

## **BEST PRACTICE GOVERNANCE PRINCIPLES IN THE SPORTS INDUSTRY: AN OVERVIEW**

Sálmar BURGER & Anneliese E. GOSLIN

*Department of Biokinetics, Sport and Leisure Sciences and Centre for Leisure Studies,  
University of Pretoria, Pretoria, Republic of South Africa*

### ***ABSTRACT***

*The paradigm of sport participation as well as sport management has shifted globally from amateur to professional levels. Sport now operates in the business environment as an economic entity and, as such, is more complex to govern. Concerns in corporate business practice such as globalisation of business that transcends national laws and the regulations of a single country, increasing pressure on companies to achieve superior financial returns and increased public expectations of accountable and transparent behaviour have resulted in the formalisation and development of codes for corporate governance. This overview examines the British and Australian models and codes of corporate governance since South African Company Law as well as Australian Company Law have their roots in British Company Law. From the literature seven pillars of good governance emerged and their applicability to sports governing bodies is argued.*

**Key words:** Corporate governance; Sport; Pillars of good governance; Best practices.

### **INTRODUCTION**

The paradigm of sports participation as well as sports management has shifted globally from amateur to professional levels. Today, sport operates in the business environment as an economic entity and, as such, is more complex to govern. Originally sports organisations were established to codify rules and organise events and tournaments. This role was subsequently expanded and sports bodies now encourage, promote and facilitate international exchange between organisations. However, this rapid globalisation and commercialisation of sport has created a host of competing interests such as the increasing role of sports agents, and the greater impact of media rights and commercial sponsorship rights (Australian Sports Commission, 1999; Katwala, 2000). Sport has thus moved into the business and commercial sector and performances of management bodies in this industry are increasingly benchmarked against corporate governance principles applicable to other business sectors. Sports governing bodies now need guidelines for proper governance as common business practices become part of modern day sport.

Based on a global perspective, Katwala (2000) states that responsible governance with specific reference to sport is gaining in importance given the increasing number of scandals and crises reported in sport. The common thread linking these controversies seems a rather questionable application of best governance principles. The issue of governance in South African sport has received attention on a national level since the incumbent Minister of Sport and Recreation's media briefing: "The current state of affairs in a number of national federations is characterised by in-fighting, [and] a perceived lack of unity. It has become

crucial for Government to ensure that these situations are reversed. The amendment to the [Sports Commission] Act is a transparent process whereby Government wants to ensure good governance in South African sport” (Balfour, 2001). Similar statements have been published by the Australian Sports Commission (2002) when attributing the decline in performance experienced by Athletics Australia during the latter half of the twentieth century to its inability to adapt to increasingly demanding business environments. Subsequent changes to its governance systems resulted in major improvements in financial and business performances from 1997-2002.

Corporate governance is primarily concerned with economic prosperity and the survival of organisations within the formal business sector. As the sports industry has moved into this sector, it has become imperative that sports organisations are aware of and can comply with the principles of good governance as these will be applied to measure their business performance. This study therefore aims to provide an overview of corporate governance from a global, South African and sport specific perspective. The overview will focus on British and Australian models and codes of corporate governance as South African Company Law is based on British Company Law. Australian Company Law also has its roots in the British system due to its colonial history (Burger, 2004).

## **DEVELOPMENT OF CORPORATE GOVERNANCE**

The global and local focus on corporate governance is universally reflected in a spectrum of codes and principles. The key drivers behind this are embedded in the trend towards globalisation of business that transcends national laws and the regulations of a single country thus increasing pressure on companies to achieve superior financial returns and public expectations of accountable and transparent behaviour from companies, governments and public organisations (Foreman, 2001). The encompassing aims of the majority of codes are to create best practices to ensure accountability for actions, responsibility and transparency for its broader societal stakeholders, create and monitor checks and balances for power within an organisation and create mechanisms whereby risks are identified and managed. In a global sense therefore, corporate governance and corporate governance models are based on the principles of accountability through transparency. A simple set of rules and guidelines in the format of a universally applicable model is, however, not possible (Naidoo, 2002). Only the most influential corporate governance codes in terms of historical significance, comprehensiveness and universal applicability of principles will consequently be discussed.

