Analysis of How F.C.Barcelona Implemented a Virtuous Circle Between 2003 and 2006 to Become the Best Football Team of the World in 2009

Francesc Estanyol Casals
Business School
University of Edinburgh
Edinburgh, Scotland, UK
francesc.casals@ed.ac.uk

Abstract—In this work, the author analyses how F.C.BARCELONA (FCB) implemented a virtuous circle to become the best football team of the world in 2009 [1]. Although FCB has more than 14 sports sections, the study is focused in the football team and it considers the common difficulties of implementing business methodologies to sports organizations with a special emphasis on the particular characteristics of FCB. As its motto says, FCB is “more than a club” and, in addition to a different sports culture (e.g. financing more than 10 non-profit sports sections or funding football academies in undeveloped countries), the club has deep historical connections with Barcelona and Catalonia that differentiates it from other football clubs like A.C Milan, Manchester United or Real Madrid. In order to understand the club, its context and the process of change it is necessary to consider these factors and the influence of social, power and politics to the club’s governance.

Keywords—F.C.Barcelona; virtuous circle; change, management; governance, business, sport, Laporta, Ronaldinho

I. INTRODUCTION

The application of business theories in the world of sport is a common practice as described in [2], [3] and [4]. The literature is plenty of examples where business methodologies have helped sports organizations to improve their performance. Books like [5] and [6] are just two examples of how manage sports organizations from a business point of view. Probably the most remarkable case is the Formula 1, which nowadays looks like a business rather than sports competition used to be [7]. The world of football is not an exception and has been focus of attention of many researchers. As an example, in [8] the author analyses how the application of a business model based on aggressive marketing helped Real Madrid C.F to increase and maximize its profits. In that sense, the idea of F.C.BARCELONA to professionalize the club by applying business methodologies is not new but the implementation of the virtuous circle is remarkable for several reasons: a) an appropriate change leader (Ronaldinho Gaúcho); b) its rapid success; c) sporting achievements; d) finance performance; and e) global brand reputation. However, the process was not exempt of problems and divergences, which demonstrates the difficulties implementing change.

This work covers the described points and the following sections are as follow: Section II describes the context of the change arena, focusing on the particular situation the club was facing and how elections facilitated the change. Section III explains the proposed solution, with Subsection A introducing the concept of virtuous circle. Section IV summarizes how F.C.BARCELONA implemented the virtuous circle and Section V describes its impact. Finally, in Section VI the author, using models and frameworks of change management theory, analyses the positive and negative aspects of the process performed by the club.

II. THE CONTEXT OF THE CHANGE ARENA

In 2003 F.C.BARCELONA was in one of the worst situations of its centenary history. In spite of investing more than €199 millions in new players between 2000 and 2003, the football team did not win any cup. Economically the club was close to bankruptcy and socially the fans were divided and asking for the president’s resignation [9]. In 2003, Joan Gaspart, considered the worst president of F.C.BARCELONA history, called for elections. Against all predictions, a group lead by Joan Laporta won.

Laporta aimed to recover the “catalanility” of the organization, de-emphasized by the club’s leadership under Josep Lluís Núñez (1978-2000) and Joan Gaspart (2000-2003), open the club, explain its real financial situation, modernize its structure and convert it into a successful and leading institution by applying business methodologies. For the first time, the club was managed by people with managerial and business knowledge, ready to apply their experience into a sports club. The first step was a redesigning of the structure of the club by applying the principles of “adaptive reorganization” [10] in order to improve performance and reduce costs.

The appointment of a new top management team, identified in the literature as a change trigger [11], was a turning point in the club’s situation. The new management board identified that an organizational change was mandatory and Table 1 helps to understand why. The modified PESTEL analysis (law factors have been substituted by sporting factors) describes the situation
F.C.BARCELONA was facing in 2003 and the reasons for a change.

The analysis shows some triggers identified in [11] as needs for organizational change. Firstly, external triggers such as: a) new technology and methodologies in sports club management (e.g. F.C.BARCELONA was losing its historical leading position, Manchester United was a referent); b) changes in customers’ requirements and tastes (e.g. need for internationalization and global market); c) activities and innovation of competitors (e.g. main rival Real Madrid bought the superstar Figo from F.C.BARCELONA and won 2 titles). d) changing domestic and global economic and trading conditions (e.g. impossible to maintain a leading position without being global); and e) change in social and cultural values (e.g. the social mass of F.C.BARCELONA needed a change in the political orientation of the club after years of a governance far from the ideology of the club). Secondly, the club presented some internal triggers for organizational change such as: a) new product and service design innovations (e.g. need to promote the “Marca Barça” as a global brand); b) low performance and morale (e.g.: bad sporting and economic results derived in a low stadium attendance and stabilization of the number of members); c) appointment of a new top management team (e.g.: the elections derived in a new management board lead by Joan Laporta and with Ronaldinho as a football team leader); and d) new ideas about how to deliver services to customers (e.g.: new marketing strategies to make the club global, new products, initiatives to increase the members of the club, etc.).

