

IMPLEMENTING GOOD GOVERNANCE PRINCIPLES IN SPORTS ORGANISATIONS

A PAINFUL OBLIGATION, OR A PLATFORM FOR GROWTH?

A white paper from
Burson-Marsteller / TSE Consulting
April 2016



FOREWORD

The events of the past 12 months, with sports governance placed under the media spotlight in a way it has never been before, put at risk the very mission of sport.

A tsunami of scandals, including doping, corruption and match-fixing, has led to a breakdown in confidence in sports leadership.

Has sport gone bad, or has society changed and sport just failed to keep up?

We live in a world where 24/7 media scrutiny and continuous social media attention demand transparency and accountability. The corporate and political worlds have lived in this fishbowl for some time. Now sports bodies face the same challenge: adapt or die.

For most sports bodies this is uncharted territory. There are, however, key questions that sports leaders can address to help them forge a path.

What is your organisation's 'purpose' and how do you measure success? Which core values are guiding you toward fulfilling this purpose? Is reform necessary and what does it look like? How do you turn this crisis into an opportunity?

Sport is about unifying people; it is about hope, commitment, and fulfilment. Does your organisation reflect this?

If we accept that the status quo is no longer viable, then it makes sense for sports bodies to look to other sectors, such as business and non-profits, for governance lessons.

Communications – to fans, policy-makers, participants, sponsors, employees, and media – must also be a core part of your strategy, reassuring, educating and engaging all those with a role in getting sport back on track.

This White Paper encompasses all of these strategic imperatives, as well as providing a straightforward model to implement and communicate your reforms.

It offers a route to a new future – a future full of opportunity.



Sir Martin Sorrell
CEO, WPP

TURNING A CRITICAL ISSUE INTO A SUSTAINABLE ADVANTAGE

The world of sports governance today faces a myriad of complex issues. A host of serious failings at national and international sports federations have resulted in a public outcry and there are widespread calls to overhaul governance structures within sport and, in some cases, to overhaul the entire sports administration system itself.

This has resulted in a number of stakeholders making considerable efforts to draft and apply new sets of standards and rules for sports organisations in order to safeguard against future failings. Restructuring the rules and organisational structures is clearly a vital step that sports governing bodies must take to bring them into line with externally set standards and thereby mitigate the risk inherent in self-review and self-regulation.

However, to turn the corner, more needs to be done aside from simply updating statutes and ticking off checklists. Furthermore, the current state of crisis presents an opportunity not only to overcome these issues, but potentially to transform them into an opportunity.

So what can a proactive and forward-thinking sports organisation do to achieve this?

We believe that mere compliance will not enable sports organisations to transform the current crisis into positive change; change that enhances reputations and drives new growth opportunities. This white paper explains why, as well as providing a new model approach designed to bring about real governance reform in the current context.

We begin in Chapter 1 by tapping into the views of the public and private sectors, arguably the two most important sources of financial support for national and international sports federations. These two groups represent hosts for events and facilities for competition, as well as a vital source of finance via public funding and commercial revenues. Their views are as important to the survival of sport as all of the proposed ‘technical changes’ that it so badly needs.

In Chapter 2, we briefly compare various principles of good governance and then examine how these might, or might not, apply to the world of sports administration in further detail. We explore the duality of sport and how it fundamentally differs from both corporate organisations and traditional non-profit bodies – and why this has made the governance reform process particularly challenging.

Lastly, we apply these insights to propose a model for governance reform of sports organisations in Chapter 3. This is a holistic step-by-step tool that encompasses actions that can be taken around simple compliance and that will transform the entire process from a painful obligation into a platform for growth.

The key to our model is incorporating the strategic and communication factors at play which mere compliance alone cannot capture. We have focused on making this tool as simple, quick and practical as possible so that sports organisations can start using it to generate positive change immediately.

Now is the time for national and international sports federations to start transforming – and, in so doing, convert the current crisis into a valuable opportunity. We hope that this white paper can help these organisations take the first steps towards making this a reality.