### **Cadbury Report -1992**

The Cadbury Report is recognised as the starting point for the development and formalisation of corporate governance during the early 1990’s (Gaved, 2001). The impetus for the Cadbury Report included a series of highly publicised company failures, rapid growth in executive remuneration and conflicts of interest between directors and shareholders (Steele, 1999). The main objective of the report was to help raise the standards of corporate governance and the level of confidence in financial reporting and auditing by clearly defining key governance concepts such as the responsibilities of an executive board, its composition, auditing and remuneration principles (Steele, 1999). The Cadbury Report also stressed the importance of internal controls and recommended a separation of the roles of the chairperson of the board and the chief executive officer (Reed, 2000). A critical contribution of the Cadbury Report

was the clarity of thinking and the provision of a framework on which organisations could build while adapting it to their own circumstances (Cadbury Committee Report, 1992).

### **Greenbury Report - 1995**

The rationale for this report was again the increasing public concern over remuneration of directors and especially severance packages of directors amidst an economic period of downsizing and redundancy declarations with regard to employees. The Greenbury Report aimed to develop a transparent code of practice emphasising handling and disclosure of information pertaining to remuneration of decision makers in the context of increased redundancy declarations of employees (Steele, 1999).

### **Hampel Report - 1998**

The Hampel Committee on Corporate Governance reviewed both the Cadbury Report and the Greenbury Report (Steele, 1999; Reed, 2000) with the intention of combining them and producing a more inclusive code of corporate governance. It addressed the major criticism of setting a “box-ticking” without taking cognisance of individual corporate scenarios (Stapledon, 1998). The Hampel Report therefore avoided prescriptive measures (“box-ticking”) and included recommendations for monitoring financial and non-financial risks and controls (Reed, 2000). The key recommendations of the Hampel Report focused on board performance, roles of the executive officers, the audit, nomination and remuneration committees, contracts of directors, remuneration, disclosure of information, conduct of Annual General Meetings (AGM’s) and training (Steele, 1999). With the incorporation of the Hampel Report into the London Stock Exchange’s Combined Code on Corporate Governance, as was the case with the South African JSE Securities Exchange and the King I Report, companies were provided with a means of self-regulation for best practice governance without the need for legislative intervention or regulation. Companies currently operating against these British Exchange Listing Rules must, however, prove compliance with recommendations in the Hampel Report as part of their annual reports (Steele, 1999; Naidoo, 2002).

### **King I Report on Corporate Governance - 1994**

Corporate governance was first institutionalised in South Africa with the first King Report (King I) on Corporate Governance in 1994 that went beyond the financial and regulatory aspects described in many of its international counterparts (Wilkinson, 2003). The King I Report codified standards for the conduct of organisational management boards and directors for an array of companies and other defined entities. A number of recommendations contained in King I have received legislative impetus via the Labour Relations Act 66 of 1995, the Basic Conditions of Employment Act 75 of 1997 and the Employment Equity Act 55 of 1998 (Naidoo, 2002).

### **King Report on Corporate Governance for South Africa (King II) - 2002**

The King II Report is based on the premise that any contextual manifestation of governance should reflect the societal value system on which it is based. King II therefore states unequivocally that good corporate governance should incorporate African value systems (*Ubuntu*) (Naidoo, 2002). King II is widely regarded as the most progressive inclusive model of good corporate governance due to its emphasis on African humanism (*Ubuntu*), and its commitment to consensus, consultation and coexistence (Rossouw *et al.*, 2003). The most

important sections of King II deal with the board and its directors, risk management (financial and non-financial), internal and external auditing and integrated sustainability reporting. It is not feasible to expect all [amateur] national sports federations, or any membership association for that matter, to adhere to or aspire to all of the recommendations of the King II Report. This Report embodies an archetypal corporate governance standard, as the structuring of membership associations differs from that of corporate enterprises. However, the King II Report is based on fundamental principles described as “pillars of good governance” (PricewaterhouseCoopers, 2003; Rossouw *et al.*, 2003; Wilkinson, 2003) that hold the same inherent value for corporate enterprises and sports federations alike.

## **SPORTS GOVERNANCE CODES**

The majority of global literature on corporate governance has focused more on the traditional corporate environment (Foreman, 2001). However, experience gained in the corporate world provides valuable lessons for sport as it attempts to develop higher and more consistent standards of governance since the principles inherent in best practice governance are as applicable to sport and sports governing bodies as they are to corporate enterprise (Gaved, 2001). Sport bears a relationship to the corporate world of business as its governing bodies are susceptible to the same issues addressed in the reports and they are also influenced by the increased focus on financial viability and business functions such as sports marketing and strategic planning. In addition sport has shown substantial revenue-generating ability via broadcasting rights, sponsorship, branding and gate revenue (Foreman, 2001; Governance in Sport Working Group, 2001).

