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LEADERSHIP INSIGHTS ON GOVERNANCE IN SPORT

FOR SPORT LEADERS TO SPOT, SHARE AND
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THE BUSINESS CASE FOR GOOD GOVERNANCE IN SPORT



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THE CASE OF THE SCOTTISH FOOTBALL ASSOCIATION ON
HOW TO ENABLE MODERNIZATION OF GOVERNANCE STANDARDS

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PART 1

THE BUSINESS CASE FOR GOOD GOVERNANCE IN SPORT

Sport leaders face a critical yet long overdue strategic decision in properly equipping their sports for future development. How they decide to respond to the challenge will determine whether their teams will win or lose the future game. The most progressive secretary-generals, chief executives and chairs of boards have already started modernizing internal, athletic and event governance standards to bring a beautiful game into the future. However, surprisingly many sport leaders have yet to fully appreciate that by continuing to play a game using the governance standards of yesterday will eventually put their teams on the track to foul play in the future.

How good governance standards build the foundation for a beautiful game

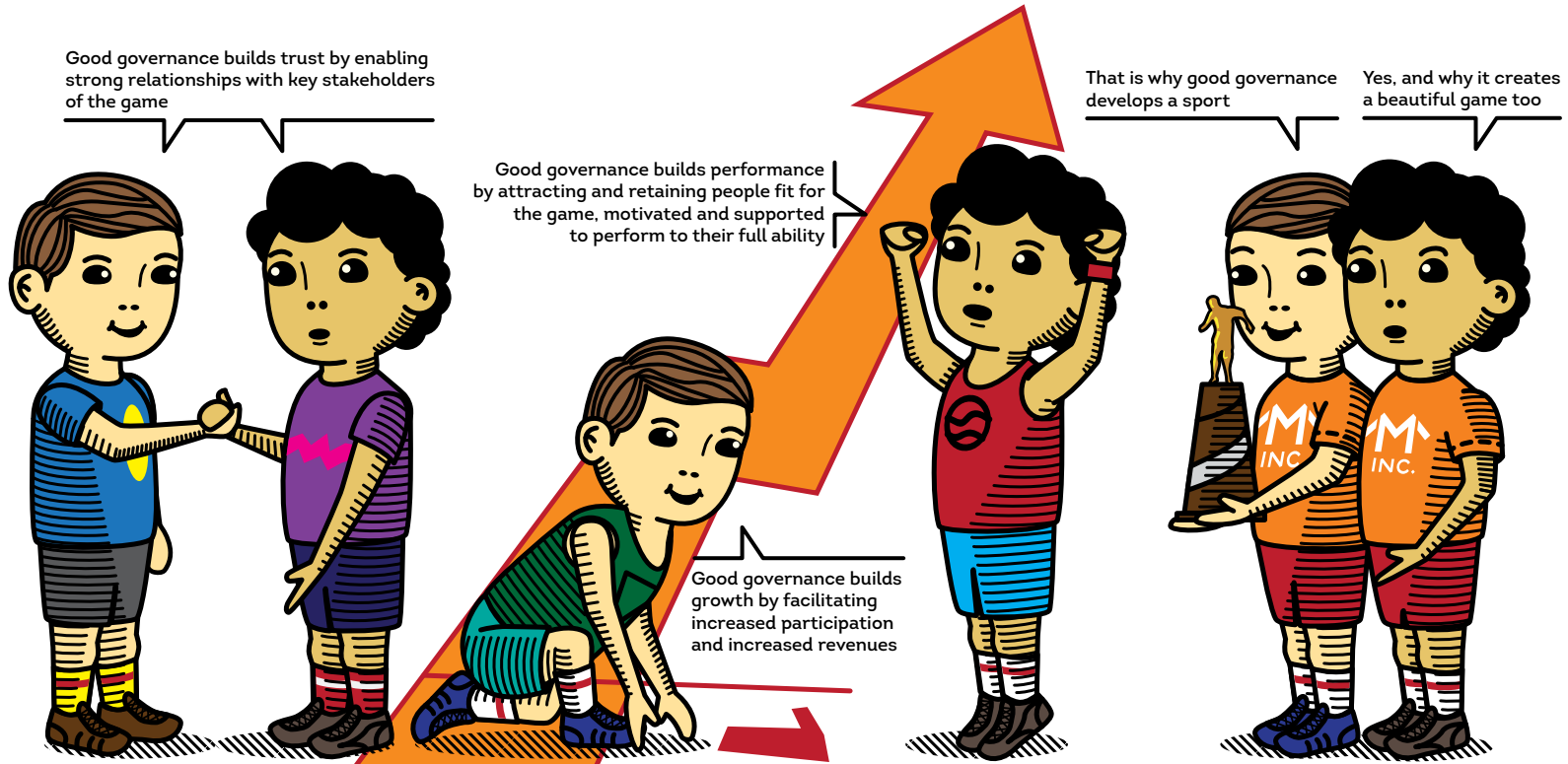


Figure 1.1

Three strategic reasons for modernizing governance standards

There are three key strategic reasons why modernizing internal, athletic and event governance standards allows sport leaders to develop their sports to their fullest potential (see figure 1.1). First of all, good governance builds trust by enabling strong relationships with key stakeholders of the game. Second, good governance builds growth by facilitating increased participation and increased revenues. Third, good governance builds performance by attracting and retaining people fit for the game, motivated and supported to perform to their full ability.

Good governance builds trust by enabling strong relationships with key stakeholders of the game

If designed in a tactical way, the process of modernizing governance standards is of as high strategic value to a sport as its specific outcome. First and foremost, by utilizing the richness of expertise and perspective of all key stakeholders of the game, the process equips sport leaders with the ability to develop more robust solutions through sound 360-degree assessments of opportunities and risks than they would be able to on their own. Also, based on high levels of stakeholder engagement, transparency and accountability, the process builds trust and forges strong, lasting and mutually beneficial relationships with all key stakeholders. And, beyond being generally supportive in building performance and growth, strong relationships with key stakeholders build an early-warning system and a reputational fence in the case of a future governance-related crisis hitting a sport.

