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THE TALENTS FACTORY

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THE TALENTS FACTORY

As far as competition is concerned, to have highly qualified staff, often local companies must settle for the crumbs (in comparison with multinational companies). A small company located at the Italian town of Udine, has been capable of being the main reference for the most talented young football players for a quarter of a century. A lesson about Talent Management.

BY ALBERTO DI MININ, FEDERICO FRATTINI, MATTIA BIANCHI, GUIDO BORTOLUZZI AND ANDREA PICCALUGA



In 2006, Alexis Sanchez was a promising but rather unknown football player who played as forward for the Club de Deportes Cobreloa. He was as swift as lightning, but his role in the pitch was not clear yet. A hidden talent, if you like, who maybe would have never blossomed.

A crucial period of his career was at the Italian town of Udine. When the local first division contracted him by paying a three-million Euros amount, Sanchez finally found his real role in the football pitch. For some years, he created a great duo together with the team captain Antonio Di Natale: they became the best pair of forwards in the Italian Premier league, jointly scoring 40 goals during the 2010/2011 season. When Sanchez moved to Barcelona in 2011, the amount paid for his transfer equalled 26 million Euros. Udinese Calcio, the club that supports the relevant Italian football team, obtained a profit of 23 million Euros in five years.

The value increase for Sanchez, who has been playing for Arsenal from that season on, was not even the highest during the history of Udinese. The record was set up by Márcio Amoroso: the club sold him in 1999 for about 38 million Euros to AC Parma - collecting 34 million Euros more than the price paid for the player. The profit collected by Udinese with Oliver Bierhoff - the former German national-team player and current Manager of the national team - when transferred to Milan in 1998, equalled about 12 million Euros.

The table on page 4 lists a selection of the most important football player transfers within the last 20 years, including purchase and sale prices. During the aforesaid period, Udinese has remarkably increased its turnover. The club mainly grew thanks to its ability to transfer the players, with amounts that notably exceed the traditional sources of income, such as selling television rights, merchandising items and football match tickets. "Udinese Calcio's business model is not unique," explains Stefano Bizzotto, renowned sports reporter in Italy. "Every football team wants to buy inexpensive players and then re-sell them for a higher price."

PROFITABLE NEGOTIATION OF PLAYERS

During the last 20 years, Udinese Calcio has demonstrated a considerable ability in purchasing young inexpensive players and then re-selling them to the other clubs after a few years.

Player (Name)	Years at Udinese	Estimated purchase price (T€)	Estimated sale price (T€)	Estimated appreciation (T€)	Sale to (Club)	Year of the transfer
Abel Balbo	4	780	7750	6970	AS Roma	1993
Francesco Dell'Anno	3	0	4132	4132	Inter	1993
Thomas Helveg	4	258	7747	7489	AC Milan	1997
Fabio Rossitto	8	0	4132	4132	Napoli	1997
Oliver Bierhoff	3	1290	12 911	11 621	AC Milan	1998
Alessandro Pierini	8	36	6714	6678	AC Fiorentina	1999
Jonathan Bachini	2	36	7230	7194	Juventus Torino	1999
Márcio Amoroso	3	3615	38 218	34 603	AC Parma	1999
Stefano Fiore	2	5000	28 500	23 500	Lazio Rome	2001
Giuliano Giannichedda	6	0	10 300	10 300	Lazio Rome	2001
David Pizarro	6	3000	12 000	9000	Inter	2005
Sulley Muntari	5	800	12 000	11 200	FC Portsmouth	2007
Vincenzo Iaquinta	7	800	11 200	10 400	Juventus Torino	2007
Andrea Dossena	2	500	10 000	9500	FC Liverpool	2008
Fabio Quagliarella	2	7300	18 800	11 500	SSC Napoli	2009
Felipe dal Belo	8	0	10 000	10 000	AC Fiorentina	2010
Gökhan Inler	4	2000	16 000	14 000	SSC Napoli	2011
Cristián Zapata	6	500	9000	8500	FC Villarreal	2011
Alexis Sánchez	5	3000	26 000	23 000	FC Barcelona	2011
Samir Handanovic	8	500	19 400	18 900	Inter	2012
Kwadwo Asamoah	4	500	18 000	17 500	Juventus Torino	2012
Mauricio Isla	5	800	18 800	18 000	Juventus Torino	2012
Juan Cuadrado	3	500	20 000	19 500	AC Fiorentina	2013
Mehdi Benatia	3	500	13 500	13 000	AS Roma	2013

Source: Italian media reports, Transfermarkt.de, research by the authors

However, when it comes to turn young talented players into highly professional football players, Udinese has a success rate that is remarkably higher than the other clubs.