### **Statement of Good Governance Principles for Sports Governing Bodies - 2001**

Due to sports federations operating within the corporate business environment, there have been attempts to codify principles of good governance for them. In 2001 a conference aimed specifically at discussing the issue of governance in sport was held in Brussels and a draft document titled “Statement of Good Governance Principles for Sports Governing Bodies” was issued (Governance in Sport Working Group, 2001). This report states that sport is increasingly attracting attention from politicians, legislators, financiers and courts in Europe with the accompanying risk of legislative or judicial intervention unless sports governing bodies observe good governance principles of democracy, transparency and solidarity and adhere to a code of ethical conduct.

The “Statement of Good Governance Principles for Sports Governing Bodies” proposed nine clusters of guidelines pertaining specifically to international and national sports regulating and governing bodies (Governance in Sport Working Group, 2001), they are:

- ***Role of the governing body***

The role of a sports governing body is described as including the responsibility to codify and regulate the sport as well as developing and promoting it to widen popularity and support. This implies acting on behalf of individuals (members) and groups (e.g. sponsors and stakeholders) involved as well as the sport *per se*. Performing this role will obviously require best practice governance with adherence to the principles of democracy, fairness, independence, solidarity and transparency. Ultimately the power to govern is vested

within and directly or indirectly exercised by governing bodies and, as such, they should acknowledge that the power they hold is given to them as trustees to govern the sport.

- ***Structure, responsibility and accountability***

Sports governing bodies hold similar roles and responsibilities to those of corporate boards and share characteristics such as a need for legitimacy through accountability and transparency displayed towards members and stakeholders alike. There is a strong plea for the clear separation of certain functions, including the roles of the chairperson and executive officer, as well as codifying and amending playing rules. This is regarded as a primary legislative function pertaining to the key driving forces in the development and evolution of sports bodies. Sports governing bodies specifically are seen as responsible for making and reviewing decisions on financial, organisational and event management as well as acting as arbitrators in the case of dispute declarations.

- ***Membership and size of the governing body***

Good governance guidelines referring to technical aspects of sports governing structures such as size, composition and operations are put forward in the Report. Criteria and guidelines relevant to candidates-elect and incumbents are given in terms of pre- and post-electoral procedures. It further highlights the need for informed decision-making that necessitates taking account of the diverse interests of different role players and stakeholders.

- ***Democracy, elections and appointments***

In no uncertain terms, the Statement explicitly states the need for representatives to be elected and chosen to office through free, fair and standardised procedures, a concept not unfamiliar in any democratic organisation. There should be no ambiguity about voting rights and member eligibility. Election procedures should be documented and communicated to all members with voting rights. For the sake of best practice governance, the entry of new persons to the governing body should be facilitated and encouraged. It is thus suggested that all key positions should be subject to a fixed, documented term of office.

- ***Transparency and communication***

The way in which a sports governing body communicates with its members is regarded as a key indicator of the quality of its governance processes. Performance measures of this include a clear statement of the governing body's approach to governance and its responsibilities towards members through formal, regular two-way communication on policy decisions, elections, financial matters and other relevant matters. Frequent reports targeted at the needs of specific member groups are requested and the use of the Internet is strongly advocated.

- ***Decisions and appeals***

A fair, transparent and freely accessible conflict-handling process is imperative to good governance. The Statement stresses the importance of not preventing any party from seeking remedy under the judiciary system of the relevant country should internal conflict processes fail.

- ***Conflict of interests***

Sports governing bodies may get involved in competing commercial aspects. Demarcation and separation of the governance function and commercial involvement

should prevent conflict of interest. An open tender system for contract procurement should specify maximum contract life and prevent contract exclusivity.

- ***Solidarity***

Equitable distribution of financial revenues from the sale of commercially valuable rights related to sports events between development of talent and further commercialisation form the basis of solidarity.

- ***Recognition of other interests***

In addition to accountability to stakeholders and members alike, national sports federations should recognise the needs of other interest groups, i.e any individual or party that are likely to be affected by the decisions and actions of the sports governing body.