How good governance enables sport leaders to manage opportunities and risks in their relationships with key stakeholders of the game

Professional athletes: To sustain or increase interest and pride in practicing a particular sport at a professional level and in competing at events

Sponsors, media and broadcasters, expecting a positive association with the organization, sport(s) and events through their investments: To sustain or increase the main source of revenue

Host governments and intergovernmental organizations: To pre-empt strict and inflexible regulatory oversight and to keep privileges such as tax exemptions and eligibility for public funding

Law enforcement authorities: To proactively manage legal liability risks for the organization and individuals on the board and in the executive management

Civil society organizations, as the most trusted societal players: To pre-empt critical campaigns and negative media coverage of the organization, sport(s) or events and to increase the level of trust with key stakeholders of the game

The general public: To sustain or increase general interest and pride in practicing the particular sport(s) at an amateur level and in attending the events or following them on TV and in other media

Figure 1.2

Good governance builds growth by facilitating increased participation and increased revenues

Sportsmanship and fair play are at the heart of what makes professional athletes and amateurs take pride in practising a particular sport. The reputation of the game influences their interest in the sport, and affects the fierce and ever-growing competition for peoples' attention and participation vis-à-vis other sports and other recreational activities. Accordingly, modernizing internal, athletic and event governance standards contributes to maintaining and increasing the participation base of a particular sport. The same applies to the general public's interest in attending sporting events and following them on TV and in other media.

At the same time, the bigger the participation and fan base of the game, the easier it is to attract beneficial sponsorships and media and broadcasting rights. Furthermore, as sponsors, media and broadcasters expect a positive association with a sport through their investments and by no means want to be associated with a problem, good governance standards provide assurance that adequate measures are in place to safeguard their brands and reputation.

Finally, good governance standards are increasingly a requirement for sport leaders wishing to continue receiving substantial public funding for their sports, especially if they want public funding to further develop the game. Along the same lines, good governance standards comprise the best defence for pre-empting strict and inflexible regulatory oversight and for keeping privileges such as tax exemptions.

