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Finding Nexus between Sport Sponsorship Transaction and Corporate Governance Principles, namely (accountability and transparency)

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DECLARATION

Academic Thesis: Declaration of Authorship

I, Mphumzi Julius Mdekazi declare that this thesis and the work presented in it are my own and have been generated by me as the result of my own original research.

Title of thesis: Finding Nexus between Sport Sponsorship Transaction and Corporate Governance Principles (Accountability and Transparency), with specific reference to ABSA-PSL deal, Utilizing Qualitative Case study Approach/Method.

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ABSTRACT

In South Africa today those who lead sport are facing increasing scrutiny which has inevitably resulted in questioning governance practices. The transition of many sports from predominantly volunteer administered organizations anchored in an amateur ethos, to professionally managed entities catering to a more sophisticated market place has created unique challenges for the governance of sport sponsorship. This evolution gives rise to possible conceptual linkage between sport sponsorship and corporate governance or none thereof. This study focuses on the ABSA-Premier Soccer League (PSL) sponsorship transaction as a case study to explore this linkage. The research is aimed at finding the nexus between sport sponsorship and corporate governance principles, namely accountability and transparency in the conclusion of this transaction.

The research consists of four phases; literature review which provides a detailed analysis of all primary and secondary material available on this topic. The second phase is a qualitative case study research methodology which comprises of in-depth interviews with targeted stakeholders. The third part presents the research findings and discussion section, and lastly the way forward through reflections and recommendations including highlighting potential future research areas.

This work is timely when there has been generally a heightened evolution in sport sponsorship and its focus was to explore the nexus and compliance to the founding principles of the organizations (laws of governance). Factually, good corporate governance aims at ensuring a higher degree of transparency in an organization by encouraging full disclosure of transactions in the company accounts as well as accountability. Academics have been exploring the notion of sports sponsorship and corporate governance with much of the debates grounded on understanding its commercial value.

The focus for this study is on the conceptual nexus or non-thereof, between sponsorship and corporate governance. Information was collected through in-depth and experience interviews, documented reviews and analysis (such as the review and analysis of the constitution of the South Africa football Association, PSL, financial/banking sector policy regulations, South African Sports Act, corporate governance reports, annual reports, scholarly journals, academic books, conference papers and Parliamentary Monitoring Group documents etc. to mention but a few.

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List of Acronyms

ABSA	Allied Banks of South Africa
ASOM	Antai School of Management
AIMED	Anticipation Inquiry for Multicultural Education Development
ACCA	Association of Chartered Certified Accountants
ASSC	Association for the scientific study of consciousness
BP	British Petroleum
BMI	Business and Marketing Information
CAF	Confederation of African Football
CE	Chief Executive
CEO	Chief Executive Officer
CRM	Cause Related marketing
DDB	Doyle Dane Bernbach
FASA	Football Association of South Africa
FIFA	Federation of International Football Association
GDP	Gross Domestic Product
IAL	Independent Audit Limited
IC	Intellectual Capital
ICS	Information Communication Systems
IEG	Independent Evaluation Group
ISL	Intelligent Systems Laboratory
ISMA	Information Systems Management Activity
IRS	Independent Remuneration Solution

IQ	Intelligent Quotient
OECD	Organization for Economic Co-operation and Development
OFR	Operating and Financial Review
PR	Public Relations
PSL	Premier Soccer League
ROI	Return on Investment
ROO	Return on Objectives
SAB	South African Breweries
SASCOC	South African Sports Confederation and Olympic Committee
SABFA	South African Bantu Football Association
SACFA	South African Coloured Football Association
SAFA	South African Football Association
SAIFA	South African Indian Football Association
TV	Television
UK	United Kingdom
USA	United State of America

KEY WORDS

1. Management
2. Marketing
3. Communication
4. Sponsorship
5. Sport Entity (football)
6. Corporate Governance Principles
7. Integrative thinking and common sense
8. Transparency
9. Accountability
10. Board of Governors

CHAPTER ONE

INTRODUCTION TO SPORT SPONSORSHIP

1.1 Introduction

South Africa houses a diverse and culturally rich population and thus strong disagreements remain a defacto in certain subjects. Sport however, is regarded as a unifying factor because of its resolute ability and strength to transcend racial smorgasbords and cultural barricades. Sport has always been an inextricable part of South African traditions and civilizations, even more so since the re-admission of South Africa into the international sporting domainin 1992. According to South Africa Focus (1998) over 60% of all South Africans either participates in or are interested in sport. Previous research has also demonstrated that the South African public is very positive towards companies that are involved in sports sponsorship- Octagon Business Solutions (Octagon, 1999). This positive interest in sport is very encouraging for those organisations that are considering entering the profitable and beneficial arena of sports marketing, particularly through sponsorship. Commercial sponsorship as a means of corporate communication is a fairly modern phenomenon and yet it is the fastest growing segment in the marketing industry worldwide (Rines, S. 2000).

The research will reveal the evolution of this phenomenon. The repayment of sponsoring sport is extensive but it does not accrue without a "significant price". Together with the costs involved with sport sponsorship ventures, it is also common knowledge that over the years sponsorship packages have been designed and recommended based on past experiences and the demographic profile of the anticipated audience of a sport. As a result, the viability of sport sponsorship is being questioned in terms of not only what sponsorship achieves, but the framework and context in which it is pursued. The major sponsors want a custom-made package that is designed for their unique product or services and needs (Anderson, K and Winters, T. 2000). They are requesting a package that is based on psycho-graphical and attitudinal information that will allow them to target the right market, for the right reasons. Previous experiences and demographic information will still be incorporated into the decision process and the need for this information is critical to the progression of sport sponsorship, especially in South Africa. This study will focus on the ABSA bank and also the Premier Soccer League (PSL) sponsorship transaction. The research is aimed at finding a nexus between Sport Sponsorship deals and Corporate Governance Principles (Accountability and

Transparency), utilizing the ABSA-PSL Sponsorship Transaction as a Case Study. The literature review deals extensively and analytically with the available material on this topic. The genesis of this section will encompass the discussion of the evolution of sport sponsorship, sponsorship strategies, as well as trends and challenges facing this industry. Notably, a specific reference is made to the South African sponsorship industry and the target market as well as the Premier Soccer League (PSL), under consideration. The main aim is to find the nexus, which is a major objective highlighted in the text. All this information has been assimilated to ensure balanced conclusions are drawn and recommendations are made. Also, where possible, areas of further research are acknowledged. The qualitative case study as a methodology was used to guide the study. Interviews with experienced industry practitioners and members of the target audience in this field were completed.

1.2 Background

Commercial sponsorships have their roots in the patrons of ancient Greece and Rome, despite the fact that their motivations behind sponsoring were more philanthropic and altruistic in nature. Commercial sponsorship as a means of corporate communication is a relatively recent development in the communications industry and yet the growth the sponsoring industry has experienced over the past thirty years is astonishing (Meenaghan, T. 1999).Sport and sponsorship can be described as a crucial symbiosis. Just as many companies regard sponsorship as an essential part of business practice, in terms of their financial health and marketing, so do many sports. Without each other, neither could be as successful (Reuter-Lorenz, P.A and Cappell, K. 2005).

In South Africa, sport is in many ways regarded as a unifying factor because it has the ability to transcend across racial smorgasbords, class and cultural lines as well as barriers. Sport has always been an inextricable part of the South African culture, but even more so since South Africa's re-admission into the international sporting arena in 1992. However there are numerous benefits to sponsoring sports, but like all things there is a price involved and in this regard a very substantial price. The basis on which sports sponsorship campaigns are designed and the difficulty measuring their effects has resulted in the viability of sports sponsorship being questioned in terms of what do sponsors do in the context of corporate governance when perceived ancillaries occur and done by sport entities with sponsored funds or whether they (sponsors) are contenders with these ancillary conducts?

This research focuses on the ABSA-Premier Soccer League (PSL) sponsorship transaction. The research is aimed at finding the nexus between sport sponsorship and corporate governance principles, namely accountability and transparency in the conclusion of this transaction. The research consists of four phases. The first is a literature review which provides a detailed analysis of all the secondary material available on this topic. The second phase is a qualitative case study research methodology which comprises in-depth interviews of the targeted stakeholders. Thirdly there is the research finding's section and the final phase being the way forward through reflections and recommendations including highlighting potential future research areas. Academics have been exploring the notion of sports sponsorship and corporate governance with much of the debates focused and groundedon understanding its commercial value. Pope,N. (1998) defines sponsorship as a provision of resources (e.g. money and equipment) by an organisation (sponsor) directly to an individual, authority or body (sponsee), to enable the latter to pursue some activity in return for benefits contemplated in terms of the sponsor's promotional strategy and which can be expressed in terms of corporate and marketing objectives. In a brief definition the International Events Group (IEG, 1998/ www.ieg.co.za) defines sponsorship in a broader sense as 'a cash and/or in kind fee paid to a property (typically as sports, entertainment, non-profit event or organisation) in return for access to the exploitable commercial potential association with that property'.

Notably, even though these definitions differ, the underlying construct is still the same; sponsorship offers many commercial benefits which can be exploited for a fee. This is exactly the angle which requires serious and thoughtful monitoring to avoid ancillary activities by practitioners; in fact government must play an oversight role as it remains vulnerable to exploitation by sponsorship negotiators in the South African context. This cannot be called totalitarianism as previous Sport Ministers were labeled in Parliament of South Africa in the 90's and early 2000's. This is a revelation from our extensive interviews with one of the former Ministers of Sport. There are numerous forms of sponsorships, and these forms fit naturally alongside the notion of 'communication mix' in a company and play a vital role in the marketing communications plan. However, sponsorship would not be effective in isolation as it relies on other elements to leverage it and sponsorship links to the overall marketing plan- Antai School of Management (ASOM, 1997). The versatility of this medium (sponsorship) enables it to perform many of the basic functions covered by other elements of the communication marketing mix.

Sponsorship is also utilised as a promotion medium for sales and merchandising opportunities, while its capacity to perform public relation type functions is obvious, the corporate hospitality component of sponsorship creates the opportunity to engage in relationship marketing (Meenaghan, T.1991). As sponsorship evolves, it has inevitably been compared to advertising, especially over the past decade, as it is securing more of the marketing budget than traditional advertising (IEG, 1998). In this regard, IEG (1998) has observed that sponsorship can ultimately accomplish attributes such as credibility, differentiation, imagery, community goodwill, lifestyle relevance, prestige, internal moral and customer interaction better than advertising.

In addition, even though these attributes may and have been contested, sponsorship also offers benefits that advertising cannot; live audiences, product showcase, retail extensions, guaranteed delivery and client entertainment. All these unique characteristics aid in the promotion of sponsorship. These characteristics cannot be achieved unless a sponsorship has a specific strategy and clearly defined objectives, of course without compromising corporate governance principles. The sponsorship strategy has to meet the overall corporate governance framework and brand strategy. The extensive list of objectives behind engaging in a sponsorship venturehowever, results in the impossibility of producing a single strategy model to serve every situation. Sponsorship objectives range from corporate objectives to marketing objectives and even personal objectives.Another important area of sponsorship that has generated differences of opinion is the concept of leveraging. According to ASOM (1997) leveraging is achieved by transferring your brand footprints across all mediums in terms of manner, tone, message and brand positioning etc. Leveraging tactics should be targeted to specific audiences.

These tactics include pre-event consumer promotions such as advertising, competitions, publicity and special offers; on site consumer promotions include signage sampling, merchandising, give-aways and competitions as well as related advertising and publicity (PR Communications Africa, 1997/www.livewired.co.za). Leveraging a sponsorship ensures that the sponsor is inextricably linked with that activity or sport entity; i.e. PSL to a sponsoring entity. Experiential marketing also strives to achieve the idea of leveraging. In a comparison of traditional and experiential marketing, the differences are very apparent as depicted on Table 1 below.

Table 1: Traditional and experiential marketing

Traditional Marketing	**Experiential Marketing**
Focus on functional features and benefits	Focus on experiences
View consumers as rational decision makers	Regards customers as rational and emotional beings
Product category and competition are narrowly defined	A focus on consumption as a holistic experience
Methods and tools are analytical	Methods and tools are eclectic

Source: Cousins, L. (1996), adjusted table.

The supremacy of the brand is one of the causes driving this trend towards creating experiences (Schmitt, D. 1999). This facilitates the growth of a brand and thus the motivation for companies to associate their brands with sports is very high. Sponsorship is also unique because it persuades indirectly and does not try to change the perception of the brand in frontal assault. Instead sponsorship serves to enhance the perception of the brand by aligning consumer's beliefs about the brand with an event that the audience already perceives highly (Crimmins, D and Horn, M. 1996).The discussion places sponsorship in an international context.Until recently South Africa was anon-player in the international sports sponsorship industry because of South Africa's apartheid-ridden history. In South Africa, the enthusiasm for sports sponsorship is at an all-time high. The influx of international competition, the improvement in all levels of domestic competition and the consequent increase in media coverage of sport on local television, combined with the enthusiasm, creates numerous opportunities for local marketers in the sports sponsorship field (Chrislett, W. 1998). Neil Duffy and David Butler (2001) attempt to describe the trajectory that the future of sports sponsorship industry is likely to assume. According to them, the world trends in sponsorship marketing demand that sponsorship must deliver 'Return on Investment' in the form of incremental sales, increased consumer awareness, sales force and trade excitement, and enhanced brand equity. They also suggest that the focus needs to be shifted from visibility to likeability and gaining share of heart. Another trend is that sponsorships are becoming more meaningful. PR& Communications Africa (1997) argues that by demonstrating intrinsic values and authenticity this trend will soon be common practice; past marketers could target teens based on demographics, age, income, or place of residence as indicators of their consumer interests, through applicable marketing mix technique (Neil Duffy, 2001).

1.3 Research Problem

According to Babbie, E & Mouton, J (2011) an empirical research question addresses a problem in World 1; a "real problem". They further argue that to resolve an empirical problem, the researcher may collect new data about World 1 or analyse existing data. In the context of this study, the research problem is articulated as follows:

- Does sport sponsorship provide opportunities to companies sponsoring sport?
- Does the financial status of the sponsee as a result of sponsorship (additional promotional mix component) warrant the enormous sums of money being paid to elected negotiators of the sponsorship transaction?; and
- Are the enormous payments to the elected negotiators, as a result of their role in soliciting sponsorship warranted/justifiable in corporate governance terms?

This work is done at a time when there is generally a heightened evolution in sport sponsorship and its focus is to establish compliance with the overriding principles of not only the PSL, but the principles of corporate governance in financial institutions at large. In order to address this question, this study examines the following issues:

- How does asponsored entity perceive its obligations to corporate sponsors?
- What are the current practices of sponsors and sport entities when examining sponsorship?
- With respect to meeting the expectations of corporate sponsors, what factors determine the payments of commission to sponsorship elected negotiators?
- What is the role of Corporate Governance principles when conducting sponsorship transaction?

Notably this case study, and the formulation of the research problem thereof, was influenced by an interesting article that was published in 2007 in various media platforms, including a television broadcast in the same year. The piece (see Box 1 below) sought to suggest that corporate governance imperatives were not observed in a sponsorship transaction that was concluded between the South African Premier Soccer League (PSL) and a financial institution (ABSA). It is therefore against this background that the author explores, through a case study, the evolution of sport sponsorship with a particular focus on its relationship with corporate governance principles. As the study narrows our attention towards depicting Box

1, authors such as Adelman, C, Jenkins, D.& Kemmis, S. 1976; Husén, T & Postlethwaite, N. 1994; Miles, M.B & Huberman, A.M 1984; Yin, 1994, see 'case study' as a generic term for the investigation of an individual, group or phenomenon, and is characterised by the use of multiple methods for data collection. The choice of case study for the investigation of nexus on sport sponsorship and corporate governance principles was supported by Merriam, S.B (1998) who suggested that: *"Insights gleaned from case studies can directly influence policy, practice, and future research (p.19).This view went as far as to suggest that; case study offers a means of investigating complex social units consisting of multiple variables of potential importance in understanding the phenomenon, anchored in real life situations, the case study result in a rich and holistic account of the phenomenon (p.41)".* See chapter five and six of the study for correlation on Merriam's notion.

In the context of strengthening the background of this scholarship and before the study could rocket towards Box 1, it remains an intellectual necessity to reflect on the sequential history and perspective of game (football), not only from PSL milieu, but across the world from Europe, America, Africa and South Africa, which is illustrated as follows:

1.4 Contextual foundations and international perspectives:

Outside the United States, the game is known simply as football. In the U.S. American football had staked its claim on the term, and so soccer became the (considerably older) sport's name in America. In this case study, we shall refer to the sport as football. The beginnings of football are tough to nail down, at least its most rudimentary origins. Many have traced the game to China during the Han Dynasty, in the 200s C.E. The Chinese played a game called "cuju," literally "kickball," which bears some resemblance to the modern game (Goldbatt, D. 2009). It was played with a stitched ball which was often kicked into goals. The resemblance ends there. From there, similar games sprang up in Asia, from the Malay Peninsula and Japan to the Pacific Islands and Australia. Across the oceans, in the Americas, and particularly Central and South America, ball games were standard throughout just about every civilization from the centuries B.C.E. all the way to Cortez. Europe, on the other hand, had little or no ball games in its ancient cultures. The lone standout was the Celtic-speaking cultures of north-western Europe. During the period between the 1400s and 1600s in England, football, which had sprung out of various Celtic ball games, was actually banned by the English kings several times – it was a game of peasants, and thought to incite sin and violence (Goldbatt, D. 2009).

1.5 European perspective:

In England, the Football League was created with 12 participating clubs: Accrington, Blackburn Rovers, Bolton Wanderers, Burnley, Everton, Preston North End, Aston Villa, Derby County, Notts County, Stoke City, West Bromwich Albion and Wolverhampton Wanderers.Despite the London FA's codification of the official rules of the sport, there were still challenges, leading to the formation of the International Football Association Board. The name was slightly a misnomer, as its first meeting was between the FA's of England, Scotland, Ireland and Wales in 1886. At that meeting, the group agreed upon the Laws of the Game, setting the standard for football from then on. Two years later, football in England had its first league, the aptly-named Football League, made up of 12 clubs: Accrington, Blackburn Rovers, Bolton Wanderers, Burnley, Everton, Preston North End, Aston Villa, Derby County, Notts County, Stoke City, West Bromwich Albion and Wolverhampton Wanderers. Of those 12 teams, only Accrington is no longer in existence, having only lasted until 1893 (www.thefa.com).

Spanish Early Clubs Football in Spain was initiated by British immigrants who were in Spain to work in the mines and on the railroads. Over the last two decades or so of the 19th century, the game slowly transitioned from the Brits to the native Spaniards, fostered by the Spanish king, Alphonse XIII, who in 1902 created the Coronation Cup, a tournament held between teams from the Basque region, Catalonia and Madrid, the capital. Initially, however, football's power in Spain was not in its capital, but on the coast, particularly in Bilbao (in Basque country) and Barcelona, with Athletic Bilbao winning four King's Cups in its first decade. However, national Spanish football did not come together as easily. Spain faced the challenge of establishing a national identity, instead of regional ones. While Spain was a founding member of FIFA in 1904, they did not have a football association until 1913, and did not field a national team until after World War I (Goldbatt, D. 2009).

