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THE ‘CODIFICATION’ OF GOVERNANCE IN THE NON-PROFIT SPORT SECTOR IN THE UK

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ABSTRACT

1. Research question: Codes of governance have proliferated in recent years, yet academic research on why boards adopt and implement codes remains limited. This research focuses on the non-profit sport sector in the UK and looks at why codes have been adopted by a board of a non-profit sport organisation.

2. Research methods: The research draws on a longitudinal case study of board processes in a national governing body of sport in the UK, drawing on non-participant observation of board and committee meetings, interviews and document analysis.

3. Results and Findings: We identify that the initial adoption of a code of governance is a way to create external legitimacy. Once adopted, a code of governance can strengthen internal legitimacy and reinforce board members’ perceptions that the board is well governed. These two processes of legitimising are mutually reinforcing, serving to ensure that codes of governance become institutionalised at the board level. At the same time, while codes typically emphasise the importance of board members making autonomous decisions, in our case board members perceived that codes often constrained board autonomy.

4. Implications: This is the first article to provide an ‘insider’, board-level perspective on code adoption in the non-profit sport sector. It also enhances debate on the role of legitimacy in code adoption, by distinguishing between external legitimising as a formal, impersonal process, and internal legitimising, which typically unfolds through discussion, negotiation and reflection.

Key words: Codes; Governance; Codification; Boards; Non-profit sport organisations

Word count: c. 8,900
INTRODUCTION

In the twenty-first century, codes of governance have become widespread (Aguilera & Cuervo-Cazurra, 2009). Cuomo et al. (2016) show how poor corporate behaviour in 2002 and the financial crisis in 2008 precipitated two ‘peak’ periods during which new codes emerged and existing codes were updated. This proliferation led Nordberg and McNulty (2013, p. 348) to argue that governance codes are now ‘an important worldwide phenomenon, affecting both how businesses set policy and how governments weigh the need for regulation’. In the last decade or so, this ‘codification of governance’ has also spread to the public and non-profit sectors. More specifically – and this provides the context for this article – it has spread to the non-profit sport sectors of many countries.

Despite the rapid proliferation of codes, academic research on codification is relatively scarce. Almost ten years ago, Aguilera and Cuervo-Cazurra (2009, p. 385) identified a ‘lag between advances in the creation of codes and the studies analysing them’ and while research has advanced since then, it is still limited. Early research focused almost exclusively on codification in the for-profit sector and on three main issues, namely: the reasons behind the emergence of codes (Aguilera & Cuervo-Cazurra, 2004; 2009; Enione et al., 2006); the content and nature of the codes themselves (Dawson & Dunn, 2006) and the relationship between code compliance and firm performance (MacNeil & Li, 2006). Cuomo et al. (2016) showed that research has grown since 2008, although the focus has remained on firm-level studies and on surveying compliance statements, looking at why firms deviate from code recommendations and looking at code compliance and firm performance. Therefore, despite the recent growth in academic studies, we still know very little about codification in the public and non-profit sectors and very little about how boards, and board members, interpret and respond to codes of governance (Seidl, 2007).
This article seeks to address this lack of board-level understanding through an in-depth analysis of codification in the UK non-profit sport sector, drawing on a longitudinal case study of the board of a national governing body of sport (NGB). We aim to provide insight into two fundamental and inter-related questions. First, why do boards of non-profit sport organisations adopt codes of governance? Second, how do board members perceive codes of governance? These require analysing how board members talk about codes, how they discuss codes in board and committee meetings and how they negotiate around codes. We explore these questions through a broad institutional framework and through a focus on the concept of legitimacy.

There are three main contributions. First, we offer an ‘insider’ board-level perspective on codification. As noted, there has been very little focus on processes of code adoption within organisations and, more generally, most research on organisational governance has failed to open the ‘black box’ of board process (Leblanc & Schwartz, 2007). Second, we provide a more theoretically-informed discussion on code adoption, drawing on the concept of legitimacy. The ‘insider’ perspective allowed us to explore the legitimising processes at the centre of code adoption and we contribute to theoretical debate by: drawing a distinction between external and internal legitimising; demonstrating how legitimising processes operate through perception and discussion of codes; and showing how board members also perceive codes as constraining board autonomy. Third, in light of the increasing importance of governance in the non-profit sport sector, this article provides an empirically-grounded study in code adoption and highlights existing research to those sport management scholars not currently familiar with research around codification.

CODIFICATION OF GOVERNANCE

Codification of governance is often portrayed straightforwardly – as an immediate and necessary response to specific corporate failures. Yet academic analysis (e.g., Seidl, 2007) suggests it
is actually a much more complex process, or set of processes, which unfold over time. Nordberg and McNulty (2013) explain how codification developed following the long-term shift from proprietorial capitalism to institutional investment, which brought with it the requirement for organisations to demonstrate good governance in order to satisfy institutional investors. Likewise, Aguilera and Cuervo-Cazurra (2009, p. 380) argue that ‘companies, as well as countries, seek to make their corporate governance practices more effective, in part as a consequence of corporate governance scandals, but also to attract investors’. This suggests that codification might, in fact, be best understood through a broad institutional framework, in which various organisations are seen as seeking to position themselves in relation to others. This makes sense, as it can be argued that codes of governance are institutional ‘forces’, which constitute various interests, relations and meanings (Sahlin & Wedlin, 2008). In addition, codes can become taken for granted; they are self-reinforcing, in the sense that while they shape behaviour; they inscribe meanings that further shape behaviour; and they provide a framework on which to judge organisational behaviour (Sahlin & Wedlin, 2008).

