Transaction costs theory as an analytical concept of sport clubs and organizations

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Abstract
The article is a general description of a sports club as an entity operating in the market economy in the sport and recreation sector from the point of view of the theory of transaction costs falling within the current of new institutional economics. The theoretical concept of the firm developed on its basis was treated as a starting point for showing the specifics of the organizational structure which is a sports club, and minimizing the transaction costs of its functioning in accordance with Ronald Coase's postulate. This approach is not used so often in economic and organizational sports club analysis. It is probably a result of tradition in sports club description and investigation. According to it sports club is mainly organization entity so analytical instruments and methods must be taken from the theory of organization and management. The transaction costs theory formulated in economics theory and implemented also in economic theory of the firm changed the concept of sports club. From the point of view of transaction costs analysis sports club is a kind of firm operating in a market so it must be analysed as an economic agent having economic goals and using instruments and methods of economic calculus. This approach allows of course the integration of traditional sports club analysis conducted on the basis of organizational theory with economic theory of the firm dynamically developed within the framework of modern institutionalism. This kind of integration opens new opportunities in research and analysis of sports club and its relations to market structure. The article concentrates on concept of the firm in transaction costs economics as interesting starting point for the integration organizational and economic approach in sports club research scientific projects.

Keywords: firm, organization, sports club, transaction costs.

Introduction
The article attempts to apply the conceptual apparatus, analytical instruments and the theoretical concept related to the new institutional economics, and above all, the theory of transaction costs that is developing within it (Brousseau, Glachant 2008; Parisi, Rowley 2005; Williamson 2005). This approach seems very useful for describing and analysing the organizational and institutional structures of modern sports and recreation clubs in market economy systems. It also creates opportunities for the consistency of this analysis and the comparability of its results. The market systems include the professional and commercialized sports sector and the amateur sport sector. While in the former sports clubs are specific types of firms, in the latter they are non-profit organizations. In both cases, the reference of the sports club research to the achievements of transaction cost theory leads to both the extension of its scope and the precision of the results achieved. This approach allows of course the integration of traditional sports club analysis from perspective of organizational and management theory with economic theory of the firm dynamically developed within the framework of modern institutionalism (Williamson 2002). This kind of integration opens new opportunities in research and analysis of sports club and its evolution (Poleszczuk 2004; Witt 2005), and relations to market structure because from transaction costs theory of the firm point of view sports club is one of economic agents operating in market economy.

It needs to explain and present relationship between the firm and organization. This is a basic condition for implementation transaction costs theory of the firm for sports club analysis. It is very important as for precise description of this kind of firm and organization as for explanation and understanding of its operation in sports sector.

Materials and methods
For the considerations of the article, it is important to refer to the research results accepted in the subject literature of the relationship between the firm and the organization, as well as the concept, types and significance of transaction costs. This will then be the starting point for the characteristics of the sports club as the organizational structure and management structure with its specific transaction costs.
Relationships between the firm and the organization

To analyse the ontological status of a sports club in the light of O. E. Williamson's new theory of transaction cost theory on the basis of new institutional economics, it is essential to consider the issue of the relationship between the firm and the organization. Y. Allaire and M. E. Firsioatu (2000) presented an interesting synthesis of discussions on this topic led by theoreticians of economics and the theory of organization and management. In their view, the concept of 'firm' should refer to economic and technical aspects affecting the outline of an enterprise's boundaries, the scale of product supply, the degree of market penetration, the extent of competence, resources, technologies and know-how that it needs or which have accumulated over the years. The term 'organization', in turn, refers to the social and psychological aspects of group activities undertaken by people. Therefore, an organization is a kind of configuration that is in constant dependence on specific cultural conditions, and that is evident in the unique competences of the firm, the nature and causes of differences in relations between the firm and the organization, or relations with the environment, resulting mainly from applicable law and dominant boundary between the organization and the market, the nature and causes of differences in relations between preferences, and from the increase in the efficiency of individuals' activities along with specialization.

