Working paper

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Title
Understanding Soft Budget Constraint in Western-European and Central-Eastern-European professional football

Abstract
The paper presents the implementations of János Kornai’s theory about Soft Budget Constraint (SBC) through the example of the special and popular topic of professional football. It shows the theory of Soft Budget and its application in professional sport. It illustrates the market and bureaucratic co-ordinating mechanisms and explains the specialities of the state and the market model of professional football through the transition of Central and Eastern European countries. The aim of the paper is to highlight the main differences of the operation of Western and Eastern European football and to present the application of the SBC theory in the two region. The research summarizes the main specialities of professional sport and football, the markets of professional football, the double objective and possible strategies of sport companies and return on investment in players. Professional football’s specialities in the post-socialist countries and current business results of CEE football were examined. With the method of data collection and processing, main market results were investigated. The paper identify successful Central-Eastern-European championships and clubs which operate with business model. This identification helps to evaluate the efficiency of Hungarian football in the regional environment and it helps to understand why SBC causes inefficiency.

Keywords
Soft Budget Constraint, professional football, Financial Fair Play, Central and Eastern Europe

1 The working paper is a revised version of the authors’ conference paper for „The importance of Kornai’s research today – Kornai90” Conference (21-22 February, 2018).
Introduction

Nowadays professional football is facing serious challenges in Western Europe and in our narrower region, Central and Eastern Europe. For the former the appearance of so-called „sugar daddies” and irresponsible management, in the latter case weakening competitiveness, the decreasing number of domestic consumers and recurring public funding are the main problems (András & Havran 2014, 2016). Because of the above-mentioned challenges, The Union of European Football Associations (UEFA) created the regulation of Financial Fair Play (FFP) and in connection with this, several well-known economists (for example Storm and Nielsen 2012, 2015; Andreff 2015) applied the SBC theory of Kornai.

The aims of the paper are to examine the business operation of professional football with the examination of nine Central-Eastern-European (CEE) countries and to introduce the adaptation of the Soft Budget Constraint in professional football. First, we show the actual trends and special sport professional objectives of international club football. Second, we examined post-socialistic countries with the aim of identifying level of market-based revenue and transfer incomes. The research question of the paper is how can the Soft Budget Constraint (SBC) can help to understand the sport professional and financial trends of professional football in Western-Europe and Central-Eastern-Europe? The selected nine CEE countries together can be considered a significant market: between 2009 and 2014 the transfer revenue of football clubs from CEE region was more than 70% of Bundesliga’ transfer revenue (András-Havran, 2016). More than 25 years after the regime change and 10 years after joining the European Union they still have their particular arrangements, mixed ownership (business-state). Moreover, many championships and clubs in the region work with considerable political interference, and at the same time they give many talented players to the best championships.

In this paper we give a regional overview in which we explore comparable Central-Eastern-European championships’ and clubs’ sport professional and business performance. Countries involved in the study are the following: Bulgaria, the Czech Republic, Croatia, Poland, Hungary, Romania, Serbia, Slovakia and Slovenia. Besides geographical position these nine countries have cultural and economic similarities as well, all of them were socialist countries and are members of the European Union, except for Serbia which is a candidate country. During the socialism every CEE football leagues operated by state support, now we are looking for the answer which clubs could change their operation to business.
Literature review

In our paper we make a detailed literature review according to the following logic. First, the research summarizes the main specialities of professional sport and football, the markets of professional football, the double objective (András, 2004) and possible strategies of sport companies (Szabados, 2004). Furthermore, it shows the state and business model in professional football and the current business trends of football (Havran, 2017). Second, the research introduce the CEE related literature about professional football. Finally, the paper describes the phenomenon of Soft Budget Constraint (Kornai, 1980, 1986b) and the understanding of SBC in professional football.

Operation models and specialties of professional football

Based on Kornai (1986a), the market has become the dominant co-ordinating mechanism of the 20th century. „This statement is true even in fields of society that are far from economy. By now, the same can be told about football“ (András, 2003). The Author described two main operation models of football. The „state model“ is „characterised by the important role of the state in the direction of sports and its operations and funding“. In this case, revenues are coming from different state sources and the model is typically apparent in the Eastern European countries, among them in Hungary. In case of the business model, most of the revenues have their direct or indirect origin in the world of business. Based on Chikán (2008), we can summarize the differences of the two models in the table 1. In the case of the state model, the sporting successes achieved in professional football served to legitimate the political system and to improve public feelings. Meanwhile, football, as a professional sport, formed a part of the entertainment industry.

