

Resistance to Board Renewal

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Aim

Executive Board turnover and renewal has increasingly become the focus of research with international sport organisations as academics have identified a lack of Board turnover as a factor contributing to the increasing evidence of corruption within these organisations. One mechanism for ensuring board turnover is the imposition of term limits within sport organisations. Chappelet and Mrkonjic's (2013) review of published materials highlighted concerns about the lack of Board turnover and proposed the need to introduce maximum term lengths to facilitate board renewal. van Eekeren, Bos and Houlihan's (2012) review of governance in International Sport Federations likewise noted the benefits associated with limiting board terms. Research has consistently concluded that the absence of term limits can result in an unhealthy concentration of power in a few individuals, which in turn undermines good governance and effective organisational operations (Geeraert, 2015; Geeraert, Alm & Groll, 2014).

However, many international sport organisations have yet to adopt the concept of limited terms (van Eekeren, Bos & Houlihan, 2012) despite government and public pressure to do so. Thus, this research aimed to understand why organisations have chosen not to adopt term limits for Board renewal.

Literature Review

Agency theory provided an analytical structure for the research in order to understand why organisations choose not to introduce Board limits into the constitutions of their organisations. Agency theory seeks to explain the relationship between the agent (Boards) and the principal (members of the organisation), where agents make decisions and work on behalf of the principal. However, as noted by Geeraert (2015) principals often do not have full information on the behaviour and actions of the agent. This provides the possibility of the agent acting in their personal interest, rather than in the best interests of the principal. Thus, this was felt to be an appropriate framework in order to explain the relationship of Boards (agent) with the rest of the organisation (principal), self-interested behaviour (Van Puyvelde, Caers, Du Bois & Jegers, 2012) and the potential for moral hazard thought to lead to corruption (Geeraert, 2015).

Method and Analytical Framework

Semi-structured interviews were conducted with 35 representatives from Olympic/Commonwealth sporting organisations, in order to collect data from organisations both with and without fixed board terms. This included representatives of National Olympic Committee, National Federations and International Federations, based in Germany, Trinidad and Tobago, USA, Malawi, Kenya, Vanuatu and Malaysia. Interviewees were questioned about board renewal procedures in their organisations, their opinion of fixed terms and possible impacts of a lack of board renewal, and if the organisation had limited terms and why/why not. The interviews lasted between 45 minutes and 2 hours.

Results and Discussion

The majority of the sport organisations interviewed had few mechanisms to ensure board turnover. In many cases this was not perceived to be a disadvantage as *we wouldn't know what to do if the Board had to leave*. However, the research showed that many Boards had discussed Board renewal and rejected it or that practices had developed in order to work around the procedures introduced. For example, in some organisations, Board limits had led to 'position cycling' where individuals stood for one position after another to stay on the Board (*they can get around it..they can be Treasurer, Sec Gen, President and then back to the start...so what difference does it make?*) and thus refused to leave the Board. This presents a principal-agent problem where the Board members, as the agent act in their own best interest and remain on the Board, rather than acting in the best interests of the organisation (the Principal) and allowing Board renewal.

Conclusions

Agency theory helps to explain why Board renewal is not widespread within international sport organisations. The data collected from these organisations clearly evidenced numerous examples of self-interested behaviour on behalf of Boards by either voting down board renewal procedures or actively working around them. This is evidence of the principal-agent problem, which has the potential to lead to moral hazard, which may manifest itself in corrupt practice. Given that most global sporting organisations operate a structure that incorporates an agent-principal relationship, it is difficult to identify what would lead to widespread board renewal practices within the sector, unless Board renewal is imposed on sport organisations. Public and governmental pressure does not seem to be bringing around change and thus, it is recommended that the IOC and International Federations develop policies, linked to funding, that require the introduction of Board renewal practices, such as term limits.

References:

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