



University of Navarra

CSBM

Working Paper

WP-751

May, 2008

**THE STRUCTURAL CHARACTERISTICS
OF SPORT ORGANIZATIONS:
DIFFERENTIATION WITHIN ELITE SPANISH
PROFESSIONAL FOOTBALL CLUBS**

Sandalio Gómez

Carlos Martí

Magdalena Opazo

IESE Business School – University of Navarra

Av. Pearson, 21 – 08034 Barcelona, Spain. Phone: (+34) 93 253 42 00 Fax: (+34) 93 253 43 43

Camino del Cerro del Águila, 3 (Ctra. de Castilla, km 5,180) – 28023 Madrid, Spain. Phone: (+34) 91 357 08 09 Fax: (+34) 91 357 29 13

Copyright © 2008 IESE Business School.

THE STRUCTURAL CHARACTERISTICS OF SPORT ORGANIZATIONS: DIFFERENTIATION WITHIN ELITE SPANISH PROFESSIONAL FOOTBALL CLUBS

Sandalio Gómez¹

Carlos Martí²

Magdalena Opazo²

Abstract

The principal task of a professional football (soccer) club is to form a competitive team, that participates in official competitions and achieves the sporting successes expected by its members and fans. This fundamental task constitutes the system which, in relation with its environment, defines subsystems in order to respond efficiently to the contextual challenges faced by the organization. Among these, the processes of professionalization and commercialization have particularly affected sports. The most important subsystems distinguished by a club within Spanish professional football are: sport, communication, external relations, commerce, finance, wealth management, marketing, facilities, and legal and social affairs. In other words, areas related to the development of the above-mentioned main task, some of which can be associated with the structural response given by these organizations in the face of challenges presented by the process of professionalization and commercialization.

¹ Professor, Managing People in Organizations, IESE

² Research Assistant, IESE

Keywords: Football clubs, Spain, structural characteristics, differentiation.

THE STRUCTURAL CHARACTERISTICS OF SPORT ORGANIZATIONS: DIFFERENTIATION WITHIN ELITE SPANISH PROFESSIONAL FOOTBALL CLUBS

Introduction

The structure of an organization refers to the division of labor and coordination of different tasks – differentiation and integration – during an ongoing process of adaptation to an uncertain and constantly changing environment (Miles, Snow et al, 1978). The core activity of a football club is to design and develop a competitive team, that participates in official competitions and achieves the sporting successes expected by its members and fans. The structures of these organizations are therefore created in order to respond to this essential task.

Today, however, sporting success is not the only way to measure a football club's performance (Van Uden, 2005), nor are fans the only interest group with expectations relying on the club's performance (Mason, 1999). Therefore, these organizations have to design new strategies and objectives in order to adapt to a sector that has been challenged by professionalization and commercialization; processes which have affected sports in general, but especially the most popular ones and those with the greatest media coverage. These processes and their consequences have led sports to be considered as a business (Chadwick and Beech, 2004), an industry (Foster, Greyser et al, 2005) or an economic sector (Slack, Kikulis et al, 1995), capable of generating value for all actors partaking in it.

The challenges experienced by sports have had a greater effect on those sport organizations geared towards competition and sporting success, among which we can situate professional football clubs. More specifically, football clubs can be considered as sport-providing entities, either at a recreational or professional level (Gómez and Opazo, 2006). However, football clubs that promote and develop sport at a professional level do not only provide sport activities, but moreover have the duty to form a team able to represent the club in official competitions, aiming for sporting success that will fulfill the expectations of members, fans and all the actors who consider themselves involved in the club's activity.

The structure of an organization can be associated with its strategy (Chandler, 1982) or with its environment (Lawrence and Lorsch, 1967), meaning that the structure responds to the core task of the organization, or that it is a way to adjust to the external demands faced by the organization. In the case of a professional football club, the task of forming a competitive team will constitute an essential condition guiding its everyday activities; nevertheless, the club's environment will also have an impact on defining the tasks and responsibilities within the organization. Hence the formation of a competitive team aims to satisfy the expectations of members and fans, as well as other actors operating in the club's external environment.

Organizations are systems of interrelated individual behavior, within which each person develops a task. Those tasks constitute a part, or subsystem, of the core task into which they are integrated in order to achieve an effective performance of the whole system (Miller, 1987). Differentiation refers either to internal or external elements of the organization, and hence represents a dynamic process of adjustment between the organization, its environment and its core task. It is response to the increasing complexity faced by the organization – a complexity which may as easily come from the environment as from its own operations and processes.

