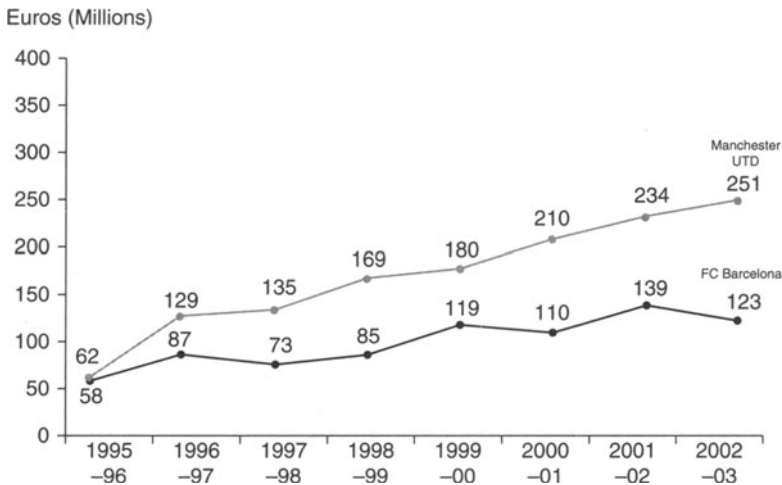


Figure 2.4 Revenue: Manchester United and FC Barcelona (1995–2003)

Source: Based on data supplied by the clubs concerned.

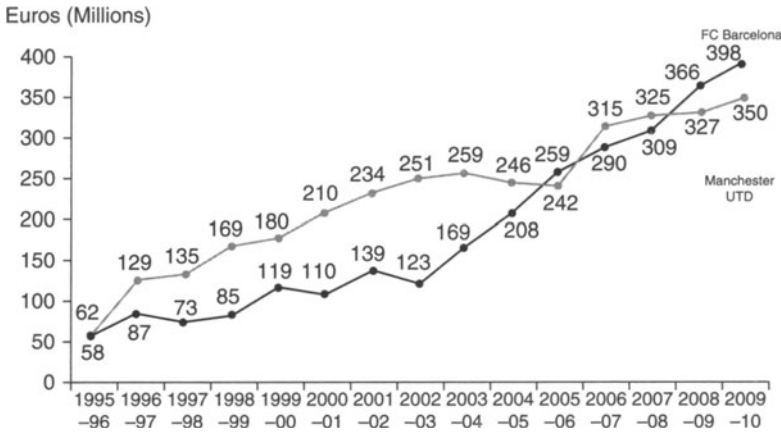


Figure 2.5 Revenue: Manchester United and FC Barcelona (1995–2010)

Source: Based on data supplied by the clubs concerned.

Fortunately, and thanks to many people's efforts, Barcelona, unlike Tottenham, caught up and overtook Manchester United in just three years, after changing the Board of Directors and the management model in the summer of 2003 (Figure 2.5).

Dangerous disruptions

We have added a further two teams to the next graph (Figure 2.6) – Chelsea and Real Madrid – two clubs that illustrate one of the peculiarities of football, namely that of the possibility that, at any given moment, one of its participants will break the rules of the market and trigger colossal disruptions.

In 2003, the Russian oil tycoon and billionaire Roman Abramovich bought Chelsea FC. The club, founded in 1904, enjoyed its first moment of glory in the mid-1950s, when it won its first league championship, and also at the end of the 1960s and the beginning of the 1970s, when it won the European Cup Winners competition, its most important title until then. For some years (since the mid-1990s) the club had revived a little, thanks to the Gullit–Vialli duo and its signing up of several foreign players. But Chelsea was still far from holding a position among football world leaders.

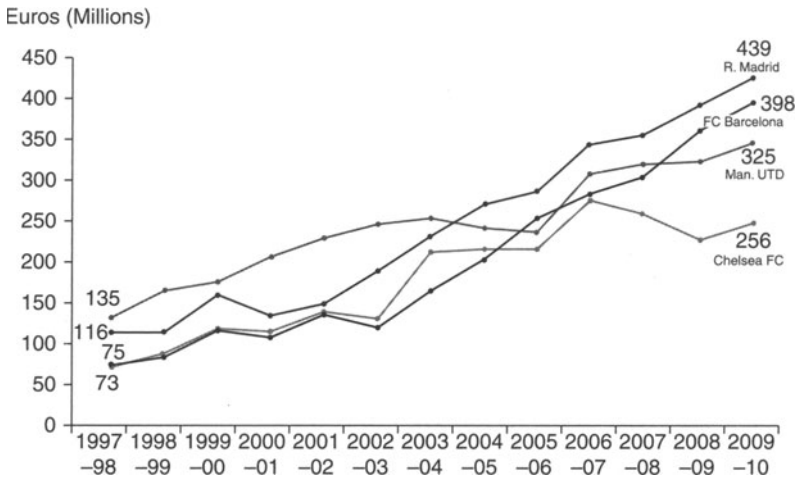


Figure 2.6 Revenue: Manchester United, FC Barcelona, Real Madrid, and Chelsea (1997–2010)

Source: Based on data supplied by the clubs concerned.

Although Chelsea had woken up, it had not managed to win any titles, and the club was going through a serious financial crisis. That was when Abramovich came on the scene. He bought the club for €70 million and took on the club's €95 million debt. At the same time he invested £100 million in signing up the players Claude Makélélé, Geremi Njitap, Glen Johnson, Joe Cole, and Damien Duff.

In the first season, the club took an extraordinary leap forward in quality: it was the runner up in the Premier League and a semi-finalist in the Champions League. These performances, which were still not enough, led Abramovich to sack Claudio Ranieri and to sign up José Mourinho, as well as investing a further €166 million signing up Didier Drogba, Petr Cech, Fábio Ferreira, Ricardo Carvalho, and Arjen Robben.

These signings, and those of the following season, caused massive disruption in the football market. Chelsea seemed to have an unlimited source of money and – something which was much more damaging to the health of the football industry – it was acting with some disregard for the basic rules of the market. As an example, in the summer of 2005, Chelsea signed Michael Essien, a midfielder who stood out for his physical strength and

who had until then been playing for Olympique Lyon. Several teams had shown an interest in him, with Juventus seemingly having reached an agreement to sign him. The transfer fee was agreed at €15 million, which was considered to be a “market price” for this player. However, just before the transfer was signed, Chelsea butted into the negotiation and offered €36 million. The logic of the business said that Essien was worth approximately €15 million, but Abramovich’s logic was different. It was the logic of his personal wealth and his desire to have the best team in the world, whatever the cost. And Chelsea FC has been losing money consistently since Abramovich bought it in 2003.

There had been another gigantic disruption in the football industry a few years earlier, in 2000, involving Florentino Pérez’s Real Madrid. The source of that injection of cash from outside the football industry was the reclassification of Real Madrid’s old training fields in the Paseo de la Castellana in the center of Madrid, to allow four big office buildings to be built, giving the Spanish club around €480 million of extraordinary profits.

This figure was an amazing amount of money for a football club. To understand the magnitude, one should view it in relation to the club’s revenue that year, which was a mere €135 million. In other words, in a single year Real Madrid collected a figure in extraordinary profits that was 3.5 times more than its annual revenue coming from its ordinary business. Real Madrid’s ability to persuade the public administration to allow the land to be reclassified had made this possible.

Real Madrid invested the money on a new training facility, paying off its debts and signing up players. First came the Portuguese player Luis Figo, for whom €60 million were paid to breach his contract with FC Barcelona, followed by Zidane, Ronaldo, Beckham, and Owen, one every year, to build the Madrid of the “galactics,” the concept they use to express the promise to have the best players in the world at Real Madrid.

The signing of Frenchman Zinedine Zidane was the most spectacular. The club paid Juventus €76 million, which was a record sum at the time, but an amount that seemingly did not make much sense. The sum was more than half the club’s revenue for

that year. The only explanation is that Madrid had an extra €480 million available to spend.

Once again, as is the case with Abramovich, money from outside the football industry had come into play; and this led to inflation. The cases of Figo and Zidane are good examples. Most of the €60 million that Joan Gaspart's FC Barcelona was paid for transferring the Portuguese player ended up in the coffers of Arsenal FC in exchange for players Overmars and Petit. Juventus used the €76 million it got for Zidane to sign Buffon and Thuram from Parma. Roberto Bettega, the Juventus vice president at the time, told me how difficult it had been to negotiate a good price for the goalkeeper Buffon and the defender Thuram with Parma, since from the outset everybody knew Juventus was carrying in its pockets the €76 million that Madrid had paid for Zidane. The sum paid by Juventus for Buffon was a higher sum than ever spent before on a goalkeeper – €53 million. A further €31 million was paid for Thuram. This crazy inflation spread throughout the entire circuit (Figure 2.7).

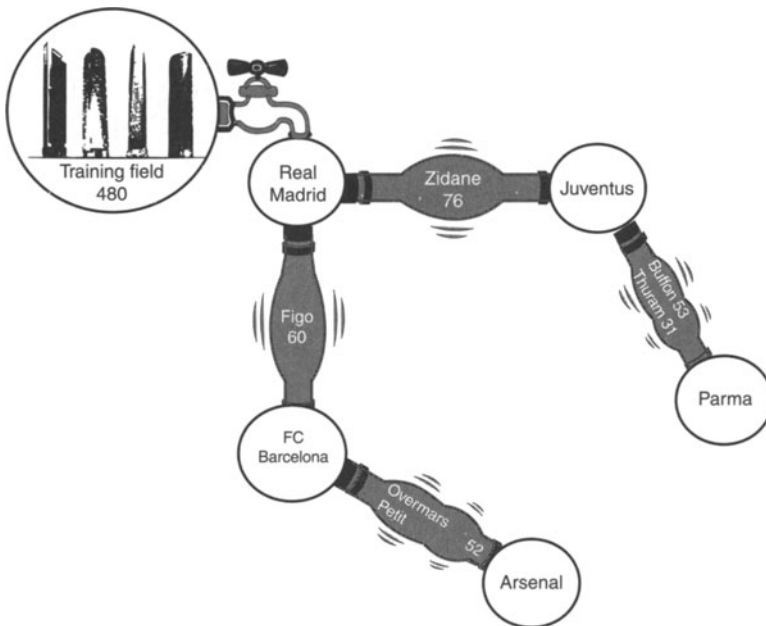


Figure 2.7 Inflation in the football circuit

Note: Figures in millions of euros.

For a while it was thought that the inflation craze would not take place again ... but it did. In 2009, it seemed like the threat of disruption was coming from Manchester City, bought for €250 million in September 2008 by an Arab investment group, whose figurehead was the real estate magnate Sulaiman al-Fahim. They had already bought Robinho from Real Madrid for €42 million, as part of their strategy to make City one of the greatest clubs in English football. They were threatening to buy up the best players, at whatever price, creating another wave of inflation. In the end, however, the City signings in 2009 (Emmanuel Adebayor, Carlos Tévez, and Kolo Touré) were completed at more or less fair market prices.

In the summer of 2009, the disruption threat was again generated at Paseo de la Castellana, Real Madrid's headquarters. The new Board of Directors, headed again by Florentino Pérez, decided to invest more than €250 million in new players, among them Cristiano Ronaldo, for whom they paid €96 million to Manchester United, beating the world record, as they had in 2001 with Zidane. Madrid also signed Kaká, paying €63 million to AC Milan, the third biggest deal in the history of the football industry. The three most expensive players in history have been bought by Real Madrid.

However, separately from what happened in 2001, and to the benefit of the industry, inflation did not extend to the whole market. Manchester United kept its €96 million and signed a few cheap players for the season, generating an extraordinary profit for the club. AC Milan did the same thing with the €63 million they got for Kaká.

The very high prices paid by Real Madrid at the beginning of the transfer window increased the "theoretical" price of some players, such as Valencia's David Villa, sought after by Chelsea and FC Barcelona. Valencia's asking price climbed to €50 million, but nobody wanted to pay such an amount and he remained at his club. The money flow had stopped at Manchester United (Ronaldo) and AC Milan (Kaká). Only the transfer of Zlatan Ibrahimovich, from Inter Milan to FC Barcelona for almost €50 million plus the Cameroon player Samuel Eto'o, seemed to reflect some inflation effect, though heavily influenced by how badly FC Barcelona wanted to get rid of their African player in the last year of his contract. The transfer turned out to be a financial and sporting disaster for FC Barcelona, who retained

Ibrahimovich for one year only before transferring him to Milan AC for a mere €24 million.

In 2010, Manchester City, with a net investment of €109 million, was the European club with the most expensive signings, such as those of Yaya Touré, Balotelli, and Silva. These signings were perhaps slightly above their market price but they were not outrageous. In 2011, however, Chelsea's then restrained signing policy was overturned by buying Spaniard Fernando Torres from Liverpool for a staggering €60 million. Destiny seemed to have played a little joke on this very expensive signing and Torres had to wait 14 matches to score for Chelsea for the first time.

After each inflation surge and irrational investment period it was thought that the industry had matured and that such incidents would not repeat themselves. The fact that there are more new owners of European clubs that come from rich elites in the Middle East makes us think that disruption is likely to make a comeback.

These extreme cases of disruption are a peculiar characteristic of the football industry, and are unlikely to be reproduced in other industries. An entrepreneur who manufactures chairs, for example, is likely to be worried about making some profit and earning a living before anything else. It would be very strange if his intention was to win a prize for designing and manufacturing the best chairs in the world, even though this might cost him money from his own pocket.

The three sources of revenue

To ensure a complete understanding of the industry, we will take a look at the clubs' sources of income in a little more detail: that of the stadiums, broadcasting rights, and marketing.

The stadiums

In Figure 2.8 AC Milan stands out because its stadium income is very low in comparison with the other two clubs. This also applies to Juventus and other Italian clubs, because in Italy the

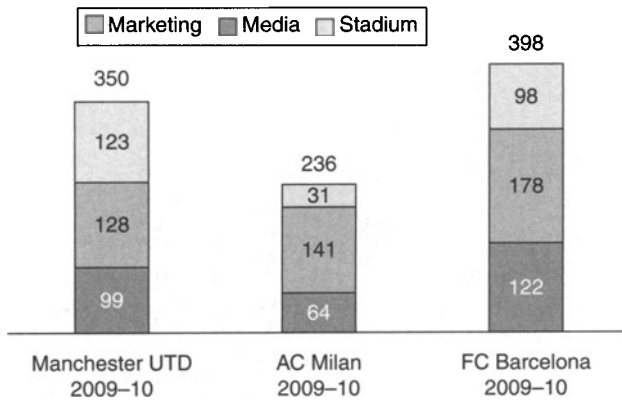


Figure 2.8 Source of revenue of the clubs

Note: Figures in millions of euros.

Source: Based on data supplied by the clubs concerned.

local government authorities own most of the stadiums and very little investment has been made compared with stadiums in other countries. There are fewer spectators (Juventus has an average of 20,000 spectators per match) and the stadiums are less intensely exploited. In contrast, Manchester United regularly filled its 68,000 capacity at Old Trafford and decided to increase this to 76,212 in 2006. FC Barcelona has a 98,000-seat stadium, and averages more than 75,000 spectators.

The income from stadiums has grown over recent years in line with the investments the clubs have made in their facilities, the increased prices, and the added VIP boxes. Seats are also sold to companies, with additional services and conveniences, at a much higher price. Generally, the clubs have pitched their prices well, meaning fans can still go to matches for more or less reasonable prices, while offering others, especially corporate clients, the option to do so in a much more luxurious and expensive fashion.

It is fair to say that all the clubs that have invested in improvements to their stadiums – including building new ones, often taking advantage of being the host nation for a tournament (for example, the European Championship in Portugal or the World

Cup in Germany) – have received good returns on these investments. A spectacular case is that of Arsenal, in London, which doubled its stadium income from €66 million to €135 million when it built the new Emirates Stadium. Other clubs such as Chelsea or Liverpool won't be able to increase their income substantially without first building a new stadium. This advantageous improvement of stadiums that has taken place in Europe still remains to be done in South America, but will probably start taking place in Brazil for the World Cup in 2014.

At a time when many clubs were considering refurbishing their stadiums or were in the throes of building a new one (before the real estate crisis in 2008), the ideal size of a stadium was an interesting question. Arsenal opted for a 66,000-seat capacity, while Manchester United went for 76,000. There is a shared belief in the football industry that the ideal stadium has capacity of between 50,000 and 70,000 spectators, meaning it will always be mostly full and that there will be some scarcity of tickets.

The case of FC Barcelona is an exceptional one. Of the 98,000 places at the Camp Nou, 85,000 are accounted for by full season tickets. This means the club has difficulties satisfying the growing demand, on the one hand from UEFA and its commercial commitments, and on the other from the fans who don't have season tickets. Expanding Camp Nou, providing it with an additional 10,000 or 15,000 seats, might sound like a good idea, but given the current state of the economy, prudence should be exercised in this matter.

Broadcasting rights

As readers might imagine, the league earning the most from broadcasting rights is the Premier League. What's more, it has successfully managed its foreign expansion and is the most watched football league in the world.

The majority of football clubs obtained beneficial contracts at the end of the 1990s, with the launch of pay TV. However, the results of the business have not been as good as expected. They have been relatively good for the larger clubs with big fan bases, but not so good for the medium and small clubs. The underlying

debate taking place in the football business makes reference to a model that will end up being introduced in all the competitions, a model based either on individual negotiations between clubs and different television operators, which is what currently happens in the Spanish championship, or on pooling all teams' broadcasting rights, which are then shared out in proportion to the income earned, which is the one applied, for example, in the Premier League and in the competitions organized by UEFA. Obviously, amalgamating the broadcasting fees is beneficial to the smaller clubs, but it is not such a good reflection of demand. The current situation in Spain, for example, is that 80 percent of the demand for pay-per-view matches is shared out between FC Barcelona and Real Madrid, and this is the justification for these two clubs receiving a much greater share of the income. The fundamental question refers to the essence of the competition itself. However, the strength of smaller clubs is based on a simple point: you always need another team to play against. Ongoing negotiations in several European countries are leaning toward the amalgamation of the broadcasting rights and to more value lending from big clubs to the smaller ones. As we will see later, American sports professionals opt to apply the *competitive balance theory*, sharing almost all TV and commercial rights, while in Europe a variety of models have been followed.

The clubs have other sources of revenue related to audiovisual content: from having their own TV channels to extending the model to TV and radio broadcasts or the distribution of content over the internet or mobile phones.

What happens with the broadcasting rights in the immediate future will have a substantial effect on the industry. If the value of these rights falls, it might cause economic difficulties for the clubs which they may find impossible to overcome. A change like this would alter the playing field in a very significant way.

Marketing

This is the source of income with the greatest potential for growth. The reason for this is the opportunities for global expansion I have already mentioned. This is the category where

the sponsorship programs, merchandising, and friendly matches are to be found.

All the clubs have a main sponsor, which uses the football jersey as a main advertising support. FC Barcelona has been the only one among the big clubs that renounced this form of income, wore instead the UNICEF name on its jersey and, additionally, gave €1.5 million to this organization every year during 2006–11. This is an atypical case that can be explained by the special idiosyncrasies of FC Barcelona, explained later in this book.

Together with this main sponsor, the clubs have other sponsors in some basic product sectors: a beer, a soft drink, a bank, a car, etc. The merchandising is normally managed by a sports clothing company, which supplies the equipment to the clubs. The star products are copies of the kits worn by the team, which have the names of the top players printed on the back.

Finally, summer tours and friendly matches, as well as bringing in large amounts of money, are also useful for opening up emerging markets. The possibilities of increasing this income, together with the global growth of the clubs, seems infinite, but carrying them out has been shown to be complicated because of the number of variables involved (countries, advertisers, regulation). In addition, the recent economic crisis in Europe has reduced expectations for the next few years.

Costs and the magic ratio

On the other side of the profit and loss statements of football clubs are the costs. These can be divided into three large groups: salaries, amortization, and operating costs.

There is no doubt that the key to the costs of a football club is the players' salary. Assuming that sporting success, and therefore business success, depends to a large extent on the players' talent – and that the more talented the players, the higher their salaries – the capacity to pay higher salaries must be related to the sporting results obtained.

This is no different from what we see in other similar industries where most of the costs are personnel costs (lawyers, consultants,

etc.). The generally accepted logic is that, in well-managed businesses, salaries should account for approximately 50 percent of the revenues. In the football industry, it is said that salaries should be approximately between 50 and 65 percent of revenues. The salaries/revenue ratio is an accepted indicator of the good management and financial health of football clubs.

In 1999, economists Stefan Szymanski and Tim Kuypers analyzed, for the first time, the relationship between relative salaries and sporting results. They used data from England over a 10-year period (1990–99). The correlation they obtained was almost 1 ($R^2 = 0.94$). This is the answer to the question a mathematician who likes football might ask, namely: Is there a variable that explains the sporting results? It would seem there is, and that this is the players' relative salary.

In keeping with the “disruptions” we have discussed, the reader can now see that, if we were to compare transfer costs (instead of salaries) with sports results, we wouldn't find such a correlation, or anything near. Buying the most expensive players doesn't automatically generate good sporting results; what does generate those good results is having the best players in your team and paying them the salary they deserve.

If, for the same 1990–99 period, we were to examine the percentage of revenues clubs spent on salaries, we would see that the largest clubs are those with the best ratios. Only the big clubs can sign up and pay the best players, and keep the *magic ratio* at around 50 percent.

This analysis leads us to two, closely related conclusions: first, clubs need to be financially strong to be able to pay the salaries that allow them to sign the best players and therefore achieve sporting success; second, that the objective of not surpassing the optimum volume of salary costs is easier to achieve for the big clubs. So, as far as this industry is concerned, it really is true that size matters.

This logic also supports the idea that the players need to have variable salaries linked to the results they give and, therefore, the revenue they generate. I will deal with this later.

Amortization costs are the clubs' second biggest expenses. These are basically investments in transfers. The prices paid for

transfers are amortized in the years corresponding to the first employment contract between the player and the club. These normally run for between three and five years. That is to say, if a player is transferred for €30 million and signs a five-year contract with the new club, the club acquiring the player will have to account €6 million amortization in their P&L every year for five years. If the player gets sold again, the club will have to account the profit or loss calculating the selling price minus the pending amortization.

Third, there are the operating costs. These are the regular operating costs of the club. They include the costs of the stadium and related facilities and the general management expenses of any company: finance and administration, human resources, commercial expenses, etc.

The regulator that competes

Like all industries, football also has a regulatory body – a group of bodies, in fact – that defines the competition rules and monitors their compliance. However, with an enormous, unique difference, this regulator also competes in the football market with some very advantageous conditions. The National Associations, UEFA, and FIFA are the football industry regulators, but they also have their own teams – the national teams – that compete in competitions they regulate and run. Thus they compete with the clubs for the audience: television channels can decide to buy the World Cup or the Champions League. In one case the income goes to FIFA and in the other it goes to UEFA and the clubs. They also compete for sponsors, who can choose to support the national team or the Euro Cup instead of sponsoring a club or the Champions League. They exercise their powers in very favorable conditions: they fix the calendar, the competition rules, and, especially, they take the employees (the players) from the clubs as required and do so without paying for them.

When a fax arrives at FC Barcelona stating “Please release Messi on these dates to play for the Argentinian team,” they should also add the following – in small print if they prefer – “By the way, we are not going to pay anything for this assignment. Do

not stop paying the player his salary during this period, and we accept no liability if he is injured.”

To understand the real importance of this situation, let's transfer it to a hypothetical bakers' guild. Imagine the situation: the guild not only sets rules for regulating competition among bakers, but also sets certain dates on the calendar, perhaps the most significant, for the making of bread for their own profit and forces the best bakers from the best bakeries, along with the best shop assistants, to work for them, while the bakeries from whence they came continue to pay their salaries.

A more normal situation would be for UEFA and FIFA to concentrate on doing what a bakers' guild really does, which is to regulate and not to compete. But this is not possible. The competitions among national teams are part of the sport and have a massive following among fans. Apart from this, both UEFA and FIFA argue the need for the income generated by the competitions to “invest in the development of football.” They cannot stop being part of the business but, under the circumstances, they ought to share both the income and the costs. To enable the AFA (Argentinean Association) to decide whether or not to travel to Australia to play in a friendly game, all criteria should be taken into account, including income and costs. They already know what the income will be, because it will end up entirely in their pockets (\$1 million), and they won't be paying anything to the clubs that lent the players. And the physical costs of fatigue for such a long trip, along with any injuries, will be borne solely by the clubs when the players return, and not by them. This is very big business: FIFA collected more than €1,700 million from the World Cup in Germany and recently declared revenues of \$3,700 million from the World Cup in South Africa.

During my years at FC Barcelona I was able to participate in numerous efforts to improve this situation, efforts which are now beginning to bear some fruit. The clubs defended their interests through the G-14 (the association of Europe's biggest clubs), which was converted into the ECA (European Clubs Association). Results have been won in the form of compensation – still small – for lending footballers to national teams and in clubs being allowed to participate more in the decision-making processes. But there is still a long way to go.

The American model: competitive balance theory

I suggest we now take a moment to examine a different industry structure, a different playing field: that of professional sports in the United States. The organization of the big North American leagues is based on the theory of competitive balance. According to this theory, the spectators' interest – and, therefore, the income generated – is proportional to the uncertainty of the result and, the more equal the competing teams, the greater this uncertainty is. Uncertainty maximizes the income from the competition. As a consequence, the actions of the competition regulator (Major League Soccer (MLS), in the case of football) consist of applying formulas that tend to make the teams equal. There are three basic mechanisms at work here:

- *The draft.* The clubs' transfer policy is subject to very strict criteria that give the advantage to the teams that did worst during the previous season. First a list is drawn up of new players suitable for making the jump to professional sport, in order of quality of preferences. The first team to choose is the one ranked at the bottom, all the way up to last season's champion, the last one to be allowed to choose signings.
- *The cap on salaries.* All clubs, however much money they might have, are subject to a cap on the salaries they are allowed to pay players (in the MLS at the time of writing it is \$2,675,000 per annum for the entire team, with a maximum of \$335,000 per annum per player, and with the exception of up to two designated players who have unrestricted salaries). This acts as a restraint on transfers of players among the clubs and on inflation in basic salaries caused by the differences in their financial capacity, although it does not manage to eliminate it completely.
- *Equal participation in income.* Many of the rights generated by the competition are grouped together and managed by the MLS. This is the case with TV broadcasting rights, merchandising (Adidas), and other commercial rights.

The same organization, with some differences, applies to baseball, basketball, ice hockey, and American football. Of course, this type of organization would be very difficult to apply to European football. A well-known American sports manager

once said to me, “I don’t understand why you don’t see that what you should be doing is boosting teams like Seville FC and Villarreal CF to make the Spanish league more exciting and maximize income.” While I was listening to him I found it difficult to think about maximizing any income of any kind, because all I wanted and cared for was for FC Barcelona to win all the matches, win and always win, independently of the “tournament overall income” or suchlike concepts.

These questions, and the still nascent interest in soccer in the United States, means that watching a match is a very different experience to that found in Europe. I remember going as a spectator, invited by the MLS, to see the League Final in 2007 in Dallas, Texas. Boston was playing Los Angeles. When the match began, a large proportion of the spectators were still standing in queues to get a hot dog. The atmosphere was totally different from the final of the Champions League where, for example, one hour before kick-off the stadium is already full, with the fans in their seats, singing football anthems to encourage their players. The atmosphere in the VIP boxes bore no resemblance to that in the boxes of the European stadiums. The team managers seemed to be feeling no excitement or anxiety of any kind during the final.

The match ended in a no-score draw. Just before extra time was over, Los Angeles Galaxy scored the winning goal. I thought about the final at Wembley between FC Barcelona and Sampdoria. I remembered the scenes of overflowing joy and excitement among the Barcelona fans, while the opposite was going on among the Italians. That day in May 1992 was a magical experience. I remember how I failed to find anything coming even close to it at that MLS final. There were no scenes of uncontrolled emotion on the winner’s side or dramas among the losers. Not a tear was shed. It was just a football match, entertainment, and just another thing to do. Nothing more than that.

Football is different

Having reached this point, to finish the chapter and before you decide to reproach me, I suggest we appeal to common business sense and agree that in fact football really is different. In fact, an

industry in which the main companies' principal objective is not to earn money must be rather different. I suggest we look at five of the basic differences:

1. You have to win on the pitch. You always have to try to win, though, of course, you can't always. What's more, there are no other possible outcomes. If you win, the other loses. In most other industries, the game isn't always a question of "If I win, you lose." The result is not so clear cut. Your sales in any given week might be better or worse, but you don't always have to call them a victory or a defeat.
2. Weekly judgment. In a private company, judgments are usually issued at the end of the year. When the company is quoted by the boards, the analysts, and the stock market, there is a quarterly review by the management board and the stock market, with all types of information and detail. In contrast, when it comes to football, the monitoring might be weekly, according to whether you win or lose each match.
3. Public judgment, often described as "managing in the fish-bowl." In other words, working before the curious eyes of thousands of people who, much of the time, believe they have the right, the duty, and sufficient knowledge to make constant assessments of the work you are doing.
4. The workers. Footballers are young, very expensive, and they earn a lot of money, all of which are aspects that make them very difficult to manage. They are the clubs main asset and they need to be managed simultaneously as human beings, employees, and assets that can be bought and sold and have a market value that can either rise or fall.
5. The measurement of success, or, in other words, what the stakeholders are looking for. In regular businesses, interests are mainly set around the P&L statements. This is not quite the same in the case of football. Generally, success is measured by sporting results or even political results – as some boards are elected by fans – while financial results are just a means to get to these objectives.

To get a more light-hearted idea of what these differences can represent, let's go back again to the bakery industry and take

up our earlier example. Imagine what the business life of a baker would be like if he put the bread out for sale every morning. Sometimes the bread would be softer, other days crunchier, other days lighter, and this would be analyzed daily in the *Baker's Herald*, together with interviews with consumers and suppliers, and with analyses carried out by supposed bread experts. They would have to review their workers' salaries on a weekly basis, including those who look after the oven and those who might be leaving because the bakery in the next street has promised them a much higher salary. There might be another competitor bakery that is losing money just for the satisfaction of making the best bread in the world and of which everyone sings its praises for doing so. This is so difficult to imagine that it becomes obvious that football really is a bit different.

What business are you in?

Is this the jungle you want to explore? Before getting into a particular industry, we should study it in close detail to understand if this is an industry in which we want to compete and how to do it – whether or not this is a jungle we can set out to explore successfully.

What product are you selling? We should stop from time to time to reflect on which customers' needs we are meeting and compare with our real competitors, the ones who can satisfy these needs in ours or different ways.

How is the money earned in this industry? What are the business models and the success factors? Can we anticipate future opportunities and threats?

Who gets the money? We should analyze the value chain of our industry or activity to understand which parts of the chain (design, production, distribution) are more profitable and interesting. Who are your competitors, and how do they do it? We should carefully analyze the best and the



worst in the industry to understand how and why they win or lose.

What does the regulator want? How can we influence it? However small your business is, it is worthwhile getting a good understanding of the objectives and behavior of the regulator and to try and influence it either directly or through associations.

Strategies: how do we play?

Do Asterix and Obelix play football?

A few years ago I was talking to someone from Athletic Club de Bilbao about the football industry. He listened attentively to my theories about the growth of the market, globalization, and the big brands. It didn't take him long to react, and he said to me, "That's all well and good, and you might be right, but we're playing something else. Our strategy is to strengthen our Basque identity. What we want is for children training with us to speak the Basque language and for our team to be a pure representation of who we are, and our people." Andoni Zubizarreta himself, when he was the manager of Athletic in 2004, said "We are anti-globalizers. There are many people who don't like such enormous dimensions and the crazy race to earn money. The image of a village full of Gauls fighting against a powerful enemy is attractive to us," alluding to the village in the famous comic books, in which Asterix fights the Romans.

Two thousand children train in Athletic Club de Bilbao, from more than 135 teams in the Basque country. According to Zubizarreta, these children are being trained with "our values and our way of life." Athletic refrained from featuring advertising on its jersey, and the shirts were not supplied by a multinational manufacturer but made by an unbranded company. They had very good grounds for this. Their sole natural market was the three Basque Provinces. They didn't need

anybody to distribute their kits in Singapore, New York, or any other part of the world. So there was no reason for them to become associated with any multinationals. The team could distribute and sell its own jersey from its six official Athletic stores, four of which are in Bilbao, one in Leioa, and another in Barakaldo, all of which are only a few miles away from each other.

So Athletic Club de Bilbao seems to have made a correct analysis of its playing field and understands the strengths making up the industry and the market. It has then decided on a very specific strategy, which it has put it into practice in a coherent manner. This strategy is so different from that of the majority of clubs that one might think they have failed to understand the field upon which they are playing. They, however, argue that they do in fact understand the playing field and that they are certain as to how they want to play.

Several different strategies might turn out well. But these need to be clearly defined and expressed, and then you need to find sufficient courage to apply them with determination and coherence.

Club strategies from Manchester to Soria

In the football industry, clubs' strategies could be conceptualized as three different groups.

The clubs that aspire to be leaders and global brands

Clubs that fall into this group in England include Manchester United, Chelsea, Liverpool, and Arsenal; in Italy, Juventus, Milan, and Inter; in the Spanish League, FC Barcelona and Real Madrid; and in Germany, Bayern Munich. Others, like Manchester City, are trying to be in this group. They all have revenues upwards of €200 million every year, their brands are recognized everywhere, they have more than a hundred years of history, they compete on the market to get the best players all the time, and aim to win, not only their respective national championships, but also the Champions League.

The clubs that aspire to win in their countries and do it profitably, earning money

They might be clubs located in relatively smaller markets, such as Portugal, France, and Holland. There are teams in these countries that can aspire to win their local championships with smaller budgets than those of the world leaders.

A very interesting case in this second group is Olympique Lyonnais, owned almost entirely by one person, the French entrepreneur Jean-Michel Aulas. This club has a very well-defined strategy, which has been applied impeccably and with great success. Lyonnais makes around €150 million in revenue every year. This budget was enough to allow the club to win the French championship with relative ease; in fact, it did this for seven consecutive years, from 2001–02 to 2007–08. Its sporting superiority is based on the fact that it signs the best players in the French league every season, and its economic performance comes from selling its most outstanding players every season. At the end of the 2006–07 season, for example, Abidal was transferred to FC Barcelona, Tiago to Juventus, and Malouda to Chelsea, collecting around €50 million for the club. The budget of running income and costs was more or less in balance, and it earned substantial profits from selling its players.

