

## The Roles of Governance in Sport Organizations

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### Abstract

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In recent years, governance has become a popular topic of discussion. In its broad meaning, governance is the exercise of power in the management of an organization. Though governance involves such concepts as responsibility, rules and policies, communication, and transparency, the central component of governance is decision-making. It is the process through which a group of people make decisions that direct their collective opinions and efforts. The decision-making process of governance is that stakeholders, on one hand, of an organization articulate their interests, influence how decisions are made, and finalize actions to be taken. The decision makers, on the other hand, should acknowledge these inputs and put them into consideration during the decision-making process, and they are accountable to those same stakeholders for the organization's outputs and the process of producing it. Governance concerns three major issues: how an organization develops strategic goals and direction, how the board of the organization monitors the performance of the organization to ensure it achieves these strategic goals, and how the board acts in the best interests of the members. Good sport governance should include such principles as (a) the role of the governing body, (b) structure, responsibilities and accountability, (c) democracy, elections and appointments, (d) transparency and communication, and (e) solidarity.

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**Keywords:** decision-making; policies; responsibility; transparency; governing bodies

### 1. Introduction

In the 20th century, subjects on governance received little attention. Not until 1997, for example, Play the Game started to raise awareness about governance in sport organizations; whereas the Eastern Regional Organization for Public Administration (EROPA) World Conference on Governance in Manila, Philippines attracted over 600 participants from countries all over the world (e.g., Cariño, 2000).

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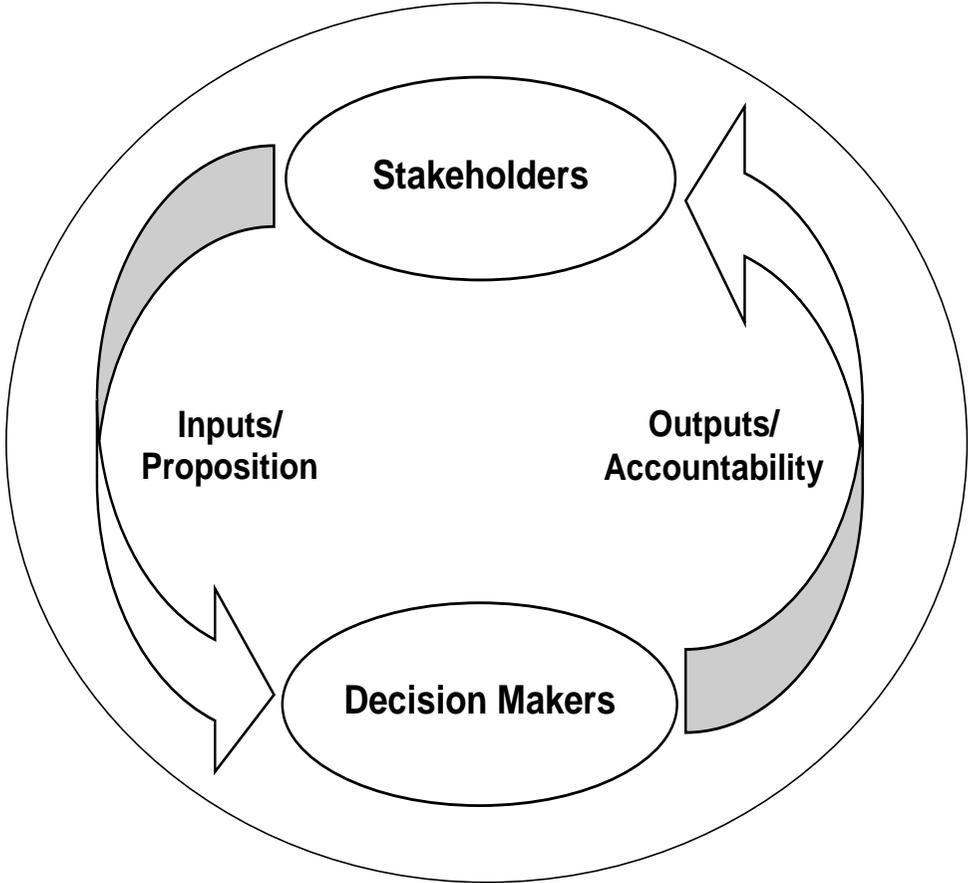
In the new millennium, however, articles on governance have been escalating in exponential rate. According to Simpson and Weiner (1989), governance refers to “the office, function, or power of governing.” However, some researchers attempted to distinguish governance from governing. Kooiman (1993) considers that *governing* as a purposeful action that aims at guiding, controlling, or managing societal activities while *governance* is emerged from the governing activities of social, political, and administrative actors. At one point, The World Bank (2002) had used the term governance to illustrate how power was exercised (i.e., the rule of the rulers) in the management of a country’s economic and social resources. In its broad meaning, *governance* is the exercise of power in the management of an organization. One thing has to make clear is that the power mentioned here is not referred to the personal power at a certain management level, but the power to coordinate and facilitate the managerial functions at different levels of the organization.