Some previous research has drawn on institutional ideas to understand code development and adoption at a macro level (Aguilera & Cuervo-Cazurra, 2004; Enrione et al., 2006; Okhmatovskiy & David, 2012; Seidl, 2007; Seidl et al., 2013; Zattoni & Cuomo, 2008). In relation to code development, Aguilera and Cuervo-Cazurra (2004) identified the growth in codes of governance across 49 countries and demonstrated that a common-law legal system, a lack of shareholder protection rights, high levels of government liberalisation, and a strong presence of foreign institutional investors were key factors underpinning their emergence. In subsequent research, they identified at least 196 codes of governance across 64 countries by the middle of 2008, suggesting, at a basic level, that exogenous, institutional pressures had led to strong demand for codes of governance (Aguilera & Cuervo-Cazurra, 2009). Similarly, Enrione et al. (2006) argue that ‘precipitating jolts’ (e.g., corporate governance failures) in the 1980s led to the emergence of new actors, such as institutional investors and market regulators, developing rules and regulations
around governance that underpinned a shift in the norms and expectations around organisational behaviour.

In relation to code adoption, Aguilera and Cuervo-Cazurra (2009) and Nordberg and McNulty (2013) explain how codification in the for-profit sector brought with it the requirement for organisations to demonstrate good governance. Likewise, Ebrahim (2010, p.11), in his analysis of accountability in the non-profit sector, argues that the adoption of codes is a way to ‘send signals of good housekeeping to the outside world’. Thus, research to date suggests that organisations developing codes of governance are responding to institutional pressures, while those adopting codes are also positioning themselves within a particular institutional environment. Within this broad institutional framework, we argue that codification can most usefully be understood through a specific focus on the concept of legitimacy.

Legitimacy, as defined by Suchman (1995, p. 574), is a ‘generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions’. The importance of legitimacy leads organisations to adopt particular forms or structures, not necessarily because they are more efficient or productive, but because they confer legitimacy within the institutional environment (Meyer & Rowan, 1977; Selznick, 1996). In adopting codes, it can be argued that organisations are seeking to gain legitimacy. Seidl (2007) argues that this is derived in large part from the narrative that underpins the codes, namely that they are considered ‘best practice’. However, he also argues that the emergence of codes leads to self-reinforcing behaviour, whereby organisational actors observe how others adhere to codes, reinforcing the need for others to adopt the code. In summary, then, we can understand the development and organisation-level adoption of codes as a ‘hunt’, or a ‘battle’, for legitimacy within a broad institutional environment, reflecting the traditional claims that legitimacy is a phenomenon external to the organisation (Drori & Honig, 2013).
Yet, to date, there has been very little empirical exploration of the adoption and implementation of codes within organisations, i.e., how codes are interpreted by key organisational decision-makers and how they become embedded (or not) within ongoing organisational practices. Enrione et al. (2006, p. 964) recognised this, when they argued that we need to better understand how governance enactors, such as large shareholders, senior management and board members, understand and interpret codes of governance and how this shapes organisational responses. This, in turn, recognises that legitimacy is a cognitive process (Suddaby & Greenwood, 2005) and thus requires a focus on the ‘purposeful and the everyday mundane actions through which individual and collective actors….attempt to disrupt, maintain, or create institutions’ (Muzio et al., 2013, p. 700).

Recently, Drori and Honig (2013) examined organisational legitimacy through a longitudinal, process-oriented study. They argued that the creation of legitimacy is both a process of external and internal forms, yet academic research has overlooked the role of internal legitimacy and how it emerges within organisations. They define internal legitimacy as ‘the acceptance or normative validation of an organizational strategy through the consensus of its participants, which acts as a tool that reinforces organizational practices and mobilizes organizational members around a common ethical, strategic or ideological vision’ (Drori & Honig, 2013, p. 347). Significantly, they argue that only by examining the internal response to external legitimation can we understand ‘the social formation of legitimacy as a dynamic process’ (Drori & Honig, 2013, p. 349).

When applied to codification, it is clear that there is a lack of understanding as to the role of internal legitimacy. If we argue that codes of governance represent ‘cultural schemas and configurations regarding ‘how things are done’’ (Drori & Honig, 2013, p. 349), we need to understand the role that both external and internal legitimacy play in maintaining their ongoing importance. This requires a focus on how board members, as key organisational decision-makers,
perceive codes of governance; how (if at all) codes become embedded and taken for granted within the context of the board; and what the implications of these processes are for boards. Teasing out these issues, however, is far from straightforward. As a number of authors have noted (e.g., Cornforth, 2012; Leblanc & Schwartz, 2007; Roberts et al., 2005), research on organisational governance tends to be ‘distant’ from its objects of inquiry, relying on cross-sectional, quantitative research designs.

Adopting a process-oriented approach is more likely to enable understanding of board-level interaction and decision-making, but this involves the kind of longitudinal, ‘insider’ research designs that are often difficult to achieve, due to difficulties in gaining access to boards (Leblanc & Schwartz, 2007). Moreover, even if it is possible to gain access to boards, this does not mean that board members will explicitly discuss whether they adopt codes for legitimacy and/or other purposes. As discussed above, codes can nurture a ‘self-activating social process’ (Seidl, 2007, p. 712) that may be difficult to observe and interpret. Nevertheless, it is crucial to try to understand codification at the board level. If we accept that boards are ‘decision-making groups whose internal processes and external context should be better understood’ (Pugliese et al., 2009, p. 301), then it is clear that we can only really understand codification if we understand how and why board members interpret and use codes of governance in ongoing processes of discussion and decision-making. In this article, we seek to do this in the non-profit sport sector in the UK.