Italian Early Clubs Italian football grew out of British, Swiss and Italian upper class foundations, and while the game today is runpurely by Italians, upper class leaders still control the sport. Italy's path towards football followed roughly the same timeline as Spain's; the first football clubs appeared late in the 1800s, and the first "national" tournament, the Italian national championship, was played around the turn of the century, in this case in 1898. Italy's first powerhouse squad was Genoa, which won the first three championships. Between the start of the century and World War I, the game spread throughout the country, though notably not very south – the first teams south of Perugia to play in the national championship did not do so until 1913(www.nationalerchives.gov.uk/ currency/results).

France and Germany Football: While the timeline for the foundation of the sport in France and Germany was roughly similar to Italy and Spain; football faced a different challenge in those two countries: namely, another sport with which to compete. The Spanish and Italians simply lacked large-scale sports; France and Germany had cycling and gymnastics, respectively. In France, the first teams were founded by Scots and Englishmen living in Paris, with some French students founding their own squad around the same time. The first national championship (played only by six teams) was held in 1894. From there, more and more teams sprang up, primarily in cities with significant English or Swiss influence. However, like Spain, France had no national organization until after World War I.

In Germany, the sport took almost thirty years to catch on, and then exploded over a period of about ten years. The first recorded football matches in Germany took place in 1874, but the Laws of the Game were only finally translated into German in 1891, around the time serious German football clubs were created. Between 1891 and 1900, around 200 clubs were created, with over 10,000 regular footballers. Germany's first national championship was held in 1903, with Leipzig winning the title. However, prior to World War I, despite the large number of teams and players, football in Germany was still considered a lesser sport-(www.fifa.com/classicfootball/history).

South America: In South America, as in Spain, Italy, France and Germany, the game was initially picked up not by the indigenous people, but Britons who migrated to those countries for work. Large groups of immigrants from England came over to work in the continent's mineral industry, and the game followed. The first football game played under the FA rules in Central or South America was in 1867 in Buenos Aires by a group of British workers. 26 years later, the Argentine Association Football League was formed, again using primarily British immigrants and which still exists today as the Argentine national championship (though now obviously played by Argentineans). In Brazil, while the first teams (formed in the late 1800s) were British, the city of São Paolo, the greatest hotbed of football in the country, saw German, American and native Brazilian teams spring up by the turn of the century. It was the early 1900s that finally saw the tide turn in South America, as the British teams dwindled and teams played by the indigenous people of the continent rose to prominence. The football associations in Argentina and Uruguay changed from their English names to Spanish by 1905 (though it took until the 30s for football to become fútbol). In one area, South American football surpassed its European/English counterparts – international unification. Forty years before the establishment of the Union of European Football Associations (UEFA), Europe's organization, the CONMEBOL was founded in 1916 in South America, the Confederacíon Sudamericana de Fútbol (www.fifa.com/classicfootball/history).The game attracted bigger crowds as the league grew, as did football's popularity worldwide. The crowd at the FA Cup final in 1888 was 17,000; in 1913, it had swelled to over 120,000. The total attendance in the first year of the League was 600,000, which climbed to 5 million by the 1905-06 season, and was 9 million in Division I matches alone in 1914. Admittance in 1890 was generally around 6d, which in today's money would be £1.50, or around \$2.30. The players themselves were earning around £3 a week, about £179 (or \$285) today. By the early 20th century, footballers were being used to promote products, anything from cigarettes to lotions. Football had become big business, years ahead of many of its sporting counterparts (www.nationalarchives.gov.uk/currency).

1.6 American perspective:

US Game played by Immigrant Communities:The game developed primarily among the immigrant class. While there were attempts to establish a national league (the American League of Professional Football Clubs) in 1894, the league fell apart within 3 months. Universities declined to take up the sport, and it survived mostly in neighborhoods, primarily in New England, though immigrant communities in big cities like New York, Chicago, Pittsburgh and Philadelphia helped the game to thrive there, and St. Louis in particular had a strong football presence. In the 1904 Olympics held there, football was a demonstration sport and St. Louis' players represented the U.S. In 1912, two different organizations petitioned FIFA for recognition as America's football governing authority; FIFA told the American Football Association and the American Amateur Football Association to merge, which they did, becoming the United States Football Association (USFA). Arguably, football's strongest period in American history (before the present) was post-World War I, when Thomas Cahill, a football executive from St. Louis established the American Soccer League. The league lasted 12 years, enjoying a fair amount of success both financially and from attendances (Kim, C. 1999). The ASL began with eight teams and grew over its existence, with teams in big markets like New York, and smaller markets like Bethlehem and Providence. The league even had radio broadcasts, which were popular particularly in the smaller markets. Players from other countries were paid to come to the U.S. to join several ASL teams, and when an Austrian Jewish team that had recently won the Austrian football league championship came to tour the U.S. in 1925, almost the entire team was persuaded to sign with various ASL squads. However, internal struggles tore the league apart.

The USFA, after its creation in 1912, had established an Open Challenge Cup, a sort of tournament/league that never fared that well. The ASL wanted the USFA to hold the Cup after the ASL season ended but the USFA refused. The league, concerned that some of the teams would move to the USFA Challenge Cup, ordered all its teams to refuse to participate in the Cup, threatening fines and expulsion. However, the league owners themselves were split, and when three ASL teams joined the Cup and started their own league (the Eastern Soccer League) in 1928, football's death knell was near. The two watered-down leagues could not sustain the success of the one league, and with the stock market crash in 1929, the league soon died out, folding for good in 1933. Unlike other sports which had more firmly entrenched leagues and/or a strong college presence, football nearly disappeared from the U.S. sports landscape (Goldbatt, D. 2009).

1.7 African perspective:

African Rise in Football Talent: As the last vestiges of colonialism disappeared in Africa in the 1970s and with the ascension of João Havelange to FIFA's presidency, Africa appeared ready to break into the football world. At the World Cup in 1978, Tunisia secured the first African World Cup match victory, 3-1 over Mexico. In Spain in '82, Cameroon was unbeaten, playing Peru, Poland and Italy to draws, but failing to advance out of their group by only a one-goal differential. Algeria beat West Germany (who would end up winning the Cup) in their first match, but still failed to advance. In 1986, Morocco became the first African nation to advance past the group stage of the World Cup, losing to Germany in the first round of the knockout stage.

Throughout the '60s and '70s, much African football talent had gone to Europe, playing for European squads and joining European national teams. Those who did not could still not play for their African countries as until 1982; foreign clubs were not obligated to allow their African players to play for their African nations, keeping them with the club teams. In the '80s, Africa finally begun to secure their own talent, and this directly correlated to African success on the world stage (www.fifa.com/classicfootball/history).Africa's rise was also helped by other factors. Through the sponsorship ofCoca-Cola, João Havelange established World Cup tournaments for under-20 players and under-17 players. This involvement in youth sport helped Africa to foster its talent further. Ghana and Nigeria have both won the U-17 World Cup title twice, and the first U-20 World Cup was held in Tunisia in 1977. Additionally, the ‘80s saw an influx of foreign coaches into Africa, further helping the development of the game on the continent (Goldbatt, D. 2009).

1.8Football and Politics:

Politics in football had (and has) often been closely tied to politics all over the world. Politics and football had gone as far back as the early 1900s in England, where the occasional political candidate would receive public support from football stars. In 1910, the owner of Middlesbrough FC ran for office, using his players to campaign for him and even tried to bribe an opposing team to lose a match against Middlesbrough. After he lost the election and his plan was uncovered, he was kicked out of football for life by the FA. However, early in its history both Britain and FIFA sought to keep politics out of football, with FIFA trying to follow the Olympic mould. However, as it often failed in the Olympics, so too did it fails in football (Goldbatt, D. 2009).

Governments in Europe used football for military training; the people of Europe, along with their governments, often saw victory on the pitch as victory for the country, an indicator of might beyond simply sport. The 1934 World Cup, held in Italy, was used by Benito Mussolini as a grand tool of propaganda: Italy spent the modern equivalent of around $4.8 million dollars (which today seems small, but then was a very large amount) on the tournament, even paying for transportation for fans of other countries and creating a trophy, La Coppa del Duce, to be awarded to the winners (which turned out to be Italy). Hitler saw football in the same way, seeking to dominate Europe in every way, including on the pitch.

In South America, football and politics had been intertwined almost since the beginning of the sport in that region. Under Juan Perón, Argentina actually withdrew from the 1949 Copa América tournament and the 1950 World Cup; while Perón was instituting vast social change, he was worried that defeat in international tournaments would weaken him and his government in the eyes of the people. In the ’54 World Cup, the Hungarian team was publicly and loudly supported by the new Soviet communist government as a way to lessen unrest among the Hungarian people towards their new leadership. The Hungarian loss at the World

Cup helped contribute to revolution in the country.South Africa and Apartheid: In the late 1950s, during Stanley Rous' administration, perhaps the biggest political battle in football became policy regarding South Africa (Ackerman, D. 1999). The country's apartheid policy (begun in 1948) caused unrest within the football world, particularly in the rest of Africa. In 1957, when the first African Cup of Nations was played, South Africa was barred from the tournament, and then barred from the CAF. Its FIFA membership was also suspended in 1961. However, after an investigation by Rous, he determined that the all-white Football Association of South Africa (FASA) had to represent South Africa in FIFA. Throughout the remainder of his time as FIFA president, Rous continually rebuffed the efforts of other African nations and anti-apartheid representatives to impose sanctions on South Africa (Ackerman, D. 1999).

1.9 South African Football:

1.9.1. Racial divisions in the game:

The roots of soccer in South Africa reach far back into the 19th century, when the game's official structures reflected the racial divisions in society at the time. The "whites-only" Football Association of South Africa, later to be known as Fasa, was formed in 1892, but the SA Indian Football Association (Saifa), the SA Bantu Football Association (Sabfa) and the SA Coloured Football Association (Sacfa) were only launched in 1903, 1933 and 1936 respectively. Amid a blur of acronyms, South Africans played soccer as they lived- apart. A so-called Inter Race Soccer Board did organise a few games between these racial associations during the 1940s, when there was no law against mixed sport, but any creeping integration was halted by the introduction of formal apartheid laws in 1948.

The geography of South African soccer was set in stone, with whites playing in their own club structures, feeding the "whites-only" national team, and, sentimentally and psychologically, being geared towards Europe. Meanwhile, blacks were left somehow to play the game among them-selves, denied facilities and funding/sponsorships. In 1958, Fifa officially recognised the white body, Fasa, as the sole governing body of soccer in South Africa and the National Football League was launched in 1959 as the country's first entirely professional club league. It was reserved for whites (Ackerman D, 1999).

1.9.2. Landmark inter-racial match:

Two years later, Fasa did include some black players within their structure and, when Fifa suspended South Africa in 1962, the governing body sanctioned a landmark inter-racial match, played between the "white" Germiston Callies and the "black" African Pirates before 10 000 people in Maseru, the capital of Lesotho. In truth, Fasa were whistling against the wind. Hard though they tried to present non-racial soccer in a very racial country, the governing body simply ended up looking foolish. When, in 1963, the Fifa Executive lifted South Africa's suspension, Fasa responded by announcing the country would send a white side to the 1966 World Cup in England and a black team to Mexico in 1970 (Ackerman. D, 1999).

1.9.3. Inspiring millions:

Against all odds, soccer continued to thrive in the townships. Vast, peaceful crowds streamed to township venues like Orlando Stadium in Soweto, saluting heroes who were enshrined in folklore from the Cape to the Limpopo, and even further north. Men like Jomo Sono and Kaizer Motaung and others rose out of the dust, shone brightly and inspired millions. During the 2010 FIFA World Cup Sono was a Bid ambassador of the South Africa 2010 campaign and Motaung sat on the Board of the Bid Company for 2010 FIFA World Cup. Ironically the two currently sit on the PSL Executive Committee. Even now, heroes of the past are working to build the future. Into the 1980s, the country's amateur soccer structures were still divided but, battling against the apartheid tide, standing brave in the vanguard of change, professional soccer did merge in 1985, under the auspices of a new National Soccer League, which later became the Premier Soccer league (PSL).

The repeal of apartheid legislation in 1990 started unity talks at every level of South African soccer and, on December 8, 1991, four historically divided and entirely separate bodies finally reached across the negotiating table and founded the South African Football Association on non-racial, democratic principles. SAFA was welcomed into the African fold by an unforgettable standing ovation at the Confederation of African Football's (CAF) congress of 1992 in Dakar and then jubilantly admitted as a Fifa member at the governing body's congress in June 1992 (www.psl.co.za).

1.9.4. South African Football team:

The national side became known and adored as Bafana-Bafana, translated as "The Boys", and success followed success. Huge waves of support rippled across the country, and a culture was born. In May 1994, on the very day of his inauguration as President, Nelson Mandela significantly broke away from official celebrations to join an 80 000 crowd at a friendly match between South Africa and Zambia at Ellis Park Stadium. He was ecstatically introduced to both teams during a 35-minute half-time intervaland inevitably, riding a wave of national joy, South Africa won 2-1. Within a year, Orlando Pirates had won the African Champions Cup, heroically beating ASEC Mimosa in Abidjan, and early in 1996, South Africa hosted and won the African Cup of Nations. Behind the triumphant headlines, SAFA has diligently created a muscular structure for the game at grass roots, establishing nine provincial affiliates, further divided into 25 regions, nurturing newly qualified coaches nationwide, creating a national academy, running age-group tournaments from Under-12 upwards. In all its efforts, SAFA has been receiving the support of its wing (PSL) (www.safa.net).

Where We Are Today:

Soccer continues to grow and it can be argued that football today is stronger than it's ever been. Fans go out to see matches in record numbers around the world, and the television audience seems to get larger and larger. The money pouring in (and out) of football around the world seems to have no cap. The most recent World Cup saw a first time winner (Spain) and the first knockout stage victory for an African team in history (Ghana's 2-1 win over the U.S.). Increasing sponsorship levels continue to bring excitement into the game, increased ticket prices make soccer a middle class sport. There are still however, issues within the sport.

As big business continued its virtual takeover of the sport, more and more fans of the top clubs are being priced out. While the sport, particularly in England, was built on making it accessible to the lowest classes, today prices at the top clubs are generally in excess of £30 per game ($47). Additionally, while hooliganism has been significantly reduced, the most pressing social issue the game faces now is racism. Though major pushes have been made by FIFA to curb racism in the sport (particularly through its FIFA against Racism campaign), there still exists significant evidence of racism throughout the sport, especially in Europe.

The history of the game details the rise and fall of teams, leagues, associations and countries. Colombia made a push towards international greatness at the ’94 World Cup. Their subsequent defeat and the murder of star Andrés Escobar forced the sport’s collapse in that country. Africa is still considered a continent on the rise, albeit with challenges of governance, i.e. accountability and transparency as well as lack of integrative thinking in the game.Will Asia ever be considered the same way? History tells us the world will be watching.

Box 1: **Soccer's vast potential**:

Today, South African soccer has advanced through decades of denial and disadvantage, through the liberation struggle, to a point where it is now recognised as the country's number one national sport. The largest number of registered players (1.8 million), the highest television audiences, the greatest number of spectators, week after week and sponsorships towards football i.e. MTN sponsoring 8 million on a Top 8 competition, Vodacom, Nedbank, FNB and Supersport have all contributed towards sponsorship. In financial terms the PSL's previous deal was ranked lower than 50th in the world and it is now in the top 10 of all major broadcast deals worldwide and thetotal sponsorship value of the League rose from under R100 million to over R230 million during the past season, an increase of more than 130%. Prior to the Supersport deal, an average of one hundred matches was broadcast per season.

Since the deal, well over 200 matches per season were televised. PSL Clubs previously received grants of R 400 000 per month. Since thedeal, they now receive one million rand per month plus a further two million rand ex-gratia payment,First Division clubs were receiving R50 000 per month and now receive R150 000 per month plus a further ex- gratia payment of R 300 000. The average monthly salary of players has increased from between R3 000 - R5 000 per month to R15 000 to R18 000 per month;the top footballers' incomes have increased from R35 000 to R200 000 per month; the Player Medical Insurance Fund has been increased by more than 50%. These are the measures of success. Since the formation of the united South African Football Association in 1991, soccer has made immense strides, establishing a strong infrastructure to channel the people's historic passion for the game, emerging from the days of oppression into a golden era of glory and prosperity. During the past 12 years, South Africa has established itself as a positive, constructive member of the soccer family, entering teams in every CAF and FIFA competition, right from Under-17s to the top level of the game, where the national team has successfully qualified for the World Cup finals in 1998 and 2002 (PSL website). South African banking giant Absa is the title sponsor of the Premier Soccer

League (PSL). This was announced on Wednesday at South African Breweries' (SAB) World of Beer offices in Newtown, Johannesburg. The Castle Premiership will now be known as the Absa Premier League. The fiveyear deal, worth R500-million, was concluded on Tuesday night by PSL chairperson Irvin Khoza, SAB sponsorship manager Rob Fleming and Absa marketing director Happy Ntshingila."SAB, through its flagship brand Castle Lager, invested in South African football nearly 50 years ago when it was not fashionable to do so. SAB played a key role in football's development and has made a significant contribution to the strong position the PSL finds itself in today," said Khoza. Absa also sponsors the Absa Cup knock-out competition.

The sponsorship of that tournament is due to change as well, but it played a role in securing the sponsorship rights of the domestic league for the corporate giant. "The association that Absa has had with the PSL with its sponsorship of the Absa Cup was instrumental in Absa's decision to take a quantum leap forward in its commitment to football in South Africa by taking on the sponsorship of the jewel in the crown, the PSL."Absa's commitment to the PSL and professional football in South Africa is today, tomorrow, together," Ntshingila said. Coincidentally Sonono Khoza, the daughter of the Premier Soccer League (PSL) chairperson Irvin Khoza, is an employee of Absa, which recently paid R500m to acquire the right to be the league sponsor over a period of five years. Coincidentally again Fin24 has established that Sonono works in the marketing and sponsorship division run by group marketing executive Happy Ntshingila, who was key to the discussions of the sponsorship deal. Did Sonono declare to Absa that she is a daughter of Khoza and vice versa? If she did or not, how has Absa handled it? And did Sonono have access to privileged information about the possible sponsorship? "I was not part of the team that was negotiating the deal (R500m sponsorship awarded to the PSL)," argued Sonono. She further says there was no reason to disclose to her employer (Absa) that she is Khoza's daughter.