"The profit-and-loss accounts of the club show that the surplus deriving from the business of player transfers supplements the traditional sources of income. During the fiscal year 2012/2013, the operating business of the club suffered a loss of more than 30 million Euros. But, thanks to the club's excellent abilities, the profit returned in the black, in the end recording profits for more than 32 million Euros. In other words: Udinese obtains the necessary resources to develop the company, not from its core business, that is, entertaining, but from player negotiations.

The excellent financial outcome is accompanied by stable sports performances in the championship. For a quarter of a century, the club not only has maintained its rank, but it concluded the majority of seasons also being within the upper third of the table. Since 2000, it qualified seven times for the European Football Championship.

Such resistance in the first division is extremely unusual for a small club like Udinese. Sport at professional level is not an easy sector: in case of poor athletic performance, it is almost impossible save money and cover the costs. As a result, the major clubs piled up considerable debts. A report by the Union of European Football Associations (UEFA) dated January 2012 assessed the losses by the European clubs during the previous fiscal year, which equalled 1.7 billion Euros; the mountain of debts reached an amount equalling 18.5 billion Euros.

A SUCCESSFUL COMPROMISE

Reaching top-end performance, managing young talents and straightening out its finances: they are contrasting targets, which create problems to the companies in many sectors. To this extent, sport at professional level can be compared with health and education sectors that, after various privatization waves, are undergoing a period of great changes, where the increasing competition obtains the best physicians or professors. Consulting companies and other knowledge-based service providers suffer the same situation.

Often, managers assume that they have to prefer performance to the detriment of the other targets. Udinese Calcio demonstrates that there is another way. The club is not the best in class at sport or financial levels, but it reached a successful compromise. We believe it can set a good example about the way the managers can combine conflicting targets.

When in 1986 the entrepreneur Giampaolo Pozzo purchased Udinese Calcio, he initially chose a strategy to stake on experienced football champions, who had gone beyond the peak of their career. It did not work. Udinese became a team on a wheelchair, which staggered to and fro between the Premier League and the First Division within the championship. In 1993, the team was joined by Pozzo's son, Gino Pozzo, and the strategy was radically changed. Training its own young players, an approach applied in that period by many Italian clubs, would have wasted too much time. In addition, it would have limited the recruiting base around the Udine area. The club would not even have had the opportunity to be successful in the negotiation of more extraordinary talents against larger competitors.

Consequently, the Management decided to follow a different path: it wanted to employ talented 16-22 y.o. players, promoting their development and, at last, selling them at a higher price. Since then, Udinese has adjusted an "In-Up-Out" talent management system. The three stages will be described below to show how this model can be used by other businesses, as well.

THE "IN" STAGE

Small enterprises must deal with the big problem of personnel recruitment. Often, they find people with the desired skills, but in places where also the competitors are looking for staff. Businesses that are ambitious, but with a limited budget, have to deal with intense competition, finding it difficult to reach their target. The most important aspect concerning personnel recruitment, therefore, is Timing. "If we find a young football player who has potential, we use our quick negotiation ability in order to reach our goal", explains Franco Soldati, President of Udinese.

COMPACT

EXTRAORDINARY

Udinese Calcio, one of the most ancient Italian football clubs, was able to find a compromise between two contrasting objectives: being successful for a long time within the Premier League of its country and straightening out its finances. It is surprising, because the club, compared with its competitors, cannot keep up by means of traditional sources of income.

TALENTED

The club's solution consists in a unique talent management system, which is structured into three stages. Each stage is characterised by a series of unusual methods. The model aims at contracting the best young players coming from the breeding ground, and at developing them to the highest level and, finally, re-selling them to obtain a profit. For this purpose, the association, among other things, created a capillary network of talent-scouts, great technical staff and an error-tolerant culture.

For this reason, the club created a huge network of international talent-scouts, thus achieving a great reputation among players' agents. This way, the club can have a rapid access to promising young players in Europe, South America and Africa. Talent-scouts decisively contribute to find talented players before the competitors; the appeal by the brand name is a key element to draw up contracts in a short time.

Günter Stahl, Marketing Professor at the University of Economics in Vienna, believes that the businesses can attract new employees having the desired skills and attitudes only if they differentiate from the competitors and have an excellent reputation as employer. Udinese built a clear image: a place where young and ambitious players find extraordinary conditions in order to develop at best. Intermediaries are key people that must convince the club: players' agents and talent-scouts, who match the professionals with the clubs on the transfer market. Udinese's reputation, as well as quick and reliable payments, demonstrated to be of great help.

