

THE UNUSUAL STRATEGIC HR ASPECTS IN PROFESSIONAL FOOTBALL

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Abstract

The aim of this study is to analyse the unusual aspects of top level European professional football, and certain problematic practises that seem to be commonplace in this industry. Aspects that will be present on this study include the contractual, recruitment, compensation and wellbeing matters of the players and coaching staff. These aspects in context to football are quite unique due to the nature of the footballing labor market, and as such they need to be approached differently than how traditional business firms approach their HR management. Instances like the transfer market, a metaphorical place where the clubs can buy and sell their playing staff, is something that isn't present at all on other industries. The transfer market seems to be perhaps the easiest and quickest way for a club to affect its on-pitch performance, and as such clubs that are better at recognizing value on this market can make huge revenues from finding undervalued talent in it. The study will also look into why the finances of most top-level European clubs always seem to be failing, and what could be done about it. Plenty of real-world examples from European football will be included to enhance the arguments made by the research literature.

Keywords Professional football, HR management, Sport management

Table of contents

1. Introduction.....	4
2. An unusual labor market.....	6
2.1 Globality.....	8
2.2 Extreme wage differences.....	12
2.3 Physical and mental health in football.....	14
3. Current club landscape.....	17
3.1 Oligopoly at the top.....	18
3.2 Soft budget constraints.....	21
3.3 Theory of glass ceilings and floors.....	24
4. How to make a difference.....	25
4.1 Managerial changes.....	26
4.2 Transfer market competence.....	31
4.3 The network model.....	34
5. Conclusion and discussions.....	36
6. List of references.....	38

1. Introduction

Football, like other sports, captures the passion and unites people in a way that very few things can. It is a truly global sport, having long been the most popular sport in Europe, Africa and Latin America but also more recently growing in popularity in North America and Asia. According to FIFA, 240 million people play organized football weekly, approximately 1/25th of the world's population, and according to FIFAs official broadcast data 3.572 billion people watched the 2018 World Cup in Russia. When looking at these massive participation numbers, it doesn't come as a surprise that besides the social aspects, this sport is also a relatively big industry in an economic sense. In 2018 the European football market had revenues of 25.5 billion euros, while a single club with the highest revenues was FC Barcelona with yearly revenues of some 990 million euros (Deloitte UK, 2018).

This study will concentrate on the unusual aspects of this industry, and how they impact the HR management of the clubs. Aspects that are included touch on the contractual, recruitment, compensation and wellbeing matters of the players and coaching staff. Note: the study concentrates exclusively on men's professional football, due to the overwhelming availability of research material on the subject compared to the women's game.

The 2009 book 'Soccernomics' by Stefan Szymanski and Simon Kuper was a major source of reference for this study. The highly praised book looks at the footballing industry through the eyes of an economist and a mathematician, and through statistical analysis exposes how inefficiently and irrationally most football clubs seem to be managed. Personally, as a passionate fan and a player in the amateur level, for long I've held this same sentiment about the irrationality of this whole industry, which inspired the choice of my research subject.

I chose the HR angle to football, because the key aspects affecting the performance of football clubs are mainly related to their human resources management, i.e. buying and selling their players, hiring of the coaching staff as well as looking after their employees' physical and mental health. As for the literature on HR management, I used the 2009 book 'Human Resource Management: A Critical Approach' by David G. Collings, Geoffrey T. Wood and Leslie T. Szamosi as a main source of reference. The book takes a comprehensive look on how organizations employ, manage and reward their people, and such aspects concerning the footballing world provide interesting angles to analyze due to the unusual factors which are present in the industry.

Chapter 2 will focus on the unique labor market of football, chapter 3 on the current landscape of professional football and chapter 4 on how to make a difference through competent HR management.

Firstly, I feel it's important to quickly look at the roles that are present on professional football clubs. They can be divided to two groups: the playing staff and the management. An important note is that these are by no means the only people that the professional football clubs employ (for example: stadium stewards, media staff, accountants, data analysts and medical personnel are also on the payroll), but these groups are subject to the factors that make football such a unique industry, and thus provide interesting angles to analyze.

Players: The players are both important employees, as well as often being the most valuable assets that the club owns. In a way they can be seen as expendable commodities, which can be sold and purchased between the clubs. Nationality and race wise, these professional footballers are an extremely diverse group of people: they come from almost every country on earth and range from (the vast majority of players) being journeymen who are on very modest salaries, to a small number of global superstars who are some of the most recognizable people on this planet. Age wise, these professional athletes range from ages 16 to 40, while generally achieving their peak years in their mid to late twenties.

Management: The club management consists of the coaching staff, and the owners and/or executives who hold the ultimate power in the club. The responsibility of the coaching staff is to prepare the team to the matches. They are in charge of the training sessions, player selection to matchday squads, deciding appropriate match tactics and are often at least partially if not exclusively responsible for player recruitment. The coaching staff is led by the manager (note: term 'head coach' is used interchangeably with the term 'manager', the former being the preferred term in mainland Europe as opposed to the latter that is used on the British Isles). The coaching staff most often, but not exclusively, consists of retired footballers.

As for the upper management, the football clubs, like other businesses, don't have one consistent approach to ownership structures. Some are owned by wealthy private individuals, some are fan owned and some are publicly traded companies. Likewise, with the ownership structures, also the executive level management arrangements take different shapes. Most clubs have CEOs (or CEO-like roles, e.g. 'director of football' is a common term for such a role) appointed by the board, but

some clubs have their owners making dictator -esque decisions on the day-to-day running of the club (more common with smaller clubs that have long been owned by a single individual or a family). These executives come from varied backgrounds, some being ex-footballers and others coming with backgrounds in other industries.

2: An Unusual Labor market

To understand the decision-making of the clubs regarding their playing personnel, we must first look into how unusual the whole labor market of this industry is.

The player contracts are always fixed-time contracts, usually ranging in duration between 1 and 5 years, but longer and shorter contracts do also exist. As for the compensation, the contract states a basic wage, and in top of that nowadays it's common to include some individual- and/or team performance-related bonuses to the contract (for example: an X amount of matches played nets you a predetermined bonus, Y number of goals scored nets you another).

During the duration of the contract, neither the football club nor the player can unilaterally terminate the contract. For the player, this significantly reduces their rights to choose their employer, being comparable to non-compete clauses that are common for key employees in many industries. However, regular non-compete clauses by law are usually only allowed to last between 6-24 months, and don't prohibit employment completely, just that the employee cannot directly switch to a rival company.

For footballers, this is different, as when the player's playing rights are held by the football club for the duration of the agreed contract, the player cannot switch clubs, even to completely other countries, without paying significant penalty fees to the parent club. There have been discussions about the legality of these types of contracts, especially in the EU area, as employment contracts like these wouldn't hold legal ground at basically any other industry.

However, it is commonly accepted as a fact that these kinds of restrictions have to be in place to preserve the integrity of the competition, as it wouldn't make sense for football clubs to invest heavily on building their playing squads, just for the star players to hop into a rival team once they see an opportunity to do so. If a player is looking to move to another club, he has two options: either

to wait for the end of his current contract, after which he is completely free to sign to any club that offers a new contract. The other option for the player is to ask for a transfer.

'A transfer' is a transaction where one club wishes to buy the playing rights of a player from his parent club, and in return offers cash and/or other player(s) in return for the playing rights. If the parent club agrees to the offer, the player then negotiates a new contract with the buyer-club, which then in turn holds the playing rights for an X amount of years (note: the player isn't obliged to transfer to another club even if his parent club sanctions the sale, however it often isn't beneficial to a player to go against the wishes of his club, as an unwanted player is unlikely to get any playing time, which in turn reduces his perceived value and opportunities for future employment).

Some could see as somewhat morally concerning, as the clubs can buy and sell their players basically like any other commodities. It maybe can be hard to sympathize with the treatment of the top millionaire players, but when it becomes problematic is when these same rules are applied to low-paid teenagers, or even children. In Spain children as young as 13-years old are subject to rigid playing contracts and subsequently trades between the clubs (Stephen Sampson et al, 2010).

Also, in the other hand, the contractual obligations provide the player some security, and the power is not only on the hands of the club. Like we established, the contract cannot be unilaterally broken by either party, meaning that the club cannot sack the player if they feel like it, even if the player isn't performing like he was expected. Note: if the player isn't fulfilling his contractual obligations i.e. attending training sessions and keeping in shape physically, the club can then either fine the player or terminate the contract completely, but as long as the player fulfills his role, he is guaranteed to be paid for the full duration of the contract.