"It's immaterial. It's just coincidental that my father was negotiating the deal with Absa. The two are just (separate)." But doesn't this constitute a conflict of interest on Sonono's part? After realising that she might be erring on the side of the "truth", Sonono quipped: "I'm not in a position to engage in this matter. Absa has a spokesperson who deals with these issues." Absa spokesperson Patrick Wadula confirmed that Sonono is an Absa employee. "She works in Absa Events, not in Sponsorships. Discussions of sponsorships are always held under strict confidentiality, and adhering to corporate governance," says Wadula. He also reiterated that

Sonono could not have been privy to sponsorship discussions by her not being part of the team. Absa won the PSL sponsorship deal after rumours suggesting that **Standard Bank**, **Old Mutual** and **Vodacom** were interested in securing rights to sponsor the league. However since signing the deal, Absa management has been at pains to defend its decision. At the centre of the controversy has been the yet-to-be finalised "token of gratitude", which was at first labeled as commission. The PSL negotiating team - Irvin Khoza, Kaiser Chiefs boss Kaizer Motaung, Mato Madlala and Trevor Phillips - are in line to receive R70m in their individual capacities, something which lacks integrative thinking and common sense. In an open letter to Absa CEO Steven Booysen, finance minister Trevor Manuel labeled the transaction as "morally reprehensible" and "corrupt". There were also inside members of the executive committee of PSL who shared Trevor Manuel’s views about the deal.Commission payments on this transaction were allocated as follows: The then PSL CEO receives R 7.5 million commission, a negotiating team member receives R 7.5 million commission, a further negotiating team member receives R 12.5 million commission, a marketing agent receives R 5.5 million commission, another receives R 25 million commission and lastly the R 5 million is sliced amongst executive members who are not part of the negotiating team.

These figures discernibly beg a number of questions, which maybe responded to here as we continue with our analysis i.e. the criteria to allocate these amounts in line with remuneration theory and corporate governance terms. Manuel further warned: "I surely need not remind you that corruption is a criminal offence for both the giver and receiver. I cannot understand, though, why the same issues do not arise in your mind when dealing with sports administrators. My understanding is that the individuals concerned are elected into office to serve the interests of the sports code. Most of them have private interests for profit, both in soccer and outside of it; there cannot ever have been an expectation that they would have acquired ownership of soccer and that they have an entitlement to personal enrichment for administering the sport." Source: www.safpu.org.za (accessed/ October, 2007). For the reader it is worth noting that PSL is a supporting wing of South African Football Association (SAFA) and SAFA is an affiliate to the South African Sport Confederation Olympic Committee, which gets a subsidy from government, appropriated by Parliament of the Republic of South Africa, a trigger for corporate governance principles i.e. accountability and transparency as well as the push for integrative thinking.

1.10 Research Objectives

- The main objective of the study is to find nexus between Sport Sponsorship transaction and Corporate Governance Principles (Accountability and Transparency), utilising the ABSA-PSL Sponsorship Transaction as a Case Study.
- To acquire an understanding into what aspects of sponsorship make an entity passionate about the sponsor and how is this translated into brand commitment.
- Corporate Governance Objectives: Factually, good corporate governance aims at ensuring a higher degree of transparency in an organisation by encouraging full disclosure of transactions in the company accounts. Full disclosure includes compliance with regulations and disclosing any information important to the shareholders and relevant stakeholders. Also, directors should be independent so that the oversight of the company management is unbiased. Transparency involves disclosure of all forms of conflict of interest, in this case the objectiveis to focus on whether both ABSA and PSL familiarised themselves with this context/framework, and to what extent have they applied themselves regarding accountability and integrative thinking as well as common sense.

1.11 Hypothesis

Sport Sponsorship practices with commission payments are breeding groundsfor contraventions of Governance principles (accountability and transparency). In addition this is something that is deficient in important elements of integrative thinking, as well as adherence towards accountability and transparency.

1.12 Ethical statement

Ethical clearance to conduct this study was obtained from the University of the Western Cape and the Department of Sport and Recreation, as well as from the current CEO of ABSA.Given the nature of the methodology of the study, anonymity/confidentiality has been guaranteed where necessary to the respondents who have requested it and the leeway has been granted to respondents who were keen to been declared. The work was done wholly and mainly while in candidature for a research degree at this University.

1.13 Conclusion

The above chapter outlined what the study is all about; most crucially it drew the case for the study. The research is demarcated into four phases, namely; literature review, qualitative case study method, findings and discussions, and lastly the way forward and recommendations including highlighting potential future research areas. Chapter one briefly reveals the discrepancies in the pillars of the study (accountability and transparency) and most importantly the case succinctly touches on the dangers of negating integrative thinking. This is a notion which the study will demonstrate in later chapters. The study also provided international perspectives, ranging across Europe, America, Africa and South Africa, including potential politics of the game. The following chapter explores symbiosis of sport sponsorship and marketing communication.

CHAPTER TWO

MARKETING COMMUNICATION AND SPORT SPONSORSHIP

2.1 Introduction

Sponsorship has its roots in patronage systems of earlier societies. Commercial sponsorships as a means of corporate communication are a relatively recent observable fact. From minimal activity in the late 1960's this medium has grown substantially over the past three decades (Meenaghan, T. and Shipley, J. 1999). Sponsorship investments are made in order to fulfill particular commercial objectives. In effect the sponsor, in agreeing to sponsor a particular cause, is purchasing the rights to associate with the profile or image of the cause and to exploit this association for commercial benefits (Meenaghan,T. 1998).

The global explosion in the sports markets has resulted in sponsorship surpassing every other aspect of the marketing industry (PR& Communications Africa, 1997). Sponsorship is fast becoming the most visible and likeable component of the marketing mix and plays a critical and active role in affecting or shaping the target consumer's opinions on the sponsors' brand (Ikalafeng, T. 2000). As a result, branding and experiential marketing are becoming extremely important in the light of sport sponsorship. With the proliferation of global and local competition, on and offline media, increasing sophisticated consumers and the need for accountability on behalf of the corporate clients, the sponsorship is facing numerous challenges and undergoing fundamental changes (Meenaghan, T. 1998). The complexity of targeting South Africa's diverse population is another implication for sponsors in South Africa. Sport and sponsorship can be described as an effective symbiosis, which requires accountability, transparency and integrative thinking. Just as many companies regard sponsorship as an essential part of business practice, in terms of their financial health, so do many sports. Without each other, neither can be as successful. A strategic sponsorship, if properly executed, will have far reaching benefits including long term relationship between the sponsors and the target consumer, reinforcing the brands position, top of mind awareness and overall creating a suitable competitive advantage (Ikalafeng,T. 2000). This literature review aims to present a holistic overview of the sport sponsorship industry from the evolution of sponsorship to the current and future trends in the industry. Another section of the study also focuses on the corporate clients who are the sponsorship decision-makers. This literature review focuses on trying to align the corporate governance objectives for engaging in a sponsorship activity with the impact it actually has on the consumer. The review is presented from the corporate perspective in this regard. The report largely focuses on the

South African sponsorship industry, but global markets and trends play a pivotal role in analysing the South African market.

2.2 Definitions of Sponsorship

There has been much controversy over the years with respect to the definition of sponsorship. No single definition has satisfied all professionals in this field and thus a review of the current definitions will provide insight into the conflicting yet contrasting views. The difficulties in defining sports sponsorship are partly from the confusion with other concepts such as patronage, charity, philanthropy and endorsement. Another factor that adds to this complexity is the labeling of sponsorship i.e. sponsorship of tickets by advertising on the back, that is not perceived as sponsorship by professionals (Sandler D.M. &Shani, D 1993; Pope, N 1998). Sandler and Shani (1993) provides the following definition:

The provision of resources i.e. money, people, equipment by an organisation directly to an event or activity in exchange for a direct association to the event or activity.

This definition propels accountability, transparency and integrative thinking. The providing organisation can then use this direct association to achieve either corporate, marketing or media objectives.The definition clearly identifies sponsorship as a support mechanism, yet it ignores the activity of sponsoring a team or individual. As a result in Pope, N.1998 paper "An overview of current sponsorship thought", uses the following definition:

'Sponsorship is the provision of resources i.e. money, people, equipment by an organisation (Sponsors) directly to an individual, authority or body (sponsee), to enable the latter to pursue some activity in return for benefits contemplated in terms of the sponsor's promotional strategy and which can be expressed in terms of corporate, marketing or media objectives.Furthermore, to companies that are entrenched in sports sponsorship internationally, offer a less academic and basic perspective'. In a brief definition the International Events Group (IEG, 2010, p 11/www.ieg.co.za) defines sponsorship in a broader sense as:

'A cash or in-kind fee paid to a property (typically a sport, entertainment, non-profit event or Organisation) in return for access to the exploitable commercial potential associated with that property'. Another company that proposes to define sponsorship is ISL Worldwide. Where

IEG ignored the players in the sponsorship market, ISL focuses on them and their individual benefits: 'International sport sponsorship is primarily a partnership that brings the leading companies, Broadcasters and governing bodies of sports together. Founded on mutual consideration, the Partnership provides major sports federations with the finance to continue to maintain, develop and promote their sports effectively, and that also triggers and warrants transparency, accountability and integrative thinking from practitioners. For their part, sponsors get an opportunity to place brands in front of the biggest and most committed world TV audiences on an unrivalled scale'.So from these definitions it can be deduced that each definition varies on some level, yet the underlying construct is the same. The commentators on this subject agree that sponsorship has numerous commercial benefits that can be exploited, for free (Pope, N. 1998).

2.3 The Evolution of Sponsorship

Appreciably, some people argue that Sport Sponsorship is a recent phenomenon but Sport Sponsorship originated in the ancient Greek and Roman era. The upper class of ancient Greece could enhance the social standing if they were perceived as strong supporters of athletics, as well as the arts festivals. Similarly gladiators were supported and even owned by the Roman aristocracy for the same reason. Caesar gained much publicity and support by financing gladiatorial combat in 65 BC. This is sponsorship in its simplest form; involving minimal cost and predictable benefits (Pope, N.1998) and ISL website (1999). It can be described as a successful symbiosis. The word sponsorship is derived from the Greek word "horgia", which is a combination of the words "horos" to dance and "igoumai", I direct or I lead. The ancient Greek or Roman who led and paid for the festivals was regarded as the "horigios" or in other words, the sponsor. Commercial motivated support is a more recent phenomenon, it is what ABSA seeks to do with the PSL, it is not altruism nor philanthropy but pure competitive resource which Mark Mullen (1999:16) depicted. Sport Sponsorship as it is perceived today was initially evident in Australia. In 1861, Spiers Pond sponsored the Marylebone Cricket Club to tour Australia, the first of its kind (Smith, A. 1994). Signs of sponsorship in France date back to 1887 when a French magazine, Velocipede sponsored an auto race. In the United Kingdom in 1896 the first signs of a Sport Sponsorship venture involved Nottingham Forrest soccer team and the endorsement from Bovril, a local beverage company. In commercial terms, the first signs of Sport Sponsorship acting as a promotional activity are akin to Coca-cola and their involvement with the International Olympic

Committee. Coke advertisements appeared in the official programme of the 1896 Olympic Games and by the 1928 Olympics, Coca-cola had purchased the product sampling rights (Pope, N.1998). To this day they are still heavily involved in sponsoring the Olympic Games. Even though Sport Sponsorship is highlighted in these historical examples, many researchers argue that corporate sponsorship, as it is understood today, was only being recognised in the mid-1970s. Since then, sponsorship has grown exponentially and it continues to grow in new and different forms of sponsorship (Pope,N. 1998). As Sports Sponsorship evolves, researchers have attempted to use a number of perspectives or theories to explain the relationship between the parties involved in a sponsorship. One such perspective suggests that Sports Sponsorships are forms of 'exchange relationships' that "are based on principles of maximising reward and minimising risks" (Copeland,R.Pet al, 1996, p.33). Under such an exchange relationship, the corporation provides the sports property with sponsorship dollars and hopes that the sponsorship, as an investment, will generate considerable tangible and intangible returns and benefits (ROI, ROO). The identification of sponsorship objectives and benefits has been one of the major focal points of research into Sports Sponsorship (e.g. Apostolopoulou Papadimitriou, 2004; Ludwig Karabetsos, 1999; Witcher, B. et al, 1991). Enhancing corporate image and increasing brand awareness, two basic elements of brand equity (Keller, 1993), are the most important and frequently identified benefits obtained from Sports Sponsorship (Cornwell, T.B. 1995; Quester, N. 1997).

Similarly, the understanding of how sponsorship drives the bottom line has increased because of the more sophisticated research into its measurement (Crompton, J.L. 2004; Harvey, T. 2001; Meenaghan, T. 2005). Over its relatively brief commercial history sponsorship has altered and varied in many ways. From limited scale activity, sponsorship today represents a significant and increasingly global element of marketing communications expenditure. Sponsoring companies are taking a more "hard-nosed" approach to their sponsorship investments as a result of major developments in the industry, like the increased scale of investments. This in turn demanded greater levels of sophistication in sport sponsorship management and increased reliance on decision making support, in terms of research information and specialist consultancy advice. Increased investment and greater numbers of sponsors have led to major events being cluttered, with consequent pressure to seek out new and exciting sponsorship media (Meenaghan, T.1999).

2.4Types of Sponsorship

Broadly speaking there are three types of sponsorship, which are:

- Local Sponsorship i.e. a golf day or school event where companies sponsor social events, often to thank colleagues, staff or customers, while “showing the flag” in the community
- Guilt Sponsorship i.e. a crisis centre
- Companies sponsor social events, development and upliftment schemes to identify with a cause and not primarily to gain media coverage, which though, can be far greater than anticipated.
- Commercial Sponsorship i.e. a larger sport event companies use a substantial portion of their communication budget to fund sponsorship programs (Rayner, B. 1999)

The sponsorship of sports can fit into anyone of these categories depending on the motives behind the sponsorship in the field of sport sponsorship. In 1995, Graham, J.L et al identified four different methods of sponsorship, these being:

1. Title sponsorship: the primary sponsor whose name is listed with the event
2. Product category: cash, product or service investment less than the title sponsor
3. Single event sponsor category: direct sponsorship to the event, usually short term or day event
4. Official supplier: financial and in-kind support through the donation of products and services crucial for competitors, sport competition etc (Graham, J.L 1995).

As the value of sponsorships is being better understood and the sport bodies are realising the benefits of commercialisation in sport, from a financial perspective, the popular forms of sponsorship have changed. In the past five years, the focus has moved away from product category and official supplier status to more prominent means of sponsorships like broadcast sponsorships. Rines (2000) identifies the six main and most popular types of sponsorship that are available today. He also briefly discussed the relevant advantages and disadvantages of various forms of sponsorships.

- Team Sponsorship

This form of sponsorship involves sponsoring an entire team on a local, national or international level. It is the most popular form of sponsorship as there is a certain amount of risk, but the returns are proven. The most popular form of team sponsorship is shirt or apparel sponsorship. For many years however, sports bodies prevented this form of sponsorship on the basis that it would over-commercialise sport. For the past ten years many companies have been enjoying many benefits of this high profile exposure, both nationally and internationally. This however, has the potential to alienate certain sport customers because of the localised nature of association between the team and the sponsor. As a result, team sponsorships of this kind are normally associated with large International sponsors seeking mass exposure, or it is maintained on a regional level. Another danger associated with this sponsorship is conjuring up negative feelings for the sponsor from rival sports team supporters. This has become a factor in the UK where support for a certain soccer team is so strong that rival supporters will boycott using a sponsors product or service. This is however not very common.

- Individual sports star Sponsorship

Sponsoring an individual has always been perceived as the riskiest but yet potentially the most rewarding sponsorship investment. The risks include poor performance on and off the field and injury as these can draw negative publicity or conversely minimise exposure. The benefits on the other hand are as a result of a person actually having a personality and this allows many sports fans to relate to the sports stars, more so than with a team. So brands that are associated with successful and popular individuals will be handsomely rewarded.

- Event sponsorships

Sponsoring an event allows the sponsor the opportunity to own an event and simultaneously the sport, to an extent. This is achieved by securing the rights to an event and thus exploiting them. Sponsors have reaped substantial rewards from being the broadcast sponsors of their event. This   makes the objective of the event far more credible. Event partnerships as a result of major sporting events that require numerous sponsors are growing in frequency. The benefits include decreased rights costs and opportunities to cross promote with the partner. On the flip side, event partnerships prevent exclusivity.

- Venue sponsorship

This is a relatively new type of sponsorship, especially in South Africa. Only recently, year 2000 have South Africa had to adjust to name changes like Kings Park Rugby stadiums to ABSA Park. There is scope for this medium to continue growing as stadia are sold to companies and stadia are built. There is a strong 'emotive' issue involved with venue sponsoring as sports fans become attached to their teams 'home turf' as well as being apprehensive about commercializing the sport. Nevertheless, research has shown that this form of sponsorship is growing (Ikafaleng, T. 2000).

- Broadcast sponsorship

Deregulation of the television industry throughout the world has allowed the sponsorship of sports programme broadcasts. The growth in the South African television industry especially related to sports has boosted this means of sponsorship. It also offers numerous advantages, like guaranteed amount of exposure, a defined geographic market, opportunities to be creative with the sponsorship and it costs less than most of other forms of sponsorship. This form of sponsorship also heightens brand awareness and can change brand image attitudes. Broadcast sponsorship is growing in popularity despite its ability to link itself to the performance of an individual or a team, or create the experiential element as much as event sponsorship.

- Technology sponsorship

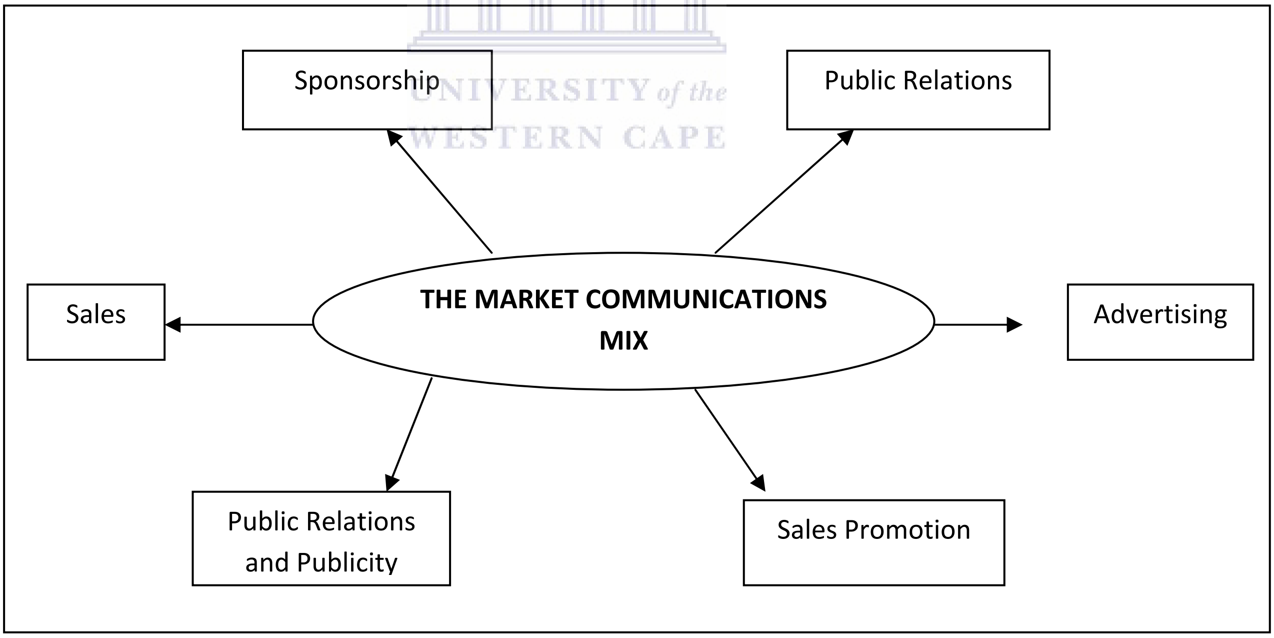
This sponsorship developed as a result of watch manufacturers being the official time keepers for certain events and has since progressed into a major area of sponsorship. Technology sponsorship is defined as a 'special category' sponsorship and the sponsor adopts the status of official sponsor status (Rines, S. 2000). Sponsorship exposure possesses the potential to be as effective as television advertising (Pope, N. 1998) when sponsorships are carried out in these forms. Commentators have stated the far-reaching benefits of being involved in a holistic sponsorship campaign as only utilising one aspect may result in the sponsor being lost in the clutter of numerous other sponsors. The rate that technology is advancing is creating new and innovative ways to communicate with customers. The use of virtual signs will infiltrate the sponsorship market in the near future creating another means of attracting customers to one brand (Anderson, K & Winters, T. 2000).