I once spoke to the managers of Olympique Lyonnais about their strategy. They know that if they aspire to win the Champions League they should significantly increase their size and have expenses of around €250–300 million. This increase would incur the risk of losing money, because not only would they have to stop transferring their top players, but they would also have to increase their revenues to be able to pay higher salaries. So they satisfy themselves by winning the French league year after year, which is no mean feat, and by positioning the club in the second phase of the Champions League every season, so that maybe one year, with a bit of extra luck, they could reach the final. But they know that winning the Champions League is not what they are aiming for. They carry out this strategy in a coherent fashion, although, like all strategies, it has a risky element. Anecdotally, in the 2007–08 season, during a match at Camp Nou in which Barcelona was clearly beating Lyonnais 3–0, one

of its managers said in my ear: "I think we've gone too far this year ... We have transferred too many good players."

A relatively similar case is that of FC Porto. This club does not earn money; on the contrary, its budget was structured to lose around €10 million in its regular business every year. But it has made buying and selling its players into an extraordinary business, especially with Brazilians. They use the club as a shop window and end up supplying players to the top clubs in Europe. As an example, in the 2003–04 season the club, under the leadership of José Mourinho, had accumulated a good handful of talent and managed to win the Champions League. Immediately after this spectacular win, FC Porto sold its best players to several top European clubs. Extraordinary Brazilian/Portuguese player Anderson Luis de Souza (Deco) went to FC Barcelona for €21 million and, in total, the club earned €80 million of extraordinary income, enough to finance its structural recurrent deficit of €10 million for the following eight years.

This differentiated subgroup includes Dutch teams Ajax, Feyenoord, and PSV Eindhoven, who fight to win their national league. Some years ago, Ajax, for example, had a youth academy of exceptional players, which was also a showcase in the same way that Olympique Lyonnais and FC Porto have their own showcases. Many European stars from the 1970s, 1980s, and 1990s were born in Ajax, including Cruyff, Van Basten, and Rijkaard. But the club has let this strategy slide for a few years now, even recently signing, for example, the 35-year-old Spanish forward Ismael Urzaiz. This is quite the opposite from what one might expect from a club that trains and nurtures young talent.

Some of the clubs in the big football markets follow this business model. Another interesting case to analyze is that of Sevilla FC. The Andalusian club had a similar strategy to FC Porto's. It bought promising second-level players to sell them after a few seasons, once they had given them a name in the market. For this strategy to work, selling clubs need to achieve some sporting success, so that buying clubs notice their players. Sevilla FC did so, achieving top positions in the Spanish league and winning the UEFA Cup and Super Cup. Sevilla FC developed a good business model. The risks, however, start if the club gets used to winning and starts investing more to ensure this, being

forced to grow and change the business model. Actually, Sevilla FC has more than doubled its budget to €100 million in recent years, signed more expensive players ... and sold less.

Clubs that might just aim to stay in their respective top divisions

There are examples of this in all the leagues, one of which could be Racing Santander, a modest team in Spain, with a budget of around €30 million per year, and which is managed skillfully. The key to survival for these teams is not to go over budget, either through excess or default, and from time to time to transfer a player to obtain extra funding for subsequent seasons. Another outstanding example of this might be CD Numancia, from the small Spanish city of Soria which played in the Spanish premier league with a budget of only €14 million.

History shows that the most dangerous risk for clubs is not in choosing the strategy choice often forced by the availability of financial resources, but on expressing it clearly and executing it consistently and coherently. There are several examples of clubs that have changed their strategies too much or been fooled by circumstances and led to behave inconsistently, such as Valencia CF, Leeds United or Real Sociedad.

The case of Valencia is one of inconsistent strategy, undecided whether to be in the group of clubs aspiring to be global brands or just be relevant in Spain with a profitable business. The last time Valencia FC was successful and cost efficient was in the period 1999–2004, getting to the final of the Champions League twice and winning six titles, including the Spanish League twice. Valencia's general manager at the time was Manolo Llorente, an experienced former manager of a supermarket chain: a man with good judgement and his feet on the ground. In spite of Valencia's spectacular achievements in this period, Llorente kept a tight rein on costs. For example, he fixed a maximum salary of net €1.5 million per annum: none of Valencia's players could receive any more than that. If somebody wanted more, he would be sold. When the board asked Llorente to plan a new stadium for the club he thought of a practical and functional one that would

cost around €150 million. But Valencia's board changed, and Llorente was asked to leave. The club strategy changed. They began signing more expensive players, and they changed the stadium project to one that tripled the cost. As a result, Valencia's financial situation became precarious – so critical that in 2009 the club decided to resort to Llorente again, making him president. Among his first decisions were to sell their star players, such as David Villa for €40 million to FC Barcelona, David Silva for €33 million to Manchester City, and Juan Mata for €27 million to Chelsea FC.

The truth is that Valencia, with income in excess of €100 million, has two basic strategic options. It can either become a profitable club like Sevilla or Porto on the national scene, or it can take a leap and inject €200 million, as Liverpool did, and battle it out for the world's top positions with the big boys. Some might argue that the city of Valencia and Valencia FC are just as good as Liverpool and, therefore, making the jump might be the right decision. It is also true to say that this is a risky strategic decision and must be approached with great caution.

The cases of Real Sociedad and Leeds United are similar. These two clubs achieved sudden sporting success that took them into the Champions League. They spent beyond their means, they entered a spiral of financial problems, and ended up being relegated to their respective second divisions.

The virtuous circle: a strategy for FC Barcelona

After being elected to the Management Board of FC Barcelona in the summer of 2003, my fellow directors and I studied the playing field – the football industry – in depth and considered what kind of strategy we needed to choose to rescue the club from the sporting, economic, and social setbacks it had been suffering during previous years. However, the starting point was so far from the final goal that the journey seemed impossible.

FC Barcelona and Athletic Club de Bilbao have many similarities. FC Barcelona successfully adopted the motto “More than a club,” probably because it was able to define precisely its social and national significance before anyone else. There are many

other clubs in the world fitting this sort of social significance, one of which is Athletic Club de Bilbao. But, on the common playing field, FC Barcelona will never play the parts of Asterix and Obelix as Bilbao wanted to. Nor will they take on the role of the Romans.

We interpreted that what FC Barcelona club members wanted, and, I think, what they still want, is that the club should be one of the best in the world: that it should be able to win matches and championships, put on a good show and, at the same time, be a good representative for the people of Barcelona and, by extension, for the people of Catalonia. It would not be enough to be excellent representatives or ambassadors but not to win, nor would winning at any price be acceptable, forgetting our origins and the essence of who we are and where we come from.

In 2003, therefore, it was essential to get FC Barcelona straight financially, put together a team capable of competing for all the titles, and to recover the prestige it had lost, giving back the club members and fans the excitement of being and feeling members of the club “Barcelonistas.” We expressed this in a blunt, very graphical way in the election campaign: “Bring Barcelona back to the sporting elite and get world fans and media attention again.”

The challenge was that FC Barcelona is neither a product nor a brand. This strategy could not be based on economic and business criteria alone. The emotional side of football and the aspects of identity that link FC Barcelona with Catalonia are essential. This adds complexity to the challenge but brings lots of value. How many of the world’s marketing directors would not want their brands to be packed with so many values and emotional links as football clubs have with their fans?

The strategy also involved great efforts being made to improve communication. An enthusiastic message was needed, a message that the new board and especially Joan Laporta, Barcelona’s new chairman, would send out flawlessly. Laporta’s constant media presence and charisma made a decisive contribution to the fans’ support for the project.

The first step was to generate economic resources. We restructured the club’s existing financial obligations into long-term debt

and started building a professional management organization. FC Barcelona deserved and was able to join the group of big global clubs, without losing its Catalan roots and continuing to respect the team's essential values, remaining close to the fans that made the club big and great throughout the history they shared.

Starting point

Nevertheless, as I said at the beginning, the starting point was so far from the final objective that the road ahead looked long and hard. Let's take a quick look at it:

- During the 2002–03 season, FC Barcelona had revenues of €123 million. With this turnover, the club was ranked thirteenth in the world, nearer to Valencia and Atlético de Madrid (with approximately €80 million) than to Manchester United (with €251 million). In the previous chapter we saw how the industry's revenue grew very significantly, while Barcelona's not only failed to grow, but actually fell. When a product shrinks in a growing market, it relentlessly loses market share. This is what was happening to FC Barcelona.
- FC Barcelona's costs that season had risen to €169 million, generating €73 million of operating losses. Revenues were not growing, but costs were.
- The players' salaries accounted for 88 percent of income (€109 million), far from the prudent recommended ratio of between 50 and 65 percent.
- The club was in debt to the tune of €186 million. This was 151 percent of its annual income, and a very heavy burden to be shouldered by the club.
- The club had just finished its fourth consecutive season without winning a single title. Argentinians Javier Saviola and Juan Román Riquelme were its main media figures.
- Attendance figures at Camp Nou had fallen considerably.

All these factors meant that in the summer of 2003, FC Barcelona was in an untenable situation and at serious risk of missing the train to globalization being taken by the world's main clubs. The club was almost bankrupt. The team, the

product, we were selling was neither attractive nor did it offer any guarantee of success. Only its club members, although being more and more disengaged and leaving the stadium empty at every game, seemed willing to get excited about a program for change and renewal.

Evolution or revolution

After a careful analysis of the club's situation, we considered and studied two strategic conceptual alternatives:

1. A program to be carried out with prudence and moderation. An immediate cost cutback, leading to a couple of years of austerity, of *walking through the desert*, a time when nothing, or practically nothing, would be invested in players, in order to recover financially before growing again.
2. A revolution. A combined effort to reduce costs, restructure debt, invest immediately in the team, and build it so that it would take Barcelona back to the elite and generate revenues to pay the investment back.

We chose the second option. The idea was to invest in the team, in the product, immediately to regain prestige and media attention that would generate revenue to invest again in the team. We plotted out a circular flow for income, sporting success, prestige, and social growth that we called the "virtuous circle". The investment in the team would set the wheels in motion.

Of course, this virtuous circle strategy involved greater risk, but in the end it was safer than a more prudent path. We had to make it right with the first investment because FC Barcelona's financial crisis left little room for error. But, if we opted for prudence – delaying sporting investments until the club was economically sound – we would be running the risk of wasting precious time in respect of our rivals, who were growing at a dizzying pace. We would not have been able to compete for signing the best players, nor would we have had the capacity to pay our top players' salaries, which we would have had no choice but to transfer, as had happened three years before with

Luis Figo. Such conditions would have made it difficult for us to fight for the titles and, consequentially, we would not have recovered the prestige we had lost over recent seasons or been able to achieve the necessary social growth, which has always been Barcelona's strength. In 2003, our bigger risk was to become a second tier club, such as Valencia or Atlético de Madrid, or if pushed to it, to become another Asterix and Obelix with Athletic Bilbao. Nowadays, in the wake of the results achieved with this strategy, it is easy to explain. But in those days, in such an uncertain situation, it was indeed a risky strategy.

In the mid-term, no company can be successful without a good product. Barcelona is a worldwide showcase for the product of football, and, when properly managed, the product brings in money, that allows you to invest regularly to improve the product. Under the fantastic FC Barcelona umbrella, we bet on building this good product, a champion team that would generate enough revenue to pay itself.

The team was put together with different pieces and under the leadership of Football Director Txiki Begiristain and coach Frank Rijkaard, but it had a standard bearer: Ronaldo de Assis Moreira, "Ronaldinho." This player's technical quality and charisma was the "face" of the new project. This was a very expensive signing, and took a lot of convincing work by the then vice chairman of FC Barcelona, Sandro Rosell, who knew Ronaldinho personally, since Manchester United also wanted to sign the player.

Booming revenues

In five years, FC Barcelona's income grew spectacularly. From €123 million in the 2002–03 season, revenue rose to €309 million by the 2007–08 season (see Figure 3.1). This impetus, together with the newly signed contracts, has continued to push FC Barcelona income to €366 million (2008–09), €398 million (2009–10) and €447 million (2010–11). This growth was not the result of an extraordinary or unexpected source of revenue, but had been achieved by growth in all the traditional sources of income in a proportional manner. This was achieved because we

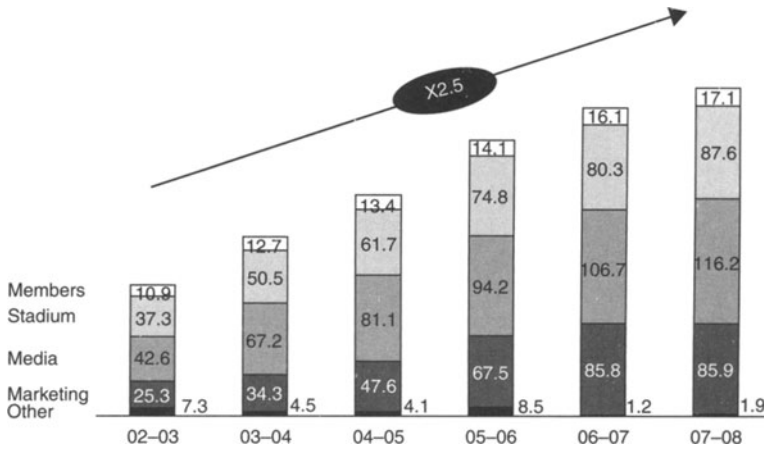


Figure 3.1 FC Barcelona revenues

Note: Figures in millions of euros.

Source: FC Barcelona.

were investing in the product we were offering – the football team – and we were managing the club with the highest degree of professionalism and the best available management tools.

The sources of revenue and their trends over these five years were as follows.

The stadium

Camp Nou, FC Barcelona's stadium, is Europe's largest and an architectural treasure, opened in 1957. However, it brought in far less income than other clubs with smaller stadiums in 2003. We rethought the product we were selling, sought out new clients, and revised our prices.

We wanted to make Camp Nou into a safe, comfortable place for family leisure and also for it to generate more business with companies. Every effort was made to eradicate any violent hooligan from the stadium, and new corporate boxes and seats were built. Converting Camp Nou into a profitable theme park was another of our objectives. We realized that the stadium was becoming a tourist attraction but not generating all the revenue of which it was capable. We redesigned the tourist offer for non-match days and arranged for the city tour bus to stop at Camp Nou. Income increased fourfold in a very short time.

We also worked to redefine the ticket sale market. We realized tourists were a target segment offering high growth opportunities: occasional city visitors, interested in football and FC Barcelona, not at all concerned about the rival FC Barcelona was playing against and not so price sensitive. We redesigned the distribution channels to reach them, focusing on tour operators, travel agents and internet sales. We ended up increasing ticket sales fourfold during this period, from €5 to €20 million per season.

One painful decision we were forced to make was increasing the season ticket prices, between 20 and 40 percent, a measure that created obvious dissatisfaction among season ticket holders. However, it was a necessary evil, given the financial situation of the club. Season ticket prices were in need of an update anyway, to bring them closer to their real value. At the time, the most expensive season tickets at FC Barcelona cost around €500 per season, compared to €1,300 at Valencia FC. This difference had to be reduced. This increase in season ticket price, however, led only to a 7 percent increase in the total income of the season.

TV broadcasting rights

A new TV broadcasting contract came into force in the 2003–04 season. The 1999 contract had been signed at a time when there had been fierce competition between two cable TV companies (Via Digital and Digital Plus), which created a good opportunity for the FC Barcelona board, then chaired by Josep Lluís Núñez. It was a good contract which had a significant part of the income linked to pay-per-view. We worked hard to promote sales of these matches, with special prices for FC Barcelona members and campaigns linked to Barça TV, the club's own television channel.

In 2003 a TV contract for international competitions came into force. This was a less advantageous contract for FC Barcelona: it had been designed to protect income in the event that the team failed to qualify for the European competition in any given year (a minimum income of €12 million was guaranteed), but, in exchange, it imposed the obligation to share with the broadcaster any revenue in excess of this amount. The contract was useful in 2003, when the team played in the UEFA Cup, but it

was of no help during subsequent years, when we obtained a high income from the Champions League but were forced to share it with the TV broadcaster.

We grew Barça TV from the 10,000 subscribers we had inherited to 50,000. Programming was changed and new content was developed. Our aim was, in fact, to make this television channel a factory that created content suitable for sale to other channels interested in FC Barcelona, particularly foreign channels with no daily access to information about the club. The process of internationalizing our TV channel was good for income but also for the club's image.

Marketing

At that time Barcelona was one of the biggest clubs in the world with the lowest income from marketing. This was partly because the team was not very attractive for sponsors to be associated with, but also because marketing management was outsourced to several agencies and income spread among many small sponsoring contracts.

The first thing we realized was that it was critical for the club to become master of its own destiny in terms of its commercial strategy. The marketing director at the time, Esteve Calzada, and Vice Chairman Marc Ingla set about the task of recovering the commercial assets that had been outsourced to different marketing agencies. We considered this a key activity for the club and believed it should be managed directly.

Once the club had regained control and an internal team had been created, we started reducing the number of sponsors, based on the general principle that says it costs the same either to make a small sale as it does to make a large one, or to renegotiate a small contract as it does to renegotiate a large one. We therefore went about reducing the long list of sponsors, creating a coherent sponsorship program, and drawing up a new list according to contribution and category, with the aim of getting larger contracts that would be more efficient. It was clearly better to have a few larger contracts than many smaller ones.

With regard to merchandising, we changed the way we were working with Nike. We began working in a collaborative and

coordinated manner, achieving very substantial increases in income and taking better advantage of the image of the club and its players. This joint work with Nike culminated in 2006 with the signature of a new contract between the multinational and FC Barcelona, the largest contract in the industry. We also worked on friendly matches and pre-season tours for the team. Income per match increased sharply, from €400,000 in 2003 to €2 million in 2006, thanks not only to the better quality of our team, but also to the sophisticated promotional campaigns the club put in motion in the countries where we toured. However, the objective was not only to obtain short-term income, but also to use these tours as a global showcase for FC Barcelona with the aim of generating future income from the sale of TV programs or FC Barcelona branded items in stores around the world.

Between 2003 and 2008, FC Barcelona increased its income faster than any other football club. The secret lay in investing in the team with the objective of having a much better product, marketing it with a small, highly experienced management team, just as would be done by a top multinational company.

The costs: with a dagger between the teeth

During the first season (2003–04) we also tackled our large budgetary deficit. In the previous season the club's overall costs had been €196 million. If we wanted to achieve a zero deficit, which was an absolutely necessary objective to be credible and put the club's management on the road to financial stability, our action had to be significant. In the event, we managed to reduce costs by €33 million (17 percent) in one year.

We managed to do this by concentrating on two areas. The first was the footballers' salaries, which were the greatest expense and, at the time, accounted for 88 percent of income, far above the optimum 50 percent. We worked to convert the players' contracts into a combination of fixed and variable remuneration, linked to the team's results and individual performance. These contracts had to be renegotiated with the players, and we worked

to divest ourselves of the most expensive players, replacing them with others of superior or similar technical quality, but with slightly less cost. I will take a more detailed look at this aspect later on in Chapter 6.

The second area in which we needed to take action was in the club's day-to-day operating costs. Our guiding principle was very drastic: Rethink everything. We took a list of the club's costs and suppliers and looked at each item individually, calculating by how much we could reduce them. A specific team was created, managed by an external person and members who did not belong to any specific department. The team's task consisted of visiting all the departments and asking whether the costs they were incurring were necessary and, if so, why.

They asked different members of the teams different questions. Once we knew which costs were essential, we put contracts out to tender to find the suppliers offering the best value for money. The decision to create a specific, cost-cutting team was logical and common sense. It would have been very difficult for the members of a department, accustomed to certain expenses and suppliers, to decide they were not necessary. Stimulus was needed from outside, from people who, with a specific task and after a strict analysis, would be able to provide a neutral view. In those days, it was said the people in this team had to walk down the corridors wearing a helmet and with a dagger between their teeth, like Rambo, looking for unnecessary costs to cut. The combination of higher income and cost control allowed the club to start earning and continue to do so in the subsequent years' profits (see Figures 3.2 and 3.3).

The contrast between the economic results of FC Barcelona with these and the previous five years is impressive:

Finding competitive advantages

When you are responsible for managing a company that is not a market leader, especially when the market leader is twice as big as you are, it cannot do you any harm to learn from it and even

Goal: The ball doesn't go in by chance

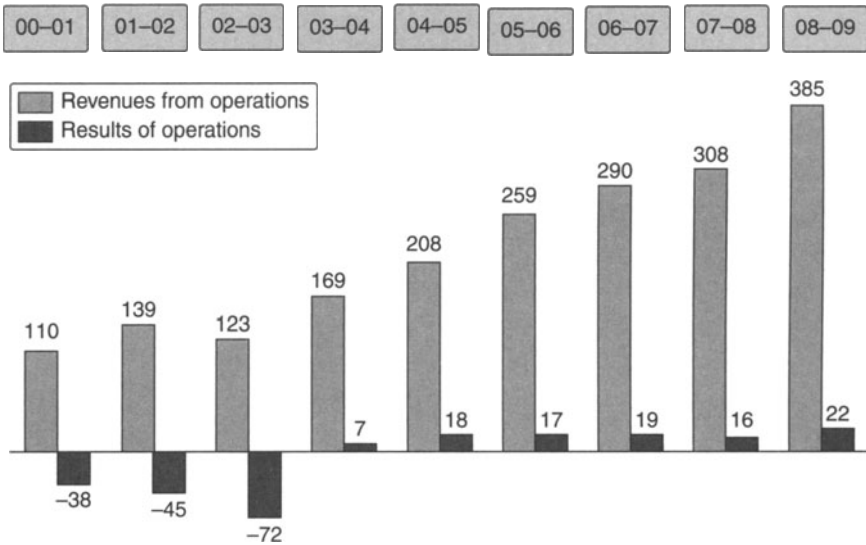


Figure 3.2 Operating results at FC Barcelona

Note: Figure in millions of euros.

Source: FC Barcelona.

	98/99-02/03	03/04-07/08	Difference
Revenues	+437	+1.235	+798
Operating profits	-159.3	+77.2	+236.3
Total profits	-145.7	+87.9	+233.6
Net real estate investment	+18.7	+45.6	+26.9
Net investment in players	+127.4	+166.7	+39.3

Figure 3.3 Comparison of latest two five-year periods at FC Barcelona

Note: Figures in millions of euros.

Source: FC Barcelona.

to copy something it is doing better than you are. There is no shame in doing so, and actually, you would be an irresponsible manager if you did not learn from – and eventually copy – the successful practices of your competitors.

In 2003, FC Barcelona was ranked thirteenth in the world in terms of football club revenue, and its turnover was exactly half

that of the leader, Manchester United. What's more, at this time Real Madrid had started talking about the "galactics," that they would have the "best players in the galaxy." The €480 million of profits obtained as a result of a large-scale real estate transaction had wiped out their existing debt and the club effectively signed the players that were, at that time, the world's best (Figo, Zidane, Ronaldo). This put Barcelona in a very risky situation. In Chapter 2 I explained the chasm existing in those years between the clubs that were becoming global with world followings and the other clubs with a much more local scope. Consumers, in general, are able to remember five or six big brands in each category, but not 20, and most likely not even 13. In 2003 we were running a very high risk of not being able to bridge the gap with the top clubs and FC Barcelona remaining a small local brand.

Because of this, we had to wake up and discover our competitive advantage; in other words, that which made us different from our competitors, that we could leverage on to outperform them, and the ways in which we were better than they were. We had to analyze what our rivals were doing and identify some ideas that we could use to ensure our growth.

Analyzing Manchester United made it possible for us to see that they had built a complex, professional marketing structure from which they had garnered extremely high profits. These profits had positioned the club as one of the best teams, in fact in many Asian countries it was the only visible team. Manchester United had supported this growth on two things we did not have. First, the Premier League had a much better commercial structure than did the Spanish equivalent, meaning that the television rights from the Premier League had been sold all over the world, and it was the first competition offered to television viewers. Second, Manchester United had a formidable cultural heritage that aided the expansion: the Commonwealth. The only football watched in these countries is English, and as Manchester United was perceived to be the best English club, it was therefore perceived as almost the best in the world.

The case of Real Madrid was closer from a cultural standpoint. The Spanish football market comprised approximately two-thirds Madrid fans and one-third Barcelona fans. (When the

fans are asked which their favorite and second favorite teams are, they often reply with their local team followed by Madrid or Barcelona.) This ratio changes when one club is clearly dominating the other, going as far as four-fifths Madrid fans and one-fifth Barcelona fans when Madrid is in the ascendancy, and one-half Madrid fans and one-half Barcelona fans when Barcelona dominates. In the Spanish market, FC Barcelona is at a disadvantage compared with Madrid. This is reinforced by the national coverage the media give to Madrid, which thus generates a larger number of supporters. I remember an anecdote that is funny, but rather annoying at the same time if you are managing FC Barcelona. The day following an excellent FC Barcelona match in the Champions League, one of the 'national' TV channels opened its sports section by devoting eight minutes to the debate about Robinho's injury in Madrid, while Barcelona's goals got a mere two-minute mention.

The fact is that Real Madrid's model was not very inspiring because we were better served by learning from the English business models. The fact was that Real Madrid's healthy financial situation was due to a single factor: the transactions it had carried out with Madrid's public administration that allowed the club to reclassify their old training facilities in the center of the city to sell them to build offices and obtain €400 million in profits.

Therefore, although there were some lessons to be learned from what had been done well by our main competitors, FC Barcelona had to find its own road. Historically, FC Barcelona's main asset had always been the strength it has received from its people: the members and fans. Barcelona is *more than a club* in Catalonia, and *more than a club* throughout Spain, where in some places it has been viewed as the alternative team, or even the "progressionist" team, to the more "conservative" and mainstream Real Madrid. It was a matter of updating these ideas – reviewing the "more than a club" concept and renewing its meaning for the 21st century, and broadcasting this around the world, filling it with sufficient content to make it meaningful to people outside Catalonia and Spain. This was the logic behind the eventual signing of the agreement with UNICEF, which I will explain later.

This process of renewal, of updating the message, also caused us to clean up our database of members. That was when we launched our Great Challenge initiative, a far-reaching project to bring in new members and to update the data of the club's existing members.

We understood that FC Barcelona's strength is its people, and we wanted to open the door wider. Anybody wanting to be a member of Barcelona could be, and everyone wanting to participate in the club's recovery would have the opportunity to do so. We conceptualized and communicated the three main reasons for being a member: (1) the right to be heard and to vote; (2) access to tickets and season tickets; (3) to enjoy an expanded list of benefits for club's members. We also cancelled the entry fee to become a member, but kept the annual fee. This initiative led to an increase in the quality and quantity of services the club offered its members, including the creation of the Barcelona Supporters' Services Office (Oficina d'Atenció al Barcelonista – OAB).

There was also the belief, which turned out to be true, that there were more than 9,000 registered members who had died. There were numerous minor mistakes and even some instances of fraud in the database. A process was started that consisted in identifying all members, including placing their picture on the membership card, and updating their details. The Great Challenge led to the club's membership increasing from 105,000 members in 2003 to 165,000 in 2008, all of whom were correctly identified.

Manchester United became great by building a business machine that harnessed the social and cultural platform of the British Empire. Real Madrid was supported by its leadership in Spain, funding itself with a gigantic real estate transaction. Chelsea was built from the pocket of Roman Abramovich. The review of FC Barcelona's competitive advantages in comparison with its rivals led us to opt for a rapid growth strategy based on building a winning team, financed by an aggressive commercial strategy and standing out from the competition through our brand, which was packed with universal values and supported by our fans. It was being great and being different, while respecting the essence of Barcelona's 100-year-old history.

Globalizing essences

A global product yet still a very local business

We have looked at the extraordinary growth of the football industry over recent years. We may well see a slow down in this growth since many of the sources may be drying up.

If we analyze Manchester United's revenue sources, we can see that their stadium regularly fills to 97 percent of capacity, which is technically full. It also charges the highest prices in Europe. In the current market, television and marketing contracts appear to have gone as far as they can. The economic crisis that started in the second half of 2008 generates new uncertainties, such as problems finding good sponsors for the jersey and other advertising activities. It might be possible that new opportunities for growth are to be found outside the European market, in unfamiliar markets with hitherto unknown business models.

There is no doubt that football is a product with global scope. Footballers have become global icons. If the reader has ever traveled to faraway countries like Australia or Tanzania and, when asked where he was from, answered he was from Barcelona, he is likely to have been treated to a comment about one of Barcelona's star players, such as Ronaldinho in the past or, nowadays, Messi. A Mancunian will most likely get asked about Rooney. This should come as no surprise; great players and great clubs have become global brands.

Let's take a largely unknown piece of information that explains this and shows us where football is going. On average, only 23 percent of the television audience for FC Barcelona matches are in Spain. The rest, 77 percent, are located around the rest of the world. When you watch a football match in Spain, seven in ten of the people watching it at the same time are in another country. In a Champions League match, the percentage of Spanish viewers might be as low as 10 percent (see Figure 3.4). Just as amazing is the data regarding visits to the website www.fcbarcelona.com. In this context the most widely used language is English (see Figure 3.5). FC Barcelona is a global product.

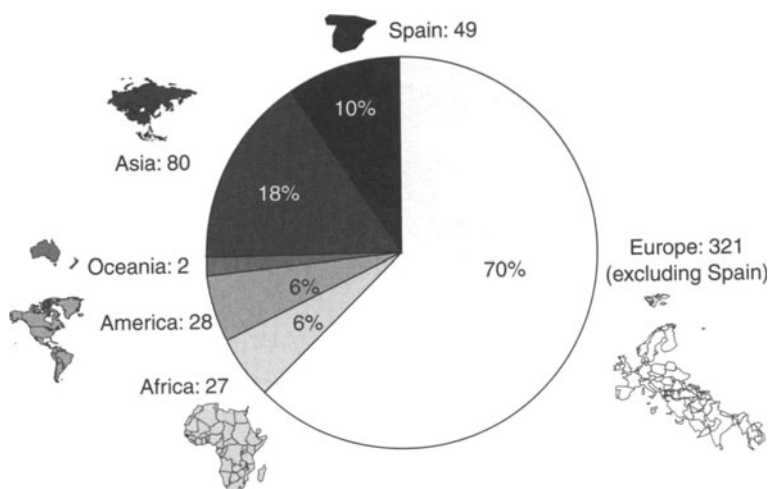


Figure 3.4 Champions League audience

Notes: Direct and rebroadcast matches; season 2005–06. Audience figures in millions.

Source: UEFA.

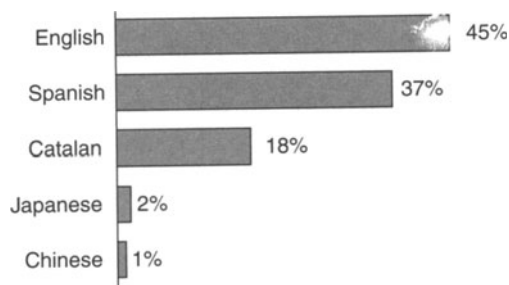


Figure 3.5 Access to FC Barcelona website by languages

Source: FC Barcelona.

This situation represents both a paradox and a challenge. The paradox is that, while the big clubs' income still comes from mainly local sources, the audience is now global. The challenge, it is clear, consists of transforming this global audience into a global clientele. If the more than 50 million fans that Barcelona has in Europe, and the 10 million it might have in the United States, also become its customers, they should

generate income to continue funding the club's growth. The income from merchandising and TV broadcasting from local markets has become too small for clubs that have a worldwide presence.

Jerseys in Pamplona, Newcastle, and Singapore

In this context, the question is not which football jersey a child buys in Pamplona or in Newcastle, but which one the teenager in Singapore, Toronto or Shanghai chooses to buy. Of course, no teenager in these three cities or any other city will go crazy trying to get a CA Osasuna (Pamplona's team) or Newcastle United football jersey. He will most likely want an FC Barcelona, a Manchester United, or an AC Milan one. This is the great battle being fought by the global clubs, because the markets in Singapore, Toronto, and Shanghai are much bigger than those in Pamplona and Newcastle, and the latter two are captive markets for CA Osasuna and Newcastle United.

When the clubs look at how they are to deal with this globalization of football, how they should react to it, decide how global they want be and how to do it, a number of questions arise that are very interesting to answer.

Where are we going? (The markets)

It goes without saying that the clubs can't be everywhere at once. It is obvious that the strict training schedules and the demanding competition calendar limit many of the clubs' opportunities to travel. Therefore, when it comes to answering the question about where to go, where to go first, we must first make an analysis of the existing markets, because a choice needs to be made.

Given that, for a large club, Europe is, as a matter of fact, a natural market, there are a further three football markets in the world that should be taken into consideration: Asia, North America, and South America. Africa will probably become attractive to European clubs in the mid-term, but for the moment Africa is a place where clubs go to recruit talent or to carry out humanitarian programs. Arab countries are also becoming interested in football, and could be an opportunity in the future. In any case, to carry out the

analysis and make the appropriate decisions, there are three basic questions we need to ask ourselves:

- How big is the demand? In other words, how interested are these countries in football?
- How much disposable income do the fans have?
- What local competition is there? In other words, what are the local football clubs and how can we compete for their local fan base?

The South and Central American markets, from Argentina to Mexico, with Brazil as its largest market, are extremely interested in football, but people have relatively little disposable income and there is very strong competition from the local teams. The Argentinians are much more interested in Boca Juniors and River Plate than they are in Chelsea or Juventus.

By contrast, in North America, the local competition (Major League Soccer – MLS) is still not so strong compared to other American sports, while the disposable income and desire for North Americans to spend money on leisure sports is very high. However, in spite of very well executed efforts and recent growth, American soccer is not yet very relevant in the world. In the US, soccer has to compete with much bigger sports, which are deeply rooted in North American culture (baseball, basketball, ice hockey, and American football).

The Asian market is the most attractive of the three. China may become, in the future, the world's biggest football market and Japan is already a very attractive market. The scores are good in all three variables: interest in football is high, the people have very high disposable income, and spending power is also high; but the quality of the J-League teams cannot yet be compared with the European clubs.

Japan supports Barcelona

Traveling to Japan as part of the FC Barcelona delegation was extraordinary. Happily, I have been able to experience this on several occasions. In 2004, the Japanese version of FC Barcelona's website came online. We gave Japanese fans the option to become FC Barcelona members. The idea was to keep it open for a few

weeks. We wanted to see what would happen, how many people would visit, and whether any of them would decide to become members. We wanted to understand the market we were getting into. The surprise came more quickly than we had expected: there was an avalanche of visits and up to 800 people became members of FC Barcelona during the first two weeks.

We sent a member of the marketing department to Japan to analyze what had happened and what was behind this quick, enthusiastic, and also unexpected response. When he returned, his explanation was very simple: the Barcelona fans in Japan wanted to be members – real members – with the pride of being part of Barcelona with all the rights and responsibilities involved. It did not matter to them that the stadium was a bit too far away to be able to go to the matches, or that voting in the elections would be rather inconvenient. Many of the benefits of the membership card would be very difficult to use from Tokyo or Osaka, but the pride of being a member of FC Barcelona was powerful and universal.