### **Governance Code of the Australian Sports Commission**

This code provides extensive guidelines pertaining to the governing board of a sports body and the complex role of the Chief Executive Officer (CEO). It stipulates various board duties that need to be carried out as part of the primary responsibility of stewardship and trusteeship on behalf of the stakeholders. The issue of primary accountability towards legal owners and secondary accountability towards moral owners and business stakeholders is elucidated. Two case studies implementing principles of good governance in Surf Life Saving in Australia and the institutionalisation of changes within Athletics Australia were published by the Australian Sports Commission to illustrate the methodology of the introduction of good governance in sports governing bodies (Australian Sports Commission, 2002).

### **Codes of the Football Governance Research Centre (London)**

The Football Governance Research Centre of Birkbeck College, University of London, deals specifically with issues of professional British football and Premier League Football Clubs and is, therefore, under regulation by various football authorities including the Football Association (FA), the FA Premier League or the Football League, *Federation Internationale de Football Association* (FIFA) and Union of European Football Associations (UEFA). Regulation by the football authorities takes the form of terms and conditions of membership and associated codes of conduct (Hamil *et al.*, 2002). Football clubs in Britain take various organisational forms from Private Limited Companies to Public Limited Companies listed on the London Stock Exchange and Members' Societies (Binns *et al.*, 2003; Hamil *et al.*, 2002). All these are subject to British legislation. Adherence to company law is enforced through the judicial system. In addition, competition law also plays a role in the governing of these sports organisations and companies through measures to control monopolies, mergers, policies and restrictive practices such as price fixing.

Further legislative control is provided through consumer law that sets requirements for consumer protection and labour law regulating labour practices such as player contracts and employment rights (Hamil *et al.*, 2002). The Football Governance Research Centre focuses on issues of governance (racism, disabled equality, commercial issues) pertaining specifically to British football and has published two reports on the corporate governance of football clubs (Binns *et al.*, 2002; Hamil *et al.*, 2002). The majority of work contained in these reports concentrates specifically on issues of British football and reverse extrapolation to sport in general is difficult, particularly as reports such as these use a methodology of identification of general principles that are then applied to a specific sport scenario.

## **BEST PRACTICE GOVERNANCE SYSTEMS**

Traditionally, sports clubs originated as amateur membership associations managed by independent and autonomous governing bodies. Fundamental goals of sports governing bodies are the protection of inherent autonomy and the power of self-determination. For some sports governing bodies this might have the implication that sport, in a global sense, cannot be reformed, is not subject to guidelines pertaining to good governance and that oligarchic self-interest will prevail at the end of the day. In this regard, Katwala (2000) states that sports governing bodies can be described as wedded to an absolutist conception of their own sovereignty, clinging to the last vestiges of unaccountable power.

At the same time, however, a trend is reported whereby sports clubs and even governing bodies are moving away from the traditional format of membership associations as reflected in the English Premier League football clubs, clubs of the Australian Football League (AFL) and clubs and teams of the American National Football League (NFL), the National Hockey League (NHL), Major League Baseball (MLB) and the National Basketball Association (NBA) (Mullin *et al.*, 2000; Foreman, 2001; Hamil *et al.*, 2002). This also applies to the South African Professional Soccer League (PSL) and even provincial South African rugby teams (Dorrian, 1998; Simpson & Dore, 2002). These sports bodies now have the ability to attract world-class players, command a global television following and rally global followership and support for their sport. Consequently they are accountable to the legitimate owners of these enterprises and, therefore, must ensure transparent and accountable corporate governance (Football Task Force, 1999; Foreman, 2001; Gaved, 2001; Hamil *et al.*, 2002).

Sports Australia (Foreman, 1999:11) pertinently points out that “clubs which continue to operate as traditional members’ clubs or associations are increasingly seen as out of step with the new order of professional sport”. The Commonwealth Association for Corporate Governance (1999) reiterates the necessity of sport’s compliance with good governance practices when pointing out that good governance practices have already become a necessity in every country and organisation [thus also sports organisations by implication] and it is no longer incumbent only on public corporations listed in various security and exchanges to adhere to best corporate governance practices. Sports governing bodies should, therefore, take serious cognisance of the pillars of good governance (best practice governance) espoused in the King II Report (Institute of Directors, 2002), as well as the statement of principles from the International Governance in Sport Conference (Governance in Sport Working Group, 2001).