A second element is represented by the creation of an effective and experienced team to assess the football players. This way, the club can quickly recognise, at central level, the recruiting opportunities worldwide and prepare the documents that are necessary to start the negotiations. This department developed systematic intervention methods: clear check criteria and ability to examine many performance data of the individual players.

The third element includes the commitment by the company Management - ownership and Top Management - to assure a quick decision-making process. Thus, the club obtains an important advantage in a highly competitive market. It has no resources or interests in engaging into a competitive procedure of proposals to hire the next football star, and must act before it occurs.

Therefore, the Top Management has a higher regard for talent-scouts than the other clubs. The organisation is effective: if a player is under observation, the competent person can directly contact the Top Management. "Take advantage, immediately, before the others realise that we have something valuable at stake - this is what we can do best," asserts the President Soldati.

THE "UP" STAGE

Udinese represents the beginning of the trip when it acquires the personnel, as well as the end of the same trip when the players are sold. However, an important part of the story occurs between the two aforesaid moments.

A club that contracts young and talented collaborators must expect that they will quickly become impatient: rarely small clubs can bind very qualified people for a long period of time, before their attention is drawn by competitors with better means. Therefore, it is necessary to allow them to develop. As for Udinese, they are teenagers that are catapulted into a world, which offers unlimited career opportunities, fabulous earnings and glory. At the same time, the aforesaid magnificence implies cutthroat selection. Lifestyles are not compatible with young players' habits: private distraction may compromise a quicker career more than injuries.

For this reason, the club provides the professionals with comprehensive support, not only in the pitch, as individual training programmes, but also other types. The club does its best to solve various problems, such as lodging and social integration, family support and offers consulting concerning other matters, as well. "When the players come to Udine, we apply specific procedures to support them," declares Franco Collavino, Udinese's Director. "Basic services are put at disposal of everybody. The youngest and most talented players will also receive further assistance."

The youngest star, who stands out from this model, is called Simone Scuffet, a 18 y.o. goalkeeper, who was discovered by Udinese in 2005 in the AS-Moimacco youth football team. At that time he was 9 y.o. Today, he plays in the Italian youth national team. The Italian sports newspaper "Gazzetta dello Sport" considers him one of the most promising teenagers in the football scenario. The same Scuffet describes Udinese as a "great school", an extraordinary place where you can learn and improve. His market price is increasing in rapid progress, and many major clubs are following his career with interest.

Udine is following a winning process that aims at improving the football skills of the players, and allowing them to distinguish themselves. The club was able to control the aforesaid process by complying with four rules.

REDUCING PRESSURES

The first rule is to protect young players against an excessive pressure created by the competitors. Last season, the fans felt disappointed. In 2013, it was the third time in a row that Udinese had qualified for a European competition. During the two preceding years, the team fought well, but that time it did not qualify for the Europa League, in a pathetic way, against Slovan Liberec, an unknown team. The fans, who were accustomed to exceptional results, became edgy. The media commented that the poor performance was a symptom of an imminent crisis.

However, the club Management was not affected, and this reaction is significant. Gino Pozzo, during an interview, commented as follows: "Errors are not a problem at Udine. We tolerate them, and we consider them an opportunity to learn. If you ask me why major teams are not capable of copying our business model, I would say: because they want to obtain successes in a too short time. They are not patient: they do not allow coaches and players to make mistakes."

As for sports at professional level – like in other sectors that are characterised by great competition, e.g. fashion or art - young talents are extremely vulnerable and are often under pressure. It does not make sense to further increase such pressure. If a player sits on the bench for a long period, he will feel left out, and will lose his self-confidence. In addition, he is always stressed by having to compete with his team mates. As an incentive, it may work, but a similar situation may ruin his career over the long term.

The teams must give enough time to their players to train. Faults are necessary; in case of too many errors, they may lead to a poor season. It is crucial to make cuts within a reasonable range, so that the worst players cannot cause irreparable damages. In the last 30, years, Udinese has just acted that way.

GIVING NEW OPPORTUNITIES TO SHOW OFF

The second rule during the peak period is to enable the players to show off as much as possible. Talented people go to Udine because they want to improve - that is, in one of the strongest and most respected championships worldwide. Every club must be aware of that. The tasks of the coach must be examined from a different point of view: the work at Udine is completely different from any other football team.