The number of anecdotes illustrating this fact is large. One of the initiatives that I and my fellow managers of the club put in motion was the so-called Open Presidential Box, which would allow 11 FC Barcelona members, chosen in a draw, to watch the match from the chairman's box in the stadium. Almost every time a Japanese member was chosen in the draw, he or she would not miss the opportunity to catch a plane and fly 7,000 miles to attend a game at Camp Nou.

I remember a Japanese man behind a bar in Tokyo, hearing us speaking in the Catalan language, coming up to us and saying, "Watashiwa soci des!" ("I am a member!") He proudly showed us his Barcelona membership card and wouldn't let us pay for anything, not even the tea.

In the summer of 2004, the team and directors landed at Narita Airport in Tokyo. We were all delighted and surprised to see the thousands of fans who had showed up to welcome the team. I walked through the airport alongside young player Oleguer Presas. The stars of the team, led by Ronaldinho, had left the airport lobby and heard their fans cheering. But I was amazed to hear the football chants that the Japanese fans were dedicating

to Oleguer: the “U-U-Oleguer” usually heard in Camp Nou. Oleguer was a little-known player in those days, but the Japanese teenagers knew him as well as any of the other players and were singing exactly the same chants as the Catalan fans at Camp Nou.

The stadium at Yokohama was packed with Japanese fans wanting to see Barcelona play their local team. The stadium was divided equally between Yokohama Marinos and Barcelona supporters. Yokohama’s radical fans packed the north goal with big flags, the hard-core Barcelona fans were behind the south goal. They sang the Barcelona anthem in Catalan. They had a huge banner that said in perfect Catalan: “Japó és blaugrana” (“Japan is blue and red”).

In recent years, FC Barcelona has divided its summer tours equally between the United States and Japan, with some incursions in China.

And what do we do when we get there? (The business model)

As soon as we have decided which markets we want to go to, the next question appears almost automatically: What are we going to do there? During recent times the answer has seemed to lie with three possibilities, three answers that represent three business models that are not, in any case, exclusive.

The first model is the most common one, and is the one chosen by the majority of the global clubs. It consists of *distributing* its products in these markets. Clubs want to have enough presence in TV and they get it as the main European Leagues sell their broadcasting rights to local TVs around the world, although still at somewhat low prices. Club merchandising, especially jersey kits, has to be well-distributed to retailers and be easy to find for fans. There is no great difficulty achieving this distribution, given that most of these large clubs are supplied by the big multinationals such as Nike, Adidas, or Puma. To provide further support to this first business model, friendly matches are scheduled in these far-flung markets, as soon as the calendar

allows. Japan is great business for FC Barcelona. In a week, by playing a couple of friendly games, Barcelona makes up to €5 million in revenues, appears on all Japanese TV channels and its jerseys are very well displayed in all retail shops – a great business. The only drawback is that it doesn't guarantee a permanent presence and is limited to a week every two years or so.

The second model that several clubs have adopted is opening football academies in foreign, faraway countries. This has a double objective: First they can spot young talent and develop it. This is why FC Barcelona, for example, has academies in countries with a football tradition and heritage. Second, these academies create fans. Kids attending FC Barcelona academies in Mexico, for example, would wear Barcelona's shirt, have pictures of Barcelona's players in their dressing rooms and surely end up being Barça fans.

The third model is still in its infancy. The reasoning behind it makes a lot of sense and appears to be a natural progression. The big football clubs have names that are recognized all over the world, they have the know-how needed to create successful teams, and they have demonstrated this proven ability. So, why don't they create different franchises and have teams that play in other leagues, like the Japanese or North American leagues? Wouldn't that get them the permanent presence they are looking for?

If any of the big teams finally decides to do it, they won't really be the first to take a shot at it: two already have. The first example is that of Ajax Amsterdam, which has an affiliate team in the South African league, in Cape Town. Their aim is clear and they have stated it: to capture promising young African players. The second example is a little more sophisticated. This is the case of Chivas de Guadalajara, one of Mexico's most popular teams. Since 2005 they have had a franchised team playing in the North American league (MLS), Chivas USA based in Los Angeles. In this case, the aim is not to capture talent, which is still scarce in the United States, but is entirely commercial: there are 30 million Mexicans living in that country.

The Chivas USA experience was rather controversial. Commercially, it has brought in enough income to be considered a

success. However, when it comes to its sporting achievements, the results started off being rather disappointing. The first season, with a team comprised almost entirely of Mexicans, supposedly superior to their rivals in the United States, Chivas lost 22 of 32 games. A change in strategy, hiring a local manager and more North American players, has allowed the club to improve to the point that it reached all the play-offs between 2006 and 2009. Even so, Chivas USA's attractiveness could be limited by the feeling among fans that it isn't the "real" Chivas.

In April 2005, in New York, I was pleasantly surprised at my first meeting with the MLS management. Commissioner Don Garber and his team – including later Arsenal FC CEO Ivan Gazidis – were experienced and smart people who understood the business and had a well-structured plan. We wanted to ascertain to what extent it might be advantageous to us to have presence in that market and whether there was any point in us going so far as to create a franchise. The meetings we had subsequently in Barcelona and New York led us to sign agreements with MLS to commercialize the FC Barcelona brand in the US and organize our tours there. FC Barcelona never did reach an agreement to have a franchised team in the US, although we analyzed in detail the possibility of having a team in New York. We thought that the most interesting market for Barcelona was not the Hispanic south of the United States, but the more global, multicultural New York, a city with a tradition of having great sporting clubs.

It is evident that an initiative of this nature would be an immediate answer to how to achieve a permanent presence in these very important markets. However, it also poses some very important questions. The decision is complex from the strategic point of view, and also because of the challenge of implementing it.

With regard to the implementation, the challenges involve the MLS organization, which like other professional sports in the United States means that the circumstances in which an affiliate of FC Barcelona would find itself in the country would be very different from those in Europe. The salary cap, for example, means that only two players in each team can be paid any salary they agree with the club. The rest have a collective salary cap. The FC Barcelona team in Europe has a cost of around

€200 million, while a hypothetical Barcelona team in the MLS would have a cost of around €2 million. A huge difference that would mean the players would have to be young and cheap. In the same way that it is very difficult for the greatest NBA basketball players to play in Europe given the differences in salary, it is very difficult for great football players to play in the MLS. Another equally big question derives from the fact that all the MLS teams play wearing Adidas football shirts, because there is a contract in place for this. It is difficult to imagine how an affiliate of Barcelona could play wearing Adidas instead of its current Nike jerseys.

In terms of strategy, we have to remind ourselves that this hypothetical Barcelona team playing in the MLS would never be anywhere as good as the team in Europe. In fact, one might even wonder whether it would put FC Barcelona's image at risk. Some people would say that there is only one Barcelona and that it plays in Europe. Following this argument, instead of building *another* FC Barcelona in the United States, what the club should do is to devote its efforts to better distribute the content and the products of the *original* FC Barcelona in the US: have the games on TV and the merchandising in the stores.

We could ask the same questions about other countries and teams. Nowadays we have no idea whether within 20 years there will be a Manchester United vs Arsenal match played in the Chinese junior league or whether the classic Juventus vs AC Milan match will still be played in Torino but for an audience of hundreds of millions of TV viewers all over the world.

Positioning: theaters, galactics, and more than clubs

Explain it to a Chinese child

There is another very important issue we have to tackle, related to football clubs' future growth: the positioning of the brands. What are football clubs' brands going to be saying to their potential fans, their content, their values, and how do they compare with other clubs.

A Catalonian or Spanish child can easily understand the difference between being a Real Madrid or an FC Barcelona supporter. In the majority of cases, children inherit their preference for a club from their parents. This is the socialization process during which the family transmits a series of values and traditions. The child is exposed to the past and present history of the club, and the aforementioned inheritance of preference takes place.

It is also plausible to imagine that an Italian child, for example, is capable of distinguishing the difference between two English clubs, Liverpool and Arsenal, and that he will prefer the fighting spirit and direct play of the former, or the more technical continental style of playing of the latter. Maybe his preferences will be influenced by a recent event or match between one of the two clubs with their lifelong favorite Italian team.

Well then, if you imagine this child in China, none of the considerations we have made so far are valid. Because this Chinese child has no history of football. Most probably he is the first member of his family to be interested in the game. His father and grandfather have never bothered with it and he does not know anything about it either. This child comes into contact with football without any type of social, parental, or political connotations.

But the choice of this little Chinese kid is very important for the football industry. Clubs that aspire to become global face the challenge of recruiting this Chinese boy or girl as a fan, by explaining the differences between different football clubs and giving reasons for the child to choose theirs – that is, getting the kid to understand and love Chelsea instead of Milan, or vice versa.

Club brands are reinforced in two natural ways. The first is by winning, because children want to support the winning team. But you can't always win. The second is with star players, who attract fans to their team. But stars also change teams. For example, when Real Madrid signed David Beckham from Manchester United, he took a lot of Asian fans with him. Chinese teenagers might have started supporting Manchester United

because this star footballer was married to a Spice Girl, though, when it came down to it, they didn't really know much about the Red Devils. Those fans just transferred their allegiance to Real Madrid and then maybe Los Angeles Galaxy or AC Milan, as Beckham played in these clubs. But, in the end, they are Beckham fans, they do not support any club.

To avoid your team's success being temporary, lasting values must support your brand's content. The objective would be to attract fans from around the world because of your brand and its values, although results in the pitch and star players will continue to be very significant factors.

A lot of the clubs have tried to position themselves on the market with a unique feature. Manchester United, for example, calls its Old Trafford stadium the "Theatre of Dreams", thus making reference to the excitement that can be experienced there on match days. All their merchandising products are colored in exciting red and try to associate the brand with the most exciting football. Real Madrid also tried it during their *galactics* time. The message they were trying to convey was "We have the best players on the planet (actually, the galaxy). If you want to see them play, come with us". That team, where Beckham played, never won titles as expected and the positioning actually did not work that well.

More than a club in the world

The challenge of positioning FC Barcelona in the world is still more interesting and complex. Barcelona is *more than a club*. It is in Catalonia, where everyone knows what it means, although some take it further than others. The meaning is also quite clear in the rest of Spain, with the same interpretative diversity as is seen in Catalonia. However, it is a lot more difficult to promote the concept of "more than a club" to an FC Barcelona football fan who is neither a Catalan nor Spanish and has absolutely no idea about the history of the club, Catalonia, or Spain. What does "more than a club" mean to a Chinese child?

That is why we make such efforts to think about how we can explain the meaning that defines and distinguishes us. In the context of explaining who we are to people who know next to nothing about the social and political history of Catalonia and Spain, we were trying to bring “more than a club” into the 21st century, adapt it to the new social circumstances, and give it a global dimension. Circumstances meant this consideration was linked to the decision as to which sponsor to put on the Barcelona jersey.

Very early on, it occurred to us to put humanitarian-type slogans on the jersey. However, in those early days the idea was quickly ruled out because the club’s financial situation made it necessary to use this space to get some advertising revenue. FC Barcelona was the only big team not using the jersey as a good source of income. We needed the money, and if we ended up not having a commercial sponsor, it was because we couldn’t find any company interested enough to pay the money we were asking to advertise on FC Barcelona’s shirt for the first time in history, breaking a tradition that was so highly valued by our members.

In 2005 we were about to reach an agreement with the Chinese government to put the motto “Beijing 08” on FC Barcelona’s shirts. This alternative was considered a good one, because of its sporting nature that linked us to the Olympic project. This would have meant an income of €20 million per annum for the club, and would have led to a very favorable social and commercial impact for FC Barcelona on China in the future. But the agreement did not reach fruition for many reasons, one of which was probably the mistake we made in not keeping the deal a secret until it was finally signed.

In 2006, a very lucrative offer from an online betting company to advertise on our shirts forced us to make an in-depth analysis of the overall positioning question. We put a group to work to define the significance of “more than a club” in the 21st century, and in a global context, supporting this with the data we had available. The result was as simple as Figure 3.6 shows.

The “more than a club in the world,” the updated traditional club motto, expressed for the first time in these terms by the

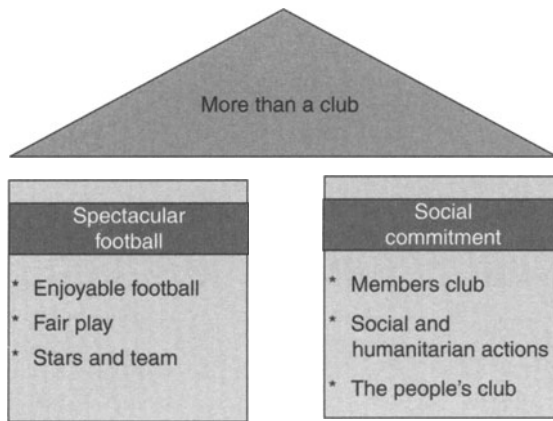


Figure 3.6 More than a club

communications manager of the club at the time, Jordi Badia, was based on two pillars. The first was spectacular football. When fans all around the world were asked what the FC Barcelona brand suggested to them, many of them mentioned spectacular football. They talked about Ronaldinho, Maradona, Cruyff, and Kubala. They talked about well-played football, technical talent, and goals. The second pillar was related to its social structure: the fact that the club is owned by its members and is a nonprofit organization. In an era of sporting, limited liability companies and rich owners, FC Barcelona is a club where members make the decisions, aiming to promote universal values of sport and concord.

We understood that, of these two pillars, our teams and players communicated the first one very well, while the second was communicated less successfully. We would use our most visible advertising asset, the jersey, to raise the perception of the second pillar in order to communicate our idea of social commitment in an obvious and far-reaching way for the 21st century.

Of all the possible options for doing this, one director, Evarist Murtra, proposed that we concentrate on aid to children, and UNICEF emerged as the best option. Our analysis of FC Barcelona's desired positioning led us to reach an agreement with UNICEF in 2006. The strategy was a short to mid-term

one, risky and not so easy to implement. In the short term, it meant giving up the €20 million every year from the internet betting company Bwin (that ended up on Real Madrid's jersey) and, instead, donating €1.5 million to UNICEF every year. But the strategy fitted nicely with the spirit of the club that we wished to project worldwide.

We decided to obtain revenue through other deals (Nike, TV) and explain to the world what FC Barcelona is by using our association with UNICEF. This sort of strategic decision usually yields mid- to long-term results not easy to measure immediately, but it is fair to think that the UNICEF/FC Barcelona brand synergy was one of the key factors in the spectacular growth of the fan base and the club's earnings during 2006 to 2010. But FC Barcelona is governed by its members, and after a new Management Board won the elections in 2010, key people and strategies changed, the UNICEF partnership being one of them. Barcelona then signed a lucrative contract (worth €30 million per season) with Qatar Sport Investments and the logo of the Qatar Foundation has replaced the UNICEF one on the players' jerseys for the 2011–12 season.

It's not easy to decide between the short-term financial advantages of the Qatar Sport Investment partnership and the mid- to long-term investment in FC Barcelona as a brand. It is worth remembering that, according to Spanish law, FC Barcelona board members had to offer a collective bank guarantee of €50 million to protect their club from potential losses due to their management. It is then understandable they want to be cautious and keep their accounts as healthy as possible during their six-year term. But undoubtedly this is a very different strategic decision to that taken back in 2006 and might influence the club's position in the years to come.

The execution: from local associations to multinationals

Clubs that want to be global are pushed inexorably to grow significantly. To be present globally, to develop new business

models, to communicate their positioning, clubs need to organize themselves as any other multinational corporation and use all the management science and tools available. However, there are still clubs managed in an amateurish way.

Nowadays, professional football clubs are not neighborhood sports associations but mid-size companies that need to be managed by well-trained and organized professionals. They need tight finance control, sophisticated communication departments and, probably sooner rather than later, offices around the world.

The new Management Board at FC Barcelona understood the new organizational model required right from the start, but the first year, the 2003–04 season, was unique. The challenge was huge and required a gigantic change to go from €73 million annual losses to break even. We thought that a large part of the change should take place immediately, in the first year. To do this work, we organized ourselves into projects, with working groups for specific tasks, without attempting to structure the whole organization in a traditional manner. I have already talked about the cost-cutting group. There was also another group that we tasked with organizing the Barcelona Supporters' Services Office over a three-month period. A similar project was already under way, but this had been projected to take 18 months to implement. In three months, the club went from having 13 telephone numbers and answering only 50 percent of incoming calls to responding to 90 percent of the calls in less than 30 seconds and having a single telephone number for the whole club. The reorganized customer service system provided much better service to the club's members and was also able to include members' pictures in their cards and clean the database in record time.

After this initial phase of accelerated change, we organized and structured the club in a similar way as might be done in a large corporation, recruiting a group of qualified and motivated professionals. The FC Barcelona management organization and its management team was as good as that of any multinational company.

Some ideas about strategy

We should think carefully and make thorough, well-supported analyses when choosing a strategy. But, once we have chosen, we must be loyal to it, stick to our plan, and direct all our energy toward its implementation. We can review our strategy regularly or when there are relevant changes in the environment, but we can't rethink, question, or doubt it every day.

There is no better investment in marketing than investing in improving the product. In a hyper-connected world, consumers are just a Google search, Facebook post, or tweet away from all the information about our product, and similar ones sometimes from sources they trust. Even the world's best communications campaign will fail to sell a bad product.

From time to time, let's ask ourselves, different people, and from different angles whether each expense is necessary, why, and whether we can reduce it or omit it. Different people can offer different perspectives.

Let's stop for a moment and reflect on what and how we are or could be better than our competitors. What are the sources of competitive advantages and how are they evolving?

However small your company is and however local your product is, it is a good idea to think about how you can expand and where else in the world you could sell your product. Where is the demand? Where is the local competition weak? In a global world, genuine products with authentic provenance have a lot of opportunities.

When it comes to thinking about what we can do with our product in a new market, we should not stick to the initial idea and repeat what we did in our market of origin. We should explore other business models that allow us to deliver our product's value in an efficient way, either alone or with local partners.



Our understanding of how we are perceived in relation to our competitors is critical. This understanding must be revised regularly by making an honest effort to see the world through our clients' eyes.

Whatever the size of your business, there is room for additional sophistication using modern management tools. They are no more than extensions and expressions of old-fashioned common sense.

The winning team

The winning formula

When we speak of formulas for achieving success, the first thing we should do is admit that there are no foolproof formulas – and then start the search for something that is at least somewhere close. Managing to create a winning team is a fundamental objective of all organizations. But there is no magic formula; if there were, it would not be exclusive to anybody for long.

But I think it is interesting, based on my football experience, to speculate about a possible formula for creating and maintaining a winning team. Such a simple formula might be:

$$(\text{commitment} \times \text{balance})^{\text{talent}}$$

This formula, commitment multiplied by balance, raised to the power of talent, may be more suitable for the football world than for another sport or for a company. Former player and coach of FC Barcelona, Johan Cruyff, said football is a “game of mistakes,” so the objective is to reduce as far as possible the number of mistakes you are going to make in the course of a match or a season. Therefore it will be the talent that determines the differences between the players, assuming the same or similar commitment and balance. This situation does not arise in other sports where precision is more important than the number of errors. In these disciplines, training can reduce the talent difference, by repeating the same movement over and over again until it becomes instinctive. It goes without saying that there are many other factors involved in creating the team, many of which are

unpredictable. In football there are injuries, referees making wrong decisions, etc.; the objective is to minimize the effect these have on the winning equation – because the ball doesn't go in by chance, in spite of the fact that chance can sometimes mean the ball won't go in.

The talent

The talent is the more determining factor. Talent is generally understood as a special skill, inherited or acquired through learning. For footballers, talent is defined by mastery of an individual technique, physical capability, and the capacity to contribute to the team, positioning oneself in the field, coordinating with your colleagues, and anticipating what others are going to do. The companies bid to hire the most talented coaches. The clubs endeavor to sign the most highly regarded trainers and players, and individual athletes want to work with the most talented coaches. There are many, varied examples that the reader could find and add. However, it is probably football where talent becomes most relevant and becomes the factor that can have the greatest impact on minimizing the number of mistakes.

In the case of great football clubs such as FC Barcelona, attracting the best talent is relatively easy. It is a question of buying it or nurturing it through in-house training. Barcelona is one of the few football clubs in the world where almost all footballers dream of playing when they start their careers. It is a question of choosing them on the right basis, paying the transfer fees at market prices, and offering the right salaries, which are among the highest in the industry. Other clubs with less financial power or which are less attractive from a footballers' perspective find it more difficult to acquire talent.

There is another way of getting hold of talent. You can develop it by recruiting children with potential and training them in youth teams. In this case the costs are lower and experience has shown that, when properly done, there is a high rate of success. One of the first analyses we made when we started managing the club in 2003 was to calculate, based on the data from the ten previous years, the average cost of each player in the youth teams

who eventually played in the first team, adding together all the training costs of all the teams and categories and dividing them by the number of players who had played in the first team. This turned out to be €2 million per player. That's very good business.

So, although the talent that exists in the football world is not rare, it is common enough to make the task of signing and developing talent more difficult than it may seem.

Talent is diverse, you need to decide what kind of talent the team needs, which will adapt better and contribute more. You can't make too many mistakes and you can't make them too often, because the cost is high, both in terms of wasted time and the advantage you are giving to your rivals. It goes without saying that the people responsible for taking these decisions must have an enormous amount of talent themselves.

In all big companies and in all great football teams there is high-quality talent, and a good indicator for foreseeing the growth or fall of a team can be obtained by observing success in talent recruitment and retention.

Commitment

By commitment I mean the will, authentic and individual, to achieve success without straining or weakening. It is a will or an instinct that does not depend on external stimuli, whether this be money from prizes or punishments from disciplinary codes. Commitment generates conviction to win and self-confidence, elements that substantially affect results.

In the case of FC Barcelona, as an example, the players we signed in 2003 and the following season, with the exception of some cases, such as that of Deco, would not have won any important club titles, nor were they very visible in the media. It is true to say that Ronaldinho was already an icon for Nike, but his profile was far from what it became once Barcelona signed him, and his achievements were broadcast around the world.

These players shared an unmistakable desire to win. Their motivation was intrinsic and genuine, and they generated both an

individual and collective feeling of invincibility and conviction that victory would be ours. I remember just how absolutely right we had been in trusting Ronaldinho to bring us victory. In 2003, in spite of having suffered three consecutive defeats at Camp Nou, three debacles against our traditional rivals, Real Madrid, Valencia, and Deportivo de la Coruña, the Brazilian star confirmed his faith in victory with infectious confidence that created great enthusiasm and excitement. "I don't know what you are so worried about. We are very good and we'll win in the end. It will turn out well for us." In the tunnel from the dressing room, before running out onto the field, he shouted his commitment to his colleagues, "Vamos! Vamos!" ("Come on! Come on!") And that's what happened: it turned out well for us and we ended up winning.

Later on, defeats in 2007 were probably due to the contrary effect: the lack of hunger. FC Barcelona players who had won almost everything in 2006 lost some of their commitment. They had won titles, they were famous, and they had money – their individual motivation was weakened. This lack of motivation was not obvious; quite the opposite in fact: they claimed they were very motivated. However, a slight change of personal priorities in such a competitive sport can have a decisive effect on results.

The lesson that should be drawn from that dramatic fall, the short distance between success and failure, is that it is necessary to find ways constantly to motivate the employees or team members when commitment begins to weaken. It will be up to the leader to decide whether his leadership style should change, whether he should use positive stimuli or harden the discipline, appeal to the group, or work with some members individually. Otherwise, if it is not possible to remotivate them, there will be no alternative but to change some members of the team. In the following chapter I will deal with the critical role of the leader in remotivating the team.

In the same way that we understand that the best talent needs to be placed at the top of the organization, we need to understand that exactly the same goes for commitment. Readers will often have heard that the companies that tend to work the best are those where the owner, or the chief executive, is the first person to get to work and the last to leave. Many years ago it used to be

said that the boss was the one who turned on the factory lights and also the one who turned them off. Times may have changed, but the concept is still just as valid.

FC Barcelona's sporting record in 2006 and the recovery in 2009 also have a lot to do with who turns the lights on and off in the club's dressing room. The coach should be the person most deeply committed to the team's success. He should be the first person in and the last to go home. In 2003, Frank Rijkaard was working ten-hour days and was the first one to get to the training ground every day. That is what Josep Guardiola does. Arsène Wenger, Arsenal's coach, once said to me: "The manager has to behave like an elite sportsman. He has to be fit, not drink or smoke or go out clubbing. If not, it is difficult to get the players to behave in the same way."

Commitment is contagious, even more so if it is coming from the coach or the leaders of the team. In 2007, during a very difficult moment in the management of FC Barcelona's team, one player said to me: "At my last club, the players used to arrive an hour before we started training, and the coach was already there. Here, if the training session starts at eleven o'clock, some of them arrive five minutes before that, and even later. In the beginning I would also come in quite early, but now I just come five minutes early, like most of the others do."

This is evidence of how some members of the FC Barcelona team were less committed, which showed up in their work, particularly during the 2006–07 season. They obtained poor results, losing the Spanish league on the last day, because of the goal average with Real Madrid, after having failed to make the most of a significant points advantage that would have been enough to win with comfort. In the summer of 2007 they admitted the mistakes they had made and began attempting to change things. Unfortunately, it didn't work. It is not easy to get commitment back without changing the leader and/or some of the members of a team. In the summer of 2007, those who said that we would not be able to change the group dynamic without first changing some key people were right.

Commitment would be renewed one year later, replacing the coach and letting a couple of the key players go. FC Barcelona,

under the leadership of Pep Guardiola, won all six titles played for: Champions League, Spanish League, Spanish Cup, Spanish Super Cup, European Super Cup and Clubs' World Cup. It was Josep Guardiola's good judgment to take the team left by Rijkaard, make only a few changes to it, and regain the commitment of very talented players so that the club could go on to win several titles in the following seasons.

Real commitment is individual and originates deep inside each person; but when it is stimulated and grouped in the team it can lead to extraordinary results.

Balance

Balance refers to each member of the team understanding and accepting his role, for the good of the team. Balanced teams allow all members to give their best for the benefit of the group. Functional and emotional balance are essential for a team to survive, progress, and be successful. Balance relies on each member understanding and accepting his role in the team.

A good example of the importance of balance is the recruitment of Dutch player Edgar Davids during the winter of the 2003–04 season. This proved to be essential to the structural balance of the FC Barcelona team. I remember when we went to Torino to sign him, we were also interested in the right defender, Gianluca Zambrotta, and a midfielder, Alessio Tacchinardi. Juventus had no intention of selling Zambrotta and would not even talk about it. They already had a replacement (Appiah) and also they were a bit tired of his temper. Their grounds for not transferring Tacchinardi consisted of a rule they were determined not to break. They told us that they didn't want to change more than one player per line, in order to keep their balance and stability. So, if Davids was to go, they could not get rid of Tacchinardi because both were midfielders. This way of operating contrasted with what was occurring in some other teams, including in FC Barcelona previously: the practice of making deep, radical changes in a team from one season to another. Until the scandal that led to Juventus FC being relegated to the Italian second division, the club was a model of balance, stability, and success.

Frank Rijkaard explained at the time that in his team there were ten players working in defense when they lost the ball – all of them with the exception of Ronaldinho. The group willingly accepted this situation, because they understood that the Brazilian star should not waste his energy on defense, because he needed to stay fresh for the moment of attack and be able to call on all his talent. This was both a structural and emotional balance that would be vital in achieving the triumphs that would come later.

The importance of this emotional balance became evident in 2007, when Cameroon player Samuel Eto'o made some very controversial statements to the media claiming that not everyone worked equally hard in the team and that the coach did not treat everyone equally. That day, the emotional balance that had kept the group together was smashed into a thousand pieces.

Eto'o's statement uncovered the growing functional and emotional imbalance of team. On the one hand, the equation of work and contribution to the team of Ronaldinho was no longer satisfactory; some players no longer accepted that the Brazilian should be allowed to work less because he was no longer as decisive as he had been before. On the other hand, and as a consequence of this, other players started believing that they were also entitled to similar treatment, and not have to work so hard, because they could take over the decisive position previously held by Ronaldinho. More players – including the Brazilian Edmilson – complained about that matter, even saying that there was a “black sheep” in the changing room. They all agreed that the team's structural and emotional balance had been damaged in some way.

Of course, not everyone has the same job to do in the team, nor can they contribute the same talent and work. Some have to work harder than others, and others get more praise and attention. Because of this, not everyone should receive the same rewards, but the differences have to be fair and accepted by the team members. For the team to be balanced, each player must do what is expected of him, carry out his role for the benefit of the group, rigorously and generously.

Josep Guardiola brought this balance back to the team, which had been lost in 2006–08. He decides the line-ups intelligently to

make the most of each of his player's qualities at the right time, so that all the members of the team feel they are participating and train hard every day to make sure they are ready to play when needed. His decisions have been fair, after making it clear to every player what his role is in the team.

Frank Rijkaard also acted the same way in 2003. He was a demanding, but fair, coach. I remember a UEFA cup match in Slovakia, against SK Matador Puchov. Just before the match, when the line-up had been announced, Gerard López, who was to be one of the key players, answered a mobile telephone call while he was in the changing room. This contravened the internal rules. As a result, Rijkaard punished him by leaving him on the bench. He did this in spite of the fact that Gerard was the only organizing midfielder available in Slovakia that day and that his decision could create a serious problem for the team. The match didn't go too well and Barcelona drew with a very weak opponent. Rijkaard considered that upholding discipline in the group was more important than the result of the match. He said, "Gerard made a mistake and I couldn't tolerate it." Barcelona won the return match 8–0, with Gerard on the team.

During his final season, Rijkaard worked hard to recover this firmness, but he was not successful. There was one significant moment, a week before the match against Real Madrid at Camp Nou. That week, Rijkaard was coming down hard on both Ronaldinho and Deco. He spoke hard to them in public on more than one occasion during training, especially to Ronaldinho, forcing him to do some extra exercise just when he was making his way back to the changing room with his other colleagues, at the end of the training session. Ronaldinho was not as fit as he could have been at the time, and his behavior was not appropriate. As a result, he was not training with the supposed line-up that would face Real Madrid. Hardly anybody thought the Brazilian would be in the line-up for that game, also because Icelander Eider Gudjohnsen had been playing well in Ronaldinho's position. Some media seemed to be starting a campaign to defend Ronaldinho, saying it would be strange for Rijkaard not use his talent for such an important game, and a lot of fans agreed with that. In the end, Ronaldinho and Deco were in the line-up against Real Madrid, a match we lost 0–1.

The rest of the players didn't understand the decision: they thought it was unfair and the team balance continued to be disturbed.

In 2007, one of the most important players said to me: "The coach lost the respect of the group on the day of the match against Madrid. We had been training all week with Gudjohnsen on the team and with Ronaldinho on the bench. This was reasonable, because Ronaldinho was in alarmingly bad shape. When it came to the crunch, Ronaldinho played. It was unfair and we thought Rijkaard had let himself be influenced by those around him."

In hindsight it is easy to criticize that decision, and I think that a lot of fans, coaches, and journalists would have come to the same decision as Frank Rijkaard. He put the best available talent on the field in that match against Real Madrid. I also know that he did not let anybody influence him, and that he did what he thought would be best for the team. But time showed that this was not the right decision.

To maintain balance you have to be very demanding of the team and of yourself, and at the same time you have to be fair with your assessments, praise, and recriminations. The best thing that players can say about their coach, and I have heard players say this when talking about Josep Guardiola, is that "he is hard on us, but fair." The team's balance is achieved by planning, communicating, and making fair, uncompromising decisions.

The concepts of talent, commitment, and balance are applicable to other industries, sectors, and companies, although its implications in football are more critical because victory can depend on no more than an inch, an extra effort at the most decisive moment, an additional commitment from the center forward to stretch his foot a bit more to score the goal – but only after a balanced team, that has trained collective movements and physical fitness, has given the scorer the final pass.

The archetypes of a winning team

I believe if you observe how people think and behave in successful management teams, you could classify them into three

archetypes, three models of thought and behavioral patterns, which I call the “visionary,” “Dr No,” and the “backbone.”

The visionary

A good visionary chooses among his or her dreams the most positive and feasible. He is the one who sees ahead, the one with the positive attitude. He is the master of the organization's “mission statement,” and he channels all his effort into making it reality. Some of the best visionaries have ways of reasoning that seem unpredictable, because they do not follow linear logic but make intuitive leaps forward in their reasoning, and they set goals which at first glance seem impossible or very difficult to achieve. In their commitment to achieve them, they inspire and push the organization.

Enthusiasm and courage are two of the visionary's characteristics. His strength is contagious and he exudes excitement, a positive excitement that impregnates the group with enthusiasm about what he is suggesting. Being a true master of intention means believing, being convinced, that the goals you set will be achieved. Sometimes this means looking after the small details or taking notice of things that appear completely unrelated. You have to know how to read and interpret them, making them into positive facts that benefit the goals set, ignoring negative predictions, threats, and looming dangers.

How many visionaries have you been excited or shaken by?

A good visionary is one who knows how to choose his dreams in a feasible and very positive manner. He doesn't have many dreams, but they are often very ambitious ones. This is because he knows he can't fail too often. If he does, when he talks about a great dream and it does not materialize, his followers lose confidence and he loses his status as a visionary, which is tantamount to saying that he will lose the essence that defines him. He will cease to be what he is. In other words, a good visionary also has to have good judgment. Visionaries who overflow with unjustified optimism, each and every day, expressing a never-ending flow of ambitious ideas, become irrelevant.

Then there are the occasional visionaries. They are valid for one action, one moment, when they have the courage to imagine something that seems impossible, take the first step forward, and manage to get others to follow them. If they are smart, this type of visionary allows others to take over and continue with the work, when less daring is needed and there is no longer a need to take such big risks. However, if they are not that smart, or are too selfish, they will continue to lead, taking new risks every day, feeling unstoppable. In the end, this type of visionary does not take the organization to a good place and his original dream is devalued.

In terms of what happens on the football field, the role of visionaries is usually assigned to the most talented players, the most unpredictable and brilliant, the ones who are capable of seeing moves that no other is capable of sensing, who anticipate other players' movements, and send the ball to where the opportunity *will* be, as opposed to where the opportunity *is*. These players tend to be offensive, in attacking positions, as forwards or midfielders.

Dr No

Dr No, as his name clearly states, is the person in the organization who often tries to scupper the visionary's plans, maybe even telling him that what he is proposing is impossible. He is at the opposite end of the scale to the visionary and he is just as necessary, as he contributes prudence, perspective, and cold analysis. He is the one who brings a dose of reality to all the discussions. He is also the planner and controller, which is why this role is often assigned to people with a finance profile and background.

