



**Deutsche
Sporthochschule Köln**
German Sport University Cologne

**Institut für Sportökonomie
und Sportmanagement**
Institute of Sport Economics
and Sport Management



GERMAN SPORT UNIVERSITY COLOGNE

- **Germany's only specific subject area university for sport science, founded 1947**
- **20 scientific institutes, appr. 700 staff members**
- **Appr. 5,000 students, 408 international students**
- **4 undergraduates, 8 postgraduates & PhD-programs**
- **First class sporting infrastructure**





AFFILIATED ORGANISATIONS & INSTITUTES

- **European College of Sport Science (ECSS)**
- **European Network of Sport Science, Education and Employment (ENSSEE)**
- **Manfred Donike Institute for Doping Analysis**
- **Research Institute for Sport for the Handicapped (FIBS)**
- **Trainer Academy of the German Olympic Sport Association (TA)**
- **Coaches' Academy of the German Soccer Federation**





Incentives for good governance in sports – pitfall or holy grail?

**2012 EHF Top Club
Management Seminar
Cologne, 24 May 2012**

Dr Stefan Walzel





OUTCOME OF THE NEXT 70 MINUTES

- 1. Learning the aspects of good governance in sport**
- 2. Discussing the assumptions of rational behaviour of human beings in sport**
- 3. Being aware of the pros and cons of incentives for good (sport) governance**



***Which aspects determine the
business relationships in handball?***

Which of them is the most crucial one?





TRUST - SIGNIFICANCE & VALUE

- **Kognitive trust:** *based on the gained knowledge about a person and the belief in a predictable behavior of her/him and in her/his reliability*
- **Affective trust:** *relies on emotions and expresses the feeling of care and interest in the business of the partner – closely related with intrinsic motivation (Johnson & Grayson, 2003)*
- **Mutual trust between business partners is one of the main drivers for business success or failure**



CORPORATE GOVERNANCE

- „... is concerned with ways of bringing the interests and objectives of investors and managers into line and ensuring that firms are run for the benefit of investors.“ (Mayer, 2003, p. 84)
- ... is defined „as the design of institutions that induce or force management to internalize the **welfare of stakeholders**.“ (Tirole, 2001, p. 4)
- „... is the mechanism to help **empowered claimants** protect their interests by giving them ‚voice‘ in corporate decisions.“ (Roberts & van den Steen, 2003, p. 126)



SPORT GOVERNANCE

„... the **exercise of power and authority** in sport organizations, including **policy making**, to determine organizational mission, membership, eligibility, and regulatory power, within the organization's appropriate local, national, or international scope.“ (Hums & McLean, 2004, p.5)