In the authors' view, the concept of 'firm' should refer to economic and technical aspects affecting the outline of the firm's boundaries. There is an inseparable relationship between the firm and the organization, which is a consequence of the organization's strengthening of the firm's competences. The organization's impact on the company's key competences is particularly important. The term 'strategic field of the firm' is, in the opinion of the authors cited here, helpful in determining the optimal size of the firm. The economic determinants of the firm's strategic field include economies of scale, learning and experience effects, range effects (diversity), network effects, transaction costs, power of attorney costs, complexity costs, growth costs and sunk costs.

The existence of an organization is a means of realizing the need for greater benefits for people as a result of their participation in collective action (Arrow 1974). This need results from differences in talents and preferences as well as from the increase in the efficiency of individuals' activities along with specialization. Teamwork can increase individuals’ scope of rationality. It is also a means of power enabling more efficient and effective implementation of individual goals. The economics of the organization focuses on issues related to the boundary between the organization and the market, the nature and causes of differences in relations between actors operating in the organization and on the market, and on the analysis of internal changes that improve the efficiency of the entire organization (Gozcu 2019, Hofstede & Hofstede 2005, Szajder 2015, 2017, Zbroińska 2013). If we assume that the term ‘institution’ is synonymous to the term ‘organization’, then the firm is an organization.

Understanding institutions as formal and informal norms and rules that define and organize human activities leads to a distinction between organizations that apply, create and change rules of conduct, and the norms and rules of these behaviours themselves. In this case, the firm is a certain structure of institutions regulating, e.g., ownership relations, relations between the employer and the owner, power relations, contacts between the principal and the agent, or relations with the environment, resulting mainly from applicable law and dominant cultural conditions (Cooter, Ulen 2008; Hofstede & Hofstede 2005). However, it is also acceptable to accept the view that the institution is not only the rules of the game, but also the achieved, perfect or evolutionary balance of the game, meaning the stability of the rules of the game and the lack of tendency of players to break them and change. From this point of view, institutions can be defined as a set of rules in the game process for selecting the actions of each of the game participants inside the company and between the company and its environment. Participants of the game can therefore be individuals, their coalitions, but also organizations and their groups. The institutional approach extends the 'productive' and 'organizational' perspective of understanding the concept of a company (enterprise) by introducing an analysis of the rules and norms of human activities associated with this type of entity, necessary to explain the a priori adopted internal and external balance in the neoclassical model. Therefore, an enterprise can also be understood as a mechanism for achieving internal and external institutional balance (Gibbons 2005; Poleszczuk 2004).

Transaction cost theory

As is known, the beginnings of transaction cost theory are associated with the publication of the well-known article by R. H. Coase (1937) The Nature of the Firm, though the term ‘transaction costs’ did not appear in it. References to transactions as the basic unit of economic analysis is attributed to J. R. Commons (1932). However, R. H. Coase pointed out that in the case of market regulation of production processes, there is no place for any organization. The increase in social well-being is conditioned by the increase in productivity of the economic system dependent on the social division of labour under the conditions of exchange. ‘The lower the replacement costs (or if someone prefers: transaction costs), the greater the specialization and higher system productivity’ (Williamson 2002). They depend on institutional conditions occurring in a given country: the legal system, the political system, the school and education system, culture, etc. Therefore, it cannot be assumed that...
the allocation of activity between markets and hierarchies is given, but that it is only necessary to determine it during the analysis. This approach resulted in the need to treat the company mainly as an object that needs to be led and managed, and therefore as an organizational structure and not as a production function, i.e., a production facility. Transaction cost economics treats firms and markets as alternative means of achieving the same goals. It refers to the contract institution.

One of the most representative proponents of transaction cost theory is O.E. Williamson (1985, 1986, 1997, 2005). He perceives the firm as a governance structure, for the analysis of which the following transaction characteristics are significant: specificity of assets, uncertainty, requiring constant adaptation of the governance structure to changing operating conditions and transaction frequency (Williamson 2002).

