From Homophonic to Polyphonic Organization: European Team Sports Clubs in Transformation

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Several European sports - especially association football - have rapidly evolved from amateur status into high-income professional sports in the last two decades or so. During this development the scope and objectives of the clubs have been broadened as the clubs to a growing degree serve several concurrent goals such as striving for profit maximization, a high winning percent, fan loyalty, spectator attendance and TV viewers, coupled with satisfying demands from the environment for various kinds of community engagement and sometimes even social or cultural aspects. Taking this development as its point of departure, this paper aims at deploying a theoretical framework capable of better understanding the objectives of European football clubs as they have developed into a complex situation of professionalism. This is done by deploying a systems theoretical approach, thus regarding the clubs as evolving from homophonic towards polyphonic organization.

Keywords: Objective Functions, Polyphony, Amateur and Professional Team Sports Clubs, Systems Theory, Organization

Introduction

Since Rottenberg (1956), Neale (1964), Davenport (1969) and Sloane (1971; 1980) took the first steps in their classic papers on the specificity of the sports business on the way to what has become a distinct, established discipline of sports economics, the question of the objective function of professional team sports clubs (PTSCs) has been widely discussed.

Although the debate has gone on for decades, it has yet to reach any conclusive end. For the most part, European scholars seem to continue to stress utility (winning) optimization as the (main) goal of PTSCs, while scholars from the

American tradition tend to put more emphasis on the profit-maximization goal (Cairns, Jennett, & Sloane, 1986, p. 10; Solberg & Haugen, 2010, p. 331; Downward, Dawson, & Dejonghe, 2009, p. 196; Szymanski & Zimbalist, 2006, p. 132; Kesenne, 2007, p. 4; Downward & Dawson, 2000, p. 27f; Lago, Simmons, & Szymanski, 2006, p. 5; Zimbalist, 2003, p. 504; Sandy, Sloane, & Rosentraub, 2004, p. 11; Barros, Ibrahímo, & Szymanski, 2002, p. 2ff; Ascari & Gagnepain, 2006, p. 77; Barajas, Fernández-Jardón, & Crolley, 2010; Szymanski, 2010, p. 32; Sloane, 2006; Szymanski, 2009, p. 70f; Hamil, Morrow, Idle, Rossi, & Faccendini, 2010, p. 401).

Although these may be the primary goals, striving for profit and winning maximization are not the only ones PTSCs are concerned with, however. What has been greatly overlooked in the discussions on objective functions so far, is that other significant objectives — such as the maximization of fan loyalty, spectator attendance and TV audiences, together with demands from politicians for good cooperate governance or from the environment for various kinds of community engagement and social aspects — all have a part to play when PTSCs are 'doing business'.

Furthermore, the debate seems to neglect the fact that objectives such as profit and winning maximization, together with those mentioned above, co-exist, often revealing contradictory demands on club owners, boards and directors in the everyday running of a PTSC.

By deploying a systems theoretical framework (Luhmann, 1986; 1990; 1992; 1995; 1997; 2002; 2003; Andersen, 2003; 2007; Seidl & Becker, 2006), this paper aims at grasping these plural objectives by building a descriptive model of PTSCs which shows the development in organizational complexity that has occurred during the commercialization of European football.¹

By doing this, the paper aims to contribute to the development of a broader and more fruitful understanding of the specificities of the football sector, thus complementing the literature on PTSCs with insights from a systems theory approach.

Structure of paper. The paper is split into three main sections: First, I give a brief description of the commercial development in European football, ending in a discussion on the question of objectives in PTSCs (I). Second, I deploy the systems theoretical framework in order to develop a theoretical understanding of these objectives (II). And third, I combine the insights from section I & II to describe the move towards increased complexity faced by PTSCs, ending in a descriptive model. Finally, I sum up with some general remarks on the subject and point to future courses of study.

The Commercialization of European Football

England. European league football has not always been a commercial business. In fact, the development from being a purely amateur sport to becoming a full-grown commercial sector has only been in progress for approximately two decades, starting with England as a forerunner. Here, the development of league football slowly started in the late 19th century with the acceptance of the principle of professionalism by the Football Association (FA) in 1885 and the establishment of the first professional football league in 1888 modeled on the American national baseball league (Dobson & Goddard, 2001, p. 39; Szymanski, 2009, p. 24; Szymanski, 2006, p. 459; se also: Hoehn & Szymanski, 1999). The fact is, however, that the state of the game at that time wasn't at all what one would associate with commercial football today. Ideals of amateurism were predominant from the start, only slowly being marginalized by a growing concern with money and initiatives to liberalize the sector. In 1961 the maximum wage was abolished, and a reform of the retain-and-transfer system was undertaken in 1963 (Dobson & Goddard, 2001, p. 123f). However, it was only 20 years later that the first club, Tottenham Hotspurs, announced a stock market flotation in 1983. Since then, English football clubs have increased their revenues significantly, improved their stadiums and developed their product in order to attract the attention of spectators and TV viewers (Sandvoss, 2003; Dobson & Goddard, 2001) – a development characteristic of a sector occupied with developing its commercial foundation. Today the total revenues of the Premier League Clubs exceeds €2.3 billion (Deloitte, 2010, p. 11).

