

**ETHICAL GOVERNANCE  
OF  
AUSTRALIAN NATIONAL SPORTING  
ORGANISATIONS**

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## **BACKGROUND AND SIGNIFICANCE**

Because sport is such an important part of Australian cultural identity, constant vigilance is required to protect its reputation and therefore its long-term viability. The ethical governance of sport at the national level is constantly under public scrutiny because complex decision-making is now required to deal with situations both on and off the field. Sports administrators are becoming increasingly aware that the 'business of sport' in the twenty first century requires high standards of ethical accountability at all levels, especially at the top.

Ethical governance considers the behaviours of people within a given environment; in this case the given environment is the structured setting of National Sporting Organisations (NSOs)<sup>1</sup>. Key national officials were asked to explore the ethical governance within their organisational structures. In so doing it was made clear to them that there was no expectation of a right or wrong answer to complex ethical problems that may exist in their organisations. This report identifies a range of ethical issues and proposes some broad recommendations for addressing identified challenges facing the ethical governance of sport at the national level.

## **ACKNOWLEDGEMENTS**

This project would not have been possible without the support of the Australian Sports Commission and the University of South Australia. A number of people from within both organisations has read and commented on various aspects of this report.

It was a pleasure to receive the cooperation of many presidents, officials and players/athletes who are committed to the integrity of their national sporting organisations. They enthusiastically responded to the questionnaires and some participated in four focus groups, which were the basis on which findings and recommendations were made.

All of their contributions are gratefully acknowledged.

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<sup>1</sup> The term national sporting organisation in this report refers only to the national governing body for the sport and excludes the affiliated associations, clubs and individuals

## 1. OVERVIEW

The aim of this report was to identify some of the ethical governance issues within National Sporting Organisations (NSOs) and make recommendations on how these governance practices might be improved. To this end, a mixed methodological approach combining both qualitative and quantitative research was used to gain an insight into ethical governance issues within NSOs. This methodology compared original data collected from the questionnaires completed by key officials within NSOs with responses obtained from four focus groups. The use of focus groups enabled the involvement of a broad range of national sporting organisations.

In 2004/2005, there were 75 NSOs who received financial assistance from the Australian Sports Commission. Each was invited to participate in this project with 61 (83.33%) responding along with 133 separate replies. Another 86 key officials with experience in national sports administration participated in focus groups held in Sydney, Melbourne and Adelaide.

## 2. EXECUTIVE SUMMARY

Sport is an integral part of Australian society and as Martin Flanagan suggests, 'sport, properly understood, provides windows on the society which surrounds it' (Flanagan, 2001). One of the most important issues in Australian sport is the development of transparent and honest governance to meet the rapidly changing face of sport. Because NSOs play such a significant role in the development of sport, this study is focused on the ethical governance of sport at the national level. However, many of the findings and recommendations might just as easily apply to state and territory sporting organisations.

Most hierarchical organisational structures operate on the basis that governance is in the hands of a relatively small power group and this also applies to national sporting organisations. At the end of 2004, approximately 570 board members were the key decision-makers for the 75 NSOs funded by the Australian Sports Commission (Daly, 2005). At the same time approximately 6.7 million Australians aged fifteen years and over, participated in at least one physical activity organised by a club, association or another type of organisation (Standing Committee on Recreation and Sport, 2003:4). Not all of these participants are captured by the NSO infrastructure, but a significant number are because they belong to a club or association affiliated in some way to a state or national association. Collectively, NSOs are an influential segment of the sports industry and therefore it is important that these *gatekeepers of sport* govern in an ethical manner.

### 2.1 Three Key Focus Areas of the Research

Three key research questions formed the basis of this report.

- The first question sought information about the awareness of ethical governance issues within NSOs.
- The second question sought to find examples of good practices in corporate governance from the business sector that might be utilised by NSOs.

- The final question asked about the future ethical governance problems and challenges faced by NSOs over the next three to five years.

The responses to these questions resulted in the identification of a number of ethical governance issues for the sport industry to consider. They emphasised the need for better ethical behaviours such as integrity, transparency, equal opportunities, honesty and loyalty. While this report focused on sport at the national level, it is reasonable to assume that effective leadership at the national level should have a flow on effect that could benefit the sporting industry as a whole.

## 2.2 Key Findings

**General:** An analysis of the demographics of the respondents from NSOs highlighted three trends.

- 52% of the officials responding to the survey were over fifty one years of age.
- 60.9% of the respondents were males.
- A low response (1.5%) was from the under twenty year's age group.

From this information it seems that older males are likely to be the decision-makers in sporting organisations at the national level. As a result of this imbalance, it seems that decision-makers within NSOs might well consider targeting more young people as board members. They should also continue to improve the gender balance on boards at the national level.

As a result of this research, it appears that the membership of sport (and other relevant stakeholders) may have a better appreciation of the relevance of ethical governance practices to the management of an NSO.

No clear relationship was found between the numbers who participate in the sport and size of the NSO boards. Some of the largest sports have five to nine members on their boards and two of the smallest have boards of sixteen and eighteen members respectively.

**Important Ethical Issues for NSOs:** The following ethical governance issues for NSOs were identified by respondents as having a high priority:

- Integrity. Particularly related to dealing with sponsors, players/officials and members.
- Equal Opportunities. This should be available to all players, athletes and board members so they can perform at the highest level.
- Conflicts of interest identified. This requires mechanisms being put in place to preferably avoid, or at least acknowledge that they exist.
- Disclosure of financial and other information. This requires being clear and effective when taking into account confidentiality issues related to disclosing sponsor or player contract details.

**Good Practice in the Corporate Sector:** New government legislation has been introduced requiring corporate bodies to meet certain governance requirements. Sport is increasingly considered a business so the guidelines found in the Corporate Law Reform Program (Parliament of Australia) were

considered relevant to sport. The guidelines were considered by respondents and the following best practices identified as the highest rated:

- Financial transparency and disclosure, and
- Independence of board members from external influences.

**Challenges Facing Sport in the Future:** The most highly rated ethical governance challenges to be faced by sport over the next three to five years were identified as follows:

- Maintaining the traditional values of sport such as fairness, honesty, discipline, character building and team spirit.
- Transparency of decision-making in business, administration and professional matters.
- Fairness and openness by boards in dealing with international governance issues.

### 2.3 Recommendations from the Research Process<sup>2</sup>

The following recommendations were considered to be practical and achievable. They have been derived from data collected through responses to the questionnaires, written comments and discussions which took place within the four focus groups.

1. The ASC and sport industry leaders should note the key ethical governance issues identified in the research. All those responsible for the governance of sport should put clear operational procedures in place to enable the adoption and promotion of the ethical governance practices identified. The following practices should prevail:
  - Retain the traditional values of sport, which include fairness, honesty, discipline, character building and team spirit.
  - Maintain board integrity in financial and other dealings with sponsors, players/officials and members.
  - Provide equal opportunities for all players, athletes, officials and board members to perform at their highest level.
  - Declare conflicts of interests.
  - Disclose financial and other relevant information so that it is easily understood by members.
  - Uphold the independence of board members from external influences. (An unfair advantage could be given to favoured individuals or to groups that supply services and equipment.)
  - Develop transparent decision-making protocols to ensure that boards are fair in their business-dealings, administration and other professional matters.
  - Address ethical governance issues (such as unfairness or inequality of opportunity) that occur because of global influences and which might threaten Australian sport.
2. When the *National Sporting Organisations' Governance: Principles of Best Practice of 2002* (Australian Sports Commission, 2002) is next revised, it should take into account the above ethical governance

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<sup>2</sup> Recommendations are reproduced in Section 8.

issues and note the numerous practical examples recorded in Appendices 4-7.

3. Ethical governance guidelines should be developed by each NSO, in consultation with the ASC, and linked to the NSO's code of conduct. The NSOs ethical governance policy should be a public document. Note: The Australian Stock Exchange requires companies to work within specific governance guidelines and there are penalties if they are not enforced. See Appendix 8 for suggestions on establishing governance codes and ethical guidelines.
4. An ethical governance education program for board members of NSOs should be introduced with the focus on ethical decision-making processes as outlined in Appendix 9.
5. Ethical leadership practices should be developed within NSOs emphasising a collaborative approach when making decisions, which reflects personal values and integrity. An ethical framework is suggested in Appendix 10.
6. Recruitment of younger male and female board members should be given a high priority. The possibility of inviting university and other tertiary mature age students to participate on a short-term basis could be explored. The intention is to encourage younger people to become exposed to governance opportunities as part of vocational concurrent work experiences.

## **2.4 Recommendations for Further Research**

Because ethical governance in sport is a relatively new area of research, and there are other national and international sporting organisations developing governance structures, the following additional research is recommended.

1. That the ethical governance principles contained in Appendix 8 of this report be piloted with three NSOs to provide feedback for the possible inclusion of these principles in future codes of conduct for NSOs.
2. That the ethical decision-making procedures outlined in Appendix 9 of this report be piloted with three NSOs to provide feedback for the possible development of education programs for new and existing NSO board members.
3. That comparative research be undertaken to identify the important ethical governance issues being addressed by other national and international sporting or comparable industry organisations, for example, in Canada, USA, Britain, Europe and Scandinavia. These findings would provide a greater insight into the effects of globalisation on the ethical governance of Australian NSOs.

## **2.5 Further Recommendations for the Australian Sports Commission**

That the ASC:

1. Works closely with NSOs to improve the ethical governance practices that have been identified as a priority in this research.
2. Reviews the process of monitoring NSOs who receive government funding to ensure the appropriateness of their ethical governance practices.

### 3. DEFINITIONS

The key ethical governance terms are clarified to assist in understanding the context in which they are used throughout the report.

**Australian Sports Commission (ASC):** *is responsible for implementing the Australian Government's national sports policy which is based on a sports philosophy of excellence and participation. It is the primary national sports administration and advisory agency, and the cornerstone of a wide-ranging sports system (Australian Sports Commission, 2004b).*

**National Sporting Organisations (NSOs):** *are the pre-eminent organisations that take responsibility for the development of the sport in Australia and they are accountable at the national level for providing their members with technically and ethically sound sport programs, policies and services (Australian Sports Commission, 2004a). Within the context of this report, the 75 NSOs that receive funding from the Australian Sports Commission were the NSOs involved in this report.*

**Governance:** *is the way business and other organisations achieve stated performance goals that focus on the behaviour of board members. The key components of governance, whether in business or sport, involve policy formulation, strategic thinking, monitoring performance and accountability.*

**Ethical Governance:** *adds a further dimension to governance because it focuses on creating a board culture that allows robust discussion and candour in debate without the constraints from vested interests. Also ethical governance encourages transparency in decision-making including regular financial reporting and honest dealings with members, players/athletes, participants, businesses, sponsors, governments and the Australian public. The important elements of ethical governance include developing trust, integrity, fairness and equal opportunities for all. Another way to describe ethical governance is that it is behaving respectfully, responsibly and with integrity when considering all issues. Although there are some differences between the terms ethics and morals, they are used interchangeably throughout this report.*

**Values:** *are the principles and fundamental convictions which act as general guides to behaviour; the standards by which particular actions are judged as good or desirable (Halstead and Taylor, 2000: 169-202).*

### 4. LITERATURE REVIEW



World-wide, only limited research into the governance of sport has been undertaken. Still less information is available about the link between ethics and governance of Australian sport. David Hindley in his thesis (Hindley, 2002) examined elements of governance including the structure, administration and management of sports organisations in the United Kingdom. His focus was restricted to association football, cricket and swimming. One of his main conclusions was that, 'the concept of governance as good governance raises a number of interesting questions including the distinctiveness of voluntary sports organisations - in short, governance broadens our conceptual repertoire and introduces greater sensitivity and subtlety into policy analysis' (Hindley, 2002: 152).

Various ethical theories are useful in understanding how personal morals/ethics influence ethical decision-making within organisations. A good starting point for NSOs could be the differences between deontological (rules of obligation) and consequentialist ethical approaches, because both theories are applicable to sport.

A deontological (Kantian) ethical approach could be easily adopted using the principle which states that, 'one should only act on rules (or maxims) that you would be willing to see everyone else follow' (Boatright, 1997: 55). Sports ethicists and policy-makers find it convenient to adopt strict rules and principles for coaches and officials to follow. For example, this hard-line approach is evident in the area of drugs in sport with clear rules laid down and heavy penalties for transgressors. (Lumpkin et al., 2003 and Burstyn, 2000:22-27).