A case concerning Dutch defender Winston Bogarde is an interesting example of player power in football. In 2000, Bogarde moved to London based club Chelsea FC, and signed a four-year contract worth £40,000 per week. However, almost immediately after signing the deal, there was a change of management at Chelsea, and the new regime no longer wanted Bogarde, and he was asked to leave only a few weeks after settling in London. Bogarde though, dug his heels in, and stated that he isn't going anywhere. In an interview Bogarde said that as he was already approaching the end of his career, he wouldn't be able to get a similar deal again. He was quoted: "Why should I throw fifteen million Euro away when it is already mine? At the moment I signed it was in fact my money, my contract".

In the end, he saw out the duration of his contract, training diligently every week, and played only nine matches during his four years in London. Situations like these are rare, as most often the player and the club can find an agreement if one party wants to cut ties, but it still shows that the players do hold significant power over their employers.

2.1 Globality

Besides the contractual oddities, another interesting aspect concerning the playing personnel is that it's a truly global industry. Some even argue that it's the most global industry of them all, and having been like that for a better part of 50 years already (Stefan Szymanski et al 2009). The European football market is the most prestigious and sought-after place for players worldwide, due to availability of both money and reputation, the best players almost exclusively end up in the top 5 European leagues (England, Spain, Germany, Italy and France).

Though besides these most prestigious markets, players can find employment from all six continents. According to a 2017 report by CIES Football Observatory, there are players of 174 different nationalities playing professionally in 93 different countries. In total, there are some 12,000 expatriates, 8,800 of whom play in European countries. Three most common nationalities for expatriates were Brazilian (1,202), French (781) and Argentinian (753), all of whom are traditional footballing giants.

Also, according to the report, on average 21% of the players of a professional club are expatriates, but in top European clubs the % is even more. For example, the 2019/2020 English Premier League winners Liverpool FC used 20 players during their title winning season, 13 of whom were expatriates from outside the UK. For the second placed Manchester City FC, 18/22 or a staggering 81.8% of their players were expatriates (statistics from Premierleague.com). Lower placed teams though tend to use more domestic players, bringing the English Premier League average % of expatriates down to 41.4%. For comparison, even in the more low-profile European leagues the % of expatriates is still relatively high, for example Belgium (39.5%), Norway (61.3%), Serbia (66.2%) or Finland (25.3%) all still house a significant number of foreign footballers in their teams (Rafaele Poli, 2017).

Even though the scope of player migration seems to continually rise, the CIES report also notes that most expatriate footballers still come from the big footballing European and South American nations. The report notes that even though few brilliant footballers may arise from time to time

from footballing-wise obscure nations, many of these nations still lack the necessary funding or cultural know-how of cultivating professional footballers. In some wealthy nations, where their own player development is lacking, the % of expatriate footballers is especially high. Examples of these kinds of markets are Saudi-Arabia, Qatar, UAE or China. All of these nations lure expatriates by offering extremely high wages to relatively mediocre players, especially from South America and Africa, to boost up the status of their own leagues.

For example, in 2011 Darío Conca, an Argentinian with very little international exposure, moved to Chinese club Guangzhou Evergrande from his previous Brazilian club. He was good, but somewhat average player, one of those 753 Argentinian expatriates, someone who would have had no business to join a top European club. Normally this transfer wouldn't have gathered any press internationally, but for the fact that his move made Conca the third best paid player in the world, it shook the footballing world. The transfer reportedly guaranteed Conca 220,000€ per week (before bonuses), leaving him in terms of wages only behind the global superstars Lionel Messi and Cristiano Ronaldo.

By looking at his numbers, Conca scored 33 goals in 65 games (0.507 goals per game) in Guangzhou, having previously scored 17 goals in 81 games (0.209 goals per game) in his Brazilian club. According to his numbers, it seems that Conca moved to play against significantly lower quality opposition as before, but while having his wages increased by approximately 20-fold. By his move almost 10 years ago, Conca kickstarted somewhat of a revolution, as after him there has been an influx of good or even top players from European clubs moving to Chinese football. Brazilian Oscar Emboaba is probably the most high-profile case, having moved from English giants Chelsea to Chinese club Shanghai SIPG in 2017 for a transfer fee of 70 million euros and weekly wages of some 450,000€.

In an interview by The Guardian, Oscar states that he swapped one of the most high-profile European teams for relative obscurity to guarantee the financial future of his family. Oscar also commented that he intends to spend 2 or 3 years in China, and after that looks to return to Europe to compete in the most prestigious competitions. Oscar's reasoning behind his decision making seems perfectly sensible, and it reveals an interesting choice that many of these athletes face.

What should you value more? Playing at the highest level possible and pushing yourself to the maximum sporting wise, while still earning very good wages (Oscar was on reported 80,000 €/week

on Chelsea)? Or would you rather maximize your financial earnings, while still playing the sport you love professionally, albeit in a lower profile competition?

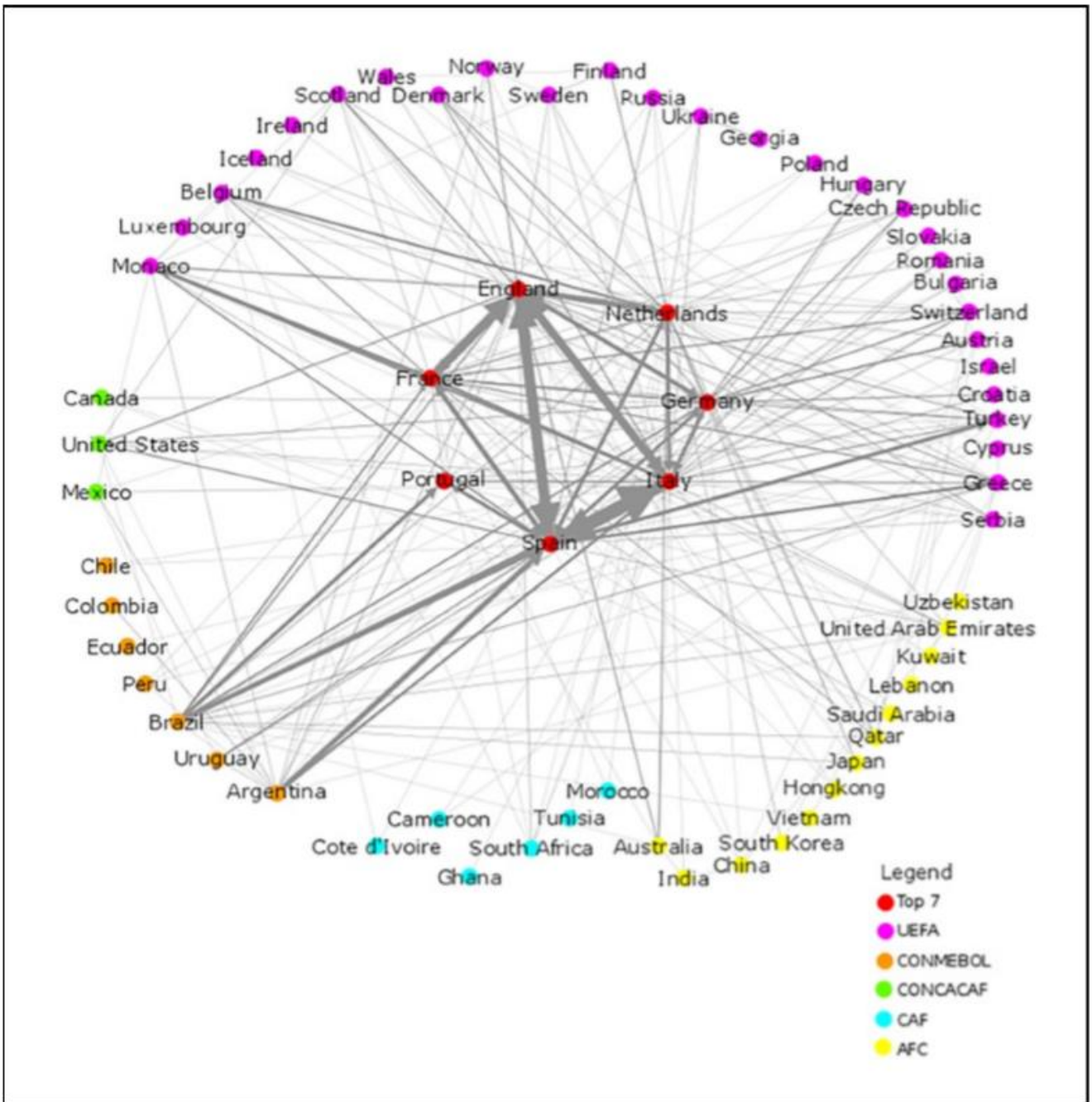
The relationship between salary and motivation in business has been a widely researched subject for a long time, and generally there seems to be an understanding that the chance of earning more motivates to work harder up to a point, but after a certain amount the marginal utility provided by larger salaries shrinks in size. The exact figures are obviously different for every individual, based on their backgrounds and preferences, but generally this assumption seems to hold true.