Germany and France. The development of commercialism in Germany, in what today seems to be one of the most profitable leagues in Europe, started with the recognition of semi-professionalism in 1949 (Frick & Prinz, 2006, p. 61; Frick, 2006, p. 487). Since then, the commercial significance of the game has gradually developed. In 1998 clubs were allowed to take up professional activities in a stock company (under the condition that the club owned 51 percent of the stocks) (Wilkesmann & Blutner, 2002, p. 27), thereby creating the organizational background for a still stronger market orientation that has been further nourished by growing income from television rights (Frick & Prinz, 2006, p. 63). Thus, over a short span of years the total revenues of German top-flight clubs rose from €818 million in 1999-2000 to more than €1.5 billion in 2004-2005 (Dietl & Franck, 2007, p. 663). According to Deloitte, the German Bundesliga is predicted to have an annual turnover of €1.6 billion in 2010 (Deloitte, 2010, p. 11), becoming the second largest European football league measured by revenue.

In France professional football was introduced in 1932, followed by the establishment of a national league in 1934 (Dobson & Goddard, 2001, p. 103; Gouguet & Primault, 2006, p. 47). But as in other European leagues the commercial development only gained momentum when French football moved from a business model based on spectators to one based on television viewers (Bolotny, 2006, p. 498). In 1970/1971 the proportion of the total revenues of French league clubs stemming from spectators was more than 80 percent. In 2002/2003 this proportion was only 15 percent with income from television rights growing from zero in the 1970s to 52 percent in the new millennium. With income from television accounting for a large part of economic growth, the French league's total revenues in 2009 reached the €1 billion mark (Deloitte, 2010, p. 11).

Spain and Italy. Spain was relatively slow in turning professional compared to France. As pointed out by Garcia & Rodriguez (2003, p. 253), the Spanish clubs formed a professional league 50 years later, in 1984, when the clubs formed the *Liga de Fútbol Profesional* (LFP). Today most Spanish clubs are called SAD (*Sociedades Anónimas Deportivas*²), with most of the rules of limited companies applying to them. Even though four clubs, Athletic de Bilbao, Barcelona, Real Madrid and Osasuna, are still member's clubs (Barajas & Rodríguez, 2010, p. 52f), they operate in a highly commercial manner with high revenues. Today the Spanish league's aggregate revenues are close to €1.5 billion (Deloitte, 2010, p. 11).

Being extremely popular in Italy, football was easily professionalized as revenues from television, spectators, merchandise and sponsorship have historically been large and are still growing (Lago, 2006, p. 463; Hamil et al., 2010, p. 374). However, it was not until the 1990s that the financial growth of Italian football really took off – again due to growing television revenue streams. Today Italian football clubs achieve high revenues and in 2009 were number four among the big five European leagues measured in financial terms (revenue) (Deloitte, 2010, p. 11).³

Overall commercial development: summing up. The European development described above shows that even though professional football was introduced in some countries as early as the late 19th century, it is relatively recently that European football has evolved into a significant commercial sector. Especially television has played a part in this development (Roberts, 2004, p. 100; Westerbeek & Smith, 2003, p. 90; Morrow, 2003, p. 12ff; Horne, 2006, p. 43; Dahlén, 2008, p. 44; Hoehn & Szymanski, 1999, p. 208). Furthermore, the way football has been transformed into a leisure industry for the middle class (Hoehn & Szymanski, 1999; Sandvoss, 2003), with increased quality of stadiums, merchandise and the construction of 'sports stars' (Smart, 2005; Nixon II, 2008),

has put the game in a central position in Western consumer culture (Horne, 2006), laying the ground for a growing international industry.

As pointed out by the annual reports from Deloitte, the European football market has continued to grow year by year since the late 1980s, reaching a size of €15.7 billion in 2009 (Deloitte & Touche, 1998; 1999; 2000; 2001; 2002; 2003; 2004; 2005; Deloitte, 2006; 2007; 2008; 2009; 2010).

New objectives arising? This financial development has, of course, attracted the attention of scholars, who assume that the large financial input into the sector, together with the restructuring of several European football clubs into limited liability companies (some of them even being floated on the stock market), is a clear sign of a sector moving from being concerned with achieving trophies and serving cultural and civil society needs towards becoming preoccupied with profits.