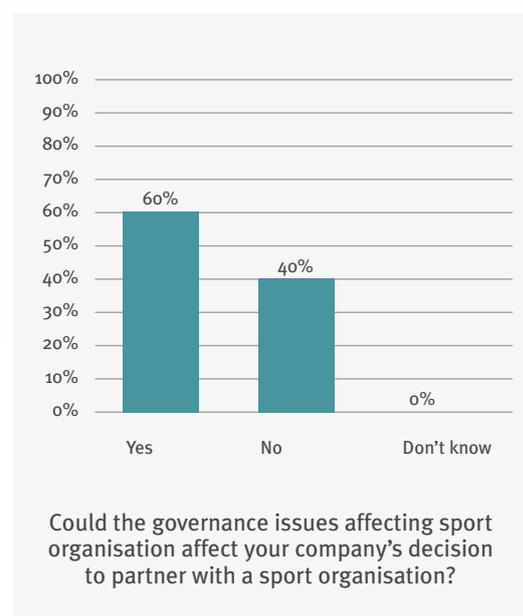
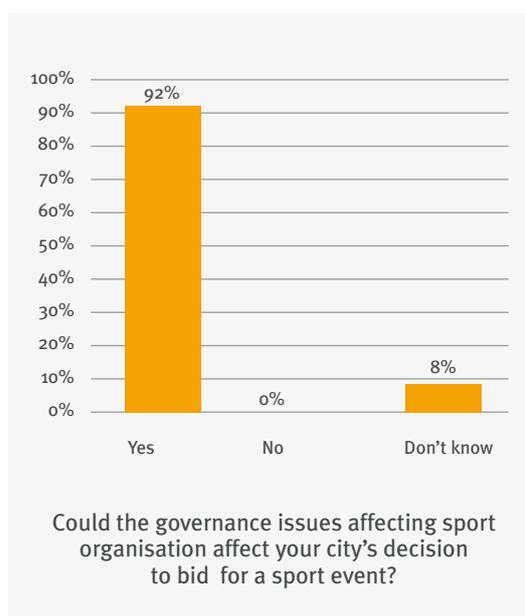
1. THE STATE OF PLAY

In order to get a clearer picture of how the governance of national and international sports federations is perceived, we polled two of their most important revenue-generating stakeholders: host cities and sponsors.¹ Questionnaires were sent to a group of more than 50 of these key stakeholders around the world. Two different surveys were developed: one for host cities and one for sponsors. The questions were exactly the same, but the language was adapted to the type of stakeholder. The results, below, demonstrate graphically the real crisis that sport organisations face when it comes to the perception held of them among their main partners. Encouragingly, though, the results also show that if changes are made in their governance, their image and reputation can be restored.

A real concern

Our survey results show that host cities and sponsors are genuinely concerned about the current situation regarding the governance of sport organisations. Indeed, as the table below shows, 92% of surveyed cities said that governance issues constitute a major concern when they decide to bid for a sport event – and 60% of surveyed sponsors consider that the current situation affects their decision to partner with a national or international sports federation.

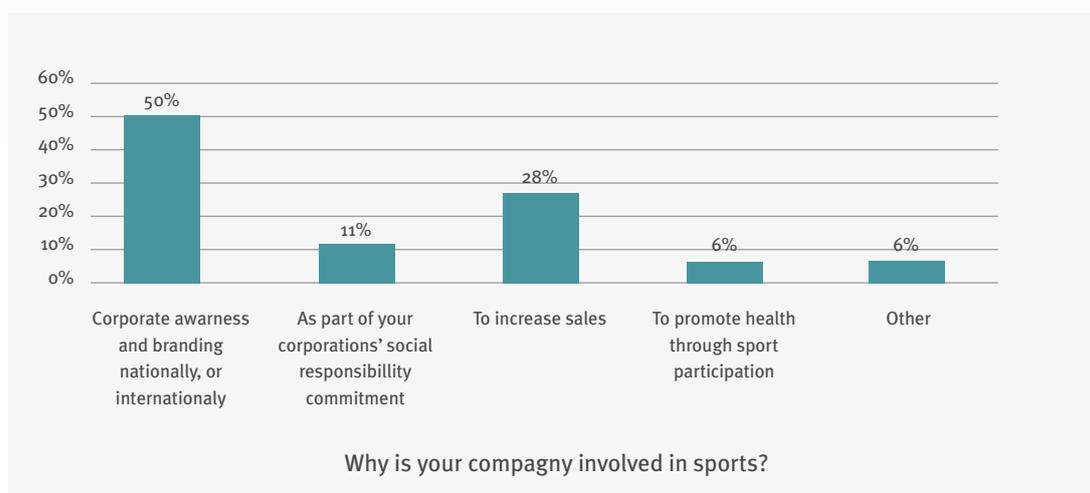
Host cities are even more concerned than sponsors