I think an interesting study could be made looking at who are the footballers who choose to swap greater sporting glory to larger earnings in these obscure nations. Purely looking at the nationalities of these expatriates in Chinese football, it seems that mainly South American and African footballers choose to do the move to the Far East. Very little European or North American athletes are present in these teams, possibly implying that the footballers who grew up in wealthier developed nations do not value the possible extra earnings on top of the already very good wages as much as people with backgrounds in less wealthier regions.

As from the clubs' point of view, the globality of this labor market offers both opportunities and challenges. The top clubs, mostly in the European football market, can pick and choose the best talent globally, due both the reputation of their leagues and the availability of larger wage packages. In the other hand, clubs from the smaller markets generally get assigned the role of a 'feeder club', and it becomes incredibly hard for them to hold onto their top homegrown players if a club from a major league becomes interested.

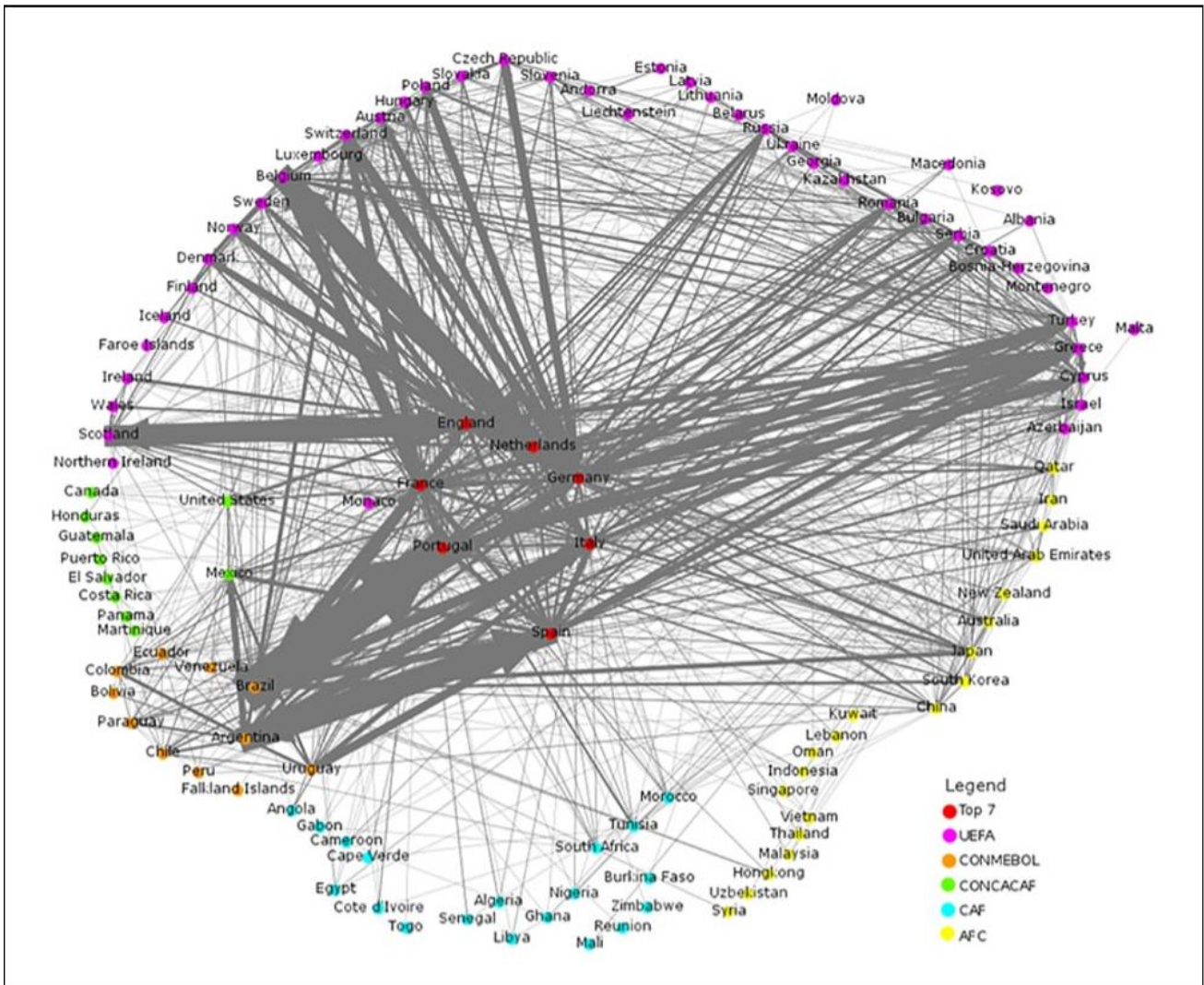
There have been studies over the career trajectories of professional footballers, and how the players migrate during their careers (Thijs A. Velema, 2016). Velema tracked the careers of 4730 professional male footballers, over the period of 2004 to 2012. The moves were tracked between the nationalities of the old and the new club of a player, and not by the nationalities of the players themselves. For example, a Finnish player moving from a Norwegian team to an English team would show in this graph as a line between Norway and England.

This graph below (Thijs A. Velema, 2016, *International Review for the Sociology of Sport* 53(6) page 718) portrays the moves of 10% of those players whose careers were tracked, a group which Velema classified as 'elite players'.



The graph shows how the talent is transferred to Europe from all continents, and once a player makes it into a major league (England, Spain, Germany, Italy, France) their subsequent moves tend to be between the other major leagues.

The graph concerning the elite players is strikingly different to a network that tracks players of lower status. Below is a graph (Thijs A. Velema, 2016, *International Review for the Sociology of Sport* 53(6) page 719), portraying the moves of 30% of the careers that were under review, careers which Velema classified as 'non-core'.



The careers of these lower profile players show significantly more variance, and show that even though the top leagues seem to have an exclusive right to the best talent globally, the clubs from the more obscure markets too have access to players from all over the world.

2.2 Extreme wage differences

Another unusual aspect that is present in football are the extreme wage differences. They occur in many forms: there are massive differences in compensation across the different leagues, there can be massive wage differences during the different stages of a player's career and then there are often large wage gaps between the players of the same team.

The first one of the above is the most natural one, something that also occurs in most professions. It's only normal that the very top experts in any field are appropriately compensated for their work,

but in football these differences can be quite extreme. For example, in the top division of Finland, the reported average weekly salary is only 380€, totaling to a yearly salary of 19,800€. However, the other Nordic markets, which are natural steppingstones up the footballing ladder for players currently in Finland, the average yearly salaries are: Norway 75,000€, Sweden 98,000€ and Denmark 135,000€. The differences in compensation are quite massive, but the differences in quality of the players in said leagues isn't that big, and there is regular movement between these leagues. Then, the best players from these Nordic markets often move to the top 5 European leagues, which have average yearly salaries of: France 1,300,000€, Germany 1,980,000€, Italy 2,230,000€, Spain 2,550,000€ and England 3,970,000€ (Christina Cough, 2020).

What we can make of these figures, is that a player starting from a semi-obscure league, like Finland, can increase his earnings significantly by climbing up the footballing ladder. Comparable industries where a person can increase his or her earnings as significantly through better performance and more exposure could for example be entertainment industries, like acting or music. In both of those fields, most professionals work with very modest earnings, but then could quickly through more exposure reach significantly larger wealth.

This ties in to the second wage difference listed above, which was significant increases/decreases in compensation during an individual player's career. A player usually enters the professional world while on a youth-contract, which often offer little to even no financial compensation for the players. Then after a handful of promising matchday showings, the player can see a huge increase in his earnings when signing his first professional contract.

An extreme example is the French wonderkid Kylian Mbappe, who had his breakthrough season aged 17 with FC Monaco in 2016. After his first season, where he appeared in 20 matches, the player moved to rivaling Paris Saint-Germain with a transfer fee of 200 million euros and a 5-year contract with a reported weekly salary of 350,000€. For a teenager, this is obviously a life changing event, but Mbappe never looked back and proved to be worth the massive overlay. However, not all young players take it as well, some crumble under the pressure of huge financial investment on them, and subsequently are unable to perform on the pitch.