A contrary view could just as easily be adopted using a consequentialist/utilitarian approach. This is that each situation is unique and therefore the moral/ethical rightness depends on weighing-up all the factors in order to find common ground to achieve the best result. This often means obtaining a solution that produces the least possible harm in the circumstances. Another consequentialist theory is situation ethics, developed by Joseph Fletcher in the 1960's. Situation ethics attempts to clarify decision-making by bridging the gap between legalism (deontology) and antinomianism - no principles or maxims (Fletcher, 1966:18-31).

There is a great deal of debate about the value of codes of ethical conduct for sport and Mike McNamee points out, 'they can be a waste of time', although he also acknowledges, 'they can be valuable' (McNamee, 2002:155). DeSensi and Rosenberg have extensively examined the purposes and functions of codes including their limitations as well as providing a number of sports codes as samples (DeSensi and Rosenberg, 2003:135-233). Despite the reservations about the value of having codes of conduct, ethical governance components and principles for inclusion in a code of ethical conduct for NSOs boards are in Appendix 8 in this Report.

A bridge between the above approaches is suggested by W.J. Waluchow linking duties (rule-based actions) with morally significant exceptions (Waluchow, 1991:23-31). Yet there is a dilemma of resolving conflicting duties. So an emphasis on duty might not lead so readily to situations in which better overall consequences result (DeSensi and Rosenberg, 2003:80). As Keck points out, 'a good deal of ethical discussion concentrates on making difficult choices – sometimes between conflicting goods and sometimes, unavoidable evils, and usually between shades of grey' (Keck, 2000:58-59). An interesting approach using levels of ethical decision-making was developed by Robert Veatch in the

field of bioethics (Veatch, 2003) and this concept has been adapted for consideration within a sports context in Appendix 9 of this Report.

Sigmund Loland in his chapter on *Fair Play* in the *Philosophy of Sport*, raises the possibility of a common moral code (Loland, 2002:192), which he called 'discourse ethics'. Virtue ethics links 'people's motives and intentions for doing the right thing so that it is not only actions that may seem praiseworthy' (DeSensi and Rosenberg, 2003:81) and in Appendix 10 at the end of the report, the use of virtue ethics theory is suggested as the basis for ethical leadership in sports governance.

In business (and sport at the national level is a business), virtue ethics is now considered an important indicator of leadership potential because a person who simply follows the rules of obligation (deontology) and otherwise exhibits no special moral character may not be trustworthy and therefore poor leadership material. Many experienced business executives are looking for a moral dimension in their companies and it is suggested that, 'trust is the moral cement of the business world' (Beauchamp and Bowie, 2001:35).

There are a number of models of ethical approaches to business in Australia that could be adapted by sport, particularly at the national level. This is especially so where sport and business governance face similar ethical governance dilemmas (Grace and Cohen, 1998). Understanding how sports organisations are managed and their leadership capabilities is crucial to their future. Chelladurai adopts a systems perspective with an emphasis on the types of leadership approaches (Chelladurai, 2001).

Moral responsibilities and the problems resulting from the commercialisation of sport are lively issues that are now being debated in all western countries. Trevor Slack in *Commercialisation of Sport* discusses the moral autonomy of sport sponsorships (Slack, 2004).

Ruben Hernandez points out, 'idealistic principles are in a state of crisis; materialism and financial profit have gained the upper hand' (Hernandez, 2002). As new sporting structures emerge globally, NSOs are forced to rethink their role in relation to business and profit-making interests in sport.

Corporate governance is now a major issue at government level. Inappropriate behaviour among leading business organisations has contributed to this. Behaviours such as lack of disclosure of information to shareholders and transparency of financial reports have resulted in corporate law reform, particularly in the United Kingdom, America and Australia. The Corporate Law Economic Law Reform Program (CLERP), (Commonwealth of Australia 2004) is an important piece of legislation that spells out disclosure requirements, management of conflicts of interest and enforcement procedures for Australian public companies. Complementing this legislation are codes of conduct to assist business organisations comply with the Act (Australian Stock Exchange Corporate Governance Council, 2003). Many companies have attempted to bring good governance practices into the culture of the organisations at board level (BHP Billiton, 2004). There are now ethical principles contained in public documents that commit boards to certain ethical actions as well as being included in board performance reviews.

One of the ASC's goals within the 2002-2005 Strategic Plan is to assist NSO's to adopt sound business and management practices. A paper on *National Sporting Organisations Governance: Principles of Best Practice* (Australian Sports Commission, 2002) is available on the ASC web-site. This document identifies some important governance principles for boards such as transparency, accountability, and responsibility to members.

## 5. RESEARCH METHODOLOGY

In order to provide a sound and philosophical base from which practical findings and recommendations could be drawn, a mixed methodological approach was adopted. The approach employed both qualitative and quantitative research to compare original questionnaire data with data collected from the focus group interviews. This allowed priority ethical issues to be 'developed directly from data collection' (Gratton and Jones, 2004: 279). The data collection was undertaken using the Statistical Package of Social Sciences (SPSS). A continuous evaluation of the data collected from the NSOs was shared with the participants of the four focus groups.

### 5.1 Phase One: The Survey

A survey questionnaire (see Appendix 1) was drafted and then piloted among sports officials. This provided the basis for quantitative data being sought as well as qualitative information needed to identify the ethical governance issues of importance to NSOs.

**Section 1** of the questionnaire sought basic information on the role of respondents in four categories. These categories were president/chairperson; national official (paid); national official (voluntary); and national athlete/player. Other information on age and gender was collected in this section.

**Section 2** provided respondents with an opportunity to identify the importance of ethical governance issues in their own NSO. A Likert scale was used as the measurement instrument.

**Section 3** asked respondents to indicate best practices in ethical governance in relation to recently introduced Corporate Law Economic Reform Program (CLERP) and which could be adopted by NSOs. A simple agree/disagree scale identified these best practices.

**Section 4** requested respondents to prioritise their preferences about future ethical challenges and problems on a rating scale of 1-9. Of the methods used, this scale seemed to elicit the most thoughtful responses because participants were forced to make evaluative decisions on a range of ethical best practises. Provision was made in each section for written comments to allow for personal contributions that either expanded on the questions asked or addressed other ethical governance issues.

On Friday 8 October 2004 the Chief Executive Officers of the 75 National Sporting Organisations which are recognised and funded by the Australian Sports Commission, were mailed copies of the questionnaires with accompanying letters explaining the project.

The letter sought confidential responses in four categories from officials involved in making key decisions at board level. These categories were Presidents/Chairperson; National official (paid); National official (voluntary), and National athlete/player. Two NSOs specifically indicated they would not participate in the survey because of administrative workloads. Approximately six weeks after the due return date, follow-up phone calls were made to NSOs who had not returned two or more questionnaires. The response date for questionnaire returns was closed on 13 February 2005.

### **Confidence Levels for the Statistical Description of Questionnaire**

**Responses:** A finite population correction was used to calculate the confidence intervals. The confidence level of 95% allowed for a more precise estimate of percentages. Tables 1 and 2 include the percentage and number of missing or invalid responses (note: these consisted of respondents not answering the particular question, deliberately or inadvertently). The percentages were therefore calculated as the frequency divided by the numbers of valid responses (that is, 133 minus the number of missing/invalid responses) multiplied by 100. See Appendix 2 for details of the tables and the formulae used.

## **5.2 Phase Two: The Focus Groups**

Four focus groups were organised to provide feedback on the ethical governance data collected from the questionnaire in phase 1. Selection of participants in the focus groups was arranged to allow a wide cross-section of NSO officials and people with experience at national level in sport to become involved. Information was sent to each participant with a covering letter describing the purpose of the project, including a summary of the statistical information collected from the analysis of the questionnaires.

The format of each focus group was deliberately kept informal to encourage discussion of ethical governance issues. Prior to the commencement of three focus groups, participants were requested to complete consent forms required by the University of South Australia Human Research Ethics Committee to ensure confidentiality. The exception to this was Group 1, which met under the aegis of 'Our Sporting Future Forum'. A brief outline of the statistical data already collected from the questionnaires was given and then topic sheets were distributed with the discussion centred on the key ethical governance issues already identified. This was followed by discussion on ethical issues relevant to NSOs.

The four focus groups were organised in different locations to allow for differences in points of view. Two were held in Sydney and the other groups met in Melbourne and Adelaide.

**Focus Group 1** was arranged as one of the concurrent sessions at the 'Our Sporting Future Forum' in Sydney. This group attracted 41 participants representing the key decision-makers from the sports industry attending the forum. Appendix 4 of this report has a summary of the proceedings.

**Focus Group 2** was held at the Melbourne Sports and Aquatic Centre for representatives of smaller NSOs to ensure their opinions on ethical

governance were included. Appendix 5 contains a summary of the proceedings.

**Focus Group 3** this focus group was hosted by Sports SA and the Women's Athletes Trust in Adelaide. This group allowed women involved in national sports governance an opportunity to have an input into this project. Appendix 6 has a summary of the proceedings.

**Focus Group 4** met in Sydney where an NSO held its national board meeting. This group provided comments from board members of a high profile Olympic sport and represented the perspective of the larger NSOs.

Each of the focus groups provided valuable input on the issues identified in Phase 1. They also raised other ethical governance issues and a number of practical examples were provided. Appendices 4-7 contain information on the discussions arising from within each of the focus groups.

## **6. RESEARCH EVALUATION AND DISCUSSION**

An evaluation of the data obtained from the questionnaire was undertaken so the results could be condensed into ethical priority groupings. These were used to prepare the "topic sheets" for obtaining further feedback from the four focus groups. The topics were:

- Awareness of governance issues
- Awareness of best ethical governance practices from the business sector
- Ethical behaviour of your NSO over the next 3 to 5 years.

Together, these informed the findings reported in Section 6. The aim of the evaluation of the data from the questionnaire was to validate the survey data and add further depth to the research outcomes.

### **6.1 Socio-demographic Characteristics of NSOs**

Data from the questionnaire enabled socio-demographic profiles of the key decision-makers in NSOs to be identified. Of the 75 NSOs surveyed, 61 (81.33%) returned the questionnaires. Eight respondents preferred not to identify their national sport, and had these been added, a higher number of sporting organisations may have actually participated.

A breakdown of information about all key decision-makers involved in the governance of sport at the national level showed that as at 1 January 2005, there were approximately 570 board members (and in some cases CEO's who also voted), serving on the 75 boards. Of these, 133 or 44.33% participated in this survey making this response rate significantly higher than a similar survey<sup>3</sup>.

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<sup>3</sup> A survey of the 121 members of Confederation of Australian Sport (Tasman Asia Pacific and Ernst & Young, 1998: 8) had a response rate of 27%.

## Discussion

*There was no clear relationship between the size of the NSO and the number of people on their boards. For example, boards of six and eight members governed two of the largest sporting organisations, while the next largest sporting organisation had 14 on its board. Two of the smallest sporting organisations had 16 and 18 members respectively on their boards.*

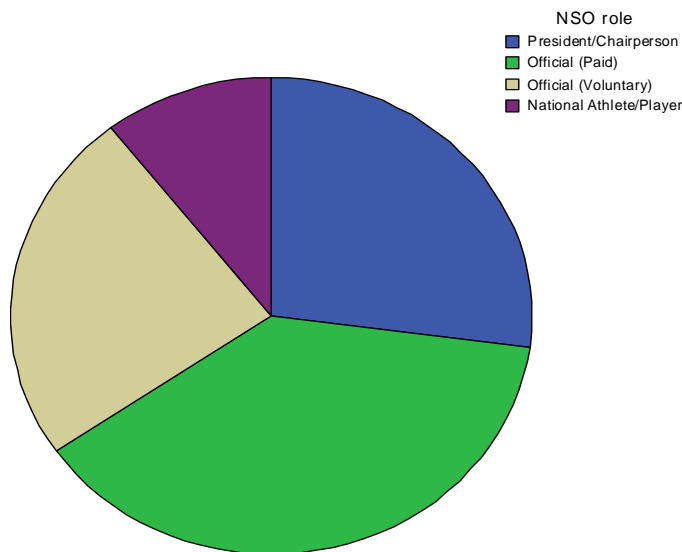
### 6.2 Roles within NSOs

Table 1 below provides a breakdown of the roles of the 133 respondents. The table also shows the frequency and percentage of responses. Graph 1 (below) indicates the proportion of responses received in the four categories.

