Reconsidering Governance Structures in National Federations: A Constituency Representative Model

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Two main trends that represent competing and opposing views can be identified in the conceptualization of the role of constituency in the governance of national sport federations: one that construes federations as representing constituencies (Ted Stevens Olympic and Amateur Sport Act, 1998; IOC, 2000) and another that calls for the elimination of the privileged role of certain constituencies (Not-for Profit Corporations Act, 2011; ASX Corporate Council, 2014). These trends have resulted in two governance models playing a dominant role in national sport federations. One model revolves around the need of governance structure to reflect the constituencies of the respective national sport federations, while the other (i.e., competency model) shapes the sport federations’ governance along the lines of corporate governance, being more interested in maximizing the efficiency of the organization than its capacity to represent constituencies. Two recent governance reviews in Australian sport federations, one titled A good governance structure for Australian cricket, prepared by David A. Crawford and Colin B. Carter (2011) for Cricket Australia (CA), and the other, titled Strengthening the governance of Australian rugby (2012), prepared by Mark Arbib for the Australian Rugby Union (ARU), have argued for the replacement of the constituency model with the competency model. There are, however, reasons to wonder if applying the competency model in nonprofit organizations is a beneficial practice, as it has been shown how this kind of move can undermine the ability of nonprofit organizations to deliver services to stakeholders (Saul, 1995; Weiner, 1998; Zimmerman & Dart, 1997). The purpose of this study is to examine the viability of the arguments constructed in the CA and ARU governance reviews, by using critical analysis, contributing to the normative governance literature that is poorly represented in sport management.

The argument put forth in the CA and ARU governance reviews revolves around a "form follows function" argument (Arbib, 2012, p. 5), where the function/purpose of federations is growing sport or maximizing financial revenues. Consequently, the governance structure that promotes these functions to the largest extent should be enacted, which, in this case, is a competency model, as the constituency model includes directors representing each of the constituting federations (state federations, in Australia), which have fiduciary responsibilities both toward the national and the state federations they represent, creating a conflict of interest. While state federations do not assign ex-officio directors on the board of directors of national federations, they are nonetheless important contributors to organized sport, so they are considered by both the CA and ARU reports as members with voting powers (Arbib, 2012; Caldwell & Carter, 2011). This argument has a series of weaknesses that require a reconsideration of the way national sport federations are conceptualized.

First, relying on the concept of function to make governance changes is problematic. Such an approach suffers from the same weaknesses as structural functionalism (Merton, 1957; Parsons, 1961), a theory that assigned functions to social entities, suggesting that these functions are given, immutable, and preceding social interactions. A more realistic understanding of the function of federations would rely on Giddens’ structuration theory (Eisenstadt, 1985; Giddens, 1984), which regards social institutional order as created in a process of interaction of social agents, of a power struggle between various interests, making the function of federations dependent on the interpretations of federations’ stakeholders.

Second, the justifications provided by Caldwell and Carter (2011), and Arbib (2012) for replacing the constituency model with the competency model are not very persuasive. The two reports rely on the perception that the competency model is promoted as "what is now widely viewed as 'best practices' governance" (Arbib, 2013, p. 5), but this dominance is not necessarily a sign of performance-enhancing potential. An alternative explanation, anchored in institutional theory (DiMaggio & Powell, 1983), would be that this dominance of a governance model is...
the result of organizations trying to achieve legitimacy by adopting governance models of organizations which are regarded as more legitimate (Abzug & Galaskiewicz, 2001; Dart, 2004). Also, using contingency theory (Bradshaw, Hayday, & Armstrong, 2007; Bradshaw, 2009; Ostrower & Stone, 2009) to tie the type of governance model enacted in national federations to the resulting level of organizational efficiency runs into the same problems as the use of the concept of function. Evaluating efficiency depends on what organizations are supposed to achieve, which means that sources of legitimate authority for determining what counts as the function of federations needs to be found before being able to use this argument.

In order to identify these legitimate sources, this study uses a combination (Eisenhardt, 1989; Steinberg, 2010, Van Puyvelde, 2012) of stakeholder theory (Freeman, 1984) and agency theory (Jensen & Meckling, 1976), while at the same time following the suggestion that principals can be considered as a subgroup of stakeholders (Hill & Jones, 1992). While an eidetic reduction (Husserl, 1982) approach can be used to determine those stakeholders that make essential contributions to the functioning of national sport federations, a more productive strategy is to examine the kinds of obligations national sport federations acquire as a result of their own efforts to expand their legitimacy in society. More precisely, national sport federations receive the recognition of representing a certain country in competitions involving a specific sport from national and international federations, but this recognition comes at a price, because it gives nations a stake in the way federations represent them. Consequently, nations become a central authority in the functioning of federations, which can be operationalized through national governments or through direct democracy. Due to practical limitations and to unequal contributions to organized sport, a better option would be to allow for a democratic process in which those directly involved in the federation (athletes, coaches, administrators, and officials) have the ability to vote, leaving the government as one of the members.

In conclusion, the new model of governance derives from the representative function of federations, which turns federations into units resembling political entities rather than corporations with well defined principals. One immediate consequence of enacting this democratic model of governance is that the duality between competency and constituency becomes less important, this choice being made by members through democratic means. This way, national sport federations can achieve a higher degree of representativeness of their members (Cornforth, 2004; Cornforth & Edwards, 1999, Guo, 2007, Pitkin, 1967).

Since this model has the potential to upend entrenched power structures in national and international levels, it is unlikely that the change proposed here will come from within national and international organizations. Consequently, national governments, as legitimate representatives of their citizens, have the responsibility to implement the mechanisms ensuring the representative potential of national sport federations through legislation. At the organizational level, the use of electronic platforms facilitating the transmission of information from sport federations' management to federations' members and allowing members to influence decisions of federations (e.g., voting on major policy directions) could help enact the model proposed here.