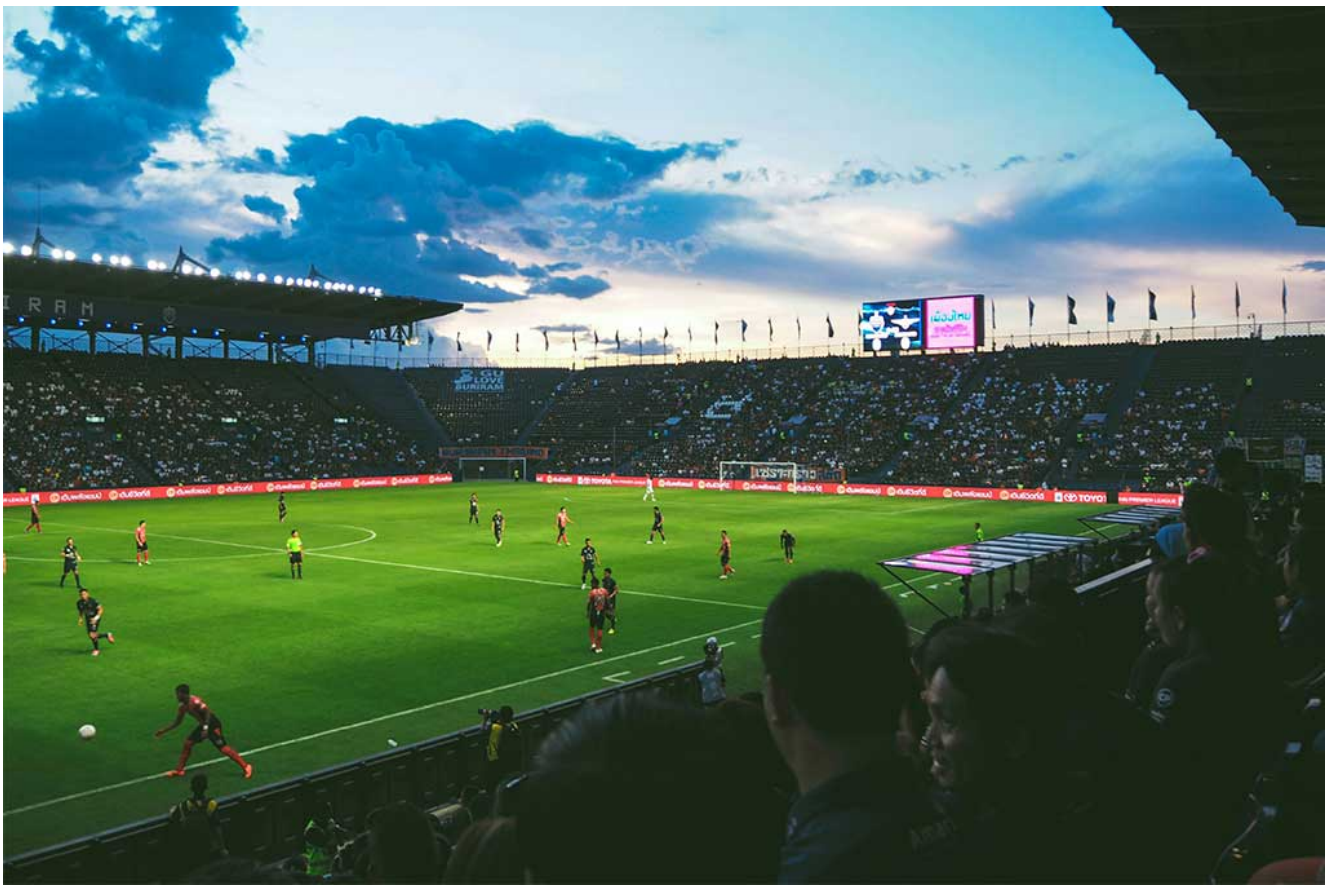
The growth and demise of third-party ownership shows how controversial practices come to be abandoned

What started as a way to sponsor young talent in developing countries came to be called “modern day slavery.” The change in the narrative was a carefully managed affair.



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When Brazilian footballer Neymar was transferred to FC Barcelona in 2013, he went on to be

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one of most celebrated players in the world. But before that, when his talent was already obvious, his Brazilian team Santos FC was able to keep him an extra year by paying a European-level salary. They did so by selling the right to a share in future transfer fees to external investors. When Neymar eventually moved to Barcelona, the transfer fee was split between the club and the third-party investors.

What happened to Neymar is known as third-party ownership (TPO), which allows investors unconnected with football to own stakes in the economic rights of a player. These investors have a financial interest in the player's future transfer fees, salaries and other earnings.

READ ALSO: Five essential strategies for creative negotiations, in which Kandarp Mehta uses the example of a football club and a star player to show how the strategic use of creative counteroffers can result in win-win deals.

It's a controversial practice. In developing countries, it can provide the funding necessary to develop young players and give smaller clubs access to world-class talent. In many European countries, it was also common practice. But critics have said that TPO is opaque, with complex leadership structures that make it difficult to trace the money back, and can lead to conflicts of interest and market manipulation.