Table 1: Roles Undertaken by National Officials

Role	Frequency	Percent
President/Chairperson	36	27.1%
National official (paid)	51	38.3%
National official (voluntary)	32	24.1%
National athlete/player	14	10.5%
<b>Total</b>	<b>133</b>	<b>100%</b>

Graph 1: Roles within NSOs



## Discussion

*It was encouraging to receive responses from 27.1% of Presidents because this position is usually the most influential in establishing the governance style of the board. The other high percentage of responses was from the paid officials, usually Chief Executive Officers (38.3%). One reason why this group responded so highly could be that employed officials were the original contact for the distribution of questionnaires. Along with the presidents, paid officials were likely to be key decision-makers in sporting organisations and their input added a depth to the ethical governance issues raised and discussed. The*

response from the volunteer officials (24.1%) was reasonable considering most are part time and are usually heavily committed.

This 'significant input into Australian sport' by volunteers was also recognised in ABS publications (Australian Bureau of Statistics, 1994: 2). Also, John Bloomfield identified volunteer administrators, officials, coaches or associated roles as, 'major resources for Australian sport' (Bloomfield, 2003: 13-14). A low athlete/player response (10.5%) probably indicated athletes often do not have time to become involved in national decision-making processes because of their commitment to participating and the demands particularly at the elite level.

Another reason for the low athletes/player involvement in board decision-making could be that they lack experience in governance issues at this stage of their career in sport. Corlett argues that the sport environment has been created not by athletes, but by administrators and as such, becomes subject to controlling managerial interests'.(Corlett, 1997: 250-262).

### 6.3 Age of Respondents

Table 2 below shows the age frequency and percent of the responses:

Table 2: **Age of Respondents**

	<b>Frequency</b>	<b>Percent</b>
Under 20 Years	2	1.5%
20-40 Years	33	24.8%
41-50 Years	28	21.1%
Over 51 Years	70	52.6%
<b>Total</b>	<b>133</b>	<b>100%</b>

### **Discussion**

There was a low response (1.5%) in the under- 20 years age group. It could be speculated that the older members of sporting organisations make policy and management decisions for essentially a young constituency. This is understandable because most members in the under 20-years-of-age category are participants and they would most likely direct their energies to competing. By far the greatest number of responses (52.6%) fell into the over 51- year's group. This skew towards decision-making by an older age range within sport is supported by the *Involvement In Sport* publication, which indicated that 'Australian sport generally involves the 15 to 24 year age group' (Australian Bureau of Statistics, 1994) and this could have an effect on the determination of sports governance policies. Even by combining the under 20s; 20-40s and 41-50s; the cumulative percentage (47.4%) does not reach the 52.6% in the over 51 years category.

The low participation of the less than 20 years age group in ethical governance issues could also be related a lack of interest in governance issues. Unless these issues impinge directly on their participation, they are unlikely to be interested in governance. Perhaps sporting organisations might learn from business organisations and consider recruiting and fast-tracking young and talented personnel to redress the age imbalance

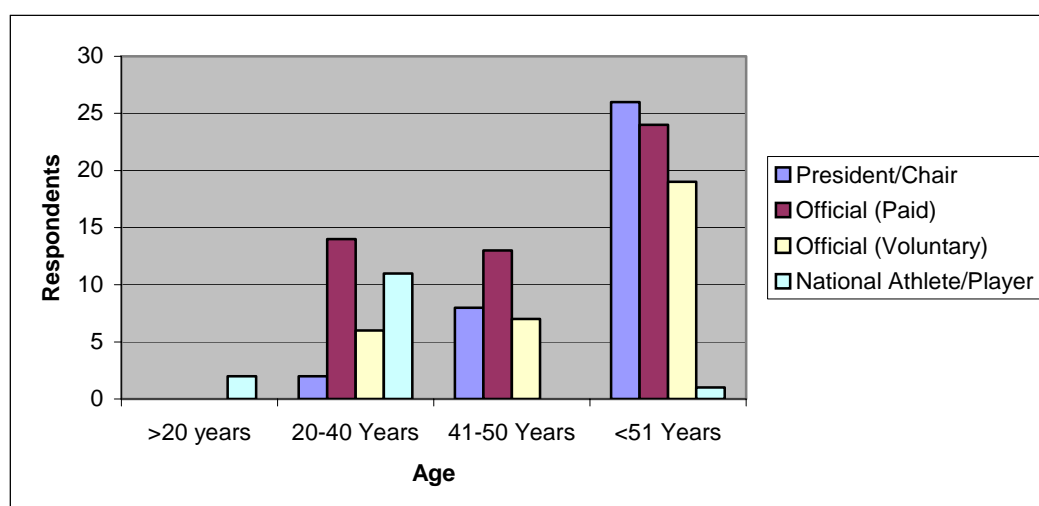
## 6.4 Role and Age of Respondents

Table 3 and Graph 2 (page 16) show the age of respondents and the role they held within their national sporting organisation.

Table 3: NSOs Role and Age of Respondents Cross Tabulation

		Age of Respondents				Total
		Under 20 Years	20-40 Years	41-50 Years	Over 51 Years	
NSO role	President/Chairperson	0	2	8	26	36
	Official (Paid)	0	14	13	24	51
	Official (Voluntary)	0	6	7	19	32
	National Athlete/Player	2	11	0	1	14
<b>Total</b>		<b>2</b>	<b>33</b>	<b>28</b>	<b>70</b>	<b>133</b>

Graph 2: Age Distribution of NSO Respondents



## Discussion

Table 3 makes it clear that the Presidents of NSOs who responded to this survey were in the over 51 year's age range. This suggests that older officials influence board decisions. The overall low response by national athletes/players probably indicates that athletes generally are more heavily involved in participating than in national decision-making. Graph 2 supports the above propositions and highlights the skew towards over 51 years decision-making by presidents, paid and volunteers officials.

## 6.5 Male and Female Responses

Table 4 (page 17) indicates that nearly 61% of the respondents were males. NSOs and the ASC report making efforts to develop sporting opportunities for women to participate at all levels; but there is still a significant imbalance.



Table 4: **Male and Female Responses**

	Frequency	Percent
Male	81	60.9
Female	52	39.1
<b>Total</b>	<b>133</b>	<b>100.0</b>

## 6.6 Awareness of Ethical Governance Issues within NSOs

Respondents to the questionnaires were asked to consider *how important are ethical practices in their particular NSO*. The data summarised in Table 5 (below) indicates the extremely important ethical governance practices that should be addressed by NSOs.

Table 5: **Ethical Governance Issues Rated as ‘Extremely Important’**

<b>Issues</b>	<b>Percent</b>
Integrity with sponsors, players/officials and members	93.2
Equal opportunities for all players, athletes and board members to perform at their highest level	88.0
Impartiality in making major policy decisions for the good of sport	88.0
Open dealings with members and athlete/players	85.7
Codes of ethics that are detailed, understood and enforced	82.0
Fair administrative practices	81.8
Strategic plan for the sport containing a section on ethics targeting inappropriate behaviours	74.4
Encouragement of open debate on contentious (ethical) issues	57.1
Accessibility of board/committee personnel to members and athletes/players	46.6
Disclosure of contract details with players (no hidden incentives)	31.1
Disclosure of sponsorship arrangements	21.4

### **Discussion**

*The results in Table 5 indicated that 93.2% of respondents believed integrity with sponsors, players/officials and members were extremely important. Similarly, equal opportunities, impartiality in making policy decisions, open dealings and a code of ethics were also considered extremely important. It should be noted that disclosure of contract details and sponsorship arrangements were not supported very strongly and a number of respondents made strong written comments that suggested the more ethical decision was NOT to disclose sponsorship or player/athlete contract details. Contrary to the low ratings given to the disclosure question as reported in Table 5 above; when considered as an ethical best practice in the business sector, 81.8% of respondents rated it top priority for NSOs (see Table 6).*

*Provision was made in the questionnaire for respondents to write in any additional ethical governance issues that they considered important. This allowed other issues that were not specifically covered in the questionnaire to be considered.*

The three main issues raised were:

- Conflicts of interest that included national board members being influenced by state interests,
- Having vested interests that were not declared, and
- Lack of confidentiality (sharing board information with other parties).

An associated conflict was a belief among some directors/officials that 'they are elected for life'. Also mentioned were conflicts between athletes and coaches. These translated into the need for fair and open selection policies that also link to the need for transparency in decision-making.

#### The Four Focus Groups – Ethical Governance Issues

Focus Group 1 – Our Sporting Future Forum:

- Integrity in financial matters and with sponsors, players/officials and members.
- Equal opportunities for all players/officials and board members to perform to the level of their abilities.
- Impartiality in making major policy decisions for the good of sport.
- Open and fair dealings at all levels linked to transparency in decision-making by boards and the need to develop trust among members.
- Natural justice being applied in all tribunals.

Focus Group 2 – Smaller NSOs

- Conflicts of interest between national and state interests.
- Transparency in decision-making - this also encompassed fair administration and fair processes in selection of athletes and coaches.

Focus Group 3 – Women in Sport

- Integrity of board members.
- Diligence in overseeing all governance matters.
- Fairness in dealings with all levels of sport.

Focus Group 4 – High Profile Olympic Sport

- Conflicts of interest at various levels of the sport.
- Equal opportunities for all players/officials and board members to perform at their highest level.
- Integrity in financial matters and impartiality in making policy decisions.

### **6.7 Business Best Practices Relevant To NSOs**

Respondents were asked to consider 'the ethical governance best practices introduced as a result of corporate law reforms that could be relevant to NSOs'. The introductory text reminded respondents of legislation enacted by the Australian Government because of past, 'inappropriate corporate behaviours' (Australian Government, 2004) in the business sector. These reforms mainly aimed at improving 'transparency' and 'disclosure' of business dealings.

Table 6: **Best Practices That Should Be Adopted**

<b>Best Practices</b>	<b>Percent</b>
NSOs disclose financial and other information.	81.8%
Directors independent of external influences.	71.4%
Directors abstain from voting.	71.4%
NSOs promote ethical conduct.	70.5%
Directors declare interests.	64.1%
NSOs have independent audit committee.	54.5%
Directors independent of internal interests.	36.1%

### **Discussion**

*A high percentage (81.8%) of respondents clearly indicated that it is current practice for their NSO to disclose easily understood financial and other relevant information.*

*The next two issues dealt with the need for, ‘directors to be independent from external influences’ and ‘directors should abstain from voting when there is a conflict of interest’ (71.4%).*

*A slightly smaller percent (70.5%) of respondents indicated that their NSOs should adopt a code of conduct that promotes ethical and responsible decision-making for directors and executives.*

*64.1% of the respondents thought that the directors should adopt a practice of declaring personal and financial interests that may result in a conflict of interest.*

*Only 54.5% of respondents indicated that their NSO should set up an independent audit committee. Focus group discussions revealed smaller NSOs considered an independent auditor was all that was necessary to meet the requirement and that an independent committee was ‘over governance’. In addition, focus group participants considered that the commitment of time and financial resources to establishing an independent audit committee could not be justified.*

### **Other Important Business Practice Considerations**

*Other written comments in this section of the questionnaire (dealing with business practices) raised practical issues such as the pressures from various sources on directors/officials, the influence of state’s interest on national decisions and the mechanics of governance. The latter included the issues of strong personalities on boards who stifle debate and failure to review flawed board decisions.*

### **The Four Focus Groups – Sound Business Practices**

*The following ethical governance best practices from the business sector were raised in the focus groups:*

#### *Focus Group 1 - Our Sporting Future Forum*

- *Disclosure of easily understood financial and other relevant information by NSOs.*
- *Board members or members of governing bodies abstaining from voting when there are areas of conflict.*
- *NSOs boards should be independent of external influences.*
- *Transparency of NSOs board procedures.*
- *Ignorance of ethical governance was not an adequate defence. Board members must understand the responsibilities involved in ethical governance.*
- *Conflicts of interests at many levels of sport, not just at national level “many fail to see conflicts of interest as wrong, which is a sad indictment on our industry and its ability to address these ethical problems”.*

#### *Focus Group 2 – Smaller NSOs*

- *Financial transparency particularly the strict accountability for finances.*
- *Confidentiality at NSO board level. It was also noted from the respondents’ comments that there is sometimes a dilemma between transparency and the need for confidentiality.*

*This group asked for the following comments to be especially noted; “NSOs are likely to adopt those best practices from business that they can afford. Best practices that cost money to implement are less likely to be adopted because they can’t afford the cost or do not have the resource”.*

#### *Focus Group 3 –Women in Sport*

- *Transparency and disclosure of information to members.*
- *Board members should declare any conflicts of interests.*

*Although not specifically related to ethical governance, the following comments from this group about the relationship between business and sport suggested that sport had much to offer to business, “while sport has much it can learn from corporate governance in the business sector; business can also learn a great deal from sport, particularly in developing leadership, team building and a collaborative approach towards achieving goals. Sport cares more for its people than does business”.*

#### *Focus Group 4 – High Profile Olympic Sport*

- *Business and sport both need to be transparent in their dealings. Boards should take action to disclose financial and other relevant information in easy-to-understand formats.*
- *Board members should be independent and abstain from voting on issues where they have a conflict of interest.*

*This focus group raised a number of ethical governance issues related to the transparency of decision-making by international sporting bodies and the shift of governance to unaccountable world sporting organisations. However globalisation of sport governance was not part of the terms of reference for this study.*

## 6.8 Future Problems and Challenges over the Next Three to Five Years

Respondents were asked to consider the future problems and challenges faced by ethical governance in NSOs over the next three to five years and identify best practices. Table 7 ranks the top priorities in order, under nine headings.