CODIFICATION OF THE NON-PROFIT SPORT SECTOR IN THE UK

Over the past 20 years, as part of the ‘modernisation’ of the non-profit sport sector in the UK, there has been an increasing focus on the governance of NGBs (e.g., Grix, 2009: Houlihan & Green, 2009; Tacon & Walters, 2016). This has involved a number of policy prescriptions, including the development of governance monitoring systems and – the focus here – several codes of
governance. During the period in which this research took place, three codes of governance were developed (see Table 1). The first was developed in 2004 by UK Sport, the non-departmental public body, which oversees elite sport development in the UK, in collaboration with the Institute of Chartered Secretaries and Administrators. The second was developed in 2011 by the Sport and Recreation Alliance (SRA), the umbrella body that represents the interests of NGBs in the UK, in consultation with a range of sport organisations. (A second edition was published in 2014.) The third was issued in 2012 by Sport England, the non-departmental public body, which oversees community-level sport in England, setting out six key governance criteria for NGBs to meet in order to be eligible for funding. While the UK Sport document was labelled a ‘guide’ and Sport England’s a ‘governance strategy’, the expectation that NGBs meet certain governance standards means that they were de facto codes of governance. These codes represent tangible elements of modernisation within the non-profit sport sector and reflect an attempt by central government (through the national sport agencies) to modernise the governance of NGBs, with a focus on their boards. They also display characteristics typical of governance codes: they are grounded in ‘best practice’ and were developed by committees of individuals that claim expertise in this area (Seidl, 2007).
<table>
<thead>
<tr>
<th>Code</th>
<th>Issuer</th>
<th>Year</th>
<th>Description</th>
<th>Main principles/criteria addressed</th>
</tr>
</thead>
</table>
| **Good governance: a guide for national governing bodies of sport** | UK Sport                           | 2004       | Developed in collaboration with the Institute of Chartered Secretaries and Administrators, as part of the broader UK Sport ‘Modernisation programme’.                                                                                                                                  | - The governing board  
- The individual board member  
- Supporting the board  
- Stakeholder engagement  
Compliance                                                                                                                                                                     |
| **Voluntary code of good governance for the sport and recreation sector** | Sport and Recreation Alliance      | 2011; 2014 (2nd edition) | Developed by the Sport and Recreation Alliance, following consultation with a range of organisations, including Sport England, UK Sport, the British Olympic Association, The British Paralympic Association, SkillsActive and Birkbeck, University of London. | - Integrity: acting as guardians of the sport, recreation, activity or area  
- Defining and evaluating the role of the board  
- Delivery of vision, mission and purpose  
- Objectivity: balanced, inclusive and skilled board  
- Standards, systems and controls  
- Accountability and transparency  
- Understanding and engaging with the sporting landscape                                                                                                                                 |
| **Sport England governance strategy: on board for better governance** | Sport England                      | 2012       | A document that set out six key governance criteria that National Governing Bodies of Sport have to meet in order to be eligible for Sport England funding.                                                                                                                                                                                                 | - A skilled and diverse board  
- Appropriate board remit, ideally up to 12 members, strategic focus  
- Decision making at the right level  
- Well led board, at least 25% independents, usually 2 x 4 year terms  
- Legal structure allows open recruitment to board  
- Transparent and accountable                                                                                     |
RESEARCH DESIGN

This research is based on an in-depth, qualitative case study of the board of a non-profit sport organisation – a national governing body of sport (NGB) in the UK. We follow a number of authors (e.g., Cornforth, 2012; Pettigrew, 1997; Roberts et al., 2005) in seeing governance as a set of ongoing processes and thus we argue that to understand it, we need to better understand the context and dynamics of organisational life. We were initially interested in how and why NGB board members individually and collectively made decisions within the wider context of the modernisation of the non-profit sport sector. In studying this, it became clear that codification of governance could be seen as a specific ‘tool’ of modernisation and that it affected the board and the wider organisation in important ways.

Case study background

The case study organisation is an NGB that is constituted as a company limited by guarantee and acts as the development agency for two sports within the UK. The organisation receives the majority of its funding through Sport England, the non-departmental public body that distributes funding from central government and the National Lottery to support community-level sport in England. The organisation was governed by a board of 12 members: an independent chair, six ‘federation’ directors (three representatives from each of the two national federations of the sports it represents), and five independent directors. In addition, the two chief executives attended the board, as non-voting, but very significant, participants. The board also had four committees: the Development and Strategy Committee; the Governance Committee; the Finance Committee; and the Commercial Committee.
Gaining access to the board and its committees was the crucial step that enabled us to carry out the research. Here, one of the chief executives was the initial ‘gatekeeper’. She recognised the growing importance of governance within the sector and was keen for some independent analysis of the way the board functioned. As such, she (and the rest of the board) invited us to attend meetings, conduct interviews and analyse documents and we, in turn, produced two independent reports for the board. Our approach could be considered ethnographic, in the broadest sense, in that we sought an ‘insider’ perspective on how the board functioned. However, unlike traditional ethnography, we did not seek to offer a holistic account of a culture-sharing group (Madden, 2010).

