Issues of governance in sport organisations: A question of board size, structure and roles

Abstract

Governance is a critical component of the effective management of a sport organisation. Due to the changing nature of sport organisations, most notably the movement to adopt business models of operation, questions of appropriate forms of governance have attracted increasing research attention in the sport sector. This paper reviews the governance literature in sport management, and discusses issues of board roles and board composition. Four governance theories are presented to help us better understand how to interpret the function of board roles in sport organisations. The governance requirement for board of sport organisations in Taiwan is presented as an example of one approach to governance. We conclude by suggesting future research directions and the practical implications associated with board governance.

Keywords: sport governance; board composition; board role

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Introduction

Contemporary sport organisations face an array of performance pressures from the public, the organisations' members and the government. Escalating pressures include increased revenue generation, attracting higher membership numbers, and the provision of more member services, while at the same time producing world champion athletes or teams. Governance is a critical component of managing a sport organisation since it is concerned with issues of policy and direction for the performance of sport organisations (Ferkins, Shilbury, & McDonald, 2005; Hoye, 2006; Hoye & Auld, 2001).

With an appropriate governance system in place, organisational activities can be monitored to deliver benefits to sport organisations, members and society (Hoye, 2006; Mason, Thibault, & Misener, 2006). The failure to have an appropriate governance to control and monitor sport organisations can result in withdrawal of sponsorship, decline in membership numbers and participation and possible intervention from external agencies (UK Sport, 2004). In a governance system, the board is a critical mechanism because its main responsibility is to make certain that the activities of the organisation are carried out in the best interests of the organisation, its members and society. Good corporate governacne acts to ensure that sport organisations are viable and effective in the present and future (Australian Sports Commission, 2005). However, in spite of the importance of effective governance, it has been acknowledged that little research has been undertaken to investigate sport governance (Forster, 2006; Hindley, 2003).

The purpose of this paper is to examine current literature about sport governance and board governance and to identify research gaps. To do this we briefly discuss the unique characteristics of sport organisations and present definitions of sport governance. Literature regarding sport governance with a particular emphasis on board governance, board roles and board composition is reviewed followed by a

discussion of existing models of governance. The case of Taiwanese governance is presented as a model of governance due to its unique characteristics in board structure.

Sport organisations and definitions of sport governance

Sport organisations exist to provide sport products and services in the sport industry (Chelladurai, 2005). Many researchers have documented the distinctive characteristics of sport organisations and the list is relatively consistent (Chelladurai, 2005; Slack & Parent, 2006; Smith & Stewart, 1999). One critical difference between sport organisations and business organisations is the way they measure performance (Smith and Stewart, 1999). The main purpose of business organisations is to make a profit. On the other hand, fans or members of sport organisations commonly measure performance on the basis of championship. Profits made by a sport organisation might not satisfy fans and members if it finishes a season at the bottom. While many sport organisations such as sporting good manufacturers and athlete management companies are considered as for profit organisations, the majority of sport organisations that provide participation opportunities and promote sport are categorized as nonprofit sport organisations (Hoye & Cuskelly, 2007). A nonprofit board ensures that a sport organisation conducts its mission without striving to make a profit and that the benefits it creates are delivered to its members or individuals it exists to serve (Hoye & Cuskelly, 2007). A volunteer board at the top of hierarchy of authority is the most common governance structure present in sport organisations (Kikulis, 2000).

While there has been no one agreed definition of sport governance, Hums and Maclean (2004: 5) defined sport governance as 'the exercise of power and authority in sport organisations, including policy making, to determine organisational mission, membership, eligibility, and regulatory power, within the organisation's appropriate local, national, or international scope.' Hoye and Cuskelly (2007:9) defined sport governance as 'the structure and process used by an organisation to develop its strategic goals and direction, monitor its performance against these goals and ensure that its board acts in the best interests of the members.'