Table 7: **Future Ethical Governance Problems, Challenges and Top Priorities.**

<b>Future Problems and Challenges</b>	<b>Percent</b>
Maintenance of the traditional values of sport such as fairness, honesty, discipline, character building and team spirit.	30.23%
Transparent decision-making and fairness in business administration and professional matters.	25.58%
Integrity and appropriate governance skills of board members.	12.50%
Recognition and management of risk.	8.59%
Full disclosure of decisions and actions that affect members and participants.	7.81%
Equal opportunities of under-represented populations/people such as women, indigenous, disabilities to participate in sport at the national level as athletes/players, officials and on boards and committees.	7.75%
Regular evaluation and monitoring procedures including financial and ethical accountability.	5.47%
An enforceable code of ethics or policy specifying the behaviours expected of boards, officials and managers.	5.47%
Regular ethical performance reviews of boards and management.	3.88%

### **Discussion**

*Respondents identified two clear ethical governance problems and challenges for NSOs over the next three to five years. Top priority was, 'maintenance of the traditional values of sport (such as fairness, honesty, discipline, character building and team spirit' (30.23%).*

*The second clear priority (25.58%) was for, 'transparent decision-making and fairness in business, administration and professional matters'. There was a large gap to the third priority, 'integrity and appropriate governance skills of board members' (12.50%).*

*A grouping of three issues rated the lowest priority and dealt with matters that could have been interpreted by the respondents as attempting to exert more outside control on NSOs such as, 'regular evaluation' (5.47%), 'enforceable codes of ethics' (5.47%) and, 'regular performance reviews' (3.88%). It should be noted that when the Australian Government tightened the corporate law in the business sector, 'there was resistance from many companies who considered the government was over-reacting' (Hepworth, 2004: 80).*

*Strong views were expressed by some NSOs (with responsibilities in the area) about the maintenance of equal opportunities for athletes with disabilities, but this issue was not strongly identified by the majority of responses.*

## **6.9 Unanimous Agreement Across All Focus Groups**

Analysis of the responses from the four focus groups (see below) clearly demonstrated that although the wording was slightly different, all focus groups validated that the original survey top priority was the, 'maintenance of the traditional values of sport including fairness, honesty, discipline character building and team spirit' for NSOs over the next 3-5 years. The key issues from the four focus groups are recorded below:

### Focus Group 1 – Our Sporting Future Forum

- Maintenance of the traditional values of sport, such as fairness, honesty, discipline, character building and team spirit. (Concern was expressed that threats to the maintenance of traditional values of sport came in many forms and from various societal pressures.)
- Transparent decision-making and fairness in business, administration and professional matters.
- Integrity of board members and appropriate ethical governance skills.

### Focus Group 2 – Smaller NSOs

- Maintenance of the traditional values of sport (eg, fairness, honesty, discipline, character building and team spirit).
- Encroaching international sporting governance issues are influencing the ethical governance of Australian sport.

### Focus Group 3 – Women in Sport

- Traditional values of sport should be retained and also the provision of a 'culture' for each sport.
- Equal opportunities in governance experience especially for women should be developed by all NSOs.

### Focus Group 4 – High Profile Olympic Sport

- Retain the traditional values of sport (eg. fairness, honesty, discipline, character building and team spirit).
- Transparent decision-making and fairness in business, administration and professional matters.

## **6.10 Other Related Issues Raised in the Focus Groups**

There were other issues discussed in the focus groups that were not specifically related to ethical governance, these matters were so strongly supported, that at least they should be noted.

- Involvement of universities and other tertiary educational institutions in NSO governance by short-term appointments of students to boards could be beneficial by introducing younger women to board governance. It was suggested that practical experiences in governance, strategic planning and management could complement academic training.
- The viability of national leagues, particularly some women's leagues. Concern was expressed about this because some are dependent on a

single major sponsor and, if lost, the league could become a financial burden to the sport.

- NSOs with limited financial resources faced the problem of deciding priorities between sports participation at the grass- roots level and elite sport development.
- International governance creates complex financial issues which impact on governance at the national level. There is a need for expertise within NSOs to deal with complex player contracts, sponsorships and other issues

## **7. KEY FINDINGS**

From the survey data, and focus group discussions, the following key findings were identified.

### **7.1 NSOs Boards**

Although not directly related to ethical governance, the data collected provided useful information on the size and membership of NSOs boards. To some extent, these factors could influence, indirectly, how the key findings are accepted and implemented.

- The majority of presidents, as well as paid and unpaid officials, fell into the over-50-years age category. This suggests that sport policies are predominantly determined by the 'old for the young'. Decision-makers (60.9%) are mainly males. This replicates the national statistics that indicate 'involvement in Australian sport is highly male oriented' (Australian Bureau of Statistics, 2001). As societal pressures for ethical governance grows, community organisations including NSOs will need to be more accountable to their membership as well demonstrate ethical governance and transparency to a wider public constituency. To retain the goodwill and support that translates into financial support, the recruitment of younger board members should be a high priority. They should be people who are prepared to become involved in governance of sport and achieving a more equitable gender balance should be a priority.
- There was no clear relationship between the size of the sport and the number of people on the boards of NSOs. For example, boards of five and nine members governed two of largest sporting organisations, while the next largest sporting organisation had fourteen on its board. Alternately, two smallest sporting organisations had sixteen and eighteen members on their boards, while the smallest sporting organisation had a board of five members.

### **7.2 Awareness of Ethical Governance Practices within NSOs**

Respondents identified the following ethical governance practices that NSOs should adopt within their present structures.

- Assuring integrity in dealings with sponsors, players/officials and members was identified by 93% of respondents. This high rating was also reflected in the focus group.
- Equal opportunity for all players, athletes, officials and board members to perform at their highest level was identified by 88% of respondents. This issue was supported by strong comments from one of the focus groups that suggested there were biases at board level (cronyism), a lack of gender equity and a lack of fair and open selection policies.
- It was acknowledged that board members would have inevitable conflicts of interest and the focus group participants in particular felt that these should be identified. An example of a typical conflict of interest was when state interests influence board members decision-making. It should be also noted that although some NSOs were changing from the traditional federal organisational structures to a more business-oriented board in order to address potential conflicts of interest, there was a reticence among smaller NSOs boards in particular, to completely change their structures. Some considered that a balance between a federal and completely independent-type of business structure might be possible.
- There was an ambivalent response to disclosure of contract details and sponsorships with surprisingly low responses (between 21% and 31%) to these issues; however when best practices from the business sector were considered, respondents rated this ethical issue highly (81.8%) in favour of disclosure of financial and other information. Some NSOs with large sponsorship support and player contracts were not in favour of disclosure and some were unhappy about answering the question, but smaller NSOs with little or no outside financial assistance did not have a problem with disclosure issues.

### **7.3 Business Best Practices Applicable to NSOs**

Because governance best practices in the business sector are now enshrined in legislation, there was an incentive to introduce best practices that lead to 'good (or ethical) governance'. Lessons learned from the business sector in good governance practices could prove valuable in maintaining public support for sport at all levels.

- Financial transparency and disclosure of easily understood financial and other relevant information by members of NSO boards was the most important best practice that could be adopted from the business sector. However two of the focus groups had reservations about disclosure of sponsorship details and players' salaries.
- Another best practices that rated highly was the need for board members to be independent of external influences such as links to suppliers of services and equipment.



- One focus group (Women in Sport) made the observation that, ‘while sport has much it can learn from business corporate governance; business can also learn a great deal from sport, particularly in developing leadership, team building and a collaborative approach towards achieving goals. Sport cares more for its people than does business’.

#### **7.4 Future Ethical Governance Problems and Challenges**

The responses about future ethical governance problems, challenges and priorities faced by NSOs over the next three to five years were mainly positive. There was optimism that although significant and complex governance problems exist, sport will rise to the challenges.

- By far the highest priority emerging from both the questionnaire and all focus groups was maintaining the traditional values of sport. This included fairness, honesty, discipline, character building and team spirit. It was also evident from the written responses and the animated discussions in focus groups, that a balance is needed. The balance needed is between the changing governance structures to meet the ethical expectations of the community and maintaining the traditional values of sport. A related comment was “character building and team spirit should be part of the board culture”.
- Another high priority was transparent decision-making and fairness in business, administration and professional matters.
- Two focus groups raised the need for fairness and openness in dealing with international governance issues. Australian NSOs are increasingly influenced by global governance decisions over which they seem to have little control. This highlighted concerns that the major decisions in sport were becoming globalised.

### **8. RECOMMENDATIONS**

#### **8.1 Recommendations from the Research Process.**

The following recommendations were considered to be practical and achievable. They have been derived from data collected through responses to the questionnaires, written comments and discussions which took place within the four focus groups.

8.1.1 The ASC and sport industry leaders should note the key ethical governance issues identified in the research. All those responsible for the governance of sport should put clear operational procedures in place to enable the adoption and promotion of the ethical governance practices identified. The following practices should prevail:

- Retain the traditional values of sport, which include fairness, honesty, discipline, character building and team spirit.
- Maintain board integrity in financial and other dealings with sponsors, players/officials and members.

- Provide equal opportunities for all players, athletes, officials and board members to perform at their highest level.
- Declare conflicts of interests.
- Disclose financial and other relevant information so that it is easily understood by members.
- Uphold the independence of board members from external influences. (An unfair advantage could be given to favoured individuals or to groups that supply services and equipment.)
- Develop transparent decision-making protocols to ensure that boards are fair in their business-dealings, administration and other professional matters.
- Address ethical governance issues (such as unfairness or inequality of opportunity) that occur because of global influences and which might threaten Australian sport.

8.1.2 When the *National Sporting Organisations' Governance: Principles of Best Practice of 2002* (Australian Sports Commission, 2002) is next revised, it should take into account the above ethical governance issues and note the numerous practical examples recorded in Appendices 4-7.

8.1.3 Ethical governance guidelines should be developed by each NSO, in consultation with the ASC, and linked to the NSO's code of conduct. The NSOs ethical governance policy should be a public document. Note: The Australian Stock Exchange requires companies to work within specific governance guidelines and there are penalties if they are not enforced. See Appendix 8 for suggestions on establishing governance codes and ethical guidelines.

8.1.4 An ethical governance education program for board members of NSOs should be introduced with the focus on ethical decision-making processes as outlined in Appendix 9.

8.1.5 Ethical leadership practices should be developed within NSOs emphasising a collaborative approach when making decisions, which reflects personal values and integrity. An ethical framework is suggested in Appendix 10.

8.1.6 Recruitment of younger male and female board members should be given a high priority. The possibility of inviting university and other tertiary mature age students to participate on a short-term basis could be explored. The intention is to encourage younger people to become exposed to governance opportunities as part of vocational concurrent work experiences.

## **8.2 Recommendations for Further Research**

8.2.1 Because ethical governance in sport is a relatively new area of research, and there are other national and international sporting organisations developing governance structures, the following additional research is recommended.

- 8.2.2 That the ethical governance principles contained in Appendix 8 of this report be piloted with three NSOs to provide feedback for the possible inclusion of these principles in future codes of conduct for NSOs.
- 8.2.3 That the ethical decision-making procedures outlined in Appendix 9 of this report be piloted with three NSOs to provide feedback for the possible development of education programs for new and existing NSO board members.
- 8.2.4 That comparative research be undertaken to identify the important ethical governance issues being addressed by other national and international sporting or comparable industry organisations, in for example, Canada, USA, Britain, Europe and Scandinavia. These findings would provide a greater insight into the effects of globalisation on the ethical governance of Australian NSOs.

### **8.3 Further Recommendations for the Australian Sports Commission**

That the ASC:

- 8.3.1 Reviews the process of monitoring NSOs who receive government funding to ensure the appropriateness of their ethical governance practices.
- 8.3.2 Works closely with NSOs to improve their ethical governance practices and policies.