## **PILLARS OF BEST PRACTICE GOVERNANCE WITHIN SPORT**

The governing body of an organisation [including sports bodies] has the responsibility of assuring good governance (Commonwealth Association for Corporate Governance, 1999) that is essentially about governance through responsible leadership (Naidoo, 2002; Wilkinson, 2003). This implies leadership that is transparent, answerable and accountable to the organisation’s stakeholders by creating equilibrium between economic, social, individual and collective goals. In essence, it strives to improve the performances of organisations. This desired improvement hinges on compliance with governance frameworks or pillars of best practice governance (Naidoo, 2002; PricewaterhouseCoopers, 2003; Rossouw *et al.*, 2003; Wilkinson, 2003). Rossouw *et al.* (2003:3) proposes further that currently “corporate

governance hinges on four cardinal values: fairness, accountability, responsibility and transparency. Recommendations about board composition, directors' duties, risk management, internal audit and so on are merely mechanisms for assuring that corporations adhere to these four cardinal values". King II acknowledges these four cardinal pillars but adds three more: social responsibility, independence and discipline (Institute of Directors, 2002).

### **Accountability**

Accountability as the first pillar of good governance is incumbent upon those parties and individuals who make decisions, take actions and implement measures on specific issues pertaining to the management of the federation. Accountability requires mechanisms (structures) to effectively query and assess the actions of the governing officers and committees (Cadbury Committee Report, 1992; Commonwealth Association for Corporate Governance, 1999; Institute of Directors, 2002; Naidoo, 2002). It further implies a commitment to and ability by the governing board to willingly justify its actions (Rossouw *et al.*, 2003).

This can only occur in the presence of an ethos that values, understands and supports accountability. Accountability as an indispensable principle of good governance receives extensive attention in both the generic and sport specific literature on good governance (Australian Sports Commission, 1999; Football Task Force, 1999; Katwala, 2000; Taylor, 2000; Foreman, 2001; Gaved, 2001; Governance in Sport Working Group, 2001; Rauter, 2001; DiPiazza, 2002; Hamil *et al.*, 2002; Institute of Directors, 2002; NSW Department of Sport and Recreation, 2002; Ryan, 2002; Gerrard, 2003; Rossouw *et al.*, 2003; Wilkinson, 2003). Although the need for accountability is without doubt justified in the literature, authors report that informal sports governing structures coupled with closed cultures have largely resisted the impetus to change and adapt to modernised views of the world and governance even though the sports industry is experiencing a decreased ability to cope with increasing corporatisation and commercialisation.

In this regard the board of a sports governing body is thus accountable to those with whom it has business and fiduciary relationships as well as to those to whom it has a moral duty, its members and extended stakeholders (Australian Sports Commission, 1999; Foreman, 2001; Governance in Sport Working Group, 2001). Benchmarks of accountability are reflected in voluntary justification of actions by board members, two-way communication and engagement with stakeholders and an organisational structure and mechanisms conducive to the above.

### **Responsibility**

The majority of governance codes do not distinguish between the concepts of accountability and responsibility assuming these are inextricably linked. The King II Report as well as Naidoo do, however, make a clear distinction between these two pillars (Naidoo, 2002; Rossouw *et al.*, 2003). Naidoo (2002) describes responsibility as behaviour that allows for corrective action as well as penalisation of mismanagement. Responsible management would, when necessary, introduce actions to direct the organisation onto the correct path in order to take good care of both its tangible and intangible (image) assets (Rossouw *et al.*, 2003). From a sport perspective, the Australian Sports Commission (1999) proposes that each member of a governing body is individually and collectively responsible for all decisions taken by the



board. This implies that board members share a common liability in the event of an alleged failure by the board to properly exercise its duty of care. The performance benchmarks of responsibility are reflected in the clear delineation of the roles and responsibilities of role-players and board members, recourse mechanisms in the event of sustaining harm through the actions and behaviour of the sports organisation and the ability as well as the willingness and commitment to respond to criticisms.