O. E. Williamson distinguishes autonomous and cooperative organizations. Comparative analysis of markets and hierarchy, carried out as part of the theory of transaction costs, proves in his view the rightness of the view about the advantage of markets in adaptation processes, while maintaining the autonomy of the organization. However, hierarchical systems are more conducive to adaptation based on cooperation in the view of transaction cost economics. In his theory, the rightness of the view refers to the contract institution.

Hierarchical systems are more conducive to adaptation based on cooperation and hierarchy, carried out as part of the theory of transaction costs, proves in his view the rightness of the view about the advantage of markets in adaptation processes, while maintaining the autonomy of the organization. However, hierarchical systems are more conducive to adaptation based on cooperation. In turn, the analysis of uncertainty as a transaction attribute makes it possible to include in the theory of transaction costs the impact of information restrictions on the course of decision-making processes.

According to O. E. Williamson, the basic idea of transaction cost economics is to link the phenomenon of organizational structure diversity with the desire to reduce and minimize transaction costs, rather than to achieve a monopolistic position and reduce risk. Transaction cost theory advocates an efficient approach to analysing market relationships and hierarchy. However, recognition of individual intra-organizational behaviour requires taking into account their place and role in the firm.

The ideas underlying transaction cost economics are characterized by O. E. Williamson (1997) as follows:
1. The transaction is the basic unit of analysis.
2. The basic dimensions of transactions that cause their diversity include frequency, uncertainty and specificity of resources, which are a measure of the degree of their substitutability (in particular, location specificity, physical specificity, specificity of human assets and specificity of destination of assets are distinguished).
3. Each generic management method (market, hybrid, private office, public office) is defined as a syndrome of attributes, each of which is characterized by a structural differentiation of costs and competences.
4. Each generic management method is recognized by specific legal forms of contracts.
5. Predictive possibilities result from respecting the relationship between transaction diversity and the differences in management structures that are specific to this phenomenon (both in terms of costs and competences), manifesting itself in the pursuit of minimizing transaction costs.
6. Additional predictive possibilities result from treating the institutional environment (legal and political norms, customs, ethical principles, etc.) as the location of changing their characteristics, from which subsequently derived changes affect management costs.
7. Transaction cost economics is always a comparative analysis of alternative institutional solutions with different levels of efficiency.

For O.E. Williamson, the starting point in the process of explaining the firm's behaviour and structure in transaction cost economics is, of course, the model of the enterprise maximizing profit in conditions of perfect competition. As you know, achieving this goal requires the condition of equal marginal income and marginal cost. The assumptions of perfect competition show that transaction costs, which are usually understood as the costs of obtaining, developing and transferring information, preparing, concluding, enforcing, correcting, renewing and monitoring contracts are equal to zero (Furuboth, Richter 2007). In a world without frictions, information and competence restrictions, a variety of motives and behaviours of individuals, treating the firm as a production function, the use of which allows the entrepreneur (owner and manager) to decide on the type and quantity of products manufactured, seems obvious. Moreover, following the neoclassical theory, if a perfectly competitive firm produces only one product, it must be described in terms of a single production function corresponding to a separate type of activity, and the interaction of various production functions treated as a problem of market exchange between firms. However, when the assumption of market excellence, lack of opportunism and full rationality are rejected, a question posed earlier by R. H. Coase (1937) about the costs of using the market mechanism as a coordination mechanism, i.e., the question about transaction costs, arises. However, if we assume that the establishment of a firm is related to the desire to save on transaction costs, then one should also consider the opposite problem, related to the question of the reasons for the lack of internalisation of the entire production within one large firm. While attempting to answer this question, the argument already put forward by A. Marshall about decreasing management revenues leading to levelling out the marginal costs of organizing transactions within the enterprise and by the market is usually cited (Coase 1937).