Even more worrying for sport organisations is the finding that host cities and sponsors would be reluctant to be associated with them in the future if they could see no improvement being made to sports governance. More than three quarters of the cities surveyed (77%), as well as 40% of the sponsors, responded that the current situation would affect their decision on whether to bid to host a sports event, or partner with a national or international sports federation.

Key stakeholders are clearly concerned because, in the main, they use their partnerships with sport organisations to brand themselves. Indeed, as shown in the table below, 30% of the surveyed cities say they primarily host sport events to brand themselves at either national or international level. For sponsors, 50% said that they partnered with sport organisations to develop corporate awareness and branding nationally or internationally. It is fair to assume, therefore, that the key partners of national and international sports federations fear that the current governance crisis in sport has the potential to create a toxic backwash which would, in turn, tarnish their own reputations.

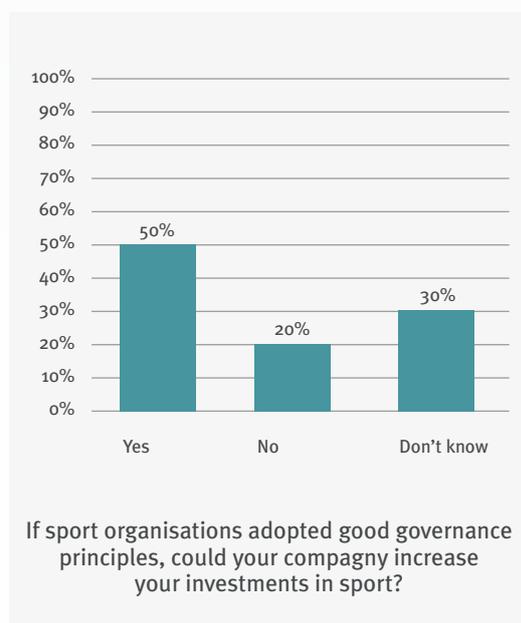
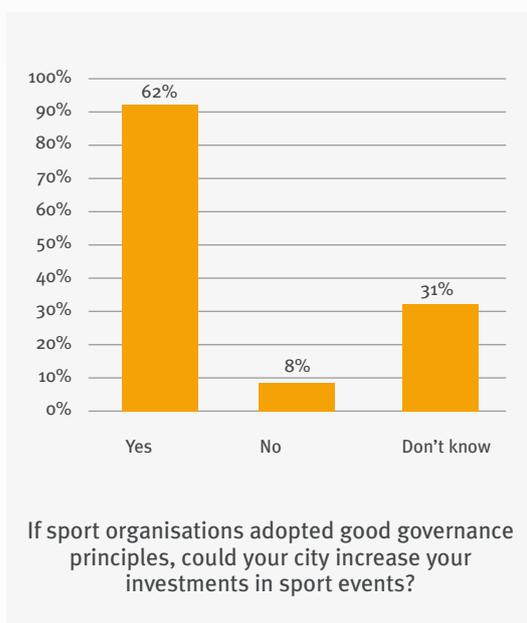
Branding is the main reason for involvement in sport



A glimpse of light

Despite this worrying situation, sports organisations can take comfort from some hope that was expressed for the future in our survey. Indeed, as the table below shows, a strong majority of both groups of surveyed host cities and sponsors are open to increasing their investment in sport should sports organisations adopt good governance principles: 62% of cities said they would increase their budget to host sport events and 50% of sponsors said they would do the same in their partnerships with sport organisations.