This means that differentiation has internal and external implications. Internally, it refers to the fact that the distribution of responsibilities represents a way to facilitate the work of employees, directors and sub-entities of the organization (Blau, 1970), as the organization keeps facing the challenges imposed by the expansion of its own operations and the changes caused by them. Externally, it refers to the definition of sub-units with the responsibility of managing external challenges in order for the organization to adjust to its relevant environments (Lawrence and Lorsch, 1967).

Although the degree of professionalization or commercialization differs between the various organizations, both processes have greatly affected sport organizations. Professionalization and commercialization have been felt most intensely by those professional sports organizations which enjoy a high media coverage and an important and substantial fan base, which can be considered the case of professional football in Spain.

The professionalization process refers as much to the athletes as to the clubs they represent. In other words, it refers to amateur athletes stepping up and becoming professional – and within the realm of professionalism reaching a level of “super professional” – as well as the rationalization of the way of conceiving and operating these organizations. The increase in the frequency and the pressure of competitions today require well-prepared athletes. This has led to athletes no longer viewing sports as leisure activities related to personal entertainment, rather they have turned sports into their profession and main income source, of income source that can even reach astronomic levels for the best athletes in each discipline. As money became part of sport activities, the differentiation between amateur and professional athletes developed within the world of sports, that tends to increase with the development of commercial activity related to the exploitation of the athletes. These challenges have led to a management response of increasing the need to differentiate functions, positions and responsibilities. Professionalization of sport organizations hence refers to this increased degree of organizational formalization, specialization, and centralization of the operations and processes.

Although the process of commercialization is more recent, it has had a profound impact on the traditional activities of a football club. The broadcasting of sport events has created interesting new sources of revenue-generation opportunities and has enabled new resources accessible to sport organizations. The selling of television rights, image licenses, and the development of the various commercial activities associated with the media exposure of teams, players, and sports stars have multiplied the audience and the remuneration of professionals, and have pushed sport organizations into developing commercial and market-oriented strategies (O'Brien and Slack, 2004).

The processes of professionalization, as well as that of commercialization, represent new challenges to those organizations operating within the world of sport and, of course, also for first division football in Spain. During the 1990s, these organizations were pressured into becoming joint stock sport companies (Sociedades Anónimas Deportivas - SAD), in order to establish a legal entity which would respond to the increasing distance between professional event-based sport and amateur leisure-based sport (Cazorla, 1990). The strong orientation towards sport results – an essential characteristic of Spanish football (Ascari and Gagnepain, 2006) – and the ensuing necessity of hiring/signing the best players in order to achieve this success, led the clubs into accumulating considerable debts. Moreover, taken the ever-increasing costs of hiring/signing new players, these debts held the prospect of continuing accumulation, which reflects the lack of existing regulation of the responsibilities of these entities and their managers.

The new legislation turned the clubs into joint stock companies, making them financially responsible and giving them a defined legal status. Furthermore, it presented a possible solution to the clubs' increasingly indebted status. The clubs' new legal design also imposed certain rules related to their structures, in order to reinforce the sport emphasis of the clubs (Cazorla, 1990). In this way, the shareholders were granted a preferential place above the shareholders' board in decision-making, and certain limitations were imposed as to the composition of the shareholders' board. Both impositions, decreed by the Superior Board of Sports (Consejo Superior del Deporte) reflect the influence of local authorities in the decision making of these sport organizations. These limitations can further be understood as a manner of restricting the imminent process of commercialization experienced by Spanish professional football.

This article aims to uncover the principal structural characteristics of elite Spanish professional football clubs in the light of the challenges caused by professionalization and commercialization, processes which internally demand a rationalization of operations as well as an adequate managing of relations with the external environment. With this objective in mind, the article examines the division of tasks and responsibilities developed by the clubs in their process of adjusting to the increased internal and external complexity facing them today. Hence, this paper aims to answer the following questions: What functional areas do these organizations consider relevant? How have these areas developed over the last ten years? Could they be associated with an attempt of adapting to an increasingly complex environment? Is it possible to define organizational patterns among these elite clubs?

Method

This study considers clubs that participate in the first division of the national championship, the Spanish Football League (*Liga de Fútbol Profesional*) as representing the elite football clubs in Spain. The championship includes the 20 best football clubs in Spain,¹ making up a competitive system of 38 games played over 10 months. At the end of the season the clubs are ranked according to points obtained (considering victories, defeats, and draws), and the three clubs with the lowest score are relegated to the second division.