One of these scholars is Fort, who stresses that clubs in the European context are today essentially profit maximizers (2000, p. 444). Further along these lines, Gratton (2000) sees the growing number of stock-listed clubs following the establishment of the Premier League in 1992 as a sign of the development towards profit orientation (Gratton, 2000, p. 25). To some degree, Barros et al. (Barros et al., 2002, p. 8) put forward the same argument, and scholars such as Westerbeek & Smith (2003, p. 89) and Roberts (2004, p. 103) point out that sports economics is basically about profits. Zimbalist (2003, p. 510) provides a more balanced view, arguing that the objective functions of PTSCs differ but long-term returns aimed at some kind of profit seeking are pursued.

These observations point to well-known assumptions of firm profit maximization following on from mainstream economic theory that has been applied to the field of sport in accordance with the development of European professional football and subsequent academic interest in sport (football) from an economic perspective (Storm, 2009; Andreff & Szymanski, 2006, p. 3ff).

Even though the question of PTSCs' (primary) objectives is still being debated in the academic literature, what I want to stress here is that this debate can be developed further, giving a nuanced understanding of economic and sporting motives together with others – sometimes even as important as these (the primary objectives) – in order to move towards a potent theoretical organizational model of the specificities of PTSCs.

In other words, I would like to demonstrate that PTSCs continuously have to make decisions on running their activities in an ever more complex

environment. Even though these decisions are related to a high degree to a primary objective of either winning or profit making, there is also evidence that other concurrent goals come into play, thus moving the PTSCs from what, in a system theoretical framework, can be categorized as a 'homophonic' form of organization to one that can be labeled: a 'polyphonic' organization (Andersen, 2003; 2000; Andersen & Born, 2007). In order to illustrate this, the following is a brief introduction to the systems theory developed by Niklas Luhmann (1995; 1990; 1995; 2002; 1997; 1997; 1986; 1990; 2000; 2003) focused on the organizational aspects of the framework. Afterwards, these aspects are applied to the development of PTSCs.

Theoretical framework: the systems theory of organization

Society as communication. Luhmann's contribution to the social sciences is his insistence on viewing society as an entity of communication and nothing but communication (Andersen, 2003, p. 153). What is of special relevance here is that Luhmann distinguishes between several types of systems: Organisms, machines, social and psychic systems (Mingers, 2003, p. 104; Luhmann, 1990, p. 3). As a sub-category of social systems we find simple (face to face) interaction systems and organizational systems and finally societies (or function systems), which can be defined as auto-logical spheres of modern society, for instance the economy, politics, law, art, religion and, some will argue; sport (Bette, 1999; Tangen, 2000; Stichweh, 1990; Schimank, 1988; Storm & Wagner, 2010; Thyssen, 2000).

What is evident to Luhmann is that all kinds of systems are constituted by a distinction drawn between the system and its environment. Within the system sense-making communication emerges as an internal and selective process. Meaning here is conceived as a distinction between actuality and potentiality, i.e. particular and momentary communication will always refer to other, not selected possibilities. Communication must thus be conceived of as a meaninggenerating process in operationally closed social systems, termed by Luhmann 'autopoiesis' - or 'self-creation' (Luhmann, 1995; Luhmann, 2006; Luhmann, 2003), a theoretical term adopted from the biologists Maturana and Varela (see Maturana & Varela, 1980; Varela, Maturana, & Uribe, 1974; Varela et al., 1974; Varela, 1997). The concept of autopoiesis allows us to understand that certain spheres of society, such as function systems, construct their own particular logics by creating their own elements of communication. What provides meaning for sport, for instance striving to win an iron man race while your knee joint is hurting, does not necessarily make sense for the system of science – for example medical communication. Likewise, sporting merit does not matter to the communication of the educational system, should a successful athlete strive to obtain a medical degree. Here, only medical qualifications matter.

Organizational systems. In the same way as function systems create their own logics of meaning, organizational systems are formed through a process of self creation. They are, according to Luhmann, decision-promoting systems that use meaning as a medium for their communication (Luhmann, 2000, p. 63; Luhmann, 2003, p. 32; Mingers, 2003, p. 109; Luhmann, 1998, p. 106; Seidl & Becker, 2006; Andersen, 2000), as well as being media for the inclusion/exclusion of members (Dinesen, 2008, p. 114).

