

Study on the Financial Problems of the "Star Line up" of the FC Barcelona

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Abstract. With the gradual improvement of various industrial systems, football keeps pace with the times as the world's most popular sport. However, European giants Barcelona has been on a downward financial spiral since 2017. Signings with hefty transfer fees, salaries exceeding advance payments, and the COVID-19 pandemic in 2019 nearly bankrupted the club several times. In this paper, I will discuss exactly where FC Barcelona's financial crisis came from and how it can be resolved. By comparing the salary distribution, total annual assets, total annual income, and the annual total debt of FC Barcelona from 2017/2018 to 2020-2021 epidemic, I finally came to the answer that the club officials need to make the maximum effort to raise money and reduce expenditure from the aspects of technology, personnel, products and services and start organizational reform.

Keywords: Defensive strategy; Organizational transformation; Procedural decision.

1. Introduction

Founded by Joan Gamper in 1899, FC Barcelona is one of the traditional giants of Spain's La Liga [1]. In 2017, however, they were hit by the Neymar transfer scandal just after winning the Champions League. Although the transfer is lucrative, the club will be forced to seek new star players in the transfer market to fill Neymar's vacant position. However, the transfer fees from Germany's Borussia Dortmund and England's Liverpool didn't make FC Barcelona any cheaper, costing them almost all their savings. This decision pushed the player's salary above the club's financial limit, and in the subsequent 17-18, 18-19, and 19-20 seasons, the two highest-paid players did not make the club satisfied.

After that, bad things began to happen. Due to the fact that covid-19 affected the world in December 2019, entire football leagues will be played empty, and all visitors and fans will not be allowed near the stadium. These epidemic prevention measures influence Spain, Italy, Japan, and other countries where football is popular. Thus, the 2020/21 economic year ends for FC Barcelona with losses of 533 million euros caused by the effects of covid-19 [2]. Furthermore, the club also experienced the warning of keeping its salary-revenue ratio within the limit of the La Liga football association during that period [3].

In this research, I will try to explore and understand where FC Barcelona's financial crisis is coming from and what can be done to solve it. Consequently, through the use of sports management in the series of measures, I think that at present, the best measure for Barcelona Football Club is to increase income and reduce expenditure. No matter under what circumstances, the full efficiency of the club operation and the cancellation of all projects that cannot be implemented will maximize the benefits of the organization so as to ensure financial health. In addition, the club also needs an organizational overhaul, from management to the services, technology, and product departments.

2. Club profile, current operating model, incorrect business judgments, and decisions

2.1 Introduction to the Present Football Industry and FC Barcelona

The outbreak of COVID-19 has had a significant impact on the football market, resulting in multiple closures of national and international championships across the globe. Some of these major

events are the FIFA World Cup, UEFA Champions League, UEFA Champions League, Copa America, Europa League, and more [4]. This factor has led to a decline in global sales of sporting goods and derivatives and a significant reduction in ticket sales due to restrictions and closures of non-essential sectors. Consumer demand also fell due to social distancing measures. Numerous football clubs and sports product companies have been the primary victims, with sales falling during the pandemic.

The birth of FC Barcelona originated from a Swiss entrepreneur named Juan Gamble. The club's home stadium, Camp Nou, can accommodate nearly 100,000 spectators and is the largest football stadium in Europe and the second largest in the world. The team has won many championship trophies in its century-old history and is the club that has won the most championship trophies in Spain. The club won the Spanish Football League and 26 league championships, 30 Spanish King's Cup championships, 5 UEFA Champions League championships, and 3 FIFA Club World Cup championships. FC Barcelona is a membership club jointly owned by more than 140,000 club members, who have the right to vote and stand for election, and are eligible to vote and stand for board positions or other positions of power, administration, and advisory bodies. In addition, Barça members are also eligible to participate in numerous sporting, social, recreational, cultural, and scientific activities organized and promoted by the club [1].

2.2 FC Barcelona's 2017 Player Line Up Outlook and its Misjudgement

Beginning with the event of Barcelona, star Neymar smashed the world transfer record with a €222 million (£198m) move to Paris Saint-Germain after telling FC Barcelona he wanted to move [5]. For FC Barcelona, which had just won the Champions League in the 2014/2015 season, it was a heavy blow.

