Harvard Business Review

LEADING TEAMS

Ferguson's Formula

by Anita Elberse

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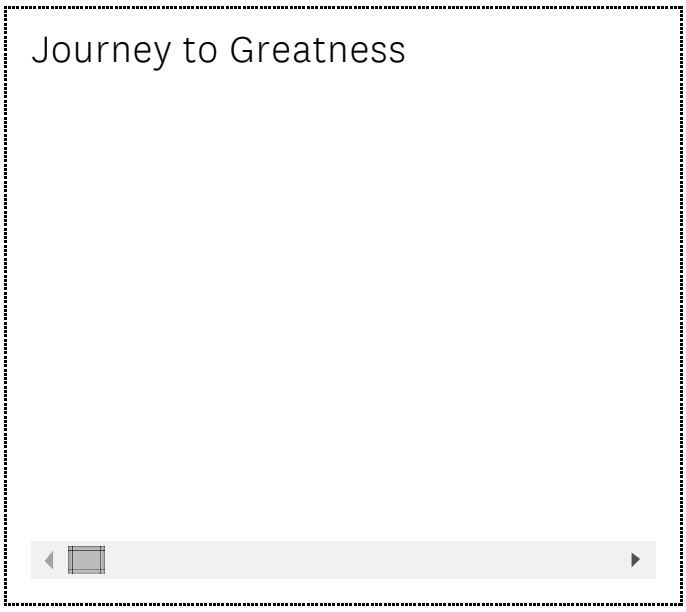


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Some call him the greatest coach in history. Before retiring in May 2013, Sir Alex Ferguson spent 26 seasons as the manager of Manchester United, the English football (soccer) club that ranks among the most successful and valuable franchises in sports. During that time the club won 13 English league titles along with 25 other domestic and international trophies —giving him an overall haul nearly double that of the next-most-successful English club manager. And Ferguson was far more than a coach. He played a central role in the United organization, managing not just the first team but the entire club. "Steve Jobs was Apple; Sir Alex Ferguson is Manchester United," says the club's former chief executive David Gill.

In 2012 Harvard Business School professor Anita Elberse had a unique opportunity to examine Ferguson's management approach and developed an HBS case study around it. Now she and Ferguson have collaborated on an analysis of his enormously successful

methods.



Anita Elberse: Success and staying power like Sir Alex Ferguson's demand study—and not just by football fans. How did he do it? Can one identify habits that enabled his success and principles that guided it? During what turned out to be his final season in charge, my former student Tom Dye and I conducted a series of in-depth interviews with Ferguson about his leadership methods and watched him in action at United's training ground and at its famed stadium, Old Trafford, where a nine-foot bronze statue of the former manager now looms outside. We spoke with many of the people Ferguson worked with, from David Gill to the club's assistant coaches, kit manager, and players. And we observed Ferguson during numerous short meetings and conversations with players and staff members in the hallways, in the cafeteria, on the training pitch, and wherever else the opportunity arose. Ferguson later came to HBS to see the ensuing case study taught, provide his views, and answer students' questions, resulting in standing-room-only conditions in my classroom and a highly captivating exchange.

Ferguson and I discussed eight leadership lessons that capture crucial elements of his approach. Although I've tried not to push the angle *too* hard, many of them can certainly be applied more broadly, to business and to life. In the article that follows, I describe each lesson as I observed it, and then give Ferguson his say.

1. Start with the Foundation

Upon his arrival at Manchester, in 1986, Ferguson set about creating a structure for the long term by modernizing United's youth program. He established two "centers of excellence" for promising players as young as nine and recruited a number of scouts, urging them to bring him the top young talent. The best-known of his early signings was David Beckham. The most important was probably Ryan Giggs, whom Ferguson noticed as

a skinny 13-year-old in 1986 and who went on to become the most decorated British footballer of all time. At 39, Giggs is still a United regular. The longtime stars Paul Scholes and Gary Neville were also among Ferguson's early youth program investments. Together with Giggs and Beckham, they formed the core of the great United teams of the late 1990s and early 2000s, which Ferguson credits with shaping the club's modern identity.

It was a big bet on young talent, and at a time when the prevailing wisdom was, as one respected television commentator put it, "You can't win anything with kids." Ferguson approached the process systematically. He talks about the difference between building a team, which is what most managers concentrate on, and building a club.

Sir Alex Ferguson: From the moment I got to Manchester United, I thought of only one thing: building a football club. I wanted to build right from the bottom. That was in order to create fluency and a continuity of supply to the first team. With this approach, the players all grow up together, producing a bond that, in turn, creates a spirit.