It reduces players to mere assets, carving them up like pizza. "Can I have a slice of Ronaldo?" ran one joke. Some critics went as far as calling the TPO "modern slavery." One FIFPro general secretary proclaimed, "There's not any other profession in the world where investors can buy stakes in a human being."

FIFA banned TPO in 2015. Beyond the headlines, though, there's the story of how the narrative was turned around, how a practice that was initially uncontroversial and even beneficial came to be seen as toxic and was eventually banned. IESE's Kandarp Mehta, in a paper with Kerem Gurses of LaSalle Ramon Llull University, Ferran Giones of the University of Stuttgart and Basak Yakis-Douglas of Saïd Business School and King's College London, teases out the wider implications. Third-party ownership also serves as a case study for how controversial practices are abandoned — or forced out.

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One club’s benefit was another club’s liability

Third-party ownership was for a long time a fact of life in global football, and it wasn’t until the practice spread more widely — and its opaque structure came under greater scrutiny — that it came to be viewed as a problem.

A practice with social roots — funding youth programs for clubs in developing countries — evolved to become increasingly professionalized via three steps. First, by aligning logics — for example, the need of clubs in developing countries with financial incentives to invest in players. Next came marketizing — allowing a plethora of third-party actors into the transfer scene in structures that were increasingly sophisticated and murky. Thirdly, the original proponents of TPO created legal shields, employing lawyers to write intricate clauses that built a framework to protect external investments.

Pushback came when TPO spread beyond Latin America. Third-party ownership really took off in Europe during the 2008 financial crisis, when many banks stopped lending to clubs. This made the economic differences between countries more visible.

England and France banned the practice in their own leagues early on, spurred by the Tevez and Mascherano scandal, but it continued elsewhere in Europe. The incoming president of one Portuguese club was surprised to learn a substantial part of several players had been sold to an investment fund by their agents.

“Although the process was originally more socially oriented, allowing teams in Argentina, Brazil and Colombia to fund their youth academies, clubs’ mounting financial pressures paved the way for it to become a professional activity,” Mehta says.

With the practice banned in English and French leagues, voices were soon raised to abandon the practice altogether. The authors identify five phases of the transition, which have wider application in other businesses with controversial practices.

1. **Polarizing the debate**

Opponents quickly focused their attacks on the moral dimension of TPO, constructing it as “wrong” or “damaging to society” and emphasizing the opaque financial aspects. The language used also promoted polarization — the use of slavery metaphors and the discussion of money as a corrupting influence in sport.

2. **Setting the agenda**

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Once the polarizing language was being widely used, opponents actively promoted abandoning TPO, setting the agenda for the football regulatory association, FIFA. They used both official channels of influence and unofficial lobbying — making public statements condemning the organization's undecided stance, for example.

3. **Recalibrating public perception**

Increasingly seen by the public as untenable, TPO was still legal. Both sides worked to recalibrate public opinion. At this point, opacity, which had previously been a benefit in making TPO too confusing to understand easily, became a liability.

4. **Digging in on both sides**

Supporters of TPO attempted to frame the practice as flawed but inevitable; without it, clubs would be unable to sign players. Essentially, they promoted the idea that any alternative would be more damaging than the current system. The authors refer to this process as "soldering," trying to put together the pieces of a damaged whole, but without addressing key criticisms (in this case, the moral human dimension). The opacity of the practice limited credibility.

5. **Substantiating**

Here, proponents upped their game, promoting competitive benefits and attempting to introduce more transparency. The largest investment fund took the unusual step of becoming visible and sponsoring football kit for several Spanish clubs.

More broadly, both sides continued to promote one-sided narratives: economic vs. moral.

At its heart, the authors suggest, the struggle for TPO was won by words, with both sides heavily using rhetoric to push their agenda. Particularly, the use of slavery metaphors quickly engulfed the media, and regulators and other key people in football were compelled to take a stand.

"We focus on the idea of weakness in numbers as opposed to strength in numbers," Mehta says. "Increasing adoption led to higher visibility, where it was more likely to be challenged. There was also how opaque it was." Keeping a practice opaque hides its objectionable nature from a wider audience. But when there's more visibility, and more scrutiny, being opaque makes a practice more vulnerable to attack.

"This doesn't mean that TPO was at heart a moral issue," Mehta suggests. "You could look at

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it as the market defending itself against encroachment of new practices using moral arguments. This could apply in many different arenas, though there was an emotional component too — research suggests that investment funds were legitimately seen in football circles as ‘invaders’ who were tarnishing the sport. In any case, when it comes to creating change, the moral arguments have an emotional resonance that the economic ones don’t.”

READ ALSO: Other research by IESE’s Fabrizio Ferraro examines the tactical use of analogy, this time using economic arguments before the moral ones, to institutionalize sustainability reporting, transforming it from controversial into the accepted practice it is today.

At a glance:



Kandarp Mehta

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