### **Transparency**

Rauter (2001) describes the ideal governance system as unconcealed to the relevant stakeholders in terms of strategy, decision-making and decision-making principles and reporting on financial and operational performance. Accurate, candid and timely disclosure of information establishes transparency and legitimacy (Gaved, 2001). The way in which a sports governing body communicates with its members is, according to the Governance in Sport Working Group (2001), a key indicator of the level of transparency and quality of governance processes. Transparency allows sports organisations to be scrutinised (Katwala, 2000), an issue important not only on a macro scale, for example when awarding the Olympic Games to a country, but also on a micro scale with issues such as team selection, awarding of colours and selection criteria. Performance indicators of the level of transparency are manifested in clear, accessible statements of the governing body's approach to governance, regular communications with members on policy decisions, elections, selections and other executive, legislative, judicial and commercial matters and direct two-way communication channels.

### **Social responsibility**

[Sports] organisations are social entities and, as such, actors in the broader society and are compelled to act responsibly in the best interests of their social constituencies (Korac-Kakabadse *et al.*, 2001). Corporate social responsibility implies that organisations should be held accountable for any of their actions that affect people, their communities and their environment (Post *et al.*, 2002). Social responsibility receives extensive attention in the literature which refers to aspects such as "recognition of other's interest" (Brown, 2000; Katwala, 2000; Hamil *et al.*, 2002; NSW Department of Sport and Recreation, 2002), "realisation of social responsibility" (Thibault & Harvey, 1997; Brown, 2000; Institute of Directors, 2002; Naidoo, 2002; Ward *et al.*, 2002; Rossouw *et al.*, 2003; Wilkinson, 2003) and "stakeholder interests and needs" (Thibault & Harvey, 1997; Australian Sports Commission, 1999; Branston *et al.*, 2001; Foreman, 2001; Hamil *et al.*, 2002).

Two definite tendencies with regard to corporate social responsibility emerge from the literature: direct social responsibility and indirect social responsibility. Advocates of direct social responsibility argue that organisations are only responsible to internal stakeholders who benefit directly in some material way from the existence of the organisation (Australian Sports Commission, 1999; Football Task Force, 1999). In contrast, advocates of indirect social responsibility argue that an enterprise is accountable for its impact on all relevant stakeholders according to Naayab (Ward *et al.*, 2002). The latter arguments imply organisational responsibility for social, economic and environmental issues.

Thibault and Harvey (1997), therefore, indicate the benefits of creating inter-organisational links between sport and various role players in the community. Environmental awareness as a dimension of sports governing bodies' social responsibility is raised by Standeven and De

Knop (1999) when stating that the movement from indoor sport to outdoor participation necessitates a critical ecological view to ensure sustainability of natural resources. Environmental protection also receives legal impetus in the National Sport and Recreation Act 110 of 1998 (South Africa, 1998) which states that all sport and recreation activities must be conducted in such a way that the environment is not adversely affected. This requirement applies to both urban (e.g. stadium lighting, irrigation and pesticides, noise pollution, overcrowding, traffic congestion) and natural environment protection. Socially-responsible sports federations are aware of and successfully respond to external and internal social issues placing a high priority on the adherence to ethical standards. They are organisations that are increasingly seen as non-discriminatory, non-exploitative and responsible with regard to environmental and human rights issues and stand to experience economic benefits through improved productivity, investment and corporate reputation.

### **Independence**

The amount of literature on independence as a pillar of good governance is considerably less than on other pillars. Independence is described as measures and mechanisms that have been introduced to minimise or avoid potential conflicts of interest that may arise (Australian Sports Commission, 1999; Rauter, 2001; Institute of Directors, 2002; Naidoo, 2002; Rossouw, *et al.*, 2003). Mechanisms and measures to ensure independence include independent financial accountants, objective assessment, freedom from internal and external influence, no vested interest in the outcomes of commercial activities and transparent procedures to resolve differences. Independence is required to prevent erosion of trust in the actions of the sports governing body.

### **Fairness**

Fairness in governance implies creating a balance between the needs of all stakeholders with a legitimate claim in the interests and future of an organisation (Brown, 2000; Hamil *et al.*, 2001; Naidoo, 2002). Transparent and equitable consideration of stakeholders' needs is stressed by the Australian Sports Commission (1999) as well as the South African Sports Commission in the National Sport and Recreation Act of 1998 (South Africa, 1998). Revenue generated from increasing commercialisation of sport should be reflected in a fair and equitable redistribution of income policy between sports development and staging events (Governance in Sport Working Group, 2001). Fairness at the level of a national sports federation thus implies giving due consideration to the interests of all the stakeholders of the respective federations, not only those who stand to gain from direct involvement, but also those who are in danger of being disenfranchised without direct contact and relations with the sports body. According to Rossouw *et al.* (2003) an unbalanced make-up of board executives may lead to [unfair] decisions favouring the inherent biases of the majority of stakeholders. From a sports perspective, a governing board composed mainly of technical training personnel such as coaches might thus favour short-term goals and on-field performances over long-term sustainability. Performance indicators on fairness are visible through clear policies on redistribution of income, election, appointment and selection procedures and equitable representation of stakeholders on governing boards.