Sport organisations could greatly benefit



Overall, the results of our stakeholder survey show that the crisis is real for sport organisations and that now is the time for them to adopt good governance principles.² If sports organisations do not implement reforms, they risk losing not only their reputation but also their most valuable and important sources of income. It is not too late for national and international sports federations to implement new governance, and, if they do so, they create an enormous opportunity to gain new revenues.

2. GOOD GOVERNANCE AND SPORT

This chapter takes a closer look at exactly what good governance means in society today and how sports organisations should approach it. Good governance is a complex concept. However, it is clear from studying corporate, public, non-profit and the sport sector, that good governance principles are very similar across all of these sectors. Despite this, it appears that the governance reform process in sport is particularly challenging thanks to a number of complicating factors inherent in the sector.

What is ‘good governance’? The term has become a part of the vocabulary of many industries and sectors. However, there is no single clear definition being used either within or across them.³

The definition of the word governance is the action or manner of governing a state or organisation. Existing literature also defines it as ‘the process of decision-making and the process by which decisions are implemented (or not implemented)’.⁴ Governance can thus apply to many different institutions and organisations, including corporate, international and national organisations.

Good governance also means different things in different contexts. In its widest sense, the term is used to describe how institutions and organisations conduct themselves and make their most important decisions, how they determine who they involve in the process and how they render account.⁵ Nevertheless, differences clearly exist between corporate, public and sports sectors.

Good corporate governance

Since its emergence in the 1970s, corporate governance has become a well-established regulatory and academic shorthand.⁶ In a nutshell, corporate governance deals with (the possibility of) conflict between investors/shareholders and managers of corporations.⁷ Shareholders own the company, but it is the executive directors that, to a large part, effectively control a company’s operations. This separation of ownership and control creates a so-called ‘agency relationship’, where a company’s directors act as agents of the shareholders. The shareholders have no way of directly ensuring that the directors (agents) will always act in their best interest. As a result, the directors, whose interests do not fully overlap with those of the shareholders, may deviate from the best course of action for shareholders.⁸

In order to mitigate risks in this relationship, corporations today are expected or even legally obliged to adhere to institutional systems and controls. In other words: good corporate governance principles. The list of these principles is different from organisation to organisation, however a good ‘yardstick’ would be the G20/OECD principles on good governance, which include:

- recognition of rights and equitable treatment of shareholders;
- recognition of the role of stakeholders and investors;
- disclosure and transparency; and
- clearly outlined responsibilities of the board.⁹

Good governance in the public sector, international organisations and non-profits

For international organisations, good governance became a ‘topic of interest’ in the early 1990s when calls for democracy, increased participation and accountability became louder.¹⁰ Today, there is a significant degree of consensus that good governance relates to political and institutional processes and outcomes that are deemed necessary to achieve the goals of development.¹¹

However, whether good governance represents a means to a justified end, or an end in itself, remains a dilemma.¹² Similar to corporate governance, therefore, the objectives of good governance in the ‘public sector’ are not clear either. However, two aspects of good governance are much discussed and are required at all levels:

- transparency, anti-bribery, anti-corruption; and
- efficiency and effectiveness of governance.¹³

For non-profit organisations, an interesting point highlighted in the relevant literature is the constant pressure these bodies are under to show that they act for the public benefit in transparent ways with demonstrated impact. It seems that, although their operations have been traditionally associated with public virtues, this is no longer enough. As a result, questions of accountability and ownership have also infused non-profit corporate governance – and this includes national and international sports federations.¹⁴

Good governance in sport

So where do sports organisations fit into this good governance matrix? Unfortunately, for sports governing bodies, national and international sports federations do not neatly align with the governance models of either traditional commercial or non-profit entities. In fact, the sports sector is burdened with the most difficult elements of both and could therefore be considered a far more complex governance challenge, in particular:

- increased professionalism and the development of intense commercial activity has seen sports organisations wrestle with issues of fraud, corruption and divergent organisational and leadership interests as seen in the private sector; and
- an expanding pool of stakeholders and questions about their preferential treatment in society has seen sports organisations face increasing public demands for accountability and transparency more common with the not-for-profit industry.