These definitions encapsulate four concepts: power, direction, control and regulation. Governing sport organisations includes granting certain people within sport organisations *power* to do something they would not have otherwise done. Governance also includes giving sport organisations a *direction* or a strategy designed to achieve their goals. *Controlling* function is the third concept of sport governance. Activities of sport organisations should be controlled to ensure that the activities are congruent with organisations' interests and that sport organisations work toward an agreed direction. The last concept is *regulation*. It involves establishing rules, guidelines and policies for members to follow. If necessary, sport organisations could impose punishment if compliance requirements are not met (Ferkins et al., 2005; Hoye & Cuskelly, 2007; Hums & Maclean, 2004; Slack & Parent, 2006).

These concepts suggest that sport governance aims to ensure that the board seeks to deliver outcomes for the benefits of sport organisations and their members and that the means used to achieve these outcomes are monitored effectively (Hoye & Cuskelly, 2007). In a sport organisation, the board is generally granted power to establish or ratify strategies, monitor activities carried out to achieve strategies and impose punishment if members violate rules. While sport governance does not only concern the board, the board plays a vital role in sport organisations and defining sport governance. Therefore it is relevant to understand the literature on board governance and the findings of previous governance research in sport management.

Governance research in sport management

Extant governance research in sport management has been mainly concerned with governance in global sport organisations (Forster, 2006), corporate governance in professional sport clubs (Michie, 2000; Michie & Oughton, 2005), applying agency theory to sport organisations (Mason, 1997; Mason et al., 2006), and board and staff relationships (Hoye, 2004, 2006). Table 1 provides a summary of existing governance literature in sport management.

Insert Table 1 here

In research on governance problems in global sport organisations (GSOs), Forster (2006: 72) defined global sport organisations as 'the supreme organs of governance in sport whose authority is global'. These organisations include the International

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Federation of Football Associations (IFFA), the International Olympic Committee (IOC), the International Association of Athletic Federations (IAAF) and so forth. Forster (2006) argued that some of these organisations have self-governance problems. For example, the Court of Arbitration for Sport (CAS) was formally separated from the IOC in 1993/94 but the president of CAS is a vice president of IOC. Therefore, there have been questions about the impartiality of CAS due to its association with the IOC. There also have been a number of scandals within the IOC and FIFA concerning the ethical behavior of board members (Davies, 1999).

The governance issues of the IOC have generated much discussion. The IOC has conducted several reforms in its structure and governance, such as changes to the age of retirement, limiting terms of IOC member to eight years subject to re-election, including active athletes and presidents of international federation as members. However, Mason et al. (2006) argued that the IOC should do more. They suggested that the IOC members should have more stakeholders who have benefits from IOC, such as media and corporate sponsors. Moreover, they suggest that three control systems should be introduced into the IOC, including decision hierarchies, mutual monitoring systems and a board of directors. More importantly, management and control functions should be separated. The board should be responsible for control functions and agents handle management functions.

Hoye and Auld's (2001) study of board performance of Australian sport organisations found that effective boards are better at conducting their responsibilities than ineffective boards, in aspects such as financial management, setting and reviewing the mission, conducting meetings, strategic planning, monitoring program performance, risk management, selecting board members, and marketing. Hoye and Cuskelly (2003) also found that board-executive relationships were perceived positively by effective boards but less so by ineffective boards. They asserted that mutual trust, board leadership, information control and responsibilities were key elements in board-executive relationships and was related to board performance.

Based on the leader-member exchange theory, Hoye (2004) found that 'that board chairs and executives perceived the quality of their leader-member exchanges to be higher than their respective relationship with board member' (p.55) and that the board

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performance was positively related to the perception of higher-quality leader-member exchanges. Following this, Hoye (2006) went on to explore further aspects of the leader-member relationship. He found that the organisational leadership was derived from either board chairs or executives. A mature working relationship was developed when executives supported leadership of the board chair.

Researchers have used board of directors as respondents to examine issues of cohesion (Doherty & Carron, 2003), and perceptions of distributive justice (Mahony, Hums, & Riemer, 2002, 2005). Canadian voluntary sport organisations have been investigated for organisational change (Amis & Slack, 1996; Amis, Slack, & Hinings, 2004b; Auld & Godbey, 1998; Cousens, 1997; Kikulis, 2000; Kikulis, Slack, & Hinings, 1995; Stevens, 2006). Auld and Godbey (1998) discussed the relationship between professionals and board members in the change process, such as conflicts over the control of decision making. Amis and Slack (1996) examined the organisation's size-structure relationship when organisations were engaged in the change process. The latter study also found that most decisions were made by board members and did not decentralize to the professionals. Table 2 summarizes the research partially focusing on governance in sport organisations.