In state model (András, 2003), revenues do not necessary mean limits for the costs and the system is characterised by soft budget limits (Kornai – Matits, 1987). In case of the business model, the real owner makes a profitable operation and interested in the profitability of his invested capital and she expects that revenues should cover the cost in the long term.

<table>
<thead>
<tr>
<th>Table 1.: Comparison of the two operation models of football</th>
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<tr>
<td>Financing sources</td>
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<td>State model</td>
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<td>Revenues from the state</td>
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<td>Primary role of football</td>
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<td>Legitimisation of political system</td>
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<td>improvement of public feeling</td>
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Source: András (2003)
András (2015) completed the table with the non-profit model which explain that the dominant aim of the European football clubs is the sport success. Therefore, in case of socialistic period, András (2003) applied the phenomenon of SBC in football, much earlier than others in Western Europe. In the third part of the literature review we describe the differences of SBC application in Western and Eastern Europe.

András (2004) draws the attention to an important feature of football corporations’ operations, which is that they operate with a dual, sometimes opposite objective: demands for both sports and business efficiency are present at the same time. These two objectives cannot be separated, as where there is a market coordination mechanism, it is important that the consumers support the companies, however, in several cases the owners are not profit-oriented. András (2003) summarizes the main revenue sources of football clubs in the following way. The most important market is the consumers market because this is the base for another markets. The demand towards ticket revenues are ensured by the solvent demand and the convenient facilities and marketing strategy of the basic and complementary services. The viewing figures and the marketable advertising minutes covering the broadcasting costs determine the interest on behalf of the media. In the case of the merchandising revenues, the clear legal situation and the strong consumer loyalty are the principle factors of success.

The net income on player transfers can be an important revenue source of the football companies. But it is not only influenced by internal factors of the football company, but external ones also. Among the markets of professional sport, CEE sport companies can hope for an income mainly from the international players market (András et al. 2012). By income from players market in this paper we mean a given club’s trade balance on the players market, that is, the value of players sold, decreasing it by the amounts spent on buying. So money spent on youth training is not part of this definition. During the analysis of regional literature we looked for English language studies concerning professional football in nine countries between 2003 and 2015. Some of the articles are about the regionally decisive change of the regime and its effects on sport, while others examine the economic and business functioning of clubs.

We highlight three different types of potential business strategies of football clubs (Szabados, 2004): 1) strategies based on the high number of consumers (circle of success, commercial, l’art pour l’art), 2) transfer strategy based on selling players and 3) synergy strategy based on the interest of owner in another industry. The focus in Chikán’s (2008) interpretation of economic globalization from the point of view of the corporate world are the economic decision-makers, who consider and weigh up the possibilities of the whole world when making their decisions. Markets of professional sport (András, 2004) are also, to different
extents, globalized. Competition systems of professional football allow access to regional and global markets regarding both club and national team football based on their geographical expansion. In case of clubs making a financial report for UEFA in 19 years clubs’ revenue grew by 9.5%, since 2002 it doubled and since 1996 it grew to five times it was (UEFA 2014, 32). This was mainly caused by the UEFA raising the prizes in its international competitions, which meant million 500 EUR in the period between 2004 and 2006 and grew to million 1200 EUR by the 2013-2015 period, which means an annual growth of 12% on average (UEFA 2013, 20).

The current trends of professional football can be identified as follows (Havran, 2017):

- Globalisation and internationalisation of football and players market has intensified
- Income of football clubs has grown significantly
- HR expenses of football clubs have grown significantly (transfers and payroll)
- Accumulated loss of football clubs has grown because in order to achieve sport success they spend larger amounts on purchasing and paying players.
- Concentration of sport success increased as both on a national and on an international level
- Concentrated sport success leads to an increase in the concentration of income, so the number of internationally competitive clubs is decreasing.

