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Increasing the Competitiveness of Smaller Football Clubs

Financial and Sportive Benefits of Digital Scouting

Master's thesis in Management and Economics of Innovation

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Summary

Football analysts constantly work towards value creation for clubs. This is resource-heavy, and with the onset of digitalization, means of automation have emerged for smaller clubs that do not possess the resources to employ a full scouting team. This study sought to investigate the emerging possibilities of digital scouting and how it may help smaller clubs become more financially and sportively competitive. The research was conducted by performing a semi-structured interview study where practitioners and researchers gave their views on the field related to the onset of digital technologies and scouting.

The impact of digital scouting for smaller clubs was found to be large and can come to impact four main areas. The first area regards performance in regard to better youth talent development. The second relates to areas of finance in terms of player evaluations and transfers, as well as an increase in contract lengths. The third regards regulatory influence and governance bodies, where the power balance is an obstacle for clubs below the very top. The fourth regards strategy development, addressing the challenges and necessities when implementing a new transfer model and a digitalized approach. The findings can allow smaller clubs to better understand the possibilities brought forth by digital scouting within the European football industry, and thus serve as a guiding light for future strategic efforts.

Keywords: Football economics, Digitalization, Digital scouting, Sportive competitiveness, Financial competitiveness, Strategy

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List of Acronyms

Below is the list of acronyms that have been used throughout this thesis listed in alphabetical order:

AI	Artificial Intelligence
CDES	Centre de Droit et d'Économie du Sport, Limoges, France
ECA	European Club Association
FFP	Financial Fair Play
FIFA	Fédération Internationale de Football Association
FSR	Financial Sustainability Regulations
KSI	Knattspyrnusamband Íslands
MCO	Multi-Club Ownership
SEF	Svensk Elitfotboll
UEFA	Union of European Football Associations

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1

Introduction

This section consists of four parts. Firstly, recent trends within the industry will be explained to provide a general background within which the industry operates. Secondly, the problem discussion will be provided and thereafter derived into three different research questions. Thirdly, the delimitations of the report are stated. Lastly, the general disposition of the paper as a whole is laid out, along with some minor descriptions of each part.

1.1 Background

It is undeniable that the interest in and social impact of football around the globe is enormous. The sport's immense popularity was most recently emphasized by the cumulative viewership of over five billion people worldwide for the 2022 World Cup in Qatar, as stated by Adgate (2022). According to Deloitte (2022), the European football industry is one with an annual revenue of €27.6 billion.

Over the last 30 years, the growth of the football industry has been drastic. What was then the aggregated annual revenue of all the 20 teams in the British Premier League of around €200 million is lower than the revenue of a single team today (Deloitte, 2022). That is perhaps the most extreme example, but the expansion is very clear even outside the top seven leagues and their giant related associations. Since 2011/12, the market size of the other top leagues across Europe has increased from €4.3 billion to €5.1 billion. This equals about 18.6 percent, and without the pandemic disruption, the trajectory was far higher (Deloitte, 2022). Sports are generally so-called winner-takes-all markets, meaning that the cost of losing a game can be extreme, considering losses of financial support from, e.g., sponsors, television rights, and attendance (OECD, 2009). For instance, in Sweden, 77 percent of the television rights revenue to football clubs is allocated to the top division, which in practice means that tens of millions are lost every year in the case of poor performance (Svensk Elitfotboll, 2022; EY, 2022).

This causes clubs to be eager to invest in the resources that will eventually determine their success, i.e., the staff, which is primarily made up of the players. Swedish teams in the top division have between the years of 2010-2021 drastically increased their staff costs, from 572 to 1054 million SEK, or 82.4 percent. This is not a particular phenomenon for Sweden, as the increased staff costs have caused the operating losses to skyrocket for many of the top teams around Europe (Deloitte,

2022). In the third tier of English football, the wage-to-revenue ratio increased drastically over the past few years, commonly surpassing 100 percent. This, despite the recently added financial regulations to counteract the trend of clubs entering insolvency proceedings (Sloane, 2015).

Nevertheless, high investor interest is still present in the industry, for many reasons. The positive financial growth trajectory is one such reason. The societal benefits and the sport's positive effect on branding are other reasons. Consumer demand has increased and been immensely resilient, even throughout the COVID-19 pandemic when no attendance was allowed (Deloitte, 2022). Moreover, overall technological progress is enabling a shift within multiple processes in the industry, creating business opportunities for innovators to capitalize upon. Artificial intelligence (AI) solutions and data analytics have seen increasing usage over the past decade, and numerous success stories have driven diffusion. The fact that clubs are to an ever-increasing extent collecting data on all parts of the game adds to the value of these solutions (Tuyls et al., 2021). Digital solutions are expected to progressively become commodities for professional clubs over the next couple of years (Lichtenthaler, 2022). Hence, for an industry actor supplying data and providing analysis solutions, the time has come to seek opportunities in novel leagues, where access to quality data is potentially limited.

There is a massive revenue gap between the top leagues in Europe and the rest. The top seven leagues on the UEFA Country Coefficient Table, which reflects long-term success in international competitions (UEFA, n.d.), account for almost €17 billion in yearly revenue. This is in contrast to €4.5 billion combined in all the other 48 leagues (UEFA, 2023). The number becomes less than €3 billion if disregarding all the ten largest leagues, which emphasizes the largely differing financial conditions. This is naturally reflected in the long-term competitiveness of clubs from the smaller leagues, for whom the probability of international success is decreasing as the growing financial superiority in the big leagues allows these clubs to form exceptional squads (Football Benchmark, 2019).

Sports in general, and football in particular, have a special legal and economic status (Geeraert et al., 2012). Most of the regulatory responsibility is therefore on UEFA, the European body of governance within FIFA which is an umbrella organization that consists of representatives from 55 national associations (UEFA, 2019). They strive to promote fair play and ethical standards and are also managing and regulating competitions on national and club level, such as the UEFA Champions League. Thus, they control both the media rights and the prize money. Especially the latter is incentive enough for clubs to influence the governing body, particularly large ones. The European clubs interact with UEFA through ECA, the association that represents the clubs and strives to protect their rights and European club football (UEFA, n.d.; ECA, 2019). The 245 member clubs are represented in the form of an executive board, various working groups, and other committees that are involved in higher-level decision-making. Here, these cooperate to find a way collective way to pursue the common interest.

1.2 Problem Discussion and Research Question

In this section, two separate matters are clarified. The first regards the problem discussion, while the second part derives the three research questions.

The above-mentioned matter of economic and sportive inferiority for smaller clubs is a dilemma that has seemed to only increase with the traditional, cost-intense scouting methods. However, the rise of data-driven solutions may be an opportunity to bridge the gap. As argued by Parida (2018), digitalization is still in its earlier phases. To reach its full potential, the author argues how academia will be important in order to gain this understanding of emerging possibilities.

Connected to this, football analysts employed at clubs and leagues are oftentimes manually observing and evaluating events occurring on the pitch with the mission to create as much value as possible for their employer (Stein et al., 2019). This traditional approach to football scouting and analysis is resource-intensive, prone to bias, and generally inefficient, which facilitates an industry where the richest clubs have a massive advantage. Hence, utilizing software solutions to automate the process is sought-after (Stein et al., 2019; Lichtenthaler, 2022).

In accordance with what is stated by Deloitte (2022), this is especially true for actors that are either outside of the top-seven leagues, severely economically inferior to a domestic giant, or both. That is because of the cost- and time-efficiency enabled by the automated solution, creating a way to sustainably compete while simultaneously increasing the quality of the league in its entirety, i.e., overall international competitiveness. There are numerous cases of data analytics and AI contributing to an improved financial standing, and most notably, sporting success. This has led to significant growth in the field that is projected to continue (Lichtenthaler, 2022).

Based on the problem discussion above, three research questions have been outlined.

1. How can digitalization in the form of digital scouting solutions allow smaller clubs to become more financially competitive?
2. How can digitalization in the form of digital scouting solutions allow smaller clubs to become more sportively competitive?
3. How can smaller clubs tackle the strategic and regulatory challenges related to leveraging digital scouting?

1.3 Delimitations

The limitations of this study mainly concern the selection process of the leagues, as some strict selection criteria were requested by the partner company PlayMaker to find results relevant to their area of business. To this end, only clubs from leagues

that are not among the seven largest are investigated in this report. These seven largest leagues include the highest division from the following countries: England, France, Spain, Germany, Italy, The Netherlands, and Portugal. The clubs in leagues below these are relevant and referred to as “smaller clubs” in the paper.

Additionally, note that this study is limited to football leagues in Europe. The results are therefore not necessarily representative of any context outside the defined scope. Further, the study was developed with a focus on men’s football leagues and their economy. Thus, the findings are not automatically applicable to women’s football. However, taking into account that the women’s football economy is substantially smaller (UEFA, 2023), adopting cost-efficient solutions like digital scouting could be highly beneficial.

1.4 Report Disposition

The report consists of six different distinct chapters. Below, the structure of the report is explained, showcasing the different parts alongside a brief description of the contents of each part.