Insert Table 2 here

Within the growing governance literature in sport management there has been increasing attention on board governance due to the importance of boards in the decision making and strategic direction of organisations. Additionally, many countries have introduced legislation and policies governing the composition of boards, and funding bodies have started to tie monies distributed to sport organisations to aspects concerning board composition. The next sections will discuss board governance, particularly board composition and board roles.

Board Roles

Board roles vary according to industry and organisational type, including profit organisations, (Blair, 1995; Clarkson, 1995; Fama & Jensen, 1983; Huse, 2005; Lynall, Golden, & Hillman, 2003; McNulty & Pettigrew, 1999), nonprofit organisations (Cadbury, 2002; Carver, 1997; Houle, 1989; Pointer & Orlikoff, 2002)

and sport organisations (The Australian Sports Commission, 2005). Table 3 exhibits the range of these differences.

Insert Table 3 here

Empirical investigations of what board members actually do in their sport organisations (Inglis, 1997;Shilbury, 2001) is rather sparse. Inglis (1997) surveyed executive directors, board presidents and board members of Canadian Provincial Sport Organisations to empirically investigate the board roles and found that board roles include four factors and 16 items. These were: *Mission*—ethical responsibilities, following charters, and keeping policies in line with mission; *Planning*—financial policy, budget allocations, human resources and long-range plans and strategies; *Executive Director*—hiring and monitoring of the executive directors as well as concern for fulfilling legal responsibilities; and *Community Relations*—developing and delivering specific programs and services, representing the interest of certain groups, raising funds, and promoting advocacy and community relations. A significant difference in the perception of importance and performance for the board roles between paid staff and board members and male and female members was found and Inglis (1997:174) suggested, 'understanding additional explanations for varying perceptions of the roles by gender should be a focus for further research.'

Miller-Millesen (2003) asserted that while there are different governance theories regarding board roles, there is no grand governance theory covering all board roles because each governance theory focuses on different roles of board members. He posited that theoretical origins of the best practice of board roles come from agency theory, resource dependence theory and institutional theory.

Agency theory
Agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976) can be used to frame the relationship between CEOs/managers (agents) and owners (principals). From this perspective the board is a mechanism to monitor managerial behavior and to assure that managerial activities are aligned with the principals' interests (Fama & Jensen, 1983; Rhoades et al., 2000). The board of directors should control CEOs/managers and ensure that their organisation engages in activities that are

congruent with community expectations (Clarke, 2004; Fama & Jensen, 1983; Gibelman, Gelman, & Pollack, 1997; Miller-Millesen, 2003; Rhoades et al., 2000). The board roles, therefore, include hiring, replacing, monitoring, assessing and compensating CEOs/managers, developing missions, approving and evaluating programs/services, allocating resources, managing finance, as well as ratifying major strategies/decisions made by management (Fama & Jensen, 1983; Fligstein & Freeland, 1995; Forbes & Milliken, 1999; Miller-Millesen, 2003). The concept of owners is not directly relevant to many nonprofit sport organsations. Mason et al. (2006) argued that "principals" in nonprofit sport organisations are the parties that receive the benefits of the achievements. This could be the organisation itself and multiple stakeholders, such as members, clients, governments, volunteers, society and sponsors. In this schema the agents are the paid staff responsible for the organisation's operation. The board of directors is the mechanism to ensure that paid staff behaves in a manner that befits the interests of multiple stakeholders.