Professional football in the CEE region

The research reviews the relevant literature about sport success and financial results of leagues and clubs of the examined region (András-Havran, 2016). The paper contributes to the literature of business economics, with a special regard to the unique business operations in professional sport (Andreff-Szymanski, 2006). The region that used to achieve great success both on the level of national teams and clubs in earlier decades now lags behind Western Europe both in sport achievements and in a financial sense – mainly due to the lack of international consumers. In the capitalist Western-Europe, football clubs could increase the number of the international customers (fans) thanks to television and internet. Most significant championships and TV broadcastings started in the beginning of 1990’s. After the regime change, in the Eastern part of Europe, football clubs were in a difficult situation - without capital, they lose in the competition for international fans. The success in international club football concentrated in the Western part of the continent. In all academic texts dealing with CEE sport and football, attention (including Mihaylov, 2012; Rosca, 2014, etc.) are drawn to formal deficiencies of financial reports, increasing loss and in many cases decreasing market income.
During the analysis of regional academic literature we looked for studies concerning professional football in nine countries in English and Hungarian. Some of the articles are about the regionally decisive change of the regime and its effects on sport, while others examine the economic and business functioning of clubs. The following authors wrote about the change of the regime and its effects on sport: McDonald (2014) in Romania, Girginov (2008) in Bulgaria, András (2003) and Vincze et al. (2008) in Hungary, Lenartowicz and Karwacki (2005) in Poland, Hodges and Stubbs (2013) in Croatia. Authors came to similar conclusions in all countries, according to them the years of the change of the regime were very difficult and the first regulations concerning companies that run sport teams were only made in the mid-1990s. After 1989 state support for professional sport dropped significantly, so most clubs had serious financial difficulties. Instead of the state, local governments appeared as proprietors of clubs to strengthen city identity. Besides losing serious state support the sport had to face the increasing social problem of hooligans attacking each other more and more intensively.

Based on the article by Mihaylov (2012) clubs’ success – both sport professionally and economically on the above mentioned markets – is greatly influenced by how much they can spend on signing good quality players. Richer teams this way rise even higher above the others and on the long run their dominance can cause the complete loss of weaker teams according to the author. Economic, and together with this also the sport professional gap is growing between teams, as fans buy tickets for the matches of top teams, these teams receive the right to be broadcast on TV, which provides another great source of income, and they also win the prize money deserved by the best team of a championship. In great European championships – Champions League, European League – regularly the same clubs get into the finals, where these prizes are even higher, and where smaller teams have absolutely no chance to get into. Central-Eastern-European football clubs have no possibility to obtain a significant income from broadcasting rights, their matches are not watched regularly by a fixed number of fans, they do not have the financial background to sign stars, so their income from the merchandising market is also low, and on the sponsors market also the above described reasons make it difficult to receive any possibilities. Studying the region we can see that only a few teams per country can achieve outstanding results who can also qualify for the lists of international cups. This way the argumentation of the above quoted Mihaylov (2012) can be proven on a smaller scale as well, that is, the gap between richer and poorer teams keeps growing both in a financial and in a sport professional sense. Mihaylov (2012, p. 6) refers to Kornai (1980) in understanding „paradoxical co-existence of debts on the one hand and economic stability on the other”.
In his study Roşca (2012) examined the player-trade’s financial contribution to Romanian economy in five consecutive seasons (2006/2007-2010/2011). It is detectable on a macro-economic level that player export influences the financial structure of Romanian football and the Romanian economy, as professional football is part of the economy. According to Roşca (2012) Romanian football clubs should diversify their incomes, of which one part can be the players export: selling Romanian clubs’ players abroad. This produces income for the clubs on a micro level (on the level of sport companies). According to his study, the gross export of Romanian first division clubs on an annual average in total was 18.1 million Euros between 2006 and 2011, and realized profit was 4.5 million Euros in the same time period.

According to Kozma (2015, 218) “there are countries and sports where every market paradigm-based theory is irrelevant”, so in the Central-Eastern-European region before starting a few specific enquiries, research paradigms need to be chosen depending on the subject of the study and the research questions.

