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Udinese Calcio soccer club as a talents factory: Strategic agility, diverging objectives, and resource constraints

Alberto Di Minin [a,*], Federico Frattini [b], Mattia Bianchi [c], Guido Bortoluzzi [d], Andrea Piccaluga [a]

[a] *Istituto di Management, Scuola Superiore Sant'Anna, Piazza Martiri della Libertà 33, 56127 Pisa, Italy*
[b] *Politecnico di Milano, Department of Management, Economics and Industrial Engineering, Piazza Leonardo da Vinci 32, 20133 Milano, Italy*
[c] *Department of Management and Organization, Stockholm School of Economics, Saltmätargatan 13—17, Box 6501, 113-83 Stockholm, Sweden*
[d] *DEAMS — ''Bruno de Finetti'', Università di Trieste, Piazzale Europa 1, 34127 Trieste, Italy*

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Summary Strategic agility can be defined as a firm-level ability to continuously adjust and adapt decisions to the changing circumstances of the external environment and thus nurture value creation (Doz & Kosonen, 2008a). At its very heart, agility allows integrating diverging strategic objectives, i.e. focus and adaptability, commitment and flexibility. This paper aims at providing new empirical evidence that supports the strategic agility model and focuses on a case which fits the various dimensions described by Doz and Kosonen. Specifically, our study refers to the context of soccer, where professional teams struggle to balance divergent strategic objectives, i.e. to achieve both good sports and financial performances. We argue indeed that these objectives can be successfully balanced over time through strategic agility. The case we use to support this hypothesis is that of Udinese Calcio S.p.A., an Italian soccer team which in the last twenty years has adopted a business model based on strong investments and quick turnaround of young and promising players, which has turned it into a factory of talents. Udinese Calcio has been able to do so keeping its books in order and at the same time managing to obtain excellent results in a very competitive national soccer tournament such as the Italian Serie A. Udinese is a small organization based in a medium-sized city in the North-East of Italy, an area which is indeed peripheral from a geopolitical and business perspective. The team can count on limited resources, it is not owned by wealthy individuals with low spending constraints and an emotional attitude, and it is a quite unique case for both its sports and financial performances.

* Corresponding author. Tel.: +39 050 883 111.
E-mail address: a.diminin@sssup.it (A. Di Minin).

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These results have been achieved, despite the unique business model which relies on young talents more than on well-known, experienced players, through excellent management practices that have made Udinese Calcio a strategically agile organization. We argue that the case of Udinese Calcio strengthens the validity of the strategic agility concept and can be extended to other situations where the need to strike a balance between divergent objectives with limited resources is quintessential. Examples are to be found outside soccer or sport clubs, in contexts such as health management, education, political lobbying.

Introduction

Strategic agility can be defined as a firm-level ability to continuously adjust and adapt key decisions to the changing circumstances of the external environment and thus nurture value creation (Doz & Kosonen, 2008a). A strategically agile firm is able to contemporarily maintain commitment and preservation of the momentum towards ambitious objectives, while at the same remaining nimble and flexible enough to quickly and cost-effectively respond to exogenous changes and capture new business opportunities. At its very heart, agility's main goal is that of integrating diverging strategic objectives, i.e. focus and adaptability, commitment and flexibility, operational excellence and responsiveness to breakthrough innovation opportunities (Wilson & Doz, 2011).

Due to a deep transformation of the competitive landscape, where change has become both faster and more complex to foresee and manage than was the case only ten years ago, strategic agility has grown in importance and it now ranks very high in the agenda of both strategic management scholars and practitioners (Doz and Kosonen, 2008b). It is now largely acknowledged as a critical dynamic capability (Teece, 2007) to achieve long-term competitive advantage in highly dynamic and turbulent industries.

The concept of strategic agility has been developed by studying companies in high-technology, knowledge-intensive industries (such as Nokia, HP, Cisco, SAP, Accenture), that have managed to balance efficiency and stability of their business models during periods of rapid growth, while at the same time overcoming inertia and preserving the ability to renew themselves (Doz & Kosonen, 2008a). More recently, the notion of strategic agility has been used to interpret how successful organizations respond to specific management concerns, such as global innovation (Wilson & Doz, 2011), leadership (Doz & Brannen, 2009), business model renewal (Doz & Kosonen, 2010) and public management (OECD, 2010). Furthermore, there is a widespread need for further studying whether and how agility can represent an answer to the strategic problems faced by firms working in other industries (e.g., mature, asset-intensive ones) and executives involved in different management challenges (e.g. inter-organizational collaboration and knowledge management).

This paper aims at contributing to this line of research by discussing how strategic agility can nurture economic value creation and ensure long term survival even in highly competitive environments, for those firms that need to both (a) balance diverging strategic objectives and (b) satisfy very stringent resource constrains. We argue that strategic agility can be an answer to this complex management conundrum and for this purpose we describe and discuss the business model and organization of Udinese Calcio, the only Italian soccer team that has been able, over the last two decades, to maintain both good rankings in the highly competitive Serie A and a sound financial performance.

The sports business is indeed a typical context in which organizations struggle to find a balance between different strategic objectives, i.e. sporting achievements and financial performance. Inherent in the peculiar nature of professional sports is the competitive dimension, whereby the presence of an opponent and the uncertainty about the match outcome are quintessential conditions for the appeal of the game, as well as the financial one, since resources are needed to attract, train and retain talented players. As regards the sportive dimension, team leagues are characterized by mutual interdependence (Neale, 1964), i.e. the reciprocal need for other participants to produce any output at the league level. A key element of success in professional sport leagues is that of competitive balance, which refers to performance differences across teams in a league (Chanavat, Martinent, & Ferrand, 2010). According to Groot (2008), each participant has a strong interest in keeping in the game its rivals. An unbalanced league may reduce demand and fan interest as well as the risk of major reorganizations. The financial dimension of professional sport leagues is tightly related to the sporting one. Indeed, competitive balance, both within and between sport leagues, largely depends on revenue distribution schemes, in terms of, e.g., monetary prizes due to a higher rank in the championship, distribution of broadcasting royalties, sponsorship contracts as well as of financial penalties for relegation (Pawlowski, Breuer, & Hovemann, 2010).

Professional clubs are thus engaged in the simultaneous pursuit of sport objectives, in terms of success in continental competitions and higher rankings in their own national leagues, and financial objectives (Sloan, 1971). Sport management literature has traditionally given much emphasis on understanding which category of objectives teams tend to favor. According to Ascari and Gagnepain (2006), while professional teams in the United States tend to behave as profit maximizes, European soccer teams mainly strive for winning maximization and concentrate on short term sport performance. How sport and financial objectives are related has also been a matter of controversy. Baroncelli and Lago (2007) argue for the theoretical existence of a virtuous circle between sports results and economic returns, since financial resources would allow teams to invest more in the development of talented players, so to build up winning