Data collection

We began the research in November 2011 and continued through to July 2016, with three main waves of data collection (see Figure 1). We collected data through direct observation of board and committee meetings, semi-structured interviews and analysis of key organisational documents (see Table 2). Observation and interviews allowed us to gain insight into the processes of interaction, discussion and decision-making that characterise the ongoing ‘work’ of organisations (Langley et al., 2013) and it allowed us to begin our study with a broad focus. Early in the data collection, as noted above, codification emerged as an important issue. The SRA code was launched in late 2011 and we observed how this was discussed at board and committee meetings. During the interviews and in subsequent observations, we sought to examine further how board members interpreted and ‘used’ codes in ongoing processes of discussion and decision-making.
Figure 1: The research period

- **2000**
  - Founded

- **2004**
  - First Whole Sport Plan funding bid submitted to Sport England

- **2007**
  - Becomes limited company

- **2008**
  - Second Whole Sport Plan funding bid submitted to Sport England

- **2009 – 2013**
  - Second Whole Sport Plan funding period
  - First research period, comprising observations of board and committee meetings and seven interviews

- **2012**
  - Third Whole Sport Plan funding bid submitted to Sport England

- **2013 – 2017**
  - Third Whole Sport Plan funding period
  - Second research period, comprising four interviews

- **2016**
  - Fourth Whole Sport Plan funding bid submitted to Sport England

- **2016**
  - May 2016 – July 2016
    - Third research period, comprising observations of board and committee meetings and eleven interviews

- **2017**
  - Third Whole Sport Plan funding period
<table>
<thead>
<tr>
<th>Observations</th>
<th>Interviews</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Annual General</td>
<td>Joint CEO (separate) (twice)</td>
<td>25 sets of board minutes</td>
</tr>
<tr>
<td>Meetings</td>
<td>(A)</td>
<td>(November 2011-February 2016)</td>
</tr>
<tr>
<td>7 Board Meetings</td>
<td>Joint CEOs (together)</td>
<td>73 Sets of committee minutes</td>
</tr>
<tr>
<td>4 Governance</td>
<td>Chair (twice) (C)</td>
<td>(November 2011-April 2016)</td>
</tr>
<tr>
<td>Committee Meetings</td>
<td>7 independent directors (D-J)</td>
<td>7 Annual accounts (2008-2014)</td>
</tr>
<tr>
<td>1 Finance Committee</td>
<td>5 Federation directors (one interviewed twice) (K-O)</td>
<td>2 ‘Whole Sport Plans’ (2009-13 and 2013-17)</td>
</tr>
<tr>
<td>Meeting</td>
<td>Committee member (P)</td>
<td>2 ‘Balanced Scorecards’</td>
</tr>
<tr>
<td>1 Development and Strategy Committee</td>
<td>Senior staff member (Q)</td>
<td></td>
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</tbody>
</table>

**Data analysis**

We recorded and transcribed all interviews and we wrote up fieldnotes from all observations and interviews. We then imported this material into NVivo, along with a range of organisational documents (see Table 2). We coded the data using the ‘constant comparative method’ (Miles & Huberman, 1994) and followed the step-by-step analysis process outlined by Gioia et al. (2013). The first step involved us closely analysing the interview transcripts and fieldnotes, in order to understand how our research participants talked about the various issues relating to codification. Both authors coded the first two interview transcripts and sets of fieldnotes together and then coded the rest independently. We then met to discuss our findings and together produced a set of ‘first-order concepts’, expressed in the participants’ voices. We then grouped these together into ‘second-order themes’ (Gioia et al., 2013). This involved a series of discussions and multiple re-readings of the raw data. Finally, we identified from these second-order themes a smaller number of ‘aggregate dimensions’, which served as the basis for our understanding of codification. Figure 2 sets out the data structure that emerged from our analysis.
Figure 2: Data structure

First order concepts

- Governance acknowledged as ‘the hot topic’.
- Code implementation driven by funding demands.
- ‘Sport England only needs one excuse to cut funding to an organisation that’s not delivering.’
- ‘We’ve signed up and not done anything.’
- ‘We tick the boxes.’
- ‘Something we can use to navigate ourselves.’
- ‘We...get the principle out, look at the guidance.’
- ‘Making it present in the minds of the board members.’
- Embedding the code(s) into board culture.
- ‘We are doing what we are supposed to be doing.’
- Code(s) reinforcing board processes.
- Positive feedback from Sport England.
- ‘It...superficially scrutinises what the governing body does, because it doesn’t understand the governing body.’
- ‘SE are interested in well-governed sport, but have one recipe.’
- ‘I’m not sure we can flex our muscle against SE’s muscle.’
- ‘I sometimes wonder whether we’re over governing ourselves, because we’re such a small organisation.’
- The focus on governance takes away from the strategic role of the board.

Second order themes

- Recognising institutional pressure
- Symbolic gesturing
- Best practice
- Normalising the code(s)
- Developing an internal narrative
- Accountability tensions
- Conformance and performance challenges

Aggregate dimensions

- External legitimising
- Internal legitimising
- Constraining board autonomy
ANALYSIS

External legitimising

The first finding from this research is that board members adopt codes of governance in part to create external legitimacy, something found in previous research (Seidl, 2007; Seidl et al., 2013). All board members in our case study organisation recognised the external institutional pressure to appear to be well governed. For example, during a Governance Committee meeting in April 2012, one of the independent directors (D) noted that, for Sport England, governance was ‘the hot topic’. At the same meeting, one of the members of the committee from outside the organisation stated that ‘Governance is flavour of the month’. This recognition of the growing importance of board-level governance was reinforced by the emergence of the SRA’s (2011) Voluntary Code and Sport England’s (2012) Governance Strategy; together, these codes created an institutional environment in which external endorsement was recognised by board members as something that the board needed to work towards. This was a key reason the board members collectively decided to sign up to the Voluntary Code in late 2011 and to closely monitor, and subsequently seek to adhere to, Sport England’s Governance Strategy in 2012.

That this adoption was at least partly ‘legitimating’ was clear both from discussion within meetings and from individual interviews. For example, at the November 2012 board meeting, a year after signing up to the Voluntary Code, the chair stated openly, ‘We’ve signed up and not done anything’. Moreover, one of the federation representatives, in his interview, stated: ‘We tick off the individual items, we did what we’re supposed to do, we tick the boxes...Some people just sort of zone out during those periods.’ (Federation Director K). Meanwhile, the Whole Sport Plan – the bid document submitted to Sport England in 2012 that formed the basis for organisational funding between 2013 and 2017 – told a slightly different story. Here, it was stated that: ‘In 2011 [the organisation] signed up to the Sport and Recreation Alliance Voluntary Code of Good Governance.
[The organisation] has consistently focused attention on improving its governance, and the seven guiding principles provide a clear framework for this work going forward.