Considering the characteristics of this system, the group of professional elite clubs will vary from season to season. Therefore, for the purpose of this study, we have only taken into account those clubs that participated in at least 60% of the seasons between 1996 and 2006. Hence, our sample includes between 14 and 18 clubs per season.² Moreover, all the clubs considered are also those operating vast budgets, attracting great numbers of spectators and exhibiting the best national or international players, and can hence also be considered to be professional elite clubs. To avoid repetition, we will simply refer to elite Spanish professional football clubs, as defined above, as “clubs.”

Table 1

Characteristics of Elite Professional Football Clubs in Spain (data from 2005-2006 season)

	Club Name	Budget (million of Euros)	Spectators (average per season)	Players playing internationally
1	Alavés	17	13,500	6
2	Athletic Club Bilbao	41	33,000	7
3	Atlético de Madrid	60*	45,000	10
4	Barcelona	242	73,015	15
5	Betis	35	35,000	9
6	Celta de Vigo	24	14,000	6
7	Deportivo La Coruña	77	27,000	18
8	Español	33	25,000	6
9	Málaga	22	20,000	5
10	Mallorca	24*	16,241	4
11	Osasuna	20	15,000	4
12	Racing	27	13,800	2
13	Real Madrid	346	70,000	17
14	Real Sociedad	37	21,075	3
15	Sevilla	30	38,000	3
16	Valencia	134	39,000	19
17	Valladolid	18*	17,000	4**
18	Villarreal	32	30,000	13
19	Zaragoza	35	13,500	6

Source: Authors, based on *Marca's* annual reports.

* Last known amount.

** Numbers from season 2003-2004.

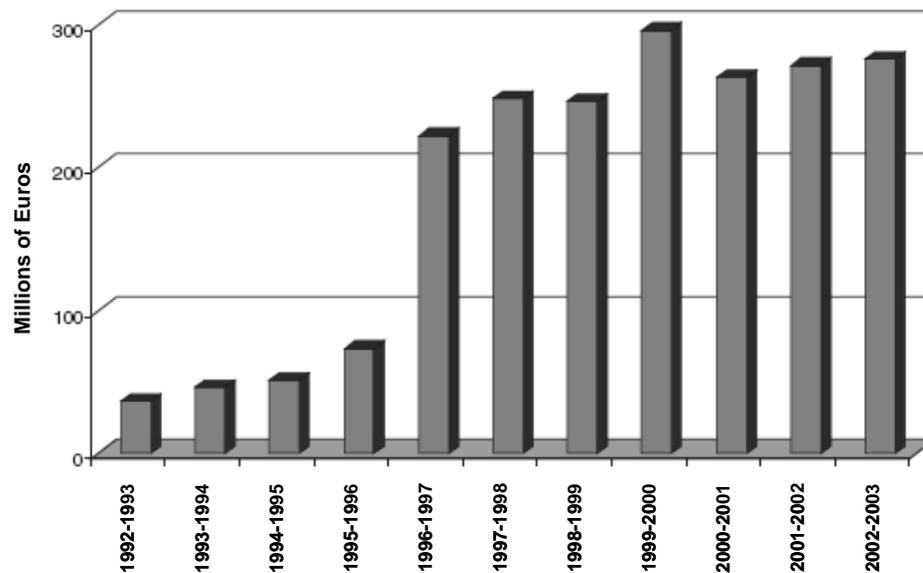
¹ Until 1996-1997 season the national championship included 22 football clubs.

² Clubs considered in the sample: Deportivo Alavés, Athletic Club Bilbao, Atlético de Madrid, Barcelona FC, Real Betis Balompié, Celta de Vigo, Deportivo La Coruña, Espanyol, Málaga, Mallorca, Osasuna, Real Racing Club, Real Madrid, Real Sociedad, Sevilla, Valencia, Valladolid.

The study considers the ten seasons from 1996 to 2006. Assuming that by 1996 the clubs would have completed the implementation of the required structural changes imposed by a new sport regulation a few years earlier, 1996 was chosen as the starting point of the study. The chosen period moreover represents a period of important changes in Spanish football, as can be seen by the increased television revenues, the investment in player signings and the comparative income ranking.

Figure 1

TV Revenues in the Spanish Football League (1992-2003)



Source: Ascari, G., & Gagnepain, P. (2006), "Spanish Football," *Journal of Sports Economics*.

Table 2

Amount Invested in Players' Contracts for the First Division of the Spanish Football League (1997-2003)

Season	Millions of Euros
1997-1998	332
1998-1999	284
1999-2000	327
2000-2001	427
2001-2002*	310
2002-2003**	172
Total investment	1,851

Source: Gay Saludas, J. M. (2003), "Las finanzas de los clubes deportivos."

