

Institution: LEEDS METROPOLITAN UNIVERSITY
Unit of Assessment: UNIT 19: BUSINESS AND MANAGEMENT
Title of case study: Corporate Governance in the Rugby Football League
<p>1. Summary of the impact</p> <p>Our research on corporate governance theory and frameworks provided the basis for a Knowledge Transfer Partnership between Leeds Business School and the Rugby Football League (RFL) to develop a corporate governance framework for the RFL and its associated professional clubs and charitable foundations, which helped to promote more effective governance practice, leading to improvements in financial and operational sustainability. A diagnostic tool was developed on the basis of the underpinning research, reflecting a dynamic, processual view of governance with complex stakeholder interrelationships, thus helping to improve governance systems and processes and awareness of, and accountability in, the clubs' stakeholder environment.</p>
<p>2. Underpinning research</p> <p>During the 1990s, Thomas Clarke, the first Professor of Corporate Governance in the UK, undertook path-breaking research on the theoretical underpinnings of corporate governance. In a key article, Clarke (1998) highlighted the paradox of contemporary management – the simultaneous growth of emphasis on shareholder value in the context of global competition and a renewed emphasis on business values and the social and environmental responsibility of business. Clarke examined the relevance of stakeholder theory to resolving this paradox, arguing that a stakeholder approach could be not just a moral imperative but a commercial necessity.</p> <p>Work on the theoretical basis of corporate governance was continued by Letza, Sun and Kirkbride (2004) who addressed the polarisation in the debate on corporate governance between shareholder and stakeholder perspectives, arguing that established assumptions and presuppositions underpinning these perspectives were rarely questioned. Downplaying the dichotomised and static approach in the mainstream research, this paper called for a new mode of thinking in analysing corporate governance, concluding by proposing an alternative processual approach as providing a better basis for understanding the heterogeneity and dynamics of corporate governance practices.</p> <p>The case for a processual approach to theorising corporate governance was elaborated further in Kirkbride, Letza and Sun (2005), arguing that the need to restore investor confidence while seeking to facilitate and encourage enterprise required a shift away from the shareholder versus stakeholder paradigms of corporate governance. Recognizing the tensions that exist in the regulation of corporate governance this paper argues for the application of a 'collibratory' process to regulatory governance (i.e., continually managing and fine-tuning existing governance tensions in a balancing process without a pre-set equilibrium). The development and reform of directors' duties and liabilities in the UK provides an illustration of the need for this. This theme of theoretical development was continued in Letza, Kirkbride, Sun and Smallman (2008), providing a detailed critique of the assumptions behind the shareholder versus stakeholder perspectives relating to the nature of the corporation and governance structures. They argue for a conception of corporate governance as a complex social process requiring a pluralistic perspective, accommodating the shareholder and stakeholder models as the extremes of a continuum.</p> <p>The key strands of this theoretical work on corporate governance were further explained and developed by Sun (2009) who sought to demonstrate that the failure of corporate governance in the late twentieth century and early twenty-first century parallels the severe limitations of mainstream theoretical models of corporate governance. Sun provided two conceptual models to elaborate and make more concrete the proposed processual approach to understanding the fluidity, complexity and heterogeneity of corporate governance realities. The first is a three-dimensional process model of corporate governance, highlighting corporate governance as a continually developing, evolving and contextualised governing nexus of economic and social</p>

interrelationships and interactions. The second is a dual process model which conceives the social construction of corporate governance emerging from a dialectical fusion of experiential-practical process and ideal-constructive process.

3. References to the research

Clarke, T. (1998) *The Stakeholder Corporation: A Business Philosophy for the information Age. Long Range Planning*, Vol. 31, No. 2, pp.182-194.

Letza, S., Sun, X. and Kirkbride, J. (2004), 'Shareholding versus stakeholding: a critical review of corporate governance', *Corporate Governance: An International Review*, vol. 12, no. 3, pp. 242-246. (Article in top ten most cited in the last decade published by the journal [http://onlinelibrary.wiley.com/journal/10.1111/\(ISSN\)1467-8683/homepage/anniversary_virtual_issue.htm](http://onlinelibrary.wiley.com/journal/10.1111/(ISSN)1467-8683/homepage/anniversary_virtual_issue.htm))

Kirkbride, J., Letza, S. and Sun, X. (2005), 'Corporate governance: towards a theory of regulatory shift', *European Journal of Law and Economics*, vol. 20, no. 1, pp. 57-70.