It is likely that this institutional pressure to be well governed – or, at least, to be seen to be taking steps to improve governance – was felt even more keenly by the board members in our case. As Guo (2007) argues, boards of non-profit organisations can be seen as a mechanism to legitimise government funding. Where an organisation is highly dependent on government funding, there is a critical need to demonstrate adherence to good governance to establish and maintain external legitimacy. Our NGB was highly dependent on funding from Sport England and this was reflected in discussions observed during board meetings around the relationship between the case study organisation and Sport England. One of the Federation Directors (N) stated in the February 2012 board meeting, ‘It helps if you speak the same language as the primary funder’. This was further supported in an interview with the same Federation Director (N) when he stated that ‘Sport England only needs one excuse to cut funding to an organisation that’s not delivering.’ As one of the independent directors (E) revealed in an interview:

Your Sport England guy is going to say, “Well, do you have a policy for this? Do you have a procedure for this? Does your board think that it works effectively?” Sorry. If I’m going to fill in a board evaluation that I know is going to Sport England, I’m not going to sit there and go, “I know our board is terrible, we can’t decide anything.” So it becomes very easy for lip service to be paid and hoops to be jumped through without actually really changing anything.

These quotes demonstrate how board members felt the need to demonstrate accountability to Sport England due to the funding relationship. As such, it suggests that the initial decision to sign up to the Voluntary Code of governance was in part underpinned by a symbolic, external, legitimising dimension, thus aligning with the traditional claims that legitimacy is a phenomenon external to the organisation (e.g., Scott, 2001).
However, over time, we started to observe board members engaging with governance codes that suggested a move beyond symbolic, legitimising behaviour. The release of the Sport England code in 2012 was an important moment for the NGB. Given that they received the majority of their funding from Sport England, we noted that towards the end of 2012 the implementation of code requirements became more embedded within board practice. For example the use of the codes was made concrete within the November 2012 board meeting, with the chair framing the discussion of the *Voluntary Code* by arguing that it was ‘something that we can use to navigate ourselves’. In an exercise led by one of the chief executives, each board member had to consider and then state which of the seven principles of the SRA’s *Voluntary Code* was most important in general, and which the board ought to focus on next. Then, the board discussed collectively how they would move towards enacting that principle and several actions were agreed upon and followed up in subsequent board meetings. One of the independent directors explained in her interview how this had become a semi-regular board practice:

> We take probably one principle now per board meeting, or every other board meeting and we look at it and we discuss it in the wider context of, do we do this, how do we do this, how do we evidence it? Because you have to have that conversation. And how does this inform our strategic thinking going forward? (Independent Director E)

Although we observed that the salience of this governance work around the *Voluntary Code* fluctuated in subsequent meetings, it was clear that from the end of 2012 onwards, the board’s approach towards the codes was not exclusively symbolic and that there was a concerted effort to demonstrate that they were applying principles of good governance. While we recognise that external legitimacy was in part responsible for the deeper embedding of governance codes in board discussions, it was clear that processes of internal legitimising were operating too.
Internal legitimising

Internal legitimising refers to the way that board members seek to establish legitimacy within their own organisational environment (Drori & Honig, 2013). Underpinning this in our case was the notion of codes as ‘best practice’ (Seidl, 2007). As one of the independent directors (D) stated in the Governance Committee meeting in April 2012, ‘The [Voluntary Code] actually encourages the federations and ourselves to look at ourselves – sort of a self-assurance process’. This was perhaps even more salient when introducing governance to a board in which relatively little prior knowledge existed. For example, one of the independent directors (F) stated in their interview ‘I am not a governance expert. I am not on the board for my governance and governance is not something that particularly excites me being brutally honest’. This suggests that there is perhaps a stronger propensity to accept the adoption and the principles contained within a code where there is little understanding of the governance function.

We observed that the acceptance and normalisation of codes through the application of code principles to the board also involved the development of an internal organisational narrative that the board was well governed. This narrative, part of the internal legitimising process, was both deliberate and explicit. For example, the implementation of a variety of mechanisms including: an annual skills audit of board members; the recruitment of directors based on skills; open recruitment procedures; and identifying the training needs of board members all came directly from the principles contained within the Voluntary Code and, subsequently, ‘On Board for Better Governance’ from Sport England. The implementation of these measures served to strengthen the narrative that the board was well governed and thus normalise the code, with board members accepting that this was the best way to ensure the board was well governed.
This was exemplified at the Governance Committee meeting in April 2012, where there was discussion on how Sport England was seeking to use funding to drive governance changes in sport organisations. The main two recommendations were around having a skills-based board and ensuring an open recruitment process. One of the members of this committee stated that from a skills perspective, the board was ‘ok on independents – you’re great. On representative members, you’re not ok.’ This was followed up by the development of a skills audit for the board. In the November 2012 board meeting, we observed how the board sought to implement Principle 4 of the SRA’s code – ‘Objectivity: Balanced, Inclusive and Skilled Board’. During this meeting, there was lengthy discussion about the composition of the board and the balance between a ‘representative’ and a ‘skills-based’ board. This discussion was based on the ‘best practice’ recommendations contained within the SRA code, demonstrating that the code had some influence on board-level discussions around a skills-based board. On one level, this was clearly to demonstrate the need for external legitimacy. However, at the same time it led to internal legitimacy and reinforced the view that the board was well governed. As one of the independent directors (D) stated in the November 2012 board meeting, ‘We have a skills matrix, which is a strength’.