* Includes 100 players contracted, including Zidane for 75 million Euros, Saviola for 29.8 million Euros, and another 63 player transfers.

** Considers 59 players contracted and 64 players handed over to other clubs, including 45 million Euros for Ronaldo and 13 million Euros for Andrade.

Table 3

Three Spanish Clubs Among the Richest in the World, according to Deloitte (2006)

Ranking	Club	Income 2005-2006
1	Real Madrid	276
2	Manchester United	246
3	AC Milan	234
4	Juventus	229
5	Chelsea	221
6	FC Barcelona	208
7	Bayern Munich	190
8	Liverpool	181
9	Internazionale Milan	177
10	Arsenal	171
11	AS Roma	132
12	Newcastle United	129
13	Tottenham Hotspur	105
14	Schalke 04	97
15	Olympique Lyonnaise	93
16	Celtic	93
17	Manchester City	90
18	Everton	89
19	Valencia	85
20	SS Lazio	83

Source: Deloitte (2006). Football Money League.

Information related to the organizational characteristics of the sample clubs was then collected through the revision of secondary sources, particularly *Marca's Annual Report* containing information relative to the clubs and players, as well as information published on the clubs' official web sites.

The purpose of this investigation was to uncover the structural characteristics of the professional elite football clubs in Spain by looking into the division of tasks and responsibilities these organizations have designed. The approach used for the analysis is based on the concept of differentiation, which refers to the differences, both cognitive and emotional, between directors operating in different functional departments, as well as the differences in the formal structure between those departments (Dalton, Lawrence et al, 1970). Every unit within the organization is considered to represent a subsystem, and within each subsystem the members develop strategies and particular structural patterns related to their task and their level of training. Consequently, every unit is related to different parts of the organization's environment, in the sense that each unit deals with part of the environment when developing its particular task (Lawrence and Lorsch, 1967). This study focuses on the departments, areas

and positions that an elite professional football club distinguishes within its managers,³ which constitutes the first sequence of differentiation made by an organization.

The descriptive analysis of the data obtained enabled us to study the basic differentiation within the clubs in question, like the number and types of areas distinguished within the management directors throughout the span of the ten seasons. Based on this analysis we intended to uncover patterns of variation by looking into the differentiated subsystems, and the relation between these and the environment within which the organization operates.

Results

The first subsystems to be differentiated by the clubs are sport, economic-finance and communications. However, the data indicate that clubs also distinguish subsystems related to external relations, commerce, wealth management, marketing, facilities, and legal and social affairs. This does not mean that all clubs distinguish all of the above-mentioned subsystems within their organizational structure. The mean of subsystems distinguished by a club is 3.5, the median 2.2 and the mode is 0. It is hence quite common for a club not to distinguish specific tasks or functional areas within its management team.

Table 4

Main Descriptive Statistics of Subsystems Distinguished by the Clubs per Season

Season	Mean	Mode	Median
96-97	2.6	1	1
97-98	3.2	2	2
98-99	4.1	2	2
99-00	2.5	0	0
00-01	2.6	0	1
01-02	3.2	0	1
02-03	3.2	4	2.5
03-04	4.5	3	3
04-05	4.4	6	3
05-06	4.7	0	4
Total	3.5	1.6	2.2

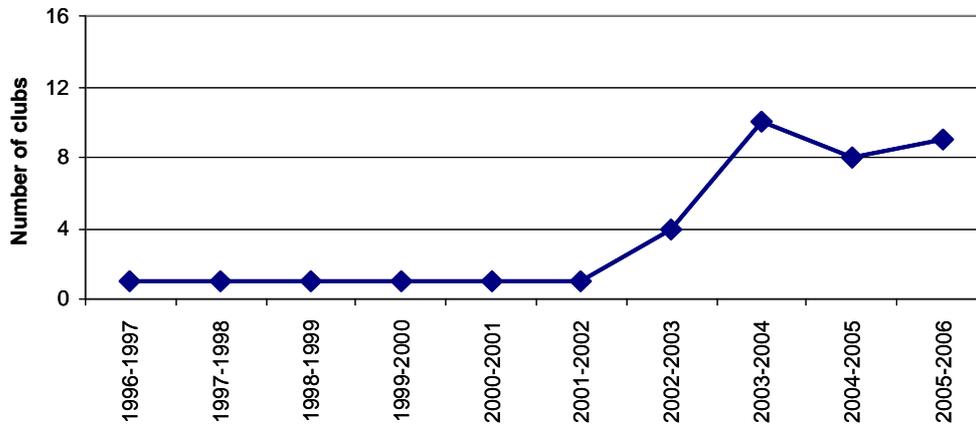
Source: Authors.