Letza, S., Kirkbride, J., Sun, X. and Smallman, C. (2008), 'Corporate governance theorising: limits, critics and alternatives', *International Journal of Law and Management*, vol. 50, no. 1, pp. 17-32.

Sun, W. (2009), *How to Govern Corporations So They Serve the Public Good: A Theory of Corporate Governance Emergence*. New York: Edwin Mellen Press.

4. Details of the impact

A key example of the impact of this research has been the complex case of governance in the Rugby Football League (RFL), a federal organisation which had to sustain the sport, improving the regulation of its own governance and governance practice in the individual clubs, including Super League and the lower divisions. The vehicle for this was a Knowledge Transfer Partnership (KTP) between Leeds Business School and the Rugby Football League (RFL) from 2010 to 2013, the aim of which was to develop and implement a corporate governance framework for the RFL and its associated professional clubs.

The context for the KTP was the difficult financial state of the sport caused by poor governance of the RFL and the clubs. The key tension in developing effective governance has been between financial sustainability and cultural sustainability, with clubs contributing to the identity and sense of value of Northern towns which have experienced major social and economic challenge and change. The RFL faced a difficult challenge of governance in a complex environment including other league organisations, clubs, charitable foundations and links to the wider community.

The KTP aimed to develop an effective governance framework to deal with this complexity, focusing on the development of an online diagnostic tool for use by the clubs. The construction of this tool was informed by the research of Sun, Letza and Kirkbride, emphasising the processual nature of governance, and the importance of ongoing dialogic engagement in a complex social environment to balance competing interests and tensions.

To enable this, the diagnostic tool was designed to develop a sense of individual and collective responsibility for sustaining and developing the sport by focusing attention of boards and members on:

- the meaning and practice of leadership and governance in the context of the sport;
- the roles, responsibilities and practice of the board and members;
- the ongoing process of dialogic engagement with key stakeholders, ensuring the both widest possible awareness of the social environment and of the mutual impacts of stakeholders, and increased accountability;
- processes of effective communication of the value of good governance with all stakeholders.

The diagnostic tool was initially used by RFL member clubs and all the clubs will have used it by the end of 2013. Due to the success of the project and the benefits to the clubs, the scope of the

Impact case study (REF3b)

project was widened to include 20 charitable foundations associated with the clubs (established for closer community links). Use of the tool has helped clubs improve governance and financial performance. The completion of the diagnostic tool is now mandatory for the receipt of central funding for clubs in the Championship and Championship 1 divisions of RFL competitions and must be completed by all clubs seeking to apply for a Super League Licence in 2014.

The RFL has acknowledged that prior to the KTP there was a lack of awareness of the importance of governance in both the RFL and clubs and, indeed, a degree of cynicism. The benefits and impact of the KTP are described by the RFL in the KTP Final Report¹. The KTP has helped to increase knowledge and understanding about governance and the need to analyse risk and implement appropriate systems and processes. There has been a major shift in the culture of the RFL through this improved understanding, which has been disseminated across the sport with clubs increasingly realising that more effective governance should deliver improved financial performance. The RFL has subsequently undertaken its own governance review, which drew heavily on the improved knowledge acquired through the KTP.

The use of the diagnostic tool has been an important element in a collaborative approach to governance and its development. It ties directly in to RFL's wider strategy for improved governance, including the licensing of clubs, based on explicit criteria (developed from the framework), and on-going dialogue between clubs, and between clubs and the RFL, about the meaning and practice of governance. This has improved responsibility for governance and leadership and accountability and improved RFL's awareness of on-going issues in the clubs, enabling early and more proactive support and avoidance of problems. There is already evidence of improved financial performance (see KTP Final Report), and an expectation that this will improve further in the future (for example with TV and sponsorship funding increasing by 10-15%), thus improving club sustainability.

The process of developing good governance through the RFL has also helped with cultural sustainability, not least through clubs' increased involvement with the charitable foundations, with in turn a focus on good governance in those foundations.

5. Sources to corroborate the impact

(1) The final report for the Knowledge Transfer Partnership contains a description of the impacts and benefits by the Rugby Football League as Company Partner; see:

(2) The Report has been independently assessed and awarded an overall grade of 'Very Good'. Letter from Technology Strategy Board can be accessed at:
http://forms.ktponline.org.uk/printtemplates/store/GL_KTP008192dbcbc386-9ed2-427b-992a-55f95a67e078.pdf

References available from:

- Director of Licensing and Standards, Rugby Football League
- Director of Finance and Central Services, Rugby Football League
- KTP Adviser
- KTP Graduate - Governance Framework Developer