Individual interviews also demonstrated this internal legitimising. As one of the federation directors (L) stated in an interview when asked about the governance of the board: ‘Gradually, [the chair] brought a different perspective to it. It’s much more governed, more organised, more precise, more strategic. It does what it says on the tin effectively’. Likewise, board members drew on documents, such as the Whole Sport Plan and an Action Plan to deliver on Sport England governance requirements, to bolster this sense of internal legitimacy.

This internal legitimising process was also strengthened by external stakeholder feedback. For example, it was noted in various board meetings that the CEOs reported strong and positive feedback from Sport England in regard to the self-assurance process and the on-site audits, of which
governance was a key issue. This was elaborated on in an interview with the chair (C) when discussing the governance of the board:

....what I heard from [the chief executives] is that Sport England are appreciative of what we’ve done. We’ve done what we said we would do. We are seen as one of the better sports that is actually achieving its objectives...We’re in a position of we’ve done well with what we’re doing. We’ve got a good trajectory and movement. We just want to continue.

The reporting of this feedback to the board helped to create and strengthen the organisational narrative that the board was well governed and thus reinforce internal board legitimacy. In this sense, the internal legitimising process was subtle. Our analysis suggested that it was seemingly unconscious, in that it involved normalisation through language and ‘framing’. As Nordberg and McNulty (2013, p. 353) argue, ‘Codes provide the texts of corporate governance, and their language frames the perception of the work of boards’. This was evident in our case study, as, over time, the language of the codes – itself the language of modernisation and professionalisation (Houlihan & Green, 2009) – became normalised within board discussions. Board members increasingly discussed the need to be ‘business-like’ and ‘professional’. ‘We’re not a business, but we need to be business-like,’ said one of the independent directors (D) in the wider discussion of the Voluntary Code in the November 2012 board meeting. Moreover, there were many examples in our observations and in the interviews where ‘business-speak’ was common. For example, board members would often express the need to remain focused on ‘high-level strategy’ and ensure that the operational details were left to the executive. One of the independent directors (D) stated in an interview when discussing the role of the board: ‘it’s giving the structure to the operational delivery; it’s not doing the operational delivery’. This classic agency perspective is explicit in the various sport codes (and governance codes more broadly), demonstrating how this position can become embedded within board members’ mind-sets and how codes of governance can help to frame and
reinforce the work of boards (Nordberg & McNulty, 2013), thus contributing to the internal legitimising process.

**Constraining board autonomy**

The interplay between external and internal legitimising processes provides an understanding of why codes have been adopted by non-profit sport organisations. However, beyond these legitimising processes, we also sought to understand more broadly how board members perceived codes of governance. This involved analysing how they discussed codes in board and committee meetings and how they negotiated around codes. An additional issue that emerged was that code adoption created tensions and was seen, by some, as a ‘constraining force’. Previous research has noted that by obtaining legitimacy, non-profit organisations are given discretionary control over the provision of services (Euske & Euske, 1991). However, in the context of sport, Sam (2009, pp. 500-501) argues that while non-profit sport organisations have been encouraged to adopt managerial practices in order to gain autonomy and empowerment, increasing audit and performance measurement has frequently undermined this claim, resulting in constraints on their ability to balance multiple stakeholder demands.

This latter argument was particularly apt in the context of our case study. During the observation period, there were two examples where the guidelines contained within codes and the need for external legitimacy, were perceived by board members as constraining autonomy. The first concerned board composition and specifically the decision over whether to make the CEOs full board members. This was discussed in the January 2012 Governance Committee and subsequently put to a vote at the February 2012 board meeting, where the board formally agreed to appoint them (thus increasing the board from 12 to 14 members). However, this never actually happened and the articles of association were never changed to reflect this decision. This was because, around the same time, Sport England published their code, which stated that ‘Ideally the Board size should not
exceed 12 members. In exceptional circumstances where the Board size exceeds this number, the NGB must be able to justify this on the basis of organisational effectiveness’ (Sport England, 2012, p. 9). This led to a series of discussions at board level about whether the appointment of both CEOs would count as ‘exceptional circumstances’, or whether it might be possible to restructure the board to keep it at 12 members.

What was clear in these discussions was that the federations did not want to lose any of their representative directors, nor was there appetite to reduce the number of independent directors (in part due to the emphasis placed on independent directors in both the SRA’s Voluntary Code and the Sport England code). Ultimately, the decision to formally add the CEOs to the board simply lost momentum, due to concerns about whether it would hamper the organisation’s chances of gaining funding. In effect, the provisions of the Sport England code meant that the board felt it was unable to accept the two CEOs onto the board, despite having taken the decision to do so, on the basis that it would improve governance and, ultimately, organisational effectiveness. While this, first and foremost, demonstrates the high level of dependence the organisation had on Sport England funding, it also shows how the provisions of governance codes can constrain board autonomy. In this case, it was the fact that the code provisions were so specific (despite the ‘exceptional circumstances’ clause) that meant that board members felt constrained.

While the discussions around board size centred on the explicit provisions of the Sport England code, this second example around strategy demonstrates how codes can constrain autonomy more implicitly. Both the Voluntary Code and Sport England’s code emphasise that boards should set the strategy of the organisation and we observed a number of board meetings, in which board members appeared to be doing exactly this. For example, in the May 2012 board meeting, there was discussion around moving from a ‘defensive to offensive’ position in relation to Sport England, with the chair stating ‘This is what we want to do, if SE want to come on board’. In
November 2012, the chair reiterated that the board needed to think about ‘What we want to achieve for our sports’ and then get ‘SE on board with what we want to achieve’.