### III. RATIONALE AND PROPOSED SOLUTION

The new board featured young business people and replaced senior men with the support of specialists in areas like marketing, corporate strategy, organization behaviour or finance. In Laporta’s words “to be successful you have to manage the club like a multinational, for that reason we have to organize and manage our club like a multinational with offices in lots of countries” [14]. In the same line, Ferran Soriano (vice president of finance) explained in a conference in Birkbeck the necessity to “include business product management of players and team performance, globalization and marketing competition strategies to run football clubs” [15]. They realized that in a global era, clubs were not only football teams anymore and had to face the same challenges of “going global” of other institutions. The only way to survive was professionalizing the club considering sporting criteria but applying theories from the business domain to implement a deep and long-term change.

#### A. The Virtuous Circle

Different approaches could be applied in looking for change, but as identified in [16], small and continuing changes such as redesigning of existing practices and business models could be better than creating new ones. In that sense, F.C.BARCELONA decided to apply a virtuous circle, a well known business model, into the sports domain. This model permitted to implement a large number of initiatives simultaneously and at different levels of the organization to make a deep and long term effect.

This strategy follows the planned change principles introduced by Kurt Lewin [17] and where the organization identifies an area where it believes change is required and undertakes a process to evaluate and, if necessary, bring about change [18]. There are several ways to implement a virtuous circle and it is easy to find examples in the literature where they have shown successful [19]. In management for example, Google has implemented a virtuous circle investing in its employees [20, 21]. On the other hand, in the field of biomedical research, there is a large number of examples where science parks or research centres hire “star” scientists in order to attract other leading researchers and investors and therefore, improve the quality of the research and commercialization possibilities [19, 22].

In the football domain, several clubs have tried to trigger a virtuous circle between sporting results and economic gain, but as identified in [23], it is not a model valid for all the clubs, which makes the case of F.C.BARCELONA more relevant. As can be seen in Figure 1, normally to trigger a virtuous circle is necessary great financial resources (e.g. to sign good football players) and exploiting commercial capabilities to transform sporting results into profits (e.g. exploitation of stadiums, brands through merchandising or TV agreements).

In a nutshell, the idea of the F.C.BARCELONA was to sort out the sporting situation with the incorporation of a player who would help to recover the faith and hope of the social mass and would allow to pick up the club economy, which afterwards should help to keep investing in the team until reach the first successes of the new cycle. A virtuous
circle is characterized because each achievement is the beginning of the next one. In the case of F.C.BARCELONA, the first stepping stone was the acquisition of a really good player.

IV. IMPLEMENTATION

Accordingly to Andrew Pettingrew, change is never the result of a single cause. It is complex and “untidy cocktail” of rational decisions, mixed with individual perceptions and stimulated by visionary leadership [25] F.C.BARCELONA understood this, and planned the virtuous circle as a process of events where different decisions influence the others. It paid attention to the context and considered the particular characteristics of the club (external and internal factors), the needed changes in the club’s structure (smaller management board, professionals with business experience, specific departments, small working groups in areas such as marketing, finance, sporting and communication, etc.), the transition process (e.g. establishing milestones and achievements to reach in a five-year period), the political and communication activity of the club and the interaction between all these factors.

The board, aware that all these changes would not be important without sporting success, focused its attention on creating a virtuous circle where the trigger was the sporting field.

During the elections period, Joan Laporta announced that David Beckham will come to F.C.BARCELONA if he was the elected president. Laporta won but two days later, Real Madrid C.F, the main rival of F.C.BARCELONA, announced the signing of Beckham. After this setback, the club went for the second option: Ronaldinho Gaúcho. Ronaldinho was a promising Brazilian playing in Paris St. Germain (PSG). It was not an acclaimed player as Beckham but had the support of Sandro Rossell (sportive vice-president) and a commercial agreement with NIKE, the official sponsor of F.C.BARCELONA.

Aware of the importance of communication and the influence of the context, F.C.BARCELONA organized a big event to present the new player: the one who had to help the club to reach a leading position. Two weeks later the season began and in the first game Ronaldinho scored an impressive goal from 30m after dribbling all competitors. The cycle had begun.

