

# Day Nine

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## Introduction To Sport Management

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*7234hsl* [www.7234hsl.com](http://www.7234hsl.com)  
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# What is Governance?

- ‘ Policy and direction (more than daily management) for the enhancement of organizational performance
- ‘ Exercise of power within organisations and provides a system by which the elements are controlled and directed

*“If management is about running business, governance is about seeing that it is run properly”*

- ‘ It provides a framework for control but also helps to provide a degree of confidence that is necessary for the proper functioning of a market economy

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

## ASC Definition

*‘The structures and processes used by an organisation to develop its strategic goals and direction, monitor its performance against these goals and ensure that its board acts in the best interests of the members’*

# What is Governance

Essentially governance involves:

- How an organisation develops strategic goals and direction
- How the Board monitors performance of organisation to ensure it achieves goals
- Ensuring the Board acts in the best interests of the members

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

# Poor Governance

Brought about by the following:

- *Director/Board inexperience*
- *Conflicts of interest*
- *Failure to manage risk*
- *Inadequate or inappropriate financial controls*
- *Poor internal business systems and reporting*

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

# Two Types of Governance

There are two types, corporate governance and non-profit governance:

## *Corporate*

*Profit seeking companies and corporations that focus on protecting and enhancing shareholder value*

## *Non-Profit*

*Voluntary based organisations that seek to provide a community service or facilitate the involvement of individuals in social, artistic, or sporting activities*

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

# Corporate Governance

There are two primary roles of the board

- Ensuring conformance by management
- Enhancing organisational performance

Conformance deals with the processes of supervision and monitoring of the work of managers by the board and ensuring that adequate accountability measures are in place to protect the interests of shareholders.

Enhancing performance focusses on the development of strategy and policy to create the direction and context within which managers will work.

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

# Theories of Governance

There are a number of theories on governance:

Internal monitoring ...

## Agency

Proposes that shareholders interests should prevail in decisions concerning the operation of an organisation

## Stewardship

Takes an opposing view ... proposes that rather than assume managers seek to act as individual agents to maximise their own interests over those of shareholders, managers are motivated by other concepts such as a need for achievement, responsibility, recognition, and respect for authority.

In short, managers and shareholders interests are aligned and that managers will already act in the best interest of shareholders

Source: Hoyer, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

# Theories of Governance

There are a number of theories on governance:

External Relationships (i.e. acquiring scarce resources)

## Institutional

Argues that governance frameworks adopted result from an adherence to external pressures of what is deemed acceptable business practice (which includes legal requirements for incorporation)

## Resource Dependant

Proposes that in order to understand the behaviour of organisations, we must understand how organisations relate to their environment. Organisations seek stability and certainty by entering into inter-organisational arrangements that reduce flexibility and autonomy.

## Network

Proposes that organisations enter into socially binding contracts to deliver services in addition to purely legal contracts. Sets up a degree of interdependency.

# Governance Models

There are three governance models:

## Traditional

Human potential of board, Procedure and structure, Board, exec and staff relationships are clear, Positive group culture and evaluation, External relationships. Note: The board is truly in charge here.

## Policy

Mission and direction, Executive limitations set, Clear board and staff relationships, Processes established, Clear performance measures. Criticized for being idealistic and operating above the messiness of the board-executive relationship that actually exists.

## Executive Led

Executive central to success, Boards depend on their executives, Psychological centrality, Access to information

# Principles of Good Governance

The following are seven principles of good governance:

- **Transparency** - ensuring the organisation has clear procedures for resource allocation, reporting and decision making
- **Accountability** – sports organisations need to be accountable to all their stakeholders
- **Democracy** - all stakeholder groups should be able to be represented in the governance structure
- **Responsibility** - the board has to be responsible for the organisation and demonstrate ethics in carrying out that responsibility
- **Equity** - all stakeholder groups should be treated equally
- **Efficiency** - process improvements should be undertaken to ensure the organisation is making the best use of its resources
- **Effectiveness** - the board should establish and monitor measures of performance in a strategic manner

# Drivers of Change

## Funding Agencies

Voluntary sporting organisations are constantly under pressure from funding agencies to improve the delivery of their core programs and services. These agencies are recognize that capacity for delivery here depends to a large extent on appropriate and effective governance – so have implemented a range of measures to improve governance

## Litigation Threat

The threat of litigation against sports organisations, their members or board members has forced sports organisations to address issues such as risk management, incorporation, director's liability insurance, and board training and evaluation.

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

# Drivers of Change

## Legislative Changes

Additional pressures are replaced onto sports organisations by way of legislative changes implemented to address issues of equity and diversity. To the point where their governance systems – in particular membership criteria, voting rights, and provision of information must change accordingly.

## Competition Threat

Threat of competition in the marketplace has forced sports organisations to become more commercial and business focussed, primarily through employing paid staff. This changes the governance structures, the decision making processes, and the level of control exerted by volunteers.

Source: Hoye, R. S., Smith, A., Nicholson, M. G., Stewart, B., & Westerbeek, H. M. (2012). Sport Management: Principles and Applications. Third Edition

Could you give me an answer?

1. *What is governance?*
2. *What is the difference between corporate and non-profit?*
3. *What are the seven principles of good governance?*
4. *What are the primary drivers of change for governance?*