2.5Sport Sponsorship and the Communication Mix

2.5.1 Sponsorship as an element of Marketing Communication Mix

Sponsorship is an integrated part of communication plans. This is because it can extend the impact of the other elements of the marketing communications mix in an environment where consumers are more open and receptive, making key messages more relevant and persuasive Association of Marketers/ ASOM, 1997). In an environment of media clutter and audience fragmentation, sponsorship can overcome the now severe difficulties encountered by advertisers in gaining attention and interest from a wide range of public who may have limited interests in the sponsors advertising (Crowley, 1999). Sponsorship fits naturally alongside the communications mix and plays a vital role in the marketing communications plan. In isolation, sponsorship would not be effective as it relies on the other element to leverage it and it link to the overall marketing plan (ASOM, 1997). The following model developed by ASOM illustrates the position of sponsorship in the marketing communication mix.

Figure 1: Sponsorship's role in the communication mix.



Source: Antai School of Management (Asom,1998), adjusted table.

Marketing has become much more than advertising and sponsorship is one of the bigger and more potent of the new weapons in the marketer's arsenal. It has become a juggernaut

(Koendermen, E. 1997). Mikael Jiffer (2003) from Sponsor Strategi supports the perspective, but offers a more objective point of view and comments on the downside to using sponsorship as a medium of communication (Rines, S. 2000). The following are the advantages of sponsorship compared to other types of marketing activity:

Table 2: Advantages and disadvantages of sponsorship (**Source Rines 2000, p 22**), adjusted table

Advantages	**Disadvantages**
Allow the use of the theme of sponsorship project in different media	Time consuming
Raises awareness of the sponsors other advertising	Requires thorough preparation and planning
Creates a preference	Demands extensive personnel resources
Creates a sense of pride in the company's commitment	Requires consideration knowledge
Exclusivity/ shuts out competition	Weak message carrier
Association between the sponsor and the sponsored	Bad will risk
Not overtly commercialized	Requires the acquisition of a well matched property

The disadvantages are mainly concerned with the time and effort involved with sponsorship as there is obviously an opportunity cost to consider. Sponsorship can be very demanding on all the personnel involved, as it requires a significant amount of attention. The advantages on the other hand, can be expressed through the use of the A-ERIC model developed by Sponsors Strategi. It demonstrates how the different elements feed off each other to maximise the effect of the individual elements and thus the sum of the activity becomes greater than the parts.

- Association.

The association between the values of brand and the sponsorship that is communicated to the target market/group through the sponsorship rights. This association can also give rise to a theme on which the sponsorship can be built.

- Exposure.

This represents the exposure the sponsor receives as a result of the sponsorship activity. This can be achieved through numerous mediums, like branded clothing, signage etc.

- Relationships.

These pertain to the relationships developed between the company and the consumers, suppliers, business partners, financial community, business press as well as employees.

- Integrated communication

As sponsorship is explained through this model, it is not a media in itself, but a working method. Communication through sponsorship actually uses a series of media like television, radio, press, on packaging and merchandising (Rines, S. 2000). The versatility of this medium enables it to perform many of the basic functions performed by other elements of the communications marketing mix. Sponsorship is also utilised as a promotion medium for sales and merchandising opportunities and while its capacity to perform public relation type functions is obvious, the corporate hospitality component of sponsorship creates the opportunity to engage in relationship marketing (Meenaghan, T. 1991).

A loose definition of marketing byIkalafeng T. (2000) is the management of mutually beneficial relationships. Consequently, sponsorship of sport is now an essential element of the marketing mix and a proven communication vehicle to facilitate the relationship between the sponsor and sports consumer, who is either an active participant or a spectator. Because of the personal nature of the relationship between sports and its consumers, the benefits of strategic sport sponsorship far outweigh the impact on the brand than any other element of the marketing mix (Ikalafeng, T. 2000).

2.5.2 The relationship between Sponsorship and Advertising

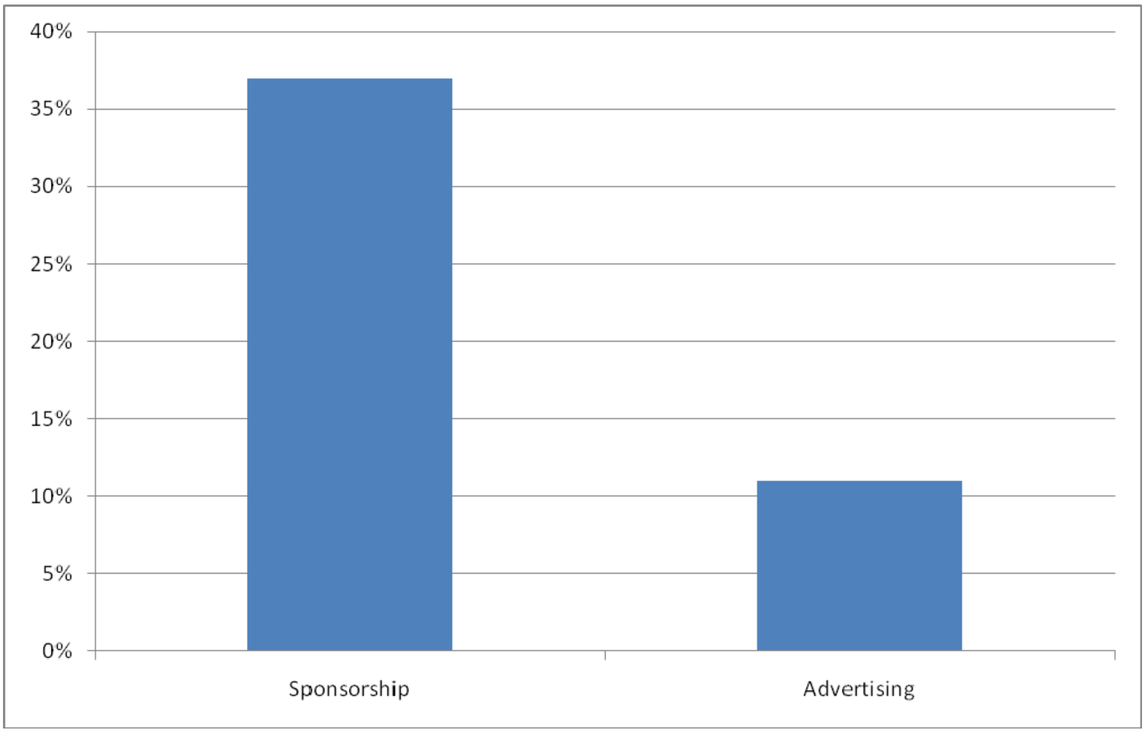
Over the years a debate ensued over the benefits of advertising compared to those of sponsorship. Sponsorship plays an increasingly major role in the communications interface and this is particularly true for South Africa since their re-entry into the international sporting arena. An increased number of companies have engaged in sponsorship as a means of targeting their desired market, but too often they are under the false premise that sponsorship is cheaper than conventional advertising states Bernie Rayner (1997). He continues to say that sponsorship is not a short cut to achieving maximum media exposure without using other forms of promotion. He concludes that sponsorship is very effective if it is managed properly.

Derek Carstens, (2008) the group managing director of Ogilvy & Mather, however argues that sponsorship is the biggest misspend in advertising at the moment (Kloot, L. 1999). Butch Rice (2002) from research survey, confirms this with his opinion that while the majority of sponsorship ventures in South Africa are a waste of time and money, it makes the people in the company feel good, it's an easy form of marketing and it looks glamorous. He accuses most sponsors of selecting sports based on personal interest as opposed to what really fits the brand personality. He also notes that the problems with measurability of sponsorship should be a great detractor from this form of promotion (Kloot, L. 1999). The corollary to this train of thought is those professionals in the industry that are pro sponsorship. Derek Dickens, the executive director of ASOM, who puts the argument simply as describing advertising as an unwelcome guest in your home, but sponsorship is not (du Toit, D 2000). He continues to explain that as a marketing tool, sponsorship gives as much as it takes. In many cases this makes it more effective than advertising.

Similarly, Neil Duffy (2001), CE of Octagon Marketing, claims that 'in a cluttered marketing arena, sponsorship cuts through the clutter, providing ownership opportunities and a special relationship with consumers and potential consumers' (Bisseker, C. 1998). Even though the current figures show that only R 2.5 billion is spent on sponsorship, it is growing by 22% annually as opposed to the R 7billion spent on all advertising, which is stagnant (du Toit, D. 1999). The amount spent on advertising, however does include the advertising spend that is necessary for the promotion of the sponsorship,and thus the figure seems somewhat inflated.

In her article 'Sporting Chances', Clair Bisseker, 1998 confirms that sports sponsorship can yield increasing returns on investment in terms of awareness, which are frequently as high as 5.1 provided that there is effective media coverage and efficient television support. The ISL Worldwide website 1999 posted results from a tracking study by RSL, called Sponsorstest, which compared the recall rates between advertising and sponsorship. The research methodology that produced the data for this comparison is unknown and so caution should be taken when conceptualizing this graph.

Figure 2: Comparison between advertising and sponsorship recall



Source ISL Worldwide (1999), adjusted table.

It is very important that sponsorship does not act as a substitute for advertising, but as an enhancer. They are to be used in conjunction with one another to maximise benefits from each activity. Meenaghan 1991 highlights that the role sponsorship shares with advertising is a complementary one as opposed to a competitive one, but he acknowledges that there are distinct differences.

2.5.3 Relationship Marketing in Sport Sponsorship

Customer Relationship Marketing (CRM) is a 'buzz word' in the marketing industry at the moment and is changing the way many marketers handle the challenges they are faced with, in terms of their customers. Without exploring the extensive literature on relationship marketing, it is its association to sponsorship that will be investigated further.Relationship marketing is defined by Schiffman, L. G, Kanuk, L.L 1997 as: 'Marketing aimed at creating strong, lasting relationships with a core group of customers by making them feel good about the company and by giving them some kind of personal connection to the business'. With respect to sport sponsorship, uncertainty as to the meaning of 'core' in this definition may lead to some difficulty in applying this definition. As a result, the preferred definition is:The consistent application of up-to-date knowledge of individual customers to product and service design which is communicated interactively in order to develop a continuous and long term relationship, which is mutually beneficial (Cram, W. 1994; Williamson, E, 1999). Relationship marketing developed from the need of both customers and companies to diversify away from mass marketing. Even though sponsoring sport is based on mass appeal, relationship marketing can provide some benefits and alternative possibilities.

Corporate hospitality is becoming an important facet of any sponsorship campaign and it is in this sphere that the true benefits of relationship marketing can be gained. Relationship marketing is all about building trust and keeping promises. It should make the customers feel understood and special (Schiffman, L.G, Kanuk, L.L 1997). Through sponsoring sports, companies can easily achieve this. Successful relationship marketing is the result of customers (PR & Communications Africa 1997). With this in mind, it is plain to see that the sport sponsorship industry provides an appropriate opportunity to exploit the techniques of relationship marketing and thus yield the attractive benefits. The primary benefit is loyalty and long-term customers.

2.6 Sponsorship Objectives

The key to all marketing is to have an objective as it allows a more focused approach to the sport-based activity and creates a benchmark against which it can be measured (Rines, S. 2000). Companies often fall into the trap of deciding on a sponsorship and then trying to set attainable objectives. These are set to justify their involvement in a particular sport, even though they may be in conflict with their overall corporate strategy. Muir, J. 1996 however suggests that sponsorship objectives should be consistent with the objectives already set for the other elements of the communication mix, like advertising and promotion.

Three broad categories of sponsorship objectives have been identified by and accepted in sports marketing literature. Firstly, media objectives such as cost effectiveness and reaching target markets. Secondly, broad corporate objectives, which are image-based and lastly marketing objectives, like brand promotion and sales increases (Sandler Shani, 1993). Both theoreticians and politicians alike have largely discounted the first of these categories. Importantly, however the other two categories imply that consumer awareness of sponsorship activities will provide some sort of benefit to the sponsor in terms of consumer attitudes to the company or in purchase of the company’s brands (Pope, N. 1998). It must be noted that little empirical evidence exists for the impact of sponsorship on image development

(Armstrong, C. 1988; Cornwell, TB. 1995; Pope, N. 1998). On the other hand, some evidence does exist for accepting sales increase measures as a means of evaluating the impact of sponsorship (Pope, 1998). Many other commentators (Gardener, M. Shuman, 1986; Abratt, R et al, 1987; GrossTaylor and Shuman G. M 1987; Gilbert, A.N. 1988; Grobler,M. 1989; and Stotlar, D.K 1992; in Pope, N. 1999), utilize these three categories, but also note the relevance of individual objectives. As a result the following table was devised from numerous writers on this subject.

Table 3: Aggregated objectives for corporations involved in sport

Corporate Objectives	**Marketing Objectives**	**Media Objectives**	**Personal Objectives**
Public awareness	Business relations	Generate visibility	Management interest
Corporate image	Reach target market	Generate publicity	
Public perception	Brand positioning	Enhance advertising campaign	
Community involvement	Increase sales	Avoid clutter	
Financial relations	Sampling	Target specifying	
Client entertainment			
Government relations			
Compete with other companies			

Source: Pope, N. 1998, adjusted table.

Not mentioned above but could also fit into the category of personal objectives are social responsibilities of the CEO and team building for executives. A few commentators have however contested the inclusion of personal objectives, in particular Sleight, N.1998. He observes that management interest does not substantiate embarking on a sponsorship programme and he claims ‘there is evidence that management have come to’. Thus it would seem that Sandler, D.M, Shani, D.(1993) original categories are suitable, yet the importance of these objectives is still debatable.It has been argued that sport effectiveness as a promotional tool is due to its ability to shape corporate image. Others have stated that it is in fact the marketing and brand /product related objectives that have had the most success. The underlying strategy of this new style philanthropy is for companies to obtain a tangible return for their contributions (Mescon Tilson in Pope 1998). Similarly, Abratt, R. et al in Pope, N. 1999 reiterated this point by saying an increase in sales is always the ultimate goal. He questions why so much focus is given to other objectives such as new product launches.

Cornwell TB. 1995 in Pope, N. 1998argues that the two benefits most often cited as coming from sponsorship are firstly brand, product and company image building. She places emphasis on both the marketing and corporate level objectives. Empirical evidence seems to confirm her contention that objectives will be mixed.In previous research conducted in Australia, Canada and United Kingdom it revealed that awareness is always linked to image and brand development. In all cases, the objective to enhance corporate image is always ranked first in the corporate category (Pope, N. 1998). This is also true in South Africa.In 1999 research was conducted by BMI amongst the sponsorship decision-makers of the most influential companies in South Africa. This is a tracking study and the research draws on comparisons to 1993, 1994, 1997 and 1999 findings. The specific aspects covered are primarily the key objectives of sponsoring companies and whether or not the companies felt they were achieving their objectives.

Table 4: Main objectives of companies sponsoring sport

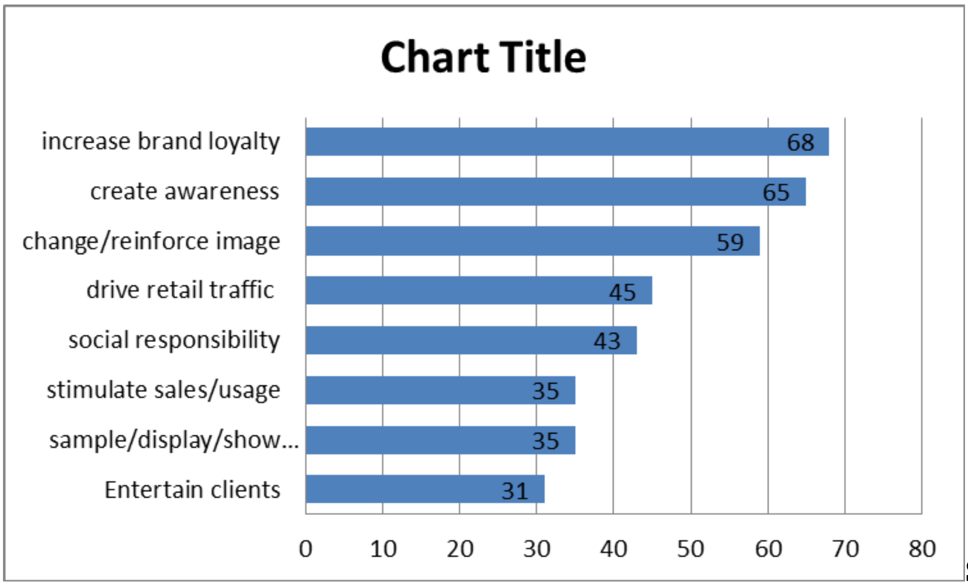
Objectives	**Percentage of Sponsors**			
	1993	**1994**	**1997**	**1999**
Create brand/ company awareness	88	76	84	93
Create /reinforce image	26	38	48	57
Show community involvement	20	21	23	31
Create goodwill and loyalty	8	5	3	11
Direct sales increases/sales at event	6	6	9	9
Client service/key client entertainment	6	5	13	22
Create opportunities to advertise	4	5	4	4

To gain market share	4	4	4	5
Opportunity for new product		3	8	17
Involve employees in something positive		2	2	2

Source: BMI Sponsorship (1999), adjusted table.

It is blatantly obvious that the primary reason that companies immerse themselves in a sponsorship campaign is to create awareness of themselves or their brand. Linked to this objective is the desire to create or reinforce the company or brand image. This objective has had the most marked increase, percentage wise, out of all the objectives over the six years. The need to display community involvement is becoming more important, as is entertaining the clients, to boost morale and enhance relationships. Sponsorship is also being used more and more as a platform to launch new products. It is surprising to note that emphasis is not placed on directly increasing sales, which is commonly thought to be the motive behind all marketing theory. Octagon's CEO Neil Duffy (2000) emphasised this point. He says he would like to see a change in attitude for sponsorship away from being regarded as a medium for creating awareness. Such a goal is valid in the initial stages of the company's life-cycle, but the ultimate goal should be for sponsorship to boost sales (Palmer, T.D. 2000).