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**APPENDIX 1.**

**QUESTIONNAIRE**

Not Available

## APPENDIX 2.

### CONFIDENCE LEVELS

A finite population correction was used to calculate the confidence intervals, using the 133 respondents and the key decision-makers who were involved in the governance of Australian sport at the national level as at the 1 January 2005.

This confidence interval of 95% allows for a more precise estimate of percentages. Each table included the percentage and the number of missing or invalid responses (an invalid response is a number that doesn't correspond to a possible answer such as 'yes' or 'don't know'. The percentages were therefore calculated as the frequency divided by the number of valid responses (that is, 133 minus the number of missing/invalid responses) multiplied by 100.

**Table 8: 'Extremely Important' Ethical Governance Issues**

Ethical Governance Issue	Frequency	Percent	Lower 95% Confidence Limits	Upper 95% Confidence Limits	Missing/Invalid Responses
Integrity	124	93.23	89.49	96.97	
Equal Opportunities	117	87.97	83.12	92.82	
Impartiality	117	87.97	83.12	92.82	
Open Dealings	114	85.71	80.50	90.93	
Codes of Ethics	109	81.95	76.23	87.68	
Fair Administration	108	81.82	76.07	87.57	1
Strategic Plan (Ethics)	99	74.44	67.94	80.93	
Encouragement of Debate	76	57.14	49.77	64.51	
Accessibility of Board	62	46.62	39.19	54.05	
Disclosure of Contracts	40	30.77	23.87	37.67	3
Disclosure of Sponsorships	28	21.37	15.25	27.49	2

**Table 9: Future Ethical Governance Best Practices**

Ethical Governance Best Practice	Frequency	Percent	Lower 95% Confidence Limits	Upper 95% Confidence Limits	Missing/Invalid Responses
Maintenance of Traditional Values of Sport	39	30.23	23.36	37.10	4
Transparent Decision-Making and Fairness in Business, Administration and Professional Matters	33	25.58	19.05	32.11	4
Board Members with Integrity and Appropriate Ethical Governance Skills	16	12.50	7.55	17.45	5
Recognition and Management of Risk	11	8.59	4.40	12.79	5
Full Disclosure of Decisions and Actions that Affect Members and Participants	10	7.81	3.79	11.83	5
Equal Opportunities for Under Represented Populations/People	10	7.75	3.75	11.75	4
Regular Evaluation and Monitoring Procedures Including Financial and Ethical Accountability	7	5.47	2.06	8.87	5
An Enforceable Code of Ethics or Policy Specifying the Behaviour Expected of Boards, Officials and Managers	7	5.47	2.06	8.87	5
Regular Ethical Performance Reviews of Boards and Management	5	3.88	0.99	6.76	4

**APPENDIX 3.**

**FOCUS GROUP TOPIC SHEETS**

**ETHICAL GOVERNANCE OF NSOs  
FOCUS GROUP**

**TOPIC 1 AWARENESS OF GOVERNANCE ISSUES**

**Question: How important are ethical issues in your National Sporting Organisation (NSO)?**

**Highest Rated Ethical Issues:**

- Integrity in financial dealings.
- Equal opportunities for all players/officials and board members to perform at the highest level.
- Impartiality in making major policy decisions for the good of sport.

**Other Important Ethical Issues in Your NSO?**

1. ....
2. ....
3. ....

**COMMENTS**

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**ETHICAL GOVERNANCE OF NSOs  
FOCUS GROUP**

**TOPIC 2      AWARENESS OF BEST ETHICAL GOVERNANCE  
PRACTICES FROM THE BUSINESS SECTOR**

**Question: Do you think that your NSO adopts the best practices now  
law in the business sector?**

**BEST ETHICAL PRACTICES IN BUSINESS SECTOR THAT MAY BE OF  
HELP TO NSOs**

**Highest Rated Best Business Practices:**

- Disclosure of easily understood financial and other relevant information on actions they take.
- Directors are independent of external influences (eg. links to suppliers of equipment and services).
- Director to abstain from voting where they have a conflict of interest.

**Other Important Ethical Issues in Your NSO?**

1. ....
2. ....
3. ....

**COMMENTS**

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**ETHICAL GOVERNANCE OF NSOs  
FOCUS GROUP**

**TOPIC 3      ETHICAL BEHAVIOUR REQUIRED BY YOUR NSO OVER  
THE NEXT 3 to 5 YEARS**

**Question: what are the ethical best practices you believe are required by your NSO over the next 3 to 5 years?**

**Highest Rated Ethical Issues:**

- Maintenance of traditional values of sport (for example, fairness, honesty, discipline, character building and team spirit).
- Transparent decision-making and fairness in business, administration and professional matters.
- Board members with integrity and appropriate ethical governance skills.

**Other Important Ethical Issues in Your NSO?**

1. ....
2. ....
3. ....

**COMMENTS**

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## APPENDIX 4.

### SUMMARY OF FOCUS GROUP 1 Concurrent Session - Our Sporting Future Forum

#### Background

The 'Our Sporting Future Forum' was held in Sydney on Friday 4 March 2005 and it provided an excellent opportunity for key representatives of sporting organisations to have input into this project. A workshop (or focus group) was offered as one of the concurrent sessions. This biennial forum is the largest and most authoritative gathering of representatives from sport. Attendees included national, state and regional sporting organisations, club management personnel, professionals from industries that service sport, government officials at state and local levels, academics and students from tertiary sports and health disciplines.

#### Methodology and Organisation

Although there were other concurrent sessions at the forum, 41 participants attended this workshop (focus group). The room layout was not conducive to breaking up into discussion groups and time constraints were imposed because of the previous session running late. This situation required amendments to the original presentation. A power point introduction with statistical information was condensed for the group. Instead of the planned discussion groups, participants were asked to introduce themselves to the person sitting next to them. Then, using the previously prepared topic sheets provided to trigger their comments (copies of the topic sheets are in Appendix 3), they discussed the various ethical governance issues. Participants were assured that the written issues and comments were confidential, but their overall comments would be reflected in the final report.

#### Statistical Information Collected

There were a total of 78 written responses broken down into the following categories:

• Number of focus group participants	41
• Responses to Topic 1 – Awareness of ethical governance issues	29
• Responses to Topic 2 – Best practices applicable from the business sector	26
• Responses to Topic 3 – Challenges faced by NSOs over the next 3-5 years	23
Total Responses	78

#### Topic 1 - Awareness of Ethical Governance Issues in NSOs

The following ethical governance issues were raised in the written responses from the focus group (workshop):

*1.1 Equal opportunities for all players/officials and board members to perform at the highest level.*

**Practical examples provided by the focus group:**

- There should be impartiality in making major policy decisions for the good of sport.
- Cronyism exists among some board members.
- Boards should monitor impartiality in the selection (of team members).
- There was a suspicion that equal opportunities are often 'just rhetoric'.
- Boards of NSOs should ensure inappropriate behaviours on and off the field are managed in an ethical manner.

1.2 *Open and fair dealings at all levels. These were linked to transparency in decision-making by boards and the need to develop trust among members.*

**Practical examples provided by the focus group:**

- Open dealings and transparency did not mean that all information should be shared; most respondents favoured confidentiality when details of player's salaries and sponsor's contracts were negotiated.
- There was a need for stakeholders to have trust in the organisation and how the corporate decisions are made. 'Not only open, but seen to be open'.
- Boards should make decisions in the best interests of the sport.
- Voting systems at board level were sometimes not independent from state/national influences. Board members should be able to vote (without pressure) and give their opinions.
- There was a need to overcome previous unethical behaviour and associated stigma.
- Although the emphasis in this research was on the ethical governance of sport at national level, it was suggested that local and state levels have ethical governance issues and if they are not addressed, 'obstacles' (to introducing ethical governance) will prevail.
- Strategic plans at national level should be integrated with state and local plans.
- Conflicts of interests have long been an issue of concern at many levels of sport not just NSOs. A pertinent comment from one of the participants summed up these issues, 'many fail to see this unethical behaviour as wrong, which is a sad indictment on our industry and its ability to address these ethical problems'.

1.3 *Specific emphasis was placed on integrity, not only in financial dealings; but also with sponsors, players/officials and members.*

**Practical examples provided by the focus group:**

- External support was required for NSO boards to govern effectively. (Possibly through induction and training by the ASC).
- Ethics was a concept that applied across all management decisions and it was not limited to just financial dealings or relations with players.

- The NSO boards should appoint independent auditors rather than establish independent audit committees.
- Developing processes for dealing with ethical issues at board level are necessary.
- Boards of NSOs should develop ethical governance codes of conduct.

#### 1.4 *Interpersonal relationships of board members.*

##### **Practical examples provided by the focus group:**

- Boards should ensure that natural justice is provided in all tribunals.
- There is too much interference by individuals (board members) in operational matters; for example, the appointment of staff.
- Voting rights for executives (generally the CEO) was also an issue, but there was no agreement on this issue.

### **Topic 2 – Business Sector Ethical Governance Best Practices**

The following priorities for adoption of business best practices were identified:

#### 2.1 *Disclosure of easily understood financial and other relevant information as well as actions by members of NSO boards (or governing bodies) was given a high priority.*

##### **Practical examples provided by the focus group:**

- No hidden perks for board members.
- Providing relevant reports/minutes to stakeholders.
- NSOs boards should appoint independent auditors but there was doubt about independent audit committees.
- Reviews on measured outcomes should be undertaken and results disclosed to stakeholders.

#### 2.2 *Board members should abstain from voting where there are areas of conflict.*

##### **Practical examples provided by the focus group:**

- Not only should NSO board members abstain from voting, they should also refrain from discussions on the topic.
- Executive members of boards should not be involved in employment and dismissal decisions at board level.

#### 2.3 *NSOs' boards of directors should be independent of external influences.*

##### **Practical examples provided by the focus group:**

- NSOs board members sometimes face conflicts interests within the tendering processes.
- While there are external influences such as the example above, but there are also external internal influences such as factions within the board itself.

## 2.4 *Transparency of board procedures should be practiced by NSOs.*

### **Practical examples provided by the focus group:**

- All eligible people should be considered for key positions on committees, including representatives on overseas bodies such as the Olympics and other international sports bodies.
- Clear work place practices for paid staff and volunteers should be provided that includes upfront employment and dismissal policies.
- Conduct performance reviews and appraisals in a coordinated manner.
- There should be a complaint process in place.
- Board performance indicators should be disclosed to members.

### **Other Comments:**

The following comments were provided from the business sector, but they were not directly relevant to governance best practices.

- Ignorance of ethical governance is no defence. There is a requirement to understand.
- Conflicts of interests have long been an issue of concern at many levels of sport not just NSOs. Many fail to see the unethical behaviours as wrong, which is a sad indictment on our industry and its ability to address these ethical problems.
- Small NSOs have difficulty in financing a business model board structure.

## **Topic 3 – Ethical Governance Challenges Faced by NSOs over the Next 3 to 5 Years**

Because of time constraints, this focus group held at the *Our Sporting Future Forum* was cut short, but participants were keen to contribute and their comments indicated their concern for the future of Australian sport.

### 3.1 *Maintenance of the traditional values of sport (such as fairness, honesty, discipline, character building and team spirit) rated the greatest challenge.*

#### **Practical examples provided by the focus group:**

- A code of ethical practice for board directors should be introduced only after agreement on its contents has been received from member organisations.
- NSOs should challenge erroneous historical beliefs that women, disadvantaged and the disabled are not capable of being involved in governance at board level.
- Support of the traditional work of volunteers and the 'user pays' principles at all levels.
- Keeping in close touch with the Australian community.

3.2 *Transparent decision-making and fairness in business, administration and professional matters.*

**Practical examples provided by the focus group:**

- Education is required on ethical/values decision-making at board level.
- Trust and rewards should be provided for staff by putting in place a fair merit system for selecting employees.
- Reviews on measured outcomes need to be undertaken and the results disclosed to stakeholders.
- Best practices should be shared across the relevant sports organisation.
- Constant downwards communication is necessary to the various levels of each NSO.
- Selection of board members with high ethical governance standards requires succession planning and effective board performance reviews.

3.3 *Integrity of board members and appropriate ethical governance skills.*

**Practical examples provided by the focus groups:**

- Appropriate selection of board members is required as well as committee members at all levels. This selection to include independent board members.
- There should be no hidden perks for board members.
- NSOs should provide relevant reports/minutes to stakeholders.
- Boards need to provide adequate finances, equipment and training.
- Small NSOs sometimes have trouble with the appropriate choice of board members.