A number of tools that have been developed to measure good governance in European and international sports organisations have attempted to recognize this complexity. Most notably, these include the ‘Sports Governance Observer’ tool, developed by Play the Game, and the ‘Basic Indicators for Better Governance in International Sport (BIBGIS)’, developed by the Swiss Graduate School of public Administration at the University of Lausanne (IDHEAP).¹⁵ These tools consist of checklists whereby sports organisations can measure their level of compliance with certain good governance principles identified by the tool.

Not surprisingly, these principles significantly overlap with the governance principles applied in the corporate, public and non-profit sectors.¹⁶ Despite national and international sports federations differing in many ways from both businesses and non-profits, there is no reason for other standards to be applied in terms of good governance.

As is the case for non-profit organisations, the diversity of stakeholders in sport is particularly large. It includes ‘shareholder’ proxies (members), athletes, sponsors, host cities, etc. who all expect to be involved as participants in the decisions-making processes. As a result, it can be argued that ‘adherence to corporate governance principles as a matter of striking the right balance between behaviour required from them and retaining the essential spirit of enterprise is as applicable to sport as to non-profits and businesses’.¹⁷

However, while hard-coded technical tools are clearly an absolutely fundamental element of ensuring good governance, they cannot on their own instigate the change needed for successful organisational reform in sport. Set guidelines and checklists, including the existing tools, are not helpful to sports organisations looking to overcome the major issues they are currently facing, including damage to their reputation, mistrust from key stakeholders, etc. By focusing only on compliance, in the form of redrafting rules and regulations, and not on solving their underlying organisational and cultural issues, sports organisations remain at risk for governance crisis.

A call for a different approach to governance overhaul in sport

In summary, the rules and regulations in place to police good governance are very similar across most industries and sport is no different. In theory, this should make the application of these rules and standards to the sporting context easier, but so far it appears to have been rather difficult for sports organisations – from smaller national federations to major international federations – to develop and implement a solid set of good governance principles.

We believe that the main reason for this is that many sports organisations, while updating their statutes and crossing off checklists, have failed to define and explain clearly the following important organisational questions:

- What is our organisation’s fundamental purpose and how do we measure our success?
- Which core values are guiding us toward fulfilling this purpose?
- What is our strategic focus and which principles will help us creating strategic fit?

Only by answering these and other fundamental organisational questions can a sports organisation effect a change in how its governance is applied and perceived.

Furthermore, by only updating the relevant rules and regulations without also communicating these efforts to their stakeholders, sports organisations will not be able to change their stakeholders’ perceptions. Private and public sector partners are willing to invest more in sports that have their governance in order, but a solid governance communication strategy is also needed to inform key audiences about the changes that have been made. In short, national and international sports

federations need not only to implement good governance principles, or improve them, they should also inform their partners about their efforts.

Overall, restructuring rules and structures is clearly a vital step to be taken by sports organisations to bring them in line with externally set standards and so mitigate the risk inherent in self-review and self-regulation. At the same time, without attention for clearly defining the organisational frame and integrating strategy and communications, there is a risk that a good governance effort becomes just a painful obligation at a tactical level. Instead, it should be viewed as a strategic exercise to develop a platform for growth.

The model approach that we set out in the following Chapter recognises the need to match compliance with effective strategy and communications within sports organisations. In our view, an either-or-approach will not work in the face of the complexity faced by national and international sports federations.

Our suggested approach reflects this complexity, but remains simple and easy to implement for any sports organisation that is keen to transform the current crisis into a valuable opportunity.



3. A NEW APPROACH – THE ‘GAME CHANGER’

As we have discussed, compliance alone is not enough to drive real change in the governance of sporting organisations. The complexity of sports organisations, driven by their intricacy of purpose and breadth of interested stakeholders, means that the process of compliance must be supported by a sound strategy as well as communications activities.

Our Game Changer model captures this complexity and offers a real, easily implemented solution. While the model is built around genuine compliance, it also encompasses a series of steps focussing on strategic alignment and targeted communications. These distinct and separate steps are split across two phases that bookend the final execution of full compliance – the Realignment Phase and the Rollout Phase.