Figure 3: The importance of objectives



Source: IEG Sponsorship Report (2001), adjusted table.

Even though the South African sport sponsorship industry is in its infancy compared to that of United States, it must follow global trends if it wants to be viewed as a competitive player in the industry. As a result, sponsors need to redefine their objectives and thus create suitable strategies in order to achieve the objectives. Some researchers still report the need for setting media objectives yet others, Sandler, D.M& Shani, D. 1998, have noticed a trend away from this practice in the past 15 years. This is reiterated in the above graphical representation of the latest research results concerning this matter (IEG Sponsorship report, 2001) Nevertheless, despite the lack of media objectives, media measurement remains the dominant method of sponsorship evaluation.

2.7 Measuring the Effectiveness of Sponsorship

There is a definite link between sponsorship objectives and sponsorship evaluation, as noted by Sleight 1999. The problem lies in the fact that not all objectives, for example management interests, can be quantified and that the evidence that sponsors actually engage in evaluation methods is very slim. In a study conducted by Gross, T.S.(1997), it was revealed that 47% of the respondents (sponsors) did not employ any evaluative techniques. This finding was confirmed by studies in later years. Pope, N. and Voges, D. 1999 investigated the matter further and concluded that there is a direct link between setting objectives, evaluation and length of sponsorship agreements (Pope, N. 1999). They concluded that the shorter (less than three years) sponsorship ventures were akin to those who failed to set objectives and evaluate.

From this, it is easy to understand the need for credible and employable evaluation techniques. The latest information in this regard implies that sponsors are still underestimating the importance of evaluative techniques. The IEG Sponsorship Report 2001 published results of a survey conducted amongst 200 top American sponsorship decision-makers. The statistics revealed a startling disconnection between sponsor objectives and how they evaluate success. In this study, as mentioned above that brand loyalty was purportedly company’s main objective, yet less than 47% employ primary consumer research as a component of their analysis. As mentioned above, a lot of the evaluation of a sponsorship campaign is based on media objectives. Essentially this implies that the length of exposure gained by the sponsor is recorded. The mileage is then priced at conventional advertising costs and aggregated to the sponsorship price. This however poses many ambiguities, which decreases the relevancy of the information. Sleight, N. 1999 argues that media based evaluation is subject to the fact that: the quality of the message is variable, the actual receipt of the message is not recorded and the cost of bought advertising is compared at the highest rate. He suggests more attitudinal surveys, which would certainly give a justifiable evaluation of the corporate related image objectives and subsequently the marketing objectives of increasing sales. There is very little evidence to show behavioral response to sponsorship and thus the basis of this research study.

To confirm this point, Olivier Kraak, 1999 reported that little evaluation is conducted on the factors that influence the consumer response to sponsorship and concludes that the industry focuses more on the 'output than on the input'. The primary means of evaluation tends to link awareness levels of sponsors with the level of television brand exposure during sponsorship.

The fact that there is an 'opportunity to see' does not imply that the sponsors sign was actually seen-again enforcing the problem that media evaluations are not accurate (Olivier Kraak, 1998).The media audit is further criticised because a number of the objectives cannot be quantified through this method of evaluation, employee motivation, customer entertainment and the like. It therefore cannot be used in isolation or will be regarded as obsolete. Despite these contentions, the media inspection is still widely used (Pope, N. 1999). Evaluation in terms of market or product/brand related objectives have been cited. Evidence also exists for accepting sales increase measures. In terms of the financial benefits, the evaluation procedures are extremely lacking. This has been attributed to the possibility of disclosing poor results from the sponsorship programme and thus posing a possible career risk, especially as the amount of money devoted to sponsorship increases (Pope, N. 1999). Most experienced sponsors are wary of making a direct comparison between sponsorship and sales volumes.

The ability to measure sales volume against a sponsorship activity is difficult because in an integrated marketing campaign it is not possible to measure the sales effect of a single discipline in isolation. Sponsorship also runs over an extended period of time and the seasonality element in terms of peak exposure periods and increased advertising may also skew the results (Rines, S. 2000). As a result the relationship between sales volume and sponsorship activity remains both tenuous and contentious Pope, N. 1999. Conclusions about the effectiveness of a sponsorship cannot be drawn without taking into account the recall levels (Olivier, K. 1998). It is very important that the distinction between recall and recognition is made. The concept of recognition is a single-step process, where a stimulus is provided. Recall on the other hand is absent of a stimulus and thus a two-step process of searching for information and then recognition. It is the latter that concerns the sponsorship evaluators Pope, N. 1999. Whilst measuring sponsorship, it is important to take heed of the following points; measure in the correct target market, track over time and compare against other sponsors and competitors. As Sport Info (Pty) Ltd in 1996 suggests, it is also a good idea to get an objective opinion and to view the evaluation function as part of the total sponsorship process. In order to override the lack of comprehensive measurement tools, many companies have formulated their own basis for evaluation, for both pre and post event measurement. A new measurement tool, which was launched at Octagon, was called 'Evalu8' which is a quantitative measurement tool.

The UK branch has developed the 'Sponsorship Effect", which isolates the sponsorship element of communications programmes and thus measures the consumers' perception and attitudes. Together these quantitative and qualitative measurements will add an element of tangibility to sponsorship and this advancement will serve to enhance the credibility of sponsorship and promote it as a viable means of commercial communication (Duffy, N. 2001).

2.8The Corporate Perspective

2.8.1 *An Analogy*

Two academic doctors from two vastly different continents, the USA and Asia, created an analogy between sports and corporations. The purpose is to demonstrate that the alliance known as sponsorship equates to a marriage. The lengthy article gives an in depth analysis of what a marriage requires to succeed; love, respect, trust and communication and likens these qualities to the needs of the corporation and sport when embarking on a sponsorship.

The outcome of the analogy is that if corporations are only attracted to the sports potential commercial value and have no commitment to managing future relationships, sport faces the danger of over-commercialised activities that pollute the essence of sport. Likewise, the corporation also needs to seek a 'good' partner or face the disappointment of poor performance, quality in terms of commercial values, well-organised events and management of the corporation's reputation. The misjudgment and unmatched expectation of their partnership may result in an end to their relationship. The relationship between sport and corporations cannot exist solely on the potential benefits per se, just as love in a personal relationship cannot prosper based on infatuation or 'first sight' impressions. Both require long term commitment to assist each other in reaching mutual fulfillment. The mutually beneficial relations provide advantages not only to the main partners, but also to society at large (Cheng, C.Y and Stotlar, D.K 1999).

2.8.2 Sponsorship strategy

As with any business or marketing activity, there needs to be a reason for embarking on a sport sponsorship venture. There must be tangible benefits brought to the brand in a cost-effective manner that satisfy the objectives and corporate culture of the company. As a result a clearly defined strategy needs to be implemented in order to maximize the opportunities of being involved with sport (Rines, S. 2000).A sport sponsorship strategy is no more than a logical plan of action to use as an association with sport to meet given business objectives. The sponsorship strategy therefore has to meet the overall corporate or brand strategy.

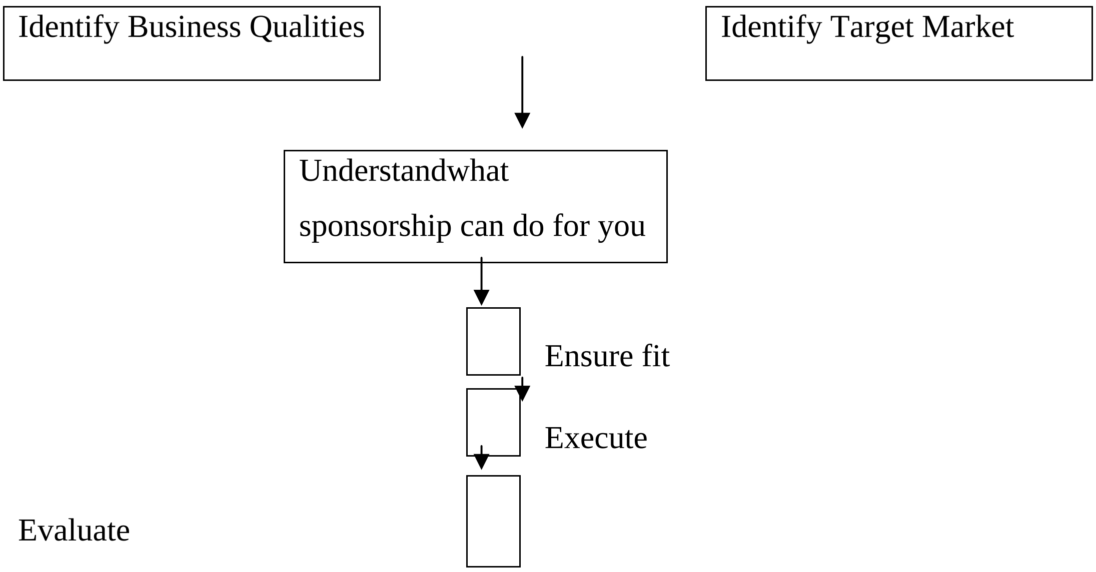
The extensive list of objectives behind engaging in a sponsorship venture, however results in the impossibility of producing a single strategy model to serve every situation. Red Mandarin, an agency that specialises in developing strategies, has formulated a model in an attempt to facilitate sponsors in their decision-making process (Rines, S. 2000).

The approach to strategy is to take an in-depth look at what the client is doing in terms of internal and external communications, corporate strategy and brand development. By identifying the decision-makers, again both internally and externally, we get an understanding of the whole process of the business strategy and the communication channels. This makes it possible to determine how sponsorship can work to improve communications and deliver the business objectives stated Sally Hancock, CEO of Red Mandarin (Rines, S. 2000). The basis of the strategy is that all the elements should fit and enhance corporate or brand strategy and thus this marks the starting point for any investigation into achieving objectives through sport. The next step in the process is market place mapping, which can be achieved through an internal audit. This helps companies assess their current position and what they aim to achieve. This gives rise to the need to develop a strategy.The ICS sponsorship strategy is a development from his overall strategy, but deals more specifically with the steps once the sponsorship has been agreed upon (Rines, 2000). The initial consideration is the brand, its values, characteristics and image coupled with the communication and business objectives.

The acquisition template entails conducting research to select a suitable sponsorship fit that reinforces brand image and values. The target market is analyzed to ensure there is a cross-over between those interested in the sport property and the target market of the brand. Another key element of this process is the examination and negotiation of the rights on offer. Subsequently a detailed examination of the resource to exploit the property is conducted in order to assess how property can be used across a wide range of departments. It has been said that sponsorship is the 'glue' that binds the communication process together. In order to fully exploit the sponsorship rights, a coherent approach is necessary and personnel are well informed and issued with the necessary tools.

Anderson, K. and Winters, T (2000) support this need for strategy and comment that 'the reason sponsorships make breakthrough marketing sense can be attributed to the fact that sponsorship is the most intense strategic discipline in the marketing industry. Companies embarking on sponsorship marketing programs need a thorough understanding of global marketing trends, brand positioning, consumer promotion, PR, event management skills as well as skills to negotiate effective sponsorship deals'. The researcher noted that there seemed to be a 'gap' in the thinking of the corporate strategist at the most basic level of understanding sponsorships. As a result, the 'BUT Triple E' model has been formulated to assist management in the very first steps towards designing and implementing a successful sponsorship strategy.

Figure 4: BUT Triple E Model (**Source Asom 1997**), adjusted figure.



As the diagram suggests, the strategist needs to have a very clear understanding of the qualities the business has and those that the business wishes to promote to the public, and thus the strategist needs to understand the target market they are trying to capture. By understanding these two very important aspects, the strategist needs to comprehend what the sponsorship can do for the company and how it can target this identified market. Once this phase is complete, the Triple E comes into being- ensure a fit between the company qualities, the sport and the desired target market. Execute the strategy and always evaluate.

2.*8.3 Leveraging the sponsorship*

The first big mistake sponsors make is assuming the visibility they get by contracting with the event is worth much. If the sponsor wants to make the link with an event, he has to do it himself. ‘Presence at the sites is a good vehicle to impress good accounts, but isn’t much good to consumers, unless you amortize your sponsorship across a few thousand customers’ commented Jim Crimmins, executive VP and director of strategic planning and research at DDB Needham Worldwide (Anderson,K and Winters, T. 2000).

This point of view that leveraging ones sponsorship is as important as deciding to engage in a sponsorship deal, has been reinforced time and again.Maximising the return on the sponsorship investment requires imagination, creativity and skillful exploitation of sponsorship. To do this effectively, it is required that for every rand spent on sponsoring the event, at least one rand should be used to promote the company’s association with the event. According to ASOM (1997) this is done by transferring your brand footprint across all mediums in terms of manner, tone, message, brand and positioning etc. and leveraging tactics should include using all elements of the marketing communication mix and should be targeted to specific audiences. These tactics include pre-event consumer promotions such as advertising, competitions, publicity and special offers, on-site consumer promotions include signage, sampling, merchandising, giveaways, competitions, as well as related advertising and publicity (PR & Communications Africa, 1997).An effective leveraging program requires a budget that is at least equivalent to the sponsorship investment, but ideally doubles the amount. Mava Hefler, MasterCard sponsorship executive, notes ‘how you use sponsorship is where the battle is lost or won. You need to spend at least \$2-\$3 for every \$1 spent on the sponsorship fee’. It also has to have aligned advertising (Koenderman, E. 1998). This should allow for ongoing promotional activity that creates exposure that adds a considerable value to the event and the sponsorship investment. The more exposure the sponsorship receives, the greater the interest in the event, which adds value to the sponsorship investment overall. Figures released in April 2007 by IEG suggest that although this view is supported in the market place, it is not necessarily implemented. Although companies are spending an increasing amount on sponsorship right fees they are doing very little to activate their deals. Of the respondents in the US, 70% stated that they spend $1 or less to every rights fee dollar spent, to leverage their sponsorship. In the US the norm is $3 to $1, so this is very poor. Only 15% of sponsors spend $3to $1 or more (IEG Sponsorship, Report 2001).

In South Africa sponsors spend on average another 70% leveraging their involvement through advertising and promotions, though the recommended ratio is to match the sponsorship spend rand for rand. If you don't tell the world you are sponsoring the event, nobody else will (Koenderman, E. 1999). Nick Rabjohn, director of Worldwide Sports marketing agrees, some companies spend vast sums to acquire properties and then the property is expected to deliver returns without further effort from the sponsor. You have to leverage investment in properties to gain any benefit (Eardley, T. 2000).

2.8.4 Setting corporate objectives

Octagon has developed the 'Aimed' model to analyse a sponsor's criteria for success and thus assist in formulating corporate objectives. This is a unique management tool which assists in highlighting the benefits of sponsorship. AIMED stands for awareness, activation, and measurement, meaningful, experiential and driven and so objectives are drawn from wanting to accrue these benefits. This can be adapted and customised to apply to a broad range of topics (Palmer, T.D. 2000). As discussed previously, the corporate objectives have been identified as the key objectives in any sport sponsorship venture.

This statement is confirmed by research, the BMI 1999 results highlight the fact that the top five objectives are all corporate; this is reinforced by research conducted by Kuzma, J.R et al 1993 in (Pope, N. 1999). The most important objectives were all corporate objectives. The reasons for this may be that the sponsorship decision-makers and marketing personnel are no longer in a decision making position as they were a few years ago (McCook et al, 2005). It is noted that more and more sponsorship decisions are being made by upper-level management, thus sports sponsorship is being acknowledged as an important corporate decision (Ukman, L.M. 2002). Similarly the objectives are proving to be set more carefully and by influential management.

The objective of corporate hospitality is one that has received little attention in many reports written on sponsorship. This form of hospitality provides access to influential people who would otherwise be difficult and expensive to reach. Hospitality at sports events provides an opportunity to build relationships with consumers in a relaxed environment and aids in the creation of a total brand experience. As a result it should be an objective of sport sponsorship wherever possible.

The criteria for assessing the benefits from engaging in corporate hospitality can be as simple as determining whether the corporate image was enhanced by the exercise, whether it led to new reviewed contracts or whether a strong business relationship was forged with potential and current customers. According to Peter Ivanhoff, corporate hospitality in South African sporting events is often nothing more than a 'glorified party'. All too often the sponsors are not researching the customer mix, the objectives of hospitality and have no follow-up procedure in place (PR & Communication, 2007).

3. Sponsorship as a form of Experiential Marketing

We are in the middle of a revolution,a revolution that will replace traditional features and benefits marketing with experiential marketing,stated Schmitt, D. 1999, in his book titled Experiential Marketing. This concept has been reiterated in an article, 'Welcome to the experience economy', that appeared in the July-August edition of the Harvard Business Review, written by Joseph Pine and James Gilmore. It defines an experience as not an amorphous construct; it is as real an offering as any service, good or commodity. The premise of the article lies in the idea that 'customer experiences that companies create will matter most, the competitive battleground lies in staging experiences'.

Experiences have their own distinct qualities and present their own design challenges. One can think of experiences across two dimensions:Firstly, customer participation, which is either passive or active;secondly, connection, which refers to the absorption or immersion in the event or experience. Generally the 'riched' experience encompasses all four realms. The four realms of an experience are entertainment, educational, aesthetic and escapist (Pine, J& Gilmore, J. 1999).Through sponsoring sport, the sponsors can create a memorable experience. Watching sport is essentially categorised as entertainment as participation is relatively passive and the connection is through absorption, but this does not mean the sponsors cannot create opportunities to involve the audience more and allow themselves to be immersed in the occasion. Experiences have to meet a customer's need, they have to work and they have to be deliverable. Memorable events can be driven by five factors, as the authors Pine and Gilmore (1999) reveal:

- Create a consistent theme
- Layer the theme with positive cues
- Eliminate negative cues
- Offer memorabilia
- Engage all five senses

Incorporating all five design principles is no guarantee of success. Companies that fail to provide consistently engaging experiences, overprice their experiences relative to the perceived market value, or overbuild their capacity to stage the experiences will suffer. Experiences also need to be refreshed (Pine, J and Gilmore, J. 1999). Schmitt, D. 1999 fully agrees that the desire to experience is overpowering conventional marketing and dominating the sports sponsorship industry. In his book Schmitt he explores the rise of experiential marketing and to fully grasp the concept, he contrasts it with traditional marketing.
In effect, traditional marketing and experiential marketing are two divergent marketing approaches. The table below shows how they contrast in every facet of marketing.

Table 4: A comparison traditional and experiential marketing

Traditional Marketing	**Experiential Marketing**
Focus on functional features and benefits	Focus on experiences
View consumers as rational decision makers	Regard customers as rational and emotional beings
Product category and competition are narrowly defined	A focus on consumption as a holistic as a experience
Methods and tools are analytical, quantitative and verbal	Methods and tools are eclectic

Source: Cousins, L. 1996, adjusted table.

Traditional marketing was developed in response to the industrial age, today, three phenomena are signalling an entirely new approach to marketing:

- The omnipresence of information technology

  By increasing the speed at which information is processed, it allows for new techniques to develop and the upgrading of existing techniques.