1. *Introduction*

The introduction section provides an understanding of the problem area and its relation to the partner company PlayMaker. Additionally, the problem area is in this chapter narrowed down to the research question at hand, and the delimitations of the report are also presented.

2. *Theoretical framework*

The theoretical framework section investigates the literature that is available on the problem area. The purpose of the theoretical framework section is to serve as a guiding point for the subsequent *Discussion* section of the report.

3. *Methodology*

The methodology section outlines the methods and methodology of the research of the report. Further, it outlines the research strategy along with the methods of data collection, data analysis, and means of ensuring research quality.

4. *Results*

The results section provides the results from the interview study. The chapter is divided into five different sections covering different areas of interest for the research questions.

5. *Discussion*

The discussion section combines the findings from the *Results* chapter with relevant theoretical concepts. The analytical text is intended to respond to each of the research questions.

6. *Conclusion*

The conclusion section summarizes the thesis and provides a brief overview of the most important findings. Further, it also contains implications for future research.

2

Theoretical framework

In this section, a theoretical framework will be developed. This framework will in turn gather existing literature, which will be useful in the later stages of the research in order to understand and help explain the interview findings. The framework consists of six different subsections, connecting traditional economic concepts to the idea of facilitating a competitive advantage in football.

2.1 Digitalization

Digitalization as explained by Parida (2018) is the use of digital technologies to substitute a business model and provide new revenue and value-producing opportunities, and it is the process of moving into a digital business. Further, it is facilitated by the Internet of Things and is considered disruptive in nature. This has allowed for the restructuring of established ways of working and instead allowed for new models based on the possibilities of these more recently emerged technologies. Further, the author emphasizes the importance of speed and flexibility. This is especially important in a fierce and turbulent competitive environment, as it requires a different set of practices and capabilities than before (Christofi et al., 2021). This is not only in the way of working, but also in pursuing new business opportunities. Both of these are the focus of digitalization as a phenomenon, which places the utmost importance on embracing these new technical possibilities as solutions and enablers of a more digital way of working. However, Parida (2018) also notes how the full potential of digitalization has yet to be realized in terms of what is possible from a technical standpoint.

This view is supported by Parvianien et al. (2017), as they mention how organizations often fail to apprehend the benefits and possible impacts of digitalization. Additionally, the authors argue that overcoming certain hurdles is crucial for success in digital transformation. These hurdles involve developing the digital capabilities needed for transitioning the business model, particularly related to external and internal users, resources, and operational processes. Moreover, Parida (2018) argues that disruptions to current business models are frequent in the business world, as new technologies and business models are developed continuously. These, in turn, demand efficiency regarding innovation and organizational structure to be competitive. To this end, digitalization can be useful, allowing for greater control, organization, management, and value generation from digital data.

2.2 Disruptive innovations

Christensen (1997) developed the disruptive innovation theory to demonstrate how new entrants could overtake more dominant incumbents through the use of disruptive technology. The author explained how some attributes are more important for the customer base, and some are less valued. This disruptive technology, in turn, is inferior regarding these attributes currently valued by the consumer base. Instead, they focus on previously mentioned attributes, which are less valued at the time. Eventually, this disruptive technology will develop and eventually outcompete the incumbents in certain markets. Further, the author argued that companies that adopt these new technologies first will often come to thrive, while companies that resist the adoption instead are prone to fail. This concept was eventually furthered into the concept of disruptive innovations, which also regarded other factors, such as business models or products (Si and Chen, 2020).

2.3 Technological Innovations in the Football Industry

As explained by Beiderbeck et al. (2022), the football industry is just like many other industries experiencing a growing impact of technology, both related to the business side and the game itself. Some examples of such recent technological advancements made within the football industry are different types of digital training tools, broadcasting innovations, and video assistant referee. This shows an environment with ever more digital business models, showcasing a clear case of digitalization within the industry, per the definition provided by Parida (2018).

Further, Beiderbeck et al. (2022) explain how technology has been a big reason for improved sporting performance during the last decades. The implementation has also meant a shift in some aspects of how football is consumed and performed. In turn, the decision to allow new technology, and thus the diffusion of said technology in sports, is often delegated to a central authority tasked with overseeing the rules. Within football, this is the responsibility of the organization Fédération Internationale de Football Association (FIFA). FIFA is a central agency for the network of member associations that aims to govern and develop the sport (FIFA, n.d.). Therefore, they play a major role in this diffusion of technologies. This happens not only by dictating rules within the sport, but also through various means supporting the pursuit of said technologies and by creating awareness of them.

But, even if FIFA plays a role in spreading new technologies, some factors influence how likely different associations are to adopt new technology. As Beiderbeck et al. (2022) explained, larger and more developed countries can be argued to have more knowledge related to technology and more financial resources. However, the results of their study show that national associations placed lower in the FIFA world ranking in actuality have a stronger desire for innovations relevant to the field. This, they argue, could be the result of two factors. The first is these associations' hi-

erarchical standing within the industry, where such adoptions serve as a means of catching up to the top associations by leveraging technology. The second regards the possibility of technology companies using smaller associations as a way of testing new products. Further, the authors expressed skepticism regarding if the affinity present on the supply side is shared with the fans.

2.3.1 Digital scouting

Scouting and recruiting the right players is a challenging yet rewarding part of football. The traditional scouting approaches, especially for players outside a club's region, include lengthy and costly travels, reliance on agents and other contacts within the social network to get information on a player, or a combination of the two (Forbes, 2020). With the advent of new technologies, the scouting landscape has changed drastically. First and foremost, it increases efficiency by allowing clubs to quickly and easily collect data on many players, regardless of where they play. It also enables scouts to use many additional and more advanced measures, which helps clubs to make more informed decisions. Alongside these potential benefits, another key aspect, especially for clubs below the very top, is the cost reduction brought by these solutions. Instead of allocating a large portion of resources to let scouts watch games in different locations to expand their knowledge, efforts, and resources can instead be funneled towards closer examination of players that have already been digitally scouted and pre-filtered as interesting prospects (Radicchi and Mozzachiodi, 2016).

The trend is pointing toward increased use of digital technology to gather and analyze data from players (Beidenbeck et al., 2022), whether that would be in the form of wearable technology like GPS trackers or third-party scouting software utilizing AI. Lichtenthaler (2022) argues how the rapid development of AI has increased the strategic value of implementing it in any business, but also how its value will eventually decrease as the solutions become commodities. Therefore, he claims that an ambidextrous approach is desired. This does not compromise short-term performance, while simultaneously increasing competitiveness by incorporating AI solutions. A recent example of an organization being successful in managing to utilize the pre-existing human capital in combination with data analytics and AI is Liverpool FC, referred to as integrated intelligence (Lichtenthaler, 2020). Competitively and financially, the English football club has improved dramatically after making crucial decisions related to staff and technology investments in the middle of the 2010s.

2.4 Competitive Advantage

Porter (1985) highlights the importance of a competitive strategy as an essential factor in the success and failure of companies and associations, regardless of industry. It creates a foundation for a cohesive culture that facilitates enhanced performance and, in the long term, a competitive advantage. This could be explained as the ability of a firm to outperform its rivals by producing goods or services at a lower

cost, of higher quality, or with distinctive, differentiating qualities. These allow companies and associations to gain market share, generate revenue, and be financially sustainable. Sources of this could include methods and procedures that increase effectiveness and efficiency, as well as access to unique assets. One example of this is technology, which could improve performance and efficiency relative to competitors (Barney, 1991).

Moreover, Christensen (2001) emphasizes the importance of technology and improvement by arguing that what is contributing to the advantage today might be detrimental in the future if there is a lack of adaptation to the present circumstances. The same approach that has resulted in an advantage in the past, whether that would be vertical integration or proficient outsourcing, is not always guaranteed to succeed. Conditions change and rather than just having technologies in place, the companies' ability to integrate and utilize these rapidly diffusing and widely accessible technologies, such as AI or the Internet of Things, will determine who holds the advantage.

2.4.1 Competitive Advantage in the Football Industry

The enormous and global interest makes the football industry a lucrative one. As with every other market saturated with clubs striving for sportive and financial success, the competition has increased drastically. Achieving the sought-after advantage can be done in different ways. On the absolute level, competing in one of the top leagues, particularly the English Premier League, will allow for continuous revenue streams that no other clubs can match (Deloitte, 2022).

Speaking in relative terms, long-term performance on the pitch can serve as a platform for further increased revenue and can be facilitated for teams with good performance on the pitch. This can be illustrated by the placement-based broadcasting money distribution to clubs in the Swedish Allsvenskan (Svensk Elitfotboll, 2022) and, if the teams are especially successful, in the UEFA Champions League or Europa League (UEFA, 2022). This as competitively successful organizations will have access to a larger share of the broadcasting rights money, sponsorships, match-day revenue, and transfer revenues, which allows them to both run their daily operations and to invest in the team and its infrastructure (Barajas et al., 2007).