The importance of charismatic leaders as change agents has been covered widely in the literature and examples like [26], [27], [28], [29], [30] or [31] are just few of them. In that sense, Ronaldinho played a key role in the F.C.BARCELONA’s change process. His cheerful personality and leadership skills influenced and inspiring positively firstly the rest of the team, secondly fans and finally commercial brands and media. More importantly, his presence made the club an attractive destination for other stars that increased the level of the team and helped F.C.BARCELONA to win the league championship in his second year. The following year, the team successfully defended the league and won its second European Champion League [32].

The basic principle behind the planned virtuous circle was that sporting results would derive in a better economic performance, and this is exactly what it happened. Having a successful team with some media stars permitted to:

- Sign an advantageous 10-year contract with NIKE. A deal around $189 million that Laporta strongly linked to the sporting results affirming that it was “an international recognition of the level the club has achieved both by its on field success and social commitments”. Nike helped FCB in significant marketing campaigns, which contributed to its recognition as “more than a club” and an increased market presence until being one of the most popular clubs in the world [33].
- Sing an attractive TV agreement. F.C.BARCELONA signed a contract with Mediapro for five years of around €120 million per season [34].
- Promote the “Marca Barça” (FCB brand). Inspired by the model of Manchester United, top of Deloitee and Touch’s 20 richest teams during several years, Laporta’s financial team used aggressive marketing strategies to improve and promote the brand and relating it to a spatial scale: city, nation and globe [35].
- Promote the club’s culture. Promote the “More than a club” slogan as a reflection of the club values and compromise with social problems. Although the club traditionally eschewed the need for a T-shirt sponsor, they renounced to the possibility to gain around €25 million/season and negotiated a five year partnership contract with UNICEF in 2006. The club had to donate €1.5 million on an annual basis, but the agreement helped to project Barça’s humanitarian side around the world [36].
TABLE II. PESTEL ANALYSIS OF THE F.C.BARCELONA’ MACRO-ENVIRONMENT IN 2009

<table>
<thead>
<tr>
<th>Factor</th>
<th>Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
<td>Discrepancies and resignations of important persons of the management board. Professional management board with unclear roles defined.</td>
</tr>
<tr>
<td>Economic</td>
<td>Second position in total revenues in 2008/2009 with €365.9 million. The club more than doubled its total revenues in five years since it reported revenues of €169m in 2003/04 [37]. New salary scale based on a fix amount depending on player quality (good, very good and superstars) plus incentives depending on team and individual achievements. Market-price players. Increased income due the good results, external sources of income: Nike, TV, marketing products and higher number of members. Activity focused on local and global market. Healthy economic situation. Second place as a brand value in 2007 with an estimated value of €948 million [38].</td>
</tr>
<tr>
<td>Social</td>
<td>Social mass divided: Laporta suffered a vote of censured in 2008. Increase in the club’s social and media projection as it reached the figure of 172,938 members in November 2009 [35].</td>
</tr>
<tr>
<td>Technologica</td>
<td>Professional managerial style. Use of new technologies to improve performance. Promotion of Internet as a channel of communication between the club and members.</td>
</tr>
<tr>
<td>Environment</td>
<td>Good relationships with other football club presidents and political institutions. F.C.BARCELONA was admired globally due to its compromise with social problems (e.g. agreement with UNICEF). Increasing power in the G14 European football club organisation.</td>
</tr>
<tr>
<td>Sports</td>
<td>Best sporting period of club’s history with 2009 as the most successful season winning the Spanish League and Cup double, the Champions League, both the European and Spanish Super Cups and the World Club Cup. A six title winning achievement taken with authority and universal respect based on a core of players who came up from La Masia [35]. 1st position in the IFFHS World Clubs ranking in 2010 [1]. Professionalisation of the football team with a scale of salaries and a global training methodology including diet, exercise, sleep time and leisure.</td>
</tr>
</tbody>
</table>

- **Managerial Structure and promotion of the club.** Again, F.C.BARCELONA copied some aspects of Manchester United professional management structures and their leading position in terms of promotional tours to desirable football emergent markets. F.C.BARCELONA did several summer stages in Asia, Mexico and USA to increase its presence and popularity and encourage strategic partnerships with sponsors and clubs. For first time in the club’s history, Barça received €1 million /game [39].

- **Initiate the “Great Challenge” project.** Taking profit of the team results, the club initiated an initiative to increase the number of members and the stadium’s attendance.

- **Invest in the team.** Having better financial resources permitted the club to invest in better players and continue with the virtuous circle process.