Then on the other end of the career, whenever the player calls an end to his career, his earnings will plummet as there isn't any pension system for professional footballers. This means that when a player retires, usually aged 33 to 40, he is left with nothing but his savings. Due to this, the players

should make some contingency plans during their careers, either by investing on other business interests or by studying a new profession, but this is often overlooked. According to a study, many players who earned extremely good salaries during their playing days face financial struggles in their retirement.

Then the third previously mentioned wage difference, which are the extreme compensation differences between the players of a same team. This, I would argue is somewhat unique to football and professional sports. The players of the same team all share the same job description and role on the organization, and thus in traditional businesses it should make sense for the whole group to similarly compensated, maybe with differences due to performance related bonuses. But in football, it is common that in the top teams the reserve/young players are on very modest salaries when compared to the star players of the team.

2.3 Physical and mental health in football

First of all, it inherently is a short career. Due to physical limitations that come with ageing, there aren't many players in the top level playing past their 35th birthday, and practically none in their 40s. This means that age-wise, the window for being a professional footballer is approximately between the ages of 16 and 40.

However, having 20+ year careers is extremely rare, and indeed the average length of a professional footballers career is only 12 years (Thijs A Velema 2016) .It's an incredibly short window for any profession, and careers as short as this generally aren't present at all in normal industries, only comparable to other sports.

Then in addition to the already short careers, another thing that basically all footballers have to face is the prospect of injuries related to their profession. Severe, life-threatening injuries are extremely rare, but lesser injuries can severely hamper or even end a footballers career. The injuries can take a lasting toll on a footballers mental and physical health, even after he finishes his career. Famously, a former Argentine attacker Gabriel Batistuta has been quoted to say: "Nowadays, I only feel resentment and bitterness to football, I'm on my 50s and cannot even walk properly anymore".

Injuries, and specifically injury prevention has long been studied in professional football. Footballers also receive cutting-edge treatment from their clubs, but due to football being a fast-paced contact

sport, injuries are inevitable. Maybe surprisingly, despite the added interest and evolving medical practices in modern times, the injury occurrence has only risen. This probably is due to modern footballers being a lot fitter, faster and stronger than the more laidback, skill based football approach in the 20th century.

According to statistics, outfield players record distances run of 10 to 14km per 90-minute matches, often two or three times a week. Most of the time is being spent jogging, with frequent short sprints and turns, which doesn't make it surprising that the soft tissue muscles below the waist are subject to intense stress.

On average 8 injuries occur per 1000 hours of either training or match action (Jan Ekstrand et al 2009). 87% of these injuries affected the lower body (below the waist), while most common injuries being thigh strains (17%), abductor pain (9%) and ankle strains (7%) (Jan Ekstrand et al, 2009).

On average, a single player faced 2 injuries per season, while the average time out caused by an injury was 18 days (Jan Ekstrand et al, 2009). This would mean, that over a 9-month season, on average a player misses 36 days, or 7.5% of the season due to injury. According to the US bureau of Labor statistics, an average worker takes 7 days of sick leave per year, which means that footballers on average are on sick leave about five times the amount of a regular worker, only due to injuries sustained when performing their profession (in addition to that footballers too are obviously subject to getting sick or any other trauma that could affect regular workers).

The data used on the study by Ekstrand et al was collected from the clubs competing in the UEFA Champions League, the top-level European competition, but also from players playing in the Swedish and Norwegian leagues. The occurrence of injuries was similar across the different leagues and clubs, meaning that it probably is simply an unavoidable occupational risk, and something that cannot be avoided even by the top clubs who have access to the very best medical treatment and injury prevention measures.

In recent years, mental health has been discussed more than before, and rightly so. Mental health hugely affects the productivity of an individual, and thus their ability to perform their profession. Footballers aren't an exception to this.

Like we explored before, footballers live in a hyper competitive world, where their playing performances can directly and quickly affect their future employment opportunities and thus earnings. Being a standout performer in a lower profile team can quickly transform your life by

achieving the dream move to a top club. Similarly, poor performance means falling down the footballing ladder, which must be a hugely stressful situation.

Then in addition to the competitiveness, there is the media pressure. Top level professionals in 'regular' industries, who deal with the same performance related stress factors that high-level footballers do, can generally perform their jobs without the excessive media scrutiny. There is a degree of privacy to even the very top executives in corporate life, and despite their jobs being highly stressful and demanding, they can still lead a mostly private life outside their professional environment.

A study concerning organizational and media stress in football argues that in order for football to be profitable, the constant media scrutiny is necessary, and every action by a player or a coach is subject to high transparency (E. Kristiansen et al, 2011). According to the study, the media coverage isn't always truthful, and different storylines tend to be created in the media where some players are presented as heroes and other villains. This coverage extends to the private lives of the players, something that is present for other entertainers like musicians or actors, but rare in other industries.

Kristiansen et al argue that the players could be split into two categories, some of whom are coined as 'ego-driven' athletes, who strive under the pressure and actually need the media attention to perform at their best. Though the other category, the more reserved athletes, require more protection from their club organization, something that they often aren't allowed to have.

For some players, the stress caused by factors like the constant competition, uncertain future employment or injuries manifests into mental health problems. A study found that both active and retired professional footballers showed a higher occurrence of CMDs (common mental health disorders) than the regular population (Serena Van Ramele et al, 2017).

The retired players though were seemingly at more risk to mental health problems. Out of the participants in the study, 24% of the active players had faced anxiety or depression, whereas 39% of the retired players reported these problems (Serena Van Ramele et al, 2017). Suggested factors as to why retired players exhibited more CMDs are for example financial uncertainty and a feeling of lack of purpose.

Financial distress isn't something that the very top players are likely to face, but many ex-professionals have opened up about finding retirement hard due to the sudden change in their lives.

For many, their whole identity depended on them being footballers, and after retiring they founded themselves missing the dressing room comradery and the on-pitch thrills.

Mental health problems seem to be something that the clubs should focus more on, as 80% of the players felt like they didn't have enough mental health support during their careers. 65% of the players also felt that their CMDs affected their on-pitch performance levels (Serena Van Ramele et al 2017).

Considering that footballers are the most valuable assets that the clubs own, it seems that more should be done to ensure their mental wellbeing, as it has a direct effect on their performance. Top clubs invest incredible amounts of capital on player transfer fees and wages, and as such it would only make sense ensure that their mental health is being looked after as well as possible, like their physical performance levels currently are.

3: Current club landscape

A unique part of the football industry is how the competitions are structured. In every country (with few exceptions), there is a league pyramid consisting of multiple different divisions, and the teams move across these divisions due to the promotion/relegation system. For example, in English professional football, the top level is called the Premier League. Every season, the 3 worst placed teams in the Premier league are relegated to the second division, where they will play the next season. Similarly, the 3 best teams in the second division are promoted to the Premier League for the next season. Similar movement happens all over the different divisions of the league pyramid.

As far as professional sports go, this system is somewhat unique to football, and a distinctly different structure when compared to the popular North American sports leagues (American football, baseball, ice hockey and basketball), where the leagues are closed and the same teams are present every year.

For the club management, this system creates pressure, because falling down the league pyramid would be a financial catastrophe. For example, the financial differential in revenues between the English Premier league and the second division is approximately 100 million euros per season, due to increase in both prize money and TV revenue deals. Then the prospect of playing against better

quality opposition in the top division also most likely increases the number of spectators attending the matches, further increasing the financial importance of the top division status.

The situation isn't any different on the other end of the league table, where the top clubs face similar pressure to ensure that they stay competitive each season. Every season, the best placed clubs from the different national leagues will earn a place in the prestigious UEFA Champions League, a competition where the best European clubs face off against each other, providing additional financial benefits through high-profile matches.

The league pyramid system ensures that the target of investment for the clubs is always on the now, and longer-term projects are harder to achieve. The clubs have to invest in their playing squads each season, to ensure that they won't be left behind their competitors.

In literature, the promotion/relegation system is seen both as an integral part of the competitions, but it also presents a financial threat to the clubs. The rewards of promotion and the costs of relegation provide ample incentives for the clubs to gamble for instant success (Gammelsaeter & Ohr, 2003).

This creates a situation where when poor performance and subsequent probable reduction in revenues occurs (both lesser price money and supporter interaction), the club doesn't scale down its costs. Instead, they often double down on investment to reach their desired level again (Szymanski & Zimbalist, 2006), which obviously is a huge gamble if it doesn't quickly produce results.