Another way of facilitating long-term performance and stability is cost reduction. Whether that would be through reducing player-related expenditures by making smart signings or reducing player salaries, it could decrease the risk and enable the club to invest and expand. As with more traditional industries, having strategic alignment through all entities of the organization is desirable (De Bruin and Rosemann, 2006). This increases the likelihood of having great resource efficiency, making informed decisions, and improving overall performance (McKinsey, 2014).

This process takes place over a substantially longer time than the duration of a football season, which has some practical implications considering how much is lost

in the case of relegation. Finishing at the bottom of the table hampers the club's ability to generate revenue from all sources, most notably broadcasting rights, while a better placement implies more revenue, an improved reputation, and an increased attractiveness for players and sponsors. A long-term correlation between financial power, particularly in the form of investing in players, and success on the pitch is argued in the Swedish top league, Allsvenskan, by Anders Norlén (2021).

If we instead take a look at some of the richest clubs in the world, their enormous revenues continue to grow, and they are invariably front-runners for the most prestigious titles, domestically and internationally (Deloitte, 2023). On the opposite end, e.g., in the Premier League table, the yearly revenue for a lesser club is more than seven times that of one from the EFL Championship, making the economic implications extremely large if getting relegated (Statista, 2021). This creates the winner-takes-it-all dynamic that tends to be present in sports (OECD, 2009). The threat of getting relegated, along with the immense pressure stemming from fanatical fans (Borges, 2018), cannot be neglected and thus needs to be dealt with as cost-efficiently as possible.

2.5 Policymaking power

Frick (2018) explains how in the majority of industries, the percentage of revenue generated by the biggest organizations is growing compared to one to two decades ago. This view is supported by Herman (1982), who mentions how the percentage of assets owned by large corporations has increased during the last century. This indicates a sustained trend indicating an ever more growing influence of large corporations. Further, Frick (2018) argues that larger corporations have some inherent evils that tie directly to their size. This is explained because a lot of corporations, be it of all sizes, have some impact on public policy. This influence, in turn, is then able to be utilized by these corporations to lobby for policies and laws in their interest without the attention of the public or even often any opposition. It is important to note, however, that size in itself is not inherently bad in this regard. Instead, it is problematic if organizational size results in such influential power. Small corporations also may possess this, even if it is more likely to be more prominent as a result of a larger organizational size.

A way of countering this threat of corporate influence in policymaking is brought forth in the article by Frick (2018), where it is suggested that new reforms should be introduced to give decision-makers access to independent analyses and information. This is to reduce their dependence on corporations and mitigate the risks of lobbying. However, it is not entirely clear if this would work, as skepticism was raised regarding if political influence ever can be entirely separated from concentrated economic power. A preventive force to this political influence through concentrated economic power has historically, according to Frick (2018) been through the disruption of old companies by newer companies, or by the fact that industries sometimes emerge or disappear.

2.6 Information Asymmetry

Nayyar (1990) explains how information asymmetries between parties engaging in business oftentimes can cause problems for buyers. This is because these buyers have difficulties determining the attributes of said service before the purchase, a task that can be both costly and difficult. Further, the author argues that diversified service firms may use such asymmetries as a way of gaining a competitive advantage by exploiting the buyer's needs and wants of cheap acquisition costs. At the bare minimum, the buyer must be aware of both the quality and the price of the different alternatives available. Additionally, the buyer and the seller will have different information sets on which they base their value estimation, such as performance, price, quality, specifications, etc. Such differences in these information sets will therefore hamper the exchange and result in extra costs for both the seller and buyer.

For the seller, there are, according to Nayyar (1990) few ways one can mitigate this problem. The first is through the ways of indicating quality, such as high prices. The second is to through the sharing of information with buyers for the purpose of reducing these information asymmetries. Further, Kulkarni (2000) explained that even though such information asymmetries can be used to generate revenue in the short term, this ability is changing with the emergence of information technology. This, as it enables a much more cost-effective way of gathering information. Therefore, the author argues how a way of replacing revenue generated from such information asymmetries could be through replacing these with revenues from higher trustworthiness of buyers.

3

Methodology

In this section, an overview of the methodology used will be provided and is divided into four different subsections: Research strategy, Data Collection, Primary Data, and Interviews. Following this, the process of data analysis of collected data will be presented, along with the process for ensuring good research quality.

3.1 Research Strategy

The qualitative research has utilized an abductive methodology as explained by Wallén (1996) and Bell et al. (2018), as the thesis authors observed empirical facts as well as various perspectives and opinions from industry reports and digital interviews to draw more general conclusions. Further, the research has utilized an exploratory methodology. As explained by Swedberg (2020), this is useful in an area where there is not a lot of prior research. This way, the findings can serve as a foundation for future, more focused studies.

According to Bell et al. (2018), an abductive approach can be seen as a mixture of both an inductive approach where observations are used to draw general conclusions and a deductive approach where theory is used and tested in practice. As argued by Saunders et al. (2012), the benefit of this is that it allows the researchers to traverse between empirics and theory, allowing for its modification and development. This method therefore suited the interview format utilized well in regard to this ability to traverse between empirics and theory, as the answers from the interviewees in turn affected the authors' ability to answer the research questions.

3.2 Data Collection

To acquire sufficient information to conduct the study, primary data was used. The data consisted of interviews with researchers, representatives from various football federations and clubs, as well as other field experts.

Other strategies to collect data include conducting online surveys and utilizing focus groups. The former most likely would have increased the number of respondents and therefore facilitated saturation within the different populations. However, the character of the data it generates was decided to not be specific and flexible enough to answer the research question (Check and Schutt, 2012). As for the latter, a focus

group discussion could have allowed for candid responses that add additional dimensions not previously considered (Leung and Savithiri, 2009). Nevertheless, the idea was disregarded due to the logistical difficulty of arranging a group discussion with people from various geographical regions with limited available time to partake.

Relating to the partner company Playmaker, there were some selection criteria in relation to what leagues they were interested in investigating. In this regard, the league could not be too large, as these have other hindrances affecting attractiveness, such as a large financial network with pre-existing information gathering, equaling saturation. Therefore, no leagues that are among the seven largest in Europe are analyzed in this thesis. These include the highest league from the following countries: England, France, Spain, Germany, Italy, The Netherlands, and Portugal. The clubs in leagues below these are referred to as “smaller clubs” in the paper.

3.2.1 Interviews

To ensure the multitude of perspectives required to enable a comprehensive understanding of the football economy and digital scouting solutions, people with different expertise and in different roles were interviewed. This implies a need for multiple interview templates that share a base of structural elements to allow for the analysis to cover the entirety. To give context ahead of each interview session, the researchers’ position and purpose were clearly defined prior to the questioning.

As is often desired when conducting a qualitative study, interviews were conducted in a semi-structured manner to maintain flexibility. This allowed for an open-minded approach to the interview sessions that let the respondents approach the subject from whichever perspective they felt was relevant. This, while the general structure remained the same, which enabled simpler categorization and analysis of the collected data (Bell et al., 2018).

Each session was recorded, which not only makes transcription easier by retaining the information, but it also opens the possibility for a re-visit into the interview archive in the search for new themes and responses. Consent to being recorded was thoroughly checked with the respondent prior to every session. The same applies to any quotations, which were also sent to the respondents via email upon request to avoid any undesired misquotations.

Interviews were conducted both in English and Swedish, depending on the nationality of the interviewee. For the purpose of keeping the answers authentic and not inadvertently altering the intended meaning of responses, interviews were not immediately translated. Instead, in cases where a segment of a transcript was deemed to be of interest being used as a quote, the specific segment was translated by hand. In this aspect, extra consideration was placed into ensuring that the intended meaning was portrayed accurately. It is however important to note that altering a quote in this way carries a risk of changing its meaning inadvertently.

The interviewees were selected after a discussion with the partner company. There-

after, the suggested list was revised progressively as the study took form, with the availability of interview subjects also taken into consideration. The aim to contact profiled football economy analysts in the early phase of the study was kept, as well as the focus on interviewing representatives of multiple international football federations and leagues. The views of analysts on various social media were complemented by those of researchers within the field of sports economics, and further nuanced by individuals with practical knowledge, e.g., scouts or sporting directors at clubs. To summarize, the population of the study was divided into people from two fields within the football industry: *Football Club and Association Representatives* and *Football Research and Analytics Experts*, as visualized by the tables below.