When I arrived, only one player on the first team was under 24. Can you imagine that, for a club like Manchester United? I knew that a focus on youth would fit the club's history, and my earlier coaching experience told me that winning with young players could be done and that I was good at working with them. So I had the confidence and conviction that if United was going to mean anything again, rebuilding the youth structure was crucial. You could say it was brave, but fortune favors the brave.

The first thought of 99% of newly appointed managers is to make sure they win—to survive. So they bring experienced players in. That's simply because we're in a results-driven industry. At some clubs, you need only to lose three games in a row, and you're fired. In today's football world, with a new breed of directors and owners, I am not sure any club would have the patience to wait for a manager to build a team over a four-year period.

Winning a game is only a short-term gain—you can lose the next game. Building a club brings stability and consistency. You don't ever want to take your eyes off the first team, but our youth development efforts ended up leading to our many successes in the 1990s

and early 2000s. The young players really became the spirit of the club.

I always take great pride in seeing younger players develop. The job of a manager, like that of a teacher, is to inspire people to be better. Give them better technical skills, make them winners, make them better people, and they can go anywhere in life. When you give young people a chance, you not only create a longer life span for the team, you also create loyalty. They will always remember that you were the manager who gave them their first opportunity. Once they know you are batting for them, they will accept your way. You're really fostering a sense of family. If you give young people your attention and an opportunity to succeed, it is amazing how much they will surprise you.

2. Dare to Rebuild Your Team

Even in times of great success, Ferguson worked to rebuild his team. He is credited with assembling five distinct league-winning squads during his time at the club and continuing to win trophies all the while. His decisions were driven by a keen sense of where his team stood in the cycle of rebuilding and by a similarly keen sense of players' life cycles—how much value the players were bringing to the team at any point in time. Managing the talent development process inevitably involved cutting players, including loyal veterans to whom Ferguson had a personal attachment. "He's never really looking at this moment, he's always looking into the future," Ryan Giggs told us. "Knowing what needs strengthening and what needs refreshing—he's got that knack."

Our analysis of a decade's worth of player transfer data revealed Ferguson to be a uniquely effective "portfolio manager" of talent. He is strategic, rational, and systematic. In the past decade, during which Manchester United won the English league five times, the club spent less on incoming transfers than its rivals Chelsea, Manchester City, and Liverpool did. One reason was a continued commitment to young players: Those under 25 constituted a far higher share of United's incoming transfers than of its competitors'. And because United was willing to sell players who still had good years ahead of them, it made more money from outgoing transfers than most of its rivals did—so the betting on promising talent could continue. Many of those bets were made on very young players on the cusp of superstardom. (Ferguson did occasionally shell out top money for established superstars, such as the Dutch striker Robin van Persie, bought for $35 million at the start of the 2012-

2013 season, when he was 29.) Young players were given the time and conditions to succeed, most older players were sold to other teams while they were still valuable properties, and a few top veterans were kept around to lend continuity and carry the culture of the club forward.

Ferguson: We identified three levels of players: those 30 and older, those roughly 23 to 30, and the younger ones coming in. The idea was that the younger players were developing and would meet the standards that the older ones had set. Although I was always trying to disprove it, I believe that the cycle of a successful team lasts maybe four years, and then some change is needed. So we tried to visualize the team three or four years ahead and make decisions accordingly. Because I was at United for such a long time, I could afford to plan ahead—no one expected me to go anywhere. I was very fortunate in that respect.

> Analyzing player transfer data reveals Ferguson to be a uniquely effective "portfolio manager" of talent. He is strategic, rational, and systematic.

The goal was to evolve gradually, moving older players out and younger players in. It was mainly about two things: First, who did we have coming through and where did we see them in three years' time, and second, were there signs that existing players were getting older? Some players can go on for a long time, like Ryan Giggs, Paul Scholes, and Rio Ferdinand, but age matters. The hardest thing is to let go of a player who has been a great guy—but all the evidence is on the field. If you see the change, the deterioration, you have to ask yourself what things are going to be like two years ahead.

3. Set High Standards—and Hold Everyone to Them

Ferguson speaks passionately about wanting to instill values in his players. More than giving them technical skills, he wanted to inspire them to strive to do better and to never give up—in other words, to make them winners.

His intense desire to win stemmed in part from his own experiences as a player. After success at several small Scottish clubs, he signed with a top club, Rangers—the team he had supported as a boy—but soon fell out of favor with the new manager. He left Rangers three years later with only a Scottish Cup Final runner-up's medal to show for his time there. "The adversity gave me a sense of determination that has shaped my life," he told us. "I made up my mind that I would never give in."