Good governance builds performance by attracting and retaining people fit for the game, motivated and supported to perform to their full ability

People fit for the game are not only passionate about the sport they engage in, they also have educational and professional expertise, experience, skills and a network, as well as qualities of integrity. They value doing things well as much as doing them right, and they view good governance standards as the foundation for teaching, motivating and reinforcing behaviours of sportsmanship and fair play. Also, they appreciate that only sports benefiting from good governance can sustainably generate the future revenue base needed to attract and retain the most fit people, by offering competitive compensation and the most supportive environment for growing and performing to their full ability.

Sport leaders face a strategic decision regarding which one of four potential future games they want to play: a beautiful game, a game with blocked potential, a game with wasted opportunity, or foul play (see figure 1.3). The combination of the level of peoples' fitness for the game and the level of governance standards in the sport forms the foundation for the type of future game. While the combination of people fit for the game and good governance standards creates a beautiful game, the opposite puts a sport on the track to foul play. For the two game scenarios in between, the beauty of the game is hampered. On one hand, the combination of people fit for the game and weak governance standards creates a game with blocked potential. On the other hand, the combination of people unfit for the game and good governance standards creates a game with wasted opportunity.

Four future game scenarios: A beautiful game is based on a combination of people fit for the game and good governance standards

	PEOPLE FIT FOR THE GAME	PEOPLE UNFIT FOR THE GAME
GOOD GOVERNANCE STANDARDS	BEAUTIFUL GAME	WASTED OPPORTUNITY
WEAK GOVERNANCE STANDARDS	BLOCKED POTENTIAL	FOUL PLAY

Figure 1.3

Lead the change of the game or be forced to adapt

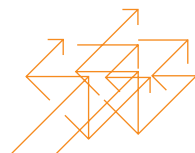
The best professional athletes never stop innovating in their unremitting endeavours to improve. They see opportunities more than risks when taking the game to the next level. Some sport leaders, however, have forgotten the winning attitude of the best professional athletes, and resist modernizing internal, athletic and event governance standards.

Eventually, sport leaders have only two options. Either they disrupt the status quo and benefit from being offensive game changers or they stay put and eventually get disrupted in a damaging way. Sport leaders with a winning attitude opt for the former and lead their sports through tough and courageous change. Beyond ensuring a lasting legacy by being recognized and remembered as the ones bringing a beautiful game into the future, they also personally benefit from reduced risks as a result of properly managing legal liability for potential wrongdoings in their sports.

Common concerns of sport leaders in modernizing governance standards

- Good governance is important to us, but not as urgent as other challenges
- We do not have the resources to modernize governance standards
- Governance change is politically too sensitive in our sport
- What has served us well in the past will also serve us well in the future
- If we need to change anything, it is our culture rather than our governance standards
- Modernizing our governance standards could put me or other leaders of the game out of office
- Our chairman is blocking any changes to our governance standards
- If we were to make drastic changes in the area of good governance, the media would suspect that we have big problems

Figure 1.4



Why key stakeholders of the game consider good governance a winning strategy:

A selection of publicly available statements

SPORT FEDERATION LEADERS



"I wholeheartedly welcome an independent review of the entire ICC governance and regard this as a major step to meet stakeholder expectations and the high standards of a world-class organization."

Haroon Lorgat, then CEO, International Cricket Council

"Rugby is part of one of the most competitive sporting marketplaces in the world and if we as a sport want to continue to grow and prosper in to the future then our Corporate Governance structure needs to reflect the modern day sporting market."



Michael Hawker, Chairman, Australian Rugby Union

"If tomorrow, we go watch a game already knowing the outcome, football is dead."



Michel Platini, President, UEFA



"You will never go through an era as governing body without having problems, but if you can't deal with the problems then you have a problem yourself."

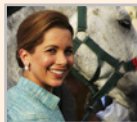
Thomas Lund, Secretary General, World Badminton Federation

"Because sports is based on ethics and fair competition, the governance of sport should fulfil the highest standards in terms of transparency, democracy and accountability. We are confident that respecting these standards will be for the benefit of sport. They will also help to prevent outside intervention and will strengthen our organizations to the benefit of our stakeholders, mainly the clubs, athletes and sportsmen and women which must remain our 'core business'."