Following Andersen (2003, p. 160), one can argue that an organizational system creates itself and its elements through decision communication that is subsequently led by a reference to at least one function system. What is special about organizations, such as PTSCs, is that they are capable of operationalizing the symbolically generalized media and their respective binary code characteristic of function systems. For example, the economic system can provide the code profit/not profit but it is not capable of making decision premises for how money is to be earned in order to connect to the profit side of the profit/not profit system code. This is for the organization to decide, and several different paths can be followed: In a bank the operationalization of the economic code means using in and out loans of capital – or other different types of investments - as a means of making a profit. In a supermarket revenue and profit is generated in a completely different way, i.e. by other decision premises. Likewise, in an American PTSC, the creation of entertaining sports games is the operationalization of means of making a profit resulting in employment of staff and the creation of programs and premises for decisions in accordance with them.

Homophonic organizations. The above-mentioned organizational systems – a bank, a supermarket or an American PTSC – can, from a simplistic point of view, be said to be a homophonic (or monophonic) organizational systems as they are linked to a large extent to primarily one functional system (Andersen, 2000, p. 47; 2003, p. 164; Andersen & Born, 2007, p. 176f). They operate internally in such a way that there is no clash of codes, e.g. the organizational 'color' of the organization is never in question. At the end of the day, the firm will base its decisions on making a profit, the political party will strive for power (by striving to win elections and govern and sports clubs, linked to the sports system, will strive to win.

This idea of a homophonic organization is illustrated in the figure below, reproduced and modified from Andersen (2003, p. 165).

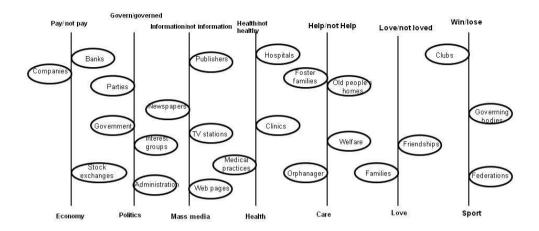


Figure 1. Homophonic organization systems⁴

The figure reveals ideal examples of homophonic organization, which are organizational systems all with a primary codification. As pointed out by Andersen (2003, p. 165), however, this description is of course not without problems. In reality it is very unlikely that any organizational system only refers to one function system. With regard to the homophonic system, it is typically departmentalized in such a way that it has an organizational structure and an internal division of labor dedicated to dealing with different problems.

Taking this point as his point of departure, Andersen continues his argumentation by stressing that today an increasing number of organizations use several codes without necessarily having a clear internal hierarchy of them. This means that the hierarchy of organizational levels is becoming blurred due the explosion of function systems beyond their original organizational forms, which has resulted in a move from homophonic organization towards growing polyphony (Andersen, 2003, p. 169).

Polyphonic organizations. This assumption is parallel to that of Bjerg's (2005), who in his analysis of ethics in late modern societies – starting out from a systems theory perspective – points to the multi-sided aspects of contemporary organizations. Speaking of 'institutional de-differentiation', Bjerg points to a historical process ending in a polyphonic mixture of multiple organizational forms where organizational systems link up with several functional systems depending on the environmental context. According to Bjerg, prior to (late)

modern times, organizational systems more or less incarnated specific function systems. For example, the church (with a capital 'C') was more or less equated with the religious system while the church today has to take several other system observations into account in its decision communication (Bjerg, 2005, p. 174ff).

Similarly the universities earlier incarnated the science system, while the universities today are subjected to political intervention and simultaneously steered by economic incitements with growing demands for productivity, publishing and external communication as a direct result. Based on this and in contrast to the homophonic organization, the polyphonic organization can be modeled as in the figure below.

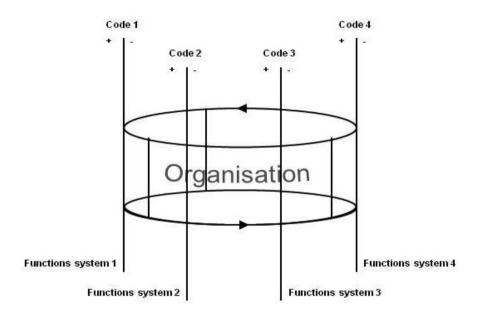


Figure 2. Polyphonic organization systems⁵

As can be seen, the polyphonic organization is principally coupled to several function systems and uses them in its respective autopoietic processes of decision. The round circles connecting the horizontal lines, representing given social function systems, illustrate this.

Thus, the characteristics of the polyphonic organization are its difficulties in choosing a primary code and it's – in some sense contingent – contextual decisions on which decision media to use. This gives the polyphonic organization a permanently reflective character, always confronting it with a complex question of identity and point of direction. With regard to professional team sports clubs this is very recognizable as – when one takes a closer look – there certainly is a high level of complexity in their autopoiesis of decision; the most obvious being the question whether to make decisions in the economic media (profit/ not profit) or in the decision media of sport (winning/losing).