## APPENDIX 5.

### SUMMARY OF FOCUS GROUP 2 Smaller NSOs

#### Background

This second focus group was conducted in Melbourne on Friday 3 May 2005 at the Melbourne Sports and Aquatics Centre. It was convened to provide an opportunity for smaller NSOs to respond to ethical issues.

The following eight NSOs with their headquarters in Melbourne were invited: Badminton, Fencing, Gymnastics, Modern Pentathlon, Riding for the Disabled, Ski & Snowboard, Softball and Synchronised Swimming. Six people attended representing Fencing, Gymnastics, Softball and Synchronised Swimming.

#### Methodology and Organisation

This focus group met from 5.30 pm to 7.30pm. Light refreshments were served prior to the meeting to allow people to get to know each other informally. Because of the small numbers attending, it was possible to have a less structured approach and this allowed the participants greater opportunities to speak freely on the ethical governance issues facing their NSOs. At the commencement of the meeting, consent forms required by the University of SA Ethics Committee were completed. A short statistical summary of the results of the research results was distributed prior to the meeting. Discussion followed based on the three topic sheets that were previously circulated along with a background paper describing the research undertaken. Discussions were recorded with the permission of the group. The evening concluded with more informal discussion over supper.

#### Statistical Information Collected

A total of 14 written responses were received and these were broken down into the following categories:

• Number of focus group participants	6
• Responses to Topic 1 – Awareness of ethical governance issues	5
• Responses to Topic 2 – Best practices applicable from the business sector	4
• Responses to Topic 3 – Challenges faced by NSOs over the next 3-5 years	5
Total Responses	14

#### Topic 1 - Awareness of Ethical Governance Issues in NSOs

##### Ethical Governance Issues

1.1 *Conflicts of interest were rated as extremely important.*

##### **Practical examples provided by the focus group:**

- Confusion in the roles between policy formulation and management because some smaller NSOs have no paid staff;



board members are involved in management and also, in some instances, coaching.

- States versus national interests are often a source of conflict.
- Constitutional changes may not solve problems because small NSOs cannot attract outside representatives with the appropriate skills to work with the limited resources available. Changes in board structure to reflect a business model did not seem to be appropriate for small NSOs.

1.2 *Transparency in decision-making was identified as a high priority.* This topic also encompassed fair administration and fair processes in selection of athletes and coaches.

**Practical examples provided by the focus group:**

- Handling grievance issues.
- Providing an ethical policy for volunteers.
- Developing structured protocols so that resources are not sidetracked in re-inventing the process required.

**Topic 2 – Business Practices of Ethical Governance Applicable to NSOs from the Business Sector**

1.1 *Financial transparency was considered the highest priority.* This was interpreted by the focus group as ‘strict accountability for their finances’.

**Practical examples provided by the focus group:**

- Smaller NSOs do not seem to have the resources for the appointment of an independent audit committee.
- Easily understood financial information is important and the need for strict financial accountability was emphasised.

1.2 *Confidentiality at NSO board level was also considered important.*

**Practical examples provided by the focus group:**

- There are sometimes conflicts between transparency and board confidentiality. Smaller NSOs do not have confidentiality issues related to sponsorships or players’ payments, because they do not have sponsors nor do they pay players.

**Overall Comment:**

NSOs are likely to adopt those best practices from business that they can afford. Best practices that cost money to implement are less likely to be adopted because they cannot afford the cost nor do they have the available resources.

**Topic 3 – Ethical Governance Challenges Faced by NSOs over the Next 3 to 5 Years**

## **Future Priorities for NSOs Ethical Governance**

3.1 *Maintenance of the traditional values of sport (such as fairness, honesty, discipline, character building and team spirit) was considered the highest priority.*

### **Practical examples provided by the focus group:**

- Changing community concerns about social issues such as child protection, drugs in sport, racial vilification and opportunities for both men and women enabled sport to give leadership to society by taking up these issues. The question of whether sport was a leader or follower in social change was debated strongly by the participants who were divided on this issue.
- Small NSOs were too busy maintaining their sports operations and there was no time to take up many ethical governance initiatives. Some of the smaller sporting organisations look to larger sports with more resources to take the lead piloting ethical governance initiatives. For example, the AFL racial vilification protocols set standards that were useful for other NSOs.
- The identity of sport changes to meet community expectations and the growing ethical governance compliance issues should be more than 'ticking boxes'.

3.2 *Increasing international sporting governance issues are influencing the ethical governance of Australian sport.*

### **Practical examples provided by the focus group:**

- International sports federations now have a large input into the way sports are governed.
- Trends towards globalisation in the business sector provided some examples that could also be faced by NSOs.
- There was a fear that business interests could 'hi-jack' sport. For example in some cases, business interests now own soccer and other sporting teams that were previously operating as community based organisations.
- As global influences grow, NSOs need special governance skills.
- Clear identification of global sport ethical governance issues was considered important if NSOs were to influence global sport. For example, one sport pushed for gender inclusion but until the international sports organisation made it an issue, no national momentum was generated.

3.4 *Attracting and retaining future volunteers, particularly for small NSOs was considered important.*

### **Practical Examples provided by the focus group:**

- Member protection policies should now be introduced at all levels of organised sport.
- The introduction of dispute resolution procedures was considered an important part of ethical governance.

## APPENDIX 6.

### SUMMARY OF FOCUS GROUP 3 Women in Sport

#### Background

Sport SA and the Women's Athletes Trust hosted this focus group held in Adelaide on Tuesday 10 May 2005 at the headquarters of Sport SA.

The rationale for this group was that sometimes the views of women involved in sport were overlooked. This focus group provided an opportunity for some women with experience in governance at the national level to make a contribution to this project. Eleven women from Netball, Hockey, Softball, Cycling, Orienteering, Little Athletics, Basketball, Australian Olympic Committee, Sports Medicine and AUSRAPID (Australian Sport and Recreation Association for Persons with an Intellectual Disability) gave two hours of their time to assist with this project. Other women present were Professor Esther May, Head of School, Health Sciences at the University of South Australia as an observer and Margaret Daly who took notes.

#### Methodology

This focus group met at 4.30 pm for two hours. The early evening time encouraged participants to attend without committing a full evening and it offered the opportunity to meet informally prior to the meeting.

Because those present knew each other, they felt confident to speak freely on ethical governance issues; therefore it was not necessary to break into small discussion groups. At the commencement of the meeting, consent forms required by the University of SA Human Research Ethics Committee ensuring confidentiality were completed. A statistical summary of the survey results was presented (University of South Australia and Australian Sports Commission, 2005), then discussions followed based on three topic sheets previously circulated (these were the same topic sheets used in the previous focus groups). With the permission of the group, a written summary of the discussions and the discussions were taped. The evening concluded at 6.30 pm.

#### Statistical Information

• Number of focus group participants	11
• Responses to Topic 1 – Awareness of ethical governance issues	11
• Responses to Topic 2 – Best practices Applicable from the business sector	11
• Responses to Topic 3 – Challenges faced by NSOs over the next 3-5 years	11
Total Responses	33

#### TOPIC 1 - Awareness of Ethical Governance Issues in NSOs

At the outset of the discussions, it was made clear that this focus group was not concerned with 'women's sports', but 'sport played by women'.

## Priority Issues

The issues below were considered to be the most important by women who were or have been involved with NSOs.

### *1.1 Integrity of board members.*

#### **Practical examples provided by the focus group:**

- Impartiality in making decisions was a requirement for all NSOs.
- Written declarations by all board members listing conflicts of interest.
- Consultation was needed prior to making decisions.
- Board confidentiality should be balanced against the obligation to communicate board decisions with stakeholders.
- Board members with various skills such as financial and marketing skills should be recruited.
- It was considered essential for board members to have integrity and leadership skills to make the tough decisions for the good of sport.
- Lobbying and cronyism sometime resulted in lack of transparency.

### *1.2 Diligence in overseeing all governance matters.*

#### **Practical examples provided by the focus group:**

- Codes of conduct should be developed and they should be detailed with transparent procedures. They should also be signed off by NSOs.
- Strong risk management procedures were considered necessary.
- Understanding legal responsibilities was considered an important aspect of ethical governance.

### *1.3 Fairness in dealings with all levels of sport.*

#### **Practical examples provided by the focus group:**

- Men still run sport (sport is a business). Women face financial and other barriers that inhibit their involvement at the national level.
- Child-minding facilities are required for officials and coaches.
- Second-tier sports (including women's sports) find it difficult to recruit quality board members.
- National boards have the responsibility to create a culture of fair and honest dealings within NSOs.

## Related Issues

There were two issues not specifically related to ethical governance, but these were considered important to note.

- Board leadership and recruitment was necessary for NSOs to be successful with strong emphasis on leadership recruitment and development. The type of leader should be decisive when required; however, they also should understand the need for collaborative partnerships. Emphasis was placed on the need to recruit and train

women for positions on NSO boards. It was suggested that mentoring women for future board roles and nurturing their skill development would generate the confidence of women to become more involved in sport at all levels and particularly with governance.

- Election processes were discussed with particular reference to the process. There was no consensus on states representation versus independent board members.

## **Topic 2 – Ethical Governance Best Practices from the Business Sector**

Examples of governance best practices from the business sector were discussed and the following were considered of importance to NSOs.

### *2.1 Transparency and disclosure of information to members.*

#### **Practical examples provided by the focus group:**

- Boards should develop a code of conduct for governance similar to businesses.
- Compliance with legal requirements by NSO boards is essential and board members must know the law and work within it.
- Financial accountability is required at all levels and particularly the national level should set an example.

### *2.2 Declaration of conflicts of interest.*

#### **Practical examples provided by the focus group:**

- A written declaration of possible conflicts of interest should be required from NSO board members.
- Sponsors and suppliers contracted at national level sometimes clashed with state commercial arrangements.
- Board members should not vote or participate in discussions on matters where there are conflicts of interests.

#### **Related issue:**

The following comment was worth noting.

- Business can also learn from sport. While sport has much to learn from the best practices in the corporate sector, businesses can also learn a great deal from sport, particularly in developing leadership, team building and a collaborative approach towards achieving goals. Sport cares more for its people than does business.

## **Topic 3 – Ethical Governance Challenges Faced by NSOs over the Next 3 to 5 Years**

Discussions on future governance best practices that should be adopted by NSOs identified the following ethical governance issues.

### 3.1 *Retain the traditional values of sport and provide a 'culture' for each sport.*

#### **Practical examples provided by the focus group:**

- The most important governance characteristic is for the people involved to have a 'passion for sport' irrespective of gender.
- Strong actions are needed to train younger women for future governance roles. The challenge is to prepare young women to fulfil the roles as board directors at national level.
- Mentoring and role models for women involved in sport governance were considered critical, if there were to be significant changes in the next 3 to 5 years.
- There were divided opinions among the focus group about sport being a leader in establishing community values or whether sport reacts to community pressures.
- While sport can be considered a business and there was merit in considering best practices (such as board structures, financial operations and various business organisational methods), it was essential that the values of sport should be retained.

### 3.2 *Equal opportunities for all sports participants.*

#### **Practical examples provided by the focus group:**

- Role models should be provided for women by working closely with other women's sport to introduce training and apprenticeships across similar women's sport.
- Smaller NSOs could merge many aspects of governance and share staff including the role of the chief executive, whose duties are similar across sports disciplines. The concept of 'super-boards' was raised and this may avoid duplication of governance. For example: bringing together a range of hardball women's sports. Also, the large sporting clubs and/or organisations in Australia and overseas could provide possible models.
- Clear selection criteria for board membership of NSOs taking into account equal opportunities could attract more women to national boards. For example: NSOs rules and procedures should apply nationwide to eliminate 'special arrangements' that sometimes apply in selecting state/territories representatives. These equal selection criteria can then provided a strong basis for NSOs.
- Funding inequalities were evident in women's sports. There was a need for better women's sports facilities and financial support for teams.
- Transparent decision-making at all levels enhanced equal opportunities with national boards setting examples.
- Boards need to become much more strategic, but retain an empathy with the stakeholders.
- The next generation will not be so 'hung up' on gender issues.

#### **Related issues:**

- Universities and other tertiary institutions should work with NSOs to provide experience in governance for mature-age students as part of

their education work experience. Short-term appointments of students to boards could have benefits by introducing younger women to governance. The practical experiences in governance, strategic planning and management should complement academic training.