Though governance involves such concepts as responsibility, rules and policies, communication, transparency, and so on, the central component of governance is decision-making. It is the process through which a group of people make decisions that direct their collective opinions and efforts. When it is applied to the public sector, “governance is the process whereby, within accepted traditions and institutional frameworks, interests are articulated by different sectors of society, decision are taken and decision-makers are held to account” (Plumptre & Graham, 2000, p. 3). An example is the campaign led by soccer supporters, most notable the Independent Manchester United Supporter Association and its sister organization Shareholders United, to prevent the proposed takeover of Manchester United by Rupert Murdoch’s BSkyB satellite television company (Hindley, 2003). In fact, governance exists whenever a group of people comes together to accomplish a common goal. If the group is too large to efficiently make all necessary decisions, an entity can be formed to facilitate the process. If that is the case, group members will delegate a large portion of the decision-making responsibility to this entity. In voluntary sector organizations, this entity is called the Board of Directors. For example, the Board of Directors of the YMCA is a group of persons chosen to govern the affairs and monitoring the long-term direction of the organization.

The decision-making process of governance is illustrated by Figure 1. On one hand, stakeholders of an organization articulate their interests, influence how decisions are made, determine who the decision-makers are, and finalize actions to be taken. These are the inputs of the stakeholders and they are addressed to the decision

makers. The decision makers, on the other hand, should acknowledge these inputs and put them into consideration during the decision-making process. Decision makers are accountable to those same stakeholders for the organization's outputs and the process of producing it.

**Figure 1: The Decision-Making Process In Governance**



## 2. Governance of Sport

According to the Australian Sports Commission (2002), governance concerns three major issues: (1) how an organization develops strategic goals and direction, (2) how the board of the organization monitors the performance of the organization to ensure it achieves these strategic goals, and (3) ensuring that the board acts in the best interests of the members. To guarantee good governance in sports, the roles and responsibilities of all participants should be clearly defined. Good governance also depends on how transparent these roles and responsibilities are defined, monitored and enforced by the governing organization (European Olympic Committee, 2003).

Since the Olympic Charter (International Olympic Committee, 2013) is recognized as the constitutional charter for the world sports community, it is logical to examine its requirements on the governance of the International Federations (IFs):

- to establish and enforce, in accordance with the Olympic spirit, the rules concerning the practice of their respective sports and to ensure their application;
- to ensure the development of their sports throughout the world;
- to contribute to the achievement of the goals set out in the Olympic Charter, in particular by way of the spread of Olympism and Olympic education;
- to express their opinions on the candidatures for organising the Olympic Games, in particular as far as the technical aspects of venues for their respective sports are concerned;
- to establish their criteria of eligibility for the competitions of the Olympic Games in conformity with the Olympic Charter, and to submit these to the IOC for approval;
- to assume the responsibility for the technical control and direction of their sports at the Olympic Games and, if they agree, at the Games held under the patronage of the IOC;
- to provide technical assistance in the practical implementation of the Olympic Solidarity programmes;
- to encourage and support measures relating to the medical care and health of athletes (p. 54).