Polyphony in European PTSCs

In line with the findings by Andersen and Bjerg described above, what I want to stress here is that it is my view that the European football clubs, as the commercialization process has evolved and turned them into PTSCs, have developed to various degrees from homophonic organizations with a primary codification of sport into homophonic organizations with more potential opportunities of codifications on which to base their decision communication.

Nevertheless, it is my thesis that this has happened while the clubs have maintained a hierarchy of codifications with sport at the top (se for example: Storm, 2009; Storm, 2010; Storm, 2010). In this sense PTSCs can be seen as undergoing a transformation from homophonic to polyphonic organization even though a kind of hierarchy between the codifications used still exists.

In the following section, I will enlarge on this by pointing to some general trends faced by the PTSCs in their decision communication today. Six function systems are said to come into play, with three of them, the sports system, the economic system and the system of mass media, being primary, while the remaining three, the political system, the legal system and the science system can be seen as secondary. The overall hierarchy of codifications is described chronologically, with the sport codification being number one, the economic codification being number two and so on.

Primary codifications of PTSCs

Sport. While some kind of profit orientation might be the case in some European PTSCs today, there is – as mentioned above – much evidence that, despite being highly commercialized, PTSCs in the European context mainly strive to optimize a high winning percent (Sandy et al., 2004, p. 26; Hassan & Hamil, 2010, p. 345f), thus using a primary codification of sport in its decision communication. This has to do with the specificities of the European football

market and its clubs, which are strongly characterized by social attachments and cultural aspects as they are representations of identity in their respective regions, stimulated by their results on the field.

As pointed out by Tangen (1997; 2010; 2004; 2010), the communication of sport mirrors society's lead difference progress/regress and has thus gained a prime function in modern societies. PTSCs can be said to represent one way of operationalizing this lead difference as they tend to symbolize the constant striving for progress characteristic of modern societies through their use of the double sport codification (Tangen, 1997; 2010; Storm, 2009). In the European – as opposed to the American – context the sport codifications prevail when financial resources in the majority of PTSCs are used as means to achieve the goal of winning instead of the opposite (Storm, 2009; 2010; 2010).

In a more concrete form, this is reflected empirically by the dire financial straits of the majority of European football clubs. For example, pointing to British football, Walters and Hamil (Walters, 2007; Walters & Hamil, 2008; Hamil & Walters, 2010) find no evidence of any overall profit orientated behavior of Premier League clubs. Instead, stressing the stakeholder perspective, these authors point out that even though English football has become extremely commercialized, football clubs are a kind of cultural institution with fans, managers and owners deeply engaged in the sporting welfare and results of their clubs (se also: Morrow, 2003; Hassan & Hamil, 2010). All revenues are used to buy players as the clubs strive to achieve a high winning percent by connecting to the win side of the win/lose code. No revenue surplus is left as profit. On the contrary, the clubs usually operate in the red, combined with high levels of debt (see also: Beech, Horsman, & Magraw, 2008).

These findings are, by the way, recognizable in other European football studies. Besides Szymanski and Zimbalist, who similarly point to indebted Italian clubs (Szymanski & Zimbalist, 2006, p. 140), Morrow (2006, p. 106) and Hamil et al. (2010) see Italian football as a prime example of financial chaos and poor management. The cultural and political significance of Italian football is reflected in numerous examples of close connections between public authorities, politicians and the clubs, leading to permanent overspending, massive borrowing or the establishing of 'solutions' in order to secure club survival and optimizing pride from winning (Hamil et al., 2010, p. 391). In Spain, as in the case of the Italian clubs, local government frequently steps in to bail out troubled clubs. For example: (...) there is no chance that Real Madrid or Barcelona would ever be allowed to go bankrupt, whatever the financial problems of these big-spending clubs (Lago et al., 2006, p. 8; se also: Barajas & Rodríguez, 2010, p. 64). As their fans and the local community take pride in the clubs, they represent ethnic, geographical and

cultural values (Ascari & Gagnepain, 2006, p. 77) that make money as a means to achieve the goal of winning, not a goal in itself. Therefore, the clubs are heavily backed by their respective regions, i.e. authorities and financial institutions (Barajas & Rodríguez, 2010, p. 53).

If one turns to Scandinavian football, several authors similarly point to the primary objective of optimizing winning percent in PTSCs (see forexample: Solberg, 2007; Solberg & Haugen, 2010; Gammelsaeter & Ohr, 2003; Gammelsaeter, Storm, & Södermann, 2010).

Money. This does not mean, however, that at least some professional team sports clubs do not follow what can be interpreted as a profit-oriented approach or that the clubs – due to the commercial character of the game today – have to take profit-oriented issues into consideration in their day-to-day decision communication.