- The supremacy of the brand

  Everything will soon become a brand, even those that are traditionally regarded as such i.e. museums, business schools, TV programs etc. Through advancements in information technology, information about brands will be available instantly and globally.

- The ubiquity of integrated communication and entertainment

  As everything is becoming branded, everything becomes a form of communication and entertainment.(Schmitt, D. 1999)

Experiential marketing encompasses these trends and sports sponsorship has the ability to exploit them. Today customers take the functional features and benefits, products communications and marketing campaigns that dazzle their senses, touch their hearts and stimulate their minds, which they can relate to and incorporate into their lifestyles. Basically, they want products, communications and marketing campaigns to deliver a desirable customer experience; will determine their success (Schmitt, D. 1999).Anderson, K. and Winters, T. 2001 strongly support this view in their article 'Breakthrough Sponsorship: an International Perspective' (2000). They identify four key criteria that a breakthrough (experiential) marketing campaign must achieve; firstly bring brands to life, secondly connect with the whole person, thirdly find audiences with a shared interest and lastly weave the attributes of the sponsee inextricably into the fabric of the sponsor's brand. They conclude, 'customer experience that companies create will matter the most' (Anderson, T.& Winters, K. 2000).

4. Branding issues in Sport Sponsorship

4. 1 *The essence of brands*

Perhaps the most distinctive skill of professional marketers is their ability to create, maintain, protect and enhance brands. Marketers say that branding is the art and cornerstone of marketing (Kohler, K. 1997) reports that the American Marketing Association define brand as:

A name, term, sign, symbol or design or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors.

Similarly, Charles R Pettis defines a brand as:

A propriety visual, emotional, rational and cultural image that you associate with a company or product (Mariotti, N. 2002).

Branding allows the company to be identified, but more importantly it allows the user to identify with the product. Extending from this is the opportunity for potential customers to classify themselves alongside the user and so the whole branding effect is created. A brand has the ability to convey six levels of meaning:

- Attributes-basic characteristics of the product
- Benefits-translation of attributes into functional or emotional benefits
- Value-allows the customer to relate to the company
- Culture-brands encompass elements of culture
- Personality-image that the brand portrays
- User-brands suggest qualities of the type of user

A brand image is defined as the set of beliefs held about a particular brand (Kotler, P. 1997). The image of a brand is formed in the consumer's mind as a result of various stimuli. Furthermore, the actual products serve to satisfy a consumer's functional needs whereas the image of the brand satisfies the emotional and social needs of the customer. In effect the consumer is being sold at two levels, extrinsically and intrinsically, respectively. McWilliam, (2001) A. and De Charnatony, L. (1989) in (Meenaghan, T. and Shipley, J. 1999) said 'it is the symbolic or tokenistic content to a brand that which has given rise to the notion of brands having personalities. These personalities are the sum of the emotional added values which the product carries, over and above its inherent quality and obvious functional purpose. This perspective that a brand is equal to identity is now regarded as the conventional school of thought. This view of branding however misses the essence of a brand as a rich source of sensory, affective and cognitive associations that result in memorable and rewarding brand experiences. This approach to branding treats a brand as a static identifier of a company's product. The fact is that brand names and logos, as such, no longer drive customer choices in many industries. Brands are not only identifiers, as most traditionalists think, but also they are providers of experiences (Schmitt, D. 2001). In agreement Anderson, K. and Winters, T. (2000), remarked that sponsorship must translate the brand into an experience that connects the whole person. An integrated involvement between the sponsor and the event will see marketers building experiences with their customers.

According to Keller, P.A. (1999) brands are becoming increasingly important for two primary reasons; customers desire for simplification and consumers need for risk reduction. As a result, more companies are engaging in brand extensions. This can be attributed to the increasing value that is placed on the brand name. Companies are in a position to satisfy varying consumer needs through the use of already established and accepted brand names. At the same time they are creating company brands which offer enormous value and reflect certain style and behaviours of the company, which enhances the offering. Communicating with customers through brands is an important element of branding. Research shows that the availability of branding information has a positive effect on consumer perceptions. The processing of brand information is the allocation of attention and the processing of resources to comprehend and elaborate on brand information. Obviously the more time a consumer devotes to processing this information is an indication of successful communication, which often results in a more entrenched view; the brand is in the consumers mind (MacInnes, I. et al, 1999).

4.2 Brand image transfer through sponsorship

In this post-retailer-push era it is no longer sufficient to sponsor the right thing, you have to do the right thing. Brand marketers have been forced to accept and understand the power of selling on emotion, linking their brands to properties consumers are passionate about (Ukman, L. M2002). Sponsorship must become a total brand experience, rather than just a branding exercise (Meta Sponsorship, 1999). The degree to which brands can be stretched and leveraged into new categories reflects their brand value and brand equity, the smart marketers are taking advantage of this. Experiential marketing offers this new approach to branding (Schmitt, D. 1999).It is not enough for customers to be aware of your brand. In a sea of discount pricing and generic labelling, your customer must insist on your brand (Meta Sponsorship, 1999). Bill Bernbach of DDB Worldwide once said ‘getting a product known isn’t the answer, getting the product wanted is the answer’ (Ikalafeng, T. 2002). Sponsorship can facilitate the growth of brands and instil a sense brand commitment amongst the audience.

Schmitt, D. (1999) agrees that plastering logos and slogans on merchandise or line extensions needs to enhance the brand. This can only be achieved by ensuring that the brand promotion appeals to the five senses and the heart and the mind. Sponsors need to relate the brand to something that the consumer cares about and in so doing merging it into the daily life of the consumer. The aim is to create an integrated holistic experience, where the brand is now thought to equal an experience (Schmitt, D. 1999). In addition to this, Chris Bruwer, MD Consulting of Advantage believes the key to sponsorship is to link the event to the aspirations of the audience, to create associations. You need to understand the medium, the potential audience, who they are and how your brand is creating an experience for them. He continues to say that ‘rather just throwing money at an event, an effective sponsorship must become a total brand experience, rather than just a branding exercise (PR & Communications Africa, 1997).

Various elements of brand identity contributes to brand image development, however the role of marketing communications is particularly important in achieving brand image effects. In the case of advertising, two separate elements of communication exist, a message and a medium to deliver brand image values. With sponsorship however, the message and the media are inextricably linked and thus imagery is delivered through association with a sporting event. The belief is that each sponsored activity possess its own personality, embodying a unique set of attributes or values in the perceptions of the audience is the basis for many companies decision to align their brands with the particular sport. The image transfer occurs when there is a fit between the sponsor and the event (Meenaghan, T. and Shipely, J. 1999). Sponsors need to realise that sponsorship on its own will not usually create the urge to buy a product or service. What sponsorship can support is the lifestyle characterisation of a brand. A well-targeted sponsorship will cause supporters to relate to the brand and ultimately consistent favorable impressions will lead to sales. In a similar vein, modern brand marketing seeks to link brands to the consumer passions and emotions and less to specific product attributes. Sustained high brand recognition and association are a key requirement to accelerated sales growth in a competitive global market place (ISL website, 2001). The inherent intangible nature of a brand further complicates the measurement of sponsorship successes in terms of brands. There are many psychographic components linked to brands that need to be uncovered and thus the level of acceptance, which translate into the level brand commitment. This implication for the research study will involve the impact of sponsorship on the consumer.

5. Sponsorship and the target audience

5.1 The theory of consumption.

The theory of consumption according to Pope, N. (1998) suggests that consumers attach different values to product groups and that these in turn will affect motivations to purchase. Sheth et al (1999) in (Pope, N. 2000) argues that by analysis of what values predominate among a given population regarding a product category, one is then able to discriminate between brands according to their particular value weightings. This theory is dependent on three axioms; firstly, market choice is a function of multiple values; secondly, these values make differential (and incremental) contributions to choice and lastly, the values are independent. The five consumption values as identify by Sheth et al are:

- Functional value-effectiveness, practicality or utility of the brand
- Social value- association of the product with social groups
- Emotional value- emotional response a brand engenders
- Epistemic value- curiosity, novelty or knowledge seeking
- Conditional value- worth attached to where, when or how brand is used

Pope, N.(1999) wanted to determine how sponsorship affects consumption values and thus the strength of sales for a particular brand like ABSA bank. He found that sponsorship does affect these five consumption values but raises questions as to whether the effect relates to a particular brand or a product category. For example, sponsorship by a particular bank may be able to change attitudes towards banks generically, but not attitudes towards the use. Such a distinction represents a vital challenge for brand managers pondering whether to engage in sponsorship or not.What emerges is that sponsors need to take several actions to make the most of their sponsorship and this will allow the sponsoring firm to assess sponsorship effects towards brand image and sales. As a result, it is essential which of the five values they wish to target through sponsorship. The decision will have a bearing on the choice of sponsorship, level of support and communication of the sponsorship. Managers must ensure that they research the sponsorship in order to understand the consumer's perception of the brand, especially in terms of the aforementioned five values. Finally, assessing the degree of fit between the brand and the sponsored activity is critical to the success of the sponsorship.

5.2 The impact of sponsorship on the consumer

Sponsorship is unique because it persuades indirectly and does not try to change the perception of the brand in a frontal assault. Instead, sponsorship serves to enhance the perception of the brand by aligning consumer's beliefs about the brand with an event that the audience already perceives highly (Crimmins, D. and Horn, M.1999). The impact sponsorship has on consumers is measured through 'visibility' yet this is a very poor indicator of persuasive impact. The persuasive impact of the link that is created through sponsorship can be described as a combination of four attributes:

- Strength of the link

  This is measured the best by means of determining the percent of the target market who recognise the link between the sponsoring brand and the event, minus the highest percent who mistakenly believe there is a link between a non-sponsoring company and the event.

- Duration of the link

  A link always risks perishability and thus the longer the link the more impact. Marketers need to leverage the sponsorship to extend the link

- Gratitude felt due to the link

  This reflects the consumers will and choice to support sponsors and purchase their brand. The level of gratitude is much higher amongst fans.

- Perceptual change due to the link

The sponsorship serves to change the way the consumer perceives the brand. Sponsors who were able to translate the recognition of their sponsorship into improved brand perceptions made the meaning of their sponsorship clear. This is illustrated in the diagram below:

Persuasive impact	=	Strength of link	x	Duration of link	x	Gratitude felt due to link	+	Perceptual change due to link

Diagram 1: The impact on the consumer**Source Olivier Kraak (1999), adjusted.**

The difficulty lies in measuring the impact of sponsorship has on the consumer, yet it appears to only address the overall sponsorship effect. Olivier Kraak, 1999 in their paper Sponsorship Effectiveness enquired: What is driving consumer response? Attempts to look at all the factors have blurred the knowledge about the degree to which sponsorship signals have been recognised and remembered by customers. The factors influencing the effect of sponsorship and sponsorship exposure can be largely divided into three areas namely, history, consumer response drivers and status of the event.

- History

  If a company has a substantial market share in a certain market, it will boost their awareness amongst consumers. Sponsorship consistency also leads to higher recall levels. This means that sponsorship activities of the past have an influence on sponsorship awareness for a specific event as the consumer expects the sponsor to be involved in the sponsorship again. Sponsorship awareness takes a long time to build up but then again it also lasts a long time.

- Consumer response drivers

  The length of exposure time, as mentioned by Crimmins, D. and Hon, M. 1999 does affect the level of sponsorship awareness as higher percentages of brand name exposure leads to higher levels of awareness. The number of sponsors involved in an event also affects awareness, which is inversely related. A large number of sponsors does not only decrease exposure time, but also minimises the consumer’s capacity to remember sponsors. Numerous sponsors also affect the ability of an image transfer to occur.Looking at the broadcast conditions as a driver of consumer response, it must be noted that sponsorship recognition in a live broadcast with natural pauses is greater than duringthe highlights. Attaining the rights to be broadcast sponsor leads to awareness levels much higher than that of perimeter boards. From this research numerous other conclusions were drawn in light of the consumer response drivers. These include:

1. Colour and design of the perimeter boards play an important role in brand recognition and rotating perimeter boards have more impact and show higher levels of sponsorship recall.
2. The fact that team or individual sponsorships that appear on the shirts have such a high recall rate is because of the aspirational element, the fact that the team always wears the same kit and that the sponsorships are usually of substantial length.
3. Verbal mentions of sponsors are very powerful and the industry average suggests that one mention is the equivalent to 10 seconds of visual exposure.

- Status of the event

  It is logical to say that the level of prestige associated with an event plays an important role in the effectiveness of a sponsorship campaign and thus the levels of awareness for events like the Olympics are so high. In addition to this, the image of the sponsored sport plays an important role in the evaluation of the sponsored event and hence in the image that projects on the sponsoring brand.These factors have a serious impact on the effect that the sponsorship has on the consumer and should be dealt with in order to prevent consumer indifference.

5.3 Avoiding consumer indifference

The above discussion addresses two issues; firstly the process that occurs when a customer is exposed to sponsorship and secondly, the effect certain environmental factors have on internalising the sponsorship. Sponsors are always considering these issues in order to prevent consumer indifference emerging towards the sponsor. D'Alessandro, F. 2002 wrote an article in response to a consumer perception study that revealed some very interesting results. The research revealed that 56% of the respondents have a more positive perception of a company that sponsors, but 54% also think that there are too many sponsors. Leading on from that 72% said that sponsors have over commercialised sport. As a result, 30% of the respondents said they are more likely to purchase those products. Of all the respondents, just less than half said they are more likely to purchase a sponsors product. It must be noted here that some commentators feel that the direct link between sponsorship and sales is non-existent and immeasurable.

The connection between a sponsorship and rising sales can sometimes be indirect and thus this inference is accepted (IEG Sponsorship, report 2001). Even though this research was conducted by a reputable company, John Hanckock Financial Services, the article offers no explanation of methodology. The results must be considered with caution.D'Alessandro explains that consumers are resistant to sales messages because there are too many campaigns 'shouting for their attention' and it is part of human nature to be cynical. As a result sponsorship has to work much harder in order to get consumers to 'transfer the warm feelings they have about a property (sport) to its sponsors' (D' Alessandro, F. 2002). He identifies four rules to ensure the consumer is successfully 'won' and thus not indifferent to sponsors.

1. Define success: define success for your brand before somebody else does
2. Differentiate or die: sponsors need to use events to define and differentiate themselves
3. Properties are brands too: start managing events as your own brand
4. Something new: moving into cause related sponsorship

By understanding the consumer and effect sponsorship has on consumers, sponsors can create sponsorship ventures that achieve their objectives.

5.4 The advantages of sponsoring sport

The majority of articles written about sports sponsorship over the past decade, comment on the major growth this industry has and is experiencing. This is not hard to fathom when one considers the benefits of sponsoring sport. In the years ago, sponsorship was regarded as a cheaper alternative to traditional advertising. As the early adopters have reported the success of their association with sports, more and more companies are riding the sports sponsorship tidal wave, to gain from it.From a broad perspective, the attractiveness of sponsoring sport is essentially the widespread, mass media appeal, which is ever increasing. The significant growth in sport and sports marketing is due largely to the affinity world communities have with sport and the growing array of intrusive media that now brings sport to them. Another positive aspect is the ease at which, associating with sport allows the targeting of a demographic segment, as result of proliferation of electronic media (Spira, J. 1999). Sport is one of the most popular programming categories and accesses the largest and most involved television audiences in the world. The sponsor brand becomes an integral part of the events it associates itself with (ISL website, 2000).

Sergio Zyman (2003) commented, ‘In the old days, awareness advertising was most effective, there was less competition, as technology and more kinds of media have come about, it is no longer enough to be remembered’. The consumer has too many choices (Mariotti, M. 1999). Sponsorship creates the opportunity for a sponsoring company to differentiate itself from its competitors and become the product/brand of choice. Sponsoring sport also offers the unique benefits of live audiences, product showcase, retail extensions, guaranteed delivery and client entertainment (Iacocca, 2000). These benefits however are not inevitable, sponsorship programs will yield tremendous results provided they are managed properly (Rayner, B. 2000). Rine, S.2000) examines what he perceives as the key benefits of sports related activities; credibility and emotional buy-in.

Firstly an association with a sports property provides a credible platform from which objectives can be exploited. This view has been supported by many commentators on this subject, Alasdair Ritchie, worldwide President of Octagon, who said ‘using sport is unique in that it creates a platform for a coordinated marketing campaign that can deliver’ (Rines, S. 2000). Developing business relationships through hospitality is more accessible as a result of a sponsorship association.Secondly, an official sponsorship can instantly attain a level of emotional buy-in to a sports property, which can in turn be used to achieve specific business objectives. Emotional responses can also be elicited from employees through a sport sponsorship.

Similarly, corporate hospitality can become a more ’emotional experience’ through sponsorship associations. The sponsors engaging in experiential marketing, as discussed above, can also create emotional buy-in at the consumer level. A brand that sponsors a fan’s team is buying into fan’s loyalty. Although some fans are cynical about the commercialisation of sport, on the whole brands associated with a team or player has instantly acquired a degree of loyalty that is virtually impossible to achieve through conventional marketing techniques. Whether this emotion can be converted into sales depends on whether the consumer is relevant to the brand and how the relationship is handled (Rines, S. 2002).

As early as 1989, however it was suspected and forecast that a major problem this industry would have to face is the lack of top class events to satisfy the demand (Sleight, N. 1999). In South Africa, the top five sports receive 80% of sports sponsorship annually (Shevel, J. 2000). Even though this is still a threat, the increased coverage of sporting events, especially internationally, may keep the threat at bay. It is however true that the increased coverage is generated towards the already popular sport and does nothing to boost the less popular ones (PR & Communications Africa, 2000).

6. Conclusion

This chapter located sponsorship roots, it demonstrated how commercial sponsorship fits in the communication strategy, and importantly it explained the evolution of phenomenon. The following chapter will be looking at both South African and global context of sponsorship and governance.

CHAPTER THREE

SOUTH AFRICAN CONTEXT OF SPONSORSHIP AND GOVERNANCE INCLUDING GLOBAL TRENDS

3. Introduction

3.1 Growth in the industry

Sport promotion in the past has been described by some authors as philanthropic in nature. In many instances corporations were involved in sport merely because a member of the management of a company had an affiliation with a particular activity and not necessarily for business related reasons. Clearly though this charitable approach to sports marketing has changed as managers have realised the extensive commercial benefits of associating themselves with sport and thus the decisions are made based on sound business principles (Wilson, T. D, 2002).Internationally, there has been a significant growth in the world-wide sponsorship spend since the 1980's. According to the IEG Sponsorship report, world-wide sponsorship spend in 1994 was $10 billion and in 1998 it topped the $17 billion mark, this is an increase of 81% (PR & Communication Africa, 2000). This figure rose to over $22 billion in 1999 (Wright, T. 2000). It is clear that sports sponsorship is big business globally.

The various factors, according to Meenaghan, T.(1999), that have been behind sponsorship dramatic growth include:

- Escalating costs of traditional mediums of advertising
- New opportunities because of increased leisure activities
- The proven ability of sponsorship
- Greater media coverage of sponsored events
- Inefficiencies in traditional media

Another commentator Denise Doust (1999) stated that the growth could be attributed to the receptiveness of advertising messages by consumers, the reduction in media waste and the evidence that the positive feelings for a sport are transferred to the products associated with sport. Sport marketing is unique because of the way sport fans follow their teams. They identify with and gain allegiance to sport teams and individual (Hofacre, K.C. in Doust, 2000).The growth of sport sponsorship has also been a result of increased media attention.