3.1 Oligopoly at the top

Football, probably more than other sports, is dominated by a select group of European 'super clubs'. In single matches, anything can indeed happen, but over a 38-game season, the giants with the largest revenues tend to come up as winners without an exception. As of writing this study, Juventus have won the Italian league 9 times in a row, Bayern München have won the German league 8 times in a row, while PSG has won the French league for 7 consecutive years. Spanish and English leagues have a bit more variety, Spain having 3 different champions over the last 10 years while England has had 5 different league winners during the same period.

These clubs though do have bad seasons too, for example English giants Manchester United finished 7th in 2014 and their rivals Chelsea 11th in 2015. Some scholars though argue (Szymanski et al 2009), that for United or Chelsea, or indeed any other traditional big club, this is as far as the drop can plausibly be. Big clubs tend to stay big, for multiple decades, even if they were to be operated in an ineffective way.

The reason for this is that most of the traditional European giants come from the largest European cities, which naturally provides them a larger local fanbase. This was something that really elevated them from the rest of the clubs way back in the 1950s and 60s, when football started to take first steps to professionalism and commercialism (Szymanski et al 2009). The initial local fanbase translated to higher gate revenues on matchdays, which then enabled these clubs to pay larger salaries, which in turn resulted in competitive success. The on-pitch success then over the years translated to more global fanbases, and so on. It is a virtuous, hard to break cycle. The biggest clubs are simply too big to fail catastrophically, because they have both the financial capability and the reputation that attracts the best talent globally (Szymanski et al 2009).

Looking at the Deloitte Money League, a yearly report examining the clubs with the largest revenues, the report seems to confirm these findings. In 2020, the clubs with the largest revenues were: 1. FC Barcelona 2. Real Madrid 3. Manchester United 4. Bayern München 5. Paris Saint-Germain 6. Manchester City 7. Liverpool FC 8. Tottenham (London) 9. Chelsea (London) 10. Juventus (Turin) [20]. The pattern is clear there, all the richest European clubs come from the traditionally relevant, often either the capital city or the second/third largest city by population.

The trend continues further down the rankings, the only exception in the top 20 being French club Olympique Lyonnais, which comes from a relatively small provincial city of Lyon (they though are managed exceptionally well, something that we will look into later).

Every now and then, a smaller club develops a great group of players, and achieves on-pitch success, meaning that occasional breaks into this oligopoly is possible, but even then eventually after a season or two the larger clubs circle around and pick the best talent of that club, resulting in the situation returning to normal.

It's a very similar situation to for example retail business, where large corporations can force smaller competitors out of business by cost-cutting, and thus providing similar or better service to customers by cheaper prices.

The only real way, or at least the 'easiest' way, to break this naturally evolved oligopoly is by obtaining consistent outside investment from a very wealthy owner or ownership group (Lucas Bester 2008).

This is the model used notably by Manchester City, Chelsea and PSG, who were taken over by Emirati, Russian and Qatari billionaires respectively, who all poured billions into their clubs over the 21st century. This ensured that the clubs started to have the financial capacity to pay the required wages for the top talent, despite not yet having similar revenues than the traditional top clubs. The clubs also built up state-of-the-art training facilities, further enticing the top talent to move into these originally unfashionable clubs.

The outside funding essentially allowed the clubs to skip some of the 'developmental phases' in the natural evolution process of the clubs (Szymanski et al 2009), and eventually the investment in the playing squad started to bring the required on-pitch performance that attracts a larger fanbase, thus ensuring growing revenues.

The process of transforming into a European 'super club' status though took each of the three clubs mentioned approximately 10 years to achieve. It shows that instant success is really hard to achieve, and this is why many of these projects fail. Two examples from recent years are Spanish side Malaga CF and Russian Anzhi Makhachkala. Both clubs received significant investment in the early 2010s by wealthy backers, and started to elevate their status in the game. However, in both cases the patience of the owners was short lived, and they cut-off the funding completely after a few short years. This then resulted in these clubs falling back to obscurity (both teams eventually got relegated from their domestic top divisions in Spain and Russia respectively).

Without significant outside investment, consistent success is increasingly harder to achieve for the smaller clubs. The trend has also been gathering more pace recently, and the gap between the top clubs and the rest seems to only be widening.

3.2 Soft budget constraints

In football, it's an industry norm that there is a constant churn of players and managers coming and going. One thing though that stays, is the clubs. Football clubs display extreme longevity when

compared to other businesses. This is despite the fact that most top division European clubs are operating on the brink of insolvency, year after year.

This is despite the fact that the revenues of the clubs have been on the rise massively over the last few decades. Between the 1992 and 2007 the football clubs of the English Premier League have seen an increase of 900% on their revenues, yet there seems to be no sign of any profits for most clubs (Rasmus K. Storm et al 2012). All of the added revenues tend to end up either in player wages or transfer fees.

In fact, ever since the inception of the English Premier League in 1992, there hasn't been a single year where the 20 clubs of the league have presented an aggregated pre-tax profit (Hamill and Walter, 2010).

The trend is similar on other major European leagues too, with especially Italian football being a prime example of financial mismanagement. From 1996 to 2007, the top division Italian clubs accumulated combined losses of some 1355 million Euros (Hamill et al 2010).

As for Spanish football, 89% of the first and second division clubs operate on losses, with nine clubs being technically insolvent and as such placed into administration under the Spanish law (Barajas and Rodriguez, 2010).

The financial troubles are most likely linked to the constant competitive pressure, which was discussed above, and most clubs prioritize on pitch success instead of financial one. This is why some scholars argue that football clubs shouldn't be considered as businesses, at least in the traditional sense (Szymanski et al, 2010 and Rasmus K. Storm et al, 2012).

Under normal business logic, all of this economic hardship should mean that these leagues should face existential crises sooner rather than later, but curiously despite the troubles, European football has a history of extreme economic stability.

The longevity of football clubs is indeed quite incredible if compared to other businesses. In 1922, the English football leagues consisted 88 teams divided into four divisions. In 2008, 85 of those teams or 97% still existed, while 48 of them were even in the same division as in 1922 (Kuper & Szymanski, 2009). As for comparison, only 20 out of the 100 most valuable English companies in 1910 retained that status in 1995. 50 out of those 100 companies survived, 7 were liquidated, 6 nationalized and 37 acquired by other companies (Szymanski, 2009).

Italian clubs also display such longevity, as of the 60 teams that have played in the Italian top division ever since its inception in 1929, only 2 have been liquidated and are out of business as of today (Rasmus K. Storm et al, 2012). Only 2 clubs going out of business over a near 90-year period seems curious in a nation, where the finances of football clubs have long been extremely precarious.

All in all, there seems to be a curious paradox in European professional football. Most clubs operate on non-existent profits or at losses on years on end, yet next to no clubs actually end up going out of business. This paradox is at its strongest on the major European leagues, whereas smaller markets, like the Nordic leagues, tend to be more financially healthy.

A 2012 paper by Rasmus K. Storm et al argues that this paradox is caused by football clubs being subject to soft budget constraints, or in short SBCs. 'SBC syndrome' is a concept developed by a Hungarian economist János Kornai as a means to understand the economic inefficiencies of enterprises in socialist or post-socialist economies (Blanchard, O. 1999).

According to Kornai, the SBC concept is a situation where a financially failing company is constantly bailed out by creditors or authorities, which was common with the state-owned enterprises in the 20th century Eastern Europe. Nowadays, these SBCs are common on public sector organizations, like for example the health care systems present in most developed nations. They exist in private sectors though too, as the banking sector being a good example according to Kornai. The largest banks are simply too big and if they were to fail, the fallout would be massive.

Essentially, SBCs exist in a situation where the life and death question for the existence of an organization isn't dependent on its financial merits. This is in contrast to hard budget constraints, a situation where the expenses and revenues exclusively dictate the existence of an organization.

Rasmus K. Storm interestingly links this concept to modern European professional football, as a theory to explain how non-profitable clubs tend to achieve long lasting economic stability. For traditional SBCs situations, the organization is deemed to be socially or economically too important to fail, which makes it worthwhile for different stakeholders to support it despite its financial shortcomings.

Does this make sense in context with football clubs? If compared to traditional businesses, the total revenues of the richest football club Real Madrid, was only about half of that of the least valuable company in the S&P500 index (Szymanski et al, 2009), meaning that financially football clubs perhaps aren't that important to communities.

However, Storm argues that socially they indeed are too 'big' to fail. The football clubs have particular characteristics that support the SBC syndrome, such as social attachments and emotional value. Most European top-level clubs tend to be over 100-year old institutions, and as such serve as identification markers for their respective communities or wider regions (Rasmus K. Storm et al, 2012).