In practice, however, our case study organisation’s high level of dependence on funding meant that the board felt it needed to align its *Whole Sport Plan* very closely to the policy objectives of Sport England. For example, the four-year strategy for the previous *Whole Sport Plan* (2009-2013) was aligned closely to Sport England’s emphasis on raising participation amongst particular age groups. This ‘need for alignment’ in relation to the following *Whole Sport Plan* (2013-2017) was also evident: more so in the interviews where individuals were more open about the fact that the strategy was driven (constrained) by the high level of dependency on Sport England. As one independent director (F) stated, ‘inevitably when you’re funded by one majority funder, you’re very acquiescent to their needs’. The chair (C) stated in an interview that ‘…it’s almost as if we are an agency of Sport England’, whilst one of the chief executives (A) said during her interview,

> I mean, there’s that sort of dichotomy of, you know, the message from Sport England is that you should first think about what would be good for your sport. And then, you know, they should see what parts of that strategy they would fund. But we don’t...in truth, we can’t operate like that. We first think about what they’re willing to fund.

This demonstrated the fact that board members were aware of how they were constrained by their funding relationship with, and accountability towards, Sport England. It suggests that codes also have a subtle and pervasive influence in that they help to further reinforce and embed the top-down hierarchical nature of the funding relationship. Our board-level analysis demonstrated a clear tension between the language of autonomy within the codes of governance and the organisational ‘reality’ of feeling the need to demonstrate external legitimacy through the adoption of principles contained within a code, which, in turn, constrained board decision-making. As the chair said at the
May 2012 board meeting, ‘I’m not sure we can flex our muscle against SE’s muscle, saying we’re well governed’. The concern was that by adhering to code requirements, there was little room to take strategic decisions more specific to the idiosyncratic nature of the organisation. This was pointed out by one of the chief executives (B) in an interview, when he stated that ‘there’s a possibility that it [the code] then superficially scrutinises what the governing body does, because it doesn’t understand the governing body’. Related to this was the concern, expressed by independent director (E), that the codification of governance is problematic in that it distracts or even undermines the ability to embed a strong governance culture in the organisation and removes some level of organisational autonomy:

But I think that’s also followed from the fact that sports governing bodies and sports funders bodies also misunderstood governance when it first became a hot topic. And it was all about process and documents, and rating everything within an inch of its life, when actually what we’re trying to, or what they should be trying to create are organisations that have the right values, but are allowed to be experts in their own field and organise themselves in a way that works for them.

There was also further concern that codification meant that the organisation was spending too much time focused on governance issues. While codification enabled some forms of internal legitimacy, some board members felt that it led to ‘over-governance’; a sense that too much time was spent by the board on issues of governance rather than actually getting on and making what they felt were the key decisions that the board needed to make. This perspective was evident in an interview with one of the federation directors:

We do spend a lot of time, I think, on governance type of issues...I sometimes wonder whether we’re over-governing ourselves, because we’re such a small organisation to set very high standards for activities. It’s not to say you shouldn’t have high standards, but sometimes you feel that you’re digging up the rose bushes to look at the rose. It’s a little bit too often. (Federation Director K)
This supports one of the fundamental governance paradoxes noted by Cornforth (2004), namely that boards must simultaneously attend to ‘conformance’ and ‘performance’. The need to conform to codes of governance takes up board time that some see as better spent on other activities, such as strategic planning. Ultimately, getting the balance between the conformance and performance role is a key challenge faced by boards (in both the for-profit and non-profit sectors) and one that is difficult to achieve. It is therefore legitimate to question whether the imposition of codes of governance somehow distorts this balance. As Dawson and Dunn (2006, p. 36) argue, codes ‘can have a distorting effect on the culture of organisations and the practice of governance, leading to behaviour based upon an organisations’ concern with stakeholder perception rather than behaviour more specifically directed to the organisations’ mission’. This issue is particularly acute when dealing with organisations (such as our case study) that are highly dependent on public funding, leading board members to feel a sense of constraint brought about by the institutional environment.

DISCUSSION

While the development of codes of governance is now a widespread phenomenon, and academic analysis on the codification of governance is a growing area of interest (Cuomo et al., 2016), there is still relatively little understanding of board-level responses to this process. In part, this is due to the methodological challenges associated with conducting ‘insider’ board research that have long been recognised (Leblanc & Schwartz, 2007). However, if we understand the board as a key ‘decision-making group’ (Pugliese et al., 2009, p. 301) and a ‘governance enactor’ (Enrione et al., 2006, p. 964), then we need to understand the perceptions of board members on specific issues such as adopting and implementing codes of governance. This article has attempted to address this methodological limitation through an in-depth, qualitative case study of a board of a non-profit
sport organisation as a way to understand why board members adopt codes of governance and how they perceive codes of governance.

We have shown that the initial adoption of a code of governance is a way to create external legitimacy. In our particular case, this was even more salient given that the organisation was highly dependent on public funding. Adopting a code of governance is therefore, in part, an external legitimising process through which a non-profit sport organisation is able to demonstrate adherence to the behavioural norms associated with the private-sector culture that underpin code development. Our board-level analysis thus corroborates previous research that has argued that codes are adopted in order to confer legitimacy within an institutional environment (Seidl, 2007: Seidl et al., 2013). In this sense, external legitimising – officially adopting a code and seeking to communicate that adoption – is primarily a formal, depersonalised process.