Despite the fundamental role of the sport task in an organization like a professional football club, it was interesting to observe that not all clubs differentiate a sports subsystem within its management directors. The data show that the numbers of clubs with a sport subsystem actually only began to increase from the 2002-2003 season onward.

³ This study only considers the differentiation within management positions, since that is where a club's strategic lines are drawn up and developed.

Figure 2

Clubs That Distinguish a Sport Subsystem Within Their Management Directors (1996-2006)

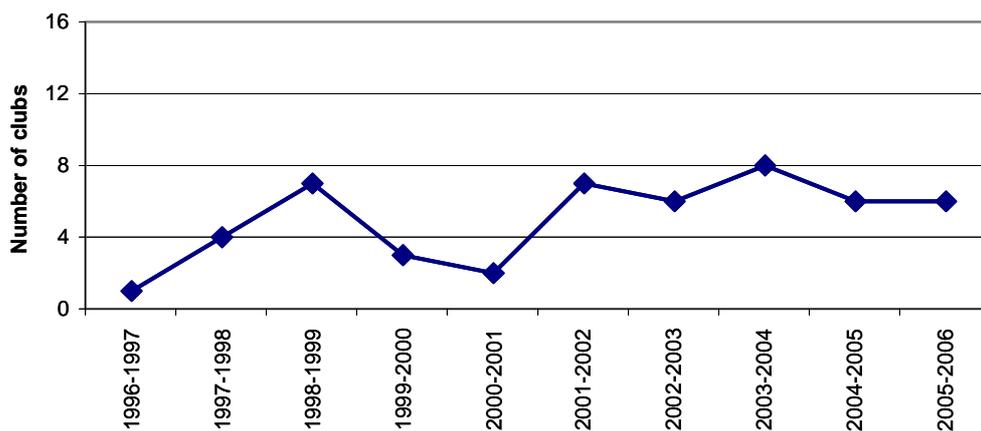


Source: Authors.

Economic management represents another important task for the clubs, and as previously mentioned, these clubs manage vast budgets and undertake substantial transactions when buying and selling players. However, when considered per season, barely half of the clubs in the sample distinguish an economic-financial subsystem, represented by the positions of a treasurer, a financial director or an economic resource manager. Although the existence of such an economic-financial subsystem is still rare among the Spanish clubs, the data show that the position of financial director appeared more frequently from the 2001-2002 season onward.

Figure 3

Clubs That Distinguish an Economic Subsystem Within Their Management Directors (1996-2006)

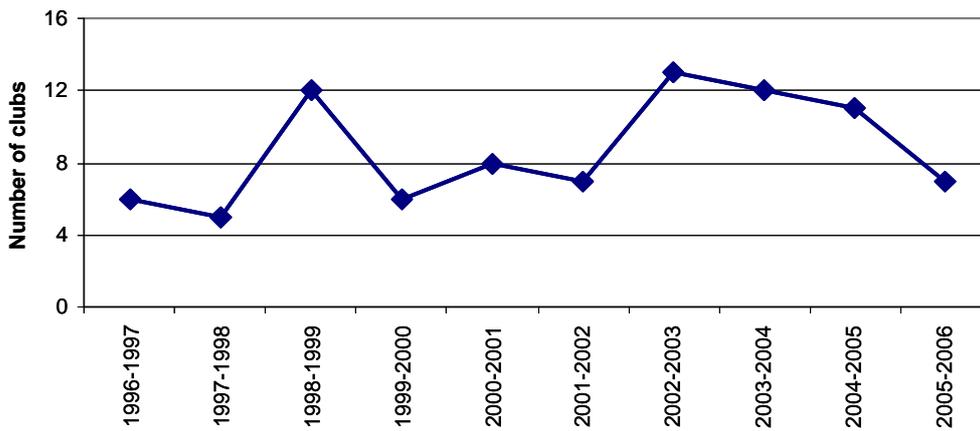


Source: Authors.

A third subsystem distinguished and relevant to our analysis is the one related to communications. This subsystem is relatively well represented among the clubs in the sample, and commonly appears as an area of communication or as the position of advertising manager. The mean number of clubs that distinguish a communication subsystem during the given ten seasons is 8.7, therefore much higher than the means observed for the two important subsystems previously discussed. The sports and economic-financial subsystems are distinguished by a mean of 3.7 and 5 clubs respectively.