While agency theory addresses the monitoring and controlling role of a board it has limitations. Firstly, agency theory is a simplified model. It assumes there are only two main participants—the principal and the agent—in organisations (Daily, Dalton, & Cannella, 2003). In reality, organisations are comprised of more than two members. A board interacts with organisational members other than just CEOs/managers, such as providing consultation to other members. Secondly, it is likely that when CEOs/managers serve an owners' interests, their interests are satisfied at the same time (Lane, Cannella, & Lubatkin, 1998). Therefore, the board may not only monitor CEOs/managers but also assist CEOs/managers to achieve organisational goals. Thirdly, to protect their careers and reputation in the managerial market, CEOs/managers are likely to behave in a manner aligned with the owners' interests (Kosnik, 1987). In this situation, the board may pay less attention to monitoring CEOs/managers. An additional limitation of agency theory is that organisations operate in an open system, and they influence and are influenced by the external environment in which they operate (Chelladurai, 2005). However, agency theory assumes that board effectiveness is only associated with good monitoring functions. Therefore, researchers have used resource dependency theory, institutional theory and stakeholder theory to further explain the relationship between organisations and the external environment.

Resource dependency theory

Resource dependency theory states that organisational survival is based on organisational capabilities to acquire and maintain resources essential to the organisation (Pfeffer & Salancik, 1978). In resource dependence theory the board of directors serve as a mechanism connecting their organisations with external resources (Hillman, Cannella, & Paetzold, 2000; Miller-Millesen, 2003). The duties of directors are to reduce external uncertainty, access needed information, bring resources and represent the organisations (Daily, Dalton, & Rajagopalan, 2003; Hillman et al., 2000; Lynall et al., 2003; McNulty & Pettigrew, 1999; Miller-Millesen, 2003). Resource dependency theory is mainly used to explain the roles of nonprofit board (Miller-Millesen, 2003). When organisations are in a stable environment, the board is less likely to engage in helping organisations access to external resources in this case, the board may primarily engage in administrative functions (Miller-Millesen, 2003).

Institutional theory

In complement, institutional theory emphasizes the importance of normative structure and rules in guiding and constraining organisational behaviors (Lynall et al., 2003; Miller-Millesen, 2003). The main concept behind the institutional theory is that a particular pattern of doing things evolves over time and becomes legitimated. The organisation changes structure, processes or behaviors to meet normative or moral requirements (Luoma & Goodstein, 1999; Pfeffer, 1982). As such, if boards have similar roles, it is the result that these roles have become accepted ways or have been a result of coercion (Miller-Millesen, 2003). Board roles in institutional theory include attending meetings, adhering to related laws/regulations, filing required documents, insisting on sound financial management tools and avoiding conflict-of-interests situations (Ingram, 2003; Miller-Millesen, 2003). Through coercive, mimetic or normative processes, organisations of the same type will gradually become similar (DiMaggio & Powell, 1983). Organisational practices are also able to be predicted by reviewing organisational history or industry traditions (Eisenhardt, 1988).

Institutional theory does not fully explain why and how organisations are likely to resist change. Resistance come from the opposition of interest groups, high cost of change or lack of understanding of change (Slack & Parent, 2006). In this situation,

the board may have to enter into negotiation with members in order to accept change or develop alternative strategies to replace the change. For some types of organisations, such as nonprofit national sport organisations, failure to comply with institutional expectations may result in, for example, the loss of government subsidies. Therefore, the government may force nonprofit national sport organisations to accept change even though they may be psychologically resistant. In this situation, it is likely that compliance is just symbolic so that the institutional force has little impact on the organisation (Luoma & Goodstein, 1999; Stone, Bigelow, & Crittenden, 1999). The board may just complete required paperwork rather than strategically engage in change.

Stakeholder theory

Stakeholder theory can also be used to better understand the board roles in sport organisations. Stakeholder theory contends that the organisation should govern the relationship with various stakeholders (Clarke, 2004). For profit sport organisations, stakeholders include shareholders, employees, members, and supplies. For nonprofit sport organisations, there are many stakeholders and these can include sponsors, funding bodies, staff, general public, communities, and government (Australian Sports Commission, 2005). Organisations can serve a wide range of social purposes and create value for its stakeholders (Blair, 1995; Clarke, 1998; Clarkson, 1995). Due to these multiple stakeholders, organisations have to balance the interests of various stakeholders and the primary board role is to identify, understand and satisfy the needs of stakeholders (Carver, 1997). However, shareholders/owners own equity, and have rights to manage and control organisations and the board may be asked by shareholders/owners to perform tasks that do not necessarily meet stakeholders' interests. The board may spend much of its time on communicating, negotiating or develop multiple programs for various stakeholders.