Therefore, there occurs a very important problem of the size of the firm. The diversity of transactions is the reason for the diversity in the size of firms and their functioning. The size of the enterprise is also affected by changes in management techniques.

The existence of the firm cannot be explained solely, as neoclassicals did, by referring to the processes of social division of labour. The theory of transaction costs not only accepts, but according to former ideas in
O.E. Williamson perceives another reason for the existence of the company in the quest to reduce the risk resulting, among others, from short-term external contracting, appropriate for market transactions. O.E. Williamson (1985) lists three basic differences between market organization and internal (hierarchy): (1) markets favour powerful stimuli and stop bureaucratic distortions more effectively than internal organization; (2) markets can sometimes profitably aggregate demand and thus realize economies of scale and size; and (3) internal organization has access to characteristic management instruments. O.E. Williamson analyses the differences between the market and the hierarchy in relation to stimuli by asking the question about the possibility of using the so-called weak stimuli (related to internal organization) on the market. Since the company in terms of transaction costs theory is one way of organizing transactions, based on the idea of copying the market by hierarchy, then the question should be asked, why the market cannot copy a firm? The reason for the market being unable to copy a firm is that 'cost plus' contracting in the markets cannot be considered identical to 'cost plus' contracting in firms for which it is normally used. This is mainly due to the unique features of the organization that were already mentioned and which are often informal. Therefore, the effectiveness of stimuli and management structures impact is significantly diversified in terms of environment. Attempts to support organizational forms, stimulus tools, governance structures and safeguards are either impossible to replicate in another environment or copying them creates strong tensions. From these considerations, O.E. Williamson draws the very important conclusion that any extrapolation of convergence of practically existing forms of enterprises is not justified. However, it could be remembered that in addition to creating innovation, all incentives and regulations must respect the characteristics of a particular organizational alternative. Interesting are the remarks made O.E. Williamson on bureaucratic costs, among which he mentions above all a tendency to master complexity, expressing the so-called 'costs of good intentions', consisting of instrumental inclination (decision-makers design the ability to master comprehensiveness annihilated by subsequent practical experience) and the strategic propensity to use the organization's resources to achieve secondary goals, usually manifested in efforts to expand the scope of 'manual' management as a result weakening of monetary stimuli in the firm (when compared to the market). Furthermore, bureaucracy, by weakening the strength of market stimuli, can be a source of various types of omissions in the organization's activities. It is characterized by a growing tendency to 'forgive mistakes' while the market is a ruthless verifier of all actions and displaces cronyism. It can therefore be assumed that the firm's boundaries are closely related to the boundaries of strong (market) and weak (intra-organizational) stimuli (Williamson 1985). However, it should not be forgotten that each of these alternative methods of transaction has its weaknesses and strengths and involves specific management costs joined in idiosyncratic assets.

Research results

From the considerations carried out in points 1 and 2 it follows that a sports club is an organization which, if operating in a market environment, may have the characteristics of a firm. This group certainly includes professional clubs in team games, cycling, motoring, etc. In turn, amateur sports movement usually operates without strong influence of market stimuli, and its goals are associated with the implementation of specific non-monetary values, such as a healthy lifestyle, maintaining general fitness physical or enjoying sports and recreation. In this case, the size and types of transaction costs will be mainly related to the internal organizational and governance structure. These will be, for example, the costs of maintaining the infrastructure and sports and recreational equipment, employment of administration and bureaucracy costs, instructors and trainers, preparation of events, etc. Market transaction costs are in this case limited. They relate to, for instance, fees for various types of insurance, purchase of licenses and permits necessary for the operation of external regulations, affiliation to associations and associations, promotion of events being organized, etc. The existence of a sports club in the market environment, similar to the existence of a firm, results from differences in management costs. With the specificity of assets, in particular the specificity of human assets (outstanding athletes and coaches, sport managers, recreation instructors, fan club members, donors, etc.) and to some extent addressed assets (investments addressed to a specific buyer, e.g. sports and recreational events for specific recipient). On the other hand, however, adopting as a basic analytical unit in the process of examining a sports club its 'contract map' in the aforementioned understanding of O.E. Williamson requires the use of both a 'monopoly approach' and 'efficiency'. Their implementation is intended to justify replacing classical market