Figure 4

Clubs That Distinguish a Communication Subsystem Within Their Management Directors (1996-2006)

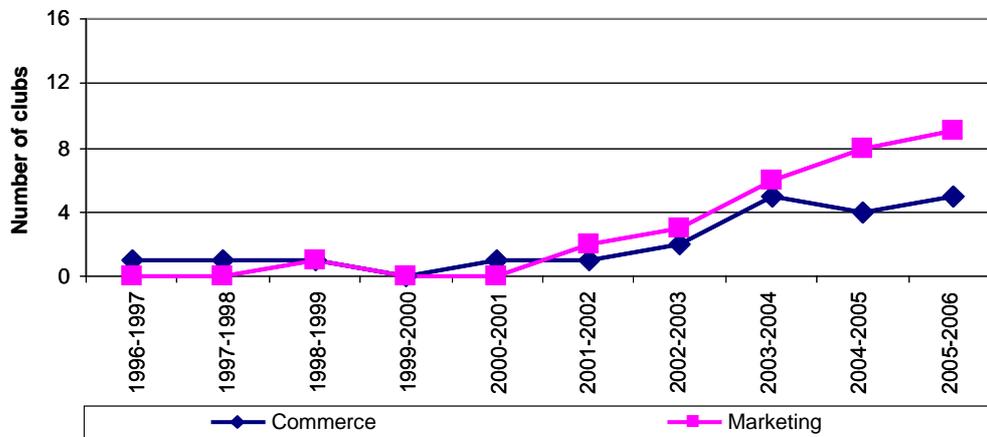


Source: Authors.

Finally, it has been interesting to observe the development of subsystems related to marketing and commerce. The mean of clubs that distinguish a commerce and marketing related subsystem is 2.1 and 2.9 respectively, and hence significantly lower than those of the other three subsystems. The low means are explained by the fact that these subsystems were practically nonexistent during the first five seasons considered, but then significantly increased in appearance from the 2002-2003 season onwards. Whereas the number of commerce related subsystems stabilized during the last two seasons, the number of marketing subsystems continues to grow. The two subsystems show an interesting similarity in their development and, unlike the other subsystems which do not follow any regular pattern of development, the development of the latter two subsystems shows a similar movement over the ten seasons under study.

Figure 5

Clubs that Distinguish Commerce and Marketing Subsystems Within Their Management Directors (1996-2006)

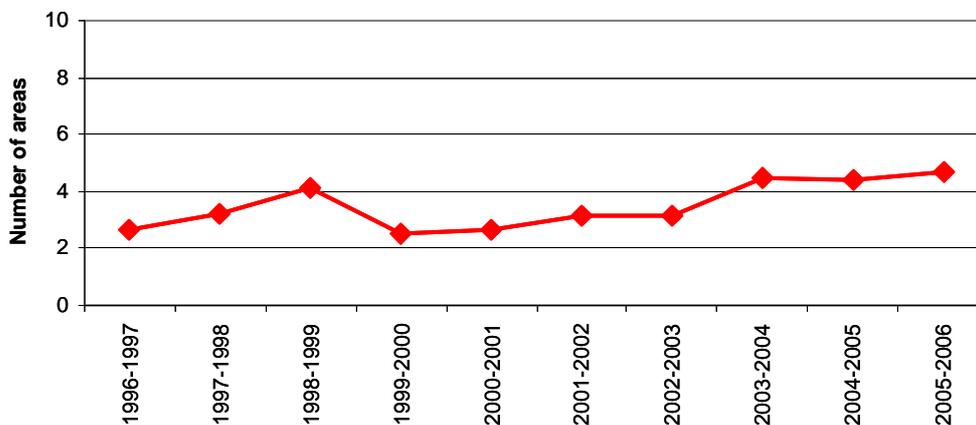


Source: Authors.

When presenting the development of subsystems in one graph, one can see that the actual increase in subsystems within the clubs is quite low; from an average of two functional subsystems in the 1996-1997 season to an average of four by the 2005-2006 season.

Figure 6

Average Subsystems Distinguished by Elite Spanish Professional Football Clubs Between the 1996-1997 and 2005-2006, seasons.

