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SUSTAINABLE SUCCESS IN FOOTBALL: FROM CLUBS DYNAMIC CAPABILITIES TO SUSTAINED COMPETITIVE ADVANTAGE

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ABSTRACT

In the last two decades, football has increasingly become a multimillionaire business, where clubs have started to be managed as companies, and consequently having the necessity to satisfy a great variety of stakeholders, not only on a financial level, but also considering their sporting performance. The increasing competitiveness, which led to an increase of clubs' expenditures, along with a greater control regarding their finances, created the need to find different solutions in order to achieve a sustained competitive advantage. Although we recognize the importance of financial resources as a mean to achieve good sporting performances, this work focuses on its application on clubs' dynamic capabilities, by maximizing the investment done, allowing to achieve good sporting performances, without putting at risk the clubs' financial health. For this study, we considered the top 15 of highest earning clubs in the season 2016-17 and we analyzed their performance in that season and in the previous nine. Since season 2012-13, considering some indicators, we tried to establish some connections between good performance and the capabilities we considered essential in order to assure the clubs sustainability, such as an effective recruitment, the exploitation of youth academies and the capacity to generate higher revenues. Even though the explanatory power between sporting performance and some variables is not relevant, we were able to establish a pattern of common strategies that may be considered as crucial practices in order to achieve sustained competitive advantage.

Keywords: competitive advantage, dynamic capabilities, sporting performance, sustainability.
JEL: M1, Z2

RESUMO

Nas últimas duas décadas, o futebol tem vindo a tornar-se cada vez mais um negócio multimilionário, no âmbito do qual os clubes passaram a ser geridos como empresas, havendo, por consequência, a necessidade de satisfazer uma grande diversidade de stakeholders, não só a nível financeiro, mas também ao nível da performance desportiva. O aumento da competitividade, levando a um aumento de gastos por parte dos clubes, acrescido de um maior controlo relativo às suas finanças, determinou para aqueles a procura de diferentes soluções de forma a garantir uma vantagem competitiva sustentável. Apesar de reconhecermos a importância dos recursos financeiros na obtenção de boas performances desportivas, o foco deste trabalho baseia-se na aplicação dos mesmos nas capacidades dinâmicas dos clubes por forma a permitir maximizar o investimento, alcançando boas performances desportivas, sem colocar o futuro financeiro do clube em risco. Assim, considerando o top 15 de clubes com mais receitas geradas na época 2016-17, analisámos as suas performances desportivas nessa temporada e nas nove épocas anteriores. Através de alguns indicadores tentámos estabelecer, a partir de 2012-13, alguma relação entre as capacidades que consideramos essenciais para a obtenção de uma vantagem competitiva sustentável e a performance desportiva. Essas capacidades passam por um recrutamento efectivo, a formação de jogadores através das academias e a capacidade de gerar mais receitas. Apesar do poder explicativo de algumas variáveis não ser demasiado relevante, foi possível estabelecer um padrão entre estratégias comuns que podem ser consideradas como práticas fundamentais para a obtenção de uma vantagem comparativa sustentável.

Palavras-chave: capacidades dinâmicas, performance desportiva, sustentabilidade, vantagem competitiva.
JEL: M1, Z2

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LIST OF ACRONYMS

CEO	Chief Executive Officer
CFG	City Football Group
CIES	Centre International d'Etude du Sport
CSF	Critical Success Factors
CT	Club-trained
DFML	Deloitte Football Money League
ECA	European Club Association
EES	External Evaluation System
EPL	English Premier League
FFP	Financial Fair-Play
FIFA	Fédération Internationale de Football Association
GDP	Growth Domestic Product
IES	Internal Evaluation System
MCO	Multi-club Ownership
PI	Performance Index
SWOT	Strenghts, Weaknesses, Opportunities, Threats
UCL	UEFA Champions League
UEFA	Union of European Football Associations
UEL	UEFA Europa League
VRIN	Valuable, Rare, Inimitable, Non-substitutable
VRIO	Valuable, Rare, Inimitable, Organizational

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SUMÁRIO EXECUTIVO

O aumento da popularidade do fenómeno do futebol, não só a nível desportivo, mas também numa perspectiva social, teve um tremendo impacto nas finanças dos clubes como nas economias dos países. Este crescente interesse traduziu-se num aumento global das receitas dos clubes, através de melhores contratos comerciais, de um aumento generalizado das receitas de bilheteira, assim como das receitas provenientes dos direitos televisivos, cada vez mais distribuídas de forma equitativa pelos clubes da mesma liga. Este enriquecimento despoletou um aumento da competitividade entre os clubes, levando a uma maior procura dos recursos escassos que são os atletas de maior potencial com o objetivo de alcançar uma vantagem competitiva sobre os seus rivais. Porém, se até ao início do milénio os grandes clubes baseavam a sua estratégia de obtenção de recursos tendo em consideração a concorrência e a necessidade de supremacia a nível interno, hoje, dado o maior protagonismo das grandes competições continentais, a rivalidade é cada vez mais intracontinental, onde o foco de muitos dos grandes clubes passa pela conquista dessas competições, em detrimento das nacionais. Consequentemente, esta diferença entre procura e oferta, juntamente com a maior capacidade dos clubes poderem gastar mais com os seus recursos, tem resultado na inflação do valor de mercado dos jogadores, assim como na necessidade de os clubes disponibilizarem mais recursos financeiros para poderem satisfazer as expectativas salariais dos jogadores, conseguindo com isso bater a concorrência pela aquisição de um recurso valioso mas escasso.

Contudo, este aumento da competitividade e consequente inflação nos valores praticados leva a que muitas vezes os clubes sejam forçados a investir grandes quantias com o objetivo de alcançar sucesso desportivo, chegando por vezes a colocar a sua sustentabilidade em risco, com perdas sucessivas época após época, havendo por isso a necessidade de venderem os seus ativos mais valiosos.

Por conseguinte, o objetivo deste trabalho passa por saber de que forma é que estes clubes, através de uma análise à sua performance desportiva e de alguns indicadores que possam refletir a (in)existência de determinadas estratégias, podem obter e produzir recursos valiosos e como aplicá-los da forma mais eficiente, para que o sucesso desportivo seja atingindo sem nunca colocar em causa a sustentabilidade dos mesmos.

Assim, para compreender como pode ser alcançada uma vantagem competitiva entre clubes através da aplicação dos recursos e capacidades foi feito um enquadramento teórico com base na teoria dos recursos e capacidades dinâmicas.

Após a revisão da literatura, é desenvolvido um método de mensuração da performance desportiva dos clubes, de forma a poder avaliar quais os que ao longo da última década (2007-08 a 2016-17) conseguiram alcançar uma vantagem competitiva, internamente e externamente, tendo em conta quais os que mais eficientemente converteram o crescente aumento das receitas em sucesso desportivo. Para este estudo, foram considerados os 15 clubes com mais receitas geradas na época 2016-17, de acordo com o relatório Deloitte Football Money League (DFML) 2018.

Os resultados desta análise indicam três cenários distintos: clubes com elevados recursos financeiros e que os empregaram de forma eficiente, atingindo excelentes performances desportivas; clubes com elevados recursos financeiros mas com performances insatisfatórias; e clubes que, em comparação, possuíam menos recursos financeiros que os anteriores, mas com maior eficiência na sua aplicação. Tendo em vista os últimos cinco anos em análise (2012-13 a 2016-17), de forma a tentar encontrar justificações para o diferente aproveitamento dos recursos, são analisados alguns indicadores relacionados com os três aspetos que consideramos fundamentais para a obtenção de uma vantagem competitiva sustentável: eficácia no recrutamento, produção de talento através das academias e capacidade de gerar receitas que sejam capazes de suportar os gastos.

Com base nestes indicadores e respetiva análise, este estudo leva-nos a concluir que apesar da importância destes três aspetos para o sucesso desportivo sustentável de um clube, é possível atingir excelentes performances desportivas sem que todas as estratégias refletidas nos indicadores mencionados ao longo do trabalho sejam adoptadas. No entanto, é necessário enfatizar que, visto não encontrarmos provas que contrariem esta suposição, alguns destes indicadores terão que ser cumpridos para que os clubes possam ser bem-sucedidos de uma forma contínua e sustentável.

CHAPTER 1: INTRODUCTION

The development of football, as a sport and business, created several changes in its general panorama. Today, insignificant nations in terms of football culture have turned into attractive countries to play in, such as China or the US. In 2017, according to Fédération Internationale de Football Association (FIFA), both countries' football association made the top six in terms of net club spending, with China in third place with approx. 189 million Euros, only after England and Germany (approx. 823 million Euros and 198 million Euros, respectively), while the US football association registered the sixth highest value regarding net club spending, with approx. 55 million Euros, after France (approx. 180 million Euros) and Italy (approx. 121 million Euros). With such amount of money involved, clubs have started to be managed as companies, where some boards tend to give preference to financial performance than sporting performance, oppositely to supporters will. Still, in order to be consistently successful, clubs have to be managed in a sustainable way, where financial resources assume a great importance. Nevertheless, football, as any other collective sport, creates an emotional link with supporters, resulting in a constant feeling of pressure from these stakeholders in order to the club to be successful, leading managerial boards to set strategies in a short-term perspective that might put at risk their financial health.

Therefore, most elite football clubs face the challenge of applying their revenues on resources and capabilities in order to become competitive and able to achieve great performances in a short period of time, since fans demands put the club in such high pressure position. However, it is important to recognize that the concept of "great performances" will vary according to the team in analysis. As companies, some clubs are stronger and wealthier than others and consequently, their goals and the indicators that will measure success must be different, considering their "hierarchical position", i.e., their history, reputation, resource base or financial wealth. According to the position they belong in the hierarchy, the way resources and capabilities are used and developed will determine if these clubs can achieve a competitive advantage and how long this advantage will last.

Football, as the sport we know nowadays, was established in England, in 1863 (FIFA). Since then, the increasing interest related to this sport has originated several changes such as rules, materials, facilities, or even its own basic techniques. In this period of time, football stopped being only a sport, being played for leisure purposes, and has developed into something more:

the number of players increased as so the number of clubs; professionalization occurred; and, with globalization, has started to be played by millions all over the world and consumed by billions, turning into a social phenomenon. Studies show that in 2007, 4% of the world's population was actively involved in the game of football (265 million players plus 5 million referees and officials). On the other hand, according to FIFA and Kantar Media, 3.2 billion people (approx. 44% of the world's population) watched, at least, one minute of the 2014 FIFA World Cup.

Consequently, clubs have turned into something much bigger than a mere group of people playing football. Football's impact on countries' economy is immense, from the professional leagues and clubs to periodic mega-events, such as hosting a FIFA World Cup. In a gross domestic product (GDP) perspective, the three top ranked football national leagues in Europe (Spain, England, and Germany) contributed to these countries' GDP (approximately) 0.75% (2013) (KPMG), 0.2% (2014) (EY) and 0.3% (2014) (McKinsey), respectively. In a different perspective, projections from EY pointed that between 2010 and 2014, as a result of hosting the 2014 FIFA World Cup, Brazilian economy would produce an additional R$ 142 billion (approx. 30 billion Euros).

As we can see, football's influence on people is immense, not only in an economic perspective but also in a social manner. Therefore, we want to analyze how this phenomenon works from a club's perspective: how they can become greater through good sporting and financial performances, and why clubs with a similar resource base cannot perform at the same level.

Even though we recognize the specificity of the football business, we will analyze clubs as companies, from a resource and capability perspective. Both have to meet shareholders and stakeholders expectations, even though the purpose of their activity is different. If, on one hand, companies focus on being profitable, on the other hand, clubs' essential focus is on achieving good sporting performances, with stakeholders playing different roles in each situation.

It is possible to identify different types of stakeholders regarding a football club, with different and common interests between them. We can consider fans as the most important group of interest since, without them, football, as a sport played in a professional context would not have the same impact. As mentioned, fans' priority is, in general, the club's success by achieving good sporting performances. Sponsors are also an important group of interest, since they invest in these clubs while expecting some return. In that way, sporting

and financial performance are connected since a more successful club will tend to have more visibility, which can lead to an increase of the sponsorship's brand awareness. In the same way, banks or financial institutions can also be considered as another group of interest. Even though their focus is straightly financial, i.e., if the club is able to fulfill the loans conceded, it is a fact that a good sporting performance will tend to increase a club's financial health, allowing the club to pay its debt. The last group of interest regarding clubs is the community where the club is involved. Not only they influence their community in a social perspective, through social foundations and youth academies but they also tend to improve the surrounding infrastructures.

Thus, clubs' sporting performance must satisfy fans expectations. We have mentioned that the concept of success will vary according to the hierarchic level of each club, board's vision and strategy, as well as fans expectations. In that way, if a club wants to meet or increase these expectations, clubs have to be managed in a sustainable way.

Consequently, the theoretical framework will focus on the way companies perform in order to achieve (sustained) competitive advantage over competitors through the resources they use and the capabilities they own. Then, we will try to replicate these concepts by applying them to the particularities of the football industry, with a closer look to what happens in the European top clubs, focusing on male squads only, and respective leagues: similarities and differences,

To achieve this, it was necessary to review the existing literature related to firms' resources and capabilities and how could these concepts be applied to football clubs. Since it was not found enough literature regarding the application of such concepts to the football's dimension, it was decided to take an overview of the European football clubs elite, through several reports and existing data on websites. Then, we analyzed the last decade scenario, identifying similarities and differences regarding some clubs' strategies indicators.

With that taken into account, some interviews were made, with the purpose to find explanations for such differences between these clubs, and how clubs can exploit and develop their resources and capabilities in order to decrease this "hierarchical" gap, by becoming more competitive in a long-term perspective.

Regarding its structure, this study is divided in five chapters. Chapter 1 gives a brief introduction about the theme in study: the problem that exists in elite football clubs to become more competitive; the relevance of such phenomenon, as football is nowadays; the goals we

want to achieve; the methodology used; and the way this study is structured. In Chapter 2 we analyze the existing literature regarding resources and capabilities and how firms can achieve (sustained) competitive advantage. Chapter 3 presents the methodology applied throughout the work. In Chapter 4, we apply the theoretical framework from Chapter 2 on football club's dynamic, while analyzing the collected data concerning European's football elite in the past decade. Chapter 5 presents the conclusions of this work.

CHAPTER 2: LITERATURE REVIEW

2.1. RESOURCE BASED THEORY

Since its creation, the SWOT (Strengths, Weaknesses, Opportunities, Threats) framework has been an useful tool for companies to evaluate themselves internally as well as the environmental context where they operate: whether looking for the inside of the company by exploiting its strengths and avoiding weaknesses, or by looking for the external environment, analyzing possible opportunities and neutralizing threats. Through this analysis, by implementing strategies, companies focus on achieving some sort of competitive advantage in relation to competitors.

Nevertheless, this framework has an important limitation since it is not possible to identify companies' strengths and weaknesses through a concrete mechanism (Barney & Clark, 2007). So how can companies exploit and potentialize their strengths if they do not know how to identify their own strengths?

According to Barney & Clark (2007), a possible solution for this problem "might be to turn to the literature that helps firms identify environmental opportunities and threats". However, this literature adopts two assumptions that may collide with the analysis of the company. Scherer (1980), Porter (1980) and Rumelt (1984) state that firms within an industry have the same strategic resources and the strategies they implement are similar. As a result, firms' resource heterogeneity will be short lived, as a consequence of highly mobile resources. In fact, firms in the same industry do not possess the same resources and, as result, do not adopt the same strategies.

Therefore, in order to analyze why some companies achieve competitive advantage, the resource-based theory (Barney & Clark, 2007) changes these two assumptions. Not only this model assumes that firms within an industry (or group) may be heterogeneous with respect to the strategic resources they control but also that these resources may not be perfectly mobile between firms, and therefore, heterogeneity can be long lasting.

These resources include all assets, capabilities, organizational processes, information and knowledge controlled by a firm that enables the firm to implement and conceive strategies that improve its efficiency and effectiveness (Daft, 1983). They can be divided into three categories: physical resources (Williamson, 1975), human resources (Becker, 1964) and

organizational resources (Tomer, 1987). Physical resources comprises the physical technology used in a firm (such as infrastructures or equipment) or geographic location; human resources include know-how, experience, training, intelligence and relationships; while organizational resources include formal and informal planning, controlling and coordinating systems, informal relations between the members and the relations between a firm and its competitors.

2.1.1. SUSTAINED COMPETITIVE ADVANTAGE

To understand competition among firms it is important to know the meaning of competitive advantage. A firm has a competitive advantage when it is able to create more economic value than the marginal firm in its industry (Barney & Clark, 2007). By marginal firm, it is assumed that the "firm which would just be induced to enter an industry by a small rise in profitability, or would just be induced to leave the industry by a small worsening in market conditions". In other words, the marginal firm is the less profitable firm in the industry, which with an increase in its costs would be the first to leave that industry. Nonetheless, it is important to know how long lasting these advantages can be, whether short or able to prevail in time. "In resource-based logic, a firm is said to have sustained competitive advantage when it is creating more economic value than the marginal firm in its industry and when other firms are unable to duplicate the benefits of this strategy" (Barney & Clark, 2007). The difference between competitive advantage and sustained competitive advantage relies on the following two factors.

In first, sustained competitive advantage does not focus exclusively on a firm's competitive advantage in relation to already existing competitors, taking also into account potential competitors that may enter in the industry at some point in time (Baumol, Panzar, & Willig, 1982).

On the other hand, the duration of such competitive advantage is not decisive to know if it is sustained or not. Porter (1985) and Jacobsen (1988) state that in order to be sustained, competitive advantage must be long lasting, even though, "in some industry settings, a sustained competitive advantage may not last a long period of calendar time". Thus, if companies achieve competitive advantage, we may still consider that this advantage is sustained. According to Barney & Clark (2007), if current and potential firms are unable to duplicate the competitive advantage of a successful firm, that firm's competitive advantage is sustained. When a firm achieves sustained competitive advantage, it is not assured that it will

be long lasting: changes in the environment occur and resources that were valuable before these changes may not be valuable anymore. Rumelt & Wensley (1981) and Barney (1986c) have called these changes as "Schumpeterian Shocks". These shocks "redefine which of a firm's resources are valuable and which are not". While such shocks may be harmful for a firm and its competitors, since they may have similar resources and therefore, firms within that industry will lose value; on the other hand, these changes may force firms to find different solutions since their most valuable resources have lost value, increasing the value of previously less valuable resources.

2.1.2. HOMOGENEITY AND MOBILITY

Most industries are characterized by at least some degree of resource heterogeneity and immobility (Barney & Hoskisson, 1989). Consequently, it is not expected that companies will achieve sustained competitive advantage when resources are evenly distributed across competitors and highly mobile.

Still, we will analyze a possible scenario where resources are homogeneous and perfectly mobile between firms, so we can conclude that the possibilities of such scenario to occur and generate sustained competitive advantage are very limited. In an industry where firms possess the same resources (human, organizational, physical and financial) it is highly likely that if a specific firm is able to conceive and implement a strategy based on these resources, its competitors will also be capable of conceiving and implementing the same strategy. Therefore, we can conclude that is not possible to have competitive advantage in these conditions.