PHASE I: REALIGNMENT

The Realignment Phase seeks to ensure that the organisational direction is in tune with the governance structures and processes that are to be put in place. This phase is inward-looking; the organisation’s current position is assessed and measured against its desired position, all the while adjusting to match any required changes in governance and align the organisation with compliance regulations.

1. Define the organisational ‘purpose’

The first step in the process is to define clearly the organisation’s fundamental purpose. While this may appear obvious, having a clear consensus of what the organisation is ultimately trying to achieve is of vital importance when it comes to how and why decisions should be made.

Some of the questions that must be answered during this phase include:

- What is our organisation’s purpose? What are its core values? What is its main objective?
- What are the current barriers to achieving these objectives? What other challenges does the organisation face?
- What unknown risk factors remain? Where do potential solutions lie?

2. Gather relevant information

After establishing a broad picture of the organisation’s fundamental purpose, it is then necessary to drill down in more detail. The greater the quality of information used as inputs, the better the quality of decisions that will be made as outputs. Research and analysis are the core activities undertaken at this stage.

Some of the questions that must be answered include:

- How is our organisation perceived by ourselves (internally) and by others (externally)?
- What is believed and expected of us? Are we perceived as being compliant? Is there a perception gap?
- What internal factors (e.g. structure, staff, culture) and external factors (e.g. environment, trends, regulations) influence this perception?

3. Reposition the organisation

The inputs and insights gathered in the previous two steps now inform how the organisation is positioned, or repositioned. This third step involves finalising where the organisation should be heading as well as how it can get there. This step develops the strategy, acting as a road map towards the organisation’s desired destination, ensuring that its broader purpose is aligned to all decisions big and small.

Questions answered at this phase include:

- What do the facts tell us about where we need to be going as an organisation? How does this compare with where the facts tell us we are now?
- Is our organisation operating in accordance with its purpose? What is our organisational reputation across the board?
- Do we have the correct organisational structure? What can we do to ensure that stakeholders have the right perception of our organisation?

With these first three steps completed, their combined effect will serve to interact with the principles of good governance and compliance, bringing them to life across the organisation. At this point, all the relevant legal requirements and updates to organisational structure and statutes should be in place. This will then provide a solid foundation for the second phase of the Game Changer model – Roll Out.

PHASE II: ROLL OUT

Once the details of compliance have been fully implemented, the preparatory work undertaken in the Realignment phase must be brought to life across the organisation. The Roll Out phase combines carefully planned communications about the positive changes made across the organisation with continual monitoring of the success of the strategic adjustments made in the previous phase.

4. Develop the communications strategy

Having a well-functioning strategy and meeting compliance requirements are only half the battle. It is also important that all stakeholders are well informed about this transformation and, where necessary, involved in decision-making processes. This is even more the case during times of significant change. Having a comprehensive and smart communications plan to engage all relevant stakeholders is therefore absolutely critical to success.

Questions that must be answered during this phase include:

- How can our communications activities mirror our new organisational direction and who should we be talking to about it?
- What communications channels should we be using and for which audiences?
- How can we engage with key media?

5. Put the plan into practice

Having finalised the communications strategy, it must then be put into practice. This involves both taking all necessary steps to incorporate the principles of good governance into the culture of the organisation while at the same time activating all key stakeholders involved in this process. The organisation must also communicate with the key target audiences both inside and outside the organisation.

Questions to be answered in this phase include:

- What communications training will our staff need and why?
- Which of the changes should we be talking about? How can we best communicate them?
- Who is aware of our approach to good governance and compliance?