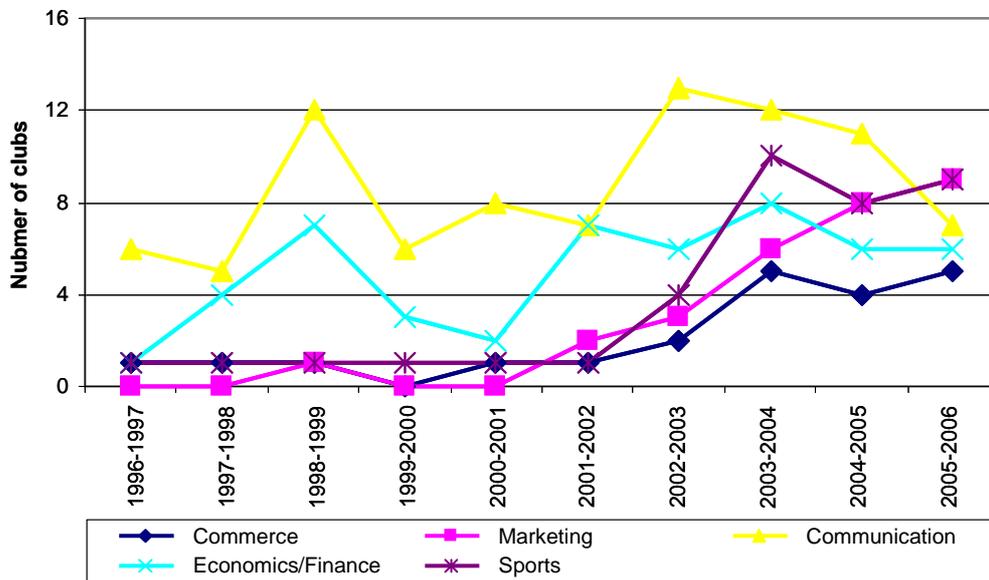


Source: Authors.

From the following graph one can observe that the two subsystems which, on average, differentiate between the clubs during the 1996-1997 and 2000-2001 seasons are related to communication (commonly represented by a media manager) and the area of economics and finance. However, during the last season, the situation changes and the increased average of subsystems can be accounted for by the differentiation of subsystems related to the areas of sports, marketing and commerce.

Figure 7

Main Areas Differentiated Within the Management of Elite Spanish Professional Football Clubs Between the 1996–1997 and 2005–2006 seasons



Source: Authors.

Regarding the distribution of responsibilities, the data show that the organizational structure of the clubs often seems to be designed around certain positions rather than around defined functional areas. The organizational structure hence refers more to the definition of specific tasks than to strategic lines, to which the previously mentioned tasks can be associated. Many clubs, for example, distinguish the position of media manager but no communications area, or the position of technical secretary but no sports area.

The organizational structure most commonly observed in the information provided by the clubs is the figure of president, or some type of executive manager, general manager, or CEO. The clubs then distinguish a few of the tasks associated with some of the subsystems mentioned in the analysis (sports, economic-financial, communications, external relations, commerce, wealth management, marketing, facilities, legal and social affairs), most commonly between two and four functional areas.

Discussion

The fact that elite professional football clubs in Spain today distinguish a set of subsystems within their executive management reflects that they now not only have to fulfill a sports objective, related to their core their activity, as well as an economic objective, related to survival, but moreover that they are facing demands that go beyond these two fundamental areas. However, there are still clubs that do not distinguish any subsystem within their management team, and there are clubs that do not even distinguish a subsystem related to sports or finance. The subsystem with the greatest prevalence within the clubs is that of communication, which reflects the relevance of this area in the operations of the clubs.

The professionalization of sport organizations refers to the rationalization of its operations, and hence a segmentation and formalization of its activities. The clubs have shown a slight increase in the subsystems differentiated over the ten seasons under study (1996-2006). The differentiation process may refer to the segmentation of a task into positions, hierarchies or subunits. In the case of football clubs, the formal criteria used for allocating members, as well as the design of the formal structure, tend to refer more to a differentiation of responsibilities than subunits; in other words, a differentiation of specific task rather than lines of strategic action (Blau, 1970).

The differentiation process responds to an attempt to organize the behavior of individuals, providing them with a structure that coordinates and formalizes their task at hand. Differentiation and coordination make up the fundamental design of the structure which continuously adjusts itself to an uncertain and changing environment. The distinction of subsystems within the clubs tends to vary from season to season, and hence translates into different formal organizational structures, that constantly adjust to new circumstances. On the other hand, this variation of subsystems can also relate to the relative emphasis on sport results over efficiency, which is so peculiar of professional football in Spain (Ascari and Gagnepain, 2006). The pressure for sport results force professional clubs to give priority to short-term over long-term planning, which is also seen in the management of the budgets of these clubs (Ascari and Gagnepain, 2003).