In the national level, the sport governing bodies in each country are just subordinate to their respective IF and the most concrete expression of this is the requirement for their statutes to be compatible with those of the IF. For this reason, the sport governing bodies should develop their sports in their territorial jurisdiction and to ensure implementation of the rules and regulations of the IF. A good example of good governance by the IOC was the creation of the IOC 2000 Commission. The major purpose of this Commission was to prepare and propose reforms to the IOC's structure, rules, and procedures. As a result, key reforms were adopted on the composition, structure and organization of the IOC, its role and the designation of the host of the Olympic Games. The creation of the World Anti-Doping Agency (WADA) in 1999 was another example of good sport governance. Instead of funded entirely by the IOC, WADA is now received its funding equally from the Olympic Movement and governments of the world. The main mission of the WADA is the coordination and promotion of an effective fight against doping in sports under the World Anti-Doping Code. Both the 38-member Foundation Board and the 12-member Executive Committee of WADA are composed equally of representatives from the Olympic Movement and governments (World Anti-Doping Agency, 2014).

Effective governance of sports is particularly complex because of the wide range of participants involved. These participants include players and clubs, local, national and international organizations, spectators, the media, commercial (sponsors) and non-commercial interests, and educational and training bodies. These groups typically have different priorities and inter-relationships within and outside the sport. Individual sports are typically characterized by multiple interests and roles, and a complex combination of legal, regulated and self-regulatory frameworks, contractual relationships, practices, implicit relationships, and tacit understandings. The role and legitimacy of governing organizations depends on continuing and widespread confidence in their institutional structures, governance arrangements, rules and dispute mechanisms. Without this confidence, the value of the sports, events and championships for which they are responsible may be adversely affected (European Olympic Committee, 2003; McKenzie, 2002).

### 3. Principles of Sport Governance

A sport governance working group in Belgium developed some statements of good governance principles for sport entities. These principles are detailed in the following nine different areas: (1) the role of the governing body, (2) structure, responsibilities and accountability, (3) membership and size of the governing body, (4) democracy, elections and appointments, (5) transparency and communication, (6) decisions and appeals, (7) conflicts of interest, (8) solidarity, and (9) recognition of other interests (The Rules of the Game, 2001). The four dimensions of good governance (i.e., transparency and public communication, democratic process, checks and balances, and solidarity) proposed by Geeraert (2013) coincidentally overlapped most of these nine governance principles.

#### 3.1 The Role of the Governing Body

The major responsibilities of sports governing bodies are to establish rules for the sport, to develop and promote it, to widen its popularity and to represent the sport and those involved in it. These goals can only be achieved through good governance and to ensure that the principles of democracy, independence, fairness, solidarity and transparency are respected. Governing bodies should recognize that they hold the power to govern their sport as trustees. This power is primarily vested in the members and exercised by them directly or indirectly through a system of representation. Governing bodies, therefore, should provide a clear statement of their roles and the functions they perform to support their members and other groups with a legitimate interest in their activities. In April 2014, National Basketball Association (NBA) Commissioner Adam Silver announced at a press conference that Donald Sterling would be banned for life from any association with the Clippers or the NBA because of his violation of league rules (i.e., through his expressions of offensive and racist views). The Commissioner also fined Mr. Sterling \$2.5 million, the maximum amount allowed under the NBA Constitution. The Constitution of the NBA outlines clearly the rules and requirements of a team member, including relocation, application for membership, and termination of ownership (National Basketball Association, 2012). Specifically, Article 14(g) of the NBA Constitution indicates that if at least three-fourths of the owners sustain the charges against a team owner for violating Article 13 of the league's constitution, the team's membership in the NBA would be terminated.