Table 1. Neymar's performance in 14-15 season

Competition	Regular goal	Penalty
LaLiga	24	16
Champions League	3	5
Copa del Rey	4	2
Club World Cup	-	2
Total 15/16:	31	25

From the club's point of view, Neymar scored 56 goals in the 2015/2016 season. As a winger, he is an indispensable starter for subsequent seasons. Therefore, the club had to research for a new star player in this position in the transfer market through the 220 million profits brought by Neymar's transfer. Thus, during the 2017 summer window transfer, FC Barcelona executives attempted to sign Dortmund's young French striker Dembele in Monte Carlo for a transfer fee of 96 million euros.

Table 2. Ousmane Dembélé's Transfer History

Season	Date	Left	Joined	MV	Fee
17/18	Aug 25, 2017	Bor. Dortmund	Barcelona	€33.00m	€125.00m
16/17	Jul 1, 2016	Stade Rennais	Bor. Dortmund	€12.00m	€35.00m
15/16	Oct 1, 2015	Rennes B	Stade Rennais	-	-
14/15	Jul 1, 2014	Rennes Jugend	Rennes B	-	-
10/11	Jul 1, 2010	Evreux Jugend	Rennes Jugend	-	-

However, Dortmund's representatives have refused unless 150 million euros are paid to complete the deal. This is a huge amount for FC Barcelona's finances, as the fee not only takes up a lot of flexible funds but also adds to the club's annual debt. According to the statistics, after Dembele joined, the club's debt on June 30th, 2018 (2017/2018 season) amounted to \$181.3m (€157.4m) [6]. It can be seen that the decision to spend 150 million to sign a 20-year-old player needs to be carefully

considered or even given up. However, in the opinion of club president Bartomeu, after the departure of the Brazilian star Neymar, if he returns empty-handed from Monte Carlo, Barcelona fans will be disappointed, and the core competitiveness of next season will be lost. Therefore, he needs to sign a top young star, even if he has to spend a huge amount of money. However, it was such a signing that shocked the football world with the second highest transfer fee in history, which laid the foundation for the subsequent financial crisis of FC Barcelona.

3. How have FC Barcelona's finances fallen into difficulty step by step since 2017

3.1 Overall Salary Level of Players



Figure 1. Cost of salaries and amortizations for football of FC Barcelona

According to the analysis chart shown in the financial statements, since the beginning of the 2017/18 season, after Dembele was signed, the overall player salary level has increased from 432 million euros to 639 million euros, and the 2018/19 season has reached an unprecedented level--- 671 millions of euros. And the following season still maintains such a high level of salary spending.

In more detail, in the 2016/17 season, in terms of the overall financial distribution, it can be clearly seen from the figure below that player salaries have occupied most of the overall distribution. And it is in such a situation that the Barcelona club still signed high transfer fee players headed by Dembele.

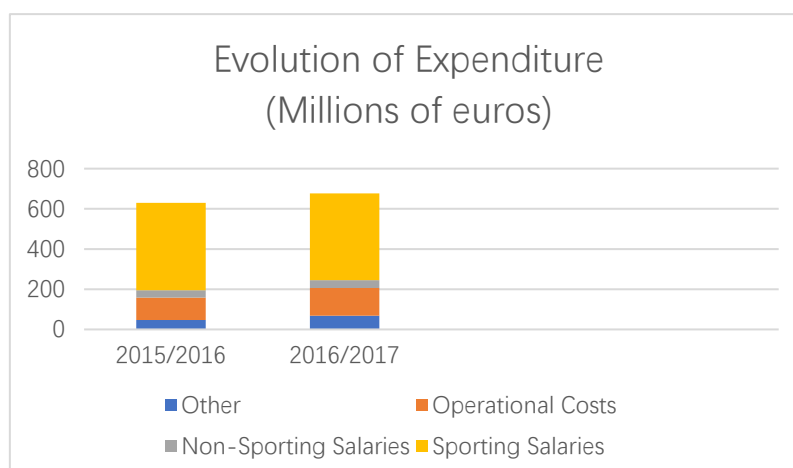


Figure 2. Evolution of expenditure of FC Barcelona

3.2 New Player Signing and Transfer

Table 3. FC Barcelona's transfers in 17/18

Player	Age	Left	Fee
Philippe Coutinho	25	Liverpool	€135.00m
Ousmane Dembele	20	Bor. Dortmund	€125.00m
Paulinho	29	GuaZ FC	€40.00m
Nelson Semedo	23	Benfica	€35.70m
Yerry Mina	23	Palmeiras	€12.40m
Gerard Deulofeu	23	Everton	€12.00m
Marlon	21	Fluminense	€5.00m