Ferguson looked for the same attitude in his players. He recruited what he calls "bad losers" and demanded that they work extremely hard. Over the years this attitude became contagious—players didn't accept teammates' *not* giving it their all. The biggest stars were no exception.

Ferguson: Everything we did was about maintaining the standards we had set as a football club—this applied to all my team building and all my team preparation, motivational talks, and tactical talks. For example, we never allowed a bad training session. What you see in training manifests itself on the game field. So every training session was about quality. We didn't allow a lack of focus. It was about intensity, concentration, speed—a high level of performance. That, we hoped, made our players improve with each session.

I had to lift players' expectations. They should never give in. I said that to them all the time: "If you give in once, you'll give in twice." And the work ethic and energy I had seemed to spread throughout the club. I used to be the first to arrive in the morning. In my later years, a lot of my staff members would already be there when I got in at 7 AM. I think they understood why I came in early—they knew there was a job to be done. There was a feeling that "if he can do it, then I can do it."

I constantly told my squad that working hard all your life is a talent. But I expected even more from the star players. I expected them to work even harder. I said, "You've got to show that you are the top players." And they did. That's *why* they are star players—they are prepared to work harder. Superstars with egos are not the problem some people may think. They need to be winners, because that massages their egos, so they will do what it takes to win. I used to see [Cristiano] Ronaldo [one of the world's top forwards, who now plays for Real Madrid], Beckham, Giggs, Scholes, and others out there practicing for hours. I'd have

to chase them in. I'd be banging on the window saying, "We've got a game on Saturday." But they wanted the time to practice. They realized that being a Manchester United player is not an easy job.

4. Never, Ever Cede Control

"You can't ever lose control—not when you are dealing with 30 top professionals who are all millionaires," Ferguson told us. "And if any players want to take me on, to challenge my authority and control, I deal with them." An important part of maintaining high standards across the board was Ferguson's willingness to respond forcefully when players violated those standards. If they got into trouble, they were fined. And if they stepped out of line in a way that could undermine the team's performance, Ferguson let them go. In 2005, when longtime captain Roy Keane publicly criticized his teammates, his contract was terminated. The following year, when United's leading scorer at the time, Ruud van Nistelrooy, became openly disgruntled over several benchings, he was promptly sold to Real Madrid.

Responding forcefully is only part of the story here. Responding quickly, before situations get out of hand, may be equally important to maintaining control.

Ferguson: If the day came that the manager of Manchester United was controlled by the players—in other words, if the players decided how the training should be, what days they should have off, what the discipline should be, and what the tactics should be—then Manchester United would not be the Manchester United we know. Before I came to United, I told myself I wasn't going to allow anyone to be stronger than I was. Your personality has to be bigger than theirs. That is vital.

There are occasions when you have to ask yourself whether certain players are affecting the dressing-room atmosphere, the performance of the team, and your control of the players and staff. If they are, you have to cut the cord. There is absolutely no other way. It doesn't matter if the person is the best player in the world. The long-term view of the club is more important than any individual, and the manager has to be the most important one in the club.

Some English clubs have changed managers so many times that it creates power for the players in the dressing room. That is very dangerous. If the coach has no control, he will not last. You have to achieve a position of comprehensive control. Players must recognize that as the manager, you have the status to control events. You can complicate your life in many ways by asking, "Oh, I wonder if the players like me?" If I did my job well, the players would respect me, and that's all you need.

I tended to act quickly when I saw a player become a negative influence. Some might say I acted impulsively, but I think it was critical that I made up my mind quickly. Why should I have gone to bed with doubts? I would wake up the next day and take the necessary steps to maintain discipline. It's important to have confidence in yourself to make a decision and to move on once you have. It's not about looking for adversity or for opportunities to prove power; it's about having control and being authoritative when issues do arise.

5. Match the Message to the Moment

When it came to communicating decisions to his players, Ferguson—perhaps surprisingly for a manager with a reputation for being tough and demanding—worked hard to tailor his words to the situation.

When he had to tell a player who might have been expecting to start that he wouldn't be starting, he would approach it as a delicate assignment. "I do it privately," he told us. "It's not easy. I say, 'Look, I might be making a mistake here'—I always say that—'but I think this is the best team for today.' I try to give them a bit of confidence, telling them that it is only tactical and that bigger games are coming up."

> Observation is critical to management. The ability to see things is key—or, more specifically, the ability to see things you don't expect to see.

During training sessions in the run-up to games, Ferguson and his assistant coaches emphasized the positives. And although the media often portrayed him as favoring ferocious halftime and postgame talks, in fact he varied his approach. “You can’t always come in shouting and screaming,” he told us. “That doesn’t work.” The former player Andy Cole described it this way: “If you lose and Sir Alex believes you gave your best, it’s not a problem. But if you lose [in a] limp way…then mind your ears!”