Because Dr No is a person who may be disliked in an organization, he is only effective if the other members of the team respect him, especially if this includes the visionary. Because Dr No often gets into dialectic arguments with the visionary, these two figures must respect each other. This is essential to achieve positive results for the group.

When, in the summer of 2003, we faced the challenge of organizing FC Barcelona, we knew that the management team needed

a good Dr No. Football clubs are excitement factories and as such they are full of visionaries, people inside and outside the club with fabulous, amazing, and extraordinary ideas for making the club victorious. The risk of taking decisions on an emotional basis, especially after unexpected or inappropriate defeats, for example, is very high, and in a big football club every decision costs a lot of money. We needed a Dr No and we found her. Anna Xicoy was initially financial director and then managing director, a position from which she made a good contribution to managing the club.

During the years we were on the management board of FC Barcelona we came into contact with a lot of Dr Nos from other teams. These people usually have a lot of decision-making power in their organizations, but they work outside the media spotlight. I am going to give you two examples.

The first is FC Bayern Munich. This German club had a well-defined, balanced leadership structure and undisputed weight in the world of football. Its chairman was Franz Beckenbauer, a person who as a Bayern player and a member of the German national team won all the titles possible. Karl-Heinz Rummenigge was the managing director and has a brilliant past as a player. He represented the club in Germany and internationally. He has a serious, firm attitude, in accordance with his prestige as a footballer. There is also Uli Hoeness, the technical director, who was involved in, with Beckenbauer, one of Bayern's most successful periods and was also on the German national team. Hoeness has also participated in club forums such as the G-14. He is a less diplomatic person, and far more direct to deal with. You can see that he knows football, the players, and what happens inside the teams very well. However, a key person in the Bavarian club's management was Karl Hopfner, the financial director. He had a great deal of influence at Bayern. Fair and prudent, he has the classic profile of a financial manager. If you want to buy and sell a Bayern player, he is the one you need to talk to. He is Dr No at Bayern Munich.

The second example is Juventus FC, which is quite similar. The management team leading the Torino club comprised three people, although only two of them are familiar to the general public. One was Roberto Bettega, a prestigious former player. He

was clever, experienced, and represented Juventus very well in the football world. The second was Luciano Moggi, the technical director. He was a person who made you feel rather uneasy when you were with him, even a bit frightening. He spoke very little, and when he did, it was only in Italian. You never knew whether you were in front of one of those personalities who created a public image based on talking very little to make it seem as if he knew a lot more than he was saying. However, there was a third person, Antonio Giraud, the real Dr No at Juventus. Economist and financial manager, he was the Managing Director of Juventus FC.

On the playing field, Dr Nos are found, ideally, in defensive positions. They are players who opt not to take risks unless it is absolutely necessary, and care, more than others, about not letting in goals. They are prudent, they try and take control of the match, they give orders to their colleagues to maintain their tactical discipline, and they prevent them from recklessly abandoning their positions.

The backbone

When the visionary and Dr No have finished arguing about the idea, the backbone takes their decision and puts it into practice. It becomes his task. The characteristics that best define them are drive and perseverance; they have a sacrificial spirit and are tireless workers. The backbone gives balance to the group and also provides an overview of the situation because he sees, perhaps better than anyone, what is required to achieve the objectives. He looks at the job entrusted to him in a positive way, finds the best method of achieving the required result, and puts it into practice.

I have seen teams with visionaries and Dr Nos that never manage to turn ideas into reality, however good they might be, because they can't find anyone in the group to make it happen, nobody to take on the job of turning ideas and projects into reality.

The backbones of football teams are the players who give stability to the ensemble. They understand what the pace should be at

each moment of the game and whether they have to cut some slack for the visionaries or the Dr Nos. They are most often found in the midfield and, when it comes to managing the team, they are a type of extension of the coach on the field. In fact, football journalists often talk about players who “hoist the team on their backs.” They do this at the most critical moment, and it is infectious, affecting the rest of the team, propelling them towards victory. Team backbones tend to be generous, self-sacrificing people. They do their jobs with pleasure, but they also need the recognition of the rest of the group.

At each moment and in each circumstance affecting an organization you have to ask yourself what combination of visionaries, Dr Nos, and backbones the management team needs. And which of them has to be the leader. There is a tendency to think that the visionary always has to be the leader, but that isn't so. There are circumstances and times when order and control are more important to the business or organization. That's when the leader should be Dr No. Sometimes, when everybody can see very clearly what needs to be done, and it is time to get down to the nitty gritty, put the pedal to the floor, and get it done, the leader should be the backbone.

In the same way that in the business world or in organizations there might be people who know how to fulfill more than one of these three roles at any given time as demanded by the circumstances, you can also find players who share the characteristics of more than one type. When it comes to putting the team together and deciding the tactics and line-up, the coach must decide what balance of visionaries, Dr Nos, and backbones the team needs for a specific game – depending on the opponent and the circumstances. During the match there can be changes in the dynamics, introducing larger doses of visionaries, Dr Nos, and backbones to change or maintain the results.

Training and developing a team

Close observation of life and the evolution of company management teams made it possible to recognize common stages in their training and development. Using these commonalities it is

possible to try and establish a theory. The theory started being formulated in 1965 by North American psychologist Bruce Tuckman, who established four stages in the development of a team: forming, storming, normalizing, and performing.

The football clubs' management teams are an interesting example for observing what happens in these four stages. They are particularly instructive in clubs where boards have been chosen by the fans and directors do not receive any remuneration for their work.

Forming

As its name indicates, this is the stage during which the team is formed. Its members start working together. This might be the first time they have ever worked together. They set the goals they want to achieve, identify the challenges they face, and plan ahead. In this phase, all the members of the team contribute all their knowledge and expertise. However, they are a group of individuals and they do not yet form a working team. This is the time when they get to know each other. Everybody sees and learns how each of the others reacts to the challenges they have set and the pressure they might be under.

In the case of the Management Board that was elected to FC Barcelona in June 2003 it was like this. Although on the one hand the level of commitment and enthusiasm in the project from all the board members was of a very high order, at the same time hardly any of us knew each other. The list of candidates was made up of friends and acquaintances of an initial, small nucleus.

Today, looked at in hindsight, it was clearly a little risky, and a situation that was bound to have a lot of impact in the future. We all met as a group two months prior to the elections. Some of us left our jobs and put ourselves to work to win the elections to enable us to manage a club that was then a money-losing machine. FC Barcelona would end the 2002–03 season with operational losses of around €73 million. By law, we would all have to guarantee €25 million of our personal assets against future losses. The level of commitment was frightening. A few of

us knew each other well, but the majority were just familiar names.

During this formation stage, as well as their own contribution, the members needed to be aware of what the others were doing, to coordinate and build the team. This was critical for us to be able to face the storming phase with some chance of success.

Storming

The storming stage is inevitable, especially when the new members of the team hardly know each other. Storming happens because of the competition generated around the ideas, projects, and responsibilities corresponding to each. This is the time when the leadership becomes structured, limits are set, and viewpoints are harmonized as much as possible and any remaining differences are settled. This is a critical stage; in fact, there are teams that never manage to get over it and break up.

Conflict is inevitable. It is normal for some members of the group to feel let down because they don't get the job they want, the responsibility and power they aspired to, and which they believe they can manage better than the one who has been chosen. This might be an open conflict. In this case, the ones who feel aggrieved clearly become the central figures in the conflict. However, hidden conflicts may also exist. When this happens, people hide their disappointment. Normally, both situations coexist: in the same conflict there are people who are visibly annoyed and others who only express annoyance in private. There are also sensible people who will get the objectors to face their disappointments and discuss possible alternatives.

In any case, to prevent the group breaking down before it should, the more mature and more experienced members of the group must intervene to establish points of understanding and provide balance. The role of the leader, or leaders, is essential. They should make themselves available to all the members of the team, be patient and tolerant, but, at the same time, they need to be firm when the situation calls for it. What is certain is that conflicts have to be resolved. Putting them to one side and hoping they will go away is a serious mistake, because these

disagreements are certain to come back at a later date, in the same way as they did the first time, and possibly with more virulence.

The Management Board of FC Barcelona that arrived at the club in June 2003 didn't take very long to enter the storming stage. Three months after winning the election and taking possession, the conflict exploded very visibly and significantly.

One of the members, who was leading one of the groups, was responsible for a very noisy conflict. At first sight, from outside, it seemed to be a conflict about responsibilities. However, as tends to happen in all organizations, there were problems with egos and vanity.

The question of the vanity of the members of a management team is important and decisive. We are all vain to some extent. Maybe a lot, maybe a little, but we are all vain. In the case of the management boards of football clubs, the vanity of their members is a massive challenge. Unlike companies, where the managers are basically remunerated with money, at football clubs, in the absence of monetary compensation, directors expect to be compensated for the time they spend and for the pressure they have to tolerate with personal satisfaction, recognition, and power. Football club directors do their jobs because they are passionate about and love their clubs, and for the excitement. These are the main driving forces, but there is often an element of desire for public recognition that they admit to a greater or lesser extent. Managing the vanities of each of the members, the degree of fame that each aspires to, is very difficult.

Both the footballers and the directors read the sports publications and the sports pages in the newspapers from top to bottom. Whether their name appears in the corner of page 7 or not, whether or not they are words of praise or criticism, or whether they are mentioned more or less often than others – this is important and affects their mood for the whole day: negative or positive reportage can either put them in a foul mood or boost their self-esteem. Readers might think this is rather ridiculous, but that's the way it is. It's human nature. Maturity and experience are very necessary. After a few months, after a few tantrums and a few doses of self-esteem, good directors manage to read the

papers without letting them have such an emotional effect on them.

In the case of the FC Barcelona Board of Directors, the storming that took place in 2003 and went on until summer 2005 caused management problems in the club for 18 months. There were tensions and discrepancies, some of which came to light and some of which did not, and there were attempts to use the media to favor certain people or positions. This led to the resignation of part of the Management Board in the summer of 2005. The resignation of the directors became a divisive force and a source of controversy during the whole term of that particular board. Those directors brought forward a vote of no confidence, and other media and judicial measures against the ruling board until they won the Management Board elections in 2010. One of the first decisions they then took was to initiate a court action against the former chairman. That, however, generated an institutional disruption, the consequences of which, even today, are difficult to assess.

As a consequence of this upheaval there were changes in the leadership style, which had to be adapted to enable us to get through the storming phase. Alterations to the internal leadership, the generation of suspicions, reinforcement of the leader's authority in order to protect him from possible "mutinies" – those were the changes that took place after the storming. The group stabilized and consolidated but then cracked from side to side after the opposition's next attack in the shape of a vote of no confidence in 2008.

FC Barcelona is not the only case. I remember sitting down to eat next to Juan Mendoza, vice chairman of Real Madrid on Ramón Calderón's Management Board. The director, son of the former chairman Ramón Mendoza, is an experienced business manager. The conversation took place in 2006. They had just been elected to the presidency and board of Real Madrid. Mendoza junior explained to me how the Management Board was organized, how well balanced they were, and, specifically, that Calderón's job would be more representative, while Mendoza himself would take on a larger part of the management work, as befitted his business experience. However, less

than a year after this conversation, Mendoza offered his resignation. Although the reasons he gave were the usual, personal-type ones, the information in the newspapers during that time led us to believe that the problem was to do with the expectations that had been generated among the candidates but which had not materialized when the Management Board was formed. Chairman Ramón Calderón had taken a more significant role and more power than had initially been agreed. That was the first storming for that management team, soon to be destroyed by Chairman Calderón's resignation and the return of Florentino Pérez as the Real Madrid chairman just two years later.

During the storming stage, the members of the team must act with all the maturity they can muster. They must be patient and tolerant, find points in common, and listen to everybody. If they can't do this, they must be prepared to make drastic decisions.

Normalizing

When the management teams have got through the storming stage, which is unavoidable, they move into the next stage: normalizing. By now, the members of the team have adapted their behavior to the group's needs. Everybody now knows, more or less, what they are supposed to do and how they need to behave with the other members of the group. The rules might have been put down in writing, or they may have become established practice. The risk of the group losing creativity is very high during this stage. This loss of capacity to innovate, of doing extraordinary things, is replaced by group thinking, by majority opinion, which, normally, is less daring than the individual type. This doesn't always have negative consequences – quite the contrary. There are many times in the life of an organization when innovation and extraordinary things need to be set aside to concentrate on managing ordinary day-to-day matters, which were planned long ago.

This is a time for introducing efficient management. The FC Barcelona Management Board, taking power during the 2003 elections, also had a phase of normality. This happened in 2005

and 2006, after getting through the first storming stage. This was a very productive stage for the present and future of the club. We set in motion and carried out projects that were extremely valuable to the club. During that time, the strong, cohesive management team signed a new television contract, a new sponsoring contract with Nike, created the alliance with UNICEF, and a long list of other activities, all coinciding with the club's greatest achievements on the pitch.

Later, several changes in the Management Board and the behavior of its members and different external circumstances would end up causing new storms and ruptures, in a sort of cyclical pattern that seems to occur in some clubs.

Performing

Some management teams manage to reach the fourth stage of development, which is when the group becomes consolidated. This is the time when the team acts as a genuine unit. There are no gratuitous, unnecessary conflicts, unless the conflict arises from external problems. Its members respect one other; they respect their abilities and respective personalities. They feel free to express their opinions without fear of their being misinterpreted. They communicate fluidly and the results seem to flow easily.

We have all been through stages like this, and have happy memories of them. These are moments when the wind is always with us, when we feel close to our colleagues and share success with them. These good moments come in the sports world, but also in business organizations. I have experienced them, and I hope you have too.

Teams go through these phases several times. They do not have a linear life; quite the contrary. They move from one stage to another, backwards and forwards. What is most important is to be constantly aware of which of the four stages we are in and to behave accordingly, appropriately to the phase, for the good of the team and the outcome.

Questions about our team

1. What is our (commitment × balance)^{talent} formula?

- Have we got enough talent? You can't win without talent in the mid-term. We need to acquire it or train it.
- How committed is the group? Is it genuine and intrinsic? What can the leader do to improve motivation and increase commitment?
- Is the team sufficiently balanced? Does everyone know and accept what they have to do?

2. Do we have the right combination of visionaries, backbones, and Dr Nos?

- Who are the visionaries and how do they act?
- Are the Doctor Nos getting enough respect?
- Who are the backbones? We need someone we can trust; someone who we are sure will put things into practice.
- Who should be the leader of the organization and the project at this moment? The visionary, the backbone, or Dr No?

3. Which stage of development of the team are we in?

- If we are in the formation stage, as well as contributing everything we know, are we making an effort to learn how the other members of the team behave to enable us to coordinate?
- If we are in the storming stage, are we being as mature as we can be? Are we working to establish points of understanding?
- Are we being patient and tolerant enough? Are we ready to take drastic decisions if the need arises?
- If we are in the normalization stage, are we being alert enough so as not to fall into group thought? Are we losing our impetus or capacity to innovate?
- If we are in the consolidation stage, let's enjoy it and build strong personal relationships that will be helpful to us when a new stage of agitation begins.

Leadership: Dr House, Frank Rijkaard, Pep Guardiola, and José Mourinho

In very simple terms, the leader's job is to get the right results from the group. To be able to get them, he needs a team with the right amount of talent and motivation. The leader must find the best use of the abilities of each member of the group and make them available to the team in the service of the desired outcome.

Football is a complex sport and it provides excellent opportunities for studying the different leadership styles needed at different times and in different circumstances. Football examples allow us to analyze the essential qualities of a good leader in the ever-evolving 21st century: to what extent the leader needs to evolve and improve every day, and how the leader has to understand the group he is managing and adapt his leadership style accordingly.

Leadership and charisma

There is a certain tendency to consider that leaders are born and not made. If this were true, it would mean that the ability to lead groups of humans is innate and not learned. This is not actually the case. Leaders can also be created through effort, study, and daily work. The error lies in the common confusion between leadership and charisma, the latter being more socially attractive. Leaders who do not develop and recycle their abilities, relying only on their charisma, become only temporary leaders.

“Leadership” merely refers to the status of being the leader of a group, while “charisma” is a quality or moral ability of a certain person to guide others without using any type of coercion. Charisma is not essential for people who want to be the head of a group of humans; however, it is very useful for winning its leadership or, at very difficult times, when it is necessary to gain the group’s trust to make difficult or tough decisions.

In the end, the essence of leadership and charisma lies in the legitimacy of the person holding or enjoying it, and this legitimacy is granted on a temporary basis. To keep it current it must be renewed every day through achieving positive results for the group: you can’t get good results without work. In the same way that artists need to be inspired while at work, so leaders have to put their charisma to work, if they want to keep it.

Forming the team

Of all the decisions that the leader needs to take, the first will probably be around forming the team: choosing the members and the leadership structure and style. In football, the composition of the team is largely dependent on the club’s financial resources. However, whether the club is very rich or is more modest, the leader is sure to do well if he adapts to the players and the other members of the team rather than trying to get them all to adapt to his ideas and ways. FC Barcelona’s record from the 2003–04 season is a very good example of a practical case of leading and forming teams.

A new team

In the summer of 2003, FC Barcelona was a rather devalued club. The new Board of Directors appointed Txiki Begiristain to lead the team as Football Director, and Frank Rijkaard as coach. They inherited a team that had barely managed to qualify for the UEFA Cup by ranking sixth in the Spanish League (the last position that would give access to playing in a European tournament) thanks to a home victory against Celta Vigo in the last game of the season.

Begiristain and Rijkaard were instructed to put together a team destined for sporting success that would play with the style that the Barcelona fans liked. FC Barcelona had just finished its third season without winning a single title, and it just had to put an end to this run of defeats. They were given total freedom to create a new team, subject to the various constraints affecting the club at the time. They wanted to strengthen the entire line-up. They signed: goalkeeper Rüstü Reçber who had just played a very important role in the World Cup in Korea and Japan with the Turkish national team; Pedro Mario Alvarez from Valladolid; the central defender and captain of the Mexican national team; Rafael Márquez, who had the experience and quality required to make the jump to FC Barcelona; Portuguese far right Ricardo Quaresma from Sporting Lisbon, a promising young player; and Brazilian forward Ronaldo de Assis Moreira “Ronaldo” from Paris Saint-Germain, who was already a Nike icon and had started to shine in the football heavens as an emerging media star.

In general, the signings in the summer of 2003 were dictated by the club's financial situation. All these additions were relatively cheap. There was no transfer fee to pay for Rustu because he was free. Márquez cost €8 million and Quaresma cost €6 million. Mario was loaned with an option to purchase him the following season. We made financial efforts to enable us to sign Ronaldo, who was to be the kingpin of the new project. We brought in Quaresma but lost Cristiano Ronaldo, who was signed by Manchester United, because we could not beat the English club's offer. We thought €18 million was too high a price for a player, who ended up in the Real Madrid team six years later for €96 million! At the end of August we dropped the idea of signing Anderson Luiz de Souza “Deco,” not only because of the difficulties involved in raising the €15 million that Oporto wanted for him, but also because after seeing him for the last time in Monaco in the Super Cup final against AC Milan, we considered his role had already been covered by Ronaldo.

Txiki Begiristain and Frank Rijkaard were looking to create a team brimming with technical talent, but coming from hungry players that had not won titles before and thought that FC Barcelona would be the ideal club to do so. This was critical to

get very high commitment from these players and get them to sign contracts under which a good part of their remuneration depended on their individual performance and on the team winning titles. That ended up being not so difficult. The Football Director and the coach were fully aware of the financial situation of the club since we had been very open with them. As an example, Rijkaard made clear that if Ronaldinho would not sign, he would work with Juan Román Riquelme – the Argentinian midfielder who ended up at Villarreal – and get the best out of him instead. The leaders were committed and ready to adapt to whatever they had available.

Rijkaard was also very smart in giving opportunities in the first games to the more veteran players who had led the team the previous season, starting with the captain Luís Enrique, as a sign of respect. The latter felt he had Rijkaard's respect, later accepted his substitution by the newcomers when it happened, and ended up helping Rijkaard to manage the group and make room for their younger colleagues.

Getting rid of team members

When we started managing the club, weeks after winning the elections, we dismissed seven of the nine executives who were serving on the management committee. We knew that when you have to change course radically you need to change the leaders, almost regardless of their technical competency. This was a difficult, painful decision to make. It was announced and implemented one Friday afternoon. On Monday morning, we called a meeting of all the club's employees to explain the strategic plan and the actions to be taken for the club's financial recovery. More than 200 people in the room listened and watched the ambitious recovery plans on a screen. In one year we would have to go from losing €73 million to breakeven. At this meeting I promised that there would be no more dismissals: "We are who we are here and together we will move ahead." This meeting and the promise that nobody else would be dismissed were crucial to get that group of people to commit to the club's recovery.

Begiristain and Rijkaard, as leaders of the football team, also had the responsibility of deciding who would have to go. In light

of the financial difficulties, we could not change as many players as we would have liked; so we would finish the renewal process during the coming seasons as the players' contracts expired. Even so, we were jointly responsible for a decision that only over time would show itself to be wrong. I am talking about the option not to register players Bonano and Dani and instead have them training outside the group. The Director and the coach, decided they did not want these players but the club could not transfer them for several reasons, including the players' attitude. So we decided not to register them as first team players, instead training them separately from the rest of the squad. This mistake took its toll during the rest of the season, causing constant discomfort. It was a rather unfair situation, which led to regular statements in favor of the excluded players, putting the first team players in an impossible position because although they supported their colleagues they didn't want to say anything against the club. This was a lesson worth remembering.

It is necessary to make firm decisions in the formation of a team, with the leader choosing the best performing players. However, once this is done, we should work with all the members of the team, hence treating everyone equally and keeping the group in harmony. In 2008 Josep Guardiola made use of his power to decide and discarded players in order to configure the team he wanted. He stated he didn't want Ronaldinho, Deco, or Eto'o in it; despite their being the three key players of the team, they also generated negative dynamics that Guardiola was eager to change. The club found an outlet for the first two players, but this wasn't the case for Samuel Eto'o who remained one more year in the club, worked his socks off, and became a key element in the achievement of the many titles won by FC Barcelona in its most successful season so far.

In search of balance

Begiristain and Rijkaard had a second opportunity to reconfigure the team's composition. This was in the winter of 2003. The team had started very badly. In fact it had one of the worst first halves of the Spanish Championship ever seen. We could not find any way to win at Camp Nou. Our direct rivals – Deportivo

de la Coruña, Valencia, and Real Madrid – beat us three times in a row. And then we stopped winning points away and, even worse, the team was taught a hard lesson at Racing de Santander and Málaga. We needed to find some way to turn things around. There was a possibility of bringing in new players in January. The coach and the Director had very clear ideas about what the team was most seriously lacking. They believed it needed a center player to give strength, consistency, and balance. Rijkaard and Begiristain, following Johan Cruyff’s advice, chose a Dutch player from Juventus, whom they knew very well. It was a good decision and results came straight away. Edgar Davids brought consistency to the midfield that had been lacking during the first half of the season, and the team became a lot more balanced and stopped breaking down in the middle. The tactical layout also changed to 4–3–3. Davids also added a dose of character and aggressiveness. A veteran FC Barcelona player told me about Davids: “Before going out to train today, he thumped me on the chest and said, “Go for it, eh!” The Dutch midfielder released Ronaldinho from the defensive job he had been given, while filling the gaps that the Brazilian was leaving behind him in the field. Ronaldinho was able to reach the final phase of the game much more rested, and the team benefited from it. The second half of the Spanish League was spectacular, including a 1–2 victory at Santiago Bernabeu, and Barcelona finished in second place at the end of the 2003–04 season, a result that we had not even dreamt of in the previous months. The results we got from the decision to sign Edgar Davids also made the group trust Rijkaard, and this boosted his leadership.

Completing the champion team

Davids decided to leave in the summer of 2004. We also had to replace the center forward Kluivert, who did not perform as well as expected. The coach wanted us to sign a midfielder who would do the consistent, balanced defense as well as the attack tasks, which Davids had been doing for the past six months, and a center forward who would guarantee 20 goals per season.

The first contract we signed was with Brazilian/Portuguese player Anderson Luiz de Souza “Deco,” changing the criteria

that drove us not to sign him the previous summer. The reasons behind this change of opinion were, on the one hand, the value of having a player to free up Ronaldinho, as Davids had done, and, on the other, statistics that showed that Deco was excellent at recovering the ball. This was an aspect that, while watching him play, went less noticed because his talent made him appear a more offensive, technical player rather than a working, defensive element. During his years at FC Barcelona, Deco proved himself to be an extraordinary player, capable of contributing to the balance between attack and defense that the team needed, setting the best pace for the game each time.

I well recall a conversation that summer in Tokyo with the second coach, Henk Ten Cate, who got a bit nervous when he saw that the club was signing a midfielder but delaying the signing of the center forward they had asked for, which he considered was more of a priority. We chose Cameroonian player Samuel Eto'o from Mallorca. It took longer to close the contract because Real Madrid also had some ownership rights, but they were unable to add the scorer to their team because they already had the maximum foreign players permitted in their line-up. Real's idea was to exercise their rights and then transfer Eto'o to a third team, thus blocking the move to FC Barcelona. The negotiations were long and difficult, but the Cameroonian player chose Barcelona. He was instrumental in achieving extraordinary sporting success for the club in the following years. FC Barcelona won the Spanish League in the seasons 2004–05 and 2005–06, and the Champions League in 2006, practicing good, spectacular football.

The search for continuity

From the 2006–07 season onwards, the club's financial situation greatly improved. The sporting success and the management turnaround brought more financial stability and allowed the Football Director and the coach to make decisions with fewer restrictions than the ones they had been having so far. The challenge was then different: choose the players to improve and give continuity to a team that had already won several titles. As

always, in the initial stages of the signing process Begiristain and Rijkaard didn't talk in terms of specific names but of team positions that needed to be strengthened and the type of player needed to do the job.

In the summer of 2006, the team was in a very decisive phase. They had won the Spanish League titles for the second season in a row, as well as winning the Champions League. The coaches knew they had to strengthen the group, generating a competitiveness that was needed so that none of the team's star players would relax and think that their places were safe. The team also needed an injection of experience. Rijkaard expressed this in a rather peculiar way by saying, "This team needs more married players."

That is why Frank Rijkaard wanted a veteran center defender with a strong personality in whom he could place his trust. Rijkaard and Begiristain chose Lilian Thuram from Juventus. They also looked for a right defender, to give more variety to Oleguer who was not much of an attacker, and they did not trust Belletti's defensive abilities. They wanted a very experienced, solid defender. They opted for Gianluca Zambrotta, also from Juventus, who had excelled himself in the Italian team at the World Championship in Germany. Another of their priorities was to acquire a working, multipurpose forward to substitute Eto'o and cover the absence of Larson, the Swedish player. The player chosen was Thierry Henry, the Frenchman from Arsenal. He was a top player, who would put pressure on Eto'o and Ronaldinho's positions and was able to play on the two fronts of the attack. The Frenchman was willing to come, and we got very close to signing him. At the eleventh hour, the day after we won the Champions League in Paris, against his team Arsenal, while we were celebrating the victory at Camp Nou, Henry announced that he had decided to stay with the London team. After that, Rijkaard asked for Eidur Gudjohnsen from Chelsea, although Begiristain preferred Diego Forlán. The Icelander was a highly capable worker, while the Uruguayan had the ability to score more goals. Ultimately, it was Rijkaard who got his way. Finally, that season, we won nothing. The problem wasn't about the talent, but about commitment.

Competition to renew commitment

The following summer, after a disappointing end of season because we had lost the Spanish Championship on the final day on goal average against Real Madrid, after failing to make the most of a substantial points advantage, the club quickly made great economic and negotiating efforts to satisfy the coach's needs. Frenchman Thierry Henry was brought in to give Ronaldinho and Eto'o the competition they had lacked during the previous season. We also signed a very strong, defensive left-winger – Frenchman Eric Abidal from Olympique Lyon; a solid center defender who was very familiar with the Spanish League – Gabriel Milito from Zaragoza; plus a sturdy midfielder from Côte d'Ivoire named Yaya Touré, who had been playing for Monaco.

The leader has an essential role in motivating and getting commitment from a group. First of all, he needs to be self-motivated, and make this commitment visible and contagious. The leader should be the first person to get up every morning, convinced that the project makes sense and that the team will be successful. When the leader is the first to come into the office with strength and conviction, it motivates the rest of the team. The leader's second task might be to partially change the team by adding new people, who come in with new motivation and a high level of commitment, capable of infecting the rest. It might also mean getting rid of team members who are less motivated or committed, and that would be especially tricky as these players are amongst the leaders of the group.

At FC Barcelona we tried a partial renovation of the team to reactivate commitment and motivation in 2007, but we failed. The new team members were certainly motivated and committed, but their impact on the group was not enough, and results were worse than those of the previous season. This is a classic, complex management challenge: to recover the performance of a team by changing the leader and some key members or to reinforce the confidence of the existing group.

At FC Barcelona, the strategy of renewing confidence in the leader and the integrity of the team did not work for us in 2007. We had to wait until the next season before we could introduce an alternative strategy: change the leader (Josep Guardiola), the leadership style, and some key players. This strategy did work.

Guardiola decided to let two of the most charismatic leaders of the group go: Ronaldinho and Deco. He also thought about letting Eto'o go. Ronaldinho went to AC Milan, Deco went to Chelsea, but Eto'o stayed and played a decisive role in the extraordinary results achieved. Guardiola also changed the leadership style, to the one the team needed at the time.

The size and composition of the group

Leaders also choose the type of group they want to work with. The examples of Josep Guardiola and José Mourinho leading two of the greatest football teams in the world are very interesting and instructive.

Guardiola always prefers working with smaller groups with stable hierarchies and not a lot of internal competition. In the years that he has been leading the Barcelona first team, the number of squad players has diminished and some of the new signings that have arrived at the club have known that they would be reserves and that they should not question the existing hierarchy. Guardiola chooses to work with 14 or 15 players that have his total confidence. The end result is a very stable playing style and a changing room that doesn't harbor much conflict. The obvious risk is a potential lack of resources in case of injuries or fatigue during the long seasons. It also limits in some way the alternatives that the coach has to change the course of a game, by changing the players on the pitch for others of significantly different skills or playing style.

Mourinho's strategy is different. Whether in Chelsea, Inter Milan, or Real Madrid, Mourinho works with bigger groups, with many well-known and talented players competing for the line-up. Mourinho assumes the complex task of managing his players' egos in exchange for having that much talent at his disposal.

Choosing the leadership style that the team needs

The most resilient leaders adapt themselves to the characteristics of the group they are leading, rather than insisting that the group adapt to the leader's way of thinking and working. These leaders also change their leadership style as the needs of the group change.

Figure 5.1 shows four possible typologies for defining teams. The horizontal axis shows the group's talent, while the vertical axis represents the level of commitment to the project.

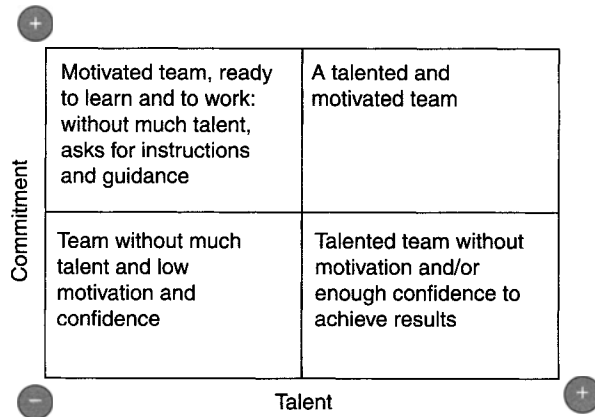


Figure 5.1 Four possible typologies for defining teams

Depending on the combination of commitment and talent that the group has, the leader has to choose a leadership style and balance the team to complete the formula $(\text{commitment} \times \text{balance})^{\text{talent}}$ that maximizes the chances to achieve the desired results.

Figure 5.2 shows which leadership style the leader should use according to the four typologies defined in Figure 5.1.

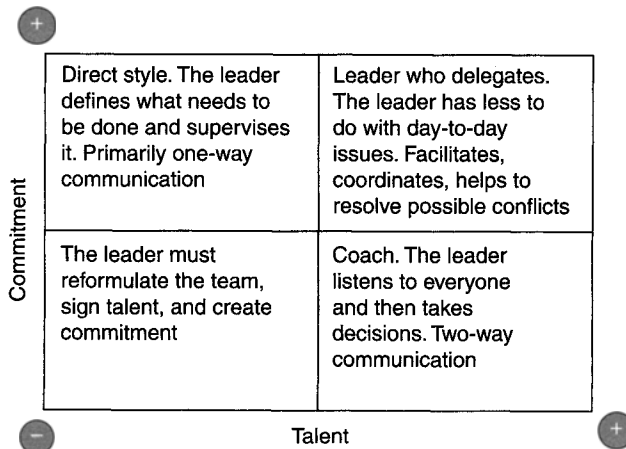


Figure 5.2 Leadership style according to team typologies

When Frank Rijkaard took over as leader of FC Barcelona's team, he was handed a talented group that, because it had not won a title for so many years, was extremely lacking in self-confidence and motivation. The Dutch manager did a good job of identifying the team's needs and took on the role of *coach*, in that he spent a lot of time talking to the players, listening to them, and, when necessary, took firm decisions in the interest of the group. The members of the team gradually sensed that in Rijkaard they had an experienced colleague who would help them, who also had a firm attitude and would be the boss when the situation called for it, always acting for the best of the group.

The team started winning, and along the way it became more confident in its potential and more motivated and, appropriately, Rijkaard's leadership style evolved toward delegation. It allowed for a certain degree of self-management, justified by the level of talent and motivation of the team, and so his role shifted toward coordination and conflict management, speaking to the players in an approachable tone, always encouraging dialog rather than adopting authoritarian measures. In 2005, Deco said they had won the league that year thanks to the fact that one day the whole team had met at a spa south of Barcelona and had openly discussed what they needed to do. Rijkaard listened, made everyone talk a lot, gathered opinions and facilitated the discussion. It was also common to see Rijkaard approach Eto'o or Ronaldinho during training sessions, take them by the arm, and pull them over to the side of the pitch to suggest they try certain tactical moves. His "Why don't you try this or that?" was far from, for example, Louis Van Gaal's usual shouts in his well-known direct style.