Jacques Rogge, President, International Olympic Committee

"Sports organizations have tended to be inward looking. It is easy to get caught up in internal politics. The move towards good governance and transparency helps keep the focus where it should be - on serving the sport and the athletes."



HRH Princess Haya Bint Al Hussein, President, International Equestrian Federation

"We all have been able to read about the raft of scandals relating to corruption and manipulation in sport, particularly in football, and unfortunately this is undoubtedly one of the greatest threats to the integrity of sport."



Jérôme Valcke, Secretary General, FIFA



"There's been a huge change in the corporate governance of the LTA in terms of how we're set up ... we have a very clear strategy: we've got to grow the sport, and we've got to ensure that we have a high performance environment. If you get more winners and get more people involved in the sport, your income streams go up, you get more money from commercial partners, from government and from events, so you can spend more to enhance the sport."

Roger Draper, Chief Executive, Lawn Tennis Association

"It's good to see that good governance within sport is finally at the top of the agenda. There is now a clear and widespread perception - shared by several sport stakeholders, as well as by the European Commission, the European Parliament and indeed the Sport Ministers - that sports federations must reform their decision-making processes and structures and that the effective participation of the key stakeholders is absolutely indispensable. Whilst we acknowledge that positive signals have been recently issued by certain international sport federations, the pace of evolution has been too slow. Leagues, clubs and players want to see concrete action, without any further delay! For us, this is the most critical and urgent challenge facing sport, and football in particular."



Emanuel Macedo de Medeiros, CEO, European Professional Football Leagues

PROFESSIONAL ATHLETES

"The integrity of professional football is at stake. If the public loses faith in football, then the entire foundation under professional football disappears and ultimately the players will lose their jobs."



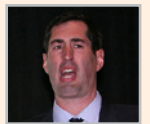
Theo van Seggelen, Secretary General, International Federation of Football Players Union

"The autonomy of sports organizations should be contingent on a strict code of good governance."



International Federation of Football Players Union and European Elite Athletes Association

"There is a consensus among players that a crisis in sport governance exists."



Walter Palmer, Head of Department - Sport PRO, UNI Global Union

GOVERNMENTS



“Sporting bodies that practice good governance perform the best on and off the field and are well placed to forge strong community connections and build their participation base.”

Kate Lundy, Federal Minister for Sport, Australia

“Good governance is a priority and a prerequisite for government’s political support and for future funding.”

Fikile Mbalula, Minister of Sport and Recreation, South Africa



“What is at stake is not just sport’s integrity but also Switzerland’s reputation as the home to numerous international sports associations.”

Swiss Government



“The findings are shocking and will disgust Australian sports fans ... It’s cheating but it’s worse than that. It’s cheating with the help of criminals.”

Jason Clare, Federal Justice Minister, Australia



“Given the importance of the development of sports and the opportunities sports provide for young people, I would suggest that as governments, we have a right to be concerned about problems in the governance of sports ... Governments after all often contribute directly to funding specific sports, fund tournaments and provide the sports facilities. I would therefore urge our Commonwealth association to send a strong message to remind national and international sports governing bodies that they must observe and live by the same principles of good governance in the conduct of their affairs required of national governments; including transparency, accountability and representative participation ... I would go as far as to recommend that if the circumstances warrant, then governments should not shy away from intervening directly to correct governance deficiencies of sporting bodies but in a manner that is fully transparent and with clear objectives to achieve.”

Tuilaepa Sailele Malielegaoi, Prime Minister, Samoa

“One of the primary goals of the Norwegian government’s sports policy is to strengthen voluntary member-based sports, and to create conditions that help sport to thrive. Promoting good governance in sport is an integral part of this goal.”

Berit Øksnes Gjerløw, State Secretary, Norway



“Resolved unanimously that all national sporting bodies should adopt internationally accepted good governance principles, as Sports development is a public service. Ministers further emphasized that transparency and accountability by adopting good governance principles would be the appropriate way to secure and protect the autonomy of sport.”

Delhi 2010 Communiqué of Commonwealth Sports Ministers



“It is commonly accepted that governance structures have a significant impact on the performance of sporting organizations ...