Johan Grobler explains that sport sponsorship holds much appeal because of the media focus it receives, 'it gets hundreds of hours of television coverage plus other prime media time' (Wright, 2000). This fact promotes growth and the prospects of further expansion are very encouraging to sponsors. Some fear that the growth in televised sports on cable/digital networks will ultimately hurt sponsorship by offering smaller audiences for each sport. This is offset by the fact that audiences will be highly targeted and thus the reach will be of more benefit. Sponsorship has quite rightly been criticised in the past for its superficial approach, adopted by sponsors to its management.

There is a great need to replace the out-dated 'gut feel' approach and checklist philosophy with a more rational management approach based on scientifically analysed results (Meenaghan, T. 2000). The past difficulties associated with measuring the effects of sponsorship have had no major effect on the growth of this industry. As the measuring techniques of sponsorship improve, they serve to further promote sponsorship as a commercially viable tool.There is no sense that growth in the sponsoring of sport will stop any time soon. As Wright, T. (2002) points out, the opportunities presented by the internet and other forms of new media have not been explored yet. This view is also shared by other professionals in the industry. Bruwer, J. (2003) flags the point that growth of sport sponsorship spend has outstripped advertising spend. It is a global trend and one that is not going to be reversed anytime soon. With the current success sport sponsorship is achieving, it is difficult to foresee its demise in the near future. This is contested by the argument that there will come a time when the market is saturated. This will either cause the number of sponsors per event to be restricted, or the sponsors themselves will lose interest as they battle to penetrate the 'over-penetrated' market (Chris S. 2003).

3. 2 Trends in the industry

At the IEG Sport Sponsorship Conference in 1999, Paula Benezin and Lesa Ukman presented a talk titled 'The seven sponsorship trends that will drive your future deals'. The world-wide trends according to them are:

- Branding platforms not sponsorship

  The shift is away from consumer manipulation to consumer involvement. Fans want to be entertained through interactive experiences
- Sponsoring less and achieving more

- The act of investing more in fewer properties and projecting more into leveraging the sponsorship. This will lead to less clutter and more money
- Forced accountability

  Corporations desire more internal and external accountability. The performance measures are becoming a resident feature in contracts
- Introduction of 'make good' to sponsorship

  The introduction of clauses in the contract to ensure the purchased rights are fulfilled
- Consolidation in industries

  This will result in a fewer number of larger players and thus the ownership of media and other sectors, is by a few corporations. The sponsors are becoming the sponsees.
- Experiences not expressions

  The formation of customer relationship is growing as the 'opportunities to view' scenario is over. The move is to focus on the qualitative aspects of sponsorship and thus creating experiences.
- Brandalism sponsorship under fire

  Selling to many categories and sponsoring everything in the market place will result in customer alienation, rendering the status of sponsor meaningless. The trend is packaging categories, especially event and broadcast sponsorship.

In another article, Ukman, L.M 2002 comments on how sponsorship will change in the future. She reports that the responsibility of the sponsorship is moving up the corporate ladder. The intangibles, like the entire brand experience, are being viewed as critical assets in the company evaluation. Sponsorship will be entrusted to the higher level strategists. The quest for visibility is important for new sponsors, but for the old awareness does not drive sales. A company can be very well known and not be able to keep customers. Stemming from this is the 'battle for love not messages' phenomena. Marketing is not all about the internet, as some commentators think, but customers who are in control. Customers also have increased ethical and spiritual consciousness. Sponsors must pay careful attention to this. Sponsors will also switch their focus from short-term sales to long-term loyalty and relationship building (Ukman, L.M. 2002).

Neil Duffy and David Butler (2000) with a beautiful benefit of hindsight also predicted the future patterns in the sports sponsorship industry. According to them, the world trends in sponsorship marketing demand that sponsorship must deliver a return on investment in the form of incremental sales, increased consumer awareness, sales force and trade excitement and enhanced brand equity. They also suggest that focus needs to be shifted from visibility to likeability and gaining ‘share of heart’.

Another trend is that sponsorships are becoming more meaningful. By demonstrating intrinsic values and authenticity this trend will soon be common practice (PR & Communications Africa, 1999). Meenaghan, T.1999 identifies some other trends he sees occurring in the industry from a corporate perspective. The corporate decision maker will not be engaging in straight transaction based agreements, but will be developing relationships and nurturing innovative partnerships with the sports. He also perceives the attitude of corporate decision makers towards sponsorship to be changing from the luxury activity at the end of the budget, to sponsorship playing a specific and integral part in the corporation and herein lies sponsorship future.

3.*3 Previous research in the field of Sport Sponsorship*

Hoek Gendal and West in Pope, N. 1999 describe the research in this area as an absence of a coherent body of research and as merely a feature of sponsorship, meaning that there has been no scholarly coordination and rummaging around this topic. To date research activity has been extremely limited, much of it privately commissioned and unavailable to facilitate the cumulative learning process (Meenaghan, T. 1999). Other commentators have supported this view, notably Gilbert (1998) stated that the scan of literature will show that sponsorship has extremely limited coverage. This comment is not entirely true; it is noted that the more recent literature does document research priorities such as ambush marketing, sponsorship’s role in the communication mix, sponsorship evaluation (Meenaghan, T. 1994).

Sport marketing is lacking the theoretical foundations of the other academic disciplines. All the research is thus based on other theories of other social sciences (Douvis and Douvis, 2001). Most of these comments however are from an academic perspective and the truth is that the practice of sponsorship has developed by “trial an error”. Only in recent years have academics and consultants turned their attention to studying corporate sponsorship in a systematic way and publishing their results in a public forum confirms Kuzma, J.R. et al (1999). This postulates that practice preceded theory and the empirical evidence has not always been open to academic scrutiny. The common trend seems to follow that the macro-level issues, company objectives, have received much attention and the micro-level issues, sponsorship effect on consumers, have been disregarded. The continuous sophistication of the sponsorship industry is allowing the sponsors to demand more and they want answers at the micro level. The majority of professionals in this field agree that the reason relationships between variables are not established is because the methodologies used by previous researchers have either been descriptive or prescriptive.

The more recent studies have enhanced the sophistication of the methodologies, such as multivariate technique analysis, but still the focus is very limited and on macro-level phenomena (Pope, N. 1999). The complexity of the sport market has led to the development of specialized areas of research. These areas include sports participant behaviour, sport marketing communication, public relations, advertising, sport branding and promotion and most importantly with respect to this literature review, sport sponsorship. Douvis and Douvis (1998) comment that numerous commentators have research the various methodologies to evaluate sponsorship. Ferrand, A.1999 in his study provides a methodology of matching a specific sport event with the right sponsor.

Other research studies include measuring the effectiveness of selected promotions on spectator assessment towards the sporting event sponsor, consumer's attitudes towards adverts as a direct measure of the sponsorship and the area of ambush marketing explored.Corporate objectives studies are also being explored by researchers.

3.4 South African Sponsorship Market

Until recently South Africa was a non-player in the international sports sponsorship industry because of apartheid ridden history. In South Africa, the enthusiasm for sports sponsorship is at an all-time high. The influx of international competition, the improvement in the levels of domestic competition and the consequent increase in media coverage of sport on local television, combined with the enthusiasm, creates numerous opportunities for local marketers in the sponsorship field (Chrislett, W. 1999)

3.5 The macro-level impact on sponsorship

The macro factors affecting sports sponsorship in South Africa include:

- Political/legal influences

  The introduction of Sport and Recreation Amendment Act 18 of 2007, to oversee the administration and promotion of sport and the resultant decrease in the power of the Minister of Sport should have colossal repercussions for the sport sponsorship industry. South Africa can no longer hide behind the post-apartheid façade, it needs to prove itself.

- Economic influences

  There has been a slow economic growth, high tax rates, massive crime problems and a high rate of unemployment; it is easy to conclude that the situation in South Africa requires serious attention because sponsorship growth can also be affected by such an economic climate. Sport however has a direct impact on the South African economy of nearly R 11.3 billion and creates jobs for 47 000 people. Sport accounts for 1.9% of GDP in South Africa, www. safa.net

- Technological influences

  Television has transformed sport from a pastime into 'something resembling a religion' and it is the most effective means of active communication. It is also responsible for creating sporting heroes, which is very important for a country like South Africa. As a direct response to the public desire to watch sport, pay-to-view TV is destined to become a major money spinner in South Africa. The global expansion of e-commerce will naturally have an effect on this sector. South African consumers are currently in a confidence building phase and it will take some time before the full benefits of this medium are explored. The sophistication of technology is enabling companies to create relationships with one's consumers.

- Social influences

  The worst outcome from the apartheid legacy is the vast disparity, along racial smorgasbords, of incomes and living standards. The inequalities evident in South Africa are amongst the highest in the world. Crime is also very real in South Africa including both corporate and South Africa sport. The two main effects it has on the sponsorship industry are the moral questions that are constantly raised about the amount of spend which is attracting attention in our sport i.e. ABSA-PSL sponsorship commission payment. Despite these pressing social issues, the patriotism of South Africans is overwhelming as witnessed during the 2010 FIFA World Cup.

3.6 An industry analysis

An industry analysis reveals that South Africa is following the international trend. South African companies are starting to appreciate the power of sponsorship and realise that sponsorships are a viable investment. Last year the local sponsorship was reported as totaling R2.5 billion, this is significantly higher than the R63 million spent in 1985, admittedly that the back-up spend may be under-reported. South Africa accounts for 13% of the world industry today (Wright, 2000). Sponsorships are the fastest growing segment of the communication mix with an average growth rate of 22%. Currently this constitutes 18 to 20% of the total annual communications spend and sport accounts for 65% (PR & Communications Africa, 1999). Research shows that companies that sponsor sport are regarded positively (BMI Sports Info Report, 2002).

As it stands in South Africa, sixteen local sports have more than one million spectators, a fan base that turns them into highly desirable properties. There are approximately ninety codes of sport that receive funding, yet the big six receives two thirds of the sponsorship spend; soccer, rugby, motor racing, cricket and golf (Wright, 2002). Over 1000 companies are currently involved in sponsorship agreements in South Africa; the consolidation trend may prevent sponsors renewing agreements (Williamson, T. 2002). The previous apartheid management in sport resulting in international isolation has opened up a huge market for sports sponsorship, in the development of sport in this emerging market. In the past, the high-profile events tended to dominate the big sponsors, but in South Africa it is becoming increasing clear that it is more important for sponsors to sponsor a sport in the developmental stage. This will allow the sponsor to grow with the sport, rather than attempting to buy into the established sports, which are very expensive. The major perceived benefit is being in a position to develop brand loyalty at grassroots level that will be profitable in the future. Conversely, it is noted that the large sports sponsorships initiate development programs and so the options in this regard, may not be as lucrative as they first seem (Chrislett, W. 1999).

Obviously this market is not fool proof and there are factors that can negatively affect the market. The distinct lack of creativity and commonsense in the design of the sponsorship packages is of major concern. Packages do not add value and are not customised to suit individual needs as we see in the PSL sponsorship deals, where there is neither accountability nor transparency of those packages. And thus the reasons for this research study. The difficulties facing the smaller sports of minimal media coverage could affect the entire industry. Other factors included are escalating costs and the high commission fees from sport agents.

3.7 Competitive analysis

Professor Michael Porter (1987), Harvard Business School said ‘the state of competition in any industry is a composite of five forces’ and the South African market is analysed in terms of these:

- Rivalry amongst competitors

  This is rife, as most companies want to sponsor the most popular sport in the South Africa. It happens that there are numerous sponsors for a single event and this may stimulate much competition. The success of the industry is also prompting rivalry. Rivalry is reduced to an extent by the length of sponsorships averaging four years and because companies do not chop and change from one event to another.

- Threat of potential new entrants

  Threats from environmental, cultural, musical and social responsibility events are valid,the latter, being a very prominent threat in South Africa. The cluttered and expensive sport sponsorship market makes these options more feasible and appealing. Similarly, international and newly created events are regarded as competitors to sports. The threat of any of these entrants is strong as a result of the low barriers to entry in South Africa.

- Competitive pressure from substitute products

  Substitutes satisfy the same need but in a different way. The strength of the pressure from the substitute depends on how satisfactorily they can meet the objectives and the ease at which consumers can switch. The main alternatives to sponsorship advertisingare direct mail, promotions, public relations, personal selling and e-commerce, even though these elements are used to leverage the sponsorship. Even though ambush marketing is 'illegal' in South Africa, it is a viable alternative option.

- The power of buyers

  The buyers in the industry comprise the companies, the end-users and media consumers. The lack of governmental funding results in the sponsors holding much power in the industry. Basically, sport in South Africa is dead without sponsorship. The only factors that could weaken their position are the high switching costs and the fact that sponsors do not frequently switch sponsorships.

- The power of suppliers

  There are three main suppliers to the industry. Firstly, the sporting codes or federations who have power in that they own rights to sell. Secondly, the marketing agencies who act as intermediaries and they have power because they determine the price of the sponsorship package. Lastly, the most powerful player is the TV channel or broadcaster of the event. They purchase rights directly from the international sporting federation and in the local (South Africa) market broadcast the event (Williamson, E. 2000).

This paints a very vivid picture of the current situation in South Africa. It provides a good grounding for any researcher, because it highlights the unique situation we are faced with. This comprehensive analysis will aid the decision-maker in developing sports sponsorship programs in South Africa. A good understanding of the market this research addresses will enhance the relevancy of the data.

3.8 The three major sponsors in South Africa: an overview

Research was conducted amongst the larger sponsors in the South African sport sponsorship industry, simply because historically they have been involved in the game of football for a considerable amount of time, as such they contributed to the development of sport. The three main sponsors were South African Breweries, Standard Bank and ABSA Bank.

- South African Breweries (SAB)

They have been involved in sponsorship since 1902. SAB's Castle Lager has sponsored the South African Test Cricket side since 1996 and sponsored the National Soccer Team and Professional Soccer League/Premier Soccer League (PSL). They are also an official beer supplier to the South Africa Football Union. Their extensive involvement in high-profile sports is because the sports capture the excitement of the nation and the brand gets exposure through the sponsoring rights. The Castle Lager's sponsorship helps build brand image association, engender company goodwill among the various stakeholders, develop customer loyalty, extend conventional advertising and generate media coverage. A good performance on the field is a bonus and serves to enhance the value the brand is already receiving. A team performance that is, as SAB employs a policy against sponsoring individuals, because of the risk attached. A good South African example of this is Hansie Cronje. www.sab.com

- Standard Bank

  They are closely associated with the one-day cricket team through their comprehensive sponsorship. Being involved in cricket, the demise of Hansie Cronje is always confronted. Glynn Pritchard-Nash, Standard Bank's manager, reports that Cronje's fall from grace has had little impact on the bank as a sponsor, but has on cricket as a whole. The spectators lost interest in the game, although this did not have a direct result on the number of customers at the bank. Standard Bank also prefers to sponsor teams as opposed to individuals because of the risk factor. Conversely, ABSA incorporates numerous forms of sponsorship. www.standardbank.co.za

- ABSA

  Absa have sponsored individuals even though the risk is higher, as according to Angela Bruwer, the then general manager for Absa, the returns are higher. She says that South Africans are passionate about sport and have ability to influence the mood of the nation. Sheacknowledges the attributes that their involvement are bringing to the brand differentiates it from its competitors. Absa is affiliated with rugby, swimming, golf legends and soccer.Common to all three sponsors is the feeling that the shenanigans in cricket and the poor performance of the national soccer team have had no impact on the public perception of their companies, but Absa' sponsorship to PSL had some public outcry hence the existence of this study. This is largely because of the measurement of public awareness of the brand. If public attendance of matches and the television audience declines because the teams/brands are not performing, this will ultimately have an effect on public awareness of the brand (Coggin, R. 2000).

The other major sponsors in South Africa include the two cell phone rivals, Vodacom and MTN who are significant contributors to the sports sponsorship industry, as are Old Mutual and Engine (Mthembu, T.1999).

3.9 Industry Challenges

Even though the sponsorship industry boasts an impressive track record, this does not mean that is has not encountered numerous challenges. The most onerous and persistent challenge is that of ambush marketing and non-adherence to corporate governance principles when conducting sports sponsorship deals. This however is not the only cause of failure in the industry. New developments in this regard include contractual issues, governance issues, stakeholder management and use of common sense in an integrated way of thinking to take the country's sport to another level.

3.9.1 Ambush marketing

The term Ambush marketing was originally used to describe the activities of those companies who sought to associate themselves with an event without paying a fee to the event owner. They thereby ambushed the legitimate sponsor in terms of creating the impression that they were the official sponsor (Doust, J.H. 2000). Meeneghan, T. in Doust (2000) defines ambush marketing as the practice whereby another company, often a competitor seeks association with the sponsored activity without payment to the activity owner. The term now is used more generally to describe a whole variety of other methods of intruding upon public consciousness surrounding the event Meeneghan in Doust (2000), highlights the most common methods of ambushing as:

- Sponsoring the broadcast of the event

  The media audience for most events is larger than the on-site audience and so by sponsoring the broadcasting, the ambusher legitimately detracts attention from the official sponsor.
- Sponsor sub-categories within the event and exploit this aggressively

The ambusher sponsors a minor activity and exploits this association through major promotional activities.

- Purchasing advertising time around replays of the competitors' event. Ambushers deny the sponsors the full benefit of their event by sponsoring around the replay times
- Engage in major non-sponsorship promotions that coincide with the event.Ambushers use mainstream or below-the line advertising techniques to achieve marketing communications during the course of the event.
- Other ambushing strategies
  Any other creative techniques to attract undue attention, giving away licensed souvenirs, free trips to the event to imply involvement, congratulatory advertising etc.

Using any of these methods to deflect some of the audience's attention, by the ambusher, away from the sponsor, reduces the effectiveness of the official sponsor's efforts and drains their revenues. They also feel that ambushing threatens the integrity of the event/sport and could result in the financial damage that prevents the sponsors from getting involved and the event becoming obsolete. With this in mind it is easy to understand why sponsors believe that there is strong reason to question the morality of this business practice. Meeneghan in Doust, (1999) points out that there is a difference between ambushing which requires no fee payment to the event owner and the more generic form of ambushing through creating association through a legitimate involvement with the event.In this case it will be PSL's sponsorship committee, which doesn't even reflect in their own constitution. He frequently argues that the ambusher who purchases rights legitimately has done nothing illegal. The question of ethical and moral conduct is valid if no rights have been purchased and yet they accrue to a non-sponsor.