GOOD GOVERNANCE IN SPORTS ALLOWS

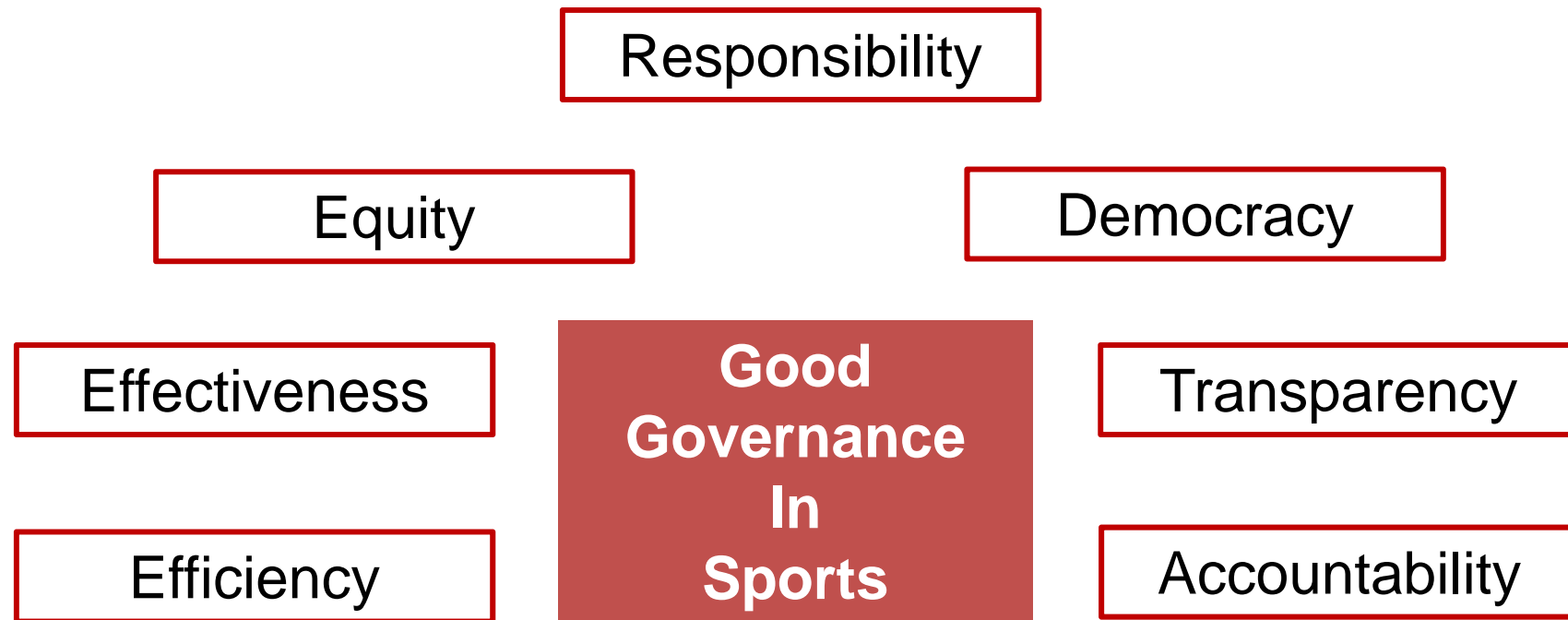
- **Better management,**
- **Improved communication,**
- **Sustainability and growth,**
- **Attracting sponsors,**
- **Appealing to insurers,**
- **Increased membership,**
- **Enhanced reputation.**



http://www.dsr.nsw.gov.au/sportsclubs/ryc_corporate_what.asp



KEY PRINCIPLES OF GOOD GOVERNANCE



Henry & Lee, 2004



GOOD SPORT GOVERNANCE

... is about:

1. **Planning** - *Developing strategic goals and objectives, and determining how these can be achieved.*
2. **Organizational performance** - *Monitoring the performance of the club or association against performance targets to ensure the goals and objectives are achieved.*
3. **Leadership** - *Ensuring the club or association is governed responsibly with the best interests of members and stakeholders at the core of decision making.*

http://www.dsr.nsw.gov.au/sportsclubs/ryc_corporate_what.asp



HOMO OECONOMICUS

- Central assumption of the economic behavior of human beings
- Only self interested and behaves rational in order to maximise the own benefit
- Unchanged preferences and complete information
- React on changing restrictions

→ Producing and securing the shortage is one of the main task of sport managers



CRITICS OF HOMO OECONOMICUS

- **Decisions are not only rational motivated**
- **Insufficient information**
- **Uncertainty concerning the consequences and side effects as well as concerning the benefits**
- **Particularities of sport: uncertainty of outcome, coopetition, ...**
- **Decision about expedience not about correctness or sense (e.g. doping in sport)**





SIGNIFICANCE OF EMOTIONS IN SPORT

- Emotions play a central role for the sporting performance
- Sport is an emotional experience not only for the athletes, also for the spectators, business guests, tv audience, media representatives ... for all involved parties