While I have seen high performance success despite the presence of well-functioning governance, this is rare and certainly not sustainable in a very competitive sporting market. Young athletes have talent, and they have choices: and in the long term they will exercise those choices based on perceptions about how a sport is run ... sports must never stop asking the question ‘is our governance model the right one for now and the future?’

Simon Hollingsworth, CEO, Australian Sports Commission

“Europol and its law enforcement partners are committed to pursuing serious criminals wherever they operate. Unfortunately this also now includes the world of football, where illegal profits are made on a scale and in a way that threatens the very fabric of the game ... This is an integrity issue. It goes to the very heart of the game, the fabric of what sport is.”

Rob Wainwright, Director, Europol



SPONSORS

“The current allegations being raised are distressing and bad for the sport. We have every expectation that FIFA will resolve this situation in an expedient and thorough manner.”

Coca-Cola



“Nike does not condone the use of illegal performance enhancing drugs in any manner.”

Nike

“We have determined that our business relationship with Armstrong no longer aligns with our company’s mission and values.”

24 Hour Fitness



“This weekend, Skins served a demand on the governing body of world cycling seeking damages of \$2 million as a consequence of alleged mismanagement in the Lance Armstrong doping scandal.”

Skins



“The negative tenor of the public debate around FIFA at the moment is neither good for football nor for FIFA and its partners.”

Adidas

CIVIL SOCIETY ORGANIZATIONS, INCLUDING GOVERNANCE EXPERTS



“TI believes that urgent action is needed to understand and address the changing nature of the corruption risks that face the game of cricket in the 21st century.”

Transparency International



“Governance models that worked for amateur sports, during an amateur era, are largely incompatible with the needs of a major professional sport. They are also often incompatible with the basic obligations of any modern organization to be transparent and accountable to their stakeholders.”

Mark Arbib, former Minister of Sport, Australia and author of the independent review of Australian Rugby

“If we do not act on sports corruption, sports leaders may soon say with nostalgia to each other: ‘Do you remember the time when it was doping that undermined our values... yes, those were happy days.’”

Jens Sejer Andersen, Director, Play the Game



“When football’s governing body, the International Federation of Association Football (Fédération Internationale de Football Association – FIFA), as well as its confederations, national federations and clubs worldwide, take steps to build integrity, they do more than prevent corruption within their own organizations: the positive impact of their example reverberates globally. This is the unique responsibility that comes with sports governance today. Failure to meet that responsibility is an abuse of trust, a corruption that robs football of the values and essence that make it so popular.”

Sylvia Schenk, Senior Advisor for Sport and Cobus de Swardt, Managing Director, Transparency International



“Indian sport has become victim of power, corruption and mismanagement for decades. No wonder India with over a billion population could win only one individual Olympic Gold Medal so far! That speaks volumes about the governance of Indian sports by politicians and other non sports persons.”

Clean Sports India



“Armstrong painted a picture of a sporting hierarchy that supported a culture of doping, a clear indication of a lack of good governance. This is a watershed moment for cycling and creates an opportunity for real reform. Although the Armstrong confession does not answer many of the key questions about how cycling is run, it shows the need for a transparent and inclusive reform process to help world cycling build a reputation for honesty and accountability ... The UCI must acknowledge that as the lead organization running cycling it has to take responsibility for the events that have damaged the image of the sport rather than claiming other sports have problems too. The scandals in cycling are by far the most pervasive in sport.”

Transparency International



“Changes to structures don’t solve all the problems but let’s hope that it gives a new direction, a new sense of purpose and a belief in the game that we can trust each other.”

Henry McLeish, former First Minister of Scotland, author of the independent review of Scottish football



“If we want to be the best rugby nation in the world - not just at the elite level but also as a community game - we can’t circle the wagons. We’ve got to be as creative and energetic as we expect our players to be. This is not a time for old men in blazers to say: ‘Not on my watch.’ It’s quite the reverse.”

Peter Cosgrove, former General and Chair, Governance and Policy Committee, Australian Rugby Union



PART 2**THE CASE OF THE SCOTTISH FOOTBALL ASSOCIATION ON HOW TO ENABLE MODERNIZATION OF GOVERNANCE STANDARDS**

As sport leaders build the foundation for a beautiful future game by leading their sports through governance modernization, they also shape evolving good practices and gain insights that are valuable for their peers. A recent and interesting case to learn from is the most radical overhaul of the Scottish Football Association in its 140-year history. Insights include perspectives kindly shared by Stewart Regan, Chief Executive of the Scottish Football Association.