Each theory explained above has been based on corporate governance rather than on sport governance. While research on sport governance has been increasing, there have been a few empirical studied that focused on board roles in sport organisations (Inglis, 1997; Shilbury, 2001). Among the few studies, no theoretical frameworks were applied. The above theories offer a foundation for sport governance. Sport researchers can examine whether these theories can be transferred from corporate governance.

Moreover, researchers have argued that no single theory can fully explain the range of board roles and responsibilities. Thus it seems that a multi-theoretic approach will best help us to understand board roles (Clarke, 2004; Miller-Millesen, 2003).

Board Composition

Does size matter?

There are a number of propositions about the optimum size of a board. Agency theory suggests that board members are selected to manage relationships between the board and the manager and board size should be enough to prevent managerial hegemony (Miller-Millesen, 2003). Resource dependence theory advocates that a large board has the ability to link the organisation to the external environment and secure critical resources as well as being likely to provide the knowledge and skills needed (Goodstein, Gautam, & Boeker, 1994). Pfeffer and Salancik (1978:172) noted 'the greater the need for effective external linkage, the larger the board should be.' If boards are trying to reduce external uncertainty, board members should have explicit abilities to reach their goals and the board size should be large enough to provide a wide diversity (Abzug, 1996; Luoma & Goodstein, 1999). Zahra and Pearce (1989) asserted a large board size means the company has a better ability to understand and respond to diverse stakeholders. They also argued that a large board size could reduce the possibility of the CEO's control of the board and provide more talent to lead the organisation. Chaganti, Mahajan, and Sharma, (1985) and Zahra and Pearce (1989) have empirically demonstrated that firms with a good financial performance have a larger board size (10-15 board members) than failing firms.

However, Herman (1981) and Goodstein et al., (1994) contend that large boards are weak boards as in-depth discussion becomes unlikely; diversity, contention, fragmentation and factions make it harder for the board members to work as a group and reach an agreement. Large boards may also be less participative, less cohesive and less likely to reach an agreement. Difficulties in communication and inhibition of the strategic action might exist which in turn limits the board members' contributions (Dalton, Daily, Johnson, & Ellstrand, 1999; Forbes & Milliken, 1999; Goodstein et al., 1994). Jensen (1993) suggested that a small board can help organisations improve

performance. Empirical studies have also shown that small boards can help firms gain better financial performance (Daily, Certo, & Dalton, 1999; Yermack, 1996).

It is apparent that empirical studies on board size have inconsistent findings. Most researchers have found that the board sizes are larger in nonprofit organisations (Callen, Klein, & Tinkelman, 2003; Cornforth & Simpson, 2003; Provan, 1980; Unterman & Davis, 1982) with sometimes as many as 30 members (National Center for Nonprofit Boards, 1996; Oster, 1995). With a large board, nonprofit organisations can have better ability to access external resources and can satisfy the desire of the volunteers' involvement. Some nonprofit researchers had also tried to determine if there is a linkage between board size and board performance. Olson (2000) found that there is a positive relationship between board size and donations. However, in other research Miller, Weiss, and MacLeod (1988) and Bradshaw, Murray and Wolpin (1992) discovered that the board size was not related to board performance.

In summary, the question of board size remains controversial. However, there is a relative consensus that nonprofit organisations have a larger board than profit organisations whose survival is mainly dependent on external resources, such as donations or government subsidies. When an organisation needs external resources to survive, it tries to recruit as many board members as possible to secure external resources and to create an extensive networking (Brown & Iverson, 2004; Miller-Millesen, 2003; Rhoades, Rechner, & Sundaramurthy, 2000). Little research is conducted to examine the issue of board size in sport organisations. However, it is reasonable to anticipate that profit sport organisations will have a larger board size than nonprofit sport organisations.