However, we also found that board members engaged in internal legitimising. In contrast to the largely depersonalised processes involved in external legitimising, internal legitimising involved board members discussing codes of governance face-to-face, evaluating their usefulness, using them to advance their opinions, reflecting on them and negotiating around them. For example, board members drew on the principles contained within the Voluntary Code and the Sport England code to validate their beliefs that the board was well governed, thus building internal legitimacy. Our in-depth, process-oriented research approach was arguably necessary to examine these processes and might explain why previous research on codification has overlooked the role of internal legitimacy in the institutionalisation of governance codes. As such, our findings are the first to show how codes of governance are normalised and reinforced not only through the development of an externally legitimising narrative, but also through an internal legitimising narrative that reinforces board member perceptions that the board is well governed.
Previous research has argued the need to better understand how internal and external legitimacy relate to one another and shape organisational actions (Drori & Honig, 2013). In our case, external legitimising came first. The board took the decision to sign up to the Voluntary Code with relatively little discussion and only later did board members really begin to reflect on the principles of the code. Overall, though, we argue that the processes of external and internal legitimising were mutually reinforcing: board members primarily adopted the code to demonstrate external legitimacy, but then collectively ‘reflected inwards’ on this process, accepting and normalising the codes. The subsequent strengthening of internal board legitimacy reinforced the governance focus of the board and this in turn served to maintain their external legitimacy. This mutually reinforcing cycle suggests that organisational legitimacy is reproduced and reinforced by the internal actions of the board alongside their external legitimation processes.

We suggest, then, that external and internal legitimising processes act together to reinforce the overall legitimacy of codes of governance. They help to ensure that codes over time develop into an institutional force by becoming taken for granted, shaping behaviour, and inscribing meanings within boards. As a result, codes of governance can be seen as a mechanism or tool of the broader modernisation agenda that seeks to influence the way that NGBs are structured and operate. In the first instance, this leads to lines of accountability drawn upwards towards public funders, such as Sport England, as discussed in previous research (Houlihan & Green, 2009; Sam, 2009; Tacon & Walters, 2016). It then also, more subtly, leads to a gradual shift in institutional logics (Suddaby & Greenwood, 2005), in which the principles and norms enshrined in codes become taken-for-granted assumptions about the governance of the organisation and demonstrates the pervasive influence that codes can have on board member beliefs and how they become embedded within board practice. Both external and internal legitimising processes demonstrate that boards are engaged in an ongoing struggle for legitimacy. Our research suggests organisations can reach ‘temporary’ settlements – i.e., when an organisation is seen as legitimate within its environment (in our case,
funded by Sport England) and when board members are confident that they meet the principles of good governance. However, this struggle for legitimacy is dynamic and ongoing.

Moreover, it is intertwined with another struggle – for autonomy – and codes of governance can exacerbate this. Our research has shown how some board members, in certain situations, perceive codes as inhibiting board autonomy. This shows how codes of governance can shape board behaviour in multiple, sometimes conflicting, ways. As discussed above, they were used as a source of information and guidance by board members. However, they can also constrain decision-making and impose particular structures and ways of thinking. This was explicitly linked to the fact that when a code is issued by a funding agency and an organisation is highly dependent on such funding, the code can reduce the autonomy of boards, drawing lines of accountability upwards and creating a form of principal-agent relationship between the funder and the organisation. This was seen in the context of board size, where board members drew explicitly on the code for guidance. More subtle and pervasive processes of influence were seen in the context of board strategy. These findings provide empirical support for Nordberg and McNulty’s (2013, p. 349) argument that, ‘upon acceptance, codes of governance become institutionalised, placing constraints on action and providing legitimacy for corporations and directors who adhere to them’. It therefore contradicts the emphasis that most codes place on boards acting autonomously and demonstrates that board members operate in a paradoxical situation. On the one hand, they are seen as ‘governance enactors’ (Enrione et al., 2006, p. 964), yet, on the other, the adoption of a code of governance takes away a certain level of authority from board members and the role of the board.

CONCLUSION

This is one of the first articles to undertake board-level research on the codification of governance and, to our knowledge, the first to do so in sport. Using a broad institutional framework,
with a specific focus on legitimacy, and drawing on a longitudinal case study of a single non-profit
sport organisation, we have shown that the adoption of codes of governance can be understood as a
legitimising process in two specific ways. First, it acts to create external (stakeholder) legitimacy.
Signing up to a code was shown as a way to create external legitimacy – here, to demonstrate to
Sport England that the organisation was committed to taking the issue of governance seriously.
Second, once adopted, a code of governance was found to strengthen internal legitimacy,
reinforcing board members’ perceptions that the board was well governed. We argue these two
forms of organisational legitimacy are mutually reinforcing, serving to ensure that codes of
governance become institutionalised at the board level. We also show how a code of governance
can be perceived as constraining board autonomy, strengthening lines of accountability upwards
through explicit adherence to code principles and, more subtly, through shifting institutional logics
within the board.

Given that codes of governance are becoming increasingly common in the non-profit sector
in the UK and elsewhere, these findings are of relevance where pressures to modernise have led to
publicly-funded organisations having to demonstrate upwards accountability (Alexander et al., 2010;
Ebrahim, 2010; Guo, 2007). They are of particular relevance to the non-profit sport sector in the UK
and more widely where the pressures to adhere to governance codes are evident (e.g., Australian
Sports Commission, 2005; Sport and Recreation New Zealand, 2006). Moreover, codification itself, as
a broad process, continues to evolve. In December 2016, Sport England and UK Sport released the
Code for Sports Governance (Sport England/UK Sport, 2016), a joint code, which is mandatory for
any NGB seeking funding. This extends beyond the scope of our research, but it raises further
interesting questions that demand attention. For example, will the fact that the code is mandatory
actually undermine efforts to embed a culture of good governance, as NGBs revert towards seeing
governance as a box-ticking exercise? What does this mean for external and internal legitimising?
Ultimately, it shows that, as codification evolves, so too must our analysis.
REFERENCES