Four tactics to be aware of when enabling governance modernization

In learning from the case of the Scottish Football Association, there are at least four tactics to be aware of when enabling governance modernization. First of all, the association depoliticized the sensitive challenge of modernizing its governance standards by subjecting itself to an independent review. Secondly, it gave a voice to members and other key stakeholders of the game in a transparent change process. Thirdly, the association eventually focused the change process on devising and implementing a new strategic plan under the leadership of its new chief executive. Fourthly, it is now also advocating governance change in relevant international sport governing bodies.

Key governance changes in the Scottish Football Association since the independent review of Scottish football was concluded and a new strategic plan for Scottish football was put in place:

- Good governance is now a core goal in the strategic plan for Scottish football. Accordingly, good governance activities are devised and implemented in support of the four strategic goals of the game in a coordinated, transparent and accountable way.
- The size of the main board has been reduced from 11 to seven directors. One of the current directors is now the first independent, non-executive director in the history of the association.
- The mandate of the main board has been changed to focus on strategic and financial matters only, while two new operational boards have been put in place: one for professional football and one for non-professional football.
- A committee approach to dealing with disciplinary matters has been replaced with a new judicial system that includes independent judicial panel members.
- An audit and risk committee has been put in place.

Figure 2.1

Enabling governance change through an independent review

As has been the case for an increasing number of sport leaders wanting to modernize governance standards, creating the building blocks for change through an independent review proved useful to the Scottish Football Association. Not only did it depoliticize change, it also put tough issues on the table and empowered able and willing change agents.

First of all, the need for profound and urgent governance change became clear to everyone when Henry McLeish, former First Minister of Scotland, concluded an independent review of Scottish football at the end of 2010. The review, carried out upon the request of the Scottish Football Association, revealed a hard-working and diligent governing body whose responsibility as custodian of the game had become devalued due to a lack of core purpose and clarity in its operations, along with a failure to engage efficiently and effectively with its stakeholders in the 21st century.

The independent review provided a set of 103 far-reaching and ambitious recommendations to improve the national game. Given the nature and magnitude of the recommendations and the fact that they were made publicly available, they could not just be filed but had to be acted upon. The overall recommendations were:

- Expand participation in the game for all ages and both sexes
- Improve the prospects of talented and elite young Scots
- Overhaul the governance of Scottish football and in particular the way the Scottish Football Association operates and administers the game
- Create a much more integrated and successful league structure
- Provide a more attractive and commercially viable product on the pitch

Enabling governance change through transparent engagement with key stakeholders of the game

Both in the process of carrying out the independent review and in the subsequent process of devising a new strategic plan, all key stakeholders in Scottish football were given channels to share their expertise and voice their opinions, i.e. in meetings, interviews and writing. Views expressed were transparently accounted for.

In building ownership and support of change by all key stakeholders of the game, the Scottish Football Association pursued a double pull tactic. Accordingly, while seeking to unite and inspire all key stakeholders of the game through a common vision, the association also made it clear how everyone would benefit from the changes (see figure 2.2).

What is in it for us? Key stakeholders' benefits from endorsing the Scottish Football Association's strategic plan

Scottish Premier League / Scottish Football League	More and better players and referees; increased club revenue opportunities; strong community focus
Senior clubs	Increased participation; more and better players; increased revenue potential
Recreational clubs	Increased participation; strong community focus
Affiliated national associations	Increased focus through non-professional board
Players	Better talent development and infrastructure for quality development; better career prospects; more fun
Supporters	Higher standard of entertainment and competitive intensity of fixtures; more stable game
National government	National sport growing and winning; many social issues addressed
Sponsors	Association with growing, vibrant sport with opportunities for growth and increased returns
Coaches	Higher levels of support; increased representation; improved career prospects
Referees	Integrated more into the game; increased numbers; greater development support
Scottish Football Association officials	Recognized as leading real change; new governance structure
Scottish Football Association staff	Part of a culture of performance; opportunities for growth
Volunteers	Proud to be part of the change; increased resources for activities
Regions	Greater responsibility and resources for new activities

Figure 2.2

One clear sign that the double pull tactic of transparent stakeholder engagement worked in enabling governance change was that all 93 members of the Scottish Football Association eventually unanimously approved the new strategic plan for the game.