However, it is possible to find literature that may refute this theory. The first objection to this conclusion is what Lieberman & Montgomery (1988) defined as "first-mover advantages". This means that the "first firm in an industry to implement a strategy can obtain a sustained competitive advantage over other firms". Being the first to implement a strategy may allow the firm to gain access to the best distribution channels, to create a positive reputation, developing and increasing customer loyalty. Still, to be a first-mover by implementing a strategy before any other competing firm, that particular firm must have insights about the opportunities associated with implementing such strategy, which are not possessed by the other firms in the industry (Lieberman & Montgomery, 1988). As a result, so a firm can be a first-mover, it is implicit that resources are heterogeneous in that industry. The second objection is related to "mobility barriers" (Caves & Porter, 1977). This argument states that

even though firms within an industry are homogeneous, the fact that the existence of strong entry/mobility barriers will allow these firms to obtain a sustained competitive advantage in relation to potentially new entrant firms. However, these barriers are only possible if current and potentially competing firms are heterogeneous in terms of the resources they control and only if these resources are not perfectly mobile (Barney, McWilliams, & Turk, 1989) since "firms protected by these barriers must be implementing different strategies than firms seeking to enter these protected areas of competition".

In short, even though these objections are a matter of discussion, they present limitations and therefore we conclude that in order to firms obtain a sustained competitive advantage, resources among firms within an industry must be heterogeneous and immobile (or at least shortly mobile).

2.1.3. FIRM RESOURCES AND COMPETITIVE ADVANTAGE

So that firms can have sustained competitive advantage over competitors, the resources they possess must have certain characteristics: "(a) it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; (b) it must be rare among a firm's current and potential competition; (c) it must be imperfectly imitable; and (d) it must be able to be exploited by a firm's organizational process" (Barney & Clark, 2007).

Previous literature enhances the difference between inimitable resources and non-substitutable resources, without considering organizational competences as fundamental, by allowing firms to exploit these resources. Barney (1991) identified the VRIN framework (Valuable, Rare, Inimitable, Non-substitutable) as the right approach to analyze resources' characteristics to achieve sustained competitive advantage. However, we believe that not only inimitable and non-substitutable resources are related to each other and therefore should be analyzed as complementary, but we also recognize the extreme importance of the ability of an organization to have the means to exploit these resources. As a result, we will adopt the VRIO framework (Valuable, Rare, Inimitable, Organizational) (Barney & Clark, 2007) onwards.

A. Valuable Resources

In order to add value to the firm, resources must "enable a firm to conceive and implement strategies that improve its efficiency and effectiveness". These resources can be considered valuable when they can increase the economic value a firm creates "by increasing the willingness of customer to pay, decreasing its' costs, or both".

Still, besides intrinsic characteristics that make a resource valuable, it is also important to consider the external environment. The value of the resource will depend on whether if it is able to exploit opportunities and/or neutralizes threats. Thus, in order to be considered as valuable, there must be a "complementarity between environmental models of competitive advantage and the resource-based model".

B. Rare Resources

If all (or most) firms within an industry possess the same valuable resources they will not become sources of competitive advantage or sustained competitive advantage. When a valuable resource is possessed by a multiple number of competitors, they are able to conceive and implement the same strategy, resulting in no competitive advantage for any firm. In some cases, resources also demand other type of resources (physical, financial, human or organizational) in order to conceive and implement a strategy. If this bundle of resources is not rare, they will not be able to create competitive advantage.

To conclude, "as long as the number of firms that possess a particular valuable resource (or a bundle of valuable resources) is less than the number of firms needed to generate perfect competition dynamics in an industry, that resource has the potential of generating competitive advantage" (Barney & Clark, 2007).

C. Imperfectly Imitable Resources

Rare and valuable resources are not reason enough for a firm to have sustained competitive advantage. Instead, so they can achieve such position, firms that do not possess these resources cannot be able to duplicate or substitute them. If this assumption is fulfilled, then these resources become imperfectly imitable and therefore, source of competitive advantage (Lippman & Rumelt, 1982; Barney, 1986a, 1986b).

Firms can have difficulties on imitating these resources, as a result of at least one of these three reasons: "(1) the ability of a firm to obtain a resource is dependent on unique historical conditions; (2) the link between the resources possessed by a firm and a firm's sustained competitive advantage is causally ambiguous; or (3) the resource generating a firm's advantage is socially complex (Dierickx & Cool, 1989)".

1. Unique Historical Conditions

According to Scherer (1980) and Porter (1981), firms' performance can be understood independently of the particular history and other idiosyncratic attributes of firms. However,

this approach asserts that not only firms are intrinsically historical and social entities but their ability to acquire and exploit some resources depends on their place in time and space (Barney, 1991): "If a firm obtains valuable and rare resources because of its unique path through history, it will be able to exploit those resources in implementing value-creating strategies that cannot be duplicated by other firms, for firms without that particular path through history cannot obtain the resources necessary to implement the strategy".

Two things may happen so that unique historical conditions can be seen as source of sustained competitive advantage. First, if a firm in an industry is the first to recognize and to exploit an opportunity, it will give the firm the first-mover advantage. Second, these first moves may have a big influence on subsequent events. Not only a firm gets advantage by being the first to exploit or to recognize an opportunity but they will also get benefits in the period before as a result of its activities in earlier periods.

2. Causal Ambiguity

Causal ambiguity exists when the link between the resources controlled by a firm and a firm's sustained competitive advantage is not understood or understood in an imperfect way. When this happens, firms that try to duplicate competitors' strategies do not have much success on that since they are not able to understand which resources allow the firm to have a sustained competitive advantage.

Lippman & Rumelt (1982) state that in order to be a source of sustained competitive advantage, firms who possess resources that generate a competitive advantage and the firms that do not possess these resources but seek to imitate them, must be faced with the same level of causal ambiguity: "if firms that control these resources have a better understanding of their impact on competitive advantage than firms without these resources, then firms without these resources can engage in activities to reduce their knowledge disadvantage". When a "firm with a competitive advantage understands the link between the resources it controls and its advantages, then other firms can also learn about that link, acquire the necessary resources, and implement the relevant strategies" (Barney & Clark, 2007). As so, if firms manage to duplicate competitors' strategies, we cannot consider competitive advantage as sustained.

Nonetheless, according to Lippman & Rumelt (1982) in situations where a firm with competitive advantage does not understand the source of its competitive advantage any better than firms without this advantage, since these firms are not able to duplicate strategies, competitive advantage may be sustained.

3. Social Complexity

The success of a firm may also depend on the complex social phenomena existed inside it. The organizational culture of a firm (Barney, 1986b), the relationship between managers and employees, or the reputation among customers (Klein, Crawford, & Alchian, 1978; Klein & Leffler, 1981) may determine that these resources will be imperfectly imitable.

Even though "there is little or no causal ambiguity surrounding the link between these firm resources and competitive advantage", firms without these resources will not be automatically able to create or develop these attributes.

Substitutability

Resources may be difficult or impossible to duplicate because of the cost it may take or simply because it is not possible to own such resource. As a result, firms may look for alternative resources that, through a different way, may help the firm to achieve the same goals: "two valuable firm resources (or two bundles of firm resources) are substitutes when they are strategically equivalent, that is, when they each can be exploited separately to implement the same strategies" (Barney & Clark, 2007).

Still, when the cost of duplicating those resources is low, it gives the opportunity to the firm to have the tools to duplicate those resources in order to implement a similar strategy. If these alternative resources are not costly and accessible to competitors, firms who implemented those strategies in first will not be able to achieve a sustained competitive advantage. On the other hand, if these resources are rare, valuable and imperfectly imitable, then a firm will manage to obtain sustained competitive advantage in relation to existing or potential competitors.

D. Organizational

To have valuable, rare and imperfectly imitable resources per se does not ensure success unless an organization is able to explore these resources' potential and use them in order to conceive and implement the best strategy. Organizational processes are as important as the firm's resources so that a firm can achieve sustained competitive advantage.

2.1.4. FRAMEWORK FOR RESOURCE-BASED ANALYSIS: VRIO

In order to obtain sustained competitive advantage over competitors, not only the industry demands certain characteristics regarding resources but they also must be attractive to a firm. Figure 1 allows us to connect these parameters

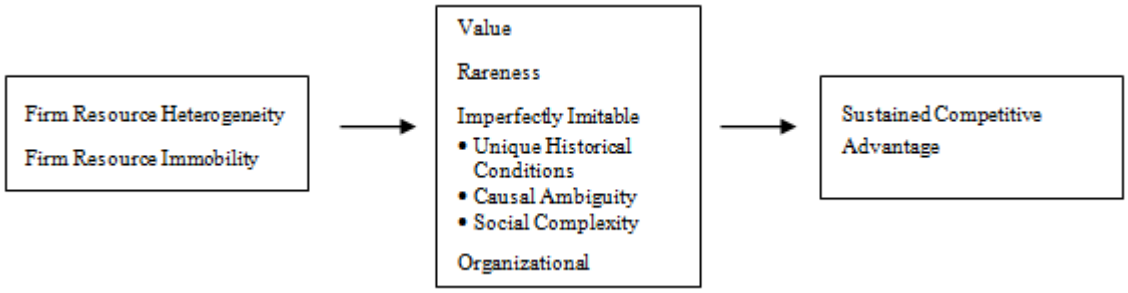

Figure 1 - The relationship between resource heterogeneity and immobility, value, rareness, imperfect imitability, and organization, and sustained competitive advantage. Source: Barney, J. B., & Clark, D. N. (2007) Resource-Based Theory: Creating and Sustaining Competitive Advantage

To understand how we can test empirically these connections, Barney & Clark (2007) developed a framework where they analyze the activities of the firm. To achieve that, some questions concerning the four resource-based parameters which are critical for this analysis must be taken into account:

1. Value: Do a firm's resources and capabilities enable the firm to respond to environmental threats or opportunities?
2. Rarity: Is a resource currently controlled by only a small number of competing firms?
3. Inimitability: Do firms without a resource face a cost disadvantage in obtaining or developing it?
4. Organizations: Are a firm's other policies and procedures organized to support the exploitation of its valuable, rare, and costly to imitate resources?

Through these questions, the VRIO framework (Barney & Clark, 2007) allows us to understand the "return potential associated with exploiting any of a firm's resources or capabilities", as summarized in Table 1.

Through this table, we will analyze possible scenarios taking into account the importance of each of these requirements in order to obtain sustained competitive advantage.

Table 1 - The VRIO framework.
Source: Barney, J. B., & Clark, D. N. (2007) Resource-Based Theory: Creating and Sustaining Competitive Advantage

Is a resource or capability…					
Valuable?	Rare?	Costly to imitate?	Exploited by organization?	Competitive implications	Economic performance
No	-	-	No	Competitive disadvantage	Below normal
Yes	No	-		Competitive parity	Normal
Yes	Yes	No		Temporary competitive advantage	Above normal
Yes	Yes	Yes	Yes	Sustained competitive advantage	Above normal

We have seen before that a resource to be valuable must allow a firm to conceive and implement their own strategies with the objective to exploit opportunities or neutralize threats. If the resource or capability is not valuable, a firm will have to increase costs in the acquisition of new valuable resources or in their development and improvement to be able to compete with its industry rivals. Without valuable resources and capabilities, clubs will perform below normal since such lack of strengths will not allow them to obtain better results. When a resource is valuable but not rare, competitors will be able to possess the same valuable resource. Consequently, firms will be able to conceive and implement similar strategies to competitors, resulting in a situation of competitive parity.

In a scenario where a firm owns a valuable and rare resource but it is easily imitable, the firm may still have the opportunity to achieve some competitive advantage over competitors. This will happen if the firm is the first to exploit that particular resource. By exploiting that resource, the firm will gain a first-mover advantage (Lieberman & Montgomery, 1988), generating a sustained competitive advantage. Still, if it is not costly to imitate, this sustained competitive advantage will not be long lasting, as competing firms will be able to acquire or develop those resources so they can implement the same strategies, resulting in a competitive parity. Nevertheless, between the time the first firm implements the strategy and the time competitors are able to imitate the same strategy, the first-mover firm will have sustained competitive advantage, resulting in an above-normal economic performance. Even when firms try to imitate competitors by acquiring or developing the same or identical resources, the presumably high cost spent on that resource will put them at a position of competitive

disadvantage when compared with the firm that already possesses the resources and which has already implemented a strategy.

If a resource is valuable, rare and costly to imitate, the firm that owns them may be able to achieve sustained competitive advantage. However, even if a firm owns such valuable, rare, and costly to imitate resources or capabilities, without the right organizational processes that enable firms to exploit these resources or capabilities, the potential to obtain a sustained competitive advantage may be lost. Therefore, these organizational processes are crucial for the achievement of sustained competitive advantage.

2.1.5. VRIO AND NON-VRIO RESOURCES

Lin & Wu (2013) establish a difference between VRIO[1] resources and non-VRIO resources. By non-VRIO the authors refer to resources without the same influence on firm's performance. This lack of influence is a result of its own resources' ineffectiveness or its inadequate connection to dynamic capabilities, as Wu (2007) states they can act as mediators between resources and performance. Financial resources and physical resources (buildings, machinery, etc.) are, according to the authors, examples of non-VRIO resources.

Even though we may accept this differentiation between VRIO and non-VRIO resources, we have to recognize the importance of non-VRIO resources to the firm's performance and therefore, the relevance of non-VRIO resources cannot be dissociated from firm's success. As shown in Chapter 4, financial resources play an important role so that a football club achieves sustained competitive advantage, not only through the acquisition of valuable, rare and costly to imitate resources, but also in virtue of developing and improving resources and capabilities.

2.2. DYNAMIC CAPABILITIES

Nowadays, companies operate in a constant changing environment. As a result, their capability to adapt to change and to unpredictable events must be as good as possible, so that competitors do not have any sort of advantage in relation to their own company. Helfat (2007) defines capability as the "ability to perform a particular task or activity". Still, we can have different types of capabilities. In a broader perspective, according to Winter (2003), "operational capabilities enable an organization to earn a living in the present".

[1] In the original work, Lin & Wu (2013) mention VRIN instead of VRIO resources. As explained before, it was adopted the VRIO terminology in this work and therefore, it was decided to adapt the content of the original work to this study.

As change is one of the main characteristics of the global marketplace, companies have to be aware of that while developing their processes and common practices in order to achieve this competitive advantage in a constant way. Firms that can demonstrate timely responsiveness and rapid and flexible product innovation, alongside with the capability to coordinate and redeploy internal and external competences, are closer to be successful in the marketplace (Teece, Pisano, & Shuen, 1997).

To this "firm's ability to integrate, and reconfigure internal and external competences to address rapidly changing environments", Teece, Pisano, and Shuen (1997) created the concept of dynamic capabilities. This definition assumes that these capabilities are "patterns of current practice and learning" (Teece, Pisano, & Shuen, 1997).

Other authors have worked on this definition over the years. Eisenhardt & Martin (2000) defined dynamic capabilities as "the firm's processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change". To these authors perspective, dynamic capabilities consist of identifiable and specific routines such as product development, alliance and acquisition capabilities, resource allocation, and knowledge transfer and replication routines.

On the other hand, Zollo & Winter (2002) defined dynamic capabilities as a "learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness". In this case, the definition focuses on organizational learning as a source of dynamic capability. This approach assumes that dynamic capabilities consist of a patterned organizational behavior that companies use on a repeated basis.

More recently, Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece, & Winter (2007) have defined dynamic capability as the "capacity of an organization to purposefully create, extend, or modify its resource base".

In resume, over the years the concept of dynamic capability originated many different definitions. We believe that the one brought by Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece, & Winter is the most embracing and the one who suits better on our main subject, and therefore will be the one used in order to analyze the dynamic capabilities of a football club.

2.2.1. DEFINITION ANALYSIS

The "resource base of an organization" mentioned above, refers to tangible and intangible resources, as well as capabilities which the organization owns, controls, or has access to on a

preferential basis (Helfat, 2007). Despite we recognize the importance of tangible resources, by giving the means to great performances, the focus of this work will be these intangible resources, such as the human capital owned by club, as well as clubs' capabilities, since they can be considered as a set of well known processes the clubs use in order to achieve their objectives (Helfat, 2007). To understand this definition it is important to first understand the concept of *capacity*. Helfat (2007) approaches this concept from two perspectives. The first is the "ability to perform a task in at least a minimally acceptable manner". This vision assumes that a company is able to perform adequately in order to accomplish its goal; however, it does not assume that its performance has to be outstanding. The other perspective "implies that the function that a dynamic capability performs is repeatable and can be reliably executed to at least some extent". This means that a dynamic capability consists of "patterned and somewhat practiced activity", allowing us to distinguish a one-time change/process from a firm's dynamic capability.

In this definition, the term *purposefully* indicates that "dynamic capabilities reflect some degree of intent, even if not fully explicit". This attribute of intentionality, according to the author, differentiates the patterned aspect of dynamic capabilities from rote organizational activities that lack intent (Dosi, Nelson, & Winter, 2000). It is important to enhance that these two terms in analysis (*capacity* and *purposefully*) are applied to both dynamic and operational capabilities. Nonetheless, the difference between these two concepts relies on *create, extend, or modify* which do not apply to operational capabilities, since only dynamic capabilities change the resource base of an organization.

As previously quoted, these changes can take three possible ways: (1) by creating, we include all forms of creation in an organization, such as "obtaining new resources through acquisitions and alliances, as well as through innovation and entrepreneurial activity" (Helfat, 2007); (2) regarding extending, organizations may think the best solution is to keep focusing on the same activity, trying to achieve different goals, better results or increase profits; (3) and, if organizations feel the need to change their business, the resource base can be modified.

Concerning these three strategic alternatives and the best way to achieve what is proposed, the process of decision making assumes a very important role. Search and selection are intimately connected to the procedure of creating, extending, and modifying. The creation of resources can involve not only the development of new products but also the acquisition of already existing ones. By choosing which ones create bigger added-value to the company, the process of search and selection for the fittest options is fundamental. Regarding extension and

modification of the resource base, search and selection also assumes an important role on deciding which activities and/or resources companies should focus on.

2.2.2. ACHIEVING COMPETITIVE ADVANTAGE

Teece, Pisano, & Shuen (1997) argue that "competitive advantage of firms lies with its managerial and organizational processes, shaped by its asset position, and the paths available to it".

By managerial and organizational processes, the authors refer to how things are done in a company context. These processes can be divided in three stages: coordination/integration, learning, and reconfiguration. In companies, managers have a key role on conducting the company to success, since their strategic vision is crucial to increase effectiveness and efficiency in these processes. To perform these processes in the best possible way, the learning process is fundamental: through continuous repetition and experimentation, human capital can increase its effectiveness and efficiency more easily; besides, the environment where companies operate is extremely volatile, and as result, companies have to be aware of the change and be ready to adapt. Thus, such capacity to reconfigure its asset structure is also essential to achieve competitive advantage.

Concerning the asset position, these are the kind of specific assets that can give a company competitive advantage in relation to its competitors. It is important to enhance that human capital is already considered on managerial and organizational processes and, therefore, is not included in these specific assets. Although literature presents a considerable number of different types of assets, we will focus only on financial assets, reputational assets, and structural assets, since they can be easily adapted to our theme of study.

By financial assets, we consider the impact of firm's cash position and degree of leverage on influencing companies' decisions. In a short-term perspective, the firm's capacity to react to change and to put in practice quick strategic decisions will depend on the level of existing cash. In a long-term perspective, the key factor will not be the level of cash but instead the cash flow the company generates.

Reputational assets can be viewed as "an intangible asset that enables firms to achieve various goals in the market. Its main value is external, since what is critical about reputation is that it is a kind of summary statistic about the firm's current assets and position" (Teece, Pisano, & Shuen, 1997). A good reputation will allow a firm to have better chances on establishing deals with suppliers, competitors and mostly, on getting new customers.

Considering structural assets, Argyres (1995) and Teece (1996) state that "the formal and informal structure of organizations and their external linkages have an important bearing on the rate and direction of innovation, and how competences and capabilities co-evolve". How organizations are structured, vertically and horizontally, as the degree of hierarchy and the way communication is done are essential in order that processes perform in the best possible way so the company can obtain competitive advantage.