- The viability of national women's leagues (and some men's sports leagues) was raised. Some leagues may not be financially viable because they are dependent on a single major sponsor and if this sponsorship is lost, the league could become a financial burden on the sport. NSOs with limited financial resources were often required to decide priorities between grass roots versus elite sport development.
- Globalisation of sport is likely to become a more important issue over the next three to five years. There is a threat that major decisions were being taken out of the control of NSOs. For example, an overseas team drafted a top woman player without her knowledge or consent, and no contact was made with either her club or the relevant NSO.

## APPENDIX 7.

### SUMMARY OF FOCUS GROUP 4 High Profile Olympic Sport

#### Background

The fourth and final focus group was organised to seek the opinions on ethical governance issues from national board members of a high profile Olympic sport representing one of the larger NSOs. The board met on this occasion in Sydney in June 2005 for a full day meeting with some board members flying in from other states. Although the board had a full agenda, approximately an hour was graciously set aside for discussion and feedback on ethical governance.

#### Methodology

There were 10 members on this board, with nine present on this occasion and they along with the Chief Executive Officer participated in the discussions. Information on the project was sent out with the board agenda papers so that board members would know some background of the project. At the meeting, members were asked to complete consent forms at the request of the University of South Australia that detailed how the information would be used. Also permission was obtained from the meeting to record the discussions. The purposes of the survey were outlined and a short introduction summarising the data was presented. Worksheets similar to those used by the previous focus groups allowed each member to record their written comments. At the conclusion of the focus group, both the written and recorded comments were then coded and the results are summarised below.

#### Statistical Information

• Number of focus group participants	10
• Responses to Topic 1 – Awareness of ethical governance issues	10
• Responses to Topic 2 – Best practices from the business sector	10
• Responses to Topic 3 – Challenges faced by NSOs over the next 3-5 years	10
Total Responses	30

#### TOPIC 1 - Awareness of Ethical Governance Issues in NSO's

Board members readily identified with the ethical governance issues they thought were important to their NSO.

##### 1.1 *Conflicts of interest at various levels.*

#### **Practical examples provided by the focus group:**

- Board members tend to look after their state interests first. Also, there were conflicts between the NSO and the international body on issues of control and management of the sport.



- Sometimes conflicts arose between the state academies/institutes and the NSO on the selection of athletes for representative teams.
- Another example of when a conflict of interest can arise is when ASC funding is used as a means of influencing NSO decision-making.
- Conflicts of interest sometimes exist between different sponsorships at national and state levels. But most times sponsorship was so hard to obtain, it's a matter of 'take what you can'.
- On a personal note, conflicts could arise when a board member has a personal interest in an athlete who is competing for a position on a national or Olympic team.

*1.2 Equal opportunities for all players/officials and board members to perform at their highest level. State academies/institutes and the NSO*

**Practical examples provided by the focus group:**

- Ceilings (for example age and sex) should be eliminated that might otherwise restrict abilities.
- A tender system should be used to award voting rights for events.
- All disciplines within the sport should be managed equally.
- In sport, women's events were under-represented.
- Applying equal opportunity was easy – the difficulty was showing consideration and ensuring the rights of all parties.

*1.3 Integrity in financial matters and impartiality in making policy decisions.*

**Practical example provided by the focus group:**

- Outside influences sometimes put pressure on the board. Without knowing all the facts puts strains on the integrity and impartiality of board members.

**Other Related Issues**

Other issues not specifically related to the topic, but still considered important were:

- How the board handles legal advice and balances the rules with the need for 'natural justice'. The comment was also made that some legal advice may not necessarily be ethical (see different approaches to dealing with ethical issues in Appendices 8, 9 &10).
- Trust was also identified as an important ethical issue with the comment that this must be developed and learned from the 'top down' (from the national level down through the states and to the clubs).

**TOPIC 2 – Ethical Governance Best Practices From the Business Sector**

Not much time was available for discussion of this topic, but an important comment was, 'that this board tends to be reactive rather than pro-active in developing best practices' and the question was raised about, 'how does the board change its decision-making to be positive rather than negative', that is 'how does the board lead, rather than follow?'

The best practices from the business sector that could be adopted by sport were identified as:

2.1 *Disclosure of easily understood financial and other relevant information on actions they (the board) take.*

**Practical examples provided by the focus group:**

- Education of board members on understanding financial accounts was needed, because they were the key indicators of a successful NSO.
- A separate audit committee as recommended in the Corporate Law Economic Reform Program was not warranted.

2.2 *Board members should be independent and abstain from voting on issues in which they have a conflict of interest.*

**Practical examples provided by the focus group:**

- As with other focus groups, there was a difference of opinion on the independence of board members (much of this related to some states and clubs needing to be represented at the national level).
- The inclusion of paid officials as voting members of boards was a relevant governance issue for this board.
- A mix of members with sports knowledge and business expertise could improve the structure of the board.

**A Related issue**

- This board wrestles with the ongoing challenge of balancing the need to conduct the sport as a business, with the need to be a service focussed, member-based organisation.

**TOPIC 3 – Ethical Governance Challenges Faced by NSOs over the Next 3 to 5 Years**

Before Topic 3 was considered, the discussion was on international ethical issues of trust, transparency and openness.

**International Ethical Governance Challenges**

The board members raised the following ethical issues during discussions on challenges faced by NSOs over the next 3 to 5 years. They are not in any order of priority:

- International decisions in sport are sometimes made by an unrepresentative group of sports officials who can unfairly influence the outcome of a vote.
- Some delegates vote on what is best for their country and not on what is best for the sport globally.
- It was up to national bodies to 'be strong' when it comes to making international sports decisions.
- There was a need to provide international delegates to world sporting organisations with strong policy guidance on important issues affecting the future of their sport.
- Contracting international athletes to represent Australia may not be possible because of financial considerations (business becomes the dominant issue).

- International sports bodies are moving down the path of developing and implementing international governance standards and policies, however there are a number of international organisations who 'would not know what ethics meant'.
- Australian sporting organisations at the state and national level can provide leadership at world level in various sporting fields, for example, by advocating the establishment of an international governance investigative body.
- Sometimes international sporting bodies are not transparent when making appointments of members to their world organisations.
- World sporting organisations need to be more accountable to their national bodies.
- Australian sport can establish best practices that may be adopted by other countries; therefore it is important to first put 'our own house in order'.

### **Future Priorities for NSO Ethical Governance**

Written comments on the future priorities indicated a significant depth of experience in national sport ethical governance issues and these are reflected in the priorities below:

#### *3.1 Retain the traditional values of sport (eg. fairness, honesty, discipline, character building and team spirit).*

##### **Practical examples provided by the focus group:**

- There is a perception that once an athlete has passed the pinnacle of his or her career, the next generation assumes the mantle and that the career is over. Transition of the athlete into other areas of sports development could channel this valuable expertise back into the sport.
- While traditional values were important to maintain, they must be combined with the development of a career platform that helps to prepare athletes for life after elite level competition.

#### *3.2 Transparent decision-making and fairness in business, administration and professional matters.*

##### **Practical examples provided by the focus group:**

- Dictatorial presidents can influence decision-making and leave a legacy of lack of trust.
- Board members should clarify their business interests.
- There is a need to balance fairness to competitors with the overall interests of the sport.
- Good communication with all members is built on transparent decision-making.

## **APPENDIX 8: CODE OF ETHICAL GOVERNANCE FOR AN NSO BOARD**

Governance of NSOs is a complex task and the development of codes of conduct for boards could make decision-making more transparent, honest and fair. They are widely used by businesses and other organisations. Often, these codes (or charters) are proudly displayed in offices and workplaces, but they seem to have little relevance to the policies and behaviours of the organisation. In this context they can be a 'waste of time - but they can also be valuable (McNamee, 1995: 155).

When codes were raised as an ethical governance issues, there was some ambivalence about their importance. A high 82% of respondents to the survey considered that NSOs should, 'provide codes of ethics that are detailed, understood and enforced', yet when respondents were asked to consider priorities for future ethical governance best practices, only 5.4% thought that, 'an enforceable code of ethics or policy specifying the behaviours expected of board, officials and managers' was important'. Also, none of the participants in the focus groups raised codes of conduct as an important issue. Because of this mixed response, a compromise is offered that proposes some ethical principles as part of a code of ethics, should any NSO wish to proceed with a code of conduct for their board.

### **Key Components for a Code of Conduct**

An ethical approach should be an integral part of all board decisions and any code should contain ethical governance principles. To assist boards that may wish to develop 'governance codes of conduct' the following information outlines the key components of such a code. Some specific ethical governance principles can be drawn from these ideas for inclusion in a 'code'.

### **Section 1: Governance Code of Conduct**

#### **Components**

The following components should be considered when developing a governance code of conduct:

- Clearly define and identify the roles and responsibilities of board members specifying the terms of appointment, decision-making processes when voting on issues and the independence of directors. This should also include a commitment by the board to comply with the sport's code and ethical governance principles (as outlined below).
- Indicate a commitment to compliance with applicable Australian Laws.
- Outline risk management processes that specify regular reviews of liabilities.
- Approve financial management processes, including reporting of honest, accurate and independently audited details to members.

- Adopt, implement and enforce an ASC approved anti-doping policy compliant with the World Anti-Doping Code.
- Include details of any other code/s of conduct already approved by the board.

## **Consultation**

Although NSOs are responsible for the governance of their sport, it is important that the code of conduct for board governance is 'owned' by the membership of the sport. Therefore preparation of such a code should include wide consultation with the members and other stakeholders.

## **Review**

A review of the code should be undertaken at regular intervals and particularly after an election of new board members who need to be committed to the governance code under which they will operate during their term of office.

## **Further Information**

There are a number of sources available to assist NSOs develop a code of conduct for the governance for board governance. Standards Australia has an Australian Standard on '*Organisational Codes of Conduct*' (Standards Australia, 2003) and there is an accompanying publication on *Good Governance Principles* (Standards Australia, 2004). Another useful publication is *Principles of Good Corporate Governance and Best Practice Recommendations* (Australian Stock Exchange Corporate Governance Council, 2003). This publication was produced in response to the government legislation on Corporate Law Economic Reform Program (CLERP) and it details the responsibilities under law of companies to enhance corporate law accountability. A useful business example detailing the role of boards and committees was found in the BHP Billiton 2004 Annual Report (BHP Billiton, 2004).

## **Section 2: An NSO's Commitment to Ethical Governance**

The ethical governance topics (outlined below) have been drawn from the issues rated as 'high priority' by respondents to the survey on ethical governance of NSOs. The intention is to provide content material for consideration when an NSO develops a governance code of conduct.

### **The NSOs' Major Ethical Commitment**

The future development of sport in Australia rests to a large extent on the quality of governance at the top level and therefore NSOs should make a major ethical commitment to, *maintain the traditional values of sport with emphasis on fairness, honesty, discipline, character building and team spirit.*

### **Ethical Governance Obligations**

A number of ethical governance obligations arise out of the major ethical commitment (above) for NSOs. Although the board acts as a corporate entity,

board members as individuals should also consider their personal commitment to the ethical obligations below to:

- *Behave with integrity and honesty* in dealings with sponsors, players/officials and members. This means a 'level playing field' for all and no 'cronyism'.
- *Provide equal opportunities* for all players, athletes and board members to perform at their highest level. That is, treat everyone with respect.
- *Ensure fairness and openness in dealings* at all levels, whenever possible. Some board issues require confidentiality, but where possible, making information 'non-public' should be limited to avoid a culture of secrecy.

### **Specific Ethical Governance Issues and Topics**

NSO respondents raised a number of specific governance issues and topics with ethical elements to them. These should be given consideration when drafting a code of conduct for NSO boards:

- Disclosure and Transparency Obligations
- Disclosure and transparency should ensure that clear, accurate and relevant information is made available to members and other stakeholders on all matters affecting the accountability of the particular NSO. This includes financial disclosures, policy changes, disciplinary determinations, and any matters that could influence the public image of the sport. The importance of disclosure and the need for transparency were highlighted in government legislation (Parliament of Australia: Schedule 9: 233-247).
- Conflicts of Interest
- Inevitably conflicts of interest will arise and mechanisms need to be put into place that will deal with either existing or potential conflicts of interest. Board members should be required to take all reasonable steps to avoid any conflicts of interest and if these conflicts do arise, board members should declare the specific conflict and seek to absent themselves from discussions and voting on these issues. If there is a fundamental conflict between the personal ethics of a particular board member and the ethical philosophy of the NSO that makes impartial involvement in board decisions untenable, that board member should resign.
- Independence of Board Members
- The independence of board members is an issue on which there was no unanimity among NSOs. Some NSOs are either changing or considering changes to their constitutions. This will allow the majority of their board members to be independent of such influences as state/territories interests, particular membership pressure groups and commercial dealings that provide unfair advantages. If there are

conflicts of interest they should be declared and the procedure as outlined above on conflict of interest followed.