## Discipline

Discipline represents a commitment by management to adhere to behaviour that is universally deemed correct, acceptable and proper (DiPiazza, 2002; Institute of Directors, 2002; Naidoo, 2002). Adherence to such behaviour encompasses consistent awareness of and commitment to all principles of good governance reflected in an ethical policy.

## CONCLUSION

Literature on corporate governance initially focused mainly on the traditional corporate environment. A need for a framework for good corporate governance resulted in a number of codes necessitated primarily by extended globalisation and business operations transcending national laws and the regulations of a single country. The shifting paradigm of sports management towards a more professional and business-like approach introduced the need for good corporate governance principles for sports governing bodies. From this overview, it becomes clear that the recognised and established principles of good corporate governance are applicable to the modern day sports industry. Governance concerns that originally triggered the institutionalisation of good governance principles in traditional corporate business environments with regard to areas such as the remuneration of directors, contract disputes, exorbitant severance packages, financial unaccountability, unsatisfactory disclosure of information, equity and dispute resolution have surfaced in the operations of sports governing bodies. Seven pillars of good governance have emerged from the overview and sports governing bodies should evaluate themselves against the identified key performance indicators of each of these pillars to determine their level of compliance with the good governance principles necessary for survival in the demanding business environment.

## REFERENCES

- AUSTRALIAN SPORTS COMMISSION (1999). *Governing sport: The role of the board and CEO*. Sydney: ASC Publications.
- AUSTRALIAN SPORTS COMMISSION (2002). *The governance of athletics in Australia: A case study summary*. Sydney: ASC Publications.
- BALFOUR, M.N. (2001). "Parliamentary Media Briefing." *Speeches*. Hyperlink [<http://www.polity.org.za/html/govdocs/speeches/2001/sp0912a.html>]. Retrieved 15 March 2003.
- BINNS, S.; HAMIL, S.; HOLT, M.; MICHIE, J.; OUGHTON, C.; SHAILER, L. & WRIGHT, K. (2003). *The state of the game: The corporate governance of football clubs 2002*. London: Football Governance Research Centre.
- BRANSTON, J.R.; COWLING, K. & SUGDEN, R. (2001). "The public interest in corporate governance." Hyperlink [<http://www.ub.es/graap/governance.pdf>]. Retrieved 14 March 2003.
- BROWN, A. (2000). European Football and the European Union: Governance, participation and social cohesion – Towards a policy research agenda. *Soccer and Society*, 1(2): 129-150.
- BURGER, S. (2004). Compliance with best practice governance systems by national sports federations in South Africa. Unpublished Masters thesis in Business Administration. Pretoria: University of Pretoria.
- CADBURY COMMITTEE REPORT (1992). *Report of the Committee on the Financial Aspects of Corporate Governance*. London: Gee Publishing.