In all academic texts dealing with Central-Eastern-European sport and football, attention is drawn to formal deficiencies of financial reports, increasing loss and in many cases decreasing market income (Procházka 2012, Stocker 2013, Nemec and Nemec 2009). Championships in possession of a larger local consumer base (such as the Polish league) are more likely to produce business results, of which an essential criterion is international opening (for example the Polish league being broadcast on an international sport channel) (Bednarz, 2014). In many countries clubs have proprietors whose intentions are questionable, such as in case of the multiple champion Romanian Steaua Bucarest (McDonald, 2014).

Appearance of the SBC phenomenon in football
Originally, Kornai developed the SBC concept to understand the inefficiency of loss-making companies in socialist economies which were repeatedly bailed out by the state. In capitalism several examples can be found for SBC. Rosta (2015) describes that many actors can be in need of a bailout, including profit-oriented companies (banks, multinational companies), public institutions offering public services, local or regional governments (e.g. local governments), private citizens (household forex debts), countries (for example Greece), non-governmental organizations, or even large-scale investment projects. András (2003) applied the SBC in the case of socialistic sport and football. Nowadays, we can find a huge number of references which apply the SBC to support the understanding of current trends of Western-European football. In this chapter we present the most referenced studies in the topic.
Storm and Nielsen (2012) uses the SBC phenomenon to explain the paradox why do European professional football clubs chronically operate on the brink of insolvency without going out of business. The authors examined the survival rate of professional football clubs in different leagues and they found that compared with business companies in general, the survival rate of football companies was extremely high. For example in 1923 the English championships (first four divisions) consisted of 88 teams and in 2007 97% of them still existed. Storm and Nielsen (2012, 2017) presented many examples in the most significant championships (English, Spanish, France and Italian) for the phenomenon of football clubs’ high survival rate despite of the aggregate loss of them. The exception is Germany, where the clubs operate with moderate profit without debts thanks to the specific ownership structure: clubs have 51% member ownership.

Franck and Lang (2014) refers to Storm (2012) as follows: „Building on many interesting observations about the political, social and economic environment of football clubs, the paper provides intuitive insights into the process that leads to the development of soft budget constraints and interprets FFP as an important countermeasure.” According to Drut and Raballand (2012) some clubs are careless with their budget while others keep the rules strictly so the former win the championships. According to Storm (2012) quoting Kornai (1980) a few sport companies with soft budgets will dominate. Kornai also refers to Storm (Kornai 2014, 15) exactly in his study about rethinking his soft budget theory in which he cites it as interesting example that this phenomenon occurs not only in case of Hungarian, but in case of the biggest, privately owned international clubs as well.

Storm (2012) developed an understanding of why the majority of top league clubs are in the red and why regulation is needed by UEFA. The author find evidence of SBC in European professional football clubs, and claims that „softness punishes the few financially well-managed clubs in sporting terms for balancing their books”. SBC takes political, cultural and emotional aspects into account in order to understand economic behaviour among professional team sports clubs. “The emergence and persistence of the SBC syndrome in professional football is due to two main, interconnected factors:

1) the institutional mechanism of the football market and

2 the social attachment to the clubs linked to the specific emotional logic of sport focused on winning.” (Storm, 2012, p 26).
Actors of football industry favouring soft budget constraints for football but Franck (2014) states that practices cause inefficiencies by the following reasons:

- Decreasing price elasticity of demand, talent shortage and the formation of “salary bubbles”
- Managerial moral hazard with high levels of risk and low levels of care
- Managerial rent-seeking: weak incentives to innovate the business
- The systemic effect of ‘Unlimited’ money injections into payrolls: crowding out of good management.

Pieper and Wallebohr (2017) state that the extreme level of European club losses is not explicable with the standard reasons like the European football clubs’ predominant win-maximization calculus, the limited revenue sharing arrangements, the inexistence of territorial exclusivity or the liberalized player market. The authors’ opinion (based on several authors’ statements) that SBC can help us to understand better this phenomenon.

Based on Storm and Nielsen (2012) Rohde and Breuer (2016) referenced the SBC in the case of English football. They state that the “SBC of European football clubs have been hypothesized to be positively impacted by sugar daddy owners, loose taxation, soft or interest-free loans, and infrastructure subsidies”.

Torricelli et al (2014) applied the SBC phenomenon in the role of football coaches with the comparison of English and Italian situation. In European football the aggregate costs (included the coaches’ compensations) between 2007 and 2011 increased more than the revenues. “These data have fostered explanations based on the application of the soft budget constraint theory”.