Good example being FC Barcelona, a club originating from the capital of the autonomous community of Catalonia in North Eastern Spain. The club has for over a century been seen as a symbol for the Catalanian independence movement, and as such has over the years become an integral part of the identity of the region.

Hundreds of clubs of similar local importance exist all over Europe, and as such none of their stakeholders (be it local governments, supporters or businesses) want to see these clubs go out of business. Essentially, it seems that there are (almost) always some parties ready to pick up the bill when required.

In his paper, Storm lists multiple ways in which European football clubs are routinely supported. Clubs with 'sugar daddy' owners receive frequent cash injections by their benefactor to sustain the club, most likely with no expectation on any financial returns to these investments.

Also, it's common that the clubs are subject to very lenient tax policies, and even then, many football clubs also routinely fail to pay their taxes, without any incentives for tax authorities to pursue legal action. Also, banks, creditors and local authorities routinely provide football clubs with soft credit. Local governments can also provide additional sources of support, for instance they can purchase a stadium of a struggling club with a highly inflated fee, and then lease the stadium back to the club with very lenient terms (Rasmus K. Storm et al, 2012).

Other scholars agree with this sentiment, the cultural significance of the traditional European clubs has created a situation where even the hardest creditors are uninterested to take any drastic action when required, something that other businesses aren't afforded with (Buraimo et al, 2006). A direct quote: 'English football has managed to sustain persistent losses that in other industries would have invited creditor reaction. The patience of banks, Inland Revenue, and other creditors is partly due to a reluctance to call in overdrafts and unpaid bills in recognition of community disapproval that would follow' (Buraimo et al, 2006 p. 41), indicates how football clubs receive lenient treatment due to their social importance.

The situation is similar in other major European leagues, in Spain the top flight clubs are regularly bailed out by the banks, where as in Italy the government recently introduced a tax break for top athletes and coaches, mainly designed to make Italian football more competitive against the richer English and Spanish leagues. The tax reduction is granted for athletes or coaches who move to Italy from abroad, and makes it so that only 50% of their income is taxable.

The important thing with all this and why it matters with football, is that the soft budget constraint theory presented by Kornai is strongly associated with economic inefficiencies. This is because the market won't be able to swoop up the inefficient firms, and essentially there is no 'punishment' for economic mismanagement. An important point of Kornai's theory was that in the industries and organizations where SBCs are present, the decision-makers grow to expect these bailouts, and as such behavioral change could prove difficult.

This can create a vicious and hard to break cycle, that I think is very much present in football. For decades, constant losses have been an industry norm, and as such it doesn't make much sense for an individual club to be financially responsible, if at the same time their competitors spend all their revenues (or more) on transfer fees or player salaries. Essentially, the clubs in the major European leagues don't show any signs of financial responsibility, because they simply don't have to.

3.3 Theory of glass ceilings and floors

Previously, we touched on how the traditional big clubs stay big, due to their underlying drivers like stadium, fanbase and city sizes, all of which translate to economic and sporting success. These drivers exist with all the other clubs too, and as such there is a supposed 'set-level' where every club should be, respective to their background (Szymanski et al, 2009).

As a real-world example, let's look at English side Sunderland AFC. Most of the 21st century they were a steady, unspectacular midtable club in the English top division. However, years of poor management and wasteful use of their resources meant that come 2017, they were relegated to the second division. Their problems didn't go away though, instead just got more highlighted, and quite incredibly, they suffered a second consecutive relegation and went down to the third division.

This is though where their freefall ends. Like Szymanski argues, eventually the level of other clubs around you becomes so much weaker, that a falling club finds some stability and starts a rebuild of

sorts. Sunderland have all the underlying drivers of a stable top division club: They have a 141-year long history, their stadium holds 49,000 spectators, they are one of the few major clubs (alongside Newcastle United and Middlesbrough) in a relatively large market area in the North Eastern England.

And with a background like that, in the third division most teams that they face are from small provincial towns and with stadium capacities of between 2000 to 5000 spectators. All in all, the underlying drivers that Sunderland boasts, irrespective of their current management or playing staff, means that they are so much ahead of their competition in the 3rd division, that they really cannot fall any further than this level.

Furthering the theory by Szymanski that every club has some set level that its underlying drivers suggest it should belong, I would put it as there being personal glass ceilings and floors for every club, between of which they operate. I call them glass ceilings/floors because they can be broken on individual seasons, but truly penetrating above (or below) them for good requires exceptional (or catastrophic) management.

4. How to make a difference

In chapter 3, we looked into the current state of European professional football, and found it to be an industry with these apparent glass ceilings or floors for clubs, based on variables such as their home market and stadium sizes.

But then, there are examples where these presumptions won't hold true, as some clubs have broken their 'ceilings' and achieved better success than their drivers should allow. In this chapter, we will look into how a club can make a difference, and gain competitive advantage over their rivals.

Mostly, the ways that will be presented in this chapter are related to the human resource management of the clubs, i.e. the recruitment of coaching and playing staff. Strategic HR management is extremely important in football because the players and coaches are who make the main product that the clubs produce, the actual football matches. Besides a stadium and some

brand value (which varies significantly in value between the top clubs and the rest), the playing staff is basically the only valuable asset that a club owns.

As a broad term, HR management can cover all aspects of recruitment and hiring, planning, development and rewarding of the human side of the organization (D.G. Collings, T.G. Wood and L.T. Szamosi, 2009).

4.1 Managerial changes

The competitiveness, which was discussed in chapter 3, and caused by the seasonal structuring of the leagues, manifests into many things, one of them being a constant change in the managers of the football clubs. The manager (head coach), is perhaps the most important single member of a football organization, but however that position is also the most fragile one.

The average manager tenure in the English Premier League in 2019 was 2.08 years, an incredibly short period for a leader that supposedly conducts the most important work in the organization. For comparison, the average CEO tenure of a company from the S&P500 index in 2017 was 7.2 years. It's important to note that the CEO in corporate world is in no way a fully comparable role to the football manager, mainly due to the differences in organizational structures, but I would argue it's the most similar one due to its importance, and thus can provide some context to the comparison.

The short managerial tenures hinder any long-term projects, and in addition to that managerial changes often seem to be knee-jerk decisions caused by a period of poor form by the team. A study on European professional football found that the leadership changes in poorly performing teams are often ineffective because the new manager has no real control over the factors that caused the sacking of their predecessor (Frédéric Lassale et al, 2018).

However, Lassale et al noticed an inverted U-shaped curve in the performance of the teams immediately after the sacking of the previous manager. The U-shape curve means that the team would enjoy an increase in performance for a time, which would then level out at some stage, after which it would regress back to the original level. The increase in performance has been coined as 'the new manager bounce', perhaps caused by the fact that the leadership change sends a clear signal to the playing staff that an improvement is needed.

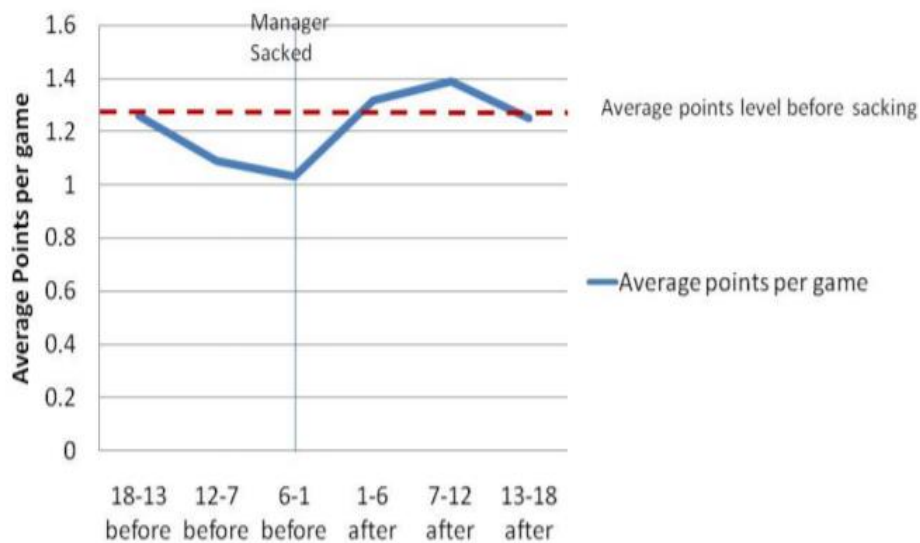
Other scholars agree with this idea on the notion that the managerial change is often both irrational and unnecessary (Lucas Bester, 2018). Bester too recognizes the new manager bounce, but argues that the increase in performance after the managerial change is most likely caused by the performance regressing to its mean.