Depending on the company's vision, current position regarding internal and external environment, as well as a future strategy, a company must define which path they want to follow: continuing with the previous planning or, on the other hand, changing the implemented strategy.

How effective and efficient these processes, assets and paths are will determine if a company can achieve competitive advantage. In order to do so, it is essential that competences are "based on a collection of routines, skills, and complementary assets that are difficult to imitate" (Teece, Pisano, & Shuen, 1997). If these competences become obsolete, without being able to match market demands, its added value will be lost. Besides, if these competencies are replicated or emulated by competitors, its value may be lost as well. According to Teece, Pisano, & Shuen (1997) "emulation occurs when firms discover alternative ways of achieving the same functionality". These authors establish a distinction between replication and imitation, assuming that the concept of imitation is only in use when competitors try to replicate a firm's asset, while replication "involves transferring or redeploying competences from one setting to another". Nonetheless, without experts' knowledge, difficulties on transferring or replicating any kind of competencies may occur. In some cases, sources of competitive advantage are so complex that even firms do not understand them (Lippman & Rumelt, 1992). However, "considerable empirical evidence supports the notion that the understanding of processes, both in production and in management, is the key to process improvement" (Teece, Pisano, & Shuen, 1997). Consequently, when an organization does not understand their processes, it becomes difficult to improve those.

Even though companies in the same business may have similar processes and resources, their performance can be very different. In that way, what makes a company the benchmark in some activity sector? How can we compare companies taking into account their dynamic capabilities? How effective is each capability and how can these capabilities increase benefits for the company?

Next, we will analyze possible ways of measuring dynamic capabilities in a company context and how applicable they are to a specific situation.

2.2.3. MEASURING DYNAMIC CAPABILITIES

The first analysis' tool that Helfat (2007) considers is the concept of evolutionary fitness. This concept refers to "how well a dynamic capability enables an organization to make a living by creating, extending or modifying its resource base". "The extent of evolutionary fitness depends on how well the dynamic capabilities of an organization match the context in which the organization operates". Although some companies may have the right processes, they may not be suitable to a particular situation, and therefore, the effectiveness of a certain dynamic capability will not be as good as if applicable in the right situation.

Helfat (2007) identifies four factors that may influence the evolutionary fitness of a dynamic capability: quality, cost, market demand, and competition. These four factors can be separated in two categories: an internal, which analyses quality and cost through the concept of quality per unit of cost, referred by the author as technical fitness; and an external one, by using market demand and competition as indicators that analyze the external environment that may influence the evolutionary fitness of an organization.

Through the concept of technical fitness we can observe the effectiveness of a capability in a determined role normalized by its cost (Helfat, 2007). It is possible to analyze the extension of this concept from two perspectives: "the quality dimension of a capability, regardless of the cost of creating and utilizing the capability"; and the cost of "capability creation (or acquisition) and utilization".

On the external analysis, and focusing on market demand, we can conclude that even in situations where high quality products are available in the market, if consumers are not interested in those, they will eventually become irrelevant. The same occurs with companies: even the best dynamic capability may not be suitable for a company. As regards to competition, if most firms in a specific market segment have similar dynamic capabilities, it will lead to a competition's increment. With greater competition, some firms will struggle to stay at the same level as others, making it more difficult to survive and grow, leading to a decrease of evolutionary fitness. On the other way around, by adopting a different strategy, with mutual cooperation between firms in order to develop the market and their products, they may increase their evolutionary fitness.

Helfat (2007) concludes that the concept of technical fitness cannot be negative since every activity not only demands time but also competencies to perform it. Still, "the argument that the technical fitness of a capability exceeds zero does not rule out the possibility that one capability can have a negative transfer effect on the technical fitness of another capability". By performing two activities at the same time, it may cause lower levels of performance in one or both activities.

On the contrary, if a firm is willing to pay to get rid of a certain capability, we can conclude that its evolutionary fitness is negative. This may happen even if a capability has high technical fitness but, when used in an inappropriate context it may cause negative evolutionary fitness.

On an ideal scenario, if these capabilities are not in use, the company could still have those but at zero cost. Even though its effectiveness at a certain time with a certain environment is insignificant, demanding time and money to the company to keep such capabilities, a change of the existing context, could change its effectiveness, leading to an increase of value to the company. In reality, it is very difficult for such thing to occur, since these capabilities require the "knowledge of individuals and teams of how to perform a task", and most of the times, this knowledge is maintained by keeping doing the same processes/tasks. Consequently, in order to keep these capabilities, the company may need to use those, which assumes costs.

From this technical-evolutionary fitness relationship, we can say that dynamic capabilities do not need to perform equally well on both dimensions. Even if a company does not perform in a satisfactory manner on technical fitness, in a market where cooperation exists between companies in order to improve the quality of products and/or services, it is possible to have great evolutionary fitness. On the other hand, high technical fitness may allow a company to succeed in a high competitive market, without cooperation between players.

2.3. DYNAMIC CAPABILITIES AND PROCESSES AS RESOURCES

As stated before, dynamic capabilities can be considered as part of the resource base of an organization. Therefore, by applying the resource-based theory to dynamic capabilities, we are able to evaluate if these capabilities can be a possible source of value creation and of sustained competitive advantage.

According to Peteraf & Barney (2003), competitive advantage depends on whether a resource creates relatively more value than the comparable resources of competitors. In order to create value, a dynamic capability must enable an organization to perform a particular function.

"The value of a dynamic capability depends on whether or not its function creates value and to what degree. The value of a function is always context dependent. It depends in part on the environmental need (in terms of derived demand and, therefore, willingness-to-pay) for the function to be performed and on any environmental constraints. The value of a dynamic capability varies with time and circumstance, as environmental opportunities change" (Helfat, 2007).

So that dynamic capabilities can lead to competitive advantage, some conditions must be respected: (1) there must be heterogeneity in the technical fitness of dynamic capabilities of the same type (Barney, 1991; and Peteraf, 1993); (2) capabilities only have value if they can be used to perform a function, assuming an existing demand for their services; and (3) they must be rare in relation to the demand for their services (Peteraf & Barney, 2003).

Yet, for this competitive advantage to be sustained, different conditions are required. A firm is said to have sustained competitive advantage when it is creating more economic value than the marginal firm in its industry and when other firms are unable to duplicate the benefits of this strategy (Barney & Clark, 2007). Capabilities have value if they enable to perform some sort of function and only if there is some demand regarding that capability. As so, its value depends on the external environment: when it is stable, competitive advantages have greater chances to persist; while the demand for some services (capabilities), in volatile markets, which may have lost value (as a consequence of changes in the competitive environment) can diminish, resulting in a decrease or loss of competitive advantage. In general, "the sustainability of competitive advantage can depend on the extent of stability in the external environment" (Helfat, 2007).

Practices within an organization also have an important role on achieving and enabling competitive advantages to endure. By investing appropriately on improvements and maintenance, the organization is assuring that can increase or maintain a capability's value. On the contrary, bad practices will have a negative consequence on the capability's value. Lack of investment and mismanagement will reduce capability's value and the organization will not be able to have sustained competitive advantage. In that way, and, as previously mentioned, decision making is essential to the success of an organization.

2.3.1. PROCESSES

We have previously defined dynamic capabilities as the "capacity of an organization to purposefully create, extend, or modify its resource base". In order to achieve this,

organizations use processes, which Peteraf & Maritan (2007) define as "mechanisms by which dynamic capabilities are put into use, and mechanisms by which organizations can develop dynamic capabilities".

The success of an organization is intimately related with the quality of its processes, as it will influence the quality and value of the organization's dynamic capabilities. Therefore, the more efficient and effective these processes are, the more beneficial it will be for an organization.

As we can see, there is an intimate connection between processes and dynamic capabilities, since the performance of a dynamic capability is dependent on the performance of the processes used to apply to those capabilities. Capabilities per se, as a bundle of mechanisms, cannot be acquired and, therefore, have to be developed. This development can consist on the creation of new dynamic capabilities or on the improvement of the existing ones, through organizational learning processes (Zollo & Winter, 2002) and investment processes (Maritan, 2001). However, if an organization does not have the ability to develop certain type of capabilities but, when other firms possess those types of capabilities, they can acquire some organizational unit or someone from another organization that is able to transmit the knowledge so they can improve their own capabilities.

There are many types of processes that are relevant to the performance of an organization. In that way, to distinguish which ones are implicitly related to the organization's operations assumes certain relevance. While some are clearly related to dynamic capabilities and consequently, changes in the organization's resource position, such as resource allocation or acquisitions; others, as decision making processes or coordination processes, are not directly connected to specific processes. In that way, it is important to know the possible link between processes and dynamic capabilities: if the content of a specific process is related to the resource position of the organization, then these processes are relevant to dynamic capabilities.

2.3.2. PROCESSES AND ORGANIZATIONAL OUTCOMES

Processes "take place in a definite, repeatable manner, with a particular objective in mind" (Peteraf & Maritan, 2007). The difference between dynamic capabilities and processes is so thin that in some literature, authors refer to dynamic capabilities as processes. As so, we can apply the same tools for measuring performance on processes. If we want to determine the level of effectiveness, we can use technical fitness to measure that level. On the other hand, if

we want to assess the effect of dynamic capabilities on organizational outcomes, then we will use evolutionary fitness.

First of all, it is important to recap the previously mentioned concepts of technical fitness and evolutionary fitness. Helfat (2007) defines the concept of technical fitness as the quality per unit of cost, through which we can evaluate the effectiveness of a capability. Regarding evolutionary fitness, the author refers to as the "dynamic capability that enables an organization to make a living by creating, extending or modifying its resource base". As stated before, there are four elements to evaluate evolutionary fitness: two internal, related with technical fitness; and two external, concerning the environment. Internally, it can be evaluated the quality dimension of technical fitness, which can be verified through the capability's value, while its cost dimension, according to Peteraf & Maritan (2007), can be assessed through identifiable costs of implementation. Externally, we can evaluate firm's own processes by comparing with similar processes from competitive firms. Regarding market demand, processes are usually "embedded in the organization and their connection to the market may be less apparent" making it difficult to evaluate evolutionary fitness when such connection is not evident.

Even though the same performance measures can be applied to dynamic capabilities and processes, "it is important to recognize that having a technically fit process does not necessarily mean that the dynamic capability it supports is also technically fit" (Peteraf & Maritan, 2007). This may happen since dynamic capabilities require a set of processes, which some are technically fit, while others may not be.

2.3.3. PROCESSES AS RESOURCES

Like capabilities, we can look at processes as part of an organization's resource base. Since processes support dynamic capabilities, they contain part of the resource and capability base of an organization. Therefore, its effect on organizational performance and evolutionary fitness can be analyzed using resource-based logic (Peteraf & Maritan, 2007).

According to Peteraf & Barney (2003), a process can lead to competitive advantage if it creates more value than the comparable processes of competing organizations. To evaluate the value of a process, we compare the benefits it generates and the costs needed to get such benefits. A process may be a source of competitive advantage if its benefits exceed those of rival firms. So that processes and dynamic capabilities can be a source of competitive advantage, they must be heterogeneous across firms (Barney, 1991; 1997; Peteraf, 2005). By

applying Barney's & Clark's (2007) VRIO framework, we may be able to determine if processes can be a source of sustained competitive advantage.

We have seen before that in order to achieve sustained competitive advantage, resources must be valuable, rare, inimitable, while organizations must be able to exploit them. This means that processes must be a source of greater value, with benefits exceeding the ones of competing firms; they must be scarce in relation to its demand (Peteraf & Barney, 2003), not only in terms of processes' type but also regarding its functionality (substitutes are not taking into account) (Peteraf & Bergen, 2003); they must be inimitable or difficult to imitate; while the organization must be able to develop, use and exploit these processes.

CHAPTER 3: METHODOLOGY

The application of resources and its development is a basic concern for football clubs: how financial resources can be turned into leverage among competitors while clubs develop and exploit their human resources and processes in order to achieve sustained competitive advantage. In many cases, the use of considerable financial resources does not translate into satisfactory sporting performances. Therefore, the dynamic capabilities and processes that a club employs, along with the resources they possess and exploit will be the main subject of analysis.

In order to study the reason behind football clubs' success, it was decided to focus on the top 15 highest earning clubs in the season 2016-17 according to the DFML 2018 report as well as the national leagues were they compete (big five)[2], and their performance during the period 2007-2017. Even though the limitations regarding the small sample, the heterogeneity between these clubs gives us sufficient scenarios to analyze: clubs that match their financial strength with satisfactory results; clubs that cannot match their financial resources with acceptable sporting performance; and, oppositely, clubs with fewer financial resources but exceeding expectations. Nevertheless, the fact that we only focus on such wealthy clubs will not allow us to explain the wider panorama. However, it will give us some indicators about the good practices regarding clubs' strategies and vision that put some of these clubs ahead of the others, achieving sustained competitive advantage.

3.1. DATA COLLECTION METHODS

For this work, quantitative and qualitative methods were used. Documentary analysis was first used in order to have a better understanding concerning football's scenario in the last decade, through considerable and relevant data about these clubs and the big five leagues. Then, in order to understand some differences in the collected data, and the possibility that such statistics would explain distinctive sporting performances, it was decided to interview some experts.

[2] The big five leagues mentioned in the work refer to the main football leagues from Spain, England, Germany, Italy and France.

3.1.1. QUANTITATIVE RESEARCH

Some data was analyzed with the purpose to find similarities and differences between the clubs in focus and the context where they compete. All the quantitative data was taken from secondary sources: DFML reports, the European Club Association (ECA) Report on Youth Academies in Europe (2012), several reports from the Centre International d'Etude du Sport (CIES) Football Observatory website as well as from the Zerozero, Transfermarkt and the Union of European Football Associations (UEFA) website.

3.1.2. QUALITATIVE RESEARCH

The interviews taken were made with the purpose to understand the collected data and how can these clubs achieve competitive advantage from their dynamic capabilities and processes. During these interviews, we tried to approach the different topics studied in this work to have more input through different perspectives regarding the main problems and solutions, and a focus on each interviewee expertise. Because of the difficulties on contacting experts from the clubs in analysis, we had to interview experts from the different areas of analysis in Portugal, while trying to establish some connections between what happens in the big clubs in Portugal and the others in the list. Secondary sources such as published interviews and articles were also considered for this work.

Table 2 - List of interviewees.

	Functions
Interviewee 1	Former Professional Player Former General Manager of a Youth Academy in a Portuguese club Former Advisor for the International Area
Interviewee 2	Executive Director in a Marketing School
Interviewee 3	Former Professional Player Sporting Director in a Portuguese club

3.2. PERFORMANCE MEASURING TOOL

In order to evaluate clubs' performance during the period of analysis, it was decided to establish a point evaluation system, which we named as Performance Index (PI), that sums the number of points obtained in each competition, varying according to the club's performance in the competitions they play in: the greater the performance, the higher points a club gets.

This evaluation system was completely designed by the author, taking into consideration the differences between each competition and its importance, competitiveness and prestige for clubs as well as the formulas to evaluate clubs' performance. It is adapted to external and internal competitions, as some values change according to the competition's format and the number of rounds played. Therefore, regarding internal competitions, all the values were multiplied by the number of points each association achieved (shown in Appendix I) in that specific season in the UEFA competitions: UEFA Champions League (UCL) and UEFA Europa League (UEL), i.e., the multiplier will be higher for the association whose clubs performed better. In the end, the values obtained internally are divided by 10. Consequently, the internal evaluation will depend on the external performance of the season in analysis. On the contrary, for external competitions, all the values given do not have any multiplier and are constant during all the period. Even though we recognize some limitations concerning our measuring tool, since it does not consider qualifying rounds[3] and the first rounds of knockout competitions, where lower division clubs compete from the beginning, this method was developed in order to quantify top clubs performance, as clubs with lower performances in the previous season are not compensated with additional points from each qualifying round they go through in knockout competitions, until all clubs are involved.

A. Internal competitions

As respect to the leagues in analysis, small changes were made in relation to the point evaluation system since the differences regarding the number of participants in each league is small. The fact that we have to consider second and third division[4] led us to build a formula in order to evaluate differently performances in different divisions. The formula used to obtain the final score from each league's performance is the following:

$$League\ score\ = \frac{\sqrt[league\ division]{position\ score} \times association\ coeficient\ for\ the\ season}{10}$$

Therefore, if analyzing the first and principal league's division, the position score will remain unchanged. On the other hand, if we consider the second division, the position score will be its square root; as well as the cube root applied for the third division and so on. Regarding the national cup and league cup (in countries where exists), we took into account the stage where

[3] In UEFA competitions, clubs who are not directly qualified for the group stage have to go through a qualifying stage.
[4] From season 2007-08 to 2013-14 Leicester City did not compete in the country's top division.

all the clubs are involved, since, in some cases, not all clubs from the top division start competing in the same stage. In the supercup, which is played by the first division winner and the cup winner (or runner up, if the winner is the first division champion) in the following season, clubs are automatically qualified for this competition and therefore, the runner up does not get any point. As mentioned above, all these competitions scores are multiplied for the association coefficient for the respective season and then divided by 10. Table 3 shows the internal competition's point system evaluation.

Table 3 - Internal competition's evaluation point system.

League						
	20 clubs	18 clubs	24 clubs		20 clubs	18 clubs	24 clubs
1.	160	160	160	13.	12	10	20
2.	110	110	115	14.	10	8	18
3.	80	80	85	15.	8	6	16
4.	65	65	80	16.	6	4	14
5.	50	50	75	17.	4	1	12
6.	40	40	70	18.	2	0	10
7.	35	35	50	19.	1		8
8.	30	30	45	20.	0		6
9.	25	25	40	21.			4
10.	20	20	35	22.			2
11.	16	16	30	23.			1
12.	14	14	25	24.			0

	Cup			League Cup			Supercup
Winner	60	60	60	40	40	40	20
Runner Up	40	40	40	20	30	30	0
Semi Finals	25	25	25	0	20	20	
Quarter Finals	15	15	15		10	10	
Last 16	0	5	10		0	5	
Last 32		0	5			0	
Last 64			0				

B. External competitions

For both UCL and UEL, we started to evaluate each clubs performance from the group stage, not considering previous qualifying rounds since some clubs are automatically qualified for this stage and do not have to play such rounds. Clubs that are eliminated in this stage do not receive any point, while the ones who progress will be scored in relation to the stage they achieve. UCL clubs, according to their performance, will have, in comparison with UEL

clubs, higher scores as a consequence of the greater competition's importance. How clubs qualify for these competitions will be explained next. Regarding the UEFA Supercup, even though being disputed by UCL and UEL winners from the previous season, it is also considered as played in the next season, as well as the FIFA Club World Cup, which is played by the winners of the most important competition in each confederation and the champion from the hosting country. For the UEFA Supercup, it was decided to adopt the same evaluation system used for national supercup: since both teams already received points for their performances in the respective competition, being automatically qualified for playing that competition, only the winner receives points. Concerning the FIFA Club World Cup, clubs from European and South American confederation only start in the semi finals and therefore, their performance is only valued if they achieve the final. External competition's point evaluation system is resumed in Table 4.

Table 4 - External competition's evaluation point system.