Based on Franck (2014) D’Andrea and Masciandaro (2016) used the „zombie race“ definition. It means that football clubs usually spend more than they can so „compared to all the other firms they do not face the same threat of dissolution if they fail to balance their books systematically”. The FFP rules aim to fight against it. Football clubs get positive discrimination which is closely related to two main elements: the concept of Soft Budget Constraint (SBC) and the actors behind the world of football. Based on D’Andrea and Masciandaro (2016) the SBC theory deals with a rather complex causality chain involving the following three factors (Kornai et al. 2003):

- The political, social and economic environment in which SBC expectations are generated;
- The motives backing the choice for organizations to support or even bail out otherwise
insolvent actors;
- The inefficiencies related to the SBC syndrome.

Based on Franck (2014) D’Andrea and Masciandaro (2016) pointed that „there are two main reasons that justify government support. First, if you were soft in the past you’re more likely to continue to be soft in the present, thus adversely reinforcing future expectations on SBC. Second, when a club shuts down, there are negative externalities for the local economy, creating strong arguments for governments to step in and take action against failures.”

Storm (2009) found a strong positive correlation between salary costs and winning percent of football clubs (r²=0.81) in Danish Football from 1993 to 2005. He classified Danish football clubs into two categories: „cost-maximizers”, „soft budget constraint enhancers” and „profit maximizers”. Cost-maximizer clubs earn money with the aim to use as much money as possible on staff and players. The soft budget club uses more money than its revenue offers and the owners/stakeholders continually fund it. In case of profit maximizing clubs the aim is to develop activities in profit-oriented ways.

Yu, L et al (2017) introduce a mixed model of professional football from China which can compare to Central-Eastern-European football. Revenues from the market has increased steeply in latest years (total revenue of clubs swelled from US$175 million in 2012 to US$1.22 billion in 2016. In Chine first league in 2016-2017 season, 10 out of the 16 clubs have been owned by private actor. Yu, L et al (2017) declares that „the investment in football not only helps increase the companies’ brand equity and public image, but also serves as a “stepping stone” to gain an array of supports (e.g. tax reduction, land-use rights, and preferential policy) from the local government officials, who are aspiring to use football as a “city branding” leverage to gain an edge in regional competition, attract external investment, and collect political credits to get promoted.”

The North American championships are „local monopolies with strong entry barriers” (Storm and Nielsen, 2017, p 4). They use draft-system and limits to player mobility and these conditions are favourable for the profit maximization. In Europe the leagues are opened, the market of players is mostly free so European football clubs follow win optimizing behaviour and the concentration of club successfulness is very high (Havran, 2017).

Storm and Nielsen (2017) refer to Kornai (1986b) who identified five criterias to decide that firms face hard or soft budget constraints:

1. The firm is a price-taker for both inputs and outputs (pricing);
2. The firm cannot influence the tax rules and no individual exemption can be given concerning the volume of tax or dates of collection (taxation);
3. The firm cannot receive any free state or other grants to cover current expenses or as contributions to finance investment (subsidies);
4. No reedit from other firms or banks can be obtained (credit);
5. No external financial investment is possible (investment finance).”

If all the five conditions are fulfilled, the company in question is constrained on its budget in a hard way. Storm and Nielsen (2017) gave the examples for the SBC in Western-European profession football and completed Kornai’ criterias by a sixth. The authors applied the SBC criterias on football as follows in Table 2.