What this means is that he argues that each team, according to the abilities of its players, has a set 'level of performance' that should be expected from them. Usually, the manager gets sacked due to poor form in matches, and Bester argues the poor form can be caused by multiple simple factors, such as injuries to key players, poor refereeing, many high-level teams faced in a sequence or just by bad luck. Notably, all of those factors are outside the realm of control for the manager. This would mean that the level where the team performed at the time of the sacking of the manager was way lower than the actual level where the team should be, and after the new manager comes in the increase in performance is simply caused by the team returning to its supposed set level.

Bester argues, supported by his statistical study of managerial sackings, that in many of the cases where a managerial change occurred, the previous manager probably could have got the same if not better results than the new manager if they had been given the time to 'ride out' the bad period of the team.

This claim is supported by the graph (Sue Bridgewater 2010) below, where we can see the immediate increase in performance, which though isn't long lasting and after a short period the performance levels drop, exhibiting the 'new manager -bounce' phenomenon.

Average Points per game in Premier League 1992-2008 before and after sacking manager



Sometimes though the change of manager is completely logical and responsible, and in these cases the best results seems to be achieved by replacing the sacked manager by a new one that is similar in style and experience to the previous manager (Lassale et al). The reasoning for this is that if the new manager is completely different in their match tactics or in the way that they socially interact with their players, it can be too disruptive to the team and it would require too long of a teething time to be successful (something that the managers of course aren't afforded to have).

As a real-world example of how the managerial changes can be handled well (and not so well), we can use the two Manchester based clubs: Manchester United and Manchester City. These two clubs have had contrasting success during the last decade, one main reason of being how they handled their managerial appointments.

Manchester United, one of the most prominent and successful clubs in the world, had been under the guidance of Scotsman Sir Alex Ferguson for over 20 years, whilst achieving almost unbelievable success, winning the league 13 times and never finishing outside the top 3 in the English Premier League.

However, he retired in 2013, leaving a huge leadership void behind, and was replaced by another Scot David Moyes. Moyes was an experienced mid-table manager, who had been steady but never

achieved real success and didn't have experience from the very top clubs. He finished 7th in the league, and was quickly sacked.

After Moyes, United appointed manager Louis Van Gaal (Dutch), an experienced winner like Ferguson, but his preferred style of football was more technical and possession oriented than the fast paced, relying on physical dominance and hard-working -football which the team was used to under Ferguson. Van Gaal lasted 2 seasons, finishing 4th and 5th.

After him, the next one on the line was Jose Mourinho (Portuguese), somewhat of a controversial and arrogant man, whose preferred style of football was very defensive orientated. He lasted 2 seasons and a half seasons, finishing 6th and 2nd, and was sacked midway his third season with his team in disarray.

Next one on the line was Ole Gunnar Solskjaer (Norwegian), a former legendary player at United, but a very inexperienced manager. He has finished 6th and 3rd so far, the jury is still out on him, seeing as he is still at the club.

Looking at these changes, after Sir Alex Ferguson United appointed four managers of different styles and experiences, and not one of them has achieved similar success than Ferguson had, despite having both the largest fanbase and budget in England. The constant change of managers with different styles to the previous one always meant that the new manager required different sorts players than the last one, which meant that the club signed and sold a large amount of players during this time, whilst never achieving any form of stability.

Then let's look at their inner-city rivals, Manchester City. Historically, City had been a lot smaller club than United, having only won 3 league titles during their existence, and even the latest of those came in the 1950s. However, in 2008 the club was bought by Emirati investors, who wanted to take the club to the top of European football.

During the early 2010s, the club was first lead by Roberto Mancini (Italian) somewhat of a defensive manager and a man who required discipline above all else. After him, City appointed Mauricio Pellegrino (Chilean) and finally Pep Guardiola (Spanish), both of whom were relatively similar, very attacking and possession minded managers who could work with the same group of players.

In fact, according to later reports, City wanted to appoint Guardiola, perhaps the highest profile and most successful manager of the modern era, as early as 2013. Guardiola rejected the approach at

the time, but this intention was made clear to Pellegrino, who was appointed instead of him. The whole intention of the Pellegrino era was to 'groom' the squad to be ready for Guardiola when he would eventually arrive.

This approach worked, when Guardiola became the City manager in 2016, the squad was already used to the football that he would require, and under Guardiola Manchester City has won the league twice whilst also breaking many records in English football (records for most wins in a season, most points, most goals scored, largest win margin to second placed etc.)

In the graph below (Tuomas Saarinen, 2020, data from premierleague.com) are the league positions of the past 20 years for the two Manchester based clubs, highlighting the importance of getting the managerial changes right, as Lassale et al argued on their paper.



The graph shows how Manchester City has overtaken their previously much more successful neighbors Manchester United, key events being the 2008 ownership change in Manchester City and

the 2013 retirement of Sir Alex Ferguson and subsequent problems by United in finding a replacement for him.

Getting the managerial appointments right is an economic way of gaining competitive advantage over the other clubs. This mainly stems from the fact, that many clubs are seemed to be ran very emotionally, without any clear succession planning with their managers. The constant churn of changing the managers and subsequently bringing in new players for a new manager is a wasteful approach.

Like mentioned above, the best results with managerial appointments are to be had when the new manager is of similar profile, age and style to the previous manager, and as such allows a smooth transitioning of leadership (Frédéric Lassale et al, 2018). I think special attention should be directed towards proactive planning on managerial appointments. Most managers are sacked after a run of poor form, meaning that the sacking and subsequent hiring of a new manager are reactive and not proactive changes.

In traditional business, the hiring process of new key leaders most often starts way before the previous leader leaves, ensuring that all the possible options are looked into and the best available candidate is put into place.

In football, to put it bluntly, it seems that the manager is sacked the moment he becomes unpopular with the fans after a run of poor form, and after he is sacked then the board room start to look into which managers are currently available.

4.2 Transfer market competence

The transfer market most likely is the place where the football clubs can improve their performance the quickest. Some clubs really have mastered the art of buying and selling their playing staff, while other seem to just throw money around and hope that one or two players prove to be a hit.

In addition to the normal HR challenges, like making sure to find an employee that is both suited to the task and the team dynamic, football clubs also have to juggle with the unique challenges of this labor market, which were discussed in chapter 2.

Interestingly, the amount of money that a club spends in transfer fees doesn't correlate much with performance, in fact it only explained 16% of the total variation of a league position (Szymanski et al, 2009). Reasons for this are varied and hard to explain.

However, the amount of wages paid to players was a significantly better indicator when predicting success, with the size of wage bills explaining 92% of a variation in a team's league position (Szymanski et al, 2009). The graph below shows the relationship between a team's wage bill and their average league position from the English first and second division over a ten-year period between 2002 and 2012 (Szymanski et al, 2009, page 15).

club	Wage Spending relative to the average	Average league position	club	Wage Spending relative to the average	Average league position
Manchester United	3.37	2	Blackpool	0.27	29
Chelsea	4.23	2	Cardiff City	0.38	30
Arsenal	2.89	3	Ipswich Town	0.47	30
Liverpool	2.65	5	Leicester City	0.52	31
Tottenham Hotspur	1.63	8	Queens Park Rangers	0.47	31
Everton	1.33	8	Watford	0.36	31
Manchester City	2.21	9	Crystal Palace	0.34	31
Aston Villa	1.61	10	Preston North End	0.24	31
Newcastle United	1.71	11	Burnley	0.32	32
Fulham	1.29	12	Bristol City	0.31	32
Blackburn Rovers	1.25	12	Derby County	0.49	33
Bolton Wanderers	1.10	12	Millwall	0.27	33
Wigan Athletic	0.80	16	Nottingham Forest	0.36	33
Birmingham City	0.87	17	Plymouth Argyle	0.15	36
West Ham United	1.25	17	Sheffield Wednesday	0.22	37
Sunderland	1.07	17	Colchester United	0.15	37
Middlesbrough	0.96	18	Coventry City	0.31	37
West Bromwich Albion	0.73	19	Doncaster Rovers	0.09	38
Charlton Athletic	1.01	20	Gillingham	0.19	38
Portsmouth	0.67	20	Rotherham United	0.11	39
Swansea City	0.36	22	Barnsley	0.17	39
Reading	0.55	23	Brighton & Hove Albion	0.19	39
Wolverhampton Wanderers	0.63	23	Walsall	0.19	40
Stoke City	0.54	24	Crewe Alexandra	0.12	40
Southampton	0.77	25	Bradford City	0.12	41
Sheffield United	0.48	27	Peterborough United	0.06	41
Norwich City	0.53	27	Southend United	0.14	42
Hull City	0.50	28	Scunthorpe United	0.07	42
Leeds United	0.89	28	Grimsby Town	0.14	44

Then why do player wages correlate that much more with performance than the transfer fees paid to obtain those players? Most likely it is because the market for player wages is quite efficient. Generally, the players want to maximize their short careers, and thus naturally are attracted to the clubs that pay the most.