Board Independence

Board independence has been primarily explored using agency theory. Agency theory argues that to effectively monitor the CEO/manager, organisations should have a monitor mechanism in place that can oversee and control CEOs/managers and protect the stakeholders. In turn, organisations will have a better performance (Fama & Jensen, 1983; Finkelstein & Mooney, 2003; Rhoades et al., 2000). An independent board or board with outside members is widely considered an appropriate mechanism (Fama & Jensen, 1983). Agency theorists suggest that a dependent board or a board

with insiders, such as current or former managers/employees of the organisation, or those who are dependents of the organisations, is less likely to monitor the CEO and the independent board is more vigilant to oversee CEOs/managers (Dalton, Daily, Ellstrand, & Johnson, 1998; Fama & Jensen, 1983). Establishing a board with mostly external members is useful to connect with multiple stakeholders and can include voices and understanding from various stakeholders.

There is almost uniform agreement in the literature that an effective board is independent (Dalton et al., 1998). Jensen (1993) noted that CEOs/managers can be board members because they generally have intimate knowledge of the organisation and their knowledge can help the board make appropriate decisions. Links between board independence and financial performance have been inconclusive, finding the relationship positive (Dalton et al., 1998; Rhoades et al., 2000; Zahra & Pearce 1989), negative (Agrawal & Knoeber, 1996; Beatty & Zajac, 1994; Kesner, 1987; Pearce, 1983), and not related (Bhagat & Black, 1999; Chaganti et al., 1985; Finkelstein & Mooney, 2003; Hermalin & Weisbach, 1991; Johnson, Ellstrand, & Daily, 1996; Kesner, 1987). In summary, board independence is regarded as a mechanism of organisations to monitor CEOs/managers. When this mechanism is effectively in place, CEOs/managers would act in the interests of stakeholders and in turn benefit organisational performance. In sport governance, we know little about the issue about how organizational effectiveness and success relates to board independence.

Governance structures in Taiwanese sport organisations
The unitary board is the most common structure found across western countries. The unitary board of directors is characterized by one single board and it is responsible for all aspects of the organisation's activities and all board members are working to achieve the same goal (Mallin, 2004). Sport organisations in Australia, United Kingdom and United States are organized by a unitary board structure. However, according to Taiwan's Corporate Law (section 216-227), corporate boards in Taiwan are divided into two groups—a board of directors and a board of supervisors. This is a unique characteristic of Taiwan's governance, and the boards of Taiwanese sport organisations.

In Taiwan, the legal base for a profit sport organisation established as a company limited by shared is the Corporate Law. According to Taiwan's Corporate Law, corporate boards in Taiwan, similar to Germany and Japanese boards, are divided into two groups—a board of directors and a board of supervisors (Yeh & Woidtke, 2005). The Taiwan's Corporate Law (section 192-215) stipulates that the directors are elected by a general meeting of shareholders. The minimum number of directors is three. The chairman is elected by board members and the CEOs/managers are nominated by the chairman or board. Therefore, the CEO is responsible for the chairman of the board, the chairman is responsible for the board and the board is responsible for the shareholder meetings. Moreover, Taiwan's Corporate Law (section 216-227) stipulates that companies limited by shares should have a board of supervisors. Supervisors are elected by the general meeting of shareholders and the minimum number of supervisors is two. Current employees, boards of directors and managers are forbidden from serving as supervisors.

Nonprofit sport organisations, in Taiwan, are asked to register as a "judicial person" under related supervising government bodies, such as the Ministry of the Interior. The Civil Code (section 25-58) is the legal base for Taiwan's nonprofit sport organisations. It stipulates basic requirements as to governance, establishment, and operation of nonprofit organisations. The Civil Organisation Law serves as a role in complementing the Civil Code. The Civil Organisation Law articulates the application procedure. Thirty founding members are required when starting a new nonprofit sport organisation. This is followed by a formal review and approval process by the government. National associations apply to the Ministry of Interior and local associations apply to municipal or county government (Lu, 2000). The Civil Organisation Law requires the nonprofit sport organisations to set up the board of directors and the board of supervisors. The maximum number of the board of directors of civil organisations at the national level is thirty-five. The maximum number of civil organisations at the province and county levels is twenty-five and fifteen respectively. The maximum number of the board of supervisors is one-third of the number of the board of directors of the civil organisations at any level. The Civil Code and the Civil Organisation Law do not stipulate the roles of the board of directors and the board of supervisors but request nonprofit sport organisations to regulate these roles.