6. Measure the results and act accordingly

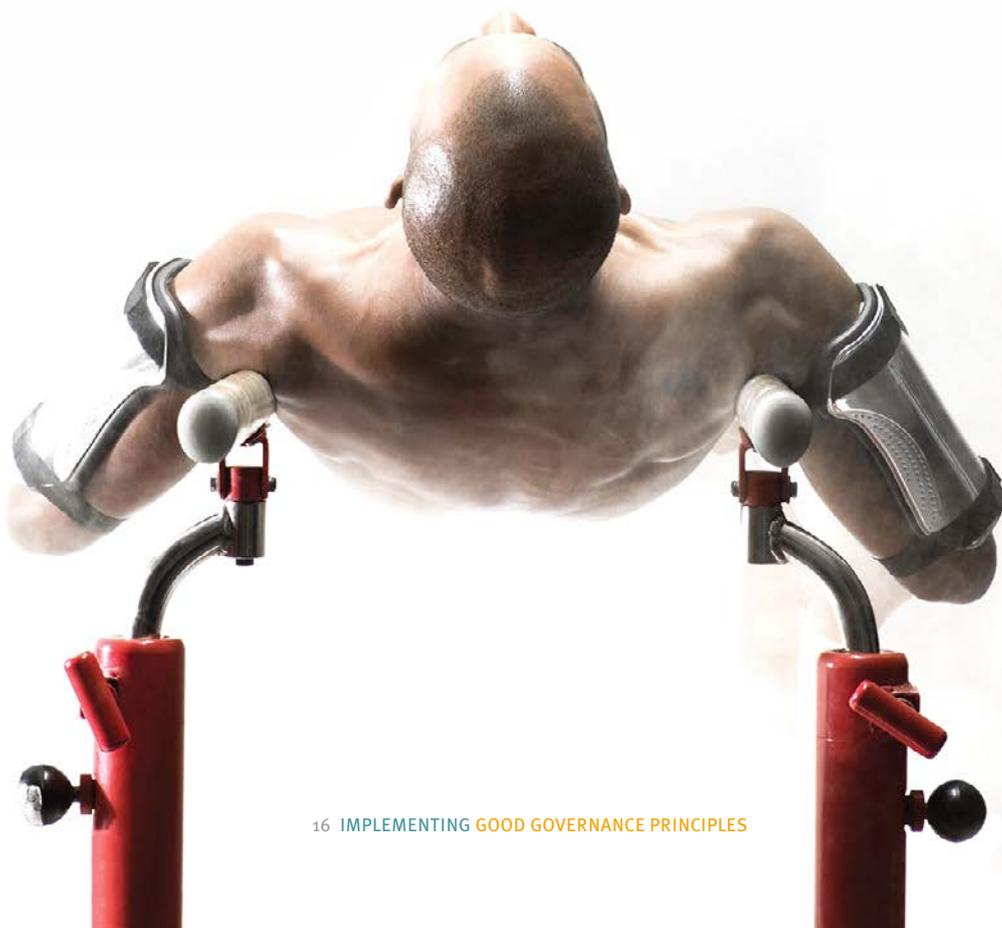
The process of being compliant requires constant regulation, measurement and adjustment if necessary. The strategy and communications processes are no different. Regular measurement against the original plans must run alongside the compliance process.

Questions that will be answered in this phase include:

- What key performance indicators (KPIs) should we be measuring our plans against?
- What measurement tools should be used to monitor progress?
- What should we add, remove or change as our plan develops and circumstances change?

By capturing the end-to-end integration of strategy and communications in the compliance process, the Game Changer model provides a starting point for any sports organisation that wants to shift from simple compliance towards more holistic positive change management.

Each phase outlined above has a number of specific activities and actions that can be taken to achieve the objectives. However, for the purposes of illustration and simplicity, these have not been discussed in detail. Instead, we have provided a simple template that can be implemented immediately by sports organisations eager to create new and positive opportunities for themselves.



FOR MORE INFORMATION

If you want to know more about the Game Changer model or about how Burson-Marsteller and TSE Consulting can assist your organisation in implementing good governance together with effective strategy and communications, please contact us.

Valerie von Eberhardt
Senior Director EMEA at Burson-Marsteller: valerie.voneberhardt@bm.com

Rosmarijn van Kleef
Consultant at TSE Consulting: rvankleef@tseconsulting.com

Burson-Marsteller:

Burson-Marsteller, established in 1953, is a leading global strategic communications and public relations firm. It provides clients with strategic thinking and programme execution across a full range of public relations, public affairs, reputation and crisis management, advertising and digital strategies. The firm's seamless worldwide network consists of 73 offices and 85 affiliate offices, together operating in 110 countries across six continents. Burson-Marsteller is a part of Young & Rubicam Group, a subsidiary of WPP (NASDAQ: WPPGY), the world's leader in communications services. For more information, please visit www.burson-marsteller.com.