V. IMPACT

The initiatives described in section IV helped the club to improve economically, sportive and socially. Table 2 presents the same modified PESTEL of Section II but with the analysis of the situation in 2003 and permits to compare both situations and to realize the impact of the virtuous circle.

VI. CONCLUSIONS

Analyzing the F.C.BARCELONA implementation of the virtuous circle, the author realized that most of factors to ensure success have been addressed properly. Laporta’s board understood and respected the culture of the club and was able to achieve sporting and economic results while funding social initiatives. Their experience in business permitted to analyze carefully the elements involved in the change process and follow principles of planed change to act accordingly. However, the managerial behaviour was not appropriate and is one of the reasons the club, instead of being more successful than ever, has not reached a stable situation. Laporta’s management and leadership style caused a conflict with Sandro Rossel when he decided to sign Samuel Eto’o instead of Rossell’s preferred option Luis Fabiano [40]. This balance of power problem was the trigger of several resignations that represented a turnover of more than 70% of his initial management board.

This example, demonstrates the importance of considering power and politics and managerial behaviour when planning and executing change. In that sense, the Burns critics of Kurt Lewin Planned Approach in [40] become relevant. Kurt’s model, although has been shown valid on understanding change from a social and behaviour perspectives in works like [42], [44] or [44] fails on considering other factors influencing the change process. Theories behind Lewin’s Planned change, initially created for small-group, human-centred change, have been applied to include organizational-wide change initiatives in several projects, leading to some confusion between participative change and change promoted by some elements of the strategic planning movement [45] [46]. In order to solve the problems of planned change models, the new Emergent approach describes change as continuous, dynamic and contested process that emerges in an unpredictable and unplanned fashion [18]. This definition implies that change cannot be prescript by models or recipe-driven approaches such a virtuous circle and must be studied following interrelatedness of individuals, groups, organizations and society [47].

The Emergent approach recognizes the importance of planning, but understands change as a complex process involving rational decisions, individual perceptions, political struggles and the complexity of the environment. It is an approach aligned with the Senge’s interdependency of the systems theory, where organizational change depends on the relationships between leadership, strategy, structure and skills [48]. The way the club changed from an elitism-based...
power decision making approach (decisions made mainly by the president Joan Gaspart) to a professionalism-based power decision making (different sections were managed by specialist professionals with interconnection between areas) is another example of the application of Senge’s principles. Although these theories reject the concept of universally applicable rules for change, the Emergent approach identifies five main factors organizations must consider in order to success implementing change (see Figure 2) and that F.C.BARCELONA, except of Powers and Politics and Managerial Behaviour, addressed properly.

The author believes that the Emergent approach presents a more realistic approach, but as most models describing change, cannot be followed as a recipe to achieve success. It is important to remark that, in spite of the large number of models, frameworks and theories, over 60% of all change projects are considered to fail, which shows that these tools are useful to understand the change process but far from being prescriptions ready to use.

The change process involves a large number of variables and not all of them are under the control of people implementing it. External and unpredicted factors can play a crucial role and ruin a correct planning. In the F.C.BARCELONA case, the failure signing of David Beckham and the subsequent signing of Ronaldinho Gaúcho was an unplanned, lucky and determinant factor to the success of the virtuous circle. Firstly, nobody believed that Ronaldinho would be the player who finally was and secondly, in this type of cases, sometimes “two plus three equals three”, which means that the correct combination of elements do not ensure good results. F.C.BARCELONA follows the “laws of the sport” and, even with good managerial and strategic strategies, without sportive results, the cycle would finish unsuccessfully.

Moreover, factors such as personality, group dynamics, adaptation, injuries, language and culture play a crucial role and are difficult to predict. The history is plenty of examples were similar cases failed. For example, without leaving F.C.BARCELONA, in 1982 they tried to implement a similar change with Diego Armando Maradona but problems with injuries and later on with drugs, frustrated the initiative.

To conclude, the case of F.C.BARCELONA reveals that to ensure change process success is important a correct planning and analysis considering all factors under control but that external factors such press, TV, radio or groups of influence can difficult the process. In that sense, the “Dawson’s ten general lesson” helps to understand the change process from a more realistic perspective and not dependant on specific models. Dawson argues that there are no simple universal prescriptions for how best to manage change and that change strategies must be sensitive to people and context. Finally, and aligned with Stocking ideas, the F.C.BARCELONA case shows how important are social factors and the necessity to consider power and politics before starting a change project in order to ensure lack of conflict in the future [50].

REFERENCES


Figure 2. The Emergent approach of successful change. Source: [18].