### 3.2 Structure, Responsibilities and Accountability

Proper and well-defined structure provides a solid foundation for any successful sport entity. Sports organizations and governing bodies at the local, national, and international levels have similar roles and responsibilities as those of corporate boards, governments, or the judiciary. Accountability can take many forms, including accurate reporting of financial data, the publication of annual reports, and the responsible use of resources. In general, an organization or an institution is accountable to those who will be affected by its decisions or actions (Mercy Corps, 2010). Good governance requires a separation between the roles of: (a) *making* and *amending* of sporting rules as the primary legislative function, and (b) *making* and *reviewing* executive decisions regarding the management of financial resources and organization of sporting events. Moreover, other than listing the relative positions, roles and responsibilities of all assemblies, committees, commissions and all other groups which make up the governing body, a clear chain of accountability and responsibility should be established among them. In this way, members in the sport organization know what to achieve and what is expected from them. Organizations should be accountable to the public and to their stakeholders, and to those who will be affected by its decisions or actions. Transparency is mentioned here because accountability cannot be enforced without transparency and the rules and regulations formulated by the organizations.

### 3.3 Membership and Size of the Governing Body

To maintain good governance, governing bodies should post the term of appointment and biographical information (including their commercial interests in the sport) of each of the officers involved. In addition, the membership size of the governing bodies should be regulated to an appropriate level to achieve organizational efficiency. For example, before 1990, the United States Olympic Committee (USOC) had used a three-tiered governance (i.e., House of Delegates, Executive Board, and Administrative Committee) with over 100 members. At the 1990 House of Delegates meeting in Phoenix, Arizona, the USOC completed a two-year restructuring process. Now the USOC is governed by the Board of Director (16 members) and a 16-member executive team which includes a Chief Executive Officer and a handful of Chief Officers and Managing Directors (United States Olympic Committee, 2014).

### 3.4 Democracy, Elections and Appointments

Democratic processes can also be considered as accountability arrangements (Geeraert, 2013). Accountability constitutes the processes whereby those who hold and exercise power are held accountable (Aucoin & Heintzman, 2000). The best way in which members can hold their sport organization accountable is through the executive body that governs the organization. However, the process of member selection or nomination to this executive body should be clearly stated and be transparent. If the selection is not organized according to democratic processes, this will result in corruption, the concentration of power and the lack of accountability and effectiveness (Aucoin & Heintzman, 2000; Bovens, 2007; Mulgan, 2003). Therefore, to encourage and facilitate new persons to the governing body, key positions shall be subject to a limited term of office. Candidates standing for election should provide statements to support their candidacy. The election process should be fair and reflects the opinions of the voters. Block voting should be avoided. After elections, voting levels and the votes cast for each candidate should be promptly and widely addressed (The Rules of the Game, 2001).

### 3.5 Transparency and Communication

Transparency in governance means that information is freely available and accessible to the public, particularly to those who will be affected the most by such decisions and their enforcement. This demonstrates that the decision process is followed the rules and regulations and is conducted in a professional and an unbiased manner. On the other hand, the lack of transparency is always vulnerable to corruption within the organization (Schenk, 2011). Effective communication is important for all governing bodies. Members should be regular informed of the governing body's activities, financial condition, policy decisions, elections, approach to governance, and other business (e.g., executive, legislative, judicial, commercial). A two-way communication, which provides channels for feedback from the members, is encouraged. If all the members of the organization are encouraged to share their ideas, they would feel like they are an essential part of the organization. Members should be informed of policies, procedures, financial responsibilities, and new marketing adventures. Reports which are targeted at the needs of specific groups can be sent more frequently. By means of modern technology (such as the internet), information can be more accessible to members and interested parties. When information is freely available and accessible to affected members or to the general

public, then the governing body is said to be transparent (Sawyer, Bodey, & Judge, 2008).

### 3.6 Decisions and Appeals

Governing bodies or sports organizations will provide sufficient justification for all of their actions and decisions, and the primary responsibility for avoiding and resolving sporting disputes lies with these governing bodies or sports organizations and their subsidiary organizations such as clubs and leagues (Mew & Richards, 2005). Since the authority to act and make decisions depends on the constitution and by-laws, it is in the best interest of every organization to have sound policies relating to the areas of governance that are often most contentious (e.g., proper procedures should be established for resolving disagreements). Such procedures might include access to internal/external appeals and/or arbitration. In any case, procedures should be fair, transparent, accessible, and efficient, and must not benefit any person involved in the dispute. In addition governing bodies should not intervene any party from seeking further remedy under national or international law. In the United States, for example, the Amateur Sports Act mandates arbitration to resolve disputes and requires all national governing bodies from each sport to agree to submit all disputes within the scope of the Act to binding arbitration with the American Arbitration Association. The Act also entitles Olympic athletes to review grievances with the United States Olympic Committee via the North American Court of Arbitration for Sport (Mew & Richards, 2005).