Ferguson: No one likes to be criticized. Few people get better with criticism; most respond to encouragement instead. So I tried to give encouragement when I could. For a player—for any human being—there is nothing better than hearing “Well done.” Those are the two best words ever invented. You don’t need to use superlatives.

At the same time, in the dressing room, you need to point out mistakes when players don’t meet expectations. That is when reprimands are important. I would do it right after the game. I wouldn’t wait until Monday. I’d do it, and it was finished. I was on to the next match. There is no point in criticizing a player forever.

Generally, my pregame talks were about our expectations, the players' belief in themselves, and their trust in one another. I liked to refer to a working-class principle. Not all players come from a working-class background, but maybe their fathers do, or their grandfathers, and I found it useful to remind players how far they have come. I would tell them that having a work ethic is very important. It seemed to enhance their pride. I would remind them that it is trust in one another, not letting their mates down, that helps build the character of a team.

In halftime talks, you have maybe eight minutes to deliver your message, so it is vital to use the time well. Everything is easier when you are winning: You can talk about concentrating, not getting complacent, and the small things you can address. But when you are losing, you have to make an impact. I liked to focus on our own team and our own strengths, but you have to correct why you are losing.

In our training sessions, we tried to build a football team with superb athletes who were smart tactically. If you are too soft in your approach, you won't be able to achieve that. Fear has to come into it. But you can be *too* hard; if players are fearful all the time, they won't perform well either. As I've gotten older, I've come to see that showing your anger all the time doesn't work. You have to pick your moments. As a manager, you play different roles at different times. Sometimes you have to be a doctor, or a teacher, or a father.

6. Prepare to Win

Ferguson's teams had a knack for pulling out victories in the late stages of games. Our analysis of game results shows that over 10 recent seasons, United had a better record when tied at halftime and when tied with 15 minutes left to play than any other club in the English league. Inspirational halftime talks and the right tactical changes during the game undoubtedly had something to do with those wins, but they may not be the full story.

When their teams are behind late in the game, many managers will direct players to move forward, encouraging them to attack. Ferguson was both unusually aggressive and unusually systematic about his approach. He *prepared* his team to win. He had players

regularly practice how they should play if a goal was needed with 10, five, or three minutes remaining. “We practice for when the going gets tough, so we know what it takes to be successful in those situations,” one of United’s assistant coaches told us.

United practice sessions focused on repetition of skills and tactics. “We look at the training sessions as opportunities to learn and improve,” Ferguson said. “Sometimes the players might think, ‘Here we go again,’ but it helps us win.” There appears to be more to this approach than just the common belief that winning teams are rooted in habits—that they can execute certain plays almost automatically. There is also an underlying signal that you are never quite satisfied with where you are and are constantly looking for ways to improve. This is how Ferguson put it: “The message is simple: We cannot sit still at this club.”

Ferguson: Winning is in my nature. I’ve set my standards over such a long period of time that there is no other option for me—I *have* to win. I expected to win every time we went out there. Even if five of the most important players were injured, I expected to win. Other teams get into a huddle before the start of a match, but I did not do that with my team. Once we stepped onto the pitch before a game, I was confident that the players were prepared and ready to play, because everything had been done before they walked out onto the pitch.

I am a gambler—a risk taker—and you can see that in how we played in the late stages of matches. If we were down at halftime, the message was simple: Don’t panic. Just concentrate on getting the task done. If we were still down—say, 1-2—with 15 minutes to go, I was ready to take more risks. I was perfectly happy to lose 1-3 if it meant we’d given ourselves a good chance to draw or to win. So in those last 15 minutes, we’d go for it. We’d put in an extra attacking player and worry less about defense. We knew that if we ended up winning 3-2, it would be a fantastic feeling. And if we lost 1-3, we’d been losing anyway.

Being positive and adventurous and taking risks—that was our style. We were there to win the game. Our supporters understood that, and they got behind it. It was a wonderful feeling, you know, to see us go for it in those last 15 minutes. A bombardment in the box, bodies everywhere, players putting up a real fight. Of course, you can lose on the counterattack, but the joy of winning when you thought you were beaten is fantastic.

I think all my teams had perseverance—they never gave in. So I didn't really need to worry about getting that message across. It's a fantastic characteristic to have, and it is amazing to see what can happen in the dying seconds of a match.