Table 2: Application the phenomenon of SBC in professional football

<table>
<thead>
<tr>
<th>SBC Criteria</th>
<th>Meaning in football</th>
<th>Example</th>
<th>Reference</th>
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<tbody>
<tr>
<td><em>Soft pricing</em></td>
<td>A public stadium is made available to football clubs at below market fees or state companies buy naming rights to stadia at above market prices.</td>
<td>Spain, Italy, Denmark</td>
<td>Storm and Nielsen (2017)</td>
</tr>
<tr>
<td><em>Soft taxation</em></td>
<td>Tax exemptions, non-payment of taxes, non-enforcement or amnesty of tax debt.</td>
<td>Spain, Italy</td>
<td>Barajas and Rodriguez, (2010), Foot (2007)</td>
</tr>
<tr>
<td><em>Soft subsidies</em></td>
<td>Open or hidden forms provided by governments of rich “glory seekers”.</td>
<td>England, France</td>
<td>Grant (2007), Andreff (2007)</td>
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<td><em>Soft credits</em></td>
<td>Acceptance of overdrafts, unpaid bills and non-enforcement of repayment arrangements with routine postponement and rescheduling of debt.</td>
<td>Spain</td>
<td>Ascari and Gagnepain (2006)</td>
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<td><em>Soft investments</em></td>
<td>The government or other sponsor pay for a part, or perhaps all, of the costs when clubs build new stadia or other revenue-boosting infrastructure.</td>
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<td><em>Soft accounting</em></td>
<td>Takes the form of discretionary, and even illegal, praxis, with the purpose of bypassing rules and creative fulfilment of legal conditions and credit criteria to fool the creditors.</td>
<td>Italy, International</td>
<td>Foot (2006), Dimitropoulos (2016)</td>
</tr>
</tbody>
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Source: edited by the authors based on Storm and Nielsen (2017)

Important statement by Storm and Nielsen (2017) that Kornai (1980) used SBC in vertical relationships between the state and economic micro-organizations. As a broader interpretation, a SBC can be interpreted as a relationship between an organization and its environment (Kornai et al, 2003). In professional football we can find this broader interpretation but the Hungarian case seems more like the vertical relationship between state and clubs in the socialist.

Franck (2014) highlights that the mechanism leading to the result that “clubs can incur debt without fear” is similar to the mechanism known as “too big to fail” from the banking
sector. Franck (2014) to his knowledge the first sports economist linking footballs’ permanent and inbuilt financial crisis to the theory of Soft Budget Constraints (SBC) pioneered by Kornai (1980) has been Wladimir Andreff (2011) but in Hungary, András (2003) identified the SBC phenomenon in socialistic countries’ football in her dissertation. In table 3 we summarize the articles focus on the SBC application in different industries and professional football.

Table 3: Understanding of the SBC in professional football

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<th>Industry/Period</th>
<th>Socialist</th>
<th>Capitalist</th>
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<td>Rosta (2015)</td>
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<td>Fogel, Morck and Yeung (2008)</td>
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<td>Katsimi, Moutos, Pagoulatos and Sotiropoulos (2014)</td>
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<td>etc.</td>
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<td>Football</td>
<td>András, 2003</td>
<td>Franck (2014)</td>
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<td>Franck and Lang (2014)</td>
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<td>Drut and Raballand (2012)</td>
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<td>Torricelli et al (2014)</td>
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Source: edited by the Authors based on Rosta (2015)

Methodology and Research Design

Our aim is to examine the presence of SBC in CEE football. We analyse the market revenues of football clubs to specify the efficiency of Hungarian clubs and to find the operating model of them (business or state model). Can we identify the categories of soft operation based on Kornai (1980) and Storm&Nielsen (2017) in the CEE region and Hungary? Does SBC cause inefficiency in sport results of Hungarian football?

Throughout this paper we used the following method: through secondary research we present the achievements and business functioning of CEE-region football with the help of existing international literature and UEFA report (UEFA, 2016) and studies that present deep
analyses about revenues of football clubs. The paper identified successful Central-Eastern-European championships and clubs. This identification helped to evaluate the efficiency of Hungarian football in the regional environment.

Results and discussion

Figure 1 shows that among CEE countries Poland seems to operate mostly by the business model. Polish clubs have many customers and based on it they can realize income from other markets like as sponsorship, TV-rights and merchandising.