When the team changes, leadership style should change too

The group's behavior changed during Frank Rijkaard's last two years on the bench at FC Barcelona. The two consecutive Spanish League titles and the winning of the Champions League made the team relax its training habits, which became increasingly obvious as the weeks went by. We had expected this to some extent, because

it often happens to teams that have won almost everything. We did try to prevent it, but without success. The team kept its talent, but lost some motivation. So the leadership style needed to change. The formula based on delegation was not ideal. Rijkaard needed to start playing the coach again, and sometimes he had to adopt a much more direct and even authoritarian approach. The group had to learn to work again and Rijkaard had to be their guide and give them very specific instructions. With the help of Begiristain, Rijkaard changed his style, although a little reluctantly because, as he himself said, he “loved the group.”

Sadly, the sporting results were not good, quite the contrary, and we had to let go of Rijkaard. I honestly believe that if he had changed his leadership style when we identified the need, he would have changed direction and the team would have been successful again. We were not decisive enough and our timing was out.

When Josep Guardiola took over in the summer of 2008, he applied the leadership style that the team needed. He had a deep understanding of the club and had in-depth information about the circumstances that had led to the decline of the group he inherited. This was a very talented group with insufficient motivation to get back on the road to success, which meant it was vital to bring in new, title-hungry players and say goodbye to the ones who had lost it. Additionally, the group was also somewhat lacking in confidence because of the mistakes made during the previous two seasons. Guardiola was very smart when it came to identifying the leadership style the group needed, and he combined this with his role as coach, adding doses of talking to the key players before the season started in order to bring them back on track, adding doses of direct style when necessary. Guardiola's focus has always been on hard work, striving to “run and run faster than the other team.” To a very talented team, Guardiola added hard work, motivation, and commitment to achieve extraordinary results.

Capello and Cruyff: choosing a leadership style and adapting it

Fabio Capello's spell with Real Madrid during the 2006–07 season is an interesting example of leadership. That season, the

team had managed to win a title that had seemed beyond their reach during the winter. Capello's decisions were definitive. His group was not as talented as FC Barcelona, their closest rival for the title. The group was apparently also seriously lacking in commitment. Capello acted wisely, taking a series of decisions that, at first sight, appeared contradictory or wrong. His team was not as talented as FC Barcelona but, nevertheless, he decided to do away with two players who were probably the most talented in the Madrid team's line-up. These were Ronaldo, who was transferred, and Beckham, who was temporarily released. After taking this decision, he added two title-hungry Argentinian players (Gago and Higuaín) with a view to strengthening the group's commitment.

He decided to focus their strategy on team commitment and he succeeded, involving and bringing the entire club together to achieve something that had seemed almost impossible in early December. Real Madrid shortened the distance with FC Barcelona game after game, winning the Spanish League in the final game. Capello had chosen the direct style, had become the group's guide, and had achieved what they set out to do, albeit on the final day of the league and on the basis of FC Barcelona's goal average difference.

If we look at FC Barcelona's recent history we remember how often Johan Cruyff, in the eight years he was the manager, adapted his leadership style and replaced members of the group, as he deemed necessary. Cruyff combined periods of delegation with periods of extreme authoritarianism, which kept the group in a state of constant competitiveness. A member of that famous dream team once told me, "At the end of a match the tension in the changing room was palpable. We all wondered what the Boss would say in the press room, and who would get a medal or a dressing down that day." At the same time, Cruyff had a steady hand when it came to deciding to replace members of the group as he thought fit, sometimes successfully and sometimes not, but always in the interests of the group rather than individuals.

In practice, given that leadership style is also linked to the leader's personality, and that it is easier to replace the leader than replace the team, organizations often choose a leader who will be useful to them at a given time and then replace him when

circumstances change. But leaders who stay in place for long periods must be flexible enough to adapt to the group. José Mourinho's case will be extremely interesting to the analysts of the future. He is already one of the best coaches in history and he has applied his successful training method to Porto, Chelsea, Inter Milan, and Real Madrid, even if his stay in the first three clubs wasn't that long. It seems that what doesn't change is his method, which he applies wherever he goes: he configures the team according to his criteria, he wins, and then off he goes. It will be interesting to see if the "special one" manages to stay in a club for many years and is able to adapt his style and method to different circumstances.

Types of leader

Figure 5.3 shows four possible types of leader in terms of their ability to manage a group of people. The horizontal axis shows how capable the leader is of managing people, while the vertical axis shows his "content," or his experience and knowledge of the field in which he intends to lead.

In fact, we could start by asking whether it is possible to be a good leader without "content", without enough knowledge and experience. Clearly, both Frank Rijkaard in 2003 and Josep Guardiola in 2008 were leaders with content. They were not very experienced coaches, but they were very experienced players. In this context, a comment from one of the more veteran players on the team during the 2003–04 season was revealing. He said, "I didn't listen to Van Gaal much, although he did yell a lot. But when Frank Rijkaard comes into the dressing room I always listen to him, because I see the three stars he wears on his shoulder. He has won the Champions League three times, and I have never done it ... so I listen to him." Respect for the content can also be earned without having played highest level football, but only if the individual has successfully coached several teams, as in the case of Mourinho.

You can be a good leader of a company that manufactures and sells shoes if you are an expert in the shoe industry, but then so can a person who has gained his experience in the textile industry,

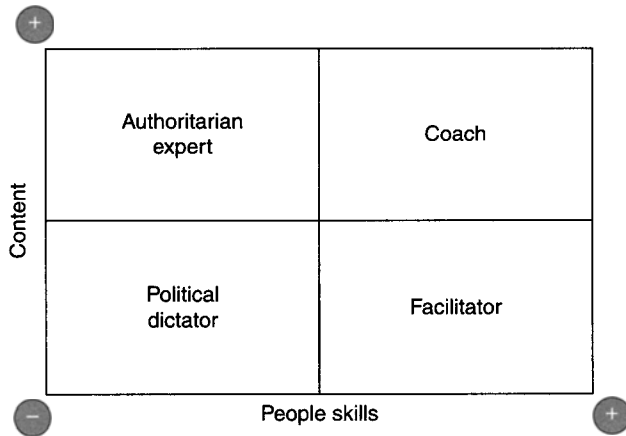


Figure 5.3 Four types of leader

or a former director of a department store, or a former director of an insurance company, who has developed the abilities and tools needed to manage companies and people.

The political dictator

During your working life, you are sure to have come into contact with this type of leader, the ones who fit the profile of the political dictator defined in Figure 5.3. They are *dictators* because they exercise their power in an authoritarian manner, and they are *political* because they are capable of handling the tools of power and the influence bestowed upon them by this position, in spite of the fact that they lack the knowledge required to be great managers. It is precisely because of their limited technical content or experience that dictators impose their power in an authoritarian manner. These types of leaders behave in more or less the same way. They inform others of their decisions and opinions vehemently using one-way communication, with no room for dialog or for discussing alternative ideas, using emotions to persuade others that they need to do what he wants them to without giving them solid arguments. When things go wrong, a political dictator will never admit he is responsible and will make someone else in the group take the rap. Dictators take

credit for the activities of other members of the group and they do everything they can to look like great leaders or managers to the outside world. Organizations that fall into the hands of this type of leader end up losing the most talented members of the group, who go to other teams where they are valued, appreciated, and developed. At the end of this period of decomposition, the dictator is surrounded by mediocre people, who do not question his leadership and constantly shower him with praise, because that is the only way to keep their job.

The facilitator

In contrast, there are examples of leaders who have relatively little knowledge and scant experience but who are capable of managing a group of people. Normally, these are leaders who manage groups of experts. The group is kept together and motivated because these experts feel valued and rewarded by the leader. This type of leader concentrates on coordinating and resolving the conflicts that always arise, guaranteeing optimum working conditions so that the members of the group can work well and in a coordinated fashion. The facilitator doesn't make too many mistakes because he doesn't take too many risks, but when one of the experts makes a mistake he helps and lends his support. I have seen leaderships of this style work very well, but only during good times. When the situation turns on its head and starts going badly, or there is a moment of stoppage or indecision, a new push is needed. Then it is essential that the leader of the group can demonstrate his grasp of the problems, as well as being a facilitator. He must know what he is talking about to be able to gain the confidence of the group and confirm his leading position. If this doesn't happen, the member of the group with the most expertise, who shows he is best prepared to identify the needs of the new circumstances, will become the new leader.

The authoritarian expert

There are also profiles of leaders with great knowledge and experience, acknowledged experts on their subject. An exaggerated

example of this is Dr Greg House, the fictional doctor on the TV series *House*, who is, without a doubt, the best diagnostic specialist at the Princeton Plainsboro Hospital. Staggeringly clever, experienced, and intuitive, he makes the most complicated diagnoses in an almost magical way. He has a group of collaborators whom he treats in a very authoritarian way, and who have to suffer his brutal, blunt, and inconsiderate behavior. Authoritarian experts do not accept their own mistakes, they try not to pay attention to them, and brush them aside as quickly as possible. House's team would rather work with another leader who would be easier to get on with, but they are fascinated by the doctor's depth of knowledge and infallibility. Greg House is an absolute leader in his field but has no people management skills whatsoever. If his future were not in the hands of the scriptwriters on the series, I am quite sure his team would break up, because the members would become burnt out and get fed up. The group would lose some of its members, while others would stay hooked to a leader who has so much content. In real life, I am sure you may have come across a leader of this type. Since nobody is infallible, at some time the authoritarian leader will make a mistake, and the people he treated so badly will react against him to make him pay for all his damaging social relationships.

Louis Van Gaal is an interesting example. He has won titles with different teams, big and small, and he's thought to have little empathy and social skills. I couldn't help but smile when I heard Uli Hoeness, Bayern Munich's Technical Director, explain why Van Gaal wouldn't continue to coach the Bavarian team: "Van Gaal doesn't listen, it has to be whatever he said." It seems his reputation is justified.

The coach

The coach has both the ability to manage people and knowledge and experience (content). His knowledge gives him enough self-confidence to lead the team without becoming authoritarian. The team acknowledges his leadership and looks on him as a highly qualified, experienced colleague, well able to lead the group. The coach makes the members of the group feel supported and they are not worried that the leader will steal their

glory or medals. If mistakes are made, the coach is capable of publicly acknowledging them, analyzing the causes and using them as a learning experience for the future.

As I have already said, Frank Rijkaard, during his successful period as the Barcelona coach, was an exemplary leader with knowledge, experience, and good people-management skills. He was a perfect fit for the profile of an experienced coach, managing this very talented group using his expertise, motivating, helping, and coordinating the members of the team with generosity and humility.

Josep Guardiola and José Mourinho fit into that style of coaching; they make their players grow professionally and at a personal level. They generate the optimal conditions and state of mind for that to happen.

Talking about football club management, Florentino Pérez was Chairman of Real Madrid during a great transformation period for the club, between 2000 and 2006. He led the Board of Directors, which included businessmen of acknowledged prestige and talent, some of whom held very responsible positions in Spanish companies. I heard two very significant comments about his management style from members of the Real Madrid Board at the time. The first was: "Florentino is 15 years ahead of the rest of us, he is already thinking about what we'll do in the future, things we can't even imagine." This statement showed that the members of Pérez's team clearly saw him as a knowledgeable and resourceful leader. The second comment was: "Florentino is a rounded person, without edges. It is very hard to get angry with him." This comment would seem to show that he was also a good people manager. Emilio Butragueño went so far as to say that he was "a superior being." After Pérez resigned, that Board of Directors could not stay together with a different leader and finished their term. Florentino Pérez returned as Chairman of Real Madrid with more or less same Board in 2009.

Shared leadership

A group can have more than one leader. There are leadership teams. However, although it may seem obvious to say so, these

teams of leaders have to have their own leader! Leadership teams can work if the abilities of the different members complement each other and one of them is considered the boss, who will have the last word when conflicts arise: the leader of leaders.

Frank Rijkaard formed a good leadership team at Barcelona. He was the one who took the final decisions, but Henk Ten Cate played a very important role in the group, with his blunter, more emotional style, which sometimes appealed to the players' self-confidence and pride. Ronaldinho, for example, acknowledged how helpful it was when Ten Cate put pressure on him during training sessions, sometimes forcing him to do additional exercises, tailored to his needs. Ten Cate was a good complement to Rijkaard's calmer style. Eusebio Sacristán, the third trainer, had a more analytical profile. He worked to prepare for the matches and made a colder analysis during the match. The goalkeepers' trainer, Juan Carlos Unzué, had a similar role to that of Eusebio, preparing strategies and being responsible for watching the matches from the Presidential box to provide a different point of view of the development of the game and the players' moves.

Guardiola also formed his leadership team with some people already in the club and others, like Tito Vilanova, who had been in the club in the past. Mourinho takes his leadership team wherever he goes, but in both cases it is very clear who is the leader of leaders, who takes the final decisions, and who decides to go into the smallest details when they deem it appropriate and the way they want to go about it.

The captain's role

Teams need captains. They are other leaders of the group whose mission is to help the main leader from within the team. Their role is to transmit the leader's instructions and values to the group, and to guide them. They stick up for the team and look after its interests, both from inside, by dealing with individual disciplinary problems, and from outside, by protecting the group from external pressure, dealing with it as necessary. To do this job successfully, captains must keep in close touch with all the team members.

One frequently mentioned example in the football world is the case of the AC Milan player Paolo Maldini, one of the great captains in history. In effect, this player was a model of serenity, commitment, and professionalism. It is said that when a Milan player behaved against the interests of the group, for example in a disciplinary matter or a sudden, inexplicable decrease in their usual performance, Maldini was the one to take them by the collar – figuratively speaking or not – and make them see that they needed to change their attitude for their own good and for the good of the group. It is also said that a Milan player was not a member of the group until he walked into the dressing room and, far from the lights and reporters' notebooks, the team led by Maldini welcomed the player by saying, "Now you are one of us and we will always stand up for you, so don't let us down."

Johan Cruyff himself praised the role of captain in his period as coach of FC Barcelona. When Alexanco was captain, Cruyff made him responsible for sorting out problems in the dressing room and for deciding and imposing fines. Cruyff would say: "You'd better sort this out among yourselves, because you'll really have problems if I have to get involved." Some players didn't get it and tried to argue with Cruyff, only to discover that this was no empty threat. It was a good idea to get on with Alexanco.

As captain of Barcelona, Carles Puyol is acknowledged for his total commitment to the team and to football. He is the first one to arrive at training sessions and works harder than anyone else, all of which are factors that make him a credible leader.

Ronaldinho also had a leadership role in the team, as the embodiment of the group's talent; his mood, when things were going well, always inspired contagious happiness among the rest of the staff and his surroundings. In contrast, I remember that when we tried to sign David Beckham in 2003, he said he did not want to take the lead building a new team and would prefer to go to a team that had already been built and was already of champion status (he went to Real Madrid).

Good captains are almost as important as coaches. It is necessary to invest time in identifying them, training them, and helping them in their task.

Questions about leadership

1. What leadership style does our team need? What combination of commitment and talent do we have?
2. Should we change anything in the team? If so, we will make the necessary changes, and afterwards make sure everyone left feels secure.
3. Who should be leader? Can I be? Have I got enough knowledge and experience to gain their respect? Am I capable of acting with the right leadership style? Do I have the right character? Can I change it?
4. Is the leader changing his leadership style as the circumstances of the team change, and is he adapting to them?
5. Is there a leader of leaders?
6. Do we have captains? Who are they? We need them!

Human resources: criteria, training, and hygiene

The HR manager's nightmare

He dreamt it was his first day at work, and he was in his plush office at the new company. He was examining the payroll of the workers he had to manage and, as he did so, he noticed that the average age of the staff was just 24. "There are obviously too many youngsters," he said, scratching the back of his neck, something he always did when he found a situation worrying. "They can't be all that responsible at that age." Afterwards, he looked for the column setting out each of their salaries. This was when, as well as scratching his neck, his mouth fell open and the look on his face showed quite clearly that he couldn't believe what he was reading. His eyes popped out of their sockets as they sped up and down that narrow column. These youngsters were earning salaries ranging from between €1 and 10 million per year. "Young and millionaires!," he marveled.

Just at that moment, his secretary told him that one of the youngsters whose name was on the list he was holding had come to visit him. He put his papers back in their file and invited him to come in. He was young but he had presence. He appeared to be dressed for a Saturday night out on the town with his friends rather than a meeting with the head of human resources; but he didn't pay any attention to it. Things are much less formal nowadays, perhaps too casual, he thought. He looked at the person accompanying the worker, who he was not acquainted with. This man was wearing a suit and tie and holding a leather briefcase in his left hand, of the type not seen nowadays. They made

quite an odd couple. The director invited his visitors to take a seat at the table. "Please, go ahead," he said, after the introductions had been made. The young man was the first to speak. "I am unhappy and I want to leave the company," he said quickly, bluntly, and precisely. The human resources manager, who we will call John to make things easier, mentally ran through the salary sheet he had just been looking at, and could not believe that the worker he had in front of him was upset, because he earned no less than €3 million every year. John sat silently, as he tried to understand why this handsome, well-paid youngster was upset. The man in the suit and tie said: "My client should be paid as much as or more than such-and-such an employee (John's discretion when talking about his workers remained intact even when he was dreaming). We want €7 million a year. Such-and-such company is willing to pay it. We are willing to go if you don't pay us what we are asking for."

At the time, his natural instinct was to tell them to go to the company willing to pay them the €7 million they were asking for. However, experience told him to play for time, which is what he did. He told them that he couldn't give them an answer right away; he would have to look into it and then arrange another meeting to discuss it, which, of course, would be very soon, because he understood this was a very pressing matter.

No sooner had they left than, in his dream, he phoned the Operations Director to tell him what had happened, what he had discovered, and that he thought this youngster would leave for some other company he liked better or which would pay him more. "We'll find a replacement," he told the manager. Imagine his surprise when the manager, a sensible type, told him in no uncertain terms that he couldn't let the worker go to the competition because he was an "irreplaceable employee."

John thanked the manager and asked to be put through to the head of recruitment. "Nobody is irreplaceable," he thought, so, despite what the manager had said, he set the wheels in motion to hire a replacement. The head of recruitment had years of experience in his position, knew the market well, and was famous for having an infallible eye when it came to assessing young talent. The recruiter explained that to hire a worker like this from

another company would cost between €10 and €20 million in transfer rights. "What if we take one of our young employees or find a new one and train him ourselves?" John asked, trying to find a viable alternative. The answer didn't help. In this sector, youngsters were recruited at 12 years of age, and training them took at least another six, and there just wasn't enough time to get a youngster ready for the responsibility.

The next scene took place when his secretary came into the office to give him some news she had printed from an Internet site. This included some highlights from the worker's statements. "I don't feel valued," he was reported as saying under a big headline declaring that there was a definite possibility that the worker would be off to the competition. The news was presented like a genuine drama of global importance. In the third paragraph of the news item, he saw his own name. "With his miserly attitude, the new human resources manager has proven that he knows nothing about the sector, and his ineptitude will mean the company is going to make a mistake that will be disastrous for the future." The comments made by Internet users on the second page defended the worker and abused the human resources manager with all sorts of harsh words and imaginable and unimaginable slurs.

Before he had even realized what a massive problem he was getting embroiled in, the telephone rang. It was the chairman of the company. He took a breath and picked up the phone, ready to explain what he had found the first day at work and what a strong position he had taken when faced with that unacceptable blackmail. He was sure the chairman, a sensible man with great personal worth and business acumen, would understand and back him up. "Have you lost your mind?" It was the chairman, and he was using a tone John hadn't heard before. "Don't you know you are playing with one of the most valuable company assets?"

The dressing down he got from the chairman on the phone woke him up, terrified and dripping with sweat. He was very relieved to be awake and that it had all been nothing but a nightmare.

A few weeks later, a large football club hired him. And the nightmare came true.

Managing the talent at a big football club presents some very complex challenges, but they are also subject to a certain logic and are subject to being put through the filter of common sense, just as in any other company or organization. It is often said that people are an organization's most valuable asset. This isn't just a saying but a palpable reality at a football club, as can be seen by reading the press or analyzing the financial statements of any club. I suggest a review of the challenges facing human resources management in the recruitment, training, and remuneration areas.

Good recruitment criteria

One of the most technically talented players at FC Barcelona in 2003 was the Argentinian Juan Román Riquelme. He had been signed in 2002 when he was 24 years old. He was a midfielder with extraordinary qualities, and was one of those rare players capable of getting the entire team to play. His career was short, but intense and full of successes. In 1998, the Boca Juniors coach, Carlos Bianchi, had given Riquelme the leadership of the team, with total freedom to move everyone around the attacking front. He debuted in the first team at 17 years of age, and before he reached 20 he was the leader, with Maradona's number 10 on his back. Riquelme didn't disappoint. They won the Clausura tournament in 1999, with Riquelme as the star, giving Boca Juniors the bi-championship and a new Argentinian record of 40 consecutive matches undefeated. The following year, Boca Juniors reached the final of the Libertadores Cup of America. With Riquelme as their leader, they beat Palmeiras in the final. In December, 2000, the Barcelona fans fell in love with him in the final of the Intercontinental Cup against Real Madrid. The Argentinian team won by 2–1, with an outstanding performance from Riquelme. In spite of his talent, none of the big European clubs seemed to want to sign him, but after that final, in the following summer, Riquelme left Argentina and joined FC Barcelona for \$13 million.

Riquelme found it very difficult to leave Argentina. He was not a very outgoing person and did not seem to have much to do with his colleagues. The circumstances of his signing were no help either. It

seemed that FC Barcelona's Chairman, Joan Gaspart, had decided to sign him without taking the opinion of manager Louis Van Gaal into account. His presentation was a social event, but, once it was over, Van Gaal met with Riquelme and made it plain that he had not asked for his signing and that he didn't fit in anywhere in his playing system. In fact, Van Gaal intended to lend him out.

Riquelme was an important component of the team strategy for the 2003–04 season. In spite of his rocky period with the club, his figures were not at all bad, especially after Serbian manager Radomir Antic replaced Van Gaal. Riquelme played in 42 matches during the 2002–03 season and scored six goals. In the summer of 2003, FC Barcelona was considering signing three players from outside the European Union (Turkish goalkeeper Rüstü Reçber, Mexican central defender Rafael Márquez, and Brazilian forward Ronaldo de Assis Moreira (Ronaldo)), which meant that, because of the legal limit of three non-EU players, there weren't enough places. Begiristain and Rijkaard had to think long and hard as to whether to keep Riquelme or let him go from the team.

While they were considering the situation and gathering information on which to base their decision, a club employee who had given Riquelme a lift home commented on how the Argentinian had been living since arriving a year earlier. "His flat was almost empty. All there was in the living room was a table with a checked tablecloth and a few chairs. There was a container for *mate* infusions (a typical Argentinian herb infusion, drunk with a metal straw) and that was it. No pictures, few personal items." In other words, Riquelme lived in total isolation in Barcelona, without his family, pulled down by permanent sadness that was too much for his shy, reserved personality and which no longer had anything to do with the welcome he had received from Van Gaal. He had not adapted to the club or the city, and in such circumstances there is no way a person can be happy or do well in football or, actually, in any walk of life.

Intrigued by the situation, I started talking to people who I thought were familiar with this exceptionally talented player's history. Riquelme's biography gave plenty of clues as to why he was behaving like this. He was born in the San Jorge neighborhood in the city of Don Torcuato, to the west of Gran Buenos

Aires. He started playing football when he was very young, in local teams – Belgrano and La Carpita. Although he was just a nipper, his skill was noticed by numerous observers, one of whom ran the lower categories of Argentinos Juniors, a club with one of the best young teams in Argentina that had produced players like Maradona and Redondo. In 1996 Riquelme signed for Boca Juniors. This was when he left the neighborhood where he had lived all his life and moved 35 kilometers closer to the center of Buenos Aires, to an elegant area near the stadium and training ground. Those who knew him well and know the details of his career say he never managed to adapt. He missed his small neighborhood, his friends, the steaks on the patio, and the atmosphere of the place. So he had a very lovely house built in El Viejo Vivero in Don Torcuato, just a few hundred meters from the spot where he had been born. He went back to where he had come from because he couldn't adapt to Buenos Aires.

In other words, in 2002 Barcelona signed a man who had not been able to get used to a different neighborhood in Buenos Aires – and brought him to Barcelona! Riquelme had not been able to adapt to moving 35 kilometers from home and was now being expected to live 10,000 kilometers away. It was logical and predictable that this would not work.

Later on, after leaving both FC Barcelona and Villarreal, the club where he was transferred after Barcelona, he explained it himself. In an interview with Argentinian sports paper *Olé* in March, 2007, he said that he had been warned that the first few months after leaving Argentina would be hard, but that after that he wouldn't want to go home. He explained that the opposite had happened, that he had become more and more homesick to the point that when he went back for holidays he didn't want to leave, and would go off in tears, hurting.

He was sent to Villarreal in the summer of 2003, and was finally transferred in 2005. He had two very good seasons there. He represented an extraordinary jump forward in terms of quality for Villarreal. In 2005 the club came third in the league and qualified for the Champions League for the first time in its history. That season, Riquelme got the record for scoring passes in

the Spanish League. Villarreal reached the semi-finals of the Champions League, where they played against Arsenal but lost in the last minute, when Riquelme missed a penalty. Although he was not reproached, the truth is that from that moment on Riquelme's relationship with the manager at Villarreal became complicated. He had all kinds of problems with the Argentinian team, too. In November he went back to Argentina for the birth of his third child, and in December he returned late from the Christmas holidays. Villarreal transferred him to Boca Juniors in February, 2007. He had not been able to adapt to Villarreal, either.

He lives in Buenos Aires now, probably in Don Torcuato.

The case of Riquelme is a good example. When it comes to taking the decision to hire a new team member or employee, it is always important to assess his capacity to adapt to the new surroundings. If he doesn't seem to be very able to do so, we can rule out signing him, or at least be ready to provide a lot of support at first.

Criteria and sources of information

Before signing a footballer or any other team member or employee we should assess the following.

His technical capacity: the talent

When we want to hire a manager, one important question we need to ask ourselves is whether we want a candidate with experience in our sector or industry. It's a good idea to hire someone with experience when we want to introduce a specific strategy in a very short time. In such cases the new manager's learning curve has to be a very short one. This is also the case when we are not one of the leading companies. Hiring someone from a bigger or more successful company can enable us to obtain some of the knowledge and experience we need to improve ourselves.

In contrast, it might be a good idea to hire someone from another industry if we have some time for learning and we want someone

to bring a new way of thinking, which we can use to innovate, someone who will help us to import ways of doing things and thinking from other industries.

In the case of FC Barcelona's management team, all the executives who joined after the summer of 2003 were recruited from outside the football industry or outside sport in general, in spite of the fact we didn't have much time for a learning curve. However, together they formed a spectacularly successful team, which led the club to more than double its income in just three years, earning profits. These were extremely talented people, who had been growing professionally in very good companies in the telecommunications, banking, and consumer products industries. It is true that in the summer of 2003 we didn't have much time, but we were convinced that talented people would quickly learn the industry of football – and there weren't many managers with experience in football available anyway. We were looking for executives who would be capable of understanding the club, the business, and the industry quickly, but, above all else, who would be logical and use their common sense.

In the case of football players, recognizing their technical ability and talent is so easy that any good aficionado could do it. Just watching them on TV is enough. However, when it comes to hiring them, committing large sums of money, the work required is a lot more complex.

The evaluation of their technical abilities and their talent needs to be done by professional experts, trained to see both the positive and negative details in a way that a fan will never be able to do, however experienced he is and however much football he has watched. Watching a football match with a professional expert is a very enlightening experience. They don't always focus on or observe the same thing, because while football fans tend to follow the ball with their eyes, experts might be looking at the position in the field and the movements without the ball a long way from where the action is taking place. They don't always agree with each other's observations and assessments. While the public might applaud enthusiastically as the defender does a 40-meter sprint to steal the ball from the other side's forward, the expert might be complaining about how he had given up his

position and had made a very risky move, and how much energy he will have to waste to get it back.

Signing a player for a big club like Barcelona, other than in some examples that I would not recommend, involves passing through a pyramidal filter. The club has observers all over the world. When a report on a certain player who was considered a suitable candidate for joining the club falls into the hands of the Director of Youth Football it is because this player has already been seen by a good few observers, from the one closest to where the footballer plays, to others working for the club, following a pyramidal structure. Then the Director of Youth Football himself will go to see him and, if he is a possible addition with potential for the first team, the Global Football Technical Director will go and watch him play live. This is because videos alone are not enough; you have to see the player live, to see how he behaves throughout the game and when he hasn't got the ball at his feet, or when the play is a long way from his area of influence. I remember that in 2004, when we signed the young Portuguese player Ricardo Quaresma, the club's technical department looked at no less than 11 reports by people who had watched him play.

His attitude and commitment

With regard to the attitude and commitment of the person we are considering signing, we act on the premise that someone, somewhere, has information that will help us predict how the player would behave and that he will be willing to share it with us. We just have to find that person.

In the case of football, getting this type of information, to predict whether the player we are looking at would have the attitude and commitment we expect, is relatively easy because it is such a small world. The players themselves are an excellent source of information about possible colleagues that we would want to sign. When, for example, Ludovic Giuly was the only Frenchman at Barcelona, his comments about the other French players who were possible candidates for playing in the club were always part of the discussion.

Because of the large number of contacts between them and the amount of information we can obtain about any given player, you also have to tread very carefully and know how to discern the information that is actually truthful and useful. An example of this was the signing of Cameroonian player Samuel Eto'o. When we were thinking about signing him, he had a reputation for being rather argumentative. Txiki Begiristain made an in-depth analysis to find out why he had such a reputation. He came to the conclusion that he really was a temperamental player, with a very strong personality. However, in all the incidents that had given him this reputation for being quarrelsome, his winning, committed attitude shone through and we sensed that this energy and nonconformist attitude could be channeled to the team's benefit. After this analysis, Begiristain recommended we sign Eto'o.

A player's personal history is an excellent source of information. People's careers are a source of important information that gives a good idea of their future behavior. People don't generally change (or not very much anyway). The personality you have when you are six years old is the one you will have all your life. Readers who have had children will have seen this more than once and are sure to have memories of when their very small son or daughter showed signs of their future personalities. If we can discover how a person will behave and what their attitude was at a given time, we can get a very approximate idea of how they are going to react in similar circumstances. It isn't enough to know the facts and the details. We also need to try to understand the motivations behind a particular kind of behavior, because often what might at first sight look like a defect can actually be a virtue when we understand it. Nowadays, recruiters look up information about the people they are thinking of hiring on social networks such as Facebook and Twitter. Their comments, the people they mix with, the data they put in, and so on provide a lot of information about the person and their character.

His likelihood of fitting in

This involves making an assessment of the technical skills or the talent of the person we want to hire for our company, finding

out what he is like, his character, his attitude in certain circumstances, predicting how he will react – all with the idea of assessing his likelihood of fitting in with the group. There are grounds for gathering all this information.

We will look for information to understand how the candidate might develop relationships in the group, with peers and bosses, and how his presence would affect the group's balance. We should also be able to assess how much and what kind of help he would need to accelerate his integration. For example, one of the factors that encouraged us to sign the Argentinian defender Gabriel Milito in 2007 was his relationship and ascendancy with Leo Messi. We knew Milito got on well with and was respected by Messi. They would be able to help each other. This was a secondary factor, of course, but it was positive information and was influential in the decision to sign him.

It is a good idea to imagine what will go on on a daily basis once this new member of the group arrives, and how he will affect the balance and the relationships among the members of the group. If the group is likely to suffer a lot of damage, it won't be worth bringing him in, however good his individual performance might be. On this point, Guardiola and Mourinho's approaches are different. Guardiola displays great zeal at preserving the group's harmony and he takes every precaution before signing any players that might upset it. Mourinho, on the other hand, seems more concerned with talent and trusts unconditionally his own capacity for managing the group's potential conflicts.

Recruiting a leader

When it comes to recruiting the leader to guide the group to achieve the goals we have set, the task becomes much more complex and delicate. That's obvious.

This was the challenge facing the new board of directors at FC Barcelona in the summer of 2003. We had to hire a new coach for the team. In the end there were three candidates on the table. These were Ronald Koeman, Gus Hiddink, and Frank Rijkaard.

All three, in their own ways, had everything we had decided the future coach should have. Of the three, Rijkaard was the least experienced and the least successful. But the fact that he was the only one willing to come under the salary conditions that the club could afford was in his favor, and he was available immediately, with no conditions. Rijkaard was a proponent of the style of play we wanted for Barcelona, and his personality was a perfect fit with what we wanted. He had leadership skills, willingness, commitment – and a great deal of experience as an elite player. Even so, it was a risky decision.

At the end of the 2006–07 season, after the team had finished with an unexpected fiasco, we tried to change the players behavior without having to recruit a new leader. It didn't work and, in the middle of the following season, we started evaluating the need to replace the coach at the end of that season.

The analysis about the type of leadership required by the team, based on the typologies defined in Chapter 5, had been done: we needed a leader with a more direct style. The team had enough talent and quality, but they needed to get back that ability to push themselves, the work culture they had lost, and they needed a coach who would motivate them again.

The first stage involved looking at a relatively long list of candidates, which would lead to a great deal of speculation in the press (Mourinho, Valverde, Laudrup, Blanc, Guardiola). But eventually we had a shortlist of just two names: José Mourinho and Josep Guardiola. Both had great virtues and they seemed to be at opposite ends of an imaginary scale. At the one end we had an experienced coach, who was successful, with a strong personality, and a controversial reputation. At the other end was a very talented person, who was totally familiar with the club, but without significant experience as a coach. Guardiola's high value as an asset to the club was also assessed, as was his possible career as a leader. The vice chairman in the football area, Marc Inгла, set down Begiristain's ideas and those of other people in the club in a nine-point document, with criteria that would help us to take the best decision, rather than just relying on our intuition and the consensus which, little by little, would sway us toward the Guardiola option:

New coach for FC Barcelona

1. Respect the sporting management model and the role of the Football Director

- Accompany and follow up the coach in the first team during the season
- Coordinate local and global youth football
- Planning: signings, renewals and dismissals
 - Interactive process validated by the coach and the football department from December–January each season
 - The Director of Football has the power of the final decision
- The Director of Football and the Board will not act as coach, nor will they have a say in the line-ups or how each match will be approached

2. Playing style

- Continuous balance between an attractive game (the most attractive and spectacular) and efficiency
- 4–3–3 as a basis, but with the variants required
- Match control and management – maximum alertness and concentration
- Build on Frank Rijkaard's legacy and football concepts

3. Values to promote in the team – some new ones

- Work, work, and more work
- Continued investment in youth teams
 - The club's sign of identity, sponsor for the style of play, a unifying force in the dressing room
- Team
 - Promote solidarity, the combination, the flow, mobility, and generosity – versus “over-virtuosity”



- Stars at the service of the team
- Focus and concentration at all times
 - Distanced from the daily hustle and bustle to concentrate on the essence of the competition
- Details: sometimes the devil is in the detail (for example, clear rules for player leave permits)
- 4. Training and PERFORMANCE – “you play like you train”**
- Make every training session of highest importance
- The coach has to **manage all the activities with a direct impact on the players’ performance** from close-up
 - Tactical work on play and strategy
 - Group physical training, customized physical and injury prevention work
 - Player health. Medical influence at training sessions – prevent injuries
 - Nutrition and rest
- **More emphasis on the physical work**, there can never be too much, new club value
 - Increasingly competitive, physical football. FCB is number one in bringing out talent – but we need more and more players with better physical attributes
- Emphasis on the **pre- and post-match work**
 - Prior analysis of the opponent (video, different tactics, etc.)
 - Day-after analysis – what went right/wrong and lessons learned
- Play minutes for each player – fairness
 - Daily work (training, physical, rest etc.) should be weighted much more than other aspects (status, hierarchy, etc.)