TSE Consulting:

TSE Consulting is a Burson-Marsteller company. As an international consulting firm specialised in sport, TSE helps its clients (public sector bodies and sports organisations) in four highly inter-related practice areas that are fundamental to driving sport forward: events, performance, participation and facilities. Headquartered in Lausanne, Switzerland, and with regional offices in Europe, North and South America, Africa and the Middle East, TSE has an international reach and an unparalleled connection to the international sports world. For more information, please visit www.tseconsulting.com.

NOTES & REFERENCES

¹Surveys were conducted during February-March 2016.

²All results for the host city/sponsor survey can be obtained by contacting: info@tseconsulting.com.

³Rachel M. Gisselquist, *What Does Good Governance Mean?*, WIDER Angle newsletter, January 2012, via: www.wider.unu.edu accessed: 9 February 2016. John Graham, Bruce Amos, and Tim Plumptre. "Principles for good governance in the 21st century", *Policy brief 15* (2003): 1-6, via: <http://iog.ca/>.

⁴What is Good Governance. UNESCAP, 2009, via: <http://www.unescap.org/>, accessed February 9, 2016.

⁵John Graham, Bruce Amos, and Tim Plumptre. "Principles for good governance in the 21st century", *Policy brief 15* (2003) 1-6, <http://iog.ca/>.

⁶Brian R. Cheffins, 'The History of Corporate Governance', in: *The Oxford Handbook of Corporate Governance*, 2013, p. 46.

⁷Idem, p. 59.

⁸Lucian Bebchuk and Jesse Fried, *Pay Without Performance – the Unfulfilled Promise of Executive Compensation*, Harvard University Press 2004, pp. 15–16.

⁹G20/OECD Principles of Corporate Governance, OECD Publishing 2015.

¹⁰Ngairé Woods, *Good Governance in International Organizations*, in: *Global Governance*. Jan-Mar 1999, Vol. 5 Issue 1, p39.

¹¹<http://www.ohchr.org/EN/Issues/Development/GoodGovernance/Pages/GoodGovernanceIndex.aspx>

¹²N. Chowdhury, C.E. Skarstedt, *The Principle of Good Governance*, CISDL 2005, via http://www.worldfuturecouncil.org/fileadmin/user_upload/papers/CISDL_P5_Governance.pdf.

¹³Ulrich Karpen, 'Good Governance', *European Journal of Law Reform* 2010 (12) 1-2, p. 19. Similarly, key attributes of good governance identified by the United Nations High Commissioner for Human Rights (OHCHR) include: transparency, responsibility, accountability, participation and responsiveness (to the needs of the people) <http://www.ohchr.org/EN/Issues/Development/GoodGovernance/Pages/GoodGovernanceIndex.aspx>

¹⁴Jenny Harrow and Susan D. Phillips, 'Corporate Governance and Nonprofits: Facing up to Hybridization and Homogenization', in: *The Oxford Handbook of Corporate Governance*, 2013, p. 613.

¹⁵Arnout Geeraert, *Sports governance observer 2015. The legitimacy crisis in international sports governance, Play the Game 2015*; Jean Loup Chappelet and Michaël Mrkonjic, *Basic Indicators for Better Governance in International Sport (BIBGIS): An assessment tool for international sport governing bodies, IDHEAP Working Paper 1/2013*.

¹⁶BIBGIS: Organisational transparency, Reporting transparency, Stakeholders' representation, Democratic process, Control mechanisms, Sport integrity, Solidarity. SGO: transparency, democracy, checks and balances and solidarity.

¹⁷Compare Jenny Harrow and Susan D. Phillips, 'Corporate Governance and Nonprofits: Facing up to Hybridization and Homogenization', in: *The Oxford Handbook of Corporate Governance*, 2013, p. 608.

A white paper from
Burson-Marsteller / TSE Consulting
April 2016