While the market for wages is somewhat efficient, the market regarding the transfer fees absolutely isn't. Any inefficient market is an opportunity for smart operators to make a difference, and in football some clubs, or more precisely the managers/directors of those clubs, are experts on finding value in the transfer market.

First of all, younger players and players from obscure leagues are undervalued compared to their playing talent (Szymanski et al, 2009). Some clubs have gained significant reputation on finding lowly valued players from the peripheral leagues, then developing them for few years, before selling them for large profits. One exceptional club at this is FC Porto from Portugal. They have excellent scouting systems in place all over South America, and as such are able to constantly bring in talented but lowly valued players to Europe. By doing this, they have generated a net profit of 657,5 million euros on transfer fees between 2003 and 2017 (Vasileios Stavropoulos, 2018).

Besides finding talent cheaply, it is also important to let go of the players at the right time, when their perceived value is the highest. This isn't easy though, as nothing makes a manager more unpopular in the eyes of the supporters than selling a well performing player at the peak of his powers. This is also something distinctly unique to football, as in traditional organizations it would make no sense to let go of your well-performing employees, as there is nothing to gain from it. However, in football the sizeable transfer fees generated by player sales are a crucial part of the revenue streams for most clubs.

As with any other organization, also in football the recruitment process should include evaluation about how the new player would fit in and complement the existing team dynamics, alongside his playing capabilities. Football at its core is team sport, and hence the ability to work as a member of a team is of high importance.

Current mainstream academic consensus seems be that diversity, at least to a point, increases team productivity, and as such should be sought after. As for football, true diversity is impossible to achieve, because all the team members are of the same sex and of moderately the same age

bracket. However, like discussed in 2.1, due to the globality of the sport, the teams are often very diverse in teams of races and nationalities of the players.

Interestingly, despite this globality and contrary to traditional business, in football team diversity seems to correlate negatively on the team performance. Data from the 21st century German top division football suggests that diversity with defensive players has a negative effect on team performance, a link that wasn't found with other positions (Brandes et al, 2009). This could be because attacking play is seen to be more based on the individual talents of the attacking players, whereas defending phases of the play are more dependent on the organization and communication of the defensive players.

Besides the study by Brandes et al, there seems to be limited literature about the effects of team diversity in professional football. A study concerning another team sport in ice hockey, found that the benefits of diversity seem to be the greatest when the group of foreign players is rather homogenous (Kahane et al, 2013).

This is an approach used by the much-praised French club Olympique Lyonnais. Majority of the OL players come from the Francophonic countries, mainly from North and West Africa in addition to mainland France, but the club has over the 21st century always housed a sizeable minority of Brazilian players (Stephen Szymanski et al, 2010). The rationale behind this approach is that because their new signings almost exclusively come from these groups, their integration to the team is as seamless as possible due to the presence of players from familiar cultures.

4.3 The network model

There obviously are multiple angles from which the clubs can look to achieve competitive advantage, and this approach is a relatively new but interesting one that merits its own section. The network model isn't related to HR management like the previous two, but it might be one approach that becomes increasingly common in the near future.

This is an approach where owners of one prominent club in the top European leagues start to acquire multiple smaller satellite clubs, most likely from obscure markets. Importantly, for the sake

of competitive integrity, no single owner or ownership group is allowed to own multiple clubs in the same country. Currently there are 3 prominent club networks that are committing to this approach:

The City football group, consisting of: Manchester City (England), New York City (USA), Melbourne City (Australia), Yokohama Mariners (Japan), Montevideo City Torque (Uruguay), Girona (Spain), Sichuan Jiuniu (China), Mumbai City (India) and Lommel SK (Belgium).

The Red Bull Football group: RB Leipzig (Germany), RB Salzburg (Austria), RB Bragantino, (Brazil) and New York Red Bulls (USA).

The Pozzo family group: Udinese (Italy), Granada CF (Spain) and Watford (England)

This is an unorthodox approach, as traditionally football clubs house one senior team, in addition to multiple youth teams under one brand. Here though, The City and the Red Bull football groups are stretching the one brand over teams in multiple cities and multiple continents. A time will tell whether this approach increases the brand value of the whole group substantially. Will a Mumbai City fan also support New York City and vice versa, or engaging in their matches and/or merchandise? Perhaps, but due to this being a new approach, there isn't much data to go either way.

One clear benefit of this approach however is player scouting and movement. By having a concrete presence in foreign markets, these football groups have access to different ways of player development than traditional approaches.

Good example of this is how the RB football group operates. They have a worldwide network of scouting talent, with their current teams on Europe, North America and South America. In addition to that, they have good connections also on West Africa and Far East Asia. With this large scouting network, the RB group signs a large number of potential prospects, and places them on these satellite clubs. All the RB clubs share a similar playing style and club ethos, and as such these young players are 'groomed' to the Red Bull way.

The end goal is that the most promising youngster are eventually funneled into their flagship club, RB Leipzig in the German Bundesliga. Often the players pass through RB Salzburg before, in order to get used to the German language and the central European lifestyle. Essentially, the network model allows their youngster to receive playing time, in-house in a controlled environment, before being ready to move into their flagship club. This model has allowed RB Leipzig to access a stream of

talented players, with cheaper costs due to them transferring between teams with common owners, and their work was rewarded by reaching the Champions League semi-final in 2020, stunning many traditional European clubs on their way.

The City group generally tries to do the same, but not many players as of yet have transferred between the different clubs of that group successfully, and the expansion has been more about their brand value so far.

5. Conclusions and discussion

All in all, from the traditional business perspective, the whole football industry makes little sense. Most clubs seem to be run in an emotional and irrational way, likely caused by the constant rush due to how the competitions are structured. All this rush manifests into management that is much more about knee-jerk reactions to recent events, and less about any longer-term strategic planning. Also, the promotion/relegation system and the huge gaps in participation revenues between the different divisions of a league pyramid creates incentives to gamble on short-term success.

In their 2009 book 'Soccernomics', Szymanski and Kuper argue that football shouldn't even be subjected to traditional business standards, due to the main objective for most clubs being the on-pitch performance and not the financial success. This becomes obviously clear when looking into how poorly all the major European football leagues have been managed in financial sense already for decades. The clubs though don't seem to be that concerned about their financial realities, due to the lenient treatment they often receive from the authorities and creditors (Storm et al, 2011), which makes achieving any real improvement on this matter difficult. However, even without any profit motives, the clubs should still show better efficiency when using their resources.

One place, where these resources are wasted, are the constant revolving doors that many clubs seem to have on their head coach -position. Their job is the most precarious in a football club, while also possibly being the most influential. This isn't an optimal approach, as most often the new manager hired in the midst of a crisis doesn't have real control over the situation that lead to that point. (Lukas Bester, 2018)

My findings can be concluded as follows. Clubs should try and improve their HR management vision of the club. This means that the club strategy should be independent from the current players or coaches, because those are employees who typically stay on the club for a short period of time. The player recruitment policies should follow this predetermined strategy, regardless of which manager is currently being employed by the club (Szymanski et al, 2009). In essence, the club should hire managers who fit their existing playing staff, and not sign a load of new players to fit the incoming manager's preferences.

Also, data seems to suggest that clubs should restrict from making as many managerial changes as they currently do (Lukas Bester, 2018 and Szymanski et al, 2009). Like discussed before, often the sequence of results that leads to a sacking of a manager can be caused by uncontrollable factors such as tough fixtures, injuries, refereeing mistakes or bad luck. Managers should therefore be afforded more time to try and turn the performance around, but this is rarely the case. Overall, the industry seems to need more patience and rationality on its HR management practices.

Another place where a positive difference can be quite easily made is the process of player recruitment. This is a place where many clubs seem to get it wrong, proved by the apparent minimal correlation between transfer fee spending and league position (Szymanski et al, 2009). As for the team dynamics, heterogeneity in terms of diversity seems to be beneficial up to a point, and best results are to be had when the group of foreign players comes from a relatively homogenous background (Lukas Bester, 2018).

Interesting angles for future studies could be had on the new business models that the clubs can possibly implement in the near future, like the club network model that was briefly touched on chapter 4.3.

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