Figure 1: Distribution of market revenues in CEE countries

Czech Republic and Romania should be partly business-oriented. According to transfer revenues, clubs from Croatia and Serbia can apply the transfer strategy so they can realize revenues without high number of consumers thanks to transfer incomes from selling players. Other countries (Bulgaria, Slovakia, Slovenia and Hungary) have weaker sport results (András-Havran, 2016). Among them, Hungarian clubs have much more revenues but it seems not to arrive from the market rather from the state (soft incomes). The question is: Why are the Hungarian sponsors so active without high number of spectators or TV-viewers? Hungarian club football is one of the weakest in the CEE region and it can be caused by SBC. We looked
at the six viewpoint by Storm and Nielsen (2017) and we give some example for the presence of SBC in Hungarian football in Table 4.
Franck (2014) highlights the following what can be very important in case of the decision-makers of Hungarian professional football: “In the extreme case that a club has a perfectly soft budget constraint, its own price-elasticity of demand is zero, which means that the vertical demand curve for player talent – the crucial input into football production – is only determined by other variables and not by the price (Kornai 1986b).” Furthermore, “the absence of what Kornai (1986b) called “dead-serious” considerations of revenues and supply can induce managerial negligence. As the continuation of operations is not at stake, decision-makers do not invest enough of their own time and energy into sorting out bad projects and developing good projects. “Money coming like manna” (Kornai 1986b) induces waste and lavishness.”
Conclusions

Both professional and financial competitiveness of the CEE region can be considered weak in European football but transfer market income can be evaluated efficient. There is a big difference between clubs and championships even within the region, still, there are clubs in the region that can be considered competitive in international competitions. The international trend that sport success is concentrated can be noticed also in this region, too, and it also means the concentration of players’ value and financial success.

The CEE region takes part in the international players market on the supply side, with increasingly younger players and an internationally relevant turnover. Free flow of workforce within the European Union resulted in migration from Central-Eastern-Europe in many industries, it has grown in football as well, as players count as locals because they are citizens of the European Union. Traditionally stronger championships and clubs can provide bigger salaries and can buy out players of their contracts from smaller championships and clubs, because they have a bigger market share. In the CEE region number of consumers is lower, and their solvency is also weaker than that of Western-European ones, however, they have a cost advantage regarding building infrastructure, maintenance, payroll and service costs. These can be complemented by support through national tax, and in case of their currency becoming weaker, advantages stemming from exchange rates.

By using their resources efficiently and building on the above listed competitive advantages, a Central-Eastern-European championship or club can establish its future success. Clubs of some countries like as Hungary cannot operate effectively thanks to excessive state subsidies and SBC. A small country (with lower number of consumers) like as Hungary has to focus on the improvement of youth system and support of talented players to get top football leagues as young as possible. Based on audit of academy system of Hungarian football made by the Double Pass international company (MLSZ, 2016) and other research (Havran, 2017) it can be stated that career support and preparation for professional life for Hungarian players can be evaluated as weak compared to the closest competitors, that is, the Central-Eastern-European region.
Table 5: Summary of conclusions

<table>
<thead>
<tr>
<th></th>
<th>Western Europe</th>
<th>Central and Eastern Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary financing sources</strong></td>
<td>1. From the market</td>
<td>1. From the state</td>
</tr>
<tr>
<td></td>
<td>2. Money injection from the owner</td>
<td>2. Market and owners’ injection</td>
</tr>
<tr>
<td><strong>Primary role of the budget limit</strong></td>
<td>Hard budget limit for general operation but soft in the case of transfers</td>
<td>Soft budget limit in general, but we can find business examples (Poland, Croatia, etc.)</td>
</tr>
<tr>
<td><strong>Characteristic of ownership</strong></td>
<td>Mostly presence of real ownership</td>
<td>Mostly no real owner</td>
</tr>
<tr>
<td><strong>Sport professional success</strong></td>
<td>International success</td>
<td>Lack of success in international championships</td>
</tr>
<tr>
<td><strong>Primary role of football</strong></td>
<td>Service as a field of the entertainment industry</td>
<td>To meet the political expectations</td>
</tr>
<tr>
<td></td>
<td>Synergy strategy – international business and political influence</td>
<td>Inefficiency in core business</td>
</tr>
<tr>
<td></td>
<td>Efficiency in core business</td>
<td></td>
</tr>
</tbody>
</table>

Source: edited by the authors

According to the reviewed literature, many top football clubs from Western Europe operates according to the SBC phenomenon, but these clubs have real owners and clubs can realise significant part of their revenues from the market. The sugar-daddy owners of these clubs support the teams because of synergy with other companies from another industry of special political aims. In CEE, and in Hungary, clubs often have not got any real owner, football companies owned by non-profit organizations which mostly supported by the state. Compare to other CEE leagues it seems that less subsidy by the state can be mean better sport results for clubs and for national teams too.
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