From the data table, it can be clearly seen that the transfer fees of the top two players have reached more than 100 million euros, and the subsequent signings are also in units of tens of millions. FC Barcelona's transfers totaled 365 million euros in the summer window of 2017, a huge sum unmatched by any football club. However, the quality of players often fluctuates with age, environment, injuries, and other factors. Such a large number of signings will bury hidden dangers for the situation of empty pay but no contribution.

Additionally, On November 25, 2017, Barcelona and Messi signed a four-season contract, which will expire in June this year, with a total contract amount of 555,237,619 euros, including fixed and variable salaries. There are also two bonus clauses in the contract: if Messi renews his contract with Barcelona, he will receive 115,225,000 euros; the other is a "loyalty bonus" in the amount of 77,929,000 euros [7].

3.3 Covid-19 Epidemic Influences

According to the Spanish la Liga's official website, published in early March 2020, Under the measures laid down by Royal Decree No. 664/1997, all football matches will be postponed for at least two days. As a service industry, football will not have any profit if it does not reach the corresponding number of tourists and spectators. FC Barcelona, as a member of the Spanish First Division, is subject to this condition. All fans and tourists will not be able to watch the game and buy any peripheral products. In addition, from the perspective of sponsors and investment, the epidemic control will suppress or even cancel a series of leagues, which will lead to the loss of many honors and awards for the clubs invested in, which will lead to sponsors reducing the amount of sponsorship. This will have an impact on the club's bottom line and the industry.

3.4 Players Who are Worthless who need to be Sold

At Sevilla, Clement Lenglet was seen as a decent center-back with the potential to become a real world-class player in the future. His move to Catalonia in 2018 for 35.9 million euros all but guaranteed his development, with Barcelona also looking for adequate defensive cover for the injured Samuel Umtiti. As Lenglet continues to enjoy a productive debut campaign, everything looks perfect on paper. However, the Frenchman hasn't had such a performance since his infamous 8-2 humiliation at Bayern Munich in 2020. Lenglet ended the 2020-21 season with a disappointing performance following a humiliation. Since his form hit a snag, Lenglet has been relegated to the bench, with Ronald Araujo, Oscar Mingesa, and now Eric Garcia all ranking higher than him. Barcelona would be wise to cash in on the Frenchman in 2022 if Lenglet continues to underperform this season.

Sergi Roberto, currently serving as Barcelona's third captain, has faced widespread backlash from fans of late due to his poor form. Roberto has been accused of slowing down Barcelona's attacking tempo as he is unresponsive and unable to create anything of substance from midfield. Known for his speed and passing ability in the past, Roberto has experienced a steep decline. The multi-talented player now looks like a shadow of his former self, with his extended stay at the club due to his history at La Masia. Interestingly, Roberto is the only captain who has not yet taken a pay

cut to help Barcelona financially. According to reports, Blaugrana wanted to sell him earlier this summer, but no club was willing to match Barcelona's €20m asking price. With only one year left on his current contract, the club's priority is to sign him on a short-term deal and get any kind of profit off Roberto as quickly as possible.

Samuel Umtiti, the 2018 World Cup winner, is currently valued at just €8 million. Unfortunately for the 27-year-old defender, he has transformed from a world-class center-back to Barcelona's consecutive substitute. Umtiti, bought from the Lyon club in 2016 for a reasonable fee of 25 million euros, quickly developed a strong partnership with Gerard Pique. He spent several seasons in the top flight, putting on impressive performances before ultimately failing. Ongoing health issues have seriously hampered his promising career, with no team interested in signing the Frenchman. However, Umtiti has almost single-handedly damaged the club's finances with a hefty salary of €245,000 a week at Barcelona. With the Blaugrana showing no further signs of making him into the first team, it would be best for both sides if Umtiti is sold soon.