- Other training session matters
 - Increasingly “closed” – ongoing professionalization
 - More training at the Miniestadi and the Ciutat Esportiva
 - Longer days (more rest, more controlled meals, etc.)

5. Active dressing room management

- Internal code – this needs to be applied with good criteria and with skill
 - It is internal – its details and application should not be public
 - A *police regime* is not the best model either
- Leave permits – if in doubt, the coach always has to get approval from the Director of Football
- Captain's model
 - Meritocratic model – encourage real leadership and influence over the group
- Careful managing of star players

6. Other responsibilities and commitments for the club to manage

- The media
 - The coach is one of the club's permanent, weekly representatives
 - He must act cautiously at all times
 - Respect opponents, referees, and other institutions in general – fair play
 - He must not abuse the media or create false controversy but focus on the relevant aspects of the game and how the team is doing
 - Players
 - Media attendance – players should appear after the game, at the time when the audience is biggest



➤ Players should attend press conferences according to the schedule

- Marketing – balance club's and individual players' commitments
- Social area

7. Have experience

- Experience gained in elite, international football – as a player and coach
- Highly qualified personally if not very experienced

8. Support good club governance

- The more explicit and official the information, the better
 - Weekly individual training plan: media attending schedule, leave permits, measurement of the players' physical condition and health – if necessary a “book” for each player
- Coaches, football department and physical trainers meet regularly
 - The technical department, the physical preparation and doctors – the first coach decides how often
 - The Vice Chairman, the Director, and coach meet every two weeks to check status and identify needs of the team
- The Board of Directors must NEVER influence technical decisions!
 - Respect the professionals' work
 - Except for matters related to overall club strategy



9. Other assets the coach might have

- Knowledge of the Spanish League – short learning curve
- Knowledge of the club and its surroundings – cut down the time learning at the club
- International experience

Inglá and Begiristain went to Lisbon to interview José Mourinho. The script of the interview was this working document, used to ask questions that would help us make a decision. Mourinho met them with a comprehensive PowerPoint presentation but Begiristain and Inglá were worried about point 6. The Portuguese coach's method generated media conflict almost permanently and it was also a potential source of conflict within the club.

At the same time, Josep Guardiola, already well known by one of the board members (Evarist Murtra), talked to the chairman and other members of the Board of Directors. These were long conversations that eventually persuaded us to sign him. At the end of the process, when Begiristain recommended to the Board that it choose Josep Guardiola to replace Frank Rijkaard, this choice was not an intuitive decision, but had been taken based on a thorough, rational, and technical analysis.

Nurturing talent

To put it simply, the make or buy dilemma has always been present: to look for something domestically or to seek it abroad? To buy or to build? In football the question is: to sign or to train?

FC Barcelona is a great example of the triumph of formation and training. The 2009 Champions League winning team had seven of the 11 players nurtured and developed by the club. The three finalists of the FIFA Golden Ball 2010 were Messi, Xavi, and Iniesta, another proof of this formative school's success.

Fueled by Johan Cruyff's original ideas and the coordinated influence of so many technicians and managers, such as the more recent Begiristain and Guardiola, La Masía – the nickname for Barcelona's football academy – started to gather praise quite a few years ago. It is worthy of analysis.

Formative football at FC Barcelona is based on a simple yet powerful idea, and a great part of the club's success comes from the morphing of this idea into a model that is implemented independently of the club's short-term results or its internal struggles. In very simple words, the football and sport culture of FC Barcelona are based on ball possession. "Ball possession" means the team takes the initiative so the opposing team has to keep adapting to our game; it means displaying quick and aggressive ball recovery techniques when we no longer command the ball. This concept implies having players with a lot of technical talent, and it also sets the tactical drawings that position the players in the field.

This original idea, developed and improved along the years, totally conditions the training of the players at FC Barcelona. Children are recruited and trained so they will develop their technical talent and learn to play in this fashion. All teams in the club, all players of all ages, train and play in this same way so that when a child trained by the club reaches the highest level, his adaptation is not only quick, it is immediate.

In recent years, the formative idea has evolved into knowledge and is transmitted to coaches and educators. A specific language and way of playing has been developed with key expressions repeated over and over, such as "control and pass," until they are fully implemented across the teams. For a great club or team the greatest challenge is not to build an idea or work method, but to implement them in a consistent way that is always immune to difficult situations or short-term results. In this, FC Barcelona and its Masía have been very successful.

Twelve-year-old stars

Recruiting students is one of the first tasks of an elite school and, in recent years, football clubs have increasingly been signing

younger players. In fact, it would be fair to say that the market for football now has a parallel futures market. Given the enormous cost of transferring established players, much effort has been invested in creating networks of scouts all over the world, with a view to identifying and capturing young talent to train and develop. This generic change in strategy has led to some significant challenges, in many senses.

In football, when technicians are asked at what age they are able to spot a player with the potential to become a professional footballer, the answer is always the same: at 12 years old. This explains why children's matches in lower categories are full of talent spotters, people who have been sent by the clubs or by footballers' agencies. They are on the look out for children with the talent and potential to make them worthwhile investments and to sign them. In Barcelona they are relatively easy to pick out, because a lot of them speak English. The British clubs use this strategy more than others. I remember a very cheeky example of a man who visited the FC Barcelona facilities during a match between 12- and 13-year-olds, who was filming the match and evolution of certain players with a video camera. When asked why he was doing this, he gave evasive answers until we eventually discovered he was gathering information for Liverpool FC.

Signing a 12-year-old can be a very lucrative investment if you think about a future transfer, especially in some countries, such as Brazil. In Porto Alegre I saw a promising center defender who would pay an agent half his earnings throughout his entire sports career in exchange for a few reais, a basic basket of food (flour, rice, beans, sugar, and eggs), and a bus ticket to get to the training sessions.

In Europe the situation is a great deal more complicated. Buying the rights over an underage footballer involves hiring experienced lawyers capable of devising complex ways of breaking the contracts that bind the children to their clubs. These involve transferring the family to the buying club's country and transfers worth millions of euros. There is a clear line between professional and amateur football. Until the age of 16, players are not allowed to sign professional contracts; from 16 to 18, contracts of up to three years are allowed; and then, from the age of 18,

regular contracts of employment can be signed. However, this line becomes fuzzier because, to get the services of younger talent, the line between professional and amateur football has been pushed so far it has lost its value. Clubs wanting to sign underage players actually “sign” the father, by offering him a job in the buying team’s city, making it necessary for him to move house, and appealing to the family’s right to regroup and take their child with them.

Some cases have received a lot of media attention, such as the signing of very young players from FC Barcelona by Manchester United (Gerard Piqué) and Arsenal (Cesc Fàbregas, John Toral, and Fran Mérida). The latter, in fact, was an extreme case because, to be able to break his contract, the youngster had to fake his retirement and refrain from playing for a full year before he could join the London club. Arsenal, together with others like Liverpool, Manchester United, and Chelsea, have been involved in disputes costing millions of euros to get rights over boys of 17, 16, and even 15 years of age.

When I and my fellow board members arrived at FC Barcelona in the summer of 2003, we had to deal with the departure of Cesc Fàbregas to Arsenal. This was the first case, and it would set a precedent for those to come. We quickly realized that Barcelona was losing its talent for two reasons that both needed urgent attention, because there were clubs that preferred to invest in partly trained youngsters with clear potential (to reduce their risk) rather than running an extensive young teams program, starting at the bottom, as FC Barcelona was doing. The first reason involved legal issues. We were legally powerless, and there was little we could do because of the labor laws. However, we needed to be smart, act diligently, and update the contractual situation of our most promising footballers in this age band. The second reason was much more important. We needed to give these promising youngsters an expectation that they would grow within the club, planning their football careers and satisfying their legitimate ambitions, according to their own and the club’s possibilities.

I would venture to say that Cesc Fàbregas left FC Barcelona at the time mainly because nobody had been capable of designing a career for him in the club that would eventually lead to his

playing in the first team, an option that Arsenal was offering more clearly. This is a very singular case since FC Barcelona ended up paying €40 million in 2011 to buy Fàbregas back from Arsenal FC. With Messi and Bojan, we did better. Not only did our contractual relationship change, as did their status in the club, but football careers in the lower categories were flexible and enabled them to jump from one category to another according to their performance and potential rather than their age, until they reached the first team when the technicians considered they were ready.

This policy, which is absolutely necessary, is not without its drawbacks. Obviously, the club can never satisfy the ambitions of all its young footballers, which brings me to the technicians' most complicated task – deciding which of them to invest in and which of them to allow to leave to find success at another club.

This change in the rules that governed the sport until recently presented some spectacular challenges for the clubs and parents of these child footballers. How is it possible to regulate the relationship between the children, clubs, and agents when they are minors without contracts of employment? What can be done to protect the clubs in the face of this legal void that leaves them so vulnerable in the face of their heavy investments and the great efforts they make with their young teams programs? In other words, how can you bring professional logic to the amateur situation? How do you bring up and educate a child who earns €1 million a year at the age of 16? How do you make sure these children get a basic general academic education? Well, the truth is that, in spite of the fact that these are all pressing, vital challenges which affect more and more children all the time, none have been resolved satisfactorily as yet.

In Barcelona, over recent years, work has been done to create stable contractual links with children and their families to ensure the youngsters get a basic education and that their parents are helped with this. The most original initiative was establishing a club in Argentina, the FC Barcelona Juniors Luján, so that talented children who were discovered were not required to travel to Europe immediately, but could be developed close to their families and in their native environment, while benefiting from FC Barcelona training methods and investment in young talent.

Intuitive intelligence, good noses, and science

The obvious challenge in recruiting is that of criteria. In other words, who decides a player has talent and potential, and how. Some people use almost scientific methods, while others continue to trust their noses.

An interesting example of this can be found in the book *Moneyball: The Art of Winning an Unfair Game*¹ which, in spite of what the title suggests, explains how a very scientific statistical method helped the Oakland Athletics baseball team achieve extremely good sporting results that went far beyond their financial strength on a continuous basis. A film based on the book was released in 2011. I have met Billy Beane, the director of Oakland Athletics at the time, and heard him explain with enthusiasm how, by choosing more relevant statistical variables, they measured the talent of the players they were going to sign and managed to get a better performance on the field while paying lower salaries. Of course, this method is easier to apply to a sport like baseball than it is to football.

When it comes to trusting your nose and your intuition, the case of tennis coach Vic Branden, as explained in the book *Blink*, by Malcolm Gladwell,² is an interesting example. Branden was able to predict when a player was about to serve a double fault just at the moment he threw the ball in the air and raised the racket, before hitting it. He was almost invariably right. It seemed like magic intuition or a trick, but it wasn't. Vic Branden was 70 years old and one of America's most veteran tennis trainers. He had watched thousands of tennis matches and millions of serves. He had the ability to see little details, invisible to most and impossible for him to express, in the way the player threw the ball and held the racket. Based on these tiny details, which he was unable to explain, he could predict the result. This was intuitive intelligence based on experience.

¹ Michael Lewis, *Moneyball: The Art of Winning an Unfair Game* (New York: W. W. Norton, 2003).

² Malcolm Gladwell, *Blink: The Power of Thinking without Thinking* (New York: Little, Brown, 2005).

Whether they use scientific or artistic methods, experienced technicians tend to make similar judgments. There are recruiters who think they are capable of detecting whether someone is going to be a good salesperson after a ten-minute interview, while others prefer to do two complete psycho-technical tests.

You play the way you train

Education and training are very important in any organization, and even more so in the case of football, because it is such an extremely complex sport, in which the interactions among the 11 men playing is the key to success. Big teams will always have players with great technical talent and the differences lie in how these players are motivated, prepared, and coordinated. Their coaches pass on their knowledge and tangible automatisms to coordinate them on the playing field, but they also need to build a spirit which engenders in the group the determination to make the effort needed to win. It is no cliché that it is often attitude and the will to win that determines which team will triumph. The other saying, “you play the way you train,” also holds true, because it would not be possible to have a champion team without training – and training hard.

The same concepts apply to other industries, sectors, and companies, but not so keenly as in football, because victory here can depend on an inch, on a well-trained move, on an extra effort, or extra commitment from the team.

As Picasso said, “When inspiration comes, let it find me working.” And as Lee Iacocca stated, “By working hard you have already beaten 50 percent of your competitors.” We all agree there is no way you can win consistently without working, and working hard.

Hygienic remuneration

Remuneration management, the management of what companies pay their employees in the form of salaries or other compensation, is one of the classic challenges that entrepreneurs and managers face. In Latin cultures it is common to hear expressions such

as “Money isn’t the most important factor,” or “It isn’t a question of money,” or “I don’t do it just for the money,” etc., which are expressions that hide a palpable reality we have all experienced. Money is important. In cultures where the Protestant ethic has more of an influence, these things are not heard so often. Earning more money there is not a sin. It is perfectly valid and there is nothing wrong with talking openly about it. Compensation has a significant impact when it comes to professional decision-making, motivation, and balance among the members of a group.

In football, remuneration management challenges are extreme, but they are still subject to general logic. A football player in a big team earns between €1 million and €12 million per annum in salary, and the top players can double this amount with advertising contracts. Because these sums are probably much larger than those earned by the majority of readers, I am certain some of you must be thinking, “If I earned that much money, I wouldn’t be too worried about whether I was paid €10,000 more or less.” However, although this viewpoint is full of common sense, it is not actually true. What is true is that the sums earned by football players are so astronomical that some of them lose their sense of reality or proportion, and naturally have no idea about the price of a loaf of bread or how much it costs to go out to dinner at a fancy restaurant, because they never pay. Someone else always picks up the bill.

Over the years I have seen players spend hundreds of thousands on cars they can’t use, but I have also seen them give €500 to a beggar or leave a €50 tip on a €65 restaurant bill. However, when the time comes to talk about salaries and bonuses, every euro counts – and can be a source of conflict. This is because although they may not know the value of a euro, they do understand clearly how this euro compares with the euro their colleagues are earning. Almost everything is out in the open in the dressing room, and it is extremely important to make sure there are no comparative grievances. If any of you think this is just footballers’ behavior then you might be fooling yourself, because this is the way that the majority of human beings behave.

In 1959, psychologist Frederick Herzberg, in his Two Factor Theory, said that economic compensation is a “hygiene” factor when motivating workers. In other words, when a worker does

not feel he is being paid enough he is sure to be dissatisfied, but is it also true that paying a big salary is not enough to motivate workers in the medium term. On the contrary, to guarantee peace among the workers and for the company to retain them, it is vital they are all paid in a comparatively fair manner, and that none of them feel they are paid less or more poorly than others.

However, the opposite is not true. The financial factor alone is not enough to generate positive motivation. The enthusiasm of workers toward their jobs is found in more complex psychological factors involving commitment, excitement, and more internal motivations. If you do not pay comparatively well and fairly, your workers will be discontented. They might leave the company and you are certainly not going to get the best from them. But paying them well is not enough to make them come to work happy in the morning and do things well because to do this they need to be really and truly, internally motivated.

This principle also goes for football, where, as always, it is exaggerated because of the factors intrinsic to this world. First, there is “management in the fishbowl.” This is meant to express how the managers of football clubs see all their work reflected in the media in terms of satisfied and dissatisfied, motivated and unmotivated players, and their salaries and bonuses. All this can find its way out to the media; and it does – blown out of proportion. Sometimes it is revealed because of the journalist’s skills, other times because it is in the interests of one of the parties involved. Managers often feel as though they are working in a fishbowl with thousands of eyes watching them from the outside.

Second, there is the emotional factor. Football is a passionate game and business. These passions can have an influence when it comes to taking decisions. For example, when it comes to the players who the fans adore, this “love” often ends up meaning the club pays them more money to keep both the player and the fans happy. Then there is the classic example of a player who goes straight to the chairman, over the heads of the entire club hierarchy, appealing to their special relationship and getting a pay rise. This sets a bad example because it results in the organization losing its authority and it unbalances the team. What should be rational calculation becomes an emotional impulse.

Such examples, because of their negative consequences, make clear that it is advisable to apply in football the principles of good management that are valid for all industries.

Have guidelines

A good way of analyzing how good a decision will be is to ask yourself whether you are able to explain it. This principle is valid for football and for everything else, too. When you know people will judge a decision you are going to make, you should ask yourself how you are going to justify it. You have to have sufficient arguments to explain the grounds that led you to take that decision.

The salary you decide to pay a worker can be the consequence of the parties' negotiating abilities, more or less explicit emotional factors, or the specific circumstances at the time the decision was taken. But none of these factors are a valid supporting argument. To be able to explain the relative salaries we need to have guidelines. We need a rational system that compares the workers, based on more or less objective criteria.

In large companies, these guidelines might be complex. Workers are organized into categories within which there are salary bands, and in each salary band there are different sub-levels that allow us to justify exactly how much each worker should earn and how the additional responsibility assigned to the employee will lead automatically to salary increases and promotions.

At the other end of the scale we find companies that have no guidelines and where employees' salaries depend on the circumstances under which they were engaged or on their negotiating skills. It is not unusual to see football clubs managed like this.

Although he expressed it using other words, Johan Cruyff was talking about this concept when he was the coach at FC Barcelona. More recently, in the summer of 2003, Barcelona formalized the salary bands that are still used today. It isn't an overly complex scale. It is a single sheet of paper on which the

players are positioned in a salary band according to their value to the team. At the end of each season, when the players' individual performances were assessed, this sheet of paper was always in front of us so we could take coherent decisions about the team as a whole. We also considered which salary band new players would belong to, and how they would be compared with the others. If a player expected to earn more than his salary band allowed, we would not accept the proposal (see Table 6.1).

Some readers might think that in their companies, because they are complex or small, salaries cannot be rationalized. However, anyone can create a table like this, and it will certainly help with decision making.

Table 6.1 Salary guidelines

	Goal keepers and defenders	Midfielders	Forwards
A	Player 1 (6, 3, 29, 2011)	Player 11 (7, 3, 28, 2011)	Player 17 (8, 4, 28, 2009)
	Player 2 (5.5, 2.5, 26, 2012)		Player 18 (8, 4, 29, 2010)
B	Player 3 (3.5, 1.5, 30, 2009)	Player 12 (4.5, 2, 30, 2009)	Player 19 (7, 3, 27, 2012)
	Player 4 (3, 2, 28, 2010)	Player 13 (4, 2, 29, 2012)	Player 20 (4, 2, 29, 2012)
	Player 5 (2.5, 1.5, 23, 2014)	Player 14 (3.5, 2, 28, 2010)	Player 21 (3, 2, 30, 2009)
	Player 6 (2.5, 1, 29, 2009)		
C	Player 7 (1.5, 1, 23, 2009)	Player 15 (2, 1, 25, 2010)	Player 22 (1, 1, 18, 2013)
	Player 8 (1.2, 1, 21, 2011)	Player 16 (1, 1, 21, 2012)	
	Player 9 (1.2, 1, 19, 2013)		
	Player 10 (1, 1, 20, 2010)		

Notes: Three salary bands A, B, and C; for each player data represents his fixed salary (millions of euros), his maximum bonus or maximum variable compensation (millions of euros), his age, and the year his contract expires. Fictitious numbers.

Fixed and variable

Like any other industry, players should earn more money when they achieve the targets set for them, that is, when they win games and championships, and they should earn less money when they lose. That's common sense and everybody can understand it. And that goes for the players, too. When we introduced this system at FC Barcelona in 2003, a lot of people in the know said the players wouldn't accept it. They said we were deluded and inexperienced. In spite of their opinions, we introduced the system and the players accepted it quite well, and salaries at Barcelona have been distributed approximately as follows ever since. Two-thirds are paid with a fixed salary, and a third with a variable one, according to the players' individual and collective performance. As general rule, imagine a player wants to earn 100 units – because this is the going market rate. We suggest paying him 80 units as a fixed salary and having a variable pay of 40 units. So if things don't go well he will earn 20 percent less, but if they go well he might earn 20 percent more. The players accept it because it is fair and reasonable.

At that time at Barcelona, all but two players accepted the new scheme. Gerard López turned it down because he only had one year left on his contract (and in fact we were already trying to find a way for him to leave the club). Javier Saviola rejected it because his contractual situation was very complex. The scheme we put in place is shown in Table 6.2.

Table 6.2 Fixed and variable compensation (euros)

	For playing	For qualifying to play in the Champions League	For winning the League	For winning the Champions League	For winning the Cup
If plays in at least 60% of matches	200,000	200,000	200,000	300,000	100,000
If does not play in 60% of matches	0	100,000	100,000	150,000	50,000

Note: Fixed salary: 2,000,000.

In Table 6.2, this player earns €2 million fixed salary plus a variable compensation of €1 million. His right to receive the variable portion of his salary depends on the following criteria:

1. Whether or not he plays in 60 percent of matches. Experience has shown that this is the figure that separates the line-up from the substitutes. Each season there are 12 or 13 players that exceed this percentage. This calculation does not include matches when the player is injured. There have been cases of players only playing in three matches during the entire season because of an injury, but they met the 60 percent criterion and received their bonuses. A player is deemed to have played in a match if he is on the field for 45 minutes or more.
2. Players who have played in more than 60 percent of matches receive a bonus for having done so (in this example, €200,000) and receive all the group rewards.
3. Players participating in fewer than 60 percent of matches do not receive the bonus and receive only half of the group prizes, on the basis of their relatively minor contributions.

The scheme worked well. Over five years I don't remember more than three or four disagreements. There was a disagreement when one player had been in 59.6 percent of matches. He didn't earn a very high salary and this happened in a year when we had been the champions. We decided to pay him as though he had played in 60 percent of matches. Another case involved a player who had been in 58 percent of matches and who was already paid a high salary. That year we hadn't won anything, so we applied the formula strictly and he did not get paid the bonus.

It is extremely important to get the incentives right. A team sport such as football requires group rewards. In 2003, Argentinian player Javier Saviola had a clause in his contract stating that he would receive €6,000 for every goal he scored. I remember how enraged Frank Rijkaard became when he found out. "That explains some things!," he exclaimed. Rijkaard could relate Saviola's behavior on the field to that financial incentive. At first glance there didn't seem to be a problem, because when a footballer is playing in a match the only thing he can think about is winning, not earning money, but it is difficult to know, in the

fraction of a second when Saviola had to decide whether to pass the ball to a colleague or to shoot himself, whether the €6,000 goal bonus influenced his decision, even though it may have been almost imperceptible and unconscious. Whatever the case, Frank Rijkaard didn't like it at all.

Proactivity

Once you understand that having relative salaries perceived as fair is an important factor for individual motivation and the harmony of the group, it is a good idea to reflect on the changing nature of the value of collaboration and its relative fairness. Footballers evolve throughout their careers and their relative contribution to the team varies. Based on this fact, there are two possible options. The first is to say nothing and to wait until the player or his agent complains that the salary is too low, or not fair when compared to those of his colleagues. In this case there is a risk that the negotiation will be over-emotional and that the media will add even more pressure.

The second option is to do proactive management and adapt the salaries to the player's progress, without him asking you to do so and without entering into negotiations in the media with agents. That's what we decided to do at FC Barcelona, and I believe the results were satisfactory. At the end of each season, all the players' performances were reviewed and if, according to our guidelines (the salary bands and the relative performance/salary compared to other players), we considered a player should be paid more, then we suggested a contractual improvement, normally associated with other changes in the agreement (duration, incentives, etc.) to the benefit of the club. This was the case with many footballers. It is very important to make this assessment at the end of the season, when the job has been done and the results have been obtained, because it makes for a more structured process. It also means the negotiations don't affect the players and the team during the competition.

Sadly for the clubs, and luckily for some players, the measure cannot be applied negatively. In other words, when a player performs poorly, it is not possible to cut his salary. But in practice,

the compensation structure with a variable element as large as that at FC Barcelona means that players who don't play much or who are not so important in the team during the season end up receiving significantly lower salaries.

Quick list of human resources ideas

1. Employ good recruitment criteria

- Make an effort to conceptualize and write down what is needed for your organization, what type of talent your business or project needs at this time, before seeing any candidates. On what basis are you going to judge the candidates? Try and be objective about it.
- Value talent, look for evidence of the level of commitment and think about how he or she will fit into the group. Find clues about his or her professional career and take the time needed to understand it.
- This technical analysis also applies when recruiting a leader. A leader should be chosen who would adapt to the challenge and the team, not vice versa.

2. Nurture talent

- The greatest value is found in talent trained in-house. Devote efforts into recruiting young talent that can grow in your organization.
- Don't rely on intuition alone when choosing talent. Find rational support and objective criteria. Sometimes they are not obvious at first sight, but they do exist.
- As Picasso said, "When inspiration comes, let it find me working," and as Lee Iacocca stated, "By working hard you have already beaten 50 percent of your competitors." There is no way you can win consistently without working, and working hard.



3. Hygienic pay

- Can we explain the differences among the salaries paid to all the employees and how they relate to each other? We need to create logical guidelines to be able to do this openly, supporting the differences with objective criteria.
- We need to establish fixed and variable payments. This is logical and natural. We share our success or failure with our workers, and this is translated into money. This helps us to align with a common objective.
- We must be proactive. Don't wait for disputes to arise before adjusting pay. Do this once a year, according to performance.

Reason and emotion at the negotiating table

We have to negotiate as part of our daily lives. Sometimes these negotiations are very important, and sometimes less so. You might be negotiating the purchase of a seven-storey building or buying a rug in a Turkish bazaar, or maybe you are bargaining about how much time your children should spend browsing the Internet or negotiating your plans for the weekend with your partner – all these situations involve negotiations between parties, of whom one is demanding and the other is offering.

Negotiations need to be prepared using rational analysis and taking emotions into account. It is obvious that in markets with fixed prices (supermarkets), your negotiating skills are not as important as they are where prices can vary (the Turkish bazaar). But a rational analysis of what is on offer and what is being demanded before jumping in can help us to avoid being tempted or misled by our emotions.

The football world is an exceptionally good place for observing and experiencing how to approach a negotiation, because there is an emotional factor constantly threatening the negotiation processes. Sometimes negotiations go according to normal business practice. Contracts with sponsors or for television and marketing rights of all types are an example of this. But at other times, the negotiations are of an entirely different nature; for example, when players are transferred and salaries negotiated, then all kinds of other factors come into play. The competition with other teams is sometimes ferocious: the different agents representing the players and the clubs have to be taken into account and understood, as well as the cultural differences that

condition the way we should approach the conversation, not to mention the huge sums of money involved, or the press and the risk that everything that happens will end up on the front page of the newspaper the following day.

Once again, some people have innate negotiating skills, while others learn or develop them. Some people had already started negotiating with their mothers over giving up their dummies. But there is also a science that can be learnt and which can make us better at negotiating and more confident at decision making: a science that will help us avoid the feeling we have made a mistake that can't be put right or that we have been cheated.

Getting ready to negotiate

When you are getting ready to negotiate it is always better to be over- (rather than under-) prepared, and not to be overconfident in how well you will perform once you sit down with the other party. It is better to assume your opponent will have done his homework, and if he hasn't then your preparation will be even more advantageous to you. The adage says that a negotiation is 80 percent preparation and 20 percent talks with the other party, and I think that's just about right.

In football you absolutely have to be prepared when negotiating with players' agents, because you know they have prepared very well for the meeting. Agents have plenty of time for this, it's their job – and a whole year's income might hinge on a single negotiation. I remember sitting down with Ronaldinho's brother, Roberto de Assis, to negotiate something and seeing how much he had written in his notebook. He had made a very good study of all the options; but we had, too. We had done our homework well before the meeting and set out everything very efficiently on a spreadsheet on the laptop, with all the financial simulations for the contract.

There are three very good reasons for preparing for a meeting properly. First, you won't have enough time to do it once the negotiations have started. Second, the other party might take you to places you don't want to go and which you have to have thought about in advance. Third, you might get emotional.

It is very difficult to think clearly at the negotiation table. The answer is pure, simple common sense – think before the meeting starts.

I suggest you: (1) think about whether or not this is the best time to negotiate; (2) set your limits, what you are prepared to sacrifice, and in exchange for what, and consider how much the negotiation is worth to the other party; (3) review the alternatives you have; (4) decide who should provide an initial figure and what your leeway is; (5) decide on what a fair price would be.

Is this the best time to negotiate?

Obviously, you don't want to negotiate until it suits you. It might not be very easy to see when that is, and it might not be possible either. The other party might force you to negotiate when you are in a weak position or not prepared. That's when your negotiating skills will come in handy.

Footballers are famous for bringing up their contract negotiation at the most opportune moment for themselves. This might be just after winning a title or having enjoyed a particularly good season when they are having praise heaped on them by everybody. Their own experience and that of their agents makes them masters when it comes to manipulating the sentiment and sympathy of their fans and the press.

They also know how to pick just the right moment to approach the chairman or the directors to get what they want. The chairman's involvement in negotiations can be lethal. Agents try to arrange one-to-one meetings with the chairman by playing on his emotions and because of their personal relationships. If the chairman accepts, he might make promises that the agent will later use to undermine the club organization. Any participation in negotiations on the part of the chairman must be carefully planned, and be held back until the last moment, to benefit the club.

The players have numerous resources. The negotiations are about people, not things, and these people's desire to play for one club or another is vital, and that is the way it should be.

When players are unhappy or feel they are being mistreated they are not in the habit of hiding the fact from their agents, who then try and put the club between a rock and a hard place.

This means it is important for the club to stay ahead of the game and that they renew contracts when everything is quiet. This usually means starting negotiations two years before the contract is due to expire so that when the final season comes to an end the player is not free to go to another club without any transfer fee being involved. The managers also need to resist pressure from the players and negotiate contracts only when it is in the club's best interests.

All of these things have happened at FC Barcelona over the years. Ronaldinho, for example, had two improvements made to his contract in five years, on the basis of his extraordinary performance for the team and the club, and the fact that other clubs were trying to sign him. Mexican player Rafael Márquez started off with a modest contract that was improved when he demonstrated his abilities. Then there was José Edmilson, who spent four years at the club under the same contract. After a magnificent first season, his agent asked for an improvement, but we turned him down. Later on, when his performance deteriorated, particularly due to injuries, his contract remained the same, because players' contracts can only be made more favorable to them, not vice versa.

In the case of younger players, their contracts need to be flexible enough to give room for improvement as they progress. Barcelona managed to pay Lionel Messi and Andrés Iniesta in line with their importance to the team and probable market value each season. By proactively offering these players improved contracts, the club has avoided conflictual negotiations and unwanted media attention, and kept the harmony and balance within the team.

The market temperature

The fact is that if you want to bring a negotiation to a successful conclusion, you need to stay ahead of events. You need to understand the laws of the market and predict what your competitors are going to do. In the football market there are two windows for signing players. These are in the summer, between the end of the season and August 31, and in the winter, in January.

The decision about when to make a move is important. Will you go in at the beginning and open the market because you think prices are going to go up, or are you going to wait until the end, hoping that clubs that want to transfer players, finding it difficult, will later let them go much more cheaply than they originally intended?

I will illustrate this by explaining our strategy at the end of the 2006–07 season. According to our information, the big clubs were going to be doing a lot of signings and prices were expected to rise. Manchester United was in Portugal at the time, where it signed the young player Anderson Luís de Andreu Oliveira from Porto FC for more than €30 million and a skilfull left-winger Luís Carlos Almeida da Cunha “Nani” from Sporting Lisbon for €20 million. It was on this basis that we decided to get in quickly and be the first to sign. The club’s Football Department had worked throughout the season to identify which players they wanted. We started negotiations with the clubs and players the day after the season ended, concluding them very quickly, within just a few weeks.

Our speedy action enabled us to sign Henry for €24 million, Abidal for €15 million, Yaya Touré for €9 million, and Milito for €17 million. Later on, our competitors had to pay much higher prices. For example, Real Madrid paid €36 million for Robben, €30 million for Pepe, and a further €13.5 million for Drenthe. Atlético de Madrid parted with €26 million in exchange for Forlán.

The Pepe signing interfered with the negotiations for Milito, to the detriment of Barcelona. Zaragoza felt the club was in a stronger negotiating position after Madrid had coughed up €30 million for a center defender with no experience of the Spanish League. It was as we had feared. In early summer, Feyenoord wanted €7 million for Dutch player Drenthe, but several weeks later, with the market in full swing, Madrid signed him for nearly double that amount.

Sometimes it is the clubs wanting to sell that try and plan the negotiations. It was not uncommon for them to call and warn us that someone else was interested in the player we wanted, and that we should speed up the negotiations. Sometimes this third-party interest was genuine, although usually this was just

a tactic. Calls from former player and vice president of Juventus Torino, Roberto Bettega, started with “i vostri cugini” (“your cousins”) and always ended with a warning that Real Madrid was trying to sign the same player as we were interested in and that we should get our skates on.

Limits, concessions, counter-offers, and value for the other party

Knowing what to do during a negotiation means writing a script. Before you play your part you need to learn your lines.

The limits

First of all, you need to set the limit above or below which you are not prepared to go. In other words, you need to determine when you will get up from the table and leave the negotiation until some other time or simply abandon it. These limits may apply solely to the negotiation in hand or they may affect others. For example, in 2004 we could spend up to €15 million to sign a center forward. When we signed Eto'o for €24 million, we immediately had to sell Luis Garcia to Liverpool, meaning the net cost of the transactions was €15 million.

The transfer list and the counter-parties

The second step involves drawing up a list of things you are prepared to give in on. All negotiations involve aspects secondary to the main subject of the discussions. The core aspects of footballers' contracts are transfer price, salary, and duration of the contract; however, there are many more aspects (interest on deferred payments, the FIFA solidarity mechanism, the buy-back rights, the different commissions payable) whose value is not insignificant. All these have to be valued and analyzed in detail, so that you know what you are prepared to give and what you are not. Before we started negotiating we would write down how much each of these points was worth in monetary terms, and rank them in the order in which we were willing to grant them.