On the question of profit-maximizing clubs, according to UEFA the proportion of football owners looking primarily for financial returns has increased over time (UEFA, 2005, p. 19). Kesenne (2002, p. 96) even argues that the gap between the profit-oriented American franchises and the European win-maximizing PTSCs is narrowing. Furthermore, it is evident that some European Leagues are financially better off than others. According to Deloitte's annual review of football finance, the German *Bundesliga* is now the most profitable in Europe (Deloitte, 2008, p. 4), showing aggregate operating profits of €250 million, combined with a significant reduction in liabilities (financial status 2007).⁷ Furthermore, according to Szymanski & Zimbalist (Szymanski & Zimbalist, 2006), the French league clubs have shown financial improvements and increased profitability for a number of years now.

Seen from this perspective it can be argued that the clubs, in the process of commercialization, are starting to connect to the profit side of the profit/not profit code. As argued by Storm (2010), PTSCs today are forced to take aspects of profit into consideration in a way that can be regarded as 'market adaptation'.

Mass media. Besides dealing with sports codification and money, all PTSCs today also have to make decisions in the media of the mass media. This is evident as the sports business is subjected to close media coverage as compared with other markets. Thus, PTSCs have to decide what is information and what is not in order to produce a common self-description and recognizable identity to the environment and to have a communication strategy in order to cope with the intense criticism and scrutiny that they face from the sports press on a daily basis. This is expressed on several levels:

First and foremost a professional team sports club has to build up a common identity that expresses its positive features in external communication such as in press releases, on its homepage, at the stadium, on jerseys and so on. These forms of communication address a need to establish a common ground of identification which organizations or physic systems in the environment (i.e. fans, TV viewers, sponsors, players, etc.) can use as a means of crossing or linking up with the more or less formal line of organizational membership that the attachment – expressed through active identification – represents. This identity creation is imperative in the continuous process of securing the autopoiesis of the organization that requires money in order to buy players and to employ organizational staff working to secure the survival of the PTSC.

Secondly, PTSCs have to meet day-to-day expectations of externally communicated information on various subjects from fans and especially the press. PTSCS live in a symbiotic relationship with mass media organizations (papers, websites, television channels, etc., which accounts for a significant part of written and electronic mass media communication. Seen through the eyes of the PTSCs, the mass media often make up their own stories, giving a – sometimes negative – picture of clubs or of persons, players, etc. employed by the clubs. In order to deal with this, PTSCs employ press and marketing officers and develop strategic communication plans for the purpose of 'spinning' their own stories or turning certain stories to their own advantage. Today no PTSC in the European top leagues can afford not to act strategically with regard to the mass media and thus develop certain programs for deciding what is information and what is not, in order to (try to) manipulate the mass media system for their own purposes.

Finally, and related to this, PTSCs are dependent on having their product – i.e. their players, their matches, their stadiums, etc. – presented on television, in magazines, on the radio and on web sites since this is the way sponsors, owners or other commercial actors engaged financially in the PTSCs receive a return for their investments.

In order to maximize the outcome of this effort, the clubs devise strategies of information and engage in partnerships with mass media organizations — which theoretically can be seen as a structural coupling. This has resulted in various changes in rules and procedures in order to fit the sport product into the commercial media (Szymanski, 2009, p. 126).

Secondary codifications of PTSCs

Politics. Today politics intervene in every aspect of society, including professional sport. This is a trivial fact, but because football has become a

large commercial sector with intense media coverage, the business has attracted political attention resulting in a need for PTSCs and the governing bodies at the national (federations) and international levels (UEFA & FIFA) of football to take the political codification into account.

What, among other things, has been observable during recent years is a general pressure put upon European football from transnational political organizations such as the European Union (EU).

As argued by Storm (2010), the growing international significance of football, as expressed in several reports from European institutions and politicians, has resulted in an environmental pressure forcing the UEFA as well as national governing bodies to take measures to improve the financial management of European football as, it is argued, bad corporate governance in football is threatening the game's credibility and the clubs' obligations to their fans.

One of the most recent reports on this issue is the European Parliament report on the future of professional football (Belet, 2006). Stressing the importance of financial stability in European football, the report argues that the challenges of European football cannot be managed by its governing bodies alone (Belet, 2006, p. 8). According to Belet, EU institutions such as the Parliament, European Council, European Commission and the European Court of Justice (ECJ) have their own roles to play in solving this matter.

These expectations with regard to financial stability and accountability are now part of the UEFA agenda, with several UEFA documents pointing out the importance of ensuring the financial health of European football. Furthermore, UEFA has responded to environmental pressures by introducing the UEFA club licensing system in 2004 – a forerunner to the new Financial Fair Play initiatives that have been put in place in 2010 and are to be implemented during the coming years in all European leagues. These will affect the way PTSCs deal with financial versus winning objectives.