MEANING OF EMOTIONS IN MANAGEMENT

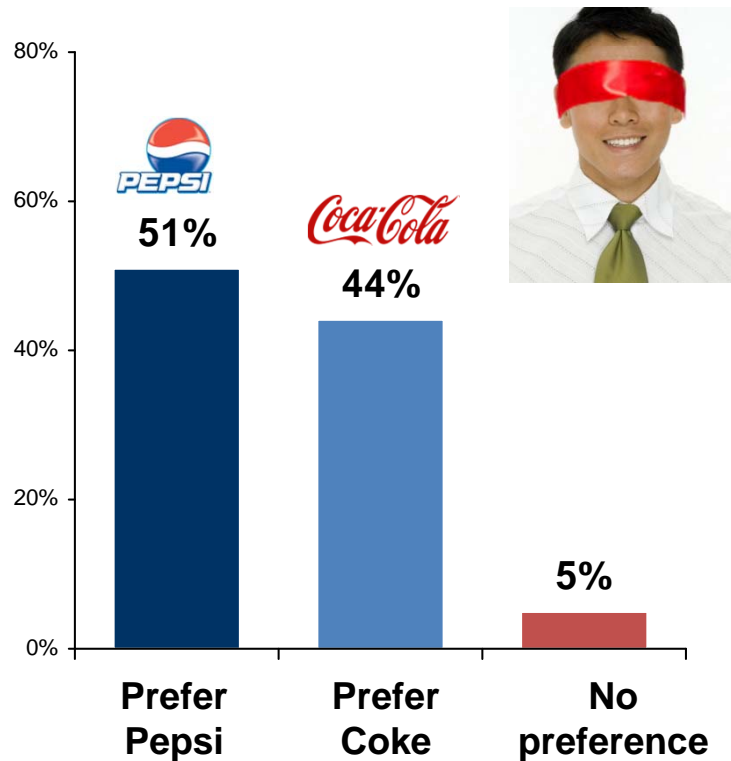
- **Human behavior is much more influenced by emotions than expected (80-95% of all decisions)**
- **Many management decision are done unconsciously**
- **Emotions reduce our information procurement and decision making process**
- **Emotions give brands an additional value and differ them from the competitor**

Damasio, 2000; Roth, 2003; Bechara & Damasio, 2005

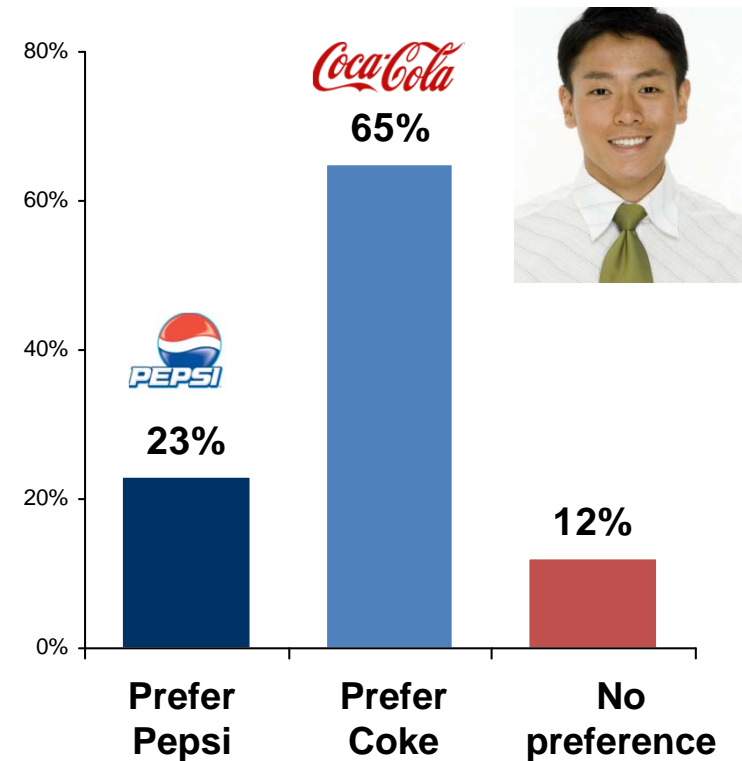


COKE-EXPERIMENT

Blind test



Test with brand visibility



De Chernatony & McDonald, 2003



WELCOME TO THE REAL LIFE

The screenshot shows the homepage of 'The German Times FOR EUROPE'. The main headline is 'Paid-off games' under the 'May 2009 Life' category. The article is by Frank Bachner and discusses the corruption in handball, specifically mentioning Uwe Schwenker and the German Handball Federation. The left sidebar contains a navigation menu with links to Home, Politics, Business, Life, and an Archive section. The Archive section lists various months and categories from February 2012 to April 2011. The right sidebar has a search bar and social media icons.