This was just a simple piece of paper with two columns: the first with the items we were prepared to agree to, their value, and the order in which we would be prepared to give in to them; the

second, with the items we were going to ask for in exchange, with their value, and in the order we preferred to have them. This meant that while we were discussing who would pay financing costs it would be clear what the sum in question was, how important we had decided it was in our pre-negotiation meeting, and what we should ask for in return.

What is it worth to the other party?

This third aspect, what each item is worth to the other party, needs to be studied carefully. It is a complicated calculation, but you have to do it to get as much information as you can to enable you to get as close as possible to the price at which the other party is willing to buy or sell, and what their expectations are. When we wanted to renew contracts with sports equipment manufacturers or over television broadcasting rights, the challenge we faced before meetings was to know just how much the contract with FC Barcelona was worth to Nike, or television organization Mediapro, or whoever we were talking to. Benchmark figures from other clubs and leagues are very often not enough, and there is a need for more complex, uncertain projections, to the point of creating a *business plan* for the other party that will allow you to understand how much it is worth to them, and therefore how much they might rationally be prepared to pay.

What are our alternatives?

It's clear you have to prepare everything conscientiously before going to the negotiation table so you are stronger than, or at least as strong as the other party. This ideal situation isn't always possible. One of the factors that will make you weak, mainly because it affects your confidence when talking to the other party, is having no alternative. If the other party realizes this they are going to get the very highest price you are prepared to pay. Your lack of confidence might give you away, because your weakness will become apparent during the negotiations, so in situations like this, the best you can do is not to negotiate.

You always need to have an alternative, because it is the card that enables you to get up from the table and finish the meeting

if the other party does not agree to your conditions. So if you don't have one, you need to create it. It isn't a question of making it up – you are not trying to call anybody's bluff. In fact, if you do and you get found out, this will damage your future credibility. Creating an alternative means looking at the market for competitors or substitutes for what you want to buy or sell, giving you a choice.

When we are looking for resources to strengthen a football team, the idea is to find a player that fits your profile, rather than trying to get a particular player. That is what they have done at Barcelona over recent years. First, the technical experts identified the shortcomings and weak points of the team that needed improvement. This might mean getting a taller-than-average defensive midfielder, or a forward who could take control of the ball in the air, or an offensive right defender. These were profiles for players we did not have, or for replacements for players that were leaving, or for others whom it would be handy to have as tactical alternatives. We then drew up a list of four or five names in order of priority and started several negotiations, almost always simultaneously.

When it is a question of selling players, we have to search proactively to find out which clubs are interested. In the summer of 2008, Barcelona had decided to sell Ronaldinho and, although he would rather have gone to Milan, we negotiated a deal with Manchester City that ended up increasing the transfer fee that Milan AC paid.

This was also true of sponsorship and television contracts, which required going into negotiations having first found alternative buyers for the rights we were selling. Sometimes these were companies who hadn't expressed an interest because they hadn't realized there was an opportunity, or they thought we would not be prepared to cut our ties with our current partners. We had to convince them that we were and that we had received some offers that convinced us that there were some good alternatives out there.

You always need a "BATNA," or a Best Alternative to a Negotiated Agreement. This alternative has to be kept in mind throughout the negotiation, so you can compare it with the proposals you receive during the negotiations. So it is worth spending

time and effort finding alternatives to what you want, and not to start negotiating until you have them. You should not sit down at the table without knowing what your BATNA is.

Who should give an initial figure and what is the margin for negotiation?

Who is going to go first?

If negotiation is considered an art, one of the essential qualities that makes an excellent negotiator is the ability to know which of the parties should make the opening bid and start the negotiations – and get the price right. If you are the buyer and your opening price is too high you'll be throwing your money away, but if the price is too low you might put off the seller and lose the product. When you are the seller, the opposite applies.

In football, when you represent an important club, the seller tends to overvalue what he is selling. This means you have to give an opening price, and quickly, so the other party knows what is expected of him straight away. Let's say you think the player is worth €10 million. If you let the seller speak first, you are running the risk that he is going to say €20 million. It's difficult to get the other party to drop his price by 50 percent in any negotiation because such a tremendous discount causes the seller to "lose face." The opposite is true when the initial figure is too high – let's say €10 million, when the seller would have been willing to sell for €5 million. This doesn't happen so often when you represent a top club.

What is your margin of negotiation?

Another key aspect is identifying what your margin for negotiation is. This means knowing the difference between the starting price and the price we think is acceptable to the other party. Cultural differences can be decisive in such cases. Negotiating with an Anglo-Saxon is not the same as negotiating with someone from a more Latin culture. Anglo-Saxons work with narrower margins, so if you open with a figure that is nowhere near what he is thinking of, the negotiations might break down before they have even begun. For example, for Henry and Hleb's transfers from Arsenal, the initial offers were €20 million and €12 million,

respectively, and the final fees were €24 million and €16 million, which is quite a small difference.

However, when you are negotiating with a Latin, the movements might be blunter and there is less chance of getting caught short. In Abidal's transfer from Olympique Lyon, we started out with a low figure of €10 million, knowing that the club had paid Lille €9 million for him in 2004. This fee was obviously too low, but we thought they would ask for €20 million and we were happy to split the difference and pay €15 million. This deal involved a very wide margin for negotiation – €10 million.

Of course, it's impossible to generalize, because there is always a chance you will find Latins who think like Anglo-Saxons and vice versa. In the case of the owner of Real Zaragoza, I don't know whether I should put it down to the Anglo-Saxon culture or the stereotypical stubborn character of people from the region, but he was absolutely certain that Milito was worth €20 million, which was, in fact, more or less the market price. We knew there wasn't much of a margin and started at €15 million. The negotiation reached a very critical point on the morning I got an email from Zaragoza's negotiator attaching the news published in a sports newspaper, saying that Real Madrid was signing Pepe for €30 million, while we were offering €15 million for Milito. We finally agreed to pay €17 million as a fixed fee, plus €3 million in bonuses, depending on FC Barcelona's sporting results.

What is a fair price?

We might actually ask ourselves whether there is such a thing as a fair price. I think there is and that it can be estimated. In football it is generally thought that there is no such thing as a fair price for a player, and that the final figure will depend on the negotiations between the buyer and seller. In the end, the player is rather like a melon, you don't know how good it will be until you cut into it. Therefore, his performance will tell you whether he was expensive or not.

By now, my readers will have realized that I don't share this opinion. I actually believe that the price of a player can be set in

a rational manner, and that a good manager and a good negotiator can work to find grounds for justifying the fees paid.

Finding objective criteria

First, you need to determine the objective criteria you will use to decide how much a player is worth:

1. *Performance statistics.* This refers to goals, ball recoveries, the number of minutes played, etc. This data tells us about the player's quality. For example, the number of ball recoveries was useful to use when signing Deco, as was Eto'o's goal-scoring record at Mallorca. Eto'o had put 14 and 17 balls in the net over the last two seasons, and we reckoned that on that basis he could score 25 for Barcelona.
2. *Group results.* Players who have been part of teams that have won titles should not be assessed in the same way as those who have not, whether or not they are "champions." Italians always express this with their characteristic sonority, "Ma lui e un campione!" ("But he is a winner!").
3. *Familiarity and adaptability to the league where he will be playing.* Obviously, players that are already familiar with the Spanish League, the rivals, and the grounds should be paid more. Dani Alves cost more to FC Barcelona than defenders in other leagues because of the added value of the five years he had played for Seville.
4. *International players.* An international player is one of his country's best players. He has experience in elite competitions and is more prestigious than players who have never been selected to play for their national teams. When looking at this, you need to analyze why and how often the player has been selected and if he played in the national youth categories, given that certain countries have been known to make "selections of convenience," with the player making a single appearance with the national team, but never being invited back after they have been transferred. Fábio Rochemback and Geovanni Deiberson were selected for the Brazilian national squad just before they were signed by Barcelona in 2001, but subsequently they only played a couple of times for Brazil.
5. *The potential to bring in commercial revenues.* In some cases, the clubs also measure the impact a player can have on their

commercial results. When players are popular in the media, this can be factored into the transfer fee that the buying club is willing to pay.

Comparable transactions

The next step is to look for similar transactions in the market, which can be used as a benchmark.

In the summer of 2007, there were central defenders in the market, as well as a few clubs looking to sign one. Bayern Leverkusen was asking €10 million for Juan, and Porto wanted €30 million for Pepe. Chivu and Milito wanted to leave Rome and Zaragoza, respectively.

With all this going on, we had to look at each player's qualities objectively. We ruled out Pepe immediately because he was not experienced enough and nothing about his performance seemed to be grounds for such a high fee. Chivu and Milito were technically superior to Juan. They ought to have been worth around €20 million. When the time came to take a decision, the coaches preferred the Zaragoza defender because of his experience in the Spanish League.

In the end, Barcelona paid a fixed sum of €17 million, plus €3 million in variables for Milito; Inter Milan paid €16 million plus a variable for Chivu; Roma paid €6.5 million for Juan; and Real Madrid gave €30 million for Pepe. Some people thought that Pepe's value would depend on his performance. At one point, he was considered as "the best central defender in the world." Regardless of Pepe's future overall performance at Real Madrid, and based on our objective criteria, we found €30 million was not a fair price. Likewise, as the summer temperature and the market continued to rise, neither did the €30 million that Manchester United paid for Anderson, or the €36 million that Real Madrid paid for Robben, seem fair. All in all, it is always possible to find something like a fair price, if you look for objective valuation criteria and compare similar transactions.

The negotiation

Having concluded the preparation phase, it is time to sit down at the table and start speaking with the other party.

Win-win negotiations

Around the beginning of the 1980s, the idea of win-win negotiations, based on the economic theory of games, became popular. Roger Fisher, the leader of the *Negotiation Project* at Harvard University, wrote several books on this subject. Nowadays, all these ideas have become part of the common sense applied to human and business relations, but it is worth remembering the most interesting principles that inspired the win-win theory as applied to negotiations.

Don't argue about the starting positions: accept them

When two people sit down to negotiate, they are normally defending different and sometimes even opposite positions. What negotiations are logically meant to do is to find an agreement between the two positions. They must be recognized and accepted. Sometimes, the party wanting the money will talk as though he is ashamed of asking, and the person who has to part with the cash acts as though he resents paying. This is a very bad way to start a negotiation.

If I want to sell a football player, of course I am looking to get as much as I can for him, and, naturally, the buyer also wants to pay as little as possible. If we accept these two facts, then everything will go better. This way of approaching the negotiation seems to be a bit easier for Anglo-Saxon negotiators. This could be because of their more direct way of talking or perhaps it is because open talk about money is less of a taboo.

Differentiating the people from the problem

There are two conflicting matters involved in negotiations: the subject of the discussion and the relationship between the negotiators. It is therefore very useful to build up a good personal and working relationship with the negotiator, because what both parties need to do is to face up to the problem, the subject matter of the negotiation, not the person.

To build a good relationship, and to prevent the negotiators becoming confused about the terms, we need to work on:

1. *Perception.* This means putting yourself in the other person's shoes so you can understand how he feels he is being treated and valued.

2. *Sometimes you need to talk openly.* Whenever you think the other party has the wrong end of the stick, you have to tell him right away, or change your behavior so he gets a different idea of you. It is usually very helpful to agree with the other party about something that he doesn't expect you to, as this might change his perception about you.
3. *There is no point in blaming anybody.* It has to be made quite clear that nobody is going to lose in the negotiation, and that the result will benefit both parties.
4. *Emotions.* These must be both acknowledged and expressed. They exist and must be made legitimate. It doesn't matter if the other person gets excited or shouts. Let him get on with it, if he must. It is amazing to see how the tone of a conversation changes when you are allowed to express your feelings. But it is only your own feelings you can talk about, if you talk about the other person's feelings, this can be misinterpreted. Once your emotions are out in the open you can go back to other, more rational aspects of the conversation.
5. *Communication.* You must listen actively and with empathy. Ideas are important, but looks and gestures are also important. We have all come across people that don't seem to be listening to you when you talk. Instead of listening to you, they are thinking about what they are going to say when it is their turn to talk – that's a mistake. It is very important to listen and to talk only when it is necessary, in a clear, simple way that can be understood. When you talk you do it for the benefit of the other party, not yours. Before you say anything, you have to decide whether it is relevant to the process. If it isn't, you are better off saying nothing.

When it comes to football players, differentiating people involved in the negotiations from the subject discussed is much easier when the agent is a professional, more so if he represents more than one player. In this case, he can more easily focus on the objective of the negotiation, rather than becoming personally involved. Edgar Davids's agent is a Dutch lawyer, of whom the managers of the Juventus speak very highly. Indeed, he is a friendly and direct person; it is hard to get angry with him. Despite his friendly manner, during the summer of 2004 he still managed to have us running round in circles before telling us

that the player had decided to return to Italy, to Inter Milan, for a small salary difference.

When players are represented by their parents, things are very different. For them, it is obviously very hard to distance themselves from the player. The negotiation becomes more complicated as more emotional aspects get involved. When a father says “You aren’t valuing my son enough,” it is equivalent to an agent asking for “a higher salary for my client.” However, the emotional impact is very different.

During the years I spent as vice president of FC Barcelona, I had to negotiate many times with Roberto de Assis, Ronaldinho’s brother and agent. We spent a lot of time building a good personal relationship. It was a long time before we grew to trust each other enough to understand that we weren’t liars and we intended to honor our commitments. Once trust was established, it turned out to be easier to negotiate the amounts of money whenever necessary.

Concentrate on the interests, not on the positions

Negotiations are about a conflict of the matter being discussed, but, behind each position, there are interests. Some of these interests might be different, but some might be compatible to both parties.

Therefore, it is very important to understand the viewpoint of each of the parties in order to resolve the problem that has been generated. If we haven’t identified the problem, we can always ask. Ask him: “What is worrying you?” or “What is it you really want?” This saves lots of time and is a good way to start resolving a problem. Sometimes you can ask yourself what your “pain points” are – what is painful to you and what do you not like about the discussion in hand?

When a football player asks for a pay rise, it is important to find out what reasons are moving him to ask for it. If we ask whether he is worried about his future financial security, we could offer him an extension to his contract as opposed to a wage increase. If he is happy and self-confident with his performance, we could offer him better incentives instead of changing his fixed salary. If it isn’t done in this way, if we are unable to understand the

worries and interests that are behind the problem that has been generated, we could be missing the chance to satisfy the player and the club simultaneously.

Inventing options of mutual benefit

Some negotiators face the process as if it were a zero-sum game, where one side wins when the other one loses. But this isn't always the case. If the negotiators concentrate on solving the overall problem (not just their side of the problem) it is possible to find solutions that provide mutual benefit. You must be open, creative, and flexible to be able to imagine new options that can satisfy the interests of both parties.

Sometimes, mutual agreement can be of advantage to both parties. An obvious example is the tax discussions in acquisitions. It is worth spending time and effort on finding the best way to structure the transaction, so that both the buyer and the seller minimize their tax impact, always, obviously, within the legal boundaries.

There will be other cases in which you will have to look for new creative ideas, different from those that are being negotiated, ideas outside the box, ideas that benefit both parties. In the agreement between FC Barcelona and Nike, for example, a significant charitable initiative was included, that benefited the multinational company as well as FC Barcelona and its alliance with UNICEF.

Use objective criteria

It is useful, before starting a negotiation, to set the objective criteria with which the final result will be judged. They must be legitimate, fair, practical, and agreed by both parties. At times when the negotiation is going through very emotional patches, or when the other party is pressuring or threatening us, we can always refer to the objective criteria that have been set out at the beginning.

If, before starting the negotiation, we have agreed that in the player's new salary we must, for example, (1) acknowledge his growth during the last season, (2) not put in danger the performance/remuneration balance of the team, and (3) leave a margin for future growth. This way we will be able to evaluate any proposal made by the agent against these three principles.

Agree as to how the result of the negotiation will be communicated

The negotiation is not closed until the result has been communicated, internally to the teams and organization of each of the parties, and externally to the media. The negotiators must agree on how this communication will be done, so that neither of the negotiators is damaged and it doesn't seem as though either of the parties has won or lost. There are football anecdotes such as one where the president of a club signing a new player supposedly said to the negotiator of the selling party: "I will accept these terms and conditions, if you tell everyone that I have been a very tough negotiator."

Emotions at the negotiating table

A long time ago, neurologists discovered the importance of the emotional factor when it comes to making decisions. Intelligence is not enough to start a negotiation process. The challenge is to find the perfect balance between intelligence and emotions for each moment. You must be prepared and learn to manage your emotions.

Uncontrolled emotions

We must prepare ourselves and be aware, in order not to get involuntarily emotional during the negotiation. We must keep in mind the principles of the process and all the previous analysis that has been done. We should even think about the attitude and steps we will take if we do get emotional. We also need to know how to manage the emotions when they appear. We must take the emotional temperature on a regular basis, both ours and theirs. It comes in handy to know what buttons, when pressed, unleash emotional answers from the other party. We can then decide whether to use them or not, and when. Normally, the emotional triggers are related to the negotiators' respect for the subject matter of the discussions, the acknowledgment of the negotiators' status, and the respect for the independence and capacity to make decisions of the person who is talking.

When emotions are unleashed and we want to calm them down, we must choose between various alternatives:

1. Get as emotional as the person to whom we are talking. That is, I get just as emotional as him, creating empathy and setting the limits. I remember the conversations I had with Roberto de Assis. I matched my tone of voice to his, and when he started shouting at me, I shouted back. Then, he lowered his tone and so did I. It was like a harmonic symphony of arguments.
2. Let him be at ease and wait calmly. In this case, we shouldn't criticize his attitude or complain. We must maintain a friendly demeanor at all times.
3. Disrupt the course of the discussion with a break, a change of subject, or, even, a change of scenery. In football, we have made negotiations in offices, restaurants, hotels, and private homes.

Planned emotions

Up till now we have spoken about uncontrolled emotions. However, there is also room for voluntary and planned emotions to articulate to articulate our intentions and wishes. We must act like the actors do (or nearly) to relay the messages we want to convey, or to emphasize what we are saying. At this point there can be a distribution of roles between the negotiators (good cop/bad cop).

Some negotiations will need to be almost broken, in order to maintain a firm position. In these cases, it is convenient to add in a good dose of emotion, whether it is real or made up. It can't be just pure acting. There must be a will and strategy behind it, to justify it. Bluffing has its risks; however, in certain situations, it can be done.

I remember a peculiar situation that occurred in Barcelona in 2003. We were negotiating a sponsorship contract with two different suppliers. One of them invested a lot of time and effort and did a good job. However, at the last moment, the other supplier surpassed them in various aspects. We had already decided to sign up with the first one, but, in light of the offer the second one

made, we called up and canceled the signing. The FC Barcelona Marketing Director asked them not to come for the planned signing, but they didn't take any notice. The following day, top executives of that company walked into the offices at Camp Nou. They had traveled a long way. We welcomed them into one of the grandest rooms the club had and told them clearly that we were not going to sign. The president of that company, quoting the famous Catalan poet and singer Lluís Llach, said: "No és això, companys, no és això" ("This isn't it, colleagues, this isn't it"), referring to a famous political protest song from 1978. It was a very emotive situation. However, we didn't sign.

The negotiation to renew the contract with Nike, one of the most important ones for the club, has been broken a couple of times. Emotions ran high, with the odd slamming of doors in the office of FC Barcelona's chairman. A dinner between the vice president of the time, Marc Ingla, in New York, and the Nike representative ended with the negotiation breaking down completely. However, after eventually closing the agreement that linked FC Barcelona with the American multinational for another ten years, the relationship improved immediately. These had been planned emotions, a bit of acting from both sides. Once the contract had been signed, we could concentrate on working and the emotions no longer played a role.

Cultures and communication

To decide how we should communicate with the other party, the correct tone of voice, the best channels to use, or how to speak and in which language, we will have to evaluate strategic and cultural aspects. Cultural stereotypes also play an important role in communication during a negotiation. We can obviously decide to adapt our habits to those of the other party, or we can try to make them adapt to ours. This decision might be part of the negotiation tactics. It is clear that the cultural factor will play an important role and we will have to decide whether we use it to our benefit.

In general, the Anglo-Saxon and Latin worlds have different styles and communication methods in a negotiation. To illustrate this point I will present some examples that occurred at FC Barcelona.

Anglo-Saxon styles

Truthfully, we could say that the Chelsea player, Eidur Gudjohnsen, was signed up via email. An initial telephone conversation took place with the general manager of the London team at the time, Peter Kenyon, but the rest of the negotiation was made through emails. They made a proposal and we sent it back with some adjustments; they answered with another term sheet and we sent it back. And so on, until we reached a final agreement. We then sent the contract by fax, signed it, and sent it back. It turned out to be a very easy process, and very efficient. Everything was handled in a polite manner, of course, with the firmness needed in order to defend our mutual interests. I recall the emails from Kenyon. They all started in the same way: "Many thanks for your offer, most appreciated, but ...". This was followed by all the things he didn't accept in our proposal. The sign-up of Thierry Henry to Arsenal, the sale of Deco to Chelsea, and the signing of Piqué to Manchester worked in a similar way, also including large amounts of emails, in an efficient and easy manner.

A mixed case was that of the negotiations with Olympique Lyon for Eric Abidal's sign-up. The negotiations were a combination of emails and telephone calls. We spoke over the phone and immediately wrote emails that included the points we had just spoken about. Slowly, but surely, we were getting closer. In the end, when the difference was down to half a million euros, the agreement was finalized in a telephone call between the two presidents, who hadn't participated until then.

In general, the Anglo-Saxon style tends to be more efficient, not requiring face-to-face meetings. Everything is in writing, there is little place for personal emotion or exaggeration, and bluffing is avoided.

Latin style

Completely different from the Anglo-Saxon style of working is the Latin style of the Italian clubs. In this case, the negotiations could hardly be carried out over the telephone; they kept saying

it was “too cold” – “*é troppo freddo.*” They prefer face-to-face meetings. At every point, we had to decide whether we were going to give in and have all our discussions placed under the media spotlight, which would add to the pressure.

The first experience we encountered was during the sign-up of Edgar Davids, from Juventus. We had to travel to Torino because they didn't want to talk over the phone. It was in our interest and we acceded. Before leaving, the press already knew. Years later, during the summer of 2006, we again had a delicate situation with Juventus. We went to Torino to sign up Gianluca Zambrotta and Lilian Thuram. The surprise came when we realized that Pedja Mijatovic and another negotiator from Real Madrid were in the office next door. They also wanted Zambrotta. Juventus had gone down to the Italian second division league and were open to letting some of their players go. We took Zambrotta, and Madrid had Fabio Cannavaro.

The Italians prefer to have direct contact because they consider they can play with people's emotions. They are masters when it comes to playing their roles. I recall in the sign-ups of Zambrotta and Thuram that Roberto Bettega was complaining that we were pushing the price down, appealing to the prestige and the history of the Torino club, and claiming we were taking advantage of their recent relegation to the second division. He did this very elegantly, it must be said, but it was still a bit theatrical. When Bettega over exaggerated, I told him, “*Di non fare il teatro Napolitano*” (“Do not play a Neapolitan theatre role” – a type of traditional comedy of that city, with Punchinello playing the leading role, a character who wears a pointed hat, has a big nose, a beard, and a high-pitched voice). He then got a bit angry. I recall that on this occasion we took headed paper from the club to write out the agreement on the laptop while we made Gianluca leave his sailing holiday in southern Italy and fly to Torino on a private jet, in order to sign everything straight away. Meanwhile, there was a group of Italian and Spanish reporters that was spending all day outside the Juventus headquarters. That was quite a show.

We met in the same way with all the other Italian clubs. In 2007, as soon as we started talking to AS Roma about the Romanian defender Cristian Chivu, the Director of Football called us and

asked if he could come to Barcelona to negotiate. We told him he couldn't come, because we didn't have an agreement and we weren't even close to having one. Besides, we had other negotiations in hand and at that moment we did not want any attention from the media. There was no way of avoiding it. He came, accompanied by an agent and, as expected, after having announced to the press the time they would be arriving and the location of the negotiation. We had no option but to welcome them, but we picked them up at the airport and took them to my home, so as to at least avoid having the media standing outside the door. During dinner we spoke about anything but Chivu. In the end, after coffee, we made an offer and wrote it on a piece of paper to give to them. They seemed very surprised and sincerely thanked us for it. They had come to have a conversation and would have been quite satisfied if they had only got that out of the meeting. We, on the other hand, wanted to be efficient and get the job done quickly.

This is the way the Italian teams work when they want to sell a player. When they want to sign someone up, they do exactly the same. That is what happened with Zambrotta's transfer to AC Milan.

Most of the conversations took place over the phone. However, we ground to a halt when we couldn't get past the €7 million they were offering and the €9 million we were asking. They said they would come to Barcelona immediately to solve the problem. We said it wasn't necessary; after all, it was only a minor question. The difference between both parties was very small. We also wanted to avoid the media fuss that would be generated by the arrival of Adriano Galliani, the Managing Director of AC Milan's vice-president. We told him three times, but on the fourth time he appeared in Barcelona. We had dinner with him. Once again, we didn't start talking about the purpose of his trip until the coffee arrived. Neither of us would budge from our prices. We stood up without having reached an agreement. Then, Galliani started talking on the telephone. When he finished, I asked to know whom he had been talking to, because he had explained what had been said in great detail. He replied that he had just been talking to a journalist. His argument was that, before they made up the conversation, it was better to tell the truth. When we left the restaurant, there was even more media outside and he carried on talking about the negotiations. In the end, Barcelona transferred

Zambrotta to Milan for €8 million, halfway between the prices we were arguing about, as could be expected.

In general, the Latin style is one of more personal contact and emotion, with more ups and downs during the process and more room for exaggeration. We must deal with all this, without losing sight of the purpose of the negotiation. When preparing a negotiation, we must pay attention to the communication style the other party wants, and then decide if we will want to adapt to them or if they should adapt to us.

List of questions to take into consideration regarding negotiations

During the preparation:

1. Is this a good time to negotiate? Is it better for us or for the other party? What is the temperature of the market like?
2. Have we set the limits, made a list of concessions and counter-offers, and calculated the value of the subject we are negotiating to the other party?
3. Do we have any alternatives? What is our best alternative to a negotiated agreement?
4. Shall we give them our best price, or shall we let the other party speak first? What is our margin for negotiation?
5. What is the approximate fair price looked at objectively and when compared to other transactions?

During the face-to-face interaction:

6. Are we approaching the negotiation from a win-win standpoint? Are we accepting the positions and separating the people from the problem? Do we have a good understanding of the other party's interests? Have we looked for options that will be to our mutual benefit? Is our criteria objective enough?



7. Are we keeping our emotions under control? Do we have any planned emotions?
8. We need to choose the communications style that best suits our interests. Should this be the efficient Anglo-Saxon style or the emotional Latin style?

Innovation: science and art

Innovation in the 15th century

One of the big innovations in history was made by a sailor of unknown origin, who may have been born in Genoa, but according to some was born in Mallorca in 1451 and died in Valladolid in 1506. His name was Christopher Columbus. Columbus thought that he could bring innovation to the transportation of spices by sea to Europe. At this time, the spice trade with India was a very lucrative business. Big companies and countries funded expeditions that left Europe in search of silk, perfumes, precious stones, pepper, cloves, cinnamon, etc. The usual route to the Indies – a name which Marco Polo gave to the whole of South East Asia – crossed the Persian Gulf and then by land to Central Asia. This route was dangerous, because it crossed so many borders and difficult terrains, and encountered aggressive tribes controlling the main routes. Added to this, in the time of Columbus, the Ottoman Empire had a stranglehold on the main routes.

Columbus had an original idea: he would go to the Indies by sea, sailing westwards. In spite of the fact that most people at the time thought that the earth was flat, he believed it was round and that if he sailed toward the west he would also reach the Indies. He is known to have read enough books to have been convinced of the fact. In 300 BC, Eratosthenes, the Greek mathematician and geographer (among other things), had made astronomical calculations which proved that the earth was round.

There were also legends that the Vikings, in the 11th century, had reached a new continent by sailing westwards. These signs contradicted an unarguable truth. There were no records of anyone ever having traveled west and managing to return to port. It is also important here to note that Columbus was a cartographer; he drew charts, and as part of this work had gone beyond the flat map to draw a spherical earth, although according to his calculations the route to the Indies – he intended to go as far as what is today known as Japan – was a straight line which would have been about five times shorter than it really was.

If Columbus had been able to do some market research, a survey among the European population of the time, he would probably have come to the conclusion that 99 percent of the earth's population believed that the earth was flat. Maybe some believed that at the west end there was a deadly waterfall, or others imagined strange monsters, or even Hell itself.

Columbus's idea came at a good time, internationally speaking. Alternative routes to the Indies were being sought. Portugal had discovered the Cape of Good Hope, and intended to monopolize the new South African route to compete with Italian merchants and English, French, and Dutch companies. Columbus went to explain his idea to the Portuguese king, Juan II, who was not convinced and who refused to fund the expedition. This happened around 1484.

Columbus then sent his brother, Bartolomé, to suggest the enterprise to the kings of France and England, but they didn't pay any attention to him either. He then went personally to the court of Castile, which in 1484 was in Córdoba. His plan got a good reception, but for the next seven years it was passed from committee to committee. The kingdom of Castile and Aragon was embroiled in the reconquest of Granada, and didn't have much time to waste on the fantasies of this sailor and his political and economic aspirations. In the end Columbus managed to get support from the Catholic kings and the court of Castile, but it took pressure from the abbot of La Rábida, who had interests in the Atlantic islands and was Queen Isabel II's confessor, to provide private funding to charter the three sailing ships in Palos de

Moguer, and the Pinzón brothers to hire 100 sailors there. Columbus traveled westwards; he didn't reach the Indies but a new continent, America. Although he didn't know it at the time, this new land would become a source of extraordinary wealth for the centuries to come.

The story of Columbus contains some valuable lessons about innovation:

1. *There is no innovation without risk.* Think for a moment: if you had the money to fund a commercial expedition in search of spices in the 15th century, where would you have invested it? In one of the big companies that organized hundreds of expeditions along the known route, or in a sailor from Genoa who had an idea that went against all accepted knowledge and which he was unable to prove? As the Crown of Castile did in the 15th century, people who want to innovate need to accept a certain level of risk.
2. *But the risk can be controlled.* You don't have to put all your eggs into the one basket of innovation! Columbus was not given an army – all they gave him were three ships and a group of rather poorly qualified men. Ninety-nine percent of the Crown of Castile's risk continued to be invested in less risky expeditions and activities.
3. *The existing map is not going to take us to new places.* Columbus had to rethink the map of the world as it was at the time. The maps he would have been able to buy from a cartographer would have taken him along the known route.
4. *Innovation is not invention.* Columbus didn't invent a thing. The idea that the world was round already existed, and the technology he used was widely known: a sailing ship.
5. *The winner isn't the first one to get there,* but the first one to make the most of all the potential of the discovery. It is most likely that, before Columbus arrived, the Carthaginians, Vikings, and Hispanic Arabs had already been to America. However, none of them got any benefit from the discovery. The Spanish, and then the Portuguese and the English, used Columbus's discovery to generate significant wealth for centuries.
6. *You can sometimes find one thing while you are searching for another.* Columbus was looking for India when he found

America. It isn't advisable to fall in love with the original idea or objective to the extent that it stops you from seeing other possible discoveries.

Innovation in the 21st century

Five hundred years later, we can see in the computer and electronics company Apple – a company acknowledged as one of the world's most innovative – a reasoning similar to that shown by the sailor and explorer Christopher Columbus.

At the end of the 1990s there were some signs and indications that led us to believe that consumer attitudes toward computers were changing. On the one hand people seemed to be getting tired of the cold technology and boring design of the computers of the time, which were just grey boxes dreamed up by engineers who were much more concerned about what was going on inside them than their outside appearance. On the other hand, the 1990s were also the time when young people started looking at life in a different way, which was closer to hedonism than a culture based on work and sacrifice, and with a growing interest in design and aesthetics. There is yet another element to take into account, which is closely related to those above. A new social group was being born: urban, young, with a casual style, a rather cool attitude and money to spend. These were the clues.

All these details, which were there to be seen in the 1990s, are signs of all the changes that have since taken place. With hindsight, of course, it seems obvious. However, at the time, when a market research survey asked computer users what they wanted, what they demanded from a good computer, they doubtless said that they wanted a faster processor, a hard drive with larger storage capacity, or a good modem. They didn't say a word about design. If you were to ask them what they used their computers for, they would say to be more productive at work or at home, and very few would say they used their computers for leisure. This was the data gathered from the surveys. In the 1990s, there were no computers that were not square, gray, and box-shaped. There just wasn't anything else. That was the situation of the market.

If we were to be transported back to that time and had to design a new computer and launch it on the market, what kind of computer would we have thought of? A gray, square one? Apple had already innovated in the 1980s with more intuitive graphic interfaces and the use of the mouse (which actually they hadn't invented either – it was Xerox that did that at the beginning of the decade), launching their Macintosh computers with their curved lines and eye-catching colors.

As time has gone by, Apple has continued to innovate in the same way, with its iMacs, iPods, iPhones, and iPads, opening up new segments and expanding the use of computers and consumer electronics.

Like Christopher Columbus did in the 15th century, Apple, at the end of the 20th century, gave us another example of not relying merely on facts, but on clues. Take them as a basis to innovate – in a somewhat controlled way – to launch products or projects that could not have been decided on or designed simply by asking consumers.

Let's define innovation

In management, the word “innovation” has been used so much that it has almost lost its meaning. I think it is worth trying to find a definition that, beyond its semantic exactness, helps us in practice.

Innovation consists of **applying** an idea that satisfies an **unarticulated, unmet consumer** need. (see Figure 8.1.)

- It is a matter of **applying** an idea, because we are talking about real solutions, about ideas put into practice, and not theory or artistic creativity.
- The solution is focused on **consumers** because they are the final clients and users. We innovate in banking by studying bank customers, not bankers.
- We innovate because we find a need that has not been **articulated**. Consumers have a need but they haven't been able to **express** it yet. We get there before they do.

- This should be a **poorly met** need or a completely **unmet** need. Because therein springs the opportunity for leadership and, therefore, for business.

Innovation isn't always a question of inventing something, but of rediscovering something that might already have been invented. Innovation is more than creativity alone; it is a fresh viewpoint, a different way of looking at and interpreting a particular situation.

Innovating is not creating new products, but finding new consumer needs, and satisfying them. Answer the questions we asked in Chapter 2 in an innovative way: What are you selling? What needs are you satisfying?

Innovators are not always the first to do something, but are the first capable of reaching the consumer and convincing them that theirs is the best solution. The example of the Apple iPod is also very relevant. When it was launched there were already plenty of MP3 players on the market. However, none of them had managed to provide a better music experience than the iPod, linked to the iTunes software. The iPod was the first MP3 music player to draw in consumers, and so it became the leader and driver of the category.