It is interesting to note that, in addition to the subsystems directly related to the principal task of the club (subsystems related to the areas of sports, economic and finance), the clubs also distinguish a set of subsystems that reflect the relation between the organization and its environment, like communication, marketing, commerce, external relations and social affairs. According to Lawrence and Lorsch (1967), in the interaction of an organization with its environment, the organization undergoes a segmentation into units which respond to a condition external to the organization. Hence, the functional areas distinguished by the clubs related to the environment can be understood as a way of adapting to a given environment. Moreover, the variety in structure from season to season indicates the uncertain and unstable character of the environment within which these clubs operate.

The increasing relevance gained by the subsystems related to marketing and commerce as seen in the results relates to the effect of the commercialization process, which has affected sports in general, but specifically the sports with a high number of fans and great media coverage. Slack and Cousen (2005) observed a similar reaction to external demands within North-American professional leagues where clubs responded by creating marketing strategies and increasing commercial activities.

The varying types and numbers of subsystems distinguished by these organizations make it difficult to identify structural patterns between the clubs, especially as this study only considered the formal structural elements of these organizations. The data indicate that the clubs define the specific tasks in relation to their internal characteristics, and the relation they establish with their relevant environment rather than looking towards what their competitors are doing when facing the same environment.

References

- Ascari, G. and P. Gagnepain (2003), "How inefficient are football clubs? An evaluation of the Spanish arms race," Dipartimento di economia politica e metodi quantitativi, Università degli studi di Pavia, 25.
- Ascari, G. and P. Gagnepain (2006), "Spanish football," *Journal of Sports Economics*, Vol. 7, No 1, pp. 76-89.
- Blau, P. M. (1970), "A Formal Theory of Differentiation in Organizations," *American Sociological Review*, Vol. 35, No 2, pp. 201-218.
- Cazorla, L. M. (1990), "Las Sociedades Anónimas Deportivas," Fuenlabrada, España, Ediciones Ciencias Sociales.
- Chadwick, S. and J. Beech (2004), "The Business of Sport Management," Essex, England, Prentice Hall.
- Chandler, A. (1982), "Strategy and structure: chapters in the history of the industrial enterprise," Cambridge, Mass., MIT Press.
- Dalton, G., P. R. Lawrence, et al. (1970), "Organizational structure and design," Homewood, Illinois, R.D. Irwin.
- Deloitte (2006), "Football Money League. Changing the guard," Dan Jones, Rich Parkes and Austin Houlihan (Comp.), Manchester.
- Foster, G., S. A. Greyser, et al. (2005), "The business of Sports: Text and cases on strategy and management," Mason, OH, Thomson.
- Gay Saludas, J. M. (2003), "Las finanzas de los clubes deportivos," Congreso Mundial de Gestión Económica del Deporte, Barcelona.
- Gómez, S. and M. Opazo (2006), "Sport organizations structure: trends and evolution in the research field," 14th EASM Congress (European Association of Sport Management), Nicosia, Cyprus.
- Lawrence, P. R. and J. W. Lorsch (1967), "Differentiation and Integration in Complex Organizations," *Administrative Science Quarterly*, Vol. 12, No 1, pp. 1-47.
- Lawrence, P. R. and J. W. Lorsch (1967), "Organization and Environment: managing differentiation and integration," Boston, Harvard Business School Press.
- Mason, D. S. (1999), "What is the sports product and who buys it? The marketing of professional sports leagues," *European Journal of Marketing*, Vol. 33, No 3, pp. 402-419.
- Miles, R. E., C. C. Snow, et al. (1978), "Organizational Strategy, Structure, and Process," *The Academy of Management Review*, Vol. 3, No 3, pp. 546-562.
- Miller, D. (1987), "The Genesis of Configuration," *The Academy of Management Review*, Vol. 12, No 4, pp. 686-701.

O'Brien, D. and T. Slack (2004), "The Emergence of a Professional Logic in English Rugby Union: The Role of Isomorphic and Diffusion Processes," *Journal of Sport Management*, Vol. 18, pp. 13-39.

Slack, T., L. Kikulis, et al. (1995), "Sector-specific patterns of organizational design change," *Journal of Management Studies*, Vol. 32, No 1, pp. 67-100.

Van Uden, J. (2005), "Transforming a football club into a 'total experience' entertainment company: implications for management," *Managing Leisure*, Vol. 10, No 3, pp. 184.