	UEFA Champions League	UEFA Europa League	UEFA Supercup	FIFA Club World Cup
Winner	400	180	100	100
Runner Up	280	120	0	30
Semi Finals	200	80		0
Quarter Finals	140	60		
Last 16	100	45		
Last 32	N/A	35		
Group Stage	0	0		

The PI is calculated through the addition of the internal evaluation system (IES) with the external evaluation system (EES) formula:

$$IES = \frac{\left(\sqrt[league\ division]{position\ score} + cup\ score + league\ cup\ score + supercup\ score\right) \times coeficient\ for\ the\ season}{10}$$

$$EES = UCL\ score + UEL\ score + UEFA\ Supercup\ score + FIFA\ Club\ World\ Cup\ Score$$

$$PI = IES + EES$$

C. External competitions qualification

Regarding the qualification for the external competitions (UCL and UEL), Table 6 shows the number of places for each association through internal qualification, which varies according to the association's UEFA ranking, that considers the previous five seasons. In season 2009-10 some changes were made in the UEFA competitions, which reflected on the number of

places for each country in UEL[5], as we can see in Table 5. Since then, considering the clubs and the leagues in analysis, each association qualifies, in general, 3-4 clubs for the UCL and 3 for the UEL. By winning UCL, clubs are automatically qualified for next season's UCL as well as UEL winners since 2015-16. When UCL winner does not qualify for that competition via national league (finishing below third or fourth place), it will replace the last qualified club (third or fourth place) in the competition. Clubs that finish third in UCL group stage are also qualified for UEL knockout rounds.

Table 5 - Association's number of clubs in UEFA competitions.
Source: UEFA

	Spain		England		Germany		Italy		France	
	UCL	UEL	UCL	UEL	UCL	UEL	UCL	UEL	UCL	UEL
2007-08	4	4	4	4	3	4	4	4	3	4
2008-09	4	4	4	5	3	4	4	4	3	4
2009-10	4	3	4	3	3	3	4	3	3	3
2010-11	4	3	4	3	3	3	4	3	3	3
2011-12	4	3	4	4	3	3	4	3	3	3
2012-13	4	3	4	3	4	3	3	3	3	3
2013-14	4	3	4	3	4	3	3	3	3	3
2014-15	4	3	4	3	4	3	3	3	3	3
2015-16	4	3	4	4	4	3	3	3	3	3
2016-17	4	3	4	3	4	3	3	3	3	3

According to the UEFA ranking, the three/four highest ranked clubs in the national league qualify for the UCL, while the next two (three, before 2009-10) highest ranked clubs qualify for the UEL, as well as the cup winner. In associations where league cup is played, its winner also qualifies for the UEL, replacing the second (or third) highest ranked club. If the cup or/and league cup winner has qualified for UCL or UEL, those spots will be replaced by the highest ranked club that did not qualified for the UEL. An additional place in the UEL may be attributed as a result of the UEFA Fair Play ranking, as shown by the increased number of clubs from England taking part in UEL in seasons 2008-09 (UEFA Cup), 2011-12 and 2015-16.

[5] UEFA Europa League replaced the UEFA Cup in 2009-10, with a mixed format (group stage and knockout rounds) instead of the previous knockout round.

CHAPTER 4: EMPIRICAL ANALYSIS

When football clubs are leveled, most of the times, the difference between success and failure relies on the fact if the ball goes in or not. Nonetheless, we want to know why some clubs are closer to put the ball in the goal than others, since "the ball doesn't go in by chance" (Soriano, F. 2011). Therefore, we will try to establish connections between sporting performance and some indicators that may explain the reasons behind success and failure, considering their resources and capabilities and how they exploit them in order to achieve good sporting performances. A set of football clubs was chosen, based on the top 15 clubs in terms of revenues generated in the season 2016-17, according to the DFML 2018 report. Despite only taking into account a small niche of clubs which does not demonstrate the general scenario of football clubs around the world, the existing trustfully data regarding these clubs allows us to establish some comparisons between them.

Table 6 – Top 15 highest earning football clubs in the season 2016-17.
Source: Deloitte Football Money League 2018

		Revenues (€m)
1.	Manchester United (ENG)	676.3
2.	Real Madrid (ESP)	674.6
3.	FC Barcelona (ESP)	648.3
4.	Bayern Munich (GER)	587.8
5.	Manchester City (ENG)	527.7
6.	Arsenal (ENG)	487.6
7.	Paris Saint-Germain (FRA)	486.2
8.	Chelsea (ENG)	428.0
9.	Liverpool (ENG)	424.2
10.	Juventus (ITA)	405.7
11.	Tottenham Hostpur (ENG)	355.6
12.	Borussia Dortmund (GER)	332.6
13.	Atlético de Madrid (ESP)	272.5
14.	Leicester City (ENG)	271.1
15.	Internazionale (ITA)	262.1

The report shows, as expressed in the table above, that these clubs are spread through the five most important football leagues in Europe, according to the UEFA ranking: Spain (3), England (7), Germany (2), Italy (2) and France (1). According to this distribution, almost 50% of these clubs come from the same country, mainly as a consequence of the three-year

broadcast cycle for the English Premier League (EPL), started in 2013-14. It is important to enhance that in these revenues, are not included players sales. Thus, these revenues are divided into three categories: broadcast (broadcast rights from participation in domestic leagues, cups and European club competitions), matchday (ticket and corporate hospitality sales) and commercial (sponsorship, merchandising, advertising, stadium tours and other commercial operations).

However, the revenue sum per se does not assure a good sporting performance. Therefore, evaluating how the revenues generated throughout a season are applied becomes essential. As mentioned on Chapter 3, it was created a tool with the objective to evaluate clubs' performances in the different competitions, considering the differences between the five countries' leagues.

With this, we wanted to establish a comparison between clubs' financial performance and sporting performance and identify which clubs have been applying their revenues most effectively and which clubs cannot match their revenues sum with the resources and capabilities exploitation. By applying these revenues on resources and capabilities in a consistent and coherent way, clubs are closer to achieve competitive advantage.

4.1. COMPETITIVE ADVANTAGE IN THE TOP 15 HIGHEST EARNING FOOTBALL CLUBS: INTERNALLY AND EXTERNALLY

As mentioned before, a tool was created in order to classify and score clubs' performance throughout the period of analysis. The PI analyses clubs' sporting performance in the last decade (since season 2007-08), enabling us to evaluate them, while concluding if they achieved or not (sustained) competitive advantage. According to Barney & Clark (2007), a firm has a competitive advantage when it is able to create more economic value than the marginal firm in its industry. As we previously stated, despite some exceptions, the main purpose of a football club is to have the best sporting performance, even if it has losses during that period, putting at risk its sustainability. Therefore, we will define competitive advantage as the capacity of a club to perform better than its opponents. In this perspective, it is possible to affirm that a club who has sustained competitive advantage is a club who constantly performs better than its competitors.

Table 7 - The VRIO framework adapted to the football context.
Source: Adapted from Barney, J. B., & Clark, D. N. (2007) Resource-Based Theory Creating and Sustaining Competitive Advantage

Is a resource or capability…						
Valuable?	Rare?	Costly to imitate?	Exploited by organization?	Competitive implications	Economic performance	Sporting performance
No	-	-	No	Competitive disadvantage	Below/Normal	Below normal
Yes	No	-		Competitive parity	Below/Normal	Normal
Yes	Yes	No		Temporary competitive advantage	Below/Normal/ Above	Above normal
Yes	Yes	Yes	Yes	Sustained competitive advantage	Above normal	Above normal

Still, in this work we look for the reasons that may lead to achieving that type of advantage. In that way, by adapting Barney & Clark's VRIO framework (2007), expressed in the table above, it is possible to conclude that clubs achieve sustained competitive advantage only if they are able to perform above normal at a sporting and economic level. In a medium/long-term perspective, a club with an above normal sporting performance but with constant losses, without being able to generate profits from its operational activities, will be in a position of overindebtedness, and may be forced to sell their valuable, rare, and costly to imitate resources, causing a possible decrease in its sporting performance. As so, clubs must find solutions in order to increase their revenues to cover their expenditures, while potentializing owned resources and capabilities to avoid decreasing sporting performance.

Since we are focusing on the highest earning football clubs in the world, it is expected that these clubs will perform better than the vast majority of their opponents. Thus, a club who regularly performs better than its rival has a sustained competitive advantage in relation to that club. If it performs better in one or two seasons but if it does not persist in time, we consider that club to have achieved competitive advantage in those particular seasons. Furthermore, by adapting Baumol, Panzar, & Willig (1982), we can consider that not only the defined opponents (such as rivals in the national league) a team faces are competitors, but also those who eventually may face in other competitions (internally and externally).

The clubs chosen for the study, present, in general, sustained competitive advantage in relation to those competitors that do not figure in this list, since they are the most successful in the leagues they compete and, therefore, the ones who tend to generate higher revenues.

Still, we consider that just a small group of these teams have achieved between them a real sustained competitive advantage, through good performances in a consistent way, on an internal level but also externally, supported by an effective application of the high volume of revenues generated during the period.

4.1.1. INTERNAL AND EXTERNAL ANALYSIS OF THE TOP 15 CLUBS' PERFORMANCE

For this part of the analysis, we will only consider the clubs from countries that have, at least two clubs in the DFML 2018 top 15: Spain, England, Germany and Italy. Since Paris Saint-Germain is the only French team in that top, it is not possible to establish accurate comparisons regarding its competitive advantage on an internal level.

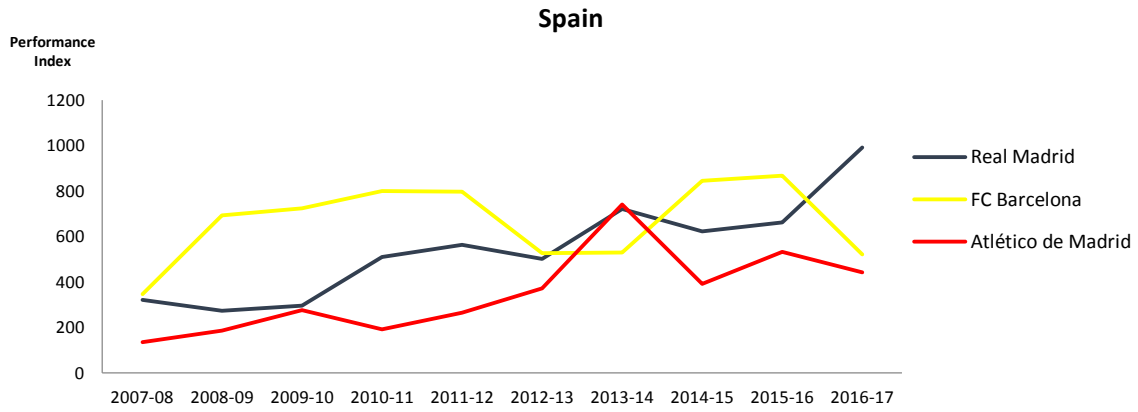

Figure 2 - Spanish clubs performance in the last decade.
Source: Adapted from the Performance Index in Chapter 3.

The figure above shows that FC Barcelona has achieved sustained competitive advantage in the last ten years, with better performances than their rivals in eight seasons. However, both Real Madrid and Atlético de Madrid increased their performances in this period, with Real performing better than Barcelona in two of the last four seasons. Therefore, we can consider that Real also achieved sustained competitive advantage since season 2012-13, with similar performances to Barcelona. Despite Atlético's performance growth, only in one season they performed better than their internal rivals, not constituting a long lasting competitive advantage.

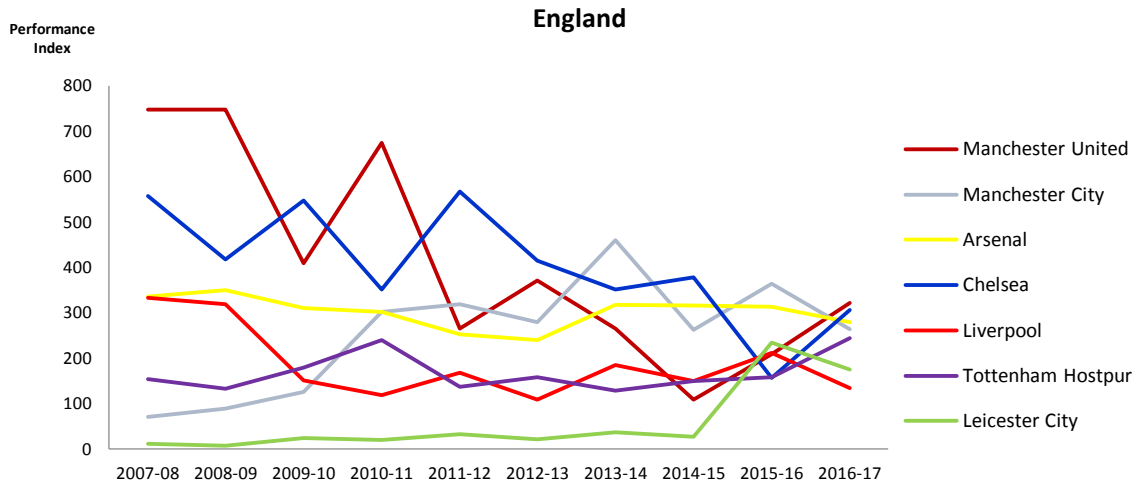

Figure 3 - English clubs performance in the last decade.
Source: Adapted from the Performance Index in Chapter 3.

Oppositely to what is presented in the previous chart, Figure 3 shows a balanced scenario, as a result of greater competitiveness between English top clubs. From a wider perspective, sustained competitive advantage cannot be found in the chart. Still, by looking for the first four seasons in analysis, we can consider that Manchester United achieved sustained competitive advantage, decreasing its performance considerably in the following years. On the contrary, Leicester City's performance is completely distinct from rivals, as a result of competing in lower divisions until 2013-14. The club's presence in the list can be explained by their league's win in 2015-16 and consequent participation in the UCL in the following season, which led to a great increase of revenues along with the broadcast deal for top division clubs in England. In the overall, Chelsea was the most consistent club in terms of good performances, despite its decline after 2011-12, while Manchester City was the club that grew the most, with poor results until 2009-10 but improving since then.

Figure 4 demonstrates the two best performing German clubs in the last decade. In that period, it can be seen a clear predominance from Bayern Munich over its biggest rival Borussia Dortmund, achieving sustainable competitive advantage during this whole period despite its rival's performance increase.

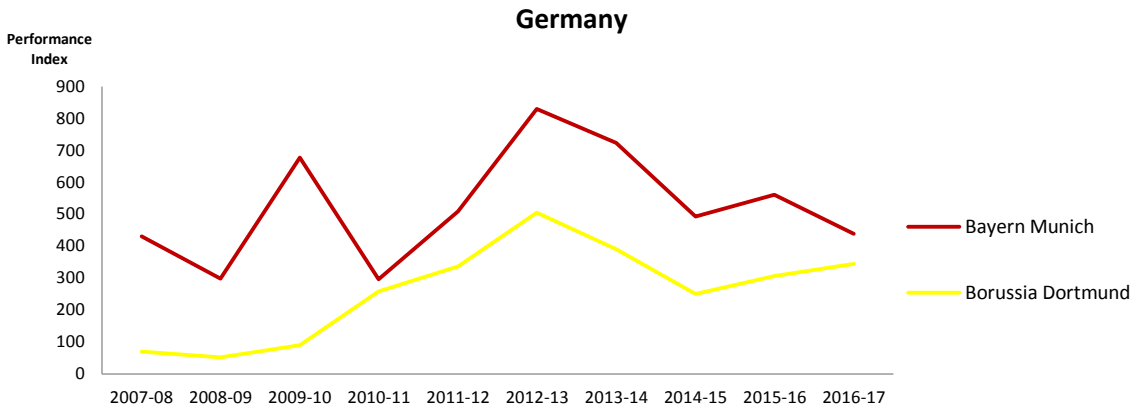

Figure 4 - German clubs performance in the last decade.
Source: Adapted from the Performance Index in Chapter 3.

The figure below, which analyses Italian clubs performance, on the other hand, shows two different scenarios. From 2007 to 2011, Internazionale achieved sustained competitive advantage in relation to Juventus. However, season 2011-12 marks a change in the general scenario of Italian football and regarding both teams' performances, with Juventus improving its performance in the following years, achieving sustained competitive advantage, while Internazionale performance shows a clear decline since 2009-10, without managing to achieve good performances after 2010-11.

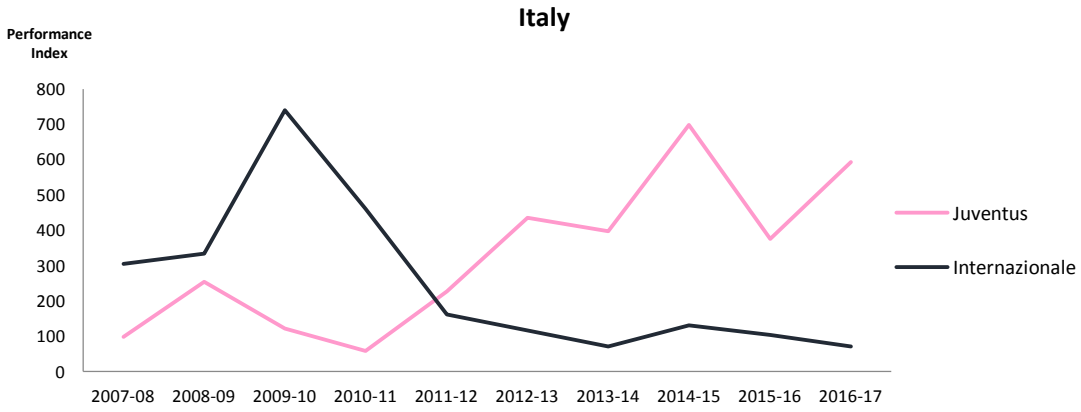

Figure 5 - Italian clubs performance in the last decade.
Source: Adapted from the Performance Index in Chapter 3.

From the analysis of the previous figures, and considering all the data presented in Appendix I, we can establish some conclusions regarding clubs' performance during this period, and if they were able to achieve sustained competitive advantage. During the period of analysis, only FC Barcelona and Bayern Munich managed to stay in the top five, on a sporting performance perspective, in the first five years and in the last five years of analysis, achieving sustained competitive advantage. Nonetheless, in terms of total performance points, Real

Madrid comes second, after FC Barcelona and before Bayern Munich, as a consequence of a great performance in the last five years. Manchester United and Internazionale, which figured in the top five regarding the first years, lost their competitive advantage and moved to the last five in the last five years, while any other English club achieved good performances externally in a consistent way after Manchester United and Chelsea's decline.

The Manchester United case is particularly worrying since in the first five years they were the best performing club internally and the second best externally, only after FC Barcelona, whilst in the last five years, even though generating the second highest value in revenues, their poor performance places them in the last five of the list, internally and externally. Juventus, on the contrary, whose performances made them figuring in the last five positions internally and externally, from 2007-08 to 2011-12, achieved the top five in both in the following period.

As a consequence of playing in lower divisions until 2014-15, Leicester City is unsurprisingly, the club with lower performance. However, in the last five years, the club achieved better external performance than Internazionale, who was the fourth best performing club externally in the first five years. The fact that Leicester City came from lower divisions and managed to win the EPL and reach the UCL quarter finals makes them the club with the greater growth (419%) from 2007-12 to 2012-17, followed by Juventus (230%) and Paris Saint-Germain (211%). Oppositely, Internazionale was the club who decreased its sporting performance the most (-75%), followed by Manchester United (-55%) and Chelsea (-34%). Considering the top three performing clubs, Real Madrid was the one who most improved (78%), with Bayern increasing by 38%, while Barcelona slightly decreased its performance (-2%).