- COMMONWEALTH ASSOCIATION FOR CORPORATE GOVERNANCE (1999). *CACG guidelines - Principles for corporate governance in the Commonwealth*. Marlborough: Commonwealth Association for Corporate Governance.
- DIPIAZZA, S.A. (2002). "Building Public Trust: the Future of Corporate reporting". Hyperlink [<http://accounting.malpractice.com/0005/articlesga-20020617.pdf>]. Retrieved 23 February 2003.
- DORRIAN, P. (1998). *Prowling with the sharks, marketing magic: Success stories from South Africa's top marketers*. Johannesburg: Zebra.
- FOOTBALL TASK FORCE (1999). "Football: Commercial issues". Hyperlink [<http://www.football-research.org/ftfcommercial.pdf>]. Retrieved 15 March 2003.
- FOREMAN, J.A. (2001). "Corporate governance issues in a professional sport". Hyperlink [<http://www.commerce.adelaide.edu.au/apira/papers/Foreman172.pdf>]. Retrieved 13 March 2003.
- GAVED, M. (2001). "Corporate governance today and its relevance to sport". *International governance in sport*. Hyperlink [<http://www.governance-in-sport.com/Gaved.pdf>]. Retrieved 13 February 2003.
- GERRARD, N. 2003. "Rethinking regulatory risk: A strategy for the UK and global corporate governance". *Balance Sheet*, 11(1): 37-41.
- GOVERNANCE IN SPORT WORKING GROUP (2001). "The rules of the game - conference report & conclusions". *International governance in sport*. Hyperlink [<http://www.governance-in-sport.com>]. 14 March 2003.
- HAMIL, S.; MICHIE, J.; OUGHTON, C. & SHAILER, L. (2002). *The state of the game - The corporate governance of football clubs 2001*. London: Football Governance Research Centre.
- INSTITUTE OF DIRECTORS (2002). *King report on corporate governance*. Johannesburg: Institute of Directors of Southern Africa.
- KATWALA, S. (2000). "Democratising global sport". *Observer*. Hyperlink [<http://www.observer.co.uk/Print/0,3858,4421203,00.html>]. Retrieved 8 March 2003.
- KORAC-KAKABADSE, N.; KAKABADSE, A.K. & KOUZMIN, A. (2001). "Board performance and company performance: Any correlations?". *Corporate Governance*, 1(1): 24-30.
- MULLIN, B.J.; HARDY, S. & SUTTON, W.A. (2000). *Sport marketing*. Champaign, IL: Human Kinetics.
- NAIDOO, R. (2002). *Corporate governance: An essential guide for South African companies*. Cape Town: Double Storey.
- NSW DEPARTMENT OF SPORT AND RECREATION (2002). "Corporate governance - functions and duties of boards". Hyperlink [[http://www.ausport.gov.au/fulltext/2002/nsw/r\\_a-z\\_cgboards.asp](http://www.ausport.gov.au/fulltext/2002/nsw/r_a-z_cgboards.asp)]. Retrieved 15 March 2003.
- POST, J.E.; LAWRENCE, A.T. & WEBER, J. (2002). *Business and society: Corporate strategy, public policy, ethics* (10<sup>th</sup> ed.). Boston: McGraw-Hill Irwin.
- PRICEWATERHOUSECOOPERS (2003). *Being a director: Duties and responsibilities – King II. Corporate Governance Series*. Johannesburg: PricewaterhouseCoopers.
- RAUTER, E. (2001). Good governance = sustainable performance. *The Sport Educator Newsletter*, 14(1): 1.
- REED, H. (2000). "Chapter 10: corporate governance, board structures and accountability". Hyperlink [[www.dti.gov.uk/cld/nov2000/ch10nov.pdf](http://www.dti.gov.uk/cld/nov2000/ch10nov.pdf)]. Retrieved 30 March 2003.
- ROSSOUW, D.; DE KOKER, L.; MARX, B. & VAN DER WATT, A. (2003). "Corporate governance and the King II Report". *Financial Mail Supplement*, 16 May 2003.
- RYAN, C. (2002). *Sporting bodies urged to practice good governance*. Sydney: ASC Publications.
- SIMPSON, J. & DORE, B. (2002). *Marketing in South Africa - cases & concepts* (26-39). Cape Town: Van Schaik.

- SOUTH AFRICA (1998). *National Sport and Recreation Act No 110 of 1998*. Pretoria: Government Printer.
- STANDEVEN, J. & DE KNOP, P. (1999). *Sport Tourism*. Champaign, IL: Human Kinetics.
- STAPLEDON, G.P. (1998). The Hampel report on corporate governance. *Companies and Securities Law Journal*, 16: 408-413.
- STEELE, M. (1999). The rise of shareholder intervention. *Management Focus*, 12(Summer): 2-6.
- TAYLOR, D.W. (2000). Facts, myths and monsters: Understanding the principles of good governance. *The International Journal of Public Sector Management*, 13(2): 108-124.
- THIBAUT, L. & HARVEY, J. (1997). 120 Fostering inter-organizational linkages in the Canadian sport delivery system. *Journal of Sport Management*, 11: 45-68.
- WARD, H.; BORREGAARD, N. & KAPELUS, P. (2002). Corporate citizenship: Revisiting the relationship between business, good governance and sustainable development, *Opinion*, 1(1): 1-5.
- WILKINSON, R. (2003). Introduction and background to corporate governance. *Financial Mail*, 9 May 2003: 3-6.

## **NOTES**