Name	Role	Date	Length
Siri Wallenius	Head of Intl. Relations, Malmö FF	210223	46 min
Jörundur Áki Sveinsson	Technical Director, KSI	280223	52 min
Nicolas Evans	Head of Research & Standards, FIFA	130323	45 min
Svante Samuelsson	Sports Director, SEF	230323	40 min
Adrian Von Heijne	Head Scout, Odense	290323	39 min
Hampus Andersson	Head Scout, BK Häcken	060423	20 min

Table 3.1: Interviewees classified as Football Club and Association Representatives

Name	Role	Date	Length
Anders Norlén	Football Economics Expert	130223	54 min
Caesar Gezelius	GoalUnit Team	160223	55 min
Lukas Berglund			
Kristof Vogel			
Raffaele Poli	Head of CIES Football Observatory	210323	51 min
Steen Houman	Elite Sports Consultant, Roskilde	220323	37 min
Maxence Franceschi	PhD Football valuation, CDES	280323	48 min

Table 3.2: Interviewees classified as Football Research and Analytics Experts

In alignment with what is stated by Etikan and Bala (2017), the primary sampling method used was a purposive one in order to obtain the needed information for the study. This, as the issue, was deemed to be specific enough that convenience sampling would be insufficient. Furthermore, judgmental sampling ensures that any perspectives initially considered important are not neglected. Early in the process, expert sampling was used to validate the research strategy and to accommodate future sampling strategies (Etikan and Bala, 2017). Given the characteristics of the selected respondents, snowball sampling was also utilized to access parts of the populations that were otherwise difficult to contact. Snowball sampling in turn is one of the most well-known and common non-probability methods, especially within social research (Etikan et al., 2016a). The benefit of this method is that it facilitates a deeper understanding of a complex matter through specific knowledge that

is targeted via purposive sampling (Parker et al., 2019). As a non-random sampling method, it may naturally be prone to researcher bias. Thus, researchers must be aware that using snowball sampling increases the likelihood of similarities among the respondents. This in turn decreases the generalizability over the entire population (Etikan et al., 2016b). To counteract this, respondents with differentiating backgrounds were sought to be included to ensure that different perspectives were brought forward and included in the reasoning.

3.3 Data Analysis

Data collected for analysis has been qualitative in nature, where a large focus of the data gathering was based on interviews. These interviews were in turn also recorded, which allowed for detailed transcription of interviews, but also for the possibility of re-watching important segments in order to understand what the interviewee meant in cases of ambiguity.

These interviews were initially analyzed by breaking them down and investigating what interview questions were answered in different parts of the interviews. Thereafter, the gathered data was evaluated in order to determine the need for more data in the form of additional interviews. This data set eventually matured and was thereafter systematically categorized into different theoretical framework categories. The data collected in the data analytics stage was used in order to build the analysis and related results sections.

The data gathered from the interviews was analyzed through a thematic analysis, where patterns and themes were identified as the data set was read through. For this purpose, the qualitative data analysis software NVIVO was used in order to code the data sets. The software in turn was chosen based on what software was available through the university, and any similar software could have been used instead. The transcripts were uploaded to NVIVO and thoroughly, manually reviewed. This was done by both thesis authors to ensure a multi-perspective view of the interview material. Thereafter, adequate codes were connected to the most frequent topics. These codes were merged into categories and after further refinement were developed into the themes that make up the parts in the *Results* section.

3.4 Research Quality

Research quality is according to Bell et al. (2018) ensured by working with validity, reliability, and ethics. In this thesis work, research reliability has been a focus throughout the report, and is described in the following sections.

3.4.1 Validity

According to Bell et al. (2018), there are two forms of validity, these are internal validity and external validity. Internal validity regards how likely it is that other

variables or factors than the ones identified affect the results. Therefore, the section where this internal validity is most relevant is during the results and the analysis segment.

In this paper, internal validity has been a focal point. During the interview stage, the combined method of purposive sampling and snowball sampling was utilized continuously until saturation was reached. This worked to increase internal validity by ensuring that individual interviewees did not have too large of an impact on the result by allowing answers to be based on identified trends of interviewees. Further, interviews were conducted with practitioners and academics, enabling a clear real-world connection while remaining receptive to scientific insights.

An identified source of possible hindrance to internal validity in this paper is the interview guide. While there was a shared foundation across all interviews, see Appendix 1, slight adaptations were made to the questions for them to better suit the interviewee's area of expertise. On some occasions, this was done in conjunction with the interviewee, on other occasions it was simply based on the information available. This implies a risk of researcher bias as the responses depend on the questions, something inevitable yet important to be aware of.

External validity on the other hand, according to Bell et al. (2018) regards to what degree the results of the study can be generalized and used outside the scope of research. To some degree, this is the case for this paper. The research question investigated smaller clubs and the benefit they can draw from utilizing digital scouting. However, even if this was the research focus, the same benefits could arguably still apply to other, larger actors. However, it is not certain that actors in turn would benefit from these. For example, if digital scouting results in cost savings for smaller clubs, it is true that utilizing digital scouting in the same way for larger clubs could yield similar results. However, it is not automatically true that the large clubs would prefer to stop working with data in the thorough way they currently are, as it could mean that they lose some marginal benefit that they deem crucial.

3.4.2 Reliability

Bell et al. (2018) explain reliability as the possibility of replicating the study and yielding the same results at another time. The study was based on semi-structured interviews, which does mean that ambiguity and misunderstandings could affect the interpretation of the interviews. Further, the interviews were recorded, which helped reduce unclarities in the transcripts as it allowed for the possibility of checking what was actually said in case of uncertainty or doubts. Additionally, as two people were participating in the interviews in all but two instances, this allowed for a nuanced discussion regarding the findings from the interviews, further ensuring reliability by reducing misunderstandings.

As the findings of the report in some regards are influenced by one's interpretations and subjective way of reasoning, it is safe to say that a report of this scope

could not be replicated exactly. However, due to the measures taken mentioned above to reduce uncertainty, it is probable that a report of similar characteristics with similar results could be produced.

3.4.3 Research Ethics

As argued by Bell et al. (2018), there are a lot of ethical considerations one should be mindful of related to conducting a study. These relate to factors such as dignity, protection of privacy, confidentiality, and anonymity of research participants.

In this thesis, a lot of consideration has been placed on the principles outlined above in order to ensure an ethical way of research. In this paper, research participants with various professional backgrounds have participated as interview subjects. Emphasis has been placed on explaining the area of research, as well as allowing participants to have the choice of either being anonymous or not. Further, with the consent of participants, interviews were recorded for the purpose of transcription. Lastly, the participants were asked whether they gave consent to being quoted by name in the report.

4

Results

In this section, the results of the interview study will be presented. The result section comprises five different themes to allow for a clear overview of the collected data, which include financial, strategic, sportive, and technological aspects. Each one plays a part in understanding the playing field for a smaller football club, the possibilities and risks of digital scouting, and its role in helping a smaller club become more competitive. The empirical data from the interviews is accompanied by quotes that highlight key areas of the research.

4.1 Financial Management

For football industry actors in leagues and nations below the very top, the money from European qualification is stated to make an enormous difference, complementing the more stable revenue sources of sponsorships and broadcasting rights. There appears to still be plenty of reason to expand those too. This was for instance highlighted by Sveinsson (2023), who described how Icelandic clubs have a large focus on entering European leagues such as the Champions League or the Conference League for the purpose of generating revenue and describes it as the main goal for these clubs. Further, the clubs are constantly seeking means of finance, such as securing sponsors, finding individuals to support them, partnering with companies, and obtaining TV rights.

Alongside these sources, establishing a solid fan base increases match-day revenue, but the gain is marginal compared to that of international competitions. Additionally, transfers could also generate larger income. Samuelsson (2023) described this by explaining how tickets to games, local businesses, and merchandise sales can generate increased revenue in the likes of a few percent per year. However, he argued how the largest opportunities for revenue relate to participating in European competitions and revenue from transfers.

For smaller clubs, the increasing business made at the top level drives the transfer market, where tens of thousands of player acquisitions are made domestically and internationally each year. Transfers can serve as a way to balance the books or even make significant revenue through player sales. They can also be a cost driver for underperforming clubs in, e.g., relegation fights, as argued by Poli (2023). He described how being present on the transfer market is of utmost importance to most clubs and how this creates a cascade effect. To this end, the Premier League was

said to serve as a market driver, causing clubs to spend even more money. When clubs are close to being relegated, they often try to buy players as a last-ditch effort. He mentioned how he believes that prices will increase, being driven by the Premier League, and as a cascade effect, those clubs that transfer players directly to Premier League or Champions League teams will benefit.

When interviewees were discussing player acquisitions, there was a lot of support regarding how the trend of buying older, expensive returning stars could potentially be harmful economically. Instead, weight is placed on the fact that the decision to buy these types of players should be made carefully, considering actual merits instead of past performance. Samuelsson (2023) was a prime example of this point of view, arguing how in some historical cases, the decision to purchase an older returning star has been the right choice, but in other cases, was not. The important factor, he argues, is that the player must be good enough. Otherwise, it is simply not worth it economically in regard to the sporting performance, leadership, etc., that you get for that price.

Instead, factors that help create good financials and, in turn, competitiveness in the form of player transfers are having young players that have long contracts, while simultaneously being given the conditions for developing on the field. This is claimed to increase the overall market value of the squad. Market value, in turn, is an estimation of the player's value on the transfer market decided by many factors such as age, position, contract length, and playing time. Having many young players with long agreements that play regularly and excel in, e.g., acceleration, passing, or dribbling is sought-after. This is because it increases the likelihood of generating more significant transfer revenue, which can be reinvested, as argued by Gezelius (2023).