In resume, considering the first five years, FC Barcelona was the club with better performance, followed by Manchester United and Chelsea. Oppositely, Leicester City had the lowest punctuation, followed by Paris Saint-Germain and Juventus. The top three in the last five years is composed by Real Madrid, who scored the higher number of points in the whole period, Barcelona and Bayern Munich. Leicester City's performance was still the lowest in the second period, followed by Internazionale and Liverpool. In general, taking into account the entire period of analysis, Barcelona, Real Madrid, and Bayern, were the best performing clubs as well (respectively), while Leicester City, Tottenham Hostpur and Liverpool are ranked as the worst performing clubs.

The Performance Index shows a great difference between overall first place (Barcelona, 6651 points) and second and third places (Real Madrid, 5468 points, and Bayern, 5259 points).

Such difference, which is even more perceptible in the first period, may be explained by unique historical conditions (Barney, 1991) as firms ability to acquire and exploit some resources depends on their place in time and space. In that way, such performance could be explained by the club's unique vision and strategy, an outstanding generation of athletes who came from club's youth academy, an effective recruitment that complemented the existing talent, as well as staff who shared the same visions, and able to exploit the existing resources to its full potential, suiting in the best possible way. Despite some changes in the squad and staff, mostly after 2011-12, such accomplishment in the first period allowed the club to keep its sustained competitive advantage in the following years, by keeping most of those valuable, rare, and costly to imitate resources.

4.1.2. PERFORMANCE AND REVENUES

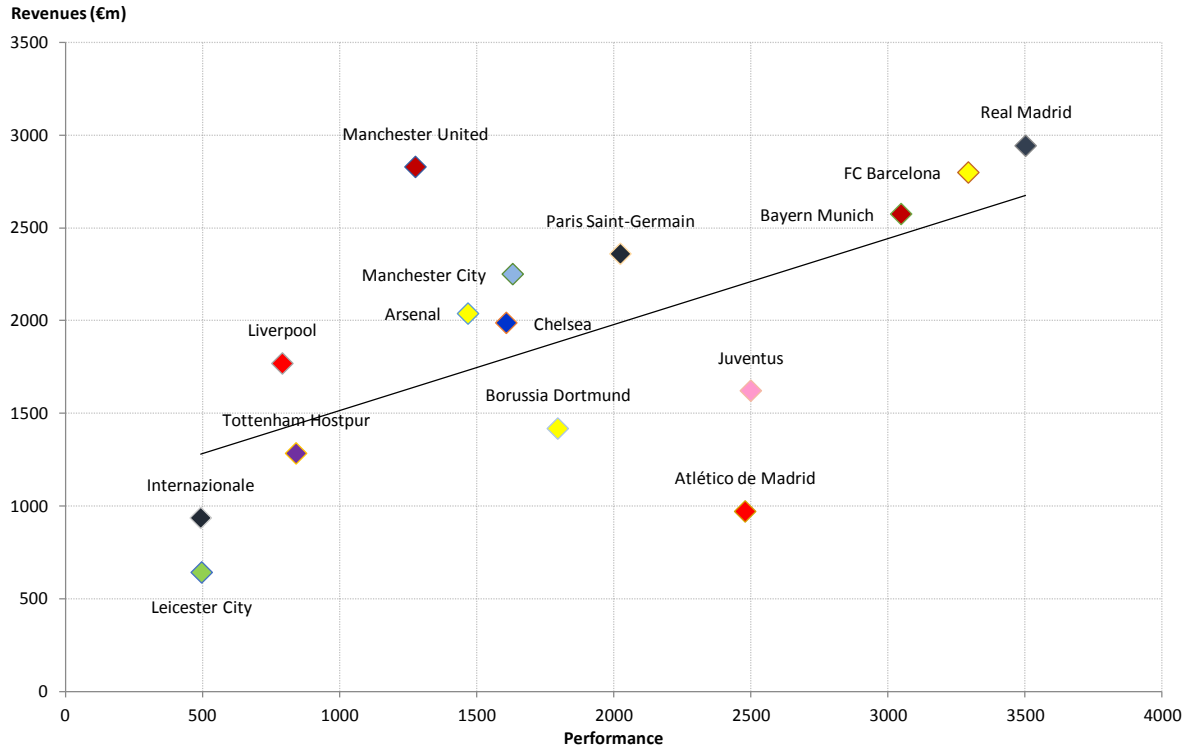

Figure 6 - Clubs' revenues and performance from 2012-13 to 2016-17.
Source: Adapted from Deloitte Football Money League 2018 and the Performance Index in Chapter 3.

From the revenues generated in the last five years (2012-13 to 2016-17), as shown in the figure above, it was established a relationship between these revenues and the clubs' performance during that period. The purpose of this was to know which clubs applied their revenues most (or less) effectively, in order to explore the reasons behind such great (or poor) use.

Figure 6 demonstrates that even though seven out of fifteen clubs in the figure are England based, neither achieved the first half (top seven), while all the Spanish and German clubs have. If the league's great competitiveness can explain more balanced performances internally, the level of revenues in the period shows that their external performance has been insufficient. Real Madrid, FC Barcelona and Bayern Munich emerge from the rest of the clubs as a result of great performances in the period.

Lin & Wu (2013) enhance that non-VRIO resources, such as financial resources, have less influence than VRIO resources. The fact that most of the English clubs did not manage to achieve satisfactory sporting performances, despite their high volume of generated revenues corroborates that theory and confirms the necessity of organizational processes to exploit the potential offered by these resources to achieve sustained competitive advantage (Barney & Clark, 2007). Nonetheless, the increasing competition and the necessity of clubs to have a sustainable approach, as a consequence of a constant inflation and UEFA policies (Financial Fair-Play)[6], enhances the importance of generating revenues: the increasing expenditures with transfers and wages must be covered by an increase of revenues. In fact, three out of the four clubs with more revenues generated in the period make the top three in terms of performance, which suggests the importance of investment to achieve such performances. Despite the revenues increase, by comparing the correlation between performance and revenues from the clubs present in both DFML 2013 and DFML 2018 (2007-08 to 2011-12 and 2012-13 to 2016-17, respectively), its explanatory power has decreased in the second period (0.6468 to 0.3792), as shown in Figure 6 and Figure 7, validating the theory of the necessity to look beyond revenues to understand the connection between sporting performance and revenues generated and how can clubs achieve competitive advantage in a sustainable way.

By looking at each club revenues and respective performance from 2012 to 2017, we conclude that the most efficient, in terms of generating sporting performance through revenues appliance, was Atlético de Madrid, scoring 2.56 points per million received, followed by Juventus and Borussia Dortmund (1.54 and 1.27, respectively). In fact, Atlético's performance must be highlighted since, in an efficiency perspective, they scored one more point than the second best club. In relation to the global top three clubs, Real Madrid has the fourth best ratio (1.19) while Bayern and Barcelona have the fifth (1.18) and sixth (1.18),

[6] Implemented in the season 2011-12, the UEFA Financial Fair Play was created to "prevent professional football clubs spending more than they earn in the pursuit of success and in doing so getting into financial problems which might threaten their long-term survival".

respectively. On the contrary, Liverpool has the worst ratio with 0.45 points per million generated, followed by Manchester United (0.45) and Internazionale (0.53).

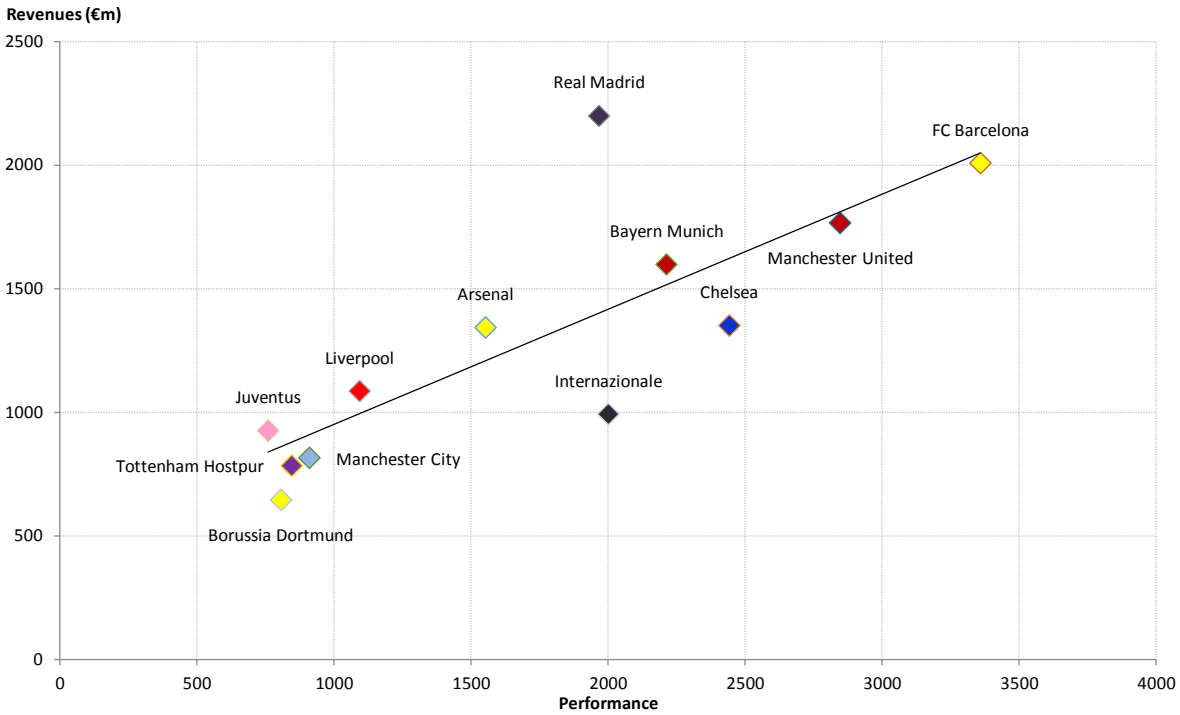

Figure 7 - Clubs' revenues and performance from 2007-08 to 2011-12.
Source: Adapted from Deloitte Football Money League 2013 and the Performance Index in Chapter 3.

4.2. ACHIEVING COMPETITIVE ADVANTAGE IN FOOTBALL THROUGH DYNAMIC CAPABILITIES

First and foremost, it is important to recall and define what resources and capabilities are in this work. In this way, a resource is "a useful or valuable possession or quality that a person or organization has". As mentioned by Daft (1983), the resources in this work's perspective include all assets, capabilities, organizational processes, information and knowledge controlled by a firm that enables the firm to implement and conceive strategies that improve its efficiency and effectiveness. On the other hand, Helfat (2007) defines capabilities as the "ability to perform a particular task or activity".

As explained before, it was decided to adopt Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece, & Winter (2007) definition of the concept of dynamic capabilities for our study. The concept affirms that a dynamic capability is the "capacity of an organization to purposefully create, extend, or modify its resource base". In that way, since capabilities, as a bundle of processes, cannot be acquired, they have to be developed, consisting in the creation of new capabilities or through the improvement of existing ones, from organizational learning

processes (Zollo & Winter, 2002) and investment processes (Maritan, 2001). As so, through the analysis of the clubs in Figure 6, and considering the moderate explanatory power of revenues in relation to sporting performance (0.38), we will look for similarities and differences between such clubs processes, through some indicators that may express the reasons behind good or poor use of their resources and capabilities.

4.2.1. CREATING THE RESOURCE BASE

According to Helfat (2007), the creation of a resource base in companies relies on "obtaining new resources through acquisitions and alliances, or as through innovation and entrepreneurial activity". Either if the strategy is done through acquisitions or by product development, it will involve search and selection of acquisition candidates. In that way, and considering the subject of analysis in this work, we defined these resources as intangible, heterogeneous and unique. This intangibility is related to the potential these human resources own, although with different characteristics and skills between them, conferring heterogeneity and uniqueness to these resources as well.

Therefore, clubs can recruit players from two ways: internally and externally. Internal recruitment is mostly made through youth academies (B squads can also be a source of internal recruitment), by developing talents since young ages with the purpose that they become valuable assets in the future, progressing in the employer club or to be sold to wealthier clubs, depending on the club's vision, financial strength and ability to retain those assets. This solution takes much more time and the risk of failure increases, since its potential may not turn into actual value, but at a cheaper cost. On the other hand, external recruitment comprises three possibilities: temporary (on loan), usually cheaper and less risky then acquisitions since contracts have a shorter term; permanent paid transfer from other clubs; and permanent free transfer (players without contract). Recruiting internally and externally are complementary and do not depend on each other. Interviewee A believes that having a basis of players recruited internally in addition with some recruited externally is the best solution. It is important to highlight that clubs can also be in the market for staff. The difference between each process of recruitment relies on the fact that staff can only be acquired from other clubs on a permanent way or by free transfer. However, in this work we will only focus on players.

4.2.1.1. PLAYERS RECRUITMENT

As mentioned above, recruitment can be made internally, via clubs' youth academies, or externally, through three different methods: on loan, permanent paid transfer or permanent free transfer.

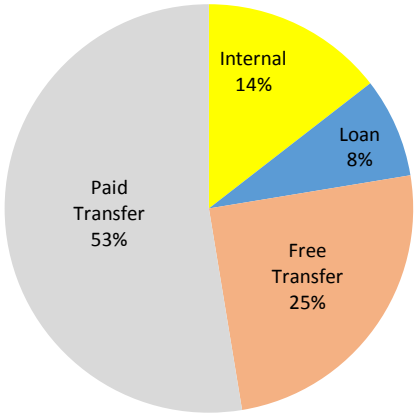

Figure 8 - Recruitment type used for players in the squad in the top five European leagues (October 2016).
Source: CIES Football Observatory: Recruitment strategies throughout Europe.

In the five countries we have been analyzing in this chapter, we conclude, from Figure's 8 observation, that more than half of the recruitment has been made through permanent paid transfers while a quarter through free transfer. Nonetheless, these numbers vary from country to country, as demonstrated in Table 8.

Table 8 - Recruitment type used for players in the squad by league (October 2016).
Source: CIES Football Observatory: Recruitment strategies throughout Europe.

	Internal	Loan	Free Transfer	Paid Transfer
La Liga (ESP)	19.2%	14.1 %	31.1%	35.6%
Premier League (ENG)	8.5%	3.7%	16.6%	71.2%
Bundesliga (GER)	11.3%	4.8%	23.2%	60.7%
Serie A (ITA)	9.9%	11.3%	21.9%	56.9%
Ligue 1 (FRA)	23.8%	5.1%	31.8%	39.3%

The table shows that both France and Spain's percentage of internal recruitment is clearly above the average (15%) while the number of paid transfers is below (52%). Such results can be explained, on one hand, by the lack of financial resources from French clubs in general, leading to the exploitation of their own resources, as searching for free deals. On the other hand, despite the difference on the average budget (approx. 60 million € more), Spanish clubs tend to recruit less through paid transfers, while the number of loans almost triples. Internal recruitment comes, in general, as a common strategy and vision, demonstrated by the null

correlation between both variables (budget and internal recruitment). However, as expected, budget's disparities will influence recruitment in both countries, as clubs with lower budgets are forced to recruit internally, proved by a correlation above 0.60 for both countries last third clubs in terms of budget for the season. By establishing another comparison, even though German Bundesliga clubs have, on average, a similar budget than Spanish clubs, disparities between clubs with the highest and lowest budget are much smaller. As a consequence, clubs with fewer resources will not be as forced to recruit internally, as the correlation of 0.36 demonstrates. Still, players' acquisition through paid transfers is 25% more, while internal recruitment is less 8%. As a result of higher budgets, the EPL is, with some distance, the league where paid transfers have the biggest impact. The contrast with La Liga clubs is evident, as the percentage of paid transfers doubles, while internal recruitment is less than half.

Table 9 - Recruitment type used for players in the squad in the top 15 highest earning teams in the season 2016-17. Source: CIES Football Observatory: Recruitment strategies throughout Europe.

	Internal	Loan	Free Transfer	Paid Transfer
Real Madrid	7.7%	0%	3.8%	88.5%
FC Barcelona	26.9%	3.8%	7.8%	61.5%
Atlético de Madrid	17.4%	0%	17.4%	65.2%
Manchester United	11.1%	0%	7.4%	81.5%
Manchester City	8.3%	0%	4.2%	87.5%
Arsenal	21.4%	0%	3.6%	75%
Chelsea	12.5%	0%	0%	87.5%
Liverpool	7.4%	0%	18.5%	74.1%
Tottenham Hotspur	17.4%	0%	4.3%	78.3%
Leicester City	8%	0%	20%	72%
Bayern Munich	18.2%	4.5%	9.1%	68.2%
Borussia Dortmund	10.7%	0%	14.3%	75%
Juventus	11.1%	7.4%	11.1%	70.4%
Internazionale	7.7%	0%	15.4%	76.9%
Paris Saint-Germain	32%	0%	4%	64%

As it would be expected, by comparing Table 8 and Table 9, the percentage of paid transfers regarding the top 15 highest earning clubs is always above the league average, since these clubs tend to present higher budgets, as a consequence of higher revenues. Oppositely, the percentage of loans is null in most cases. In the same way, only two clubs have a percentage of free transfers above the league's average (Liverpool and Leicester City). Concerning the percentage of internal recruitment, which will be subject of analysis later in the chapter, 53%

of the clubs on the list have a percentage of internal recruitment above each league's average and 40% regarding the average of the big five leagues. By looking at Figure 7, which analyzes the clubs' revenues and performance in the period 2012-17, and considering the given percentages in Table 9, we can conclude that four out of the six best performing clubs have an internal recruitment percentage above the general average (FC Barcelona, Atlético de Madrid, Bayern Munich and Paris Saint-Germain). Besides, also four out of six clubs have a percentage above their own league's average (FC Barcelona, Bayern Munich, Juventus and Paris Saint-Germain). As so, we can conclude these clubs managed to be effective in both strategies (internal and external), by developing club-trained players, assuring the club's identity through homegrown players, while being effective in recruiting externally. Another interesting point is that the best performing club in the period (Real Madrid) has the second lowest percentage in the table regarding internal recruitment. Therefore, such success can be mostly explained from an effective recruitment through paid transfers, since the number of loans and free transfers is insignificant. On the other hand, even though some English clubs have internal recruitment percentages above the league average (four out of seven), the number decreases on the general perspective (two out of seven). Considering that 79% of these clubs' recruitment is done through paid transfers, it is possible to affirm that it has been ineffective, considering their poor sporting performances in the last years.

These differences can also be seen on an expenditure perspective, as Table 10 shows. Even though internal recruitment does not seem to have any relation with the expenditure fees, regarding loans and free transfers, as the fees decrease the percentages of these recruitment types increase. Oppositely, concerning paid transfers, as fee expenditures decrease, paid transfers percentage also decrease. As expected, clubs who spent most have similar percentages to the average of the 15 list club: 14.5% and 15.8% (internal); 1% and 2% (loan); 9.4% and 7.7% (free transfer); and 75% and 74.5% (paid transfer).

Table 10 - Recruitment type used for players in the squad by fee expenditure (October 2016).
Source: CIES Football Observatory: Recruitment strategies throughout Europe.