### 3.7 Conflicts of Interest

Governing bodies might occasionally be involved in commercial aspects of sport. A clear boundary must be set between the functions of the governing body and any commercial activities. The USOC has instituted a Conflict of Interest Policy that requires that any conflicts of interest, whether actual or apparent, be reported promptly to the Ethics Officer. For example, a conflict of interest arises when there is an interest in, obligation to, or relationship with any business, property, or person that could affect one's judgment in fulfilling his/her responsibilities to the USOC (United States Olympic Committee, 2014). One recommendation to avoid any conflicts of interest is to allocate various roles to different committees or bodies. Each committee or body should have clearly defined responsibilities and reporting lines. An example

of fair practice in business is to use open tenders for any commercial contracts (The Rules of the Game, 2001).

### 3.8 Solidarity

Fair and effective distribution of financial revenues encourages the development of talent and contributes to balanced and attractive competitions. A clear policy for the redistribution of income is essential. Sports governing bodies therefore should acknowledge the following general principles for redistribution of revenues: (a) redistribution must be based on principles of solidarity (between all levels of the sport), and (b) redistribution policies must pursue aims that are objective and justifiable. Resources should be distributed equitably (International Olympic Committee, 2008). Moreover, the redistribution process must be transparent, accountable, and objective. For example, the aim of the Olympic Solidarity is to assist all the National Olympic Committees, particularly those with the greatest needs, to develop their own structures and to facilitate the expansion of sports in their country. One of the many ways to achieve these goals is to assist the NOCs in gaining access to financial, technical, and administrative assistance, such as Olympic Games subsidies, which complement the range of programs, and offer financial support to NOCs before, during, and after the Games (International Olympic Committee, 2014).

### 3.9 Recognition of other Interests

Furthermore, governing bodies should be sensitive to other interest groups which are likely to be affected by their decisions and actions. In particular, sports governing bodies shall recognize and pursue the aims of cultural and social cohesion through their sports. Any discrimination based on any grounds such as sex, race, color, ethnic or social origin, genetic features, language, religion or belief, political or other opinion, membership of a national minority, property, birth, disability, age, or sexual orientation should not be tolerated (The Rules of the Game, 2001). As mentioned earlier, NBA Clippers owner Donald Sterling was banned from the league for life by NBA Commissioner Adam Silver following racist comments he made in a private conversation. In the 2012-13 season, African-Americans made up 76.3% of all players on NBA rosters, and nearly half (43%) the league's head coaches.

The punishments followed an outcry from players and fellow team owners that Sterling's hateful rhetoric should not be a part of the league, and the Commissioner agreed. "The views expressed by Mr. Sterling are deeply offensive and harmful," Silver said. "We stand together in condemning Mr. Sterling's views. They simply have no place in the NBA" (Welsh, 2014). The league concluded that Sterling's words contributed to "significantly undermining the NBA's efforts to promote diversity and inclusion" and proved to be "damaging [to] the NBA's relationship with its fans." Such conclusion was based on reviewing the report completed by Dr. Richard Lapchick, Director of The Institute for Diversity and Ethics in Sport (University of Central Florida), who was hired by the league to analyze the effect that Donald Sterling's words have had on the league and his report was included in the charges presented to Sterling.

#### **4. Conclusion**

To provide good or effective governance in sport organization is a challenging task because of the wide range of participants involved. These participants include individuals and clubs, commercial and non-commercial organizations, educational and training bodies at local, national, and international levels. These groups typically have different interests and priorities within and outside the sport. All groups involved in a sport need to have confidence that the sports in which they are involved are effectively and fairly governed at every level. To this end, good governance in sport is based, in part, on clearly defined roles and responsibilities of all participants and transparency (a form of communication) as well as the way these roles and responsibilities are defined, monitored and enforced by governing organizations.

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