

Reflections On The Development Of A Stress Test For Sports Organizations

Herrmann, Konstantin¹; Frenger, Monika²; Emrich, Eike²; Rasche, Christoph¹

¹Universität Potsdam, Germany; ²Universität des Saarlandes, Germany

E-mail: konstantin.herrmann@uni-potsdam.de

Aim of research

In a financial terminology stress testing is designed to determine the ability of a certain financial instrument or a certain financial institution to deal with an exogenous economic crisis (see Kirchbaum & Weiß, 2010).

Sports organisations need a kind of stress testing to simulate how sports organisations react on corruption, doping and violations of integrity of competitions as endogenous crisis. Especially, they should analyse how corruption, doping and violated integrity of competition can be avoided.

Compared to companies in the financial sector, for example, sports organizations are still at the very beginning of developing a professional risk management system within their associations. Even if the IOC and the FIFA have departments to punish fraud, corruption and unethical behaviour (Ethics Committee; Audit and Compliance Commission), one can barely see them truly fulfil their tasks. Moreover a short-sighted greenwashing strategy is all-pervading, because recurring scandals evidence vividly, that a professional compliance approach is still missing. To put it in nutshell, many upper echelons in international sports bodies resist a fundamental transformation process towards sustainable governance and compliance regimes incorporating moral values.

Our research avenue aims at designing measures for sports organisations in order to decrease corruption, to counteract the loss of trust in the leadership of sports organisations and to preserve the integrity of sports. The first step is the design of a holistic system to identify indicators that uncover corruption at an early stage to prevent potential stress constellations. It is embedded to the approach of New Institutional Economics, which links the moral sentiments, the underlying social patterns and necessity of trusted partners in the corrupt exchange (see. Lambsdorff, Taube & Schramm, 2004)

Theoretical background

Sports organisations currently are in crises of structure and identity. Mass media often report about corruption and doping, match fixing and neglected values of sportsmanship appear as normality. Scandals in the past point to a special morality, since legal, regulatory and moral weaknesses have been anchored in behavioural stereotypes in organizations. One example of this is the classification of FIFA by the US judiciary as an RICO organization.

The banking crisis in the financial sector or the current emissions scandals in the automotive industry show that non-compliance not only causes financial damage, but also destroys trust in brands and organisations, irreversibly. According to these examples and the strong emotional and ethical charge of sport, there should be a high interest in "Honest Sportsmanship" and in a leadership principles complying with ethical rules.

Sports organisations represent so-called "social enterprises" (Rasche & Tiberius, 2016) which are threatened to destroy their fundament by illegitimate and illegal behaviour. A loss of trust can lead to a drop in demand for sports, especially for Olympic sports (see Emrich, Pierdzioch & Pitsch, 2014). This has an impact on the media and sponsors and thus on the entire value chain in sport. In addition, lack of trust in the sports organisations can be seen in the reduced willingness of voluntary work.

Investments in good governance or corporate social responsibility are therefore not philanthropic behaviours only, but rather demonstrate a positive and proactive attitude of sports organisations within society (see Breitbarth, Walzel, Anagnostopolulos & van Eekeren, 2015) and ensure a high demand for sports services. Risk management systems for sports organisations, which react sensitively to risk indicators in the sense of an early warning system, are important to dampen the loss of trust in sports organised of sport organisations.

Methodology, research design and data analysis

In the first step of the development of a stress testing for sports organizations, indicators are identified on the basis of a systematic literature search of economic, sociologic and sport scientific studies. These indicators are taken to identify specific forms of corruption at an early stage. To understand the causes of corruption we chose the perspective of the New Institutional Economics, because of the potential to picture the inside of the corrupt relationship, considering the institutional environment and social structure of corrupt transactions (see. Lambsdorff et al., 2004).

In a next step, the indicators must be checked with regard to their transferability to sports organisations.

Results, discussion and implications/conclusions

Corrupt transactions do not take place in an anonymous marketplace, so they are vulnerable to opportunism. Central are transaction cost, associated with searching for partners, determining the contract conditions and enforcing and monitoring the agreement. Partners of a corrupt agreement are “locked-in” to each other because of the threat of denunciation. Further development steps of a stress testing are to be discussed against this background.

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