	Internal	Loan	Free Transfer	Paid Transfer
> 200 million €	15.8%	2.0 %	7.7%	74.5%
50 – 200 million €	10.3%	6.7%	18.4%	64.6%
25 -50 million €	18.6%	7.2%	25.0%	49.2%
< 25 million €	15.3%	13.3%	42.8%	28.6%

As respect to the ineffectiveness mentioned above from English clubs, it may be a result of an inadequate scouting. The concept of value, according to Barney & Clark (2007) must "enable a firm to conceive and implement strategies that improve its efficiency and effectiveness". Still, considering that human resources are intangible, heterogeneous and unique, people's insight regarding these characteristics, as the evaluation of these assets value, will be subjective, depending on which characteristics and attributes people value the most. Thus, scouts evaluation will vary, in general, between countries of origin or club's vision, as consequence of different backgrounds and culture. By focusing on our analysis and the big five leagues, it is possible to verify different methods of evaluation and selection. In general, in the English and French football culture, physical attributes such as strength, speed and aggressiveness may have predominance over the rest. On the contrary, scouts in Spain focus more on mental attributes such as the ability to understand the game or decision making and technical attributes, as corroborated by Interviewee A and C. In a different perspective, the English scout tend to give more relevance to quantitative data rather than qualitative, taking more time on decisions, while in Portugal, a successful country in this matter because of the clubs' great financial return made from the sales of several talents discovered in young ages, the analysis is based on qualitative analysis, with the decision process being much faster despite the higher risk associated to that decision. Nonetheless, such practices are not exclusive of a specific country and some clubs may have different procedures from what is usually done in each country, depending on their vision and strategies.

Following Argyres (1995) and Teece (1996) theory regarding structural assets, where "the formal and informal structure of organizations and their external linkages have an important bearing on the rate and direction of innovation, and how competences and capabilities co-evolve", a well-organized and functional scouting department will allow a club to save money as a result of a more efficient and accurate recruitment. When there is communication and confidence between all the parties involved on the process of acquiring a player, as the coach's need to strengthen the squad, the observation done by the scouting department, the approval from the financial department and the final decision from the main responsible: the club's chairman or chief executive officer (CEO); while the vision shared between each other is similar, the possibilities that the recruitment is made effectively are considerably higher. As mentioned by Interviewee C, greater trust between the parties involved will accelerate the recruitment process. As so, the size of a department is not entirely related to the club's performance, even though we recognize its importance since, when working effectively, it can

provide more information so that the decision made will be better. In this way, communication assumes greater relevance.

In this way, the sporting director role has been assuming an increasing importance in football clubs' structure, as a key element to the development of the implemented strategy, according to Interviewee C, by assuring the coordination between the whole football side and the board. The sporting director can be responsible for establishing a common philosophy at the club, from youth academy to the main squad, as well as the common style of play in the club, while building an own club's identity that fans can be proud of, which tends to be more relevant in an era where clubs are run as companies, and where financial return tends to prevail more and more in relation to sporting performance. Besides, they must be the link between football departments and the head coach, as well as between the head coach and the CEO/chairman, discussing and explaining all the decisions made at a lower level, such as recruitment, selling, extending contracts or other decisions from the head coach. The fact that clubs have this role in their organizational structure, not only allows the head coach to be focused only on technical, tactical, mental or physical features but also permits a better planning for the whole football structure as well as a clearer and effective vertical and horizontal communication between departments.

The difference between most English clubs and most continental European clubs regarding the sporting director role may explain some differences in the effectiveness of the recruitment process and, consequently, clubs' sporting performance. In England, the functions of the sporting director are, in most cases, given to the head coach, which is commonly known as manager. In continental Europe, there is a separation from the two roles, with a sporting director and a head coach in the organizational structure. Nonetheless, according to Interviewee C, these clubs are starting to be aware of the importance of the sporting director. In addition, the increasing number of investors in English clubs led to a greater focus on financial return instead of sporting performance. As so, considering the inexistence of the sporting director role, it is frequent that manager's needs are not satisfied by the CEO/chairman since there is not a link between the board and the technical staff, with the ability to act as an intermediate between both parts. With a separation of roles and responsibilities, not only efficiency in the recruitment will tend to increase but communication will improve between the parts involved in the decision making process.

Nonetheless, the risk of failure associated with the recruitment process is a bigger concern for clubs with less resources, especially when it is related with young players (for this matter, we will consider until 23 years old). These clubs make a living by acquiring young players, developing them so they can be sold in the future, assuring a great financial return for the club. This happens in most clubs, since they cannot compete with the financial strength of bigger clubs, being forced to sell these players in the future. Oppositely, clubs as we analyze in this work, recruit from these smaller clubs, since they have the financial capability to acquire such players when they are more maturated, where the risk of failure is smaller when comparing to recruiting younger players. However, the cost of these resources tends to be considerably higher comparing when they were first recruited. Still, inflation in football along with the introduction of UEFA's Financial Fair Play (FFP), as well as increasing competition, has led bigger clubs to change their attitude and strategy regarding recruitment, focusing on anticipation and acquiring young talent. This creates a great challenge for all clubs: those who must recruit to develop so they can be sold later, assuring a good financial return, have to acquire these players at an even younger age since they have now the competition of the wealthiest clubs; and those who acquire young talent and have to face a big competition with clubs who are willing to pay great sums for very young talent as well. Therefore, the risk increases for both types of clubs, although such fees have more impact on those who make a living by recruiting, developing and selling. If a recruited player does not perform accordingly to its expected potential, clubs can sell that asset for a lower value, losing money between the buy and sell. However, if for wealthier clubs, not having any financial return from the sale is not very relevant; for clubs which make a living of buying for lower prices to sell in the future for higher prices, not having financial return creates a considerable impact on clubs' finances.

In this way, expected potential not always meets the expected performance. When the transfer cost is higher, expectations regarding the player value and expected performance tend to increase. If the context where they compete is not favorable to achieve good performances, as well as some incapability to lead with high expectations concerning their added value, players' underperformance may occur. Such situations may be a consequence of lack of confidence between the head coach and the player, general lack of communication in the club or difficulties on adaptation to a different country/city or even club.

As shown in Table 11, even wealthier clubs as the ones we analyze tend to recruit such young players, avoiding paying higher sums for the same players in the future. As a result of financial strength, clubs are more available to pay such fees for these players even though they are not maturated. However, it is also possible to verify that some clubs on the list who

do not have the same financial strength still choose to recruit young players (with lower potential, presumably), not only for their own benefit but also with the purpose that they achieve great performances and as a consequence, to be sold later for wealthier clubs, generating great profits.

Table 11 - Average age of recruitment in the most/least oriented clubs on the recruitment of young players. (October 2016) Source: CIES Football Observatory: Recruitment strategies throughout Europe.

Youngest recruits			Oldest recruits		
1.	Real Madrid (ESP)	22.53	10.	Sevilla FC (ESP)	26.51
2.	RB Leipzig (GER)	22.62	9.	FC Metz (FRA)	26.60
3.	Bayer 04 Leverkusen (GER)	23.07	8.	RC Deportivo (ESP)	26.61
4.	Borussia Dortmund (GER)	23.30	7.	En Avant Guingamp (FRA)	26.64
5.	Tottenham Hostpur (ENG)	23.35	6.	AS Nancy (FRA)	26.79
6.	1. FSV Mainz 05 (GER)	23.61	5.	Watford (ENG)	27.20
7.	Bournemouth (ENG)	23.68	4.	SM Caen (FRA)	27.21
8.	Liverpool (ENG)	23.75	3.	Chievo Verona (ITA)	27.24
9.	Manchester United (ENG)	23.92	2.	RCD Espanyol (ESP)	27.66
10.	Girondins de Bordeaux (FRA)	24.00	1.	Cagliari (ITA)	28.52

The table shows that 50% of the more oriented clubs to recruit young players belong to the top 15 clubs with higher revenues generated. It is important to mention that footballers from the youth academy are not considered, while regarding players returning from loan it is taken into account the date where they were first recruited by their employer club. The fact that these clubs recruit younger players can be a consequence of the inability to recruit internally. Actually, from the clubs in the table above, only Tottenham Hotspur presents an internal recruitment percentage above the average, which may lead to the conclusion that club's vision and strategy is achieving good sporting performances with younger players. This will allow the squad to be stable over the years, if they are able to keep their key players in the squad.

Nevertheless, buying younger players per se it is not a sign that a club is financially strong. As we mentioned, it may reflect the board's vision regarding the club's transfer policy with the purpose to make profit from future sales. Still, in general, considering players until 23 years old, the more experienced they are, the higher the chances that their future performance is better. Therefore, the cost of transfer will be higher for those who evidence more experience.

The "experience capital method" is an indicator developed by CIES Football Observatory which allows to evaluate the under 23 players' experience in matches played in adult

championships. To calculate the experience capital, are attributed "different values to matches according to an exclusive classification method that takes into account the performance of national association representatives in European club competitions, the division of the employer club in the domestic league and results achieved". Considering that the level of experience and potential will determine players' price, it is likely that English clubs are those who recruit players with more experience (19.8), as a consequence of their financial strength, while French clubs have the lowest value (13.0), because of fewer financial resources. In second place comes La Liga (17.1), followed by the Italian Serie A (15.4) and the German Bundesliga (14.7). All these values only consider the players experience during the year prior to transfer. The fact that La Liga clubs present the lowest percentage of paid transfers (35.6%) but the second highest in terms of capital experience, may indicate a greater criterion regarding the purchase of new players.

Table 12 - Clubs recruiting the most/least players in the spotlight (October 2016).
(Experience capital accumulated during the year prior to transfer)
Source: CIES Football Observatory: Recruitment strategies throughout Europe.

Highest experience capital			Lowest experience capital		
1.	Manchester City (ENG)	33.3	10.	FC Metz (FRA)	10.6
2.	Real Madrid (ESP)	30.4	9.	Empoli (ITA)	10.2
3.	Manchester United (ENG)	30.3	.	C.A. Osasuna (ESP)	10.1
.	Chelsea (ENG)	30.3	7.	Palermo (ITA)	10.1
5.	Bayern Munich (GER)	30.1	6.	Angers SCO (FRA)	9.1
6.	FC Barcelona (ESP)	29.6	5.	SC Bastia (FRA)	8.7
7.	Juventus (ITA)	29.0	4.	Crotone (ITA)	8.5
8.	Paris Saint-Germain (FRA)	28.6	3.	Dijon FCO (FRA)	8.1
9.	Atlético de Madrid (ESP)	26.8	2.	SV Darmstadt 98 (GER)	8.0
10.	Liverpool (ENG)	26.7	1.	AS Nancy (FRA)	7.5

By analyzing Table 12 and Table 6, we conclude that the top 10 of clubs that recruited most experienced players is exclusively composed by clubs figuring in the top 15 of highest earning clubs. This is a result of financial power and the necessity to recruit the best players in order to be competitive.

The table above shows some differences and similarities in relation to the previous table. By focusing on clubs who recruited players with a higher experience capital accumulated, it is possible to find four English clubs, but only Manchester United and Liverpool take place in both tables. The same happens with Real Madrid which is the only Spanish team in Table 11, although joined by the two internal rivals in Table 12. From the top 10 performing teams in

Figure 6, only two are not represented in Table 12: Arsenal and Borussia Dortmund. Even though appearing in both tables, Manchester United and Liverpool do not figure in the top 10 best performing clubs, meaning that although having similar practices in terms of recruitment, those common patterns do not assure success. On the other side of the table, it is possible to verify that half of the clubs is French, a sign of the incapacity to spend more in experienced players. To resume, Table 12 shows that independently of the club's vision and strategy regarding recruitment, when there is financial strength, it is easier to recruit the players who expected performance is less dubious.

4.2.1.2. YOUTH ACADEMIES

The football business growth led to an increment of clubs' revenues. From 2012 to 2017 the 15 clubs considered for this study had, on average, their revenues increased by 126%. Therefore, with such boost, clubs increased their wages and transfer budgets, leading to a general raise of 114% on the expenditures regarding the acquisition of new players during that period in the big five leagues (Transfermarkt). However, with the UEFA FFP implemented, a bigger control on clubs' earnings and expenditures was made to promote their sustainability. Consequently, to avoid such investments, clubs have the possibility to recruit internally, by discovering young players and developing them on their academies. Still, the more promising young players are, the rarer they will be, constituting a source of sustained competitive advantage for the clubs who recruit them. As mentioned by Barney & Clark (2007), "as long as the number of firms that possess a particular valuable resource (or a bundle of valuable resources) is less than the number of firms needed to generate perfect competition dynamics in an industry, that resource has the potential of generating competitive advantage".

UEFA defines players' training clubs as the ones who have employed athletes for at least three seasons between the age of 15 and 21. On average, the percentage of club-trained (CT) players among squads in the big five leagues was 17%, while the average in the top divisions from the European top 31 leagues was 21.2%. Considering each big five league's average percentage of club-trained players and the average percentage of internal recruitment presented in Table 8, a strong correlation (0.80) between both variables can be verified, as shown in Figure 9.

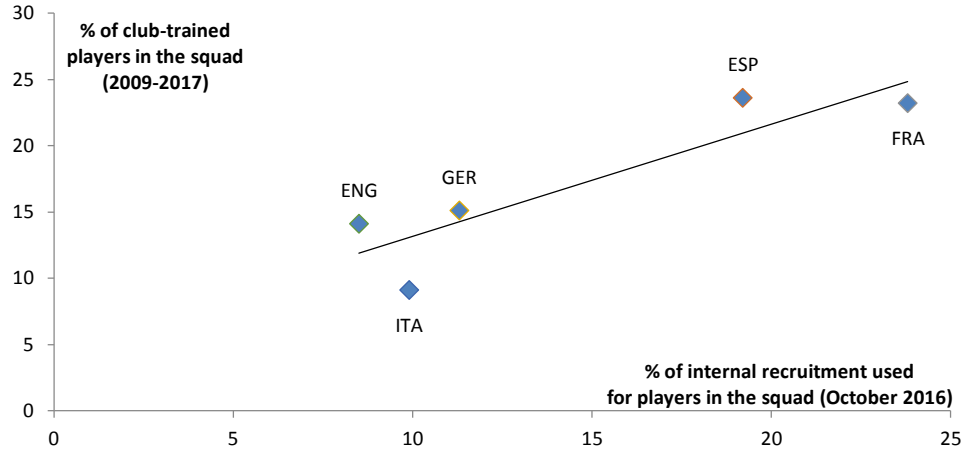

Figure 9 - Percentage of club-trained players and of internal recruitment in squads in the big five leagues. Source: CIES Football Observatory: A comparative analysis of club-trained players in Europe; CIES Football Observatory: Recruitment strategies throughout Europe.

As with Table 8, this figure evidences a considerable gap between La Liga and Ligue 1 and the other leagues, even though La Liga's higher value in relation to Ligue 1 (23.6 and 23.2, respectively) contrarily to what was presented in Table 8. The Bundesliga has the third highest value (15.1%), followed by the Premier League (14.1), while Serie A presents the lowest percentage (9.1%). Considering the variables' distinct periods of analysis, a negative difference between the percentages of CT players in the squad and the internal recruitment used could express a decrease in the youth academy's exploitation for a strategy based in external recruitment. Still, even though those existing negative differences in the Premier League (-5.6%), La Liga (-4.4%) and Bundesliga (-3.8%), the values presented are so small that become almost irrelevant, and therefore, based on the data collected, it is not possible to affirm that there is a change of strategy from the clubs in general.

How the clubs which we focus in this study exploit their own developed resources must be a subject of analysis to evaluate its possible connection to sporting performance. Therefore, we analyze in the table above how many clubs from the ones we study enter in the top 55 of most productive training clubs, and how effectively these clubs have maximized their investments on players' development. We assumed for each team a squad of 26 players, since the average of players per club in the big five leagues was 25.94.

This list takes into account first team squad members who played in domestic league games until October 1st of the season in analysis or having played in adult championships during each of the two previous seasons. It is important to distinguish the concepts of club-trained CT player and internal recruitment, since a CT player can be recruited externally and a player who is recruited internally does not imply to be a CT player. While the first concept focuses on players which have been in the club for three years between 15 and 21 years of age, the

second only considers how and where they were recruited. Thus, a player which has spent at least three years on a club's academy and is sold to another club, returning to the former club again, can be categorized as a CT player recruited externally. On the contrary, a player who is recruited for the youth academy or B squad and moves to the main squad in a period under three years cannot be considered a CT player even though being recruited internally. As so, there will be some differences between the internal recruitment column in Table 9 and the percentage of CT players in the squad in Table 13. By assuming an average squad size of 26 players, it is possible that some values will be a little above or below from what would be expected, which may also explain some differences between the values in both tables.

Table 13 - Most productive training clubs and exploitation of own resources (October 2016).
Source: CIES Football Observatory: Training Clubs: Real Madrid and Ajax head the rankings, Barcelona downgrades.

		In	Out	Total	CT players in the squad
1.	Real Madrid	7	34	41	28.0%
2.	FC Barcelona	7	30	37	28.0%
3.	Manchester United	6	28	34	24.0%
4.	Olympique Lyonnais	12	17	29	48.0%
5.	Athletic Club de Bilbao	17	8	25	68.0%
6.	Real Sociedad	16	9	25	64.0%
7.	Roma	3	21	24	12.0%
8.	Arsenal	9	13	22	36.0%
9.	AS Monaco	5	17	22	20.0%
10.	Stade Rennais	4	18	22	16.0%
13.	Paris Saint-Germain	7	14	21	28.0%
20.	Bayern Munich	5	13	18	20.0%
.	Atlético de Madrid	5	13	18	20.0%
24.	Tottenham Hostpur	5	12	17	20.0%
28.	Internazionale	4	12	16	16.0%
40.	Chelsea	3	10	13	12.0%
48.	Manchester City	1	11	12	4.0%

The table above shows that the three most earning clubs are also those who produced more players performing in the big five leagues, despite the moderate correlation between both variables (0.43). With exception to Juventus, Borussia Dortmund, Liverpool and Leicester City, all the clubs that figure on the highest earning clubs' list are also in the top 55 of most productive clubs. By comparing these 11 clubs' sporting performance and the number of players each club produced competing in the big five leagues, it is possible to conclude that the correlation is even lower (0.31), and therefore, cannot be a significant reason to explain

clubs success at a sporting level. In relation to Table 8, the top 55 of most productive clubs presents similar conclusions, although some of the teams figuring in this list were in the second division when the study was presented: French clubs were the most productive (296 players from 16 clubs), followed by Spanish (248 from 12 clubs), German (123 from 9 clubs), English (111 players from 6 clubs) and Italian (103 from 6 clubs). Despite not belonging to the big five leagues, clubs as River Plate and Boca Juniors (ARG), Feyenoord and Ajax (NED), Dinamo Zagreb (CRO) and Sporting CP (POR) are also present in this ranking, with a total of 78 players competing in the big five leagues. This number enhances the importance of clubs out of the big five as a good base of recruitment, since they cannot compete financially with a considerable number of clubs within these leagues. In the same perspective, the fact that four clubs from this list were, at the time, in lower divisions, must be mentioned as well. By analyzing these clubs, we can affirm that Spanish clubs are the most efficient, with each club on the list producing on average 20.7 academy players competing in the big five leagues, followed by English and French clubs (18.5).

However, it is important to understand how clubs' academies can exploit their resources in order to supply the main squad with talent in the future. The ECA Report on Youth Academies in Europe (2012) presents some data regarding clubs' strategies and practices in relation to their own product development. It is important to refer that the data collected in that report concerns clubs from different categories, as it is expressed in the FIFA circular no. 1299[7]. As so, it is expected that the 15 clubs in analysis belong to category I.

On this study, it was evaluated which factors are the most relevant to an academy's success, which is demonstrated in Table 14. Thus, the top five most important critical success factors CSF were: (1) the vision of the board regarding the transition strategy of academy players into the first team; (2) the staff qualification and experience; (3) the existence of communication between youth academies and first team; (4) the implementation of a common football development vision for the whole club; and (5) an effective recruitment of young talents. On the other hand, the most important barriers for youth academy's success and proper and efficient functioning were, according to the study: (1) the lack of vision/strategy from clubs; (2) the fierce competition with other clubs for talent recruitment; (3) the pressure from player agents; (4) the limited academy budget; and (5) the insufficient working conditions.