During the last four years, Francesco Guidolin guided the technical staff of the club - an unusually long period in professional football, where the coaches are regularly dismissed after their team lost just a couple of matches. Now Guidolin has the role of technical consultant and his performance was assessed according to different criteria. Usually, the coach has a merely technical role: it consists in lining up the players with the best physical conditions, as well as having them play according to a predefined strategy.

However, every year Udinese replaces 50% to 75% of the team with players of youth teams who come from all over the world. The purpose is to integrate them into the team and to train a team in less than two months. Team-building activities help in quickly creating a sense of belonging, as well as in improving performances. This situation is a challenge for the

coaches. For this reason, the coach has a great supporting staff at disposal; besides two co-coaches, the staff also includes various other coaches who are in charge of different sports sectors.

THE YOUNG PLAYERS THAT COME TO UDINESE ARE LIKE UNRIPE APPLES:

WE DO NOT KNOW HOW MUCH TIME THEY WILL NEED TO MATURE.

However, the players from the breeding ground can only develop by playing. The problem: in a football match, a team can have only eleven players in the pitch. For this reason, some years ago, the Udinese Management decided to buy a satellite team. In 2009, the club purchased the Granada CF club that, in that period, was playing in the third division and, in 2012, the English Watford FC club in the second division.

According to Udinese, at the moment there are no hierarchical relationships among the three teams. They work in a parallel way, with the same model of the talents factory. Indeed, immediately after the two purchases, some players were transferred from Udine directly to Granada and Watford. So, the players could practise and strengthen the satellite team. The Granada CF increased its rank twice, and now it plays in the major Spanish division. At the end of the 2012/2013 season, which was the first period under the control of the Pozzo family, Watford FC could not be promoted to the first division due to a single missing win.

A LIMIT TO SALARIES

The third rule within the Up stage consists in the fact that Udinese focuses on incentives and intrinsic opportunities, not on salaries. Not to bring expenses to ruin, the club established strict salary limits for its players. It cannot be done with the football players that play in the major team: when a player becomes a champion, such as Alexis Sánchez, it is difficult to convince him to stay.

However, the aforesaid rule proved to be an important element for the system of the club. First, it has the purpose of keeping the team together: the players know that there are no significant salary differences among them. In addition, there is extra motivation, that is, the opportunity to make a career - and it is exactly what the Management wants. Professional players must be anxious of showing off. The Italian Premier League is the ideal stage to demonstrate their skills. Therefore, they have not to play well only for their own team, but also to draw the attention of other clubs on the market. Only then, they can hope of being able to obtain the salary of their dreams, while Udinese obtains a good transfer price for them.

A SYSTEM THAT MAKES PLAYERS VERSATILE

The last rule deals with adapting versatility, roles and plans of the young players, and not vice versa. With the passing of time, the Management has asked the coaches to continuously change playing tactics and formations, often also during the same season. It is necessary to develop the potential of the professional players, and to show off their skills. Udinese does not force the young players to adapt to pre-established processes and systems, as it happens in many other football teams. This way, young players are protected against an excessive pressure, thus increasing the opportunity they have to test their own skills.

THE "OUT" STAGE

Unless you work in a club, which is considered an ideal employer and where the employees want to stay forever, you should be aware of the fact that your collaborators are always ready to leave and work for a competitor. Nowadays, talented people move a lot, especially if they are the best figures within their own sector.

The main element of Udinese's out stage consists in managing fluctuation in a provident way instead of just reacting to it. The club considers its players as investments, and their launch on the market may lead to strategic and monetary yields. Usually, the clubs tend to bind the best people as long as possible. High fluctuation is considered a burden to be avoided, but it is not necessary. When the collaborators leave an organisation, a series of opportunities will be created, which must be carefully examined.

By selling a player, Udinese mainly obtains additional resources, which are necessary to reach financial stability. However, to assure a continuous strengthening of talented professional players, the club needs a large Pool, which can be accessed at any time. This way, it limits the risk of creating excessive expectations about a player.

"Talent cannot be foreseen", says Alberto Rigotto, Udinese's Administrative Director. "When these young players come to our premises, they are like unripe apples. We do not know how much time they will need to mature: maybe a couple of years or maybe never. We can only keep open to all opportunities."

Producing football champions is a difficult task. The football players who do not make the most of their own potential, may turn from a promise to a burden. For this reason, Udinese takes precautions by means of a wide selection of players during the different stages of their ripening process. For this purpose, the purchase of Granada and Watford was of great help.

This model is similar to private investors or holding companies, which use a portfolio to obtain profits from risky investments. "We use our feeling to purchase and sell at the right time," states Udinese President Soldati. "Even if we do our best, sometimes we sell the players too soon or too late. It happens to everybody. Our business model helps us missing fewer opportunities and reducing mistakes."