- Best Practices
- Although ethical principles rarely change, codes of conduct need to take account of the changes in societal attitudes towards ethics and values. Best practices should therefore be regularly reviewed and updated by the board.
- Ethics Committee
- There are some advantages in establishing an ethics committee; but ethics should permeate all decisions made by the board. There was little support from NSOs for a separate ethics committee because the board as the responsible corporate body cannot disassociate itself from the final decision, which should be fair to all parties involved.

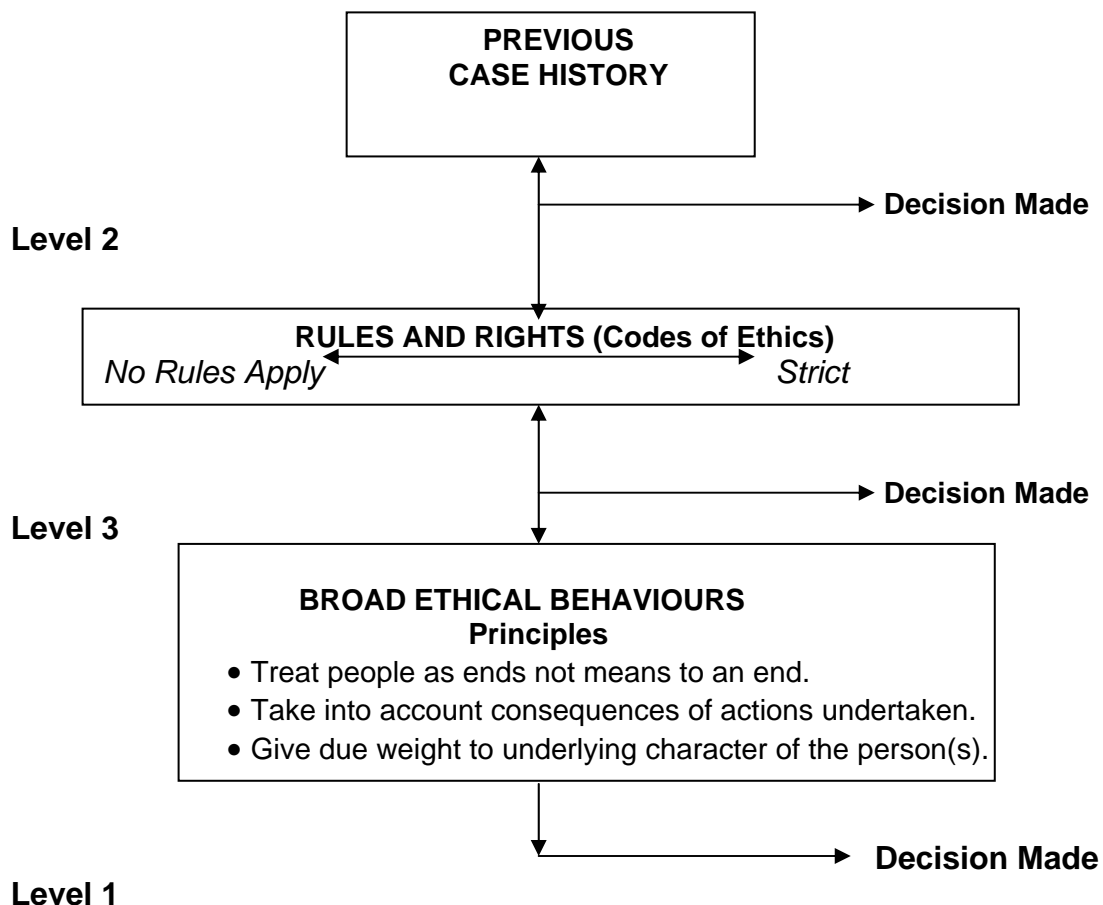
## APPENDIX 9: ETHICAL DECISION-MAKING PROCEDURES

All NSO board decisions involve varying degrees of ethical decision-making; most are usually straightforward and are therefore resolved effectively and efficiently as simply another business item on the agenda. It is only when there are a number of alternatives and no “right” answer that boards are faced with situations that could lead to conflicts or clash of principles. Each board member brings to the decision-making process his/her personal ethics and values. These may differ from those of other board members, therefore it is important that a way is found to reconcile personal and group (corporate) decision-making in order to make “good” (or ethical) board decisions supported by sound reasoning and fairness. The steps below may assist board members to make the best possible decisions in each situation by commencing procedures at the right level, so saving confusion, valuable time and resources. The steps below were adapted from both biomedical (Veatch, 2003: 2-9) and business (Grace and Cohen, 1998) ethical theory. In addition, an ethical decision-making model is provided that should assist NSOs to deliver a decision based on integrity, honesty, equality, fairness, transparency and openness with all stakeholders involved.

### Levels of Ethical Decision-Making

Each level of decision-making is autonomous and it is possible to move from one level to another in either direction, but level 1 may be a good place to start the decision-making process, because it is here where most ethical issues are likely to be solved. The following diagram indicates the levels involved and this is followed by a more detailed description.

#### Level 1





## Previous Case History

This is an approach to ethics that addresses case histories or previously settled cases in an attempt to identify morally relevant similar and dissimilar features. Usually, when NSOs are faced with an incident or situation, it is reported to the board and discussion begins on the appropriate action by the board that will resolve the issue. In most cases there are historical precedents that can be called upon to provide a comparison and then a decision based on past experiences can usually be reached. Most boards develop policies that work on the principle that when dealing with similar ethical matters, incidents or situations (called precedents) they should be treated alike. If board members agree that the new situation or incident under consideration is similar in all relevant aspects, the problem can be resolved. However there are dangers in using previous case histories, because no matter how similar, each case will differ and the *value judgments* made are different no matter how similar the cases.

## Level 2

### Rules and Rights (Codes of Conduct)

Sport has such a strong element of competition based on the *rules* that govern the activity. In practice, it is likely that most ethical governance issues that arise can find satisfactory answers within the rules. Along with *rules* go *rights* and there is a need to balance these two elements, in for example, a code of conduct or charter. The term *natural justice* is increasingly being used by sports tribunals convened for adjudicating on behaviour violations. It is in this context of rules and rights that the natural justice concept of fairness needs to be included, which will assist the decision maker(s) to act without bias.

## Level 3

### Broad Ethical Behaviours

When more difficult decision-making is required, three principles from the “normative” school of ethics might be of assistance to NSOs.

### Principles

- *Treat people as ends not means to an end.*  
This is an important element from deontological theory that suggests that ethical behaviour is really about what we *ought* to do in certain situations.
- *Take into account the consequences of the actions undertaken.*  
This approach tries to estimate the likely consequences of each option and to suggest the best possible (or least damaging) outcomes given the circumstances. Consequential or utilitarianism ethical theories are frequently a way of understanding what will be the result of the ethical choices that are available.

- *Give due weight to underlying character of the person(s).*  
In this approach, there is less emphasis on rules and more emphasis on the character underlying the person's actions. Concentrating on identifying and developing the good character traits of individuals should be the starting point, it is the principle of 'right action' and it is called 'virtue ethics'. A more detailed discussion of this concept is provided in Appendix 10.

## **ETHICAL DECISION-MAKING MODEL FOR SPORTING ORGANISATIONS**

### **(Example Only)**

1. Define the problem and identify clearly the key ethical governance issues.
2. Identify the individuals, teams, clubs and/or associations involved and affected by the decisions that may be taken.
3. List all possible solutions to the ethical governance issues. Taking into account honesty, fairness, rights, existing policies, rules, legal obligations and integrity of the organisation.
4. Evaluate alternative solutions to determine if one or a combination of solutions stands out. Take into account short and long-term consequences.
5. Apply the 'Sun Light Test'. That is, "can the ethical decision about to be made stand scrutiny by anyone, particularly those most affected by the decision". All actions and decisions should be capable of being transparent to the public gaze. For example, how would you feel if everyone who you respect and admired knew what decisions you had just made, because they were on the front page of daily paper or on the six o'clock TV news that night?
6. Make your board decision bearing in mind you are the ethical leaders of your sporting organisation.

### **Communicating the Decision**

Having made a decision, it is important to give some thought to how the result is communicated to the various individuals and organisations involved. All parties involved may not necessarily agree with the decision reached, but they should clearly understand the process involved and how the final decision(s) were reached fairly, in good faith, and without bias.

## **APPENDIX 10: ETHICAL LEADERSHIP FRAMEWORK**

Much has been written and said about leadership with many types of theories promising winning results; but success at any price is not acceptable and the reputation of athletes and sports organisations can be damaged if inappropriate behaviours such as unfair tactics, cheating, lack of honesty, and unequal opportunities to compete fairly are discovered. As Ruben Hernandez in *Managing Sports Organisations* points out, 'idealistic principles are in a state of crisis; materialism and financial profit have gained the upper hand' (Hernandez, 2002:4), therefore *ethical* leadership is more important than ever with NSOs needing to set the example. Some ideas on how to nurture ethical leadership are provided below.

### **Traditional Leadership**

Three traditional types of leaders include; autocratic (one man band), laissez-faire (free from direction) and democratic (all members have a say). More contemporary theories of leadership are described by Chelladurai in *Managing Organisations* (Chelladurai, 2001:305-320), and these include transformational leadership (visionary), charismatic leadership (possessing extraordinary gifts) and situational leadership (influenced by factors such as group goals and tasks in a particular social context).

The reality is, leadership cannot be compartmentalised and usually no one leadership style or type fits all circumstances, therefore the above descriptions are of little use in considering ethical leadership because the *quality* of leadership is not taken into account.

### **Another Leadership Approach – Virtue Ethics**

Rather than NSOs considering the traditional leadership types and styles with the emphasis on rules, judgements, codes of conduct and outcomes, it is suggested that boards concentrate on creating an environment (or organisational culture) that makes ethical behaviour of board members and officials an integral part of the organisation's character.

An important key to this approach goes back to the classical traditions of Plato and Aristotle; they focused on creating virtues such as integrity, courage, compassion, honesty and trust. These are skills that can be learned as part of developing a "culture" within the organisation. In this approach, the focus shifts to character building among board members by an education process over time. As Trevor Slack points out, 'developing the individuals sense of moral responsibility must be the long-term goal' (Slack, 2004:320).

Corporate ethical behaviour of board members should by all means use rules, guidelines, policies and codes of conduct; but these will not always be adequate to handle new or unanticipated circumstances. For example, competitiveness and toughness are thought to be characteristics of business, but, 'many experienced business leaders suggest that trust is the moral cement of the business world' (Beauchamp and Bowie, 2001: 35). Sporting organisations can learn from business as they place a high priority on good governance requirements.

Top management at board level in sport must be committed to implementing ethical behaviours and a consistent and ongoing effort must be maintained to introduce ethical reforms right through the organisation at national, state, regional and club levels. The findings in the report are evidence of the commitment to ethical governance by NSOs. So the signs are good.

### **Using Ethical Leadership**

Boards need to be aware of any changes in societal culture and values that might affect attitudes pertaining to sport. This research has highlighted such a shift. Ethical leadership is considered a prerequisite to good governance and has wide industry backing. Communicating about change is the basis for the following suggestions for NSO boards:

- An ethical leadership approach should be developed within NSOs, emphasising a collaborative leadership approach when making decisions, which reflect personal values and integrity' (Daly J W, 2004: Recommendation 5).
- Board members should not only have high ethical standards in their personal lives, but they should also be able to transfer these values/standards into their sporting and administrative roles.
- Careful selection of board members who share the vision, possess the required skills and have the ability to work together will make ethical leadership possible. Although it is recognised that selection of board members is not always possible when elections return board members with specific agendas.
- When new board members are elected, the entire board should undergo an orientation process that reassesses past performances and establishes new goals that are not only management, but also ethically oriented. It is not possible for board members (especially new ones), to be aware of all the detailed rules and operational procedures, therefore it is suggested that a broad based visioning approach should be adopted in any orientation process.
- A collaborative (team) leadership approach by the board based on fairness, honesty with selves and others will set an example to stakeholders, particularly members.
- When difficult ethical issues arise, the board should consider seeking independent expert advice.
- NSOs should set aside time to consider governance issues as part of their on-going education and this process should include developing ethical leadership.
- Because the focus is on the character of the person and not on the rules, regulations, codes of conduct or structural mechanisms, virtue ethics should be given a high priority.

**Ethical leadership by the board members of NSOs requires *courage* in making decisions for the good of the sport.**

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