[7] According to FIFA circular no. 1299, clubs are classified considering their training costs, i.e., each club's expenditure for training young players. As so, clubs are divided in four categories, where category I is the one with a higher expenditure and category IV is the one with a lower expenditure.

Table 14 - Most important critical success factors and constraint factors for youth academies (YA). Source: ECA Report on Youth Academies in Europe (2012)

	Critical Success Factors		Constraint Factors
1.	Board's vision and transition strategy	1.	Lack of vision/strategy
2.	Qualified/experienced staff	2.	Competition for talent
3.	Communication 1st team – YA	3.	Player agents
4.	Implementation of a development vision	4.	Limited budget
5.	Effective recruitment of talent	5.	Insufficient working conditions
6.	Sufficient academy budget	6.	Low degree of professionalization
7.	State of the art training centre	7.	Lack of development vision
8.	Competitive environment for players	8.	Limited communication with 1st team
9.	Professional support services	9.	Lack of protection/compensation
10.	YA involved in decision making system	10.	YA not involved in decision making process
11.		11.	Heterogeneity of players

Interviewee A enhances the importance of qualified staff as a main success factor for youth academies, as well as the support given to young athletes, infrastructures quality, and the recruitment of youth talent. In a managerial perspective, the common vision and strategy for the club (academy and professional football), besides the importance of communication between all departments involved is also highlighted by Interviewee A. Regarding the youth academies objectives towards the production of players, according to the study, 88.3% of the academies have the objective to produce players for the first team; 74.5% want to produce players so they become professional; 48.9% of the clubs have the purpose to turn their youth players into economic added value; and 40.4% takes results with the youth teams as a relevant target. Nonetheless, "clubs will want to maximize the return on the investment in their academy, either through academy products playing in the first team or by selling academy products to other clubs".

Based on the data presented on the report, we assumed a number of 29 clubs from category I.

On a financial perspective, as Figure 10 shows, approx. 29% of clubs from category I have addressed at least 6% of their budget to their youth academies. As it would be expected, clubs from category I "spend larger amounts on their youth development" and show, in general, a lower percentage of the budget applied on that when compared with category II and III: approx. 36% of category II clubs spent at least 6% of their budget on youth development while approx. 59% of clubs from category III spent, at least, the same percentage of their budget on youth development. Besides, two thirds of category I clubs' academies have a budget of more than 3 million €.

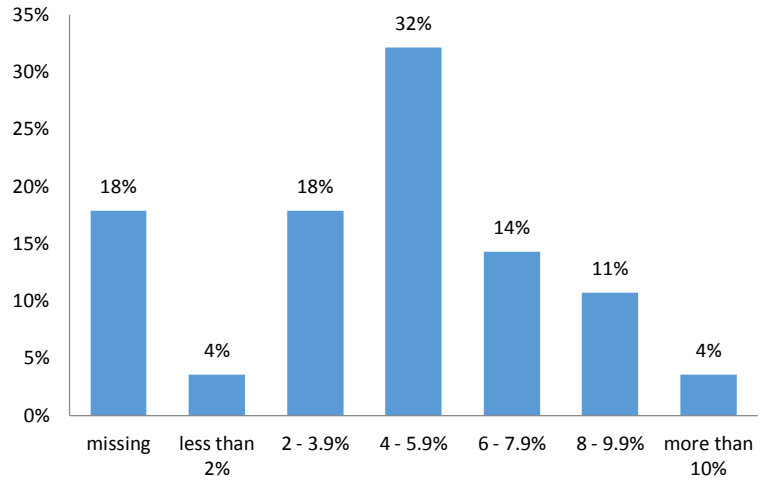

Figure 10 - Budget percentage applied on category I clubs' youth academies.
Source: ECA Report on Youth Academies in Europe (2012)

4.2.2. EXTENDING AND MODIFYING THE RESOURCE BASE

Even though we do not recognize financial resources as a crucial factor to a club's success, we enhance their extreme importance regarding clubs' objectives. Therefore, the industry's inflation and the bigger control from UEFA about clubs' expenditures and earnings have led clubs to find solutions in order to increase revenues, providing the means to invest and improve the squad.

Globalization and the constant growth of football as a sport played worldwide have created an opportunity for clubs to work on their brand awareness and on their recruitment network at a global scale. Thus, it is common nowadays to see clubs extending their activity to different places in the world, by building new football academies or associating with existing ones, or by establishing partnerships with new clubs. On the other hand, clubs exploit countries and regions with high potential on increasing customer loyalty in order to promote their brand. The ultimate purpose of these strategies is, through intensive marketing campaigns and programs, to increase customer loyalty, as a mean to increase revenues in the future.

In this work, both extending and modifying processes are related with the clubs external activities and investments, and therefore, it was decided to analyze them together. As mentioned in Chapter 2, according to Helfat (2007), by extending the resource base, while focusing on the same activity, organizations try to achieve different goals, better results, or increase profits, while modification can occur when organizations feel the need to change their business.

A. Multi-club ownership (MCO)

Until the late 1990's, most clubs were managed in a semi-professional way, including some of the top, according to Interviewee B. Since then, football has been growing exponentially, with more qualified people in the clubs' boards, while some investors have seen in football a potential lucrative business. As so, some clubs started to be (totally or partially) owned by new investors, without any emotional connection to the club. As stated by Interviewee B, some looked for this investment as a business with good financial return, others as a business and also a hobby, while others with some dubious purposes. For this reason, it is possible to observe some of the wealthier clubs without satisfying sporting performances, as a result of owners being more interested in the financial performance of the club. Nonetheless, good financial performances tend to increase the sporting performance of a club.

During the last decade, more clubs started to be controlled by investors, including owners of different clubs, resulting in a phenomenon known as multi-club ownership (MCO), where corporations, clubs, or individual investors, own shares in two or more football clubs. This MCO comes as a mechanism that will allow clubs to expand and increase brand exposure: "the acquisition of clubs in other territories offers the possibility to enhance the level of exposure of a club or organization's brand" (Deloitte, 2018). Besides, cooperation between clubs through common organizational learning processes (Zollo & Winter, 2002) in different locations will bring advantages to those who are involved not only in a sporting but also in a business perspective.

A MCO will allow clubs to have a greater knowledge regarding the existing resources, with a detailed and extensive player scouting network. Common ownership will also benefit the players who are under contract from one of these clubs, since there is the possibility to be transferred (permanently or loan) to the other owned clubs. Such situation allows that talented youth players, looking for first team opportunities, can be moved to different clubs in order to be developed in a different competitive context, while their parent club controls their progression. "If player management is effective, on-pitch performance may improve, player opportunities would increase and this may bring investors sizeable returns on their investments into clubs", resulting in an improvement of the sporting performance and, consequently, financial performance. On the other hand, clubs can also decide to sell the asset considering the potential profitable business. In the same way, by controlling a group of players, owners can meet the needs of their clubs by moving players from one club to another and supplying them with players in need, without having the necessity to make use of the external market. As shown in Table 15, four clubs from the highest earning clubs' list are

involved in a multi-club ownership. The others were, at some point, or still are involved in similar ownership models.

Table 15 - Most relevant multi-club ownership since 2005.
Source: KPMG Football Benchmark; UEFA Club Licensing Benchmarking Report: FY 2016

Owner	Full owner	Part-owner
Atlético de Madrid (ESP)	Atlético de Madrid (ESP)	Atlético de Madrid Kolkata (IND) Atlético San Luis (MEX) RC Lens (FRA)
Monaco (FRA)	AS Monaco (FRA) Cercle Brugge (BEL)	
City Football Group (UAE)	Manchester City (ENG) New York City (USA) Melbourne City (AUS) Club Atlético Torque (URU)	Girona FC (ESP) Yokohama Marinos (JAP)
King Power International Group (THA)	Leicester City (ENG) Oud-Heverlee Leuven (BEL)	
Red Bull (AUT)	Red Bull Salzburg (AUT) New York Red Bulls (USA) Red Bull Brasil (BRA) Red Bull Ghana (GHA) RB Leipzig (GER) Liefering (AUT)	
Suning Group (CHN)	Jiangsu Suning (CHN)	Internazionale (ITA)
Pozzo family (ITA)	Watford (ENG) Udinese (ITA)	

By owning clubs in emerging markets, such as the USA, India or Australia, where football does not have the same relevance as in Europe, South America or Africa, these groups want to expose their brand to new and attractive markets. On the contrary, by investing in lower division clubs from countries where football is the number one sport, as Uruguay, France or Belgium, the purpose is to exploit the organization's access and ability to identify and recruit local talent through a smaller investment.

B. Club's foundations and international football schools

Football's brand awareness has, in some cases, achieved a higher relevance than other industry sectors, including the best performing companies from a country, as referred by Interviewee B. This capacity to be frequently noticed has given the chance to football clubs diversify their business activities. As a result, clubs started to focus on their brand exposure,

creating their own foundations. Despite the social purpose regarding programs to help individuals and communities through football and the values inherent in that sport, such investments (internally and abroad) have the ability to create an emotional link between the people and the club behind these interventions, resulting in addition, in a way to increase fan loyalty.

Besides, clubs also seek to explore new and attractive markets, full of potential and where European football is, at least, as consumed as national football. By creating new academies or associating with existing ones, clubs look for potential targets, establishing a connection with young players and increasing fan loyalty, while teaching them how to play football in accordance to the club's style, vision and values. Even though such investments are mostly made on a business perspective, as mentioned by Interviewee A, the opportunity that clubs may get some return on a sporting perspective through the recruitment of youth local talent still exists. As so, wealthy clubs, with a good supporters base and reputation, invest their financial resources to extend their activity on an internal and external basis, with football academies around the country/world or/and in cross-country programs with the same purpose.

C. Commercial Activities and Marketing

The early 2000's established a change in the way clubs generated revenues. Until then, "the drivers of revenue growth for the majority of clubs have been either large increases in broadcast rights fees or enhanced matchday revenues from improvements in stadia facilities". To get some advantage against competitors, clubs started to exploit different ways to maximize their revenues. If, in the last century, most of the revenues were generated from the supporters that would go to the stadium, nowadays, most revenues come from people that consume the product at distance, as Interviewee B stated. Real Madrid was the first top club to create strategies to engage supporters in order to increase their revenues from a commercial perspective, which can be analyzed as a "first-mover advantage" (Lieberman & Montgomery, 1988). This strategy allowed the club to approximate and overtake clubs such as Manchester United, AC Milan, Juventus or Bayern Munich, which, in 2001, had significantly higher generated revenues.

As shown in Figure 11, from 2001 to 2017, Real Madrid not only increased its revenues by 4.7 times but there was a considerable change as well regarding the revenues' structure during that period. In 2001, commercial revenues were the less relevant source of income, while in 2005 represented almost half of the whole sum. From 2005 to 2017 the percentages did not change much, with a small decrease of matchday and an increase in broadcasting, while

commercial revenues maintained the same percentage. Considering the top 15 of the highest earning clubs average in 2005 and 2017, commercial and broadcasting revenues increased approx. 7% and 3%, respectively, while matchday revenues decreased approx. 10%.

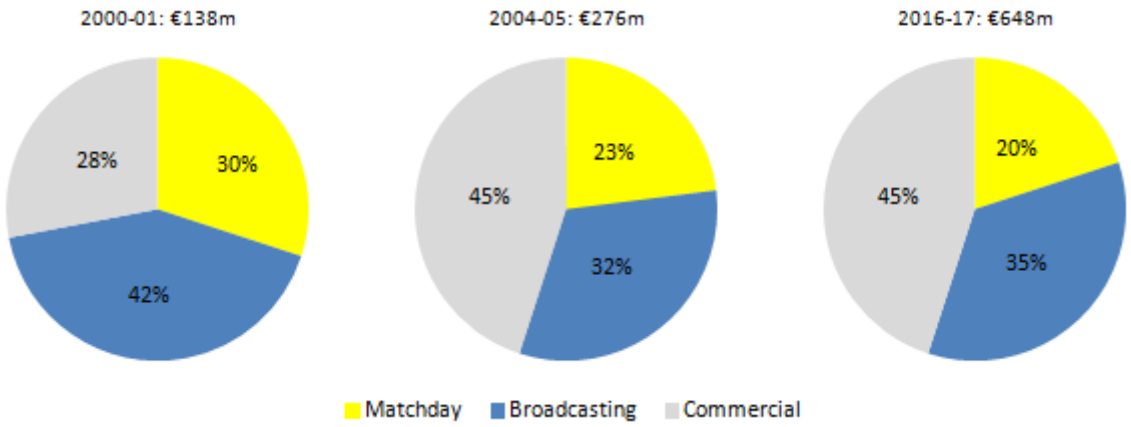

Figure 11 - Evolution of Real Madrid's revenues source from 2001 to 2017.
Source: DFML 2006, DFML 2018

It is important to enhance that while matchday revenues tend to be more stable over time, since it depends on ticket's price and stadium's seat capacity, commercial and broadcasting revenues will vary according to the success, interest and fanbase of football clubs as well as the enthusiasm and competitiveness of the leagues where they compete. Even though broadcasting rights are mostly distributed in a collective perspective, an attractive league in terms of the number of clubs with a bigger fanbase will probably receive a higher sum for their broadcasting rights, as it happens with the EPL. As so, since broadcasting deals are now, in general, distributed in a more balanced way, it is possible to conclude that revenues that come from these deals are not exclusively dependent on the general level of the clubs in the league (competitiveness, history and fanbase) but also from league's negotiations with the media. Therefore, commercial deals assume great significance, since it is through these agreements that clubs can differentiate from each others, establishing some leverage in relation to competitors.

According to Deloitte, commercial revenues across the big five leagues increased 129% from 2006-07 to 2016-17 (€2.1 billion to €4.8 billion), while the top 15 clubs, from season 2012-13 to 2016-17, increased their commercial revenues on average 74%. As explained before, by commercial revenues we assume all the merchandising, sponsorship, advertising and other commercial operations. In that way, the increasing focus on potential markets, where new fans can be attracted, assumes great relevance for clubs. Such focus on the financial perspective is relevant enough to jeopardize a club's sporting performance, by going on pre-

season tours to different continents, with different weather conditions and where promotional campaigns are as relevant as players' preparation, with the ultimate objective to increment and connect to their international fanbase.

Success, as one of the most important ways to increase fan loyalty and generate more interest about the club, may determine how revenues from merchandising will develop. On a different perspective, clubs' fanbase, sporting performance, history and potential growth will influence sponsorship, i.e., a club with a recent good sporting performance, a growing fanbase and considerable growth potential will be, in general, more attractive to investors than a club with a great history and solid fanbase but weak sporting performance.

The clubs' focus on social media also plays an important role on the club-supporter relationship as a crucial interacting channel between both parts. Its growth in the last decade allowed clubs to reach people in an easier and faster way, as stated by Interviewee B. The constant communication establishes a connection between clubs/players and fans, allowing them to know how is the day-to-day life in the club as well as in players' personal life.

4.3. EVALUATING DYNAMIC CAPABILITIES

An effective dynamic capability assumes putting in practice the right processes in a situation where they must be applied. According to the concept of evolutionary fitness, which evaluates "how well a dynamic capability enables an organization to make a living by creating, extending or modifying its resource base" (Helfat, 2007), we will study how the previously mentioned capabilities can be turned into added value for the clubs.

It is important to mention that this work's goal is to find solutions so that clubs can be continuously successful, without putting at risk their sustainability. As so we present what we consider as the key capabilities to achieve such scenario. Even though we believe that a club which is able to put in practice all these capabilities effectively has more chances to succeed in the long-term, we can affirm that there is not a single path to achieve sustainable success in football, as we will see next. On the contrary, a club without any of these capabilities will never be able to achieve sustained competitive advantage.

In this way, the measurement of such capabilities must be analyzed through the perspective that if clubs were able to turn the effective use of these capabilities into actual good sporting performance.

A. Players recruitment

It is expected that new employees will bring added value to the recruiting organization. Therefore, by spending money on transfers and signing-on fees, as well as time on observations and negotiations, clubs expect some return (sporting or/and financial). According to Interviewee C, the measurement of the recruitment process "is assessed through sporting performance, financial return and commercial value". Thus, sporting performance can be a measure of recruitment's efficiency since it is possible to evaluate how the recruited player's performance contributed to the team's overall performance. A new player may also bring advantages besides the sporting perspective: a renowned player has the potential to create more interest in fans regarding his new club, leading to an increase of merchandising revenues as well as club's social network activity, but new and better sponsorships may also be established. The last perspective concerns the possible added value that a player may bring, besides financial return and sporting performance. As we have mentioned, most players from average clubs that outperform, tend to not conclude their contract, since wealthier clubs decide to recruit them before its conclusion. Thus, if a player increases its price as a result of good sporting performances, the new recruiting club will have to pay a higher sum than the one paid previously. If the price the player is sold is higher than its cost, then recruitment process was effective. However, when players or staff do not perform as expected, without helping the club to achieve good sporting performances, clubs may decide to finish their contract, even if it is necessary to pay some fees so the athlete/staff decides to accept that deal. In that perspective, the concept of negative evolutionary fitness (Helfat, 2007) can be applied to the unsatisfactory resources' performance.

Nonetheless, some other indicators may help connect effective recruitment and good sporting performance. The number of years that players stay in a club as well as the number of matches played for is a sign of how successful was the decision made on acquiring that specific player. In general, clubs where players stay more time tend to perform better than in a constant changing environment. Financial resources also tend to influence squad stability, as shown in Table 16, since clubs with more means can generally satisfy players' demands (financially and sporting) while clubs with lower financial resources are forced to sell their valuable assets when high profitable offers are made. In the same way, clubs who perform better are more reluctant to change their squad.

Squad stability is in accordance with the importance of resources' immobility to achieve sustained competitive advantage (Barney & Clark, 2007). In order to keep some possible advantage to rivals, clubs with valuable, rare and imperfectly imitable assets will be more

unwilling to sell those assets. Still, clubs will only manage to secure these resources, contributing to their immobility, by showing a greater financial strength than rivals. Consequently, by owning these resources for a long period of time, clubs will have higher chances to achieve sustained competitive advantage. However, if the club is not able to exploit the player's full potential for reasons previously mentioned, such as difficulties on adapting to a different country, city, squad or playing style, the resource will be less immobile, since its commercial value will tend to decrease.

Table 16 - Clubs with most stable/unstable recruits (October 2016).
(Number of years since recruitment)
Source: CIES Football Observatory: Recruitment strategies throughout Europe.

Most stable recruits			Most unstable recruits		
1.	Athletic Club de Bilbao (ESP)	4.01	10.	OGC Nice (FRA)	1.18
2.	Real Madrid (ESP)	3.69	9.	Angers SCO (FRA)	1.13
3.	West Bromwich Albion (ENG)	3.41	8.	Crotone (ITA)	1.12
4.	Arsenal (ENG)	3.34	7.	Olympique Marseille (FRA)	1.08
5.	Chievo Verona (ITA)	3.29	6.	Olympique Lyonnais (FRA)	1.04
6.	Bayern Munich (GER)	3.19	5.	CD Leganés (ESP)	0.97
.	Manchester United (ENG)	3.19	4.	SD Eibar (ESP)	0.89
8.	Chelsea (ENG)	3.15	3.	Deportivo Alavés (ESP)	0.83
.	Manchester City (ENG)	3.15	.	CA Osasuna (ESP)	0.75
10.	Juventus (ITA)	3.05	1.	Granada CF (ESP)	0.75

From Table 16 observation, it is possible to conclude that 70% of the clubs with most stable recruits belong to the top 10 of highest earning clubs, confirming the assumption that clubs with more financial resources tend to have higher squad stability. Oppositely, with exception to Olympique Marseille and Olympique Lyonnais, historical successful clubs in France, who have been frequently in Ligue 1's top six positions, all the other clubs do not have the reputation and performance of the greatest internal clubs. The fact that 50% of the clubs with most stable recruits compete in the EPL also enhances the capacity of these clubs to maintain their players, as a result of their financial wealth.