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exchange with more complex forms of contracting. In the ‘monopoly’ branch obviously monopolistic goals are dominant (barriers to participation in certain classes of sports and recreational competitions, exclusive employment of specific players and trainers, exclusive or limited access to television and radio broadcasting rights, and the use of the image of the club or its members, vertical integration of the organization of the sports club activity process through, for instance, organization of training groups of players in different age categories, establishment of a network of club souvenirs and sports and recreation equipment sales, etc.). In turn, the efficiency branch of the ‘contract map’ indicates the possibility of making savings on transaction costs (for instance, the so-called self-employment of players and coaches, or outsourcing of marketing activities of a sports club). Of course, savings in very high specific human assets (players, coaches) in sport clubs are not available. The use of conceptual apparatus and analysis instruments proposed on the basis of the theory of transaction costs requires in practice a precise measurement of these costs. However, this issue goes beyond the scope of this article.

Discussion

While analysing the firm's internal structure, O.E. Williamson seeks its justification in transaction costs. According to O.E. Williamson, the correct view is that capitalist methods are characterized by a higher degree of hierarchy than collective ones. However, if one considers the relationship between ownership and the internal organizational structure of the firm, which in his opinion is of the greatest importance for the results of operations, it should be noted that in terms of the decision-making process it is very weak. This opinion applies to both contractual hierarchy and order-based hierarchy (a traditional centralized organization in the socialist economy). However, it is not the lack or existence of a hierarchy that should determine the internal structure of the company, but the transaction costs associated with it.

All attempts to estimate transaction costs require institutional analysis of the labour market. It should also concern the functioning of trade unions, information risk and problems, the importance of the phenomenon of reputation for the methods and results of contracting, the causes and effects of the diversity of human capital, and the phenomenon of transaction specificity on external and internal labour markets. According to O.E. Williamson, all institutional changes are the result of the process of emergence of more effective institutions, displacing less effective ones. Equalizing the effectiveness of existing institutional solutions is a prerequisite for a specific institutional balance. This idea is also a starting point for investigation, identification and measurement of sport clubs transaction costs. Sport results improvement is based mainly on very high idiosyncratic humane capital assets, so transaction costs of them are unreduced.

However, it should be recalled that the purpose of O.E. Williamson is to describe and explain the institutions of the capitalist market system. At the same time, he uses the Pareto optimum concept as a key to explaining institutional changes that occur mainly in spontaneous interaction in a capitalist market economy. It should be noted that this approach is very strict and difficult to accept, for example in the field of evolutionary economics, where the view is formulated that persistence or changes in institutions cannot always be explained by reference to the Pareto criterion.

Transaction cost theory is a combination of economics, organization theory and contract law for comparative institutional analysis. Its interdisciplinary character turns out to be a turning point in solving the problem of market dichotomy and hierarchy, also in a sport sector (Williamson 1996).

Conclusion

The usefulness of transaction cost theory, as indicated in the article, formulated on the basis of new institutional economics as a theoretical and methodological concept that can be applied in research on a sports club and recreational organization should be seen as significant, rather complementary than an alternative path to describe and learn about cultural phenomena and processes physical, professional and amateur sports and recreation. From a practical point of view, to improve the efficiency and effectiveness of the institutions operating in this sector in both organizational and behavioural terms, it is important to further develop research on the identification of individual types of transaction costs and methods of measuring them. The theory of transaction costs certainly opens a new stage in the discussion on the effectiveness and efficiency of the sport, tourism and recreation sector in a market economy system. It is a bridge between theory of organization and management and theory of economics.

References