According to the Minister of the Interior of Taiwan (2005), before 1987, the number of national-level nonprofit sport organisations was 54 and there were not any local-level nonprofit sports organisation. In 1991, there were 118 and 653 nonprofit sport organisations respectively in the national and local levels. These numbers have been continually increasing. In 1995 and 2000, the number of nonprofit sport organisations at the national level was 197 and 402; at the local level, the number was 922 and 1,509. In 2005, the number increased to 624 in the national level and to 2,378 in the local level.

Governance research is a relatively new area of investigation in Taiwan. Much attention so far has been placed on corporate governance (Filatotchev et al., 2005; Lee & Yeh, 2004; Solomon et al., 2003; Yeh & Woidtke, 2005). Solomon et al. (2003) investigated the board of directors in Taiwan's listed companies. Their results showed that most directors acknowledged that their roles are important to their companies. Respondents also indicated that the board size and outside directors can influence company performance. Accordingly, the development of the nonprofit sector in Taiwan spans fewer than 20 years. It is not surprising that research in this setting is sparse. Indeed, the research effort was not on nonprofit organisations in Taiwan until the mid-1990s (Hsiao, 2000). The empirical study of governance of nonprofit organisations has just emerged in recent years (Kuan, 1998, , 2003; Kuan et al., 2003; Tseng, 2002). Kuan (1998) examined nonprofit social welfare foundations in Taiwan. He found that many board members are passive in their organisations. Most members only ratify decision made by executives and their supervisory role is very weak. Tseng (2002) surveyed 571 nonprofit organisations regardless of their fields. His findings showed that 70 percent of the board members were male; the majority of board members graduated from higher education institution and many had business background. 20 percent of the boards played a role as councilors that decided on annual activities and budgets. In strategic activities, 40 percent of nonprofit organisations have built cooperative relations with other organisations for securing resources. Academic institutions were the most popular resource partners. Tseng called for in-depth research to clearly define what the roles of nonprofit boards are and to better understand the nonprofit sector.

In summary, there is growing research into governance of Taiwanese organisations. However, this effort has been largely located within corporate governance in the commercial industry. Few studies have been carried out in the sport setting and the nonprofit sport organisations have yet to be a focus. The growth of Taiwan's nonprofit sport organisations occurred at a rapid speed. This swift growth does not mean there is appropriate governance in place. Without empirically examining the governance of nonprofit sport organisations, the government and the public have no way to assess the information of their internal management. No one can guarantee that they have self-discipline without external stakeholders' examination. Moreover, research has not examined issues as to the dual board structure of Taiwan' profit and nonprofit organisations. Investigations of governance of Taiwan's nonprofit sport organisations will be breaking new ground.

Conclusion

Governance is a critical component of managing sport organisations, how to best monitor organisational activities, deliver benefits to organisations and guide an organisation is critical to organisational sustainability. The board plays a significant role in a governance system because decisions made by the board can affect the entire organisation. The literature review presented here has suggested that we can draw on existing theories to understand how boards work and to use this information to design appropriate board structures for sport organisations. Empirical studies should be conducted to examine board composition in sport organisations, such as board size and board independences.

Future research is needed to explore the differences in board roles and board composition between profit and nonprofit sport organisations, between national and local sport organisations, between professional and amateur sport organisations, and between Western and Non-Western sport organisations. It has been argued here that sport organisations are in a dynamic and competitive environment (Amis, Slack, & Hinings, 2004a). Comparing the differences in board governance within sport sector can help sport organisations understand themselves and their rival organisations and in turn stand out in a competitive environment. According to an ancient Chinese military treatise, titled the Art of War written during the 6th century BC by Sun Tzu, if you know both yourself and your enemy, you will come out of one hundred battles

with one hundred victories (Tan, 2001). Moreover, examining differences in board governance between sport and non-sport sectors can not only help us clarify differences between sport sector and non-sport sectors but also help researchers develop a framework or a theory for sport governance.