The German Times
FOR EUROPE

Home ▶ Archive ▶ May 2009 Life ▶ Paid-off games

Paid-off games

May 2009 Life

Bribery is hurting handball - By Frank Bachner

Corrupt referees, manipulating officials: In handball, matches can apparently be bought. At the center of the controversy is the president of the IHF.

The fall of Uwe Schwenker is noticeable on the golf course. One simply has to look at the time. In the past, during the good times, Schwenker played a few holes and then went to the office until 10 p.m. Back then, he was still one of the most influential officials of the German Handball Federation. In those days, he was also still the manager of THW Kiel, the jewel of German handball: German champion numerous times as only recently for 2009, and the winner of the Champions League 2007. Now Schwenker plays golf in the afternoon as well. He no longer has to go to the office.

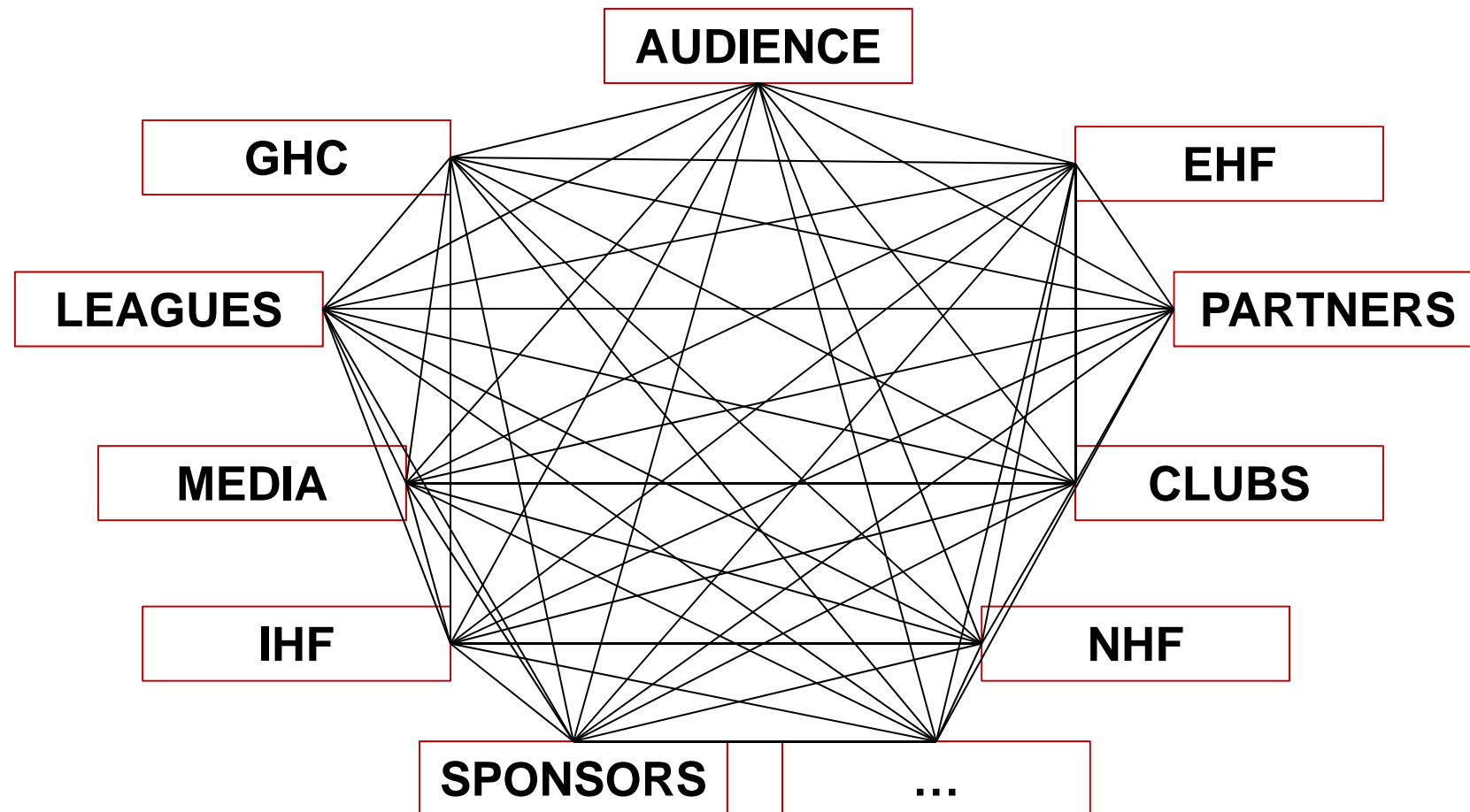


THREATS FOR THE SPORT BUSINESS

- **Doping,**
- **Corruption,**
- **Match fixing,**
- **Lack of transparency,**
- **Overcommercialisation,**
- **Lack of sustainability,**
- **Uncertainty of outcome is not given,**
- **Integrity of sport is endangered,**
- **...**



HANDBALL NETWORK





thesolutionisnowhere



The solution is nowhere

The solution is now here



KEY ASPECTS FOR GOOD SPORT GOVERNANCE

- **Sustainability / sustainable development**



(SPORT) SUSTAINABILITY

- Sustainable development “meets the needs of the present without compromising the ability of future generations to meet their own needs.” (WCED)
- “Sport is sustainable when it meets the needs of today’s sporting community while contributing to the improvement of future sport opportunities for all and the improvement of the integrity of the natural and social environment on which it depends.” (Green & Gold, 2007)



KEY ASPECTS FOR GOOD SPORT GOVERNANCE

- **Sustainability / sustainable development,**
- **Mutual trust,**
- **Integrity,**
- **Fairness,**
- **Coopetition,**
- **Uncertainty of outcome,**
- **Solidarity**



INCENTIVES FOR GOOD GOVERNANCE