Innovation and certainty do not go hand in hand. Innovation is risk. Nothing new can be built on proof, but only on clues. The things that have been proven are already known to the whole world. In order to innovate we need to interpret the clues we

IS NOT	IS
* Inventing	* Discovering
* Creativity	* A new viewpoint
* Creating new products	* Finding new needs
* Being the first	* Being the first to reach the consumer
* Certainty	* Risk
* Proofs	* Clues

Figure 8.1 Innovation

find in the world we live in, allowing them to inspire us to create new solutions.

To innovate or to copy?

What a question! Innovate; it's obvious! But if you have to manage a company that is ranked thirteenth in the market, and the leader makes twice as much revenue as you do, you would certainly try to understand why the leading competitors perform so much better and how they do it. You would like to learn from it, or even copy something. There is nothing wrong with that.

Once, during a conversation I had with Manchester United's CEO, David Gill, I confessed that in 2003, when devising a strategy to revitalize FC Barcelona, we had been inspired by their commercial and marketing strategy, and I thanked him. My use of the word "inspiring" was, in fact, a euphemism, because all we did was copy everything Manchester United was doing right and which could be of use to us.

We learnt commercial strategy from Manchester United. For example, that it was much more efficient to have a few big sponsors than many small ones. We established a ranked program of product categories and levels of sponsorship. We also understood that modern stadiums, in order to be really profitable, need to be used more than once or twice a week. They should be exploited from Monday to Sunday, regardless of whether the team is playing or not, having been turned into the theme parks they are today.

If a competitor's ideas didn't seem good, we took no notice of them. For example, at that time Real Madrid had established a deal whereby the club would share image rights with the players it signed. In exchange for paying them a higher salary, under the contract 50 percent of personal advertising income of the players was retained by the club. At first sight it looked like a good idea. The main media stars were used to earning a sum equal to or in excess of their salaries in advertising revenue. The club could therefore be sure that half of that had to be good business.

However, it was a bad idea and was a constant source of conflict. It distracted the players from what was really important: training, playing, and winning. If a player's advertising activities clash with a training session, the latter has to take priority along with the word of the coach; but if 50 percent of these advertising revenues are for the club, there is a conflict of interest with the coach, which makes it more difficult for him to manage the group. Former Real Madrid coach in the "galactic" times, Mariano García Ramón, said – and I guess he was exaggerating a little – that he couldn't even schedule training sessions because it all depended on the players' business and advertising diaries.

The other problem was a very human one, involving timing and perceptions. When the players were signing higher contracts in exchange for 50 percent of the rights to their image, it seemed a good deal to them. However, a few months later reality hit: when they signed a €200,000 contract to do an advertisement, of which the club was to keep half, they felt cheated.

Surprise without asking

Traditional market research, based on qualitative and quantitative surveys, is no good for innovation. In a world where we are saturated with a wide choice of good products that satisfy all expressed consumer needs, there is an opportunity for surprises. And it is clear that if you want to surprise somebody you can't ask "How can I surprise you?" If they tell you, it is not going to be a surprise, it goes against the whole idea of surprising. As Henry Ford once said, "If I had asked my customers what they wanted, they would have told me they wanted a faster horse." He was right. They would never have said they wanted a car. And they would never have wanted it to be mass-produced.

The inspiration to innovate does not come from directly asking people what they want, but from discovering it by watching how they buy and live with their products, feeling what they feel when they use them, and experimenting. Once you are able to adopt the same perspective as the consumer, that is when you will find inspiration to innovate, solutions to needs that have not yet been

met or that consumers have not yet been able to express. You have to put yourself in your client's shoes, spend time with them, live their lives, talk to clients in what might seem unstructured ways, looking for the nuances in the conversations, improvised words, unexpected insights and revealing details. The method works well to aid understanding of why people behave as they do, and can generate a list of new ideas to work on.

FC Barcelona, in 2004, provides us with an example. The average spectator occupancy of the Camp Nou stadium was 70,000, with 98,000 seats available. After three years of falling figures, we had managed to increase them again. This was a good number, but we were still not satisfied, especially because there were around 20,000 season ticket holders who did not come regularly and did not even lend their tickets to other fans. We relaunched the "Free Seat" system, which already existed. This system gave season ticket holders who didn't intend to come to the match the opportunity to make their tickets available to other fans; if the club managed to sell the seat, the season ticket holder was credited with 50 percent of the amount paid for the ticket sold. The credits could be used to pay the following year's season ticket, up to a maximum of 90 percent of its value. The "Free Seat" system was successful to some degree and the usage rates were improving season after season, encouraging more fans to come to the stadium. However, we thought that the take-up was not fast enough. We did some traditional market research that showed that the rationale was well understood by our members, the communication channels were adequate and the systems worked perfectly. When asked, our members spoke positively about the concept but there were still plenty of them not coming to the stadium but putting their seats on sale. Then we tried with some informal conversations with members, group debates, observations and more subtle questions.

The findings were quite clear. First, FC Barcelona members have very strong, deeply-rooted ownership feelings about their seats. In some cases, when a season cardholder was given the chance to change his seat for a better one, the answer was negative. The reasoning was that he was used to watching the game from that perspective, and surrounded by the same people, and he wouldn't change, not even for a better seat.

The second finding referred to was completely illogical, and we called it the “illusion of gratuitousness.” This originated from the answer we got when asking what it cost them to go to a football match. Some had the impression that going to a game was almost free, and expressed it like this “I pay for my membership card annually, but going to the stadium at every game costs me nothing.” In fact, the average cost to watch a game for a member was between €10 and €30, paid in advance at the beginning of the season. Having this perception of the costs it wasn’t strange that these members did not have the feeling of losing €10–30 every time they left their season ticket in a drawer instead of going to the stadium or putting it on sale through the “Free Seat” system. At the same time, if a member was lending his season ticket to a neighbor, they didn’t quite realize they were giving away €30 to somebody to whom they might think twice before giving a €5 note.

The ownership feeling of FC Barcelona season ticket holders towards their seat in the stadium is very intimate. Some of them might have inherited it from their grandfather, or it may have been acquired and maintained with a lot of effort. This gives a non-negotiable feeling of personally belonging to the club. These thoughts are positive, they defend a club they love and want to be faithful to. In order to create incentives for the use of the Free Seat we had to do so very carefully. By offering an exaggerated financial incentive we could have accelerated the take-up that was already slowly happening. However, this option would be financially risky for the club and, even worse, put too much commercial emphasis on and devalue the emotional values of being a member.

Thanks to what we learnt, we opted to keep gently pushing the natural growth of the “Free Seat” system because of its financial advantages to the members, but also to start communicating more emotional messages. We would refer to members’ solidarity to allow other fellow members without a season ticket to come to the stadium, fill the stadium and support the team to a win.

Movement against judgment

We will now approach a key aspect of the innovation process: the creation. The process through which we use the clues we

have perceived and the inspiration we have obtained to create new solutions. For this creative process, we suggest substituting the concept of “judgment” with the concept of movement, changing the way we traditionally behave in the regular thinking process.

We normally use critical thinking. When someone offers an idea or makes a comment, we tend to judge them immediately, to think about whether what they have said is right or wrong, whether it is timely or not, whether it is suitable or unsuitable. This behavior does not help the creative process, does not boost the group's creativity; on the contrary, it kills seeds of thought or progressive thinking that could lead us to new and good ideas. However, if instead of this “judgment”, what we do is “movement”, if we do not allow any idea to be judged and condemned out of hand, if we force ourselves to build on every idea to move to the next, we will generate more options. Only at the end, when we have a long list of ideas, will we judge them, work on them, and prioritize them.

I recall a few examples of creative processes in recent years at FC Barcelona. For example, in the discussions we had about wearing advertising on the team's jersey, we started going down many paths that took us nowhere. Many pointless ideas were proposed, though not acted upon. However, they remained on the table. At a time when we couldn't find any sponsor that would pay what we thought the Barcelona jersey was worth, someone said: “What if we were to pay, instead of being paid?” At that moment, a creative process based on *judgment* instead of *movement* would have killed that seed immediately. However, after other movements and much thought, it took us to the UNICEF agreement.

There is yet another example I recall with fondness. It took place very early on, for the first match of the 2003 league at Camp Nou. We were playing against Seville. There was a problem with keeping to the regulation of minimum hours between games because there were some national team games that had to be played just after, and Seville did not agree to play the game the following day. But we needed to play the following day to allow our international players to participate. Then, somebody said “Why don't we play just as the following day starts?” Instead of

killing the idea immediately, we worked on it and we ended up playing the following day, but only five minutes after the day had started, at five minutes past midnight! It was an ungodly hour, inappropriate for a football match, but it allowed us to get around the current regulations and use nearly all of our players. We explained the situation to the fans. In record time we arranged a number of performances at the stadium before the game and provided dinner, mainly an Andalusian cold soup called gazpacho. Camp Nou was full and Ronaldinho scored a goal that made the city tremble. The “gazpacho match” was a success and came from an idea we could have killed immediately. Instead, we worked on the idea until we came up with an innovative solution to a seemingly insoluble problem.

Simplicity: Ockham’s innovative razor

William of Ockham was an English Franciscan friar and scholastic philosopher, who lived between 1288 and 1348. Considered to be one of the major figures of medieval thought, he was at the centre of some intellectual and political controversies and was even considered a heretic by Pope John XXII. He is commonly known for having developed the methodological principle called “Principle of Parsimony” or “Ockham’s razor”.

The Principle of Parsimony states that “one should not multiply entities beyond necessity” – *Entia non sunt multiplicanda sine necessitate*. It states that if one can explain a phenomenon without assuming this or that hypothetical entity, there is no ground for assuming it, i.e. that one should always opt for an explanation in terms of the fewest possible number of causes, factors, or variables. So that when you are confronted by two possible explanations for a given phenomenon, the simpler one will tend to be the correct one. Ockham’s razor principle has been widely used in science and philosophy.

Many years later, at the beginning of the 20th century, the Romanian-born sculptor Constantin Brancusi stated “we reach simplicity when we get closer to the real meaning of things” and “simplicity is complexity resolved.” I totally agree. When you start dealing with a problem, you might think it is simple – because

of a lack of knowledge, you don't actually realize how complex it is. At this superficial level, for example, football fans may feel that it is very easy to be a coach and make difficult decisions. However, when you take the next step and you immerse yourself in the problems and, following the example, you suddenly turn into a coach, even if it is only a team of your neighborhood children, then you understand the complexity of the tasks. You see the challenges, all the factors influencing decisions, the sudden loneliness of a decision maker ... and you might feel overwhelmed. When this happens, you might start to look for complex solutions to solve a problem that you have realized is actually complex. Some of these solutions might work, but might also be difficult to explain and hard to implement.

But the best thinkers (and coaches in this case) will continue to work, to discover the root cause of all problems and challenges and find simple, straightforward solutions. They will be able to explain and resolve, in an apparently simple way, a challenge or problem that initially seemed easy due to ignorance, became complex after analysis, and finally became simple again, this time due to knowledge and experience. When it comes to innovation processes, the best solutions are often very simple, but you do not reach them until you have understood all the complexity.

Let's look at an FC Barcelona example: the case of the renewal process we set up for the membership card. This process took place in the framework of The Big Challenge project that brought an important membership increase from 105,000 in 2003 to 165,000 in 2008. The problem we had was that the existing members database had a lot of mistakes. We had some suspicions over possible fraudulent practices, as there were more than 9,000 members who had died but had not been updated in the books. Their families hadn't wanted to go through the process of changing the name on the card, either to keep the original number, to save time and money, or for other reasons. We thought about it, but all the solutions we found were very complex. They required sophisticated data processing to resolve a sophisticated problem.

One day, while I was running around the forest, an idea popped into my head, which was the seed of the solution: "I want to meet

all the members of FC Barcelona, one by one, shake their hand and see their faces. If I do that I will be sure they are alive and their personal data are correct.” The idea was to ask all members to have their photo taken for the new membership card, so that way we could meet them, one by one. We spent months taking photos of the members, either in the Members’ Customer Service Office or when they came to the stadium for a game. We immediately sent them to the database using mobile phones and updated the records. The result was astonishing. This process diminished the number of errors significantly and FC Barcelona now has a perfectly updated members database. The origin of the solution was part of a simple idea, cut by Ockham’s Razor.

Simple solutions are often reached by asking specific and simple questions. First: “Deep down, what do we want? What are we looking for? In the end, what is the real problem?” After that, we will be able to express the solution in words that are simple and easy to understand.

Limit the risks

For the same reason that the kings of Spain only gave Columbus three ships, instead of a whole navy, it is obvious that, when it comes to innovating, we shouldn’t put all our money on one turn of a card.

The example we referred to previously about the argument that took place in the board of FC Barcelona, regarding the need to put advertising on the jersey, and the price and the type of advertisers we would accept, is valid here. That was a very important issue. In 2003, we considered it was worth €10 million per season, but there was nobody willing to pay that amount. When the team improved and started to win titles, we considered (comparing ourselves to other teams) that the jersey had gone up in price, to €20 million. In the end, we found a sponsor who was willing to pay our price. Meanwhile the idea of using the jersey for solidarity was still stored in our minds. We had reached 2006 and we had to make the decision. There was a proposal of €22 million a year from the Internet betting company Bwin. Accepting the proposal was risky, because the

legislation regarding Internet betting advertising was unclear; besides, it was a controversial advertiser. But forgoing this opportunity without analyzing the consequences would have been irresponsible. There was great division of opinion throughout the Board of Directors, so we met to discuss it at length. I have already talked about the strategic logic that made us go in the direction of solidarity; I would now like to share with the reader the content of the first hour of our meeting.

We wrote, on a whiteboard, the three big opportunities we had for increasing our revenues in the following years:

1. *Renegotiate the Nike contract.* We could do it before it expired in 2008; it was the logical move due to the improved sporting and commercial situation, despite the fact that the American multinational company had no interest in doing so.
2. *Renegotiate the television contract, which also ended in 2008.* The contract had a clause allowing us to impose a first refusal right in 2006, should we find an operator that made a higher offer.
3. *Accept the €22 million Bwin was offering us.*

Following an intense debate, we decided to work hard on achieving the income from points 1 and 2 (Nike and TV). On the other hand, however, were we going to run the risk of innovative advertising on the jersey? This seemed to be the most strategic question. We went for innovative advertising on the jersey, partly because we thought we could get income from two other sources. As the Spanish kings did to Columbus, we didn't risk all of our fleet on an uncertain voyage, although we did send the most visible and meaningful ship. As with Columbus, I feel the result was successful.

Marketing or art?

During the time I spent at university, marketing was a relatively young science that fascinated me. In essence, it claimed that businesses had to act in a simple way, by asking customers what they wanted and offering it to them. It is as simple as that. The detergent manufacturers sold thousands of boxes of soap that

“washed whiter” to the housewife who could “tell her next door neighbor.” It didn’t matter whether the clothes were only slightly whiter, or whether the comparisons between neighbors was a smart advertising trick, or how environmentally friendly the detergents were. The aim was to sell boxes of detergent. We gained good insight using a focus group, developed an attractive TV advertisement, and invested a lot of money in media. That was how 20th-century marketing worked. It’s clear that things have now changed significantly.

There may be people who believe that today’s art has a lot in common with marketing: artists understand what the market wants and they produce it. But, in spite of artists having to do their commercial work to earn a living, the origin of a work of art has a truth that has nothing to do with commercial or marketing strategies.

The main differences between a work of art and any other human work are endurance and the capacity to generate emotions. Nowadays, we look at an Egyptian pyramid, the Sistine Chapel, or we listen to Mozart, works made many years and centuries ago, and we feel sincere emotion and respect. It is obvious that we don’t have the same feeling for most of the movies or books we watch or read. They can entertain us, we might be interested in watching or reading them once, but we rarely go back to them. There are very few of these works that we will want to go back and see again, but these few are the ones that will go on forever – they will have turned into works of art.

Real artists express their innermost feelings in their works, in a sincere manner, regardless of whether it will sell or not. They don’t produce on demand, they don’t ask the client what he or she would like, and they generally cause surprise and evoke emotions with their work.

Today, in the 21st century, it would be hard to sell detergent or anything else by using 20th-century marketing techniques. In general, today’s marketers don’t make up proposals that are irrelevant to the consumer, or that could be understood as going against the environment or social responsibility, or that could insult housewives’ intelligence. As I have said previously, you cannot go about asking the consumer what he or she wants. You

must observe, engage in conversation with the users, get inspired, and innovate: find unfulfilled and unexpressed needs and run the risk of creating products and services that the consumer hasn't specifically asked for. Surprise them and excite them and generate emotion. There is some art in all of this.

Twentieth-century marketing, the one that simply asked you what you wanted and gave it to you, doesn't work for art, or love, or innovation. In fact, it doesn't even work for marketing in the 21st century.

Ten ideas for innovators

Business innovation is about finding unarticulated, unmet consumer needs and fulfilling them:

1. This is a high risk activity: acknowledge it.
2. However, you can limit the risk. Do not invest everything in one innovative idea.
3. Draw a new map of the world. The existing one does not lead to innovation.
4. You do not need to invent anything. It is not about technology but about new consumer needs.
5. Don't worry if you are not the first to have the idea. You might execute it better and get better results.
6. Don't fall in love with your original idea so much that you don't see others along the way that might be better.
7. Start by observing consumers to find what would positively surprise them. Don't ask them directly.
8. When developing ideas in a group, do not prejudge them. Just move from one idea to the next. You can judge them all at the end.
9. Always consider simplicity. Simple tends to be better.
10. This is a form of art. Enjoy it.

Back to the future

In 1985, Robert Zemeckis produced the film *Back to the Future*, starring Michael J. Fox in the leading role, which began a trilogy of movies that described, among other things, the singular experience of travelling to your own future and being able to observe your past; being able to see how you behaved in the past, knowing what consequences will arise from your actions. If we could see our not too distant future, jump maybe ten years ahead, we would be able to identify the mistakes we are making today and see how negatively they would affect our future ... and then travel back to the present to behave differently.

There is no need for a time machine to carry out this exercise, at least mentally. And it can be very helpful for our professional or personal life. First, we can easily look back and analyze what we have gone through and the things we have done; if we are honest, we will be able to make a critical interpretation that we can use to learn from our mistakes and our successes. As historians do, analyze the past in order to understand the present.

More difficult, but more useful, is to try to make a similar analysis projected into the years to come. To imagine the future, situate ourselves in it, and observe our present behavior from that perspective, to learn and later act in our present. This might seem difficult because we think the future is too uncertain – we call it “science fiction” or – “futurology” but it can be done, and it’s actually a very good exercise for anyone that leads a group or organization.

We don't know exactly what the world will be like in ten years time, but we can draw scenarios and estimate probabilities. All sciences have reached a certain capacity to predict their development. Every expert can – in his area of expertise and with a margin for error – anticipate future evolution scenarios. In our personal life, we can also somehow imagine where will we be in ten years' time. Beneath the circumstances and ups and downs of our lives, there are powerful currents and tendencies that are taking us in a given direction that we need to identify and change if necessary.

I have seen companies do this type of exercise and, in fact, have taken part in some, in fields as unlikely as infrastructures, banking, and the petrochemical industry. The exercise starts by observing the past from the present. For example, observing the company in the 1990s when we are in 2012, allowing the group to criticize how the company behaved, and the decisions that were made, with the enormous advantage of knowing what happened afterwards, what were the results obtained from these actions. The subsequent exercise is to confront the group with a feasible future scenario, move them some years ahead – say, to 2030 – and ask them to criticize what the company is doing today (2012). The objective of the whole exercise will be then to review what we are doing at present, after we have spent some time looking at it *from the future*. Surprisingly, I have seen the same phenomena in all cases. The errors, the short-sightedness, and the mistakes we find when analyzing the past from the present repeat themselves when we analyze the present from an imagined future. As they say, *history repeats itself*, and organizations repeat the same mistakes and errors over and over again. I wonder what decisions the Swiss manufacturers of slide rules, whom we met in Chapter 2, would have made had they been able to see into the future and observed Hewlett-Packard and other manufacturers of electronic calculators wipe them off the market.

In this last chapter, I have tried to look at my recent past at FC Barcelona, and share some ideas, successes, mistakes and key lessons, with the hope that they can help us in the future. I have to be very alert myself, because it is probable that, in the future, I will tend to repeat the mistakes I made in the past. I have chosen the next six ideas.

Common sense makes a lot of sense

As mentioned many times in this book, very few things evade logical analysis. Chance and luck are part of our life and are evident in sports, but life is not a roller coaster of events that leave us uncomprehending.

In business, we need periodically to invest time and effort in reviewing the understanding we have about the industry we are working in, the product we sell, and the final need we are satisfying. The success or failure we attain will be dependent on our decisions, not on chance or providence. In 2003, we at FC Barcelona projected ourselves ahead in time. We contemplated the gap between ourselves and the teams that would become clubs with worldwide recognition, with their fans spread across the five continents and over €300 million in revenue. We imagined an FC Barcelona not reaching these heights, staying at a lower local level while the “Galácticos” (Real Madrid) and “The Theatre of Dreams” (Manchester United) conquered the world of football. We did not like what we imagined. In fact, it was scary. So, we worked very hard and implemented the “virtuous circle” strategy towards a better future. Back then, the plan was rather utopian, but utopias are the seeds of innovative and daring thoughts that can become realities. Now, it is probably a good time to think about what society, sport, and football will be like in the next decade and begin to plan ahead.

Change now or never

Change can take a bit of time – or forever. There are people who decide they are going to give up smoking and do it straight away, and others that spend a whole year making up their mind. Our experience at FC Barcelona tells us that it is better to make changes immediately. If you want to stop smoking, do it now – while you are reading these lines.

Over recent years, FC Barcelona has changed in many ways, and its size has quadrupled. With the wisdom of hindsight, I would venture to say that 80 percent of the changes we made to achieve this extraordinary transformation were made in our

first year. I recall what Albert Vicens, son of probably the most famous Catalan historian, used to say at the time: “Whatever doesn't get changed during the first year, will never get changed.” And he was right.

When one is in charge of a project of transformation, the first few months will offer the best possible conditions to make decisions and changes. These conditions may never occur again, so this is the time when new managers have a free hand to decide and act, fully legitimized by the organization. Later, perhaps after the first year, the mistakes we might find will already be *our* mistakes, thus more difficult to recognize and change. In fact, they will become corrections, with higher costs and greater difficulty in implementing. Additionally, the first few months after a change of management are the best time for members of staff to accept any changes in their tasks or objectives. At these times, the enthusiasm for the new era could partially mitigate the logical fears and risks associated with change. This is the time when people will be most open to change and the teams' motivation might be at its peak.

From this perspective, our first year leading FC Barcelona was hectic. We introduced changes throughout the whole club, from the management committee to the whole organization and work culture, creating specific work groups with the objective of cutting costs or creating new areas of service or business. The existing employees and the newcomers joined forces in a colossal change that generated excitement and passion about the project, kicked off after a first all-hands meeting where the plan was presented and the sentence said, “We are all in this room, and we will make it happen”. The results of the first year were excellent and they laid the base upon which we built our subsequent success.

It's the product stupid!

Today, consumers are only a Google search away from the truth – or ten tweets or maybe twenty Facebook posts away from it. A few years ago, a good advertising campaign could make an average product enjoy a more or less long period of glory. Today,

it is impossible to achieve such a phenomenon. First, there is fierce competition in a market that is saturated with good products and it's very easy for potential clients to obtain the truth about them, through more trustworthy means than advertising – their peers' reviews and opinions. It is no longer a monologue from the producer to the consumer; it is now a dialogue between them that all businesses must accept. Potential customers have expectations and opinions of the product, coming from diverse sources, including messages from the advertisers, but also opinions from other users. As consumers, we have more and better quality information than ever before.

This tremendous availability of transparent information brings a very logical consequence: the refocus of the product. "It's the economy, stupid!" was coined during Bill Clinton's successful 1992 presidential campaign against George H. W. Bush, so the voters would realize what was really important in those elections. In the same way, we now have to convince businessmen that the most efficient marketing investment is the one that improves the product itself: so, if you will allow me, "It's the product, stupid!"

This has not always been the case in football. I will even venture to say that Real Madrid, in the galactics times, wasn't as successful as expected because they *didn't win*, meaning not winning enough matches and championships. Actually, the *product* was not good enough. I once heard a Real Madrid executive say that the only key to the business was to have star players. I think there was confusion between the packaging and the product. In 2010, the signing of José Mourinho as the new coach seemed to stem from a different logic: the urgent need to win championships and to curtail the winning streak of their arch rival FC Barcelona. It is also interesting to see that Manchester United's income stopped increasing in 2003 and only recovered when the club built another winning team. A good football product is a team that wins.

The FC Barcelona product is the team – it is the starting and finishing point. Management is aimed at having a team capable of winning any tournament they play and making the fans happy. Financially, the club must be big and healthy enough to

sign and retain the best players, but achieving a specific level of revenue or income is not an objective on its own. Just a means to build and maintain the best possible *product*, a *winning* team.

This is why, in the first few years, all our efforts were aimed at obtaining the necessary resources in order to rebuild the team; signing up the best players so as to have a high-quality players group that was well-balanced and ambitious enough to work hard in order to win as many titles as possible. The investment in the team started up the *virtuous circle*.

Stay ahead of the curve and forget the last dollar

Economy, football, and life in general go in cycles and are an uneven mix of highs and lows. A critical decision concerns at which points of the cycle important decisions are made. Which is the best moment to enter or leave a specific activity or market? When should we choose or change our position, our associates, or our strategy in order to be successful?

At a time of bursting financial bubbles, this debate is extremely relevant, though it may sound cruel. In the real-estate bubble that burst in 2008, as in the technological bubbles that burst in 2000, we should note the following: (1) there are those who left five minutes before it all burst, sold their properties or companies, and protected their money; and (2) there are those who entered the market at the same time and suffered the consequences of having bought something at a high price that, months later, is only worth half what it cost. There is an immense value difference between these groups, separated only by a decision and a few months. One of Spain's largest real estate businesses was sold only a year before it all burst, for €4,000 million – and someone bought it. Soon after, it wasn't worth a fraction of that price. I have personally met both of them, the seller and the buyer.

The common trait of those who left in time is that they didn't earn the *last euro or dollar*. When they left, there was still profit to be made, value to be generated, and euros to be earned. Those who waited till the last moment to make the change, seeking to

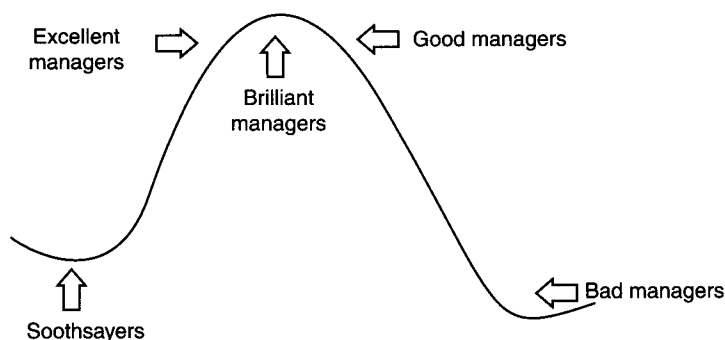


Figure 9.1 Types of manager according to the curve of the cycle

make that last euro, ran the risk of it being too late. The ability to make the right decision at the precise moment of the curve sorts the best from the worse. As shown in Figure 9.1, there may be people who anticipate the curve and the changes before the rest. Such a person would be a good fortune-teller, or a famous soothsayer, but that has little to do with managing businesses. As I mentioned previously, good managers, or even great ones, are those who decide to change the strategy just before the curve changes direction, when there are very few signs, even if they leave a few euros along the way. This is the case of the people who sold real estate assets in 2007 or Internet businesses at the end of 1999. I would also consider as “good managers” those who, when they see that the curve has changed direction, make quick decisions and limit the damage.

It is obvious that bad managers are those who take too long to make changes that are self-evident from current data analysis. They wait for the product to drop to the bottom of the market from where it can no longer recover.

Reasons that prevent good decisions being taken in times of change can be rational: such as foreseeing the future as mere linear projections of the present situation will allow you to foresee the future, or being over-optimistic. But there are emotional reasons, like fear of change, fondness for your team or workforce, or a willingness to maintain the status quo.

During our years at FC Barcelona, we had to manage the cycle of a top football team, as have all the clubs. We have had successes and we have made mistakes. At the beginning of the

Rijkaard cycle, although some critics were already saying that the Dutchman wouldn't do well and they wanted to substitute him, we trusted him, and he ended up producing amazing results. The curve started changing direction in the 2006–07 season, in which we lost the league title at the last moment. Following those disappointing results, we decided to carry on, hoping to regain success using the same people, to draw out all the worth of the team that had been champion – but we failed, because we were not able to face up to reality and realize we needed a change.

The decision to change the leader (Josep Guardiola replaced Frank Rijkaard) was made in the summer of 2008, after a second year without winning any titles. Those people that said, in the summer of 2007, that we couldn't win again without changing the leadership of the team were correct. We, who decided to give the same people a chance, were wrong. We corrected the situation the following summer, by changing the coach and some of the players in time to rebuild the team and win again – to win, in fact, all available titles in the 2008–09 season and to start another series of triumphs, such as winning the 2011 Champions League. In hindsight, I can't say that it was excellent management of the sporting cycle, but it was a reasonably good one.

If we put it into perspective, we will see that Manchester United spent four years (2003–07) without winning the Premier League and that it was nine years before they won the Champions League again (1999 and 2008). Real Madrid spent years without winning the Spanish League (2003–07) and at the time of writing, nearly ten years have gone by since they won the Champions League. FC Barcelona only spent two years without winning anything.

We need to make decisions before the curve changes, and forget about the last euro – let someone else earn it.

Vanity is my favorite sin

In the 1997 film, *The Devil's Advocate*, starring Keanu Reeves and Al Pacino, the latter, playing the role of Satan, manages to pervert the defense attorney, played by Reeves, in the last scenes of the film, after having appealed to his vanity. Then Pacino

turns to the audience, wearing a malicious grin, and says: “Vanity is definitely my favorite sin.”

Vanity is a sense of pride inspired by high self-regard, the merits we feel we deserve and we want acknowledged, if possible publicly. Having seen the definition, we must admit that we are all more or less vain. Therefore, we must take into account this aspect of human personality when working with a team.

As no one likes airing their vanity in public, or even admitting they are a little vain, a common error is to manage a group without taking it into account. Even worse is a leader who feels that the only vanity that needs managing is his or her own.

Successful teams, whether football or managerial, are always balanced: in the amount and quality of each member’s work, and also in the level of recognition and praise for each other’s contribution. The leader of the group must realize that there is no player, regardless of how good he is, who can make the team win on his own. Group harmony is essential and is based on every person feeling that they are treated in a fair manner, proportionate to their contribution. In other words, that their vanity is more or less satisfied. When it comes to the management boards of football clubs, the challenge is enormous, because although the directors don’t get paid a wage, they spend many emotional hours and expect some kind of recognition, normally in the shape of public acknowledgment. Having seen the conflicts generated on the FC Barcelona Board of Directors, I think that it would be fair to say that during those five years our management of vanities was not very successful.

Therefore, having admitted that dealing with the vanity of our team members is no small matter, and that it doesn’t manage itself, I believe we have to follow three simple rules:

1. We should change *I* for *us*, and *mine* for *ours*.
2. Success is achieved by the effort of all the members of the team. All of them.
3. We should publicly thank any contribution, no matter how small and insignificant it may be. They are all valuable.

We must keep these three rules in mind if we want to manage a group well. They are important because they are true.

About intention, commitment, and positive attitude

Until there is a commitment, there is hesitation, the possibility of turning back. With regard to all acts of initiative (and creation) there is an elemental truth and by ignoring it, many good ideas and plans never see the light of day. When we commit, providence also takes a step forward. Things start to happen, things that will help us to achieve our goal, things that wouldn't have happened without that commitment. A series of events are born from our decision, generating incidents and encounters in our favour. Material help that is unexpected may come to their aid. Everything you can do or dream of doing, start it!

This quote by German writer Johann Wolfgang von Goethe (1749–1832) isn't the only reference we find to the coincidence of positive happenings occurring at opportune moments that help us to reach our goals. The Catholic religion suggests we ask for whatever we want because we are sure to receive it: "Ask and it shall be given; seek and you shall find; knock, and it shall be opened unto you. For every one that asks, receives; and he that seeks, finds; and to him that knocks it shall be opened" (Matthew 7: 7–8). "And all things, whatsoever ye shall ask in prayer, believing, ye shall receive" (Matthew 21: 22).

The Vedic Hindu traditions say we will know when we have reached illumination because we will no longer be worried and we will find significant coincidences that will take us to our objectives. Coincidences or synchronicities are also related in the field of psychology. Carl Jung said, in 1952, that there are coincidences between events which are causally unrelated, occurring together in a meaningful manner, and, according to the recent best seller *The Secret*,¹ are generated by the Law of Attraction, under which our thoughts, conscious or unconscious, attract what we are thinking towards us, whether positive or negative.

Even quantum physics gets involved in the debate when some of the experiments clearly prove an influence of the observer.

¹ Rhonda Byrne, *The Secret* (London: Simon & Schuster, 2006).

Photons have been shown both to behave as a wave when a wave has been observed and to behave as a particle when corpuscular behavior has been observed.

Regardless of whether it is from a religious sphere or a spiritual sphere, from psychology or quantum physics, from beliefs or scientific convictions, the truth is that we have all experimented in situations in which we enjoy a *conjunction of favorable interests*. Or, using jargon common to football and sports, a *positive dynamic*, born from a firm intention and an unequivocal commitment to achieve an objective.

On the other hand, when faced with difficulties, or having fallen again, we only see obstacles that are hard to overcome, each problem turning into a reason to justify failure. Behind all this there will generally be a feeble spirit, a weak commitment, or insufficient positive attitude. Positive attitude is not quite the same as positive thinking. It's not a question of thinking we are always going to win; it is trying to achieve a serene state which allows us to accept life as it comes, to assume and fully accept within us victories and failures, and to have the strength to get up and keep on fighting. Just like the goalkeeper who has just made a mistake that cost him a goal but who gets up with presence and spirit and keeps on playing to the best of his capabilities.

When, at the start of the election campaign for the Board of Directors of FC Barcelona in June 2003, all the polls assured us that we had no possibility of winning, our determination to win didn't diminish at any point. On the contrary, those disastrous predictions were an added reason to commit to a project we thought to be the best for the club.

The best way to win, to achieve our objectives, is a will to commit firmly to them, right now and from the depths of our heart, and to fill ourselves with positive attitude to live and accept with serenity whatever the future may bring.

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