7. Rely on the Power of Observation

Ferguson started out as a manager at the small Scottish club East Stirlingshire in 1974, when he was 32. He was not much older than some of his players and was very hands-on. As he moved up—to St. Mirren and Aberdeen, in Scotland, and then, after spectacular success at Aberdeen, to Manchester United—he increasingly delegated the training sessions to his assistant coaches. But he was always present, and he *watched*. The switch from coaching to observing, he told us, allowed him to better evaluate the players and their performances. "As a coach on the field, you don't see everything," he noted. A regular observer, however, can spot changes in training patterns, energy levels, and work rates.

The key is to delegate the direct supervision to others and trust them to do their jobs, allowing the manager to truly observe.

Ferguson: Observation is the final part of my management structure. When I started as a coach, I relied on several basics: that I could play the game well, that I understood the technical skills needed to succeed at the highest level, that I could coach players, and that I had the ability to make decisions. One afternoon at Aberdeen I had a conversation with my assistant manager while we were having a cup of tea. He said, "I don't know why you brought me here." I said, "What are you talking about?" and he replied, "I don't *do* anything. I work with the youth team, but I'm here to assist you with the training and with picking the team. That's the assistant manager's job." And another coach said, "I think he's right, boss," and pointed out that I could benefit from not always having to lead the training. At first I said, "No, no, no," but I thought it over for a few days and then said, "I'll give it a try. No promises." Deep down I knew he was right. So I delegated the training to him, and it was the best thing I ever did.

It didn't take away my control. My presence and ability to supervise were always there, and what you can pick up by watching is incredibly valuable. Once I stepped out of the bubble, I became more aware of a range of details, and my performance level jumped. Seeing a change in a player's habits or a sudden dip in his enthusiasm allowed me to go further with him: Is it family problems? Is he struggling financially? Is he tired? What kind of mood is he in? Sometimes I could even tell that a player was injured when he thought he was fine.

I don't think many people fully understand the value of observing. I came to see observation as a critical part of my management skills. The ability to see things is key—or, more specifically, the ability to see things you don't expect to see.

8. Never Stop Adapting

In Ferguson's quarter of a century at United, the world of football changed dramatically, from the financial stakes involved (with both positive and negative consequences) to the science behind what makes players better. Responding to change is never easy, and it is perhaps even harder when one is on top for so long. Yet evidence of Ferguson's willingness to change is everywhere. As David Gill described it to me, Ferguson has "demonstrated a tremendous capacity to adapt as the game has changed."

In the mid-1990s, Ferguson became the first manager to field teams with a large number of young players in the relatively unprestigious League Cup—a practice that initially caused outrage but now is common among Premier League clubs (the Premier League consists of the country's top 20 teams). He was also the first to let four top center forwards spend a season battling for two positions on his roster, a strategy that many outsiders deemed unmanageable but that was key to the great 1998-1999 season, in which United won the Treble: the Premier League, the FA (Football Association) Cup, and the UEFA (Union of European Football Associations) Champions League.

Off the field, Ferguson greatly expanded his backroom staff and appointed a team of sports scientists to support the coaches. Following their suggestions, he installed Vitamin D booths in the players' dressing room in order to compensate for the lack of sunlight in Manchester, and championed the use of vests fitted with GPS sensors that allow an analysis of performance just 20 minutes after a training session. Ferguson was the first coach to employ an optometrist for his players. United also hired a yoga instructor to work with players twice a week and recently unveiled a state-of-the-art medical facility at its training ground so that all procedures short of surgery can be handled on-site—ensuring a level of discretion impossible in a public hospital, where details about a player's condition

are invariably leaked to the press.

Ferguson: When I started, there were no agents, and although games were televised, the media did not elevate players to the level of film stars and constantly look for new stories about them. Stadiums have improved, pitches are in perfect condition now, and sports science has a strong influence on how we prepare for the season. Owners from Russia, the Middle East, and other regions have poured a lot of money into the game and are putting pressure on managers. And players have led more-sheltered lives, so they are much more fragile than players were 25 years ago.

One of the things I've done well over the years is manage change. I believe that you control change by accepting it. That also means having confidence in the people you hire. The minute staff members are employed, you have to trust that they are doing their jobs. If you micromanage and tell people what to do, there is no point in hiring them. The most

important thing is to not stagnate. I said to David Gill a few years ago, “The only way we can keep players at Manchester United is if we have the best training ground in Europe.” That is when we kick-started the medical center. We can’t sit still.

Most people with my kind of track record don’t look to change. But I always felt I couldn’t afford *not* to change. We had to be successful—there was no other option for me—and I would explore any means of improving. I continued to work hard. I treated every success as my first. My job was to give us the best possible chance of winning. That is what drove me.

A version of this article appeared in the October 2013 issue of *Harvard Business Review*.

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