- Incentives are supposed to motivate stakeholders to a desired behaviour

DANGER: COBRA-EFFECT !!!

- How can we make sure that certain stakeholders will behave as desired?



TASK

What incentives would you recommend in order to make sure that the referees of a handball match will not be open for any bribe?

- a) From EHF perspective**
- b) From the club perspective**
- c) From the referees perspective**





INTRINSIC & EXTRINSIC MOTIVATION

- **Reputation**
- **Acknowledgment**
- **Appreciation**
- **Friendship**
- **Honour**
- ...
- **Money**
- **Gifts**
- **Tangible goods**
- ...



INCENTIVES FOR GOOD GOVERNANCE IN SPORT - PITFALL OR HOLY GRAIL ???

- 1. (Sport) Managers are not homo oeconomicus and are driven by emotions.**
- 2. The sport business is different in many ways to other industries and the particularities need to be considered.**



INCENTIVES FOR GOOD GOVERNANCE IN SPORT - PITFALL OR HOLY GRAIL ???

- 3. The sport and the many positive outcomes are threatened by individuals, actively or passively.**
- 4. Defining and adjusting the right incentives in order to secure the sport and its benefits is an enormous challenge for all of us.**



THANK YOU VERY MUCH
FOR YOUR ATTENTION

I am more than happy to answer your
questions



CONTACT

Dr Stefan Walzel

**German Sport University Cologne
Institute of Sport Economics and Sport Management
Am Sportpark Muengersdorf 6 | 50933 Cologne, GERMANY
Fon +49 221 4982-6093 | Fax +49 221 4982-8140
walzel@dshs-koeln.de
https://www.dshs-koeln.de/wps/portal/oekonom_en**



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- **Henry, I. & Lee, P.C.** (2004), Governance and ethics in sport. In J. Beech & S. Chadwick (eds.), *The business of sport management (pp. 25-42)*, London: Prentice Hall.
- **Hums, M.A. & McLean, J.C.** (2004), *Governance and Policy in Sport Organizations*, Scottsdale: Holcomb Hathaway.



RECOMMENDED WEBSITES

- <http://www.transparencyinsport.org>
- <http://www.sport-transparency.org>
- <http://www.transparency.org/topic/detail/sport>