Another way of showing the political dimensions of football is, for example, to look at Spanish football. Here, Real Madrid, Athletic Bilbao and Barcelona are not just sporting icons giving pride to their local communities in an ordinary sporting fashion. These clubs represent ethnic, cultural and geographical differences to an extent not seen in any other spheres or football leagues. The point here is that these clubs become a little schizophrenic when the codes profit/not profit and winning/lose are blended with a variety of political, ethnic and cultural codifications as when Real Madrid and Barcelona play each

other (Ascari & Gagnepain, 2006, p. 77) or when these clubs strive to win the Spanish league, thus trying to express their own superiority.

Law. Another closely related function system that is used in PTSCs' decision making is the legal system. This has mainly to do with the growing exchange of large amounts of money between clubs, players and sponsors, establishing the need to contractualize relationships of various sorts. Indeed, it is difficult to imagine a professional football club without some sort of legal communication, either in the form of a legal department of its own or through the occasional use of the legal services of experts or lawyers called in to carry out various tasks or solve legal questions.

To put it another way, the development of football into a commercial sector has enforced new communication processes concerned with minimizing risks and conflicts through rules and contractual agreements that draw upon environmental legal facts that can be of consequence in questions of right and wrong (Andersen, 2003, p. 163) – the code of the legal system.

On a more general level, one can point to the famous Bosmann ruling of 1995 as an example of how the legal system has become of great importance to European association football. In short, this ruling, which has reformed the transfer system significantly by forbidding clubs to prevent players from moving to a new club at the end of their contracts, changed the environmental conditions of PTSCs so dramatically that it was met with accusations on the part of UEFA that the European Communities in general and the European Court of Justice (ECJ) in particular was trying to destroy European association football (Garcia, 2007). Basically, the core of UEFA's reaction was the threat to its autonomy as a governing body and its reluctance to see a new regulator stepping in on land previously seen as UEFA's (and FIFA's) regulatory 'territory'.

However, as football has become a major business in the eyes of the European Union, the clubs have to obey European community law regulating competition and European internal market issues.

Even though in its recent white paper on sport the Commission recognized the specificities of sport (Commission of the European Communities, 2007, p. 12ff), all sporting activity – as far as it is also an economic activity – is still subject to the pertinent articles of the treaties of the European Communities. As with the Bosmann case, other controversial cases will be dealt with accordingly, meaning that the national or international governing bodies of football operating in the European Union cannot apply their own rules or regulations to professional football, should they not be in accordance with the laws of the European Union.

Recently, in June 2010, the so-called '6+5 rule'⁸, proposed by the FIFA president, Sepp Blatter, was dropped by FIFA due to a decision of the European Commission that such a proposal would contravene European Union labor laws and the Bosmann ruling. During the phase of proposal FIFA, besides lobbying members of the European Parliament, released their own 'expert opinion', drawn up by contracted legal experts, concluding that the rule could be implemented in line with European law (see: Institute for European Affairs, 2008). This clearly shows how organizations in the football sector use the codifications of the legal system in their own decision communication – even though they are not always successful.

Science. Last but not least, science used as decision making media is also part of PTSC decision making. Today this is perhaps even clearer than before. With regard to the performance enhancement of players, PTSCs have a significant interest in using scientific results in everyday training exercises and the long-term planning of player and team peak times.

Furthermore, knowledge with regard to the prevention of injuries and how to use, for example, sports psychology methods as a means of optimizing winning percent, are part of the communication. In the Italian top-flight club, AC Milan, physical training is seen as imperative in optimizing the player's fitness, with the result that the club has built up its own research unit (Kuper & Szymanski, 2009, p. 16). In Denmark the national football team has employed one of the leading Danish scientists, in the field of physical training, Professor Jens Bangsbo from the University of Copenhagen, to assist the players in preparing for matches.

But it is not only in the field of psychology or physiology that clubs are using scientific results in their decision communication. FC Copenhagen, one of the leading Danish PTSCs, has on several occasions announced its explicit use of scientific results in constructing a business model designed to outperform opponents for the championship title both in a sporting as well a financial sense. By taking the results of studies undertaken by one of the leading European sports economists, Stefan Szymanski, into account in the running of the club, FC Copenhagen claimed (and to a large extent proved) that it had a solution to the problem of being successful on as well as of the field.