High transfer revenue comes from high market values in the squads, for instance, younger players with long contracts in the right positions and a lot of playing time. And that in turn leads to a higher sporting competitiveness.

- Caesar Gezelius

One example where this competitiveness is not present is in the Icelandic top division. Instead, inherent problems regarding player pressure to advance in their careers create a desire for shorter contract lengths. This may harm the transfer value of players, as described by Sveinsson (2023). He mentioned how in Iceland, clubs work by making strategies regarding when it is right price-wise to sell a player. In this regard, you cannot sell players for an all too low price, but there is a lot of pressure from both agents and the players themselves hindering lengthy contracts. This is because they feel as if longer contracts would hinder them from progressing in their careers to a better club.

The shorter contracts negatively affect the ability to generate transfer revenue for

clubs in minor regions and directly hamper international competitiveness. This was argued by Gezelius (2023) as he mentioned how they have raised this issue to clubs they have worked with by looking at comparisons of average contract lengths in Sweden and other European teams. Compared to the European clubs, Swedish teams have lower contract lengths, which he argues puts them at a competitive disadvantage. The reasons for signing these contracts are, in turn, twofold, according to Vogel (2023). The first reason is due to cost savings to be able to sign more high-performing players. The second reason is that rising stars in smaller leagues do not want to sign long contracts there, as they feel as if it limits their abilities to play abroad.

Swedish clubs generally work very hard from transfer window to transfer window, and then you want to pack in as many players as possible, and then it often happens that for reasons of cost, you take shorter contracts and sign with the older player, a contract that looks beneficial but is not in the longer term. /.../ Because of Sweden's place in the footballing hierarchy, it is difficult for a Swedish club to stop a young player from going abroad at all, but it is also difficult to force a five to seven year contract on a younger player because they feel that it limits their ability to go abroad.

- Kristof Vogel

4.2 Strategy, Regulations, and Governance

Most respondents state the importance of strategic alignment and how it is one of the most prominent deciders to all definitions of success, particularly for clubs with limited financial resources. For instance, Samuelsson (2023) elaborated on the importance of having a sustainable model for long-term success that does not rely on random advice from agents or other industry actors, but instead plans further ahead than just one transfer window. Coherence and clarity throughout the organization are frequently mentioned as common denominators between success stories, in addition to maintaining the focus as long-term as possible.

Furthermore, the conundrum regarding current performance and prospective sportive and economic well-being is one that was regularly mentioned. Poli (2023) argued that if a gigantic club with stable revenue from merchandise, match-days, and broadcasting like Manchester United struggle to think more than three years in the future, the reality is even harsher for a substantially smaller club. This makes strategy and anticipation all the more important, both in scouting and player recruitment. This involves giving young players opportunities in cup matches and games against weaker opponents to improve. When star players eventually leave, well-prepared replacements should be ready to step in.

Nevertheless, there appears to be a clear discrepancy between the operations of a football club and a normal organization concerning the business-oriented mindset.

This is particularly visible when comparing Sweden to some of its neighbors, and is likely to be an essential factor as to why the growth trend has been negative relative to, e.g., Denmark's, as highlighted by Gezelius (2023).

These clubs and associations originate from a democratic association life, which brings with it a different tradition than ordinary companies set up for other purposes in the business world. In the business world, there is rationality in how one behaves and what one does, and why. This leads to a different way of thinking, which overlooks the emotional aspect that is so incredibly strong in Swedish football and is also its strength, but makes you act differently. I believe that in the business world, we think 'Okay, we need to make money. How do we best do that? Well, we are long-term. We make decisions that will be good over time.' In football, it's more like 'win,' and then you sign the 31-year-old player.

- Caesar Gezelius

UEFA is the governing body for European clubs and leagues and via the respective interest organizations, ECA and European Leagues, actors across Europe are enabled to influence policy decisions. For those already at the top of the football hierarchy, the ability to influence is greater. Therefore, some policies in recent times, e.g., the FFP, nowadays referred to as the FSR, have been designed to allow the dominant forces to stay on top. In the case of FSR, as argued by Norlén (2023), it is done by limiting the investment cycles for clubs.

Another phenomenon that is highlighted as potentially hampering the lesser clubs' ability to influence the policy work is that of prioritizing individual interests over collective competitiveness relative to the biggest clubs. In the industry, almost everyone is competing to the point where collaboration is unnatural and certainly not appreciated among fans.

Big clubs with significant financial power and influence are now involved in club ownership and media rights. This makes it challenging to change course. It's important to advocate for strong governing bodies and encourage leagues and clubs to speak up. The issue is that many individuals prioritize their own interests over collective action. Most people are focused on their own businesses, and aside from the pandemic period, the football industry has seen improvements in income, making everyone content with their own progress. This lack of counter-power ultimately favors the big clubs, creating an uneven landscape.

- Raffaella Poli

Either way, according to Wallenius (2023) there appears to be an existing opportunity for clubs to have a say at ECA and UEFA meetings despite economic and sportive inferiority. Outside the fact that some clubs are unaware of their occurrence,

there is another issue related to their limited resources, considering the complex nature of the regulatory matters that are discussed. Sufficient knowledge to contribute rarely exists in smaller clubs, which undermines the objective of participation and the clubs having their voices heard.

4.3 Building and Maintaining Competitive Advantage

The financial situation in Sweden within the industry is described as improving as a result of new TV-licensing deals. For the clubs, this has meant that even the bottom-most teams in the highest division nowadays are able to pay a competitive wage to all players as a result of more revenue. Further, finances are described as a means of generating further revenue as well as sporting success. This was emphasized by Norlén (2023) as he argued how one's finances should be dedicated to increasing performance in order to be able to convert sporting success into financial success. This is due to the fact that the supporters, in turn, want performance, and are not themselves interested in the club turning a profit.

Additionally, such sporting success for one club was also described as being tied to improved finance for clubs within the same league. This is because players within that league all get a higher value on the transfer market as a result of being matched and playing against players with proven track records. If, for example, the Swedish team Malmö FF performs well in European international leagues, players within the domestic league playing against them can prove their worth. Moreover, if the league collectively performs on the European scene, the overall benefit increases. Walleenius (2023) argued for this, explaining how focusing too much on domestic leagues without understanding the bigger picture of how everything is connected can be a significant obstacle. For this reason, she explained how it is essential for multiple teams to invest in and prioritize European success.

When talking about being sportively competitive, interviewees stated the importance of managing both short-term successes alongside long-term success. Short-term sportive success was described as important not to get relegated or miss out on international competitions, both of which would have a large impact on the club's income.

The clubs have such a perverse incentive to constantly spend money - all because of the way football is structured, with promotions and relegations. The strange 'winner-takes-it-all' model punishes losers harshly while rewarding winners excessively. This creates an insane incentive to avoid relegation by spending money one doesn't have.

- Anders Norlén

Long-term success instead, regarded developing the team and giving them play-

ing time and the resources needed to develop. This was explained by Samuelsson (2023), arguing that a clear strategy of clubs is that there must be a constant influx of new players to create team dynamics and a positive player development environment. Further, it was argued that a younger player might be worse today but eventually may come to develop and surpass established players rather quickly.

I have not talked about bringing in worse players. It's just a matter of bringing in younger players. Maybe the 19-year-old is worse today. But what happens in 5 games? If you have a 19-year-old and a 30-year-old who get to play five games. Who will be the best in 5 games? Will it be the nineteen-year-old or the thirty-year-old? How many games does the 19-year-old need [to catch up]?

- Adrian von Heijne

Connected to this, Von Heijne (2023) clarified the argument, by stating that the focus therefore should be on the recruitment process to ensure that the young players that are brought in are good enough.

4.4 Talent Identification and Acquisition

Identifying, acquiring, and developing talent is one of the most frequently mentioned methods to thrive on and off the pitch in the long run, for example by Norlén (2023) This has not gone unnoticed, and there is ongoing transfer inflation, caused by the new broadcasting deal in the Premier League. The large revenue boost for its clubs trickles down to the clubs from which they purchase players, which, in turn, enables them to make more and larger transfers. This occurs even in cases where domestic broadcasting money is declining. Many clubs also attempt to use the economic influx similarly, by aiming for the same, highly desired player traits in specific age groups. This is, for instance, done to facilitate great sell-on possibilities, as everyone appears to have discovered the value in young players, partly sportively but primarily on the transfer market.

The generally increased financial muscles have partly meant an increase in the transfer market turnover, but as a result of the competitive nature of the market, it has also contributed to increased player salaries and agent payments, which, for instance, occurred in Moldova after the continental success of the domestic giant Sheriff Tiraspol (Wallenius, 2023). The success contributed to increased solidarity payments for the other clubs in the nation, but due to non-strategic spending, it did not improve the standing of Moldovan football internationally. Reflecting and developing a framework for how to invest this money more effectively is essential. Otherwise, this might hamper the clubs' ability to make proper long-term investments, enhance player development and expand the women's football section.