Progress in implementing the recommendations of the independent review remains transparently accounted for on the Scottish Football Association's website, where [the review is also available for download](#) ⁷ along with the association's [new strategic plan](#) ⁷. According to the information available, 95% of the 103 recommendations in the independent review were already implemented during the first six months after the conclusion of the review.

“More progress has been made in the last six months than the last 60 years. It’s a major step forward for a game experiencing major challenges.”



Henry McLeish, former First Minister of Scotland, author of the independent review of Scottish football

Enabling governance change through devising a strategic plan

Rather than simply implementing the 103 recommendations of the independent review right away, the Scottish Football Association decided to use the review as a platform for devising and implementing a new strategic plan for Scottish football. The strategic plan (see figure 2.3) is focused on a vision of Scottish football leading the national game with integrity and innovation to breed a culture of performance, unity and trust, and supported by four strategic goals:

- Perform and win
- Strong, quality growth
- Better financial returns
- Respected and trust to lead

With the strategic plan in place, activities in support of the four strategic goals are undertaken in a coordinated, transparent and accountable way.



Figure 2.3

Enabling governance change in the sport through advocacy in international governing bodies

Today, the Scottish Football Association stands out not only because of its own modernized governance standards, but also because it actively advocates for modernizing governance standards in international football associations such as UEFA and FIFA as well. This self-imposed leadership role reflects the realization that the perceptions of key stakeholders are shaped, positively and negatively, by the cross-national and international game. There is a limit to what the Scottish Football Association can do on its own. Consequently, it is in the association's self-interest to advocate governance modernization in the global game.



“We have done it in our own part of the game, so what we can’t do is try to cling on to bits of the past at a global level.”

Stewart Regan, Chief Executive, Scottish Football Association



A sport leader's perspective on enabling governance modernization: Interview with Stewart Regan, Chief Executive of the Scottish Football Association



Stewart Regan, Chief Executive of the Scottish Football Association, played an instrumental role in enabling the modernization of the association's governance standards. In this brief interview, Mr Regan shares his perspective on the change process that he led just six months into the job as the new chief executive.

Why was it decided to substantially change the governance standards of the Scottish Football Association?

Upon arrival, it was clear the Scottish Football Association needed to move forward and, just as importantly, wanted to move forward. Henry McLeish, former First Minister of Scotland, was commissioned to conduct a thorough review of Scottish football. It was incumbent of me, as a new chief executive, to ensure this review was acted upon, despite widespread external cynicism and scepticism.

What was the best insight you got from the change process as far as your current and future governance challenges are concerned?

That in football, perception is reality. By embracing change, the reputation of the Scottish Football Association improved dramatically almost overnight. Remember, football institutions are generally seen to move slowly due to committee structures and the sheer scale of membership. To have 100% of our members embrace change sent out a powerful message.

What was your biggest challenge in the change process?

Buy-in from all aspects of the game. These changes affected not only the senior professional game, via the Performance Strategy, but also the recreational game with One National Plan. The biggest challenge was achieving consensus that the plan was the way forward for each constituency of the game. Over time, achieving our defined objectives will only harmonize that collective belief in what we are doing.

If you could subject your organization to another governance change process tomorrow, what is the one thing that you would do differently?

The events in Scottish football have shown the unswerving loyalty of supporters. Any change has to be embraced by the lifeblood of the game and in any future governance reviews (we have recently conducted the widest-ranging customer satisfaction survey in Scottish football history) the input of supporters will be essential in that process.

Communication and consultation with all members is the most important aspect of any review of the statutes. Without their buy-in, the rules will never be fully respected and will be viewed with hostility. Any working group assigned the task of implementing new rules must bring on board independent minds - perhaps even independent of the sport itself - as well as employing representatives with experience in governance change in football and sports law.

Figure 2.4



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