

The dual board system and board roles in Taiwanese sport organisations

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Abstract 57

Governance has been identified as an influential dimension in the relative performance of sport organisations because of its pivotal role in setting policy and direction for the organisation (Ferkins, Shilbury, & McDonald, 2005; Hoye, 2006; Hoye & Auld, 2001). In a governance system, the board carries the critical responsibility of ensuring that the activities of the organisation are carried out in the best interests of the organisation (Australian Sports Commission, 2005). The importance of governance has been well-recognized by government bodies that fund and support sport organisations and by sport organisations themselves, and models of good governance are eagerly sought. While there are a number of prescribed rules outlining the parameters of board roles in sport organisations (Australian Sports Commission, 2005; European Olympic Committee, 2001), the 'real' roles of board members of sport organisations may or may not be similar to these generic descriptions. Empirical investigations of board governance in sport organisations have recently begun to emerge as the industry tries to grapple with the nuances of board governance (Ferkins et al., 2005; Forster, 2006; Inglis, 1997; Shilbury, 2001). Empirical research on board roles particularly in a dual board system has been deficient. The purpose of this research therefore was to empirically investigate board roles in nonprofit sport organisations with a dual board system in Taiwan. The results of the study will be used to inform our understanding of board governance and board roles in a specific cultural context.

Specification of board roles in profit organisations (Blair, 1995; Clarkson, 1995; Fama & Jensen, 1983; Huse, 2005; Lynall, Golden, & Hillman, 2003; McNulty & Pettigrew, 1999), nonprofit organisations (Cadbury, 2002; Carver, 1997; Houle, 1989; Pointer & Orlikoff, 2002) and sport organisations (Australian Sports Commission, 2005) is mainly normative and validation is limited. Inglis's (1997) study of executive directors, board presidents and board members of Canadian provincial sport organisations and Shilbury's (2001) work on state sport organizations are noteworthy for providing an empirical basis for investigations. These two studies and others have contributed to our understanding of board roles in a unitary governance structure; however, we still know little about board roles in sport organisations outside Western countries and in those with a dual board system. Researchers have called for future studies on nonprofit board governance in Taiwan (Hsiao, 2000; Tseng, 2002).

One characteristic of the dual board system is that this system relies on supervisory board members to monitor the board of directors (Rose, 2005). Insufficient supervision of management can lead to a loss of stakeholder confidence and financial scandals, such as Enron and Tyco (Rose, 2005). While there is increasing research into organisations with dual board systems (Cooke & Sawa, 1998; Dahya, Karbhari, Xiao & Yang, 2003; Maassen & van den Bosch, 1999; Rose, 2005; Schilling, 2001), more research is needed (Dahya et al., 2003; Turnbull, 1997), particularly, among nonprofit organisations with a dual board system. Thus, using the existing literature as foundational knowledge we investigated the nature of board roles in the dualistic board system in Taiwanese nonprofit sport organisations.

All 70 organisations under the National Council of Physical Fitness and Sports, R.O.C. (Taiwan) were invited to participate in this research, of which 24 accepted. A questionnaire of board roles based on the framework of Inglis, Alexander and Weaver (1999) was developed. The instrument contained three factors and 14 roles (21 questions for directors and 10 questions for supervisors) developed from literature and personal experience of the Taiwanese board system (Axelrod, 1994; Bradshaw et al., 1992; Carver, 1990; Dunlop, 1989; Harris, 1993; Harvey & Zamparo, 1994; Heimovics & Herman, 1990; Herman, 1985; Houle, 1989; Inglis, 1997; Widmer, 1993). Respondents completed questionnaires to measure the degree to which they fulfilled each role. We obtained valid questionnaire responses from 158 directors (22.2%) and 103 (46.8%) supervisors.

The exploratory factor analysis for the roles of directors identified four factors: (1) task: (2 roles) that directors perform to make their organisations function; (2) team member included (3 roles) electing permanent board, electing the board chairman and attending regularly the board meetings that accounted for a little more than 10% of variance; (3) management (7 roles) on governance that accounted for 8% of variance; and (4) stakeholder (2 roles) with a focus on identifying and satisfying the needs of members and society. The roles of supervisors were identified in two factors (1) monitor: (5 roles) around use of funds, reviewing annual budgets, final accounts, and ratifying supervisors' resignation; and (2) mission (4 roles) including attending board meetings, elections, and giving presentations.

The primary role played by directors is to support organisations to function; and supervisors were mostly involved in monitoring

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tasks. Compared to supervisors, directors work more closely with the secretary/executive department. Most roles supervisors perform are to supervise the "team" formed by directors and the secretary's department and are not involved in managerial activities. The board of supervisors assumes the role of a "third party" to remain discrete from the team and supervise the team independently. Organisations with a dual board system can use this information for governance related discussions and accordingly design training courses for both current and new board members to more effectively perform their roles. Implications for board development within dual board systems are also discussed.

References available upon request.