4. Application and suggestion based on sports economics and management theory

4.1 Introduction to Economics/Management Models and Theories & why they can Alleviate or Solve the Current Situation of Club Financial Losses

4.1.1 Organizational Efficiency----Objective Realization Method, Strategy Composition Method

Fundamentally, organizational efficiency is to serve to achieve a goal or a set of goals in sports enterprises. There are mainly four methods for people's reference: goal realization, system resources, internal process, and strategy composition [3]. Among them, the objective realization method and the strategy composition method will improve the current financial situation of FC Barcelona. Objective realization is to identify an organization's fundamental goals and how well it is being achieved, and whether it is moving towards that goal [8]. In addition, the strategic composition model is a newer approach to understanding organizational effectiveness, recognizing that organizations are made up of different people with different goals and priorities, allowing for certain adjustments in the pre-and post-task and trade-offs [9].

4.1.2 Organizational Strategy----Defensive Strategy

After establishing goals and how to improve organizational efficiency, it is necessary to formulate more specific strategies and guidelines to alleviate or even eliminate FC Barcelona's current financial problems. "There are four basic types of strategies that sports organizations can follow: growth strategy, defense strategy, stability strategy, and joint strategy [3]. The defensive strategy is the most relevant to the current situation of FC Barcelona. Because the defensive strategy focuses on how to increase revenue and reduce expenditure and protect the core when property and resources are greatly reduced and shrunk.

4.1.3 Organizational Decision Making----Procedural Decision Making and Non-Procedural Decisions

After the strategy and policy are established, the final decision and action need to be made. Simon (1960) points out that planning is divided into two types of decisions: procedural decisions and non-procedural decisions. Procedural decisions are often repetitive and routine, such as contract expiry or measures such as breaches of club rules, based on clearly defined policy provisions, procedures, and past experience. Non-procedural decisions involve unique situations and no charter or procedure to follow.

4.1.4 Organizational Transformation

The setting of a series of strategies and the implementation of measures can only temporarily alleviate the loss caused by the problem. If the problem is to be eradicated in a long-term sense, various reforms and updates within the organization are required. Organizational transformation occurs in four areas: technology, products and services, structures and systems, and people [10]. Technological changes refer to the technologies and methods that take place in the production process and provide services. Changes in products and services involve additions, deletions, or changes to the various services offered by sports organizations. Changes in structures and systems include changes in areas such as the workforce sector, power structures, or systems of control in sports organizations.

4.2 Advice on Player Management from Economics and Management

First of all, in terms of organizational efficiency, FC Barcelona should take the goal of increasing revenue and reducing expenditure, maintaining financial health, and repaying debts as the top priority in terms of organizational efficiency. After that, according to the defensive strategy, the club should reduce a series of unnecessary expenses and costs in terms of technology, products, services, personnel, etc., according to the goals set by organizational efficiency. Next, at the procedural and non-procedural level, choose which products, services, and personnel of FC Barcelona will be canceled or fired.

From the perspective of organizational transformation, What FC Barcelona needs to do in the long-term is, from the peripheral products, which ones need to be updated and iterated, and which players need to be sold in the future, which need to be retained. Since 2017, the subsequent financial loopholes have occurred, which departments and personnel need to be responsible for this, and whether senior directors need to be replaced in this reform. Also, during the period of financial loopholes and frequent epidemics, how to change the overall operating model and how maintain the club's sponsorship partners are all issues that FC Barcelona needs to consider and solve.

5. Conclusion

According to the series of methods in sports management, raising money and reducing expenditure at present, and implementing organizational reform is the way to alleviate and even have a chance to solve the financial problem in the long run. First of all, due to the mistakes in transfer judgment in 2017, which led to the over-budget fund flow and the sub-standard players, as well as the COVID-19 outbreak in 2019-2020, the club was operating less efficiently and in a financial deficit. Therefore, from the aspect of organizational efficiency, it is necessary to formulate the development direction of the club. Secondly, from the strategic level, the team has too many players who are unpaid, resulting in an excess salary and the need to urgently sell some players to achieve the goal of defensive strategy. In addition, procedural and non-procedural decisions on technology, products, services, and personnel need to be made to select projects and personnel that need to be cut to achieve the direction of increasing revenue and reducing expenditure in operational efficiency. After a brief respite from the crisis, long-term organizational change is needed. To ensure that the club will not make similar mistakes in terms of efficiency, strategy, and decision-making. From the management level down to the technical, personnel, service, and product departments, an overall renewal and iteration are needed to ensure the sustainable development of the club in the future. And in this way, the value created in the future will be far greater than the short-term glory.

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