Investing in the player could however carry benefits too, but not primarily in the form of an increased salary. Signing or re-signing young players on long-term deals is

argued to increase the overall transfer revenue, which also leads to improved on-pitch performance (Gezelius, 2023). This is naturally the main purpose of a football club, and the use of having high turnover is to maintain a high level of competitiveness.

Another thing raised that can potentially change the playing field for actors in smaller leagues is the ongoing trend of dominant clubs wanting to establish a presence in multiple leagues, via MCO using feeder clubs. From an industrial perspective, this may create a risk for conditions for the mismatch of talent with the clubs (Franceschi, 2023). The respondent further explains how, from an economic theory standpoint, the club that attributes the higher value to the player should be able to buy him and use him. An increase in affiliate clubs may affect the ability of smaller clubs to sell directly to the largest ones. This makes the subsidiaries play the role of transfer market intermediaries, in an attempt to lower the transfer costs of a bigger club, increasing the imbalance.

Moreover, another thing that was highlighted numerous times is the importance of having a clear player development strategy, all the way from investing in training staff and infrastructure to ensuring game time for younger players that are likely to have more room to grow. The emphasis is on strategic alignment for the players to improve and increase in value.

I think it's about two different things. One is about trying to identify players that fit the style of play, and the other is about building a squad to increase the likelihood of player sales. And it was really the two different legs that we [IK Sirius] worked with linked to getting players that fit into the style of play and the squad building. So we tried to have a structure that was quite clear with what we wanted to get out of each role.

- Adrian Von Heijne

4.5 Leveraging Technology

Technology within the field of football is described as having massive potential. However, the hindrance towards utilizing data within organizations in turn is dependent on related analytical capabilities these organizations possess.

The first marginal gain that you will get from technology is huge; from going from no technology to technology. But it's only huge if you know what to do with it. If I give you a Leopard two tank, and you don't know how to drive it, then you have no need for it. /.../ That's one of the big issues that you're seeing here is that you have to actually upskill. Typically, you either need an assistant coach, who is a bit savvier on this, or you eventually then want the data scientist. And that's where the actual cost comes from.

- Nicholas Evans

As described, the problem is not collecting the data itself, as data is relatively easy to acquire in its simplest forms. The problem instead regards using this data and being able to leverage value from it. This can as described be costly, as it can require the need for data scientists and other personnel.

Further, a related problem is described to be regarding clubs interested in starting using data not knowing exactly what data they in fact need. To get this understanding, it is important for clubs to find a purpose with the data to solve some form of related challenge. This was highlighted by Evans (2023), as he argued how it is important that clubs know what data they want. If a club has a clear purpose for its data gathering, then you can start finding suitable data.

But, there are also new opportunities related to the emergence of technology. For example, the emergence of digital scouting solutions has allowed clubs to save resources and has as such become more important in the field as of recently. When asking one respondent about the importance of data-driven scouting and if it has become a larger part of football work than previously, he answered the following:

Yes, of course, because you don't need to travel everywhere. You can already select the data you need, and then you save time and money. So [digital] scouting is absolutely crucial.

- Raffaele Poli

There is however a risk regarding the emergence of different scouting platforms, according to Evans (2023). If there are vast amounts of such platforms available, and they are all built on various algorithms that differ on a platform-to-platform basis, then that may make evaluating these options difficult for the consumer. This may, in turn, result in decisions relating to what platform to use being made on factors other than the characteristics of the platform (Evans, 2023).

Related to this, there were also concerns relating to how it is important to know the context of the data as well as its quality. Especially, this is important in cases where the data, in turn, determines which player you do or do not purchase. This can be a particularly large issue in cases where companies make money by gathering massive amounts of low-cost public data, according to Evans (2023), which he argued by itself does not answer any questions. Instead, he argued how a lot of platforms simply amass vast amounts of data and try to "*make magic*" out of it.

The respondents agreed on the fact that technological progress has made scouting a large pool of players substantially easier. This is through data-driven methods that allow for key attributes to be spotted with little effort compared to traditional methods, which especially makes a difference for smaller clubs. This was noted by Heijne (2023), explaining how seeing all players live would demand immense resources and was described as one of the largest advantages of working with data and

statistics. Instead, it allows for lowering the cost of player identification substantially compared with regular live scouting or even video scouting.

But, even though this type of data has made scouting easier, there is still a learning curve related to learning to use this new technology, as shown in the case of Andersson (2023). He explained how he personally has improved in relation to using this method of working. According to him, using it as much as possible is in turn the only way of developing in this regard.

However, there was also some expressed concern that scouting solutions do not in fact add value to the scouting process. Instead, Evans (2023) argued that it is costly, and merely serves as a means of confirming one's intuition, instead of providing data that is used to form opinions and take decisions.

To some degree, this view was also supported practically. One respondent mentioned how data can serve in such a manner as to double-check that their view corresponds with observed data. However, several respondents did not agree with the view of this being the only positive with such data. In this regard, they mention how statistics can sometimes indeed serve as a means of player identification in the case that they are deemed exceptionally well fitting for the club. This was expressed by Andersson (2023) as he explained how they sometimes find players through digital scouting, and at other times through pure statistics if the player is superb in an area of interest. He also explained how they in other cases indeed do use data as a check and as a way of ensuring that their intuition matches existing numbers.

5

Discussion

The discussion is divided into four different subsections. Each of these sections, in turn, plays a part in understanding and answering the research questions. The first two, *Impact on Performance* and *Impact on Finance*, regard how digitalization in the form of digital scouting solutions can allow smaller clubs to become more financially and sportively competitive. Moreover, *Regulatory influence* and *Strategy Development*, revolve around the regulatory obstacles and strategic challenges for smaller clubs when implementing digital scouting and harvesting its benefits.

5.1 Impact on Performance

Both with regard to developing youth prospects and closing the gap to the top clubs in Europe, the implementation of digital scouting software can be highly beneficial. One such benefit is that it can allow clubs to better find suitable players (Andersson, 2023), and thus arguably guide the club towards sound player purchases.

5.1.1 Youth Talent Development

As shown previously, many interviewees such as Vogel (2023), Poli (2023), and Gezelius (2023) stressed the importance of involving and developing younger players in order to create value. While the importance of involving younger players has been stressed, it is also important to remember how it was also stated by Von Heijne (2023) that apart from being young, they also must possess the skills needed in order to be successful in the role. The purpose is not to simply replace players with younger ones, but with young and talented players that can develop.

A key advantage of digital scouting stressed by Radicchi and Mozzachiodi (2016) is how it allows for easy collection and comparisons of data regardless of the geographical location of the players in question. In order to find a player that is good enough at a young enough age, this way of working could arguably, therefore, be favorable. This would perhaps be even more important in less developed leagues with less financial capabilities. If you only have funds to purchase a few players, then it arguably becomes even more important that they perform at the level you need them to. This becomes even more important taking into account the ever more competitive nature of player transfers, which in recent years have resulted in an increase in player salaries, as mentioned by Wallenius (2023).

5.1.2 Leveling the Playing Field

The form of player development mentioned above is what was mentioned regarding the importance of not only managing short-term success but also success in the long-term by, for example, Norlén (2023) and Samuelsson (2023). In this regard, player development was a way of managing long-term growth for the club. Further, as argued by Beiderbeck et al. (2022), lower-tier clubs do in reality have a higher willingness to try out and implement new technology into their business. This, in turn, is a means of trying to become more competitive and closing the gap between them and the actors at the top.

Following the reasoning provided by Christensen (1997), a case can be made that the digitalization seen within the football industry, primarily the leagues below the top five, has the possibility of being disruptive innovations seen from a business model perspective. Even though technologies that are being tested in these lower leagues may not perform better than traditional means, their involvement with these technologies provides a possibility for these to develop, as mentioned by Beiderbeck et al. (2022). Connected to Christensen (1997), these technologies may then in turn as they develop in the future come to outcompete traditional means. Further, as shown above, by Beiderbeck et al. (2022), the market leaders within the industry are somewhat hesitant to implement digitalization to the same extent as smaller associations.

This as such could therefore be a future case of what was argued previously by Christensen (1997), when the author explained how early adopters of disruptive innovations will thrive, while those that resist instead may fail. This could be argued to be a particularly larger issue for these clubs, as Evans (2023), argued how a great deal of specific analytical knowledge is needed to fully utilize digital scouting and other related innovations. By investing in expanding your capabilities of properly utilizing digital scouting, smaller clubs that are willing to expand their ways of working may eventually gain an edge. It is hard to build up these analytical capabilities, and even if a club wants to change overnight, it will arguably take time to develop these as it is a process of learning, as noted looking at Andersson (2003). This view is also supported by Parvianien et al. (2017), as the authors argue how certain capabilities need to be developed internally within the organization first in order to handle a digital transformation successfully.

Further, looking at traditional means of handling disruptions, organizations that manage this the best are ones that are highly flexible and quick to adapt to changes. This issue becomes even more important when you keep in mind that the full potential of digitalization in relation to technical possibilities is still not yet fully known (Parida 2018). In this context, that means that the future role of digital scouting is yet to be known. For actors not building their capabilities, this could arguably be a huge risk. If the future landscape comes to favor this method of working, actors working more in the traditional way may suffer. The reason that some clubs in turn do not utilize technology to its fullest extent is understandable, looking at the work of Parvianien et al. (2017) as the authors explain how organizations often fail to understand the impact of digitalization.