According to CIES, between 2009 and 2017, big five league champions had on average only about one in four new players as squad members. In that way, as Table 17 demonstrates, clubs with better sporting performance tend to have more squad stability, since "optimal teamwork and cohesion are key ingredients for performance". However, for champions in exporting leagues, as Portugal, players who outperform tend to be sold for wealthier clubs from the big five leagues, resulting in less stability for these exporting clubs. For this study, a footballer to

be included "should have already played in domestic league games during the season of reference, or, if this was not the case, to have taken part in adult championship matches during each of the two previous seasons. The second and third goalkeepers were considered in all cases".

Table 17 - Average (in %) of new signings by league and by league champions in the big five leagues (2009-2017). Source: CIES Football Observatory: The importance of squad stability: Evidence from European football.

	Average	Champions
La Liga (ESP)	38.1	20.8
Premier League (ENG)	35.6	30.7
Bundesliga (GER)	31.7	22.4
Serie A (ITA)	45.3	33.4
Ligue 1 (FRA)	33.1	28.9

Despite the importance of a club's reputation, the financial perspective tends to prevail while choosing a new club, which can be demonstrated by the number of players who choose to be transferred to less prestigious clubs before their peak age, but earning extremely high wages. In comparison, champions in Portugal show an average of 38.4% of new signings, reflecting less capacity on keeping players who outperform in the squad, resulting in the need to acquire new substitutable resources to implement equivalent strategies (Barney & Clark, 2007).

The number of players a club has had along the years is also an indicator of squad stability. As Figure 12 demonstrates, there is a negative correlation between the number of players and sporting performance (-0.48): as the number of players increase, the sporting performance tends to decrease.

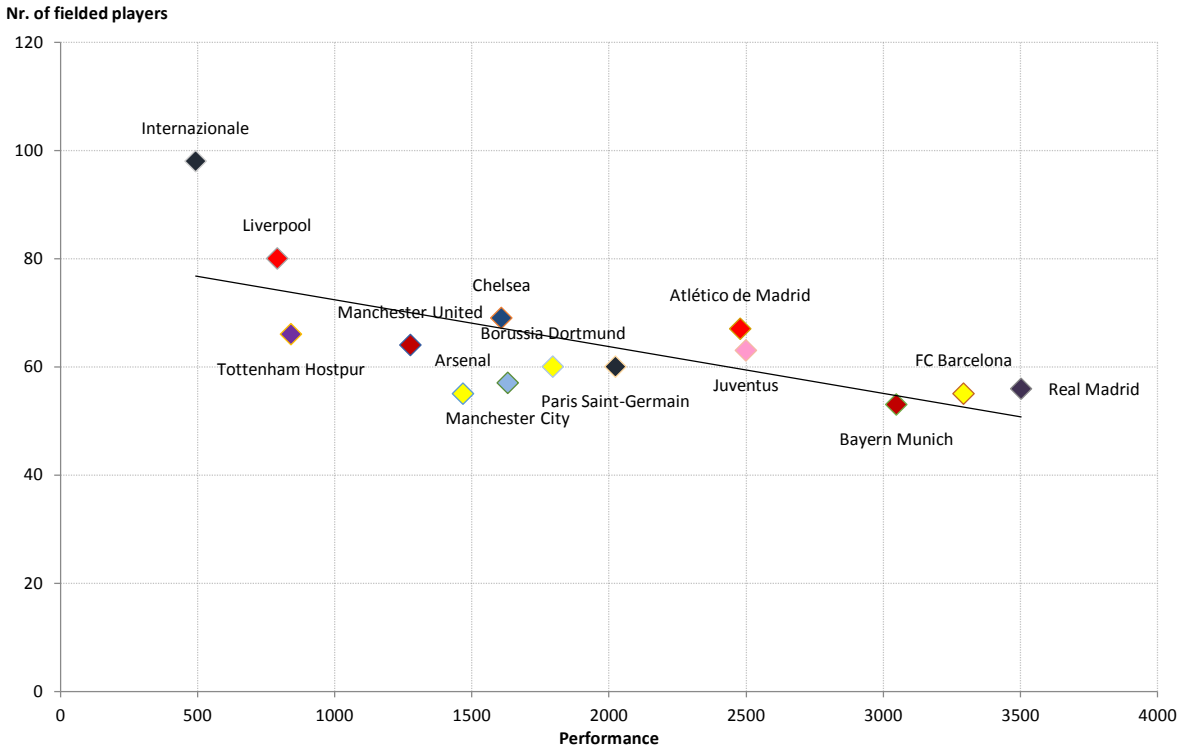

Figure 12 - Number of fielded players in domestic leagues and sporting performance per club (03-2012 to 03-2017). Source: Adapted from the Performance Index in Chapter 3 and CIES Football Observatory: Squad turnover during the last five years.

B. Youth Academies

According to each club's vision and strategy, the success of youth academies must be evaluated differently. In that way, a club who has the objective to win the league will have different measures of evaluation than a club who competes to avoid relegation. Thus, according to Interviewee A, a top club will evaluate the effectiveness of its youth academy based on the number of athletes that achieve the first squad, or that compete on a high competitive level. On the other hand, a club with lower resources must adapt their vision with their competitive context. As mentioned before, considering the club's vision, the evaluation of an academy can be made considering the number of players competing in the first team, the number of professional players developed, the economic added value from the sales of club trained players and, finally, the results achieved by youth teams. As so, Interviewee A affirms that top clubs show a greater focus on the number of CT players in the first team or playing at a competitive level, while the focus on youth teams' titles is less relevant.

Even though the similar purpose, i.e., producing players for the main squad, the level of competitiveness and exigency will be different. If top clubs focus on having as many valuable players coming from the academy, as a manner to promote the club's unique identity as well as decreasing expenditures with external recruitment, as stated by Interviewee A, on the

contrary, clubs with fewer financial resources will be forced to sell their best players to wealthier clubs. As shown in Table 8, 11 clubs from the top 15 list are in the top 55 clubs with more CT players playing in the big five leagues. From these 11 clubs, five have more than 20% of players in the main squad that come from club's academy. The fact that 66 players come from clubs competing in lower divisions (in October 2016) highlights the incredible performance by these clubs' academies.

C. Multi-club ownership

The MCO effectiveness must be measured according to the main purposes of the entity who owns the club: financial, sporting, or both.

As in the case of Red Bull, not only they increase brand awareness from the clubs presence in different markets and their association with the brand but, in a sporting-financial perspective, by making these clubs competitive through ambitious strategies and a common vision. With the creation of an extensive recruitment network, as a consequence of their global franchises, they can have access to talent, feeding the clubs in the group with potentially valuable assets, who can be converted in financial return from future sales or in good sporting performances, which can bring an increase of revenues as well.

In relation to Atlético de Madrid or AS Monaco, the effectiveness will have to be measured regarding the number of players recruited from feeder clubs and how they developed while playing in those clubs. If these clubs manage to create a greater and effective network of recruitment, it is possible to conclude that these investments offer some return to the parent club.

Similarly to the Red Bull case, concerning the City Football Group (CFG), we believe that such investment can be measured in two perspectives. By establishing partnerships with clubs worldwide, the CFG assures three things: a global recruitment network where players can be discovered and acquired by these clubs; a competitive environment where the player can improve and maturate in order to be able to play for the crown jewel of the group, Manchester City; and, the creation of an emotional link between fans and the clubs from the group (Manchester City in particular), increasing customer loyalty and, consequently, revenues. However, despite the similarities between CFG and Red Bull purposes, CFG focuses on increasing the brand awareness of its most relevant club (Manchester City), while Red Bull focuses on increasing the brand awareness of the group's own brand.

D. Commercial revenues

By increasing brand awareness and customer loyalty, from diversifying their business, clubs look for different ways of maximizing revenues. As so, investments as social foundations, international football academies or programs will only be considered successful if those promote an increase of the club's fanbase.

Social networks can be a useful tool, in order to evaluate the club's strategies regarding customer engagement and brand awareness increase. Through the evolution of followers, it is possible to evaluate the club's marketing strategies extent, by matching a general increase with a stronger promotional activity. In that way, according to Interviewee B, social networks allow clubs to measure in a very accurate way the size, profile and characteristics of the club's followers. However, the power of these strategies will be, ultimately, measured based on the commercial revenues generated (sponsorship, merchandising, advertising, and other commercial activities).

Table 18 - Clubs' number of followers on social media and commercial revenues (2016-17).
Source: Deloitte Football Money League 2018

	Followers in millions (Facebook, Twitter and Instagram)	Commercial revenues (€m)
Real Madrid	189.7	301
FC Barcelona	184.3	296
Atlético de Madrid	21.6	71
Manchester United	110.6	325
Manchester City	41	231
Arsenal	61.2	137
Chelsea	69.9	163
Liverpool	45.3	162
Tottenham Hotspur	12.9	84
Leicester City	9.6	30
Bayern Munich	59.5	343
Borussia Dortmund	23.3	148
Juventus	45.2	114
Internazionale	10.7	130
Paris Saint-Germain	49.9	274

The existing data regarding the highest earning clubs' total number of followers in the different social networks and their commercial revenues (expressed in the table above) show us a moderate correlation between both variables (0.49). This means that, at a certain extent,

clubs with higher social network activity tend to have higher commercial revenues as well. The number of followers from each club will be a result of the combination between the club's recent success, history and promotional campaigns.

However, an intensive social network activity along with several promotional campaigns must be followed by an above normal sporting performance in order to generate an increase of revenues.

CHAPTER 5: CONCLUSIONS

First of all, despite the analysis done in terms of clubs' good practices in order to achieve sustained competitive advantage, the purpose of this work was to identify common patterns between clubs who had good performances and clubs who performed below expectations and what they can do in order to achieve sustained competitive advantage. In that way, we tried to identify key strategies, corroborated by some indicators throughout the work, which may allow clubs to achieve sustained competitive advantage. Therefore, some indicators were analyzed and connected with clubs' performance in order to establish some correlation between those indicators and sporting performance.

So that clubs can achieve competitive advantage continuously, it is mandatory that a club can associate an above normal sporting performance with an above normal economic performance. To achieve an above sporting performance, it is assumed that clubs' resources are valuable, rare, and costly to imitate.

In general, clubs with good sporting performance tend to generate higher revenues, even though we verify in this work that such situation has some exceptions: as a result of reputational assets, not always clubs who generate great revenues achieve good sporting performance. On the other hand, clubs with good economic performance tend to have the means to pay higher wages and to spend higher sums on players' acquisition, which may lead to an increase of the sporting performance. Without generating enough revenues to cover its expenditures, a club is not able to combine a good sporting performance with a good economic performance, and will be forced to sell its valuable assets to avoid a situation of overindebtedness. In that way, by selling these valuable assets, clubs sporting performance will tend to decrease. When a club has a good economic performance but it is not able to correspond with a good sporting performance, the club is exposed to the risk of having a decrease in revenues as from sponsorship deals.

As demonstrated in this work, the amount of revenues generated does not assure a good sporting performance. Even though the analyzed clubs have an above normal economic performance, it is possible to find clubs who have performed better even with half or a third of the revenues generated by other studied clubs. Therefore, we focused on how clubs apply these financial resources on human assets and their dynamic capabilities that allow them to combine a good economic performance with a good sporting performance, in a coherent and sustainable perspective. Although the enormous disparity between top clubs and average

clubs, we believe that these common patterns mentioned above can be applied in clubs with fewer resources.

Regarding clubs capabilities, we focused on two main areas: the creation and acquisition of human resources, through the recruitment of athletes and the production of young talent; and the extension and modification of the clubs activities through partnerships with different clubs as well as investments and activities with the purpose to increase revenues.

The greater concern about clubs' finances from UEFA, with the purpose to ensure the sustainability of clubs, led to a change of strategy regarding recruitment from most clubs. To avoid spending great fees in players' acquisition, clubs have started to recruit the best youth talent for lower prices, instead of spending more for the same player in the future, when he is maturated and at its peak age. By recruiting on anticipation, clubs face the risk of the player's potential not matching expectations. Such situation is even riskier for average clubs, since they make a living by buying players at a low price, developing them, and eventually selling them to wealthier clubs for a higher price. If the potential does not correspond with an actual good performance, the investment made will not have a good return (financial and sporting). However, if clubs possess the right information, the risk of these investments tends to decrease. By acquiring these players, clubs also ensure a greater longevity in the club, giving more stability to the squad, which, as evidences show, is an important indicator to succeed. In order to avoid expenditures on acquisitions, clubs opt for internal recruitment, making use of their youth academies, to produce and develop young talented players. In that way, not only they generally spend less with external recruitment but they also exploit their own resources, promoting the club's identity (appraised by fans) through the recruitment of club-trained players. As so, clubs academies assume an important role not only on decreasing expenditures with paid transfers, but also by increasing the main squad with athletes who share the same values than the forming club and, consequently, the fans. Still, even though there is no optimal age to achieve great performances, a balance between youth and maturity is necessary, since "a balanced age structure permits young footballers to develop alongside more experienced players and progressively replace them as pillars of the team" (Poli, Ravenel, & Besson, 2018a). Thus, the sporting director assumes an important role by assuring that the combination of these two ways of recruitment is effective and balanced, following the club's vision, strategy and goals, as well as fans expectations.

The growing investment in football clubs as well as football's inflation and the increasing competitiveness between clubs has led to changes regarding clubs strategies. As a result of the necessity to expand the club's brand and to acquire the best talents for a low price,

partnerships between clubs (partially) owned by the same entity have increased. Depending on their strategy and vision, these multi-club ownerships can occur for sporting or/and financial purposes. In a sporting perspective, a greater recruitment network can be developed, through constant share of information between the clubs. Usually with a parent club within the group, these connections allow players from that club to develop in different competitive contexts, while being controlled along that process. This results in a win-win situation since parent clubs see their players developing in a club who shares the same vision, while the feeder club receives a valuable asset. In a financial perspective, by associating with clubs from different countries, the parent club will tend to increase its brand awareness, which may result in an increase of customer engagement and, consequently, of revenues. The income from commercial activities has also increased its importance regarding the clubs financial wealth. Since broadcast revenues tend to be similarly distributed across teams in the same league, while matchday revenues are dependent on the ticket's price as well as the stadium's number of seats, clubs tend to differentiate themselves through effective customer engagement. Their brand awareness allows clubs to diversify their businesses as a mean to obtain more revenues. With an increasing fan loyalty, merchandising revenues will increase, as well as sponsorship deals or advertising. In that way, clubs also started to focus on different marketing strategies, creating academies in high potential countries regarding customer engagement or investing in social foundations.

As we mention in the beginning of the chapter, the purpose of this work is to indicate some common practices between the best performing clubs which may have led to a sustained competitive advantage. However, as it is possible to conclude through our analysis, some clubs have adopted most of these practices, exploiting the dynamic capabilities approached in this work, achieving competitive advantage, while others did not. On the contrary, some clubs only make the top in certain indicators but still achieved outstanding performances, even with fewer revenues generated. This means that there is not a unique way to achieve sustained competitive advantage in football, as long as the club possesses the right resources: the finest dynamic capabilities, leading organizational processes, and valuable, rare, and costly to imitate (human) resources.

This study presents some limitations as a result of the complexity of the game beyond management. In that way, football, as game of decisions (and luck), in and off the field, played by people, brings unpredictability, and the difference between success and failure may rely in if the ball goes in or not. Still, such simplistic and superficial explanation addresses to an approach of all of those processes done in a club, from the board to the head coach and

players, along with the relationships between all the people involved which we cannot study. The fact that we do not focus on all the dynamics involved in a football team, mostly between players and staff, does not allow us to explore this subject in a more complete perspective. Another important limitation is the available information regarding the indicators we identify in the study, which mostly focus on a five year period. Besides, the difficulty to contact people from the studied clubs forced us to extrapolate experts' insight concerning their experience and opinion about these clubs performance.

For future studies, we believe that studying and connecting in and off the field dynamics, as well as the existence of more data about indicators as the ones we analyze, would increase considerably the explanatory power of the whole model of achieving sustained competitive advantage. An additional focus on staff (head coach mostly) could also bring new relevant variables to the reasons behind good performances, while an in-depth study regarding clubs' finances and expenditures structure could also be a good complement to this work. Insights from people employed or with previous experience in these clubs would also bring more information on clubs' vision and strategies.

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APPENDICES

APPENDIX I: UEFA COEFFICIENTS FROM THE BIG FIVE FOOTBALL ASSOCIATIONS (2007-2017)

	Spain	England	Germany	Italy	France
2007-08	13,875	17,875	13,500	10,250	6,928
2008-09	13,312	15,000	12,687	11,375	11,000
2009-10	17,928	17,928	18,083	15,428	15,000
2010-11	18,214	18,357	15,666	11,571	10,750
2011-12	20,857	15,250	15,250	11,357	10,500
2012-13	17,714	16,428	17,928	14,416	11,750
2013-14	23,000	16,785	14,714	14,166	8,500
2014-15	20,214	13,571	15,857	19,000	10,916
2015-16	23,928	14,250	16,428	11,500	11,083
2016-17	20,142	14,928	14,571	14,250	14,416

APPENDIX II: CLUBS PERFORMANCE (2007-2017)

	Real Madrid	FC Barcelona	Atlético de Madrid	Manchester United	Manchester City
2007-08	322,00	345,69	136,00	748,56	71,50
2008-09	273,06	692,86	186,53	747,50	90,00
2009-10	297,21	722,70	276,53	408,92	125,50
2010-11	509,64	800,71	191,07	674,68	302,00
2011-12	565,00	796,28	264,29	266,13	319,50
2012-13	501,14	527,71	373,00	371,06	279,28
2013-14	722,00	531,00	740,00	265,89	460,88
2014-15	622,35	844,71	392,68	108,57	262,85
2015-16	663,21	866,42	531,24	208,88	363,88
2016-17	992,77	522,70	441,70	321,82	264,21

	Arsenal	Chelsea	Liverpool	Tottenham Hostpur	Leicester City
2007-08	336,63	557,06	334,06	154,04	11,47
2008-09	350,00	417,50	320,00	132,50	7,79
2009-10	310,32	548,20	151,71	179,28	23,96
2010-11	301,93	351,11	118,43	240,96	20,04
2011-12	252,50	567,75	167,75	137,25	32,52
2012-13	239,64	415,35	108,93	158,57	21,96
2013-14	318,21	351,07	184,64	128,93	36,65
2014-15	317,14	378,21	150,35	150,35	27,14
2015-16	313,75	157,00	212,63	159,00	235,13
2016-17	279,14	306,02	134,35	243,99	175,83

	Bayern Munich	Borussia Dortmund	Juventus	Internazionale	Paris Saint-Germain
2007-08	431,00	70,20	97,38	305,00	59,58
2008-09	298,59	50,75	253,56	333,19	137,00
2009-10	677,83	90,42	122,14	739,42	123,00
2010-11	295,83	258,49	57,86	459,85	190,13
2011-12	508,75	335,50	227,14	162,46	141,75
2012-13	830,27	504,10	435,53	117,08	369,13
2013-14	723,71	390,14	396,24	70,83	327,00
2014-15	493,35	250,64	698,00	130,50	445,65
2015-16	561,42	306,42	376,00	103,50	450,32
2016-17	438,71	343,99	593,50	71,25	431,57