In short, the point is that there is a strong correlation between wage expenditure and sporting success, a correlation that becomes clearer the longer the term you observe (Szymanski & Smith, 1997; Szymanski & Kuypers, 2000; Kuper & Szymanski, 2009). On the other hand there seems to be no direct correlation between high winning percent and additional profits (Barajas et al., 2010; Szymanski & Kuypers, 2000; Szymanski & Smith, 1997). This means that good sporting results cannot guarantee a sound financial development of a club

because all profits are usually eaten up in the rat race to stay competitive (and on top) in relation to other league team opponents. On the other hand a large pool of capital can be the prerequisite for sporting success because this creates an opportunity to maintain or raise wage expenditure.

With regard to FC Copenhagen the results of these studies were used strategically to diversify into other business areas such as real estate investment and experience economy activities (holding concerts, running sports events, vacations resorts, etc.) in order to create revenue and profits which are afterwards transferred back to the football section of the company in order to keep a high wage expenditure relative to other Danish league clubs (Storm, 2009). Until the credit crisis hit the Danish economy in 2008, this was a very sound strategy, measured by the sporting as well as the financial results of FC Copenhagen (Storm, 2009). In this sense, the use of science was part of the organizational decision communication in the club.

Towards a model of polyphonic PTSCs. Taking the above reflections into consideration, we now arrive at a point where we can outline a model of the polyphonic PTSC, inspired by the systems theoretical approach to organization. In the figure below the specificities of PTSCs are applied to the polyphonic model outlined above.

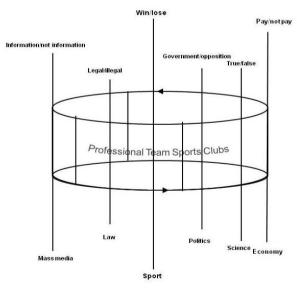


Figure 3. The PTSC as a polyphonic organization system

As can be seen from the model, PTSCs potentially draw on communication media from several function systems in their respective autopoietic decision communication – here: Sport, the Economy, the Mass Media, Politics, Science and the legal system (Law).

In order to illustrate the primary codification in relation to the media of sport, the vertical line showing the codification of the sports system is made longer than the others and placed in the center with the line representing the economic system made the second largest and the line representing the mass media system the third. Similarly, the drawing of other lines in the figure is based on a calculation of how important the respective decision media are to PTSCs.

However, it should be borne in mind that the autopoietic processes are dynamic while the importance of different aspects of organizational decision making can vary over time and across different organizational systems (i.e. PTSCs). This is for further empirical studies to reveal. None the less, the figure can be said to illustrate a kind of theoretical ideal type of the professional team sports club.

Final remarks and perspectives

This paper has aimed at developing a descriptive model of PTSCs from the assumption that studies on PTSCs have so far been more or less blind to the multiple objectives they pursue. By deploying a system theoretical framework of organization it is possible to pay attention to these aspects and thereby broaden the debate currently conducted in the sports management literature on objective functions in PTSCs.

Based on this, and shown in the above, it can be argued that PTSCs are split between homophonic and polyphonic organization. On the one hand they are – at least in the European context – primarily codified in relation to the sport system, but on the other hand it is demonstrated that PTSCs have to make decisions in many different media of, for example, the law system, the economic system, the science system, the political system and the mass media system. This fact points to the emergence of growing polyphony as the PTSCs have developed into a commercial sector with a large economic impact and close attention from systems in their environment.

In order to illustrate this, an ideal type model has been developed showing the importance of the respective function systems in the processes of decision communication in the European PTSCs. What must be kept in mind, however, is that the perspective is to be considered dynamic. Future studies must reveal in further detail how decision communication in various PTSCs are carried out in practice, thus showing how important different system codifications are to the PTSCs in question. Questions such as how the emergence of different codifications affects PTSCs, their identity, self-description and characteristics are other important aspects to be considered.

Endnotes

- 1. The focus in this paper is mainly on the European context. The American context is used as contrast and reference only where necessary.
- 2. 'Sporting Limited Companies'.
- 3. The 'Big Five Leagues' are: England, France, Spain, Germany and Italy.
- 4. The figure is reproduced from Andersen (Andersen, 2003, p. 165). Sport is added to the original figure.
- 5. Reproduced from Andersen (2003, p. 170).
- It is of course not unproblematic to state these differences between primary and secondary systems. Nevertheless, this is done for the sake of presentation.
- 7. The 36 Bundesliga clubs have applied prudent budgeting to reduce their liabilities during the 2006/2007 season and managed, for the first time, to drop below the €600 million mark (Deutsche Fußball Liga, 2008, p. 4).
- 8. The idea of the rule was to enhance talent development of national players as the large international exchange of foreign players was purported to affect the number of national players capable of reaching international level. In other words, the intention was to strengthen the national and regional roots of the national teams by ensuring that, at the beginning of each match, each club fields at least six players eligible to play for the national team of the country of the club.

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