As mentioned by Norlén (2023), if you want to find sporting success, you need to invest money into areas that can develop your capabilities on the field. If you also then have built analytical capabilities related to digital scouting, this may allow you to get more value from acquisitions. In the long term, these clubs may therefore be able to creep closer to the competition and start climbing the ranks.

Additionally, digital scouting may, as argued, allow clubs to find players who have the talent to compete in the short-term, while also being young enough to have the ability to grow. It is, therefore, possible that this can allow clubs to manage the important long-term focus alongside the important short-term focus resulting from the "*winner-takes-it-all*" model present in the market, explained by Norlén (2023).

5.2 Impact on Finance

Digital scouting has been stated to have a considerable positive financial impact on clubs (Radicchi and Mozzachiodi, 2016), in practice meaning that information about players globally is available without much effort and at a fraction of the cost otherwise linked to e.g., scouting trips (Von Heijne, 2023; Poli, 2023). The amount and quality of data allow for juster player evaluations in transfers and might decrease the risk related to signing players on longer contracts, enabling more potential transfer revenue.

5.2.1 Player Evaluations and Transfers

A prominent advantage of digital scouting platforms that was stressed by interviewees such as Andersson (2023) was how they allow decisions to be made based on statistics. The benefits of this would therefore reasonably relate to a more fair evaluation, which could prevent the purchase of players based on unjust prices. The benefits of this would be beneficial in all areas of player transfers for clubs of all sizes. As such, it could also help reverse the trend noted by Samuelsson (2023), as he argued that clubs in general are not focusing enough on the pure characteristics of the players they purchase. An example he mentioned in this regard was the trend of purchasing old returning stars of the club. In some cases, these decisions make sense financially, but in other cases does not, entirely depending on the player attributes and cost, assuming that the sell-on possibilities are limited.

Further, Gezelius (2023) argued for factors related to player acquisitions that led to favorable economic conditions. These, as mentioned previously in the results section, are related to having young players on long contracts who are allowed to develop by being given playing time. He also argued how competitiveness is directly hampered by, in turn, having short contract lengths. However, it is still common for smaller clubs to be stuck in this way of working, relating back to the inherent problems these clubs cite for writing shorter contracts mentioned by Vogel (2023). The issue with writing short contracts as a club is that if the player indeed does perform well, then every club that is aware of the player's performance is in a better position when

negotiating the transfer. For smaller clubs, this is according to Berglund (2023) a bigger problem since they do not have the financial might to renew the contract if a bigger actor is interested and the player is no longer contractually obligated to stay.

Much like how Nayyar (1990) and Kulkarni (2000) argued for the problems of information asymmetry in product and service industries, the same problems could be argued exist within the field of football. Undoubtedly, the actor with the most information in regard to the capabilities of the player will be the current owner, or seller, of that player. Though such information can be obtained through means available to the public, such as analyzing games, this will induce costs and take a lot of time, much in the same way argued by the authors. Even then, there will still be some information that arguably cannot be obtained through such means, such as performance in training and other types of privacy settings.

Further, this issue is understandably hard given the vast amount of players available, which could arguably make it impossible for any actor to keep track of all available players at a given point in time. The seller will however, naturally, as mentioned argued by Nayyar (1990) and Kulkarni (2020) have more information regarding the product, in this case, the player. Thus, they will value that player differently than the buyers. As the buyers cannot be entirely certain of the characteristics of that player, they may, in turn, sign shorter contracts in order to be able to evaluate the player without having to pay as much as they would in order to sign him for a longer duration. Yet another possibility, if the estimation produced by the buyer differs too much from the seller, could be that the plan to purchase said player does not materialize.

Nayyar (1990) does, as mentioned, point out how information asymmetries will be lowered as a result of the emergence of the internet, and to a large degree, this could arguably be the case for the football industry. The benefits of utilizing digital scouting in this regard are several. Perhaps if greater information about players is available, this would lead to more fair pricing. This is because buyers would be able to better identify players that are over or undervalued compared to players with similar characteristics, thus reducing player-related expenditures. This would help better the resource efficiency of clubs, thus increasing performance as a whole (McKinsey, 2014).

There is one emerging exception to this theory about information asymmetry, which is when the largest clubs from the largest leagues acquire affiliate clubs both nationally and internationally. This ensures an enormous relative information advantage, and will in the long run hamper the football market function (Franceschi, 2023) as players good enough for a certain destination are more likely to elect for a smaller step to eventually have a chance of becoming a world-class team. For the smaller clubs trying to sell their players, this implies that they are likely to generate less transfer revenue, as this is a method for the large organizations to use their scale to make market bargains. This hampers the potential of digital scouting as a means to increase transfer revenue for smaller clubs.

5.2.2 Increasing Contract Lengths

In turn, fairer pricing could lead to clubs being able to become more certain in their player choices, thus eliminating their expressed need to sign shorter contracts to evaluate the characteristics of the player. This is, as mentioned by Sveinsson (2023), a large problem in the smaller Icelandic league, as he feels this hinders their ability to extract value from transfers. If you do not feel as if there is a need to evaluate a player before signing a long contract, then arguably you could feel more secure in the choices and purchases that you make. In turn, this newfound confidence could therefore result in longer contracts and an ability for these clubs to work with these players long-term and give them playtime to develop. This could increase their value on the field and the transfer market, as players would be young, with longer contracts, and be given the play time needed to develop (Gezelius, 2023).

However, there are already options that can be used to increase such information asymmetries in the form of player loans, where a club lends a player to another club. These types of loans could be argued to reduce asymmetries by allowing buyers to get a better understanding of the player's abilities firsthand. Perhaps these digital scouting solutions therefore could serve as a compliment to this form of player valuation, allowing clubs to identify players of interest, as mentioned by Evans (2023) and Andersson (2023). Another possibility could be to utilize digital scouting to find trends and characteristics that are not visible in a shorter time frame, and instead only become visible in the longer term.

5.3 Regulatory Influence

As stated by Wallenius (2023), while there are clear costs and demands related to knowledge and resources for a club to be represented in the ECA, there is also a lot to be gained on different levels. Not only does it mean influence over regulatory decisions that may have large implications for the smaller clubs' ability to compete, which is supposedly increasingly desirable in times when the economic muscles of the giants are, relatively speaking, growing at a fast pace.

5.3.1 Small-actor collaboration

The governance bodies also act as a way to establish an information and knowledge-developing network between the members, one that could even facilitate future business and collaboration. The collaborative efforts for smaller clubs are essential, but may feel counter-intuitive because the clubs are innately competitors, at least on a national level. Added focus on collective competitiveness outside the national borders would benefit all clubs in the nation in the long run, given the immense revenue boost it brings. In contrast to the Swedish distribution structure, international success would initially mean a substantial financial boost for whichever club makes it out through the eye of the needle (Wallenius, 2023), and will only through consistent success benefit the mass of clubs. While this is for the better, it becomes a conflict between long-term economic interests and short-term competitiveness and

social interest. This is due to the fierce rivalry between certain clubs.

Smaller clubs frequently have difficulty obtaining essential information and resources compared to their larger, better-funded counterparts. As discussed by Nayyar (1990), the information asymmetry resulting from this access differential can potentially hinder the growth and development of these clubs. Engaging in a club's interest organization may help. These groups can promote the exchange of important knowledge and other assets of great value for smaller actors. The associations may also enable smaller clubs to make educated decisions regarding player recruiting, performance analysis, and revenue generation by giving them access to data analytics, scouting tools, and innovative coaching approaches. This partnership increases the connection between teams and fosters a more equal and competitive football scene, which inevitably helps in the sport's overall development and sustainability.

5.3.2 Skewed Regulatory Influence

Even if football is still relatively free from external regulation, thanks to the governance body UEFA (Geeraert et al., 2012), there are still massive organizations within the sport that seek to draw benefits from their scale and influence. The importance of a counter force to the most impactful actors that lobby for regulatory measures that increase their chances of staying at the top of the football hierarchy was stated as essential by Poli (2023). This is in line with Frick's (2018) view on a traditional industry, where the largest actors use their policy influence to lobby for self-beneficial changes that could lead to a further improved position in the hierarchy (Herman, 1982). An example would be the FFP regulations, created by large clubs to remain in control, as Norlén (2023) stated.

There is a conundrum concerning regulations intended to increase the competitiveness of smaller clubs. These policies should ideally encourage a more equal distribution of opportunities and resources, enabling smaller teams to compete against larger, richer competitors (Wallenius, 2023). The reality, nevertheless, is far more complex since the big clubs hold positions of power and thus often have a big say in how policies are decided. This power dynamic creates a paradox: although policies can improve the competitiveness of smaller clubs, those who control the policymaking process could be reluctant to give up their positions. As a result, the policies put in place might not necessarily be in smaller clubs' best interests, maintaining the current situation of resource and opportunity imbalances. This condition raises questions about the fairness and sustainability of the sport.