The aforesaid fluctuation allows Udinese to face also departures that influence the sports performance of the team. The aforesaid cases may greatly damage a business, especially in case of the football sector: if a team loses its leading player at the wrong time, it will be strongly affected within a highly competitive environment. Surely, in addition Udinese cannot afford to leave the first division, especially because it is the stage where the club displays its players.

For this reason, the Management assures that the pursuit of maximum profits will not damage competitiveness. It may happen that the club does not sell its young players when they reach their maximum market value, in case their departure may compromise the team's stay in the Italian Premier League. The first division is a necessary element to convince the football supporters not to give up, and to assure the revenues that derive from the sale of television rights and merchandising items.

Udinese takes the desires of young players into consideration when it comes the time to take further steps in their careers. Sometimes, it means that the club renounces potential proceeds, as it is the only way to keep a positive atmosphere within the group during the UP stage. The club must manage the fluctuation with great care to convince young players that Udine is the right place where they can develop their career. Maximising the profit cannot be the only point of reference during the decision-making process.

The Management is also considering the creation of a network of players who spent part of their career in Udine. In many sectors, such as consulting firms, former employees become valuable allies of an enterprise: contacts, references and future clients may come from people who left the company with happy memories. Many universities worldwide take advantage of donations and contributions for their students, so they attach great importance to integrate the aforesaid figures into their own networks. Following the same logic, Udinese can spread its reputation of talents factory by word of mouth of its former players. During the in stage of the model, it may have a positive effect; in addition, it creates privileged contacts in the teams that, in the future, will represent an ideal haven for Udinese's talents.

LEARNING FROM THE THREE-STAGE MODEL

Udinese Calcio created a talent management system, which is structured in three stages. This way, the club is better than others in discovering and binding high-potential players, giving them the opportunity to develop. Finally, the club will re-sell them to obtain a profit. The following list shows the elements included in this model, which can be transferred to other sectors.

"IN" STAGE

- Create a network of freelance talent-scouts in foreign markets, for example in India, in case of IT offerers.
- Set data exchanges with Business Schools and student organisations to seize the day and recruit young football players.
- When selecting potential collaborators, avoid opportunistic behaviours, such as employing a person that has already accepted the proposal by a competitor, as it would damage your reputation as employer.
- Establish an assessment board whose members have different experiences and origins. The board should assess the candidates on a regular basis and in an impartial way.
- Ask for a confirmation by the corporate Management concerning the importance of talent management, and communicate it to the personnel.

"UP" STAGE

- Short-time performance goals should be secondary. The clubs should attach more importance to supporting the just-recruited young players, to integrate them into the social environment.
- Cooperate with other organisations to allow the young collaborators of being part of demanding projects, where they can improve their skills.
- Establish income limits for top managers.
- A mentoring system, as well as support services for the families of the collaborators. The clubs should discover the intrinsic motivations of the people and, as a consequence, align the structures to stimulate such motivations.
- Divide works and processes into interchangeable activities: this way, the Managements can adapt more easily to the features of their collaborators.

"OUT" STAGE

- Modify the understanding of talent management: instead of doing everything possible to increase collaborators' bond, manage the fluctuation in a provident way to obtain financial and strategic advantages.
- Collaborate with head-hunters to identify career opportunities for the collaborator who approaches the out stage.

- Propose young and talented football players to be transferred to market-leading competitors.
- Create and maintain a capillary network of former collaborators to enhance your reputation as employer. This way, the ones who maintain relationships, may soon receive pieces of information about vacancies in other businesses, which are suitable for other collaborators – and, vice versa, inform the network about your open positions.

CONCLUSION

The model of the talents factory, which has been developed by Udinese during the last 30 years, offers some lessons about successful management of talents, which may be transferred to other sectors - for the managers who understand that their qualified employees represent valuable assets and, must balance diverging targets with limited resources (see the box on page 9).

By means of this approach, Udinese Calcio was able to create a successful balance among claims, keeping competitive in the Italian first football division and, in addition, straightening out its finances. The club turned the aforesaid compromise into a long-lasting cycle: the players improve, win more matches, and then increase their own market value, which will further the club at the time of selling the player.

The more flexible and mobile is the labour market, the elder the work forces will be; so, it will be more important for the businesses to take into consideration new approaches in the management of the personnel, in the same way as Udinese Calcio. Only if you adapt to changed conditions, you will be able to rely on sufficiently qualified and motivated workers in the future.

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