Understanding the importance of balancing the interests of all stakeholders in football economics is crucial for addressing this policy paradox. To guarantee that policy measures are developed and carried out in a way that is both equitable and effective, the involvement of neutral organizations, or club interest organizations that have the best for the smaller clubs in mind, is necessary. These organizations may, as is the purpose of ECA (2019), help reduce the impact of power imbalances and assist in the creation of a more competitive and sustainable football environment by

promoting transparency in the policymaking process.

5.4 Strategy Development

As stated numerous times in the interviews, turning a club from its current state to a state where transfer revenue is massively increased, is way more complex than just identifying that one approach seems to be working for other people (Norlén, 2023; Evans, 2023). Regardless of the objective, extensive work and a clear structure are required to facilitate the sought-after effects to occur and there must be alignment between the different wills, processes, and functions within a club for it to gain the maximum benefit of the shifted focus. This includes building a squad with a long-term strategy in mind while minimizing spontaneous and costly transfer market action (Samuelsson, 2023). Another challenge related to this is the turbulent market environment, stated to limit the potential focus horizon of the biggest clubs and probable to affect the smaller ones as well (Poli, 2023). This makes anticipation which is a tremendously difficult discipline key.

5.4.1 Adopting a long-term transfer revenue model

The largest revenue can be harvested from international competitions (Sveinsson, 2023), which is a possibility only for a few of the clubs in lesser leagues, as a result of the various nations' club coefficients and thereby how many spots are up for grabs in each league. The other revenue source that clearly stands out regarding the amount of potential revenue, but also regarding volatility, is that from the transfer market (Samuelsson, 2023). Particularly, this is the case when selling players to the biggest leagues.

In line with the comments from Von Heijne (2023) a strong scouting network, both traditional and digital that finds and attracts promising young players from regional, and national level is essential to make a strategy like this work. A high-quality youth academy is thereafter vital for developing the players. To further enhance player development, clubs could make investments in their facilities and coaching staff. Smaller clubs need to have an overarching football philosophy that promotes the value of their young players, both in terms of on-pitch performance and finance. A nurturing atmosphere can assist player development, and potentially even increase short-term competitiveness. Regular first-team experiences for young players are moreover essential for their development and increasing their market value.

If a player participates in important matches for his club or in a youth national team and performs decently, he is likely to attract interest and, in turn, see his market value increase (Samuelsson, 2023; Gezelius, 2023). When massive clubs start bidding for said player, the smaller club needs to keep their cool and negotiate a fair price. Not only to get paid a reasonable amount on that specific occasion, but also to set a reasonable standard that maintains the pricing point for future transfers. This allows part of the transfer fees to be reinvested into the youth sector and scouting system, as suggested above, creating a positive, sustainable investment cycle. The

risk will always be there when re-acquiring talent that might not live up to the expectation, but well-functioning scouting helps tremendously with lowering that risk. Nevertheless, making advancements in being a selling club, or even a selling league, will not only create an influx of cash, but it will also increase the attractiveness for young players to use the league as a stepping stone.

Gezelius (2023) mentions an interesting perspective when speaking about the differences between the traditional football world and the general business world. The democratic association nature of many football clubs means that being business-minded and rational is often overseen. Instead, emotions and short-term thinking dominate the agenda and the way of thinking. When investing to facilitate long-term revenue, actors rather choose to go for a shorter-term objective, and spend large sums to recruit a veteran striker who might hold sentimental value, but whose value is soon to be little to none. Adopting a business-oriented mindset has made some European countries, e.g., Denmark, see financial and sportive success in recent times. Lagging behind in this regard is sure to further increase the gap.

5.4.2 Adopting data-driven solutions

Adopting data-driven solutions can substantially increase a club's competitiveness, although it does not come without challenges. The collection and management of relevant data, for instance, present dilemmas. Clubs must decide what data is most applicable to their needs and ensure they can access reliable, up-to-date information. Establishing collaborations with data suppliers, providers of scouting software, or both, and making investments in data collection and evaluation infrastructure may be needed to achieve this. Clubs additionally need efficient data management systems allowing for easy data integration, storage, and retrieval. There also needs to be individuals that possess sufficient knowledge to run this process, as well as policy measures to regulate the increased usage of technology. Preferably, this could be done by a global organ like FIFA, to ensure an environment that nurtures the sport (Beidenbeck et al., 2022).

If clubs elect to go for an in-house route, they likely have large economic resources at their disposal. Evans (2023) argues that it is desirable to have your own data center to avoid a black box and be able to control the algorithms and alter them slightly based on shorter-term circumstances, e.g., what role in the squad a new player aims to fill. However, he goes on to state how most of the largest clubs are getting minimal marginal benefits for their large investments in data. For a team that has previously had little to no access to data, the boost would instead be huge. However, the difficulty of dealing with the data masses properly with part-time or even volunteer staff is not to be undermined. Nevertheless, it is still worth it for these smaller clubs to keep in mind how to make the data add value to the scouting process, instead of merely confirming what was already spotted in the manual scouting (Evans, 2023). This is optimally done with a clear objective in mind. If it is explicitly stated what the data is meant to achieve, these tools are generally used way more successfully and the abundance of information becomes easier to navigate

(Evans, 2023).

Developing a close connection and a sense of trust for the software provider that facilitates clear communication of strategy, and potentially even customized algorithms, adds a lot of value to a smaller club (Andersson, 2023). Moreover, it allows for a necessary data quality check as some scouting market actors are stated to make their own loose assumptions with related algorithms using publicly available, rudimentary data (Evans, 2023). Scouting software suppliers are, on the base level, able to provide these clubs with affordable options. These enable them to identify, analyze, and acquire promising talent within their financial limits. By working closely with providers, clubs may more effectively match their software with their unique demands. Through this collaborative approach, clubs might provide proposals and feedback, leading to solutions that are specifically designed to address their challenge within their constraints. This may even in turn serve as a competitive advantage.

There is a lot of value in implementing data-driven scouting solutions and in order to align with your own strategic model, it is preferable that they are self-developed (Evans, 2023). It is a costly investment that is not always reasonable for smaller clubs, especially since the marginal benefit of additional data decreases. Collaborating with a scouting software provider to obtain data in a financially advantageous way can be a huge opportunity to gain a competitive advantage. For both parties, close cooperation, great trust, continuous communication, and a specialized solution are preferred to avoid enforced transfer solutions and to get the best possible results (Andersson, 2023). In the fragmented market of data-driven scouting (Evans, 2023), this approach should benefit both clubs and software providers.

6

Conclusion

The thesis sought to investigate the impact digital scouting will have on the competitiveness, both sportive and economic, of smaller clubs. The research was conducted through an interview study, interviewing both practitioners and researchers within the field of football economics.

Large implications from digital scouting in regard to both financial and sportive competitiveness within the industry were identified during the study. In regard to sportive competitiveness, digital scouting is deemed to have two main effects. The first relates to an ability to better work with youth development, as it can allow smaller clubs to identify players of interest worthy of investment. The second relates to building up the analytical capabilities of smaller clubs, which can help increase competitiveness by allowing for better player investments as a whole.

Financial competitiveness is affected by digital scouting, as it allows for more accurate estimations of player value. This could have the effect of increasing contract lengths, as shorter contracts are not needed from clubs in order to better estimate player characteristics or for smaller actors due to cost concerns. Instead, it allows for longer contracts which affect player value positively, therefore increasing the potential transfer revenue. It also makes data collection more efficient. Furthermore, participation in governance organizations can facilitate competitiveness through increased policy influence and enable small-actor collaboration networks. Finally, implementing a data-driven scouting solution and shifting the transfer market focus to generate more revenue requires a thorough plan and a clear purpose to succeed.

This paper provided an overview of the benefits of digital scouting and thus provides smaller clubs with an overview of the benefits and drawbacks of utilizing this method of working. Moreover, the thesis has investigated the role of digital scouting solutions related to the competitiveness of smaller clubs in general. However, today there is not much research on the area of specific leagues or regions in relation to the effects digital scouting will have on each of these. As each region and league is different, there are bound to be certain conditions within these that differ on a case-by-case basis. In order to fully understand the future of football economics, an expressed need is, therefore, to further investigate these regions individually.

Another area of research is related to building the capabilities needed in order to be successful in working with these digital technologies. Throughout the thesis, it became apparent how important the individual skill sets present in the clubs ac-

tually are in order to draw benefit from the ever-increasing digital tools available. However, information is lacking regarding how one integrates these capabilities into the organization long-term.

Additionally, related to the role of integrating digitalization within the clubs, an important area of understanding also relates to how one can build an organizational structure within the football industry which embraces innovation at its core. The most innovative clubs today are, according to existing literature, smaller clubs due to an expressed need to catch up. It would therefore be interesting to investigate if such a willingness can successfully be integrated into a more leading organization, or if there are risks associated with this. In that case, it would be interesting to understand how this compares with the potential benefits and how should one manage the two.

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