Ettorre, G.(in Doust, J.M. 1999) believes that the vast amounts of money spent on sports sponsorship warrant that this issue assumes importance and the questionable nature of the ethics and morals behind sponsorship be substantiated. She likens ambushing to stealing by rationalising that if one has paid for something and then it is taken away by another it is stealing. Bruwer, J. (2003) in (Doust, 1999) agrees by saying that ambushing is 'outright robbery' and he refers to it as 'parasite marketing'. He says companies are deliberately looking to 'piggyback' on their rivals because sponsorships are expensive and consumers are generally not aware of who the official sponsor is. However Jerry Welch (in Doust, 1999) is an advocate of ambushing as he feels if companies are not aggressive enough in their promotion and are ‘sloppy marketers’ then they deserve to be ambushed and this could even force those marketers who are slacking to become better marketers. What Jerry Welch omits is an unfair mileage which can come out of this process he advocates, which could easily be mistaken to a rationalized theft, as boundaries for competitive advantage are not clearly defined at times. This outlook is even contested by writers such as Pounds (in Doust, 1999), whoclaims that confusion created in the mind of the consumer/ fan by certain marketers damages the image of both the sport entity and the sponsor and no one gains in the future.

It is not always the case that the opposers to ambush marketing are the owners of the event or team, who see the practice as immoral and unethical e.g. Trevor Manuel the then South AfricanFinance Minister in South Africa and Butana Komphela who is the Chairperson of the Portfolio Committee on Sport and Recreation are opposed to ambush marketing based on what Trevor Manuel calls morally reprehensible and corruption. What gives credence to his (Trevor) statement is the following paragraph which he wrote after the PSL-ABSA transaction article on 2007.11.08 in news 24, which is also central to the background and the case for this research and it goes as follows:

In an open letter to Absa CEO Steven Booysen, finance minister Trevor Manuel labeled the transaction as "morally reprehensible" and "corrupt". Manuel further warned: "I surely need not remind you that corruption is a criminal offence for both the giver and receiver. I cannot understand, though, why the same issues do not arise in your mind when dealing with sports administrators. "My understanding is that the individuals concerned are elected into office to serve the interests of the sports code. Most of them have private interests for profit, both in soccer and outside of it; there cannot ever have been an expectation that they would have acquired ownership of soccer and that they have an entitlement to personal enrichment for administering the sport."

The above case accurately depicts serious challenges and the susceptibility of sport sponsorship in the South African context. This present sponsorship industry with corporate governance challenges, as it is clear from this chapter that there are many major sponsors in South Africa but do not enjoy the same proximity when it comes to contention of securing significant contracts. There are plethora and multiplicity of theories in the literature that are going to distill this proclivity from this research.

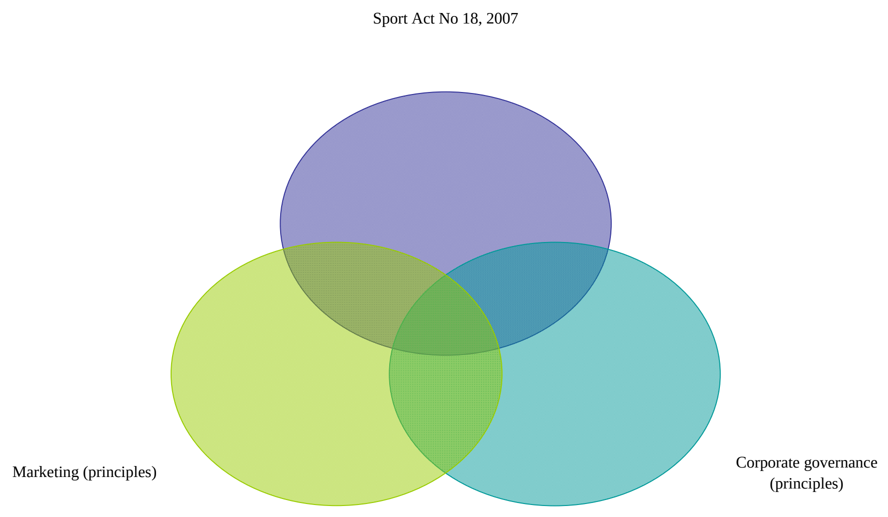
Ambush marketing does have many legal implications that still need to be clarified. Meenaghan, T. 2000, however offers a number of strategies that sponsors can employ to decrease the opportunities for and minimise the effects of ambush marketing:

- Pressurise event/entity owners to be transparent
- Link event and broadcast sponsorship
- Anticipate potential competitive promotions
- Anticipate potential conflict of interest
- Exploit the sponsorship rights secured
- Resort to legal action

South Africa should take positive steps in the eradication of ambush marketing. The draft legislation to amend the Merchandise Marks Act 17 of 1941 was proposed by Dr. Owen Dean (1994), a member of the legal firm Spoor & Fisher, to the Minister of Trade and Industry. The proposed legislation would ban the use of trademark to achieve publicity from an event without the authority of the organiser, provided the event has been declared 'protected' by the Minister of Trade and Industry (Government gazette, Notice 683 of 2006). The penalties include fines and jail sentences. The Association of Marketer's Sponsorship Portfolio Committee has issued a set of guidelines to assist first time sponsors. The committee has also developed a code of practice to be administered by the Advertising Standards Authority (Koenderman, E.1999).

South African sports administrators and sponsors should; because of the complexity of organisational decisions they take; have the ability to integrate diverse facts, ideas, issues, and connections into more comprehensive integrative thinking for their decisions.This will occur when the relationship between common sense and integrative thinking is given adequate space to breath. Common sense, on the surface, seems to be incompatible with integrative thinking yet common sense can enrich integrative thinking. This position is leveraged because of the belief in the strength of rational thinking in identifying salient (relevant) factor stages of integrative thinking. Below is an example of supposed integrative thinking, where these aspects conjoin at an intersection.

Diagram2:Intersection



Source: Designed by M. Mdekazi (2011)

Corporate Governance deals with the propriety of the ways in which interests are expressed and citizen's views are taken into account, governmental and relevant structures/bodies explain their decisions and performance, and elected and appointed officials are held to account (Pierre Peters 2000; Rhodes, R. 1997). This is an integrative thinking at its best. Sponsorship processes should not be immune to this. Corporations in the industry of sport have not escaped the watchful eye of public opinion. Some organisations have close links to the sport industry in that they produce and market sporting goods, but they are corporations rather than sport organisations. This proves how seriously sport has been taken; it is because of its significance which goes beyond the pitch.

Sport covers and generates passions which serve to bring people together and it also covers the popular cultural dimension from global ubiquity. As sport becomes more of a business, the inevitable outcome is that the dynamics of stakeholder relationships will change fundamentally. This will include the watchful eye of the public opinion. First there will be changes in the demands and expectations of stakeholders (AndyTeckman, 2009). Sensible, intelligent management recognises the importance of investing in relationship management and stakeholder involvement.

In the stakeholder approach, corporate governance deals with questions such as how to improve the functioning and performance of management, board, quality, transparency and accountability (Goodijk, J. 2002). What is needed is the galvanisation and mobilisation of the sense of responsibility of the entire organisational context for involvement, to organise and manage that involvement and participation, consider all the stakeholder arguments and manage the constantly shifting balance between the interests of stakeholders. This is a type of commonsense which is lacking at the PSL with regard to the payment of commissions.

However, ABSA is subject to its own contradictions and had a duty to choose between strategies with contradictory effects. On the other hand, they (ABSA) constitute a logical expectation and extension of contemporary management policies based on taking initiatives like PSL sponsorship. The logical expectation is to see decision makers' work on autonomy, reflexive regulation, self-regulation, governance principles and societal guidance if PSL officials decide to award themselves commissions. As a mass market object with extensive pliability (Pociello, B.J 1999; Defrance, M. 2000; Ohl, N. 2004; Lefevre,S. and 2007) sport constitutes both experimental and persuasion grounds. It illustrates and imposes new management forms in the company. This should have been considered. The study does not seek in particular to negate the exploration of principles through which the PSL arrived at and produced certain decisions.

Furthermore, it is important to emphasise the occasion that sport presents as a capital towards improving some societal problems, particularly development. It is for that reason that recognition of transparency and accountability on governance becomes pivotal. However there has been a considerable discussion of corporate governance problems, though not always under this heading, Adam Smith (2000) raises the following concern that every individual necessarily labours to render the annual revenue of the society as great as he can. He generally neither intends to promote the public interest, nor knows how much he is promoting it. He intends only his own gain and he is in this, as in many other cases led by an invisible hand to promote an end which was no part of his intention, nor is it always the worse for society that it was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it (Smith, A. 1776:351). This is a direct and fitting analogy to the instigation of commission payments.

The second kind of response to corporate governance problems is government intervention. Where markets and entities fail to align corporate and social interests unaided, governments can intervene, introducing command and control regulation, forbidding certain kinds of activity, something which hopefully this study will positively influence. There are very few areas of business activity today that are not controlled by a complex array of regulation relating to competition, contracting, and advertising, accounting and reporting (Craig Mackenzie, 2004).Before sketching out an outline of the principle norms-based mechanism that may be able to provide an alternative solution to governance problems, it is worth asking why governance theorists put such little weight on governance principles, as a basis for resolving corporate governance problems.

One of the main reasons, why adherence to governance principles has not gained support, is the widespread belief that principles are impotent in the face of financial self-interest. This belief has tended to gain support from mainstream economic theory, which has consistently endorsed the assumption that people are overwhelmingly motivated by financial interest. All this does not mean principled governance norms are not effective when they are practiced. The Governance Principles are part of the social capital that already exists in companies and civil society, they do not require academic or government policy endorsement to function. They can function where government lacks the capacity or even the will to regulate corporate behaviour. This makes them valuable with regards to regulation.It is also worth noting, drawing attention to the fact that, in the right conditions, the existence of corporate governance principles can provide a powerful business case for companies to change their behaviour. These conditions may be seen as recent type of governance, which fit in with the impending network society.

However, the danger of these conditions is that they are often introduced without much reflection on the need to re-organise policy-making processes and to adjust the legitimate existing institutional structures. In this contribution which seems to be brought by the study; the possibility exists that a discussion on the ambiguity of PSL-ABSA partnership will arise, especially with regard to the payment of commission because of the condition created for such activities.This case indicates that although new governance systems are being proposed and explored, they still have to comply with the existing procedures in which they are embedded (institutional laws and policies). Policy-making continues to be based on self-referential organisational decisions, rather than on joint inter-organisational policy making.

This raises questions about the added value of intended cooperative governance processes. Notably governance strategies, such as public-private partnerships, call for an exchange of information between parties and willingness to look for solutions on a mutual basis rather than unbalanced conclusions. Corporate governance doesn’t condone unevenness, it recognises discovery, rediscovery and collaboration and it doesn’t take the consequences.

3.9.2 Definition of Corporate Governance

There is no single, accepted definition of corporate governance. There are substantial differences in definition according to which country is considered. However, corporate governance failures in the USA and Italy are there to demonstrate the need to improve corporate governance mechanisms. For countries like the UK, arriving at a definition is not easy, especially given the evolving and dynamic nature of corporate governance. Corporate governance as a discipline in its own right is relatively new. The subject may be treated in a narrow or a broad manner, depending on the view point of the policy maker, practitioner, researcher or theorist. It seems that existing definitions of corporate governance fall along a spectrum, with ‘narrow’ views at one end and more inclusive, ‘broad’ views placed at the other. One approach towards corporate governance adopts a narrow view, where corporate governance is restricted to the relationship between a company and its shareholders. This is the traditional finance paradigm, expressed in ‘agency theory’ and epitomised in the definition encapsulated in the Cadbury Report (1992), which defines corporate governance as:

The system by which companies are directed and controlled.

At the other side of the spectrum, corporate governance may be seen as a web of relationships, not only between a company and its owners (shareholders) but also between a company and a broad range of other ‘stakeholders’: employees, customers/fans, suppliers, bondholders, to name but a few. Such a view tends to be expressed in ‘stakeholder theory’. This is a more inclusive and broad way of treating the subject of corporate governance and one which has gradually attracted greater attention in recent years, as issues of accountability and corporate social responsibility are brought to the forefront of policy and practice in the UK and elsewhere. A relatively early definition of corporate governance sought to establish a broader remit for corporate governance than that enshrined in agency theory:The governance role is not concerned with the running of business of the company per se but with giving overall direction to the enterprise, with overseeing and controlling the executive actions of management and with satisfying legitimate expectations of accountability and regulation by interests beyond the corporate boundaries (Tricker, B. 1984). However it is interesting that therecent Walker Review (2009)defines corporate governance as follows:The role of corporate governance is to protect and advance the interest of shareholders through setting the strategic direction of a company and appointing and monitoring capable management to achieve this (Walker Review, 2009, p10, Financial Reporting Council).

Despite the far-reaching impact of the current global financial crisis and the now generally acknowledged need for corporate governance to be treated in a more stakeholder-inclusive manner, the Walker Review tends to assume a rather shareholder-centric approach to corporate governance. In general, the definitions of corporate governance found in the literature tend to share certain characteristics, one of which is the notion accountability. Narrow definitions are oriented around corporate accountability to shareholders. Some narrower shareholder-oriented definitions of corporate governance focus specifically on the ability of the country's legal system to protect minority shareholder's rights (La Porta, M. et al, 1998). However such definition is mainly applicable to cross-country comparisons of corporate governance and at present we are focusing on corporate governance across the spectrum. Broader definitions of corporate governance stress broader level of accountability to shareholders and other stakeholders.

The broadest definition considers that companies are accountable to the whole of society, future generations and natural world. This text presents a relatively broad definition. For the purpose of this study, based on my own view, corporate governance is defined as the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible manner in all areas of their business activity. A broader, more stakeholder-oriented approach to corporate governance is essential in today's society. This text attempts to show throughout that theoretical frameworks based exclusively on shareholder accountability are not necessarily inconsistent with theoretical frameworks which champion stakeholder accountability. The reason underlying this argument is that shareholders' interests can only be satisfied by taking account of stakeholder interests, as companies that are accountable to all of their stakeholders are, over the long term, more successful and more prosperous. This approach also encapsulates the concept of the business case. The above definition of corporate governance therefore rests on the perception that companies can maximise value creation over the long term, discharging their accountability to all of their stakeholders and by optimising their system of corporate governance. This view is supported by emerging literature. Indeed my own empirical research has provided substantial support for the view that corporate financial performance is positively related to the corporate governance. Research also shows that, one good reason corporate governance, as well as corporate social sensitivity, is linked significantly to good corporate financial performance, is its link with management or leadership quality. Better leaders and managers also lead and manage companies more effectively and produce higher returns, Craig Mackenzie, 2004. This view was expressed by an investment analyst in a large UK investment institution, who commented that:

I feel that organisations that demonstrate a commitment to a broad range of stakeholder are likely to show better management skills than those that do not.

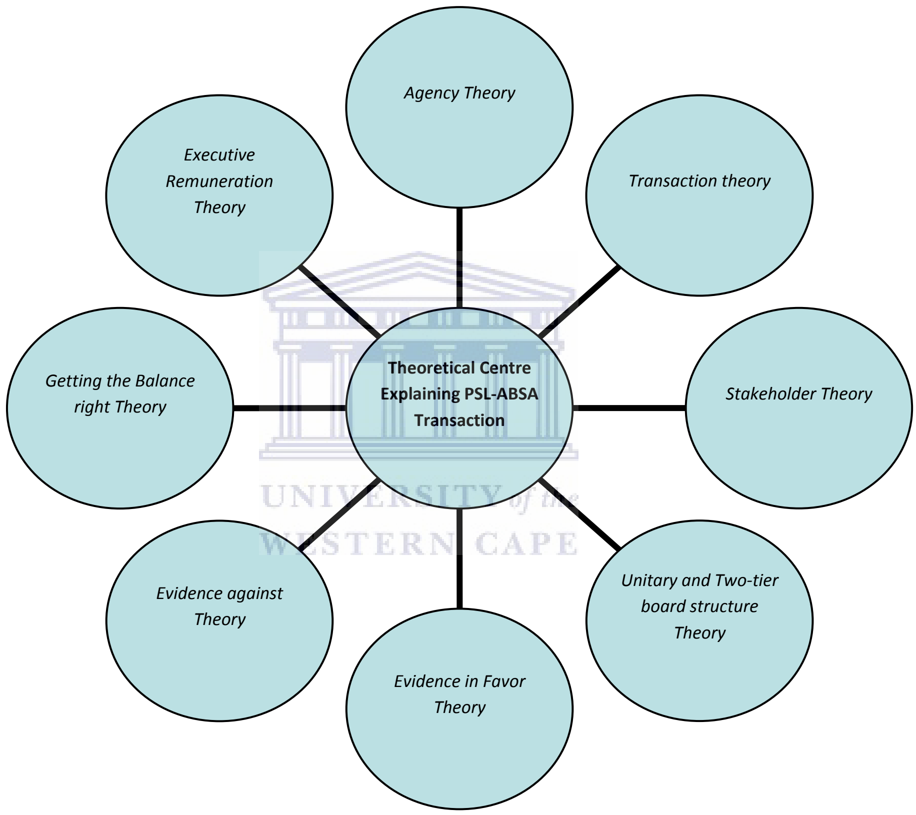
The Higgs Report (2003) reflected a similar sentiment, emphasising a strong link between good corporate governance, accountability and value creation, in the following:

The framework of corporate governance can clearly be improved, progressive strengthening of existing architecture is strongly desirable, both to increase corporate accountability. Overall, this perception is growing among the professional community and academicsare beginning to provide empirical evidence in support of this view of corporate governance, accountability and corporate profitability.

3.9.2.1 Theoretical framework.

A number of different theoretical frameworks have evolved to explain and analyse corporate governance. Each of these frameworks approaches corporate governance in a slightly different way, using different terminology, and views corporate governance from a different perspective, arising from a different discipline (e.g. the agency theory paradigm arises from fields of finance and economics, whereas transaction costs theory arises from economics and organisational theory).Otherframeworks, such as stakeholder theory arise from a more social-oriented perspective on corporate governance.

Although there are marked differences between the various theoretical frameworks, as they each attempt to analyse the same problems but from different perspectives, they do share significant commodities. Further, the frameworks overlap theoretically. To appreciate fully the various theories of corporate governance, it is useful to revive briefly the development of stock markets, as their structure and operations have led to the development of agency theory. The following diagram 3 is the theoretical centre which seeks to contextualise this transaction within literature:



Source: Designed by M. Mdekazi (2011)

3.9.2.2 Agency theory

The market system in the UK and the USA, inter alia, is organised in such a way that the owners who are principally the shareholders of listed companies, delegate the running of the company to the company management. There is a separation of ownership and control that has led to the notorious 'agency problem' Berle, A. and Means, G.1932 discussed the extent to which there was a dispersion of shareholding, which consequently led to a separation of ownership and control in the USA. Prais, J. 1976 showed that a similar structure of ownership and control operated in the UK. The agency problem was first explored in Ross, R.1973, with the first detailed theoretical exposition of agency theory presented in Jansen, M.C and Meckling, W.H. (1976). They defined the managers of the company as the ‘agents’ and the shareholder as the ‘principal’ (in their analysis there is one shareholder versus the ‘manager’). In other words, the shareholder, who is the owner or ‘principal’ of the company, delegates day-to-day decision making in the company to the directors, who are shareholders ‘agents’. The problem that arises as a result of this system of corporate ownership is that the agents do not necessarily make decisions in the best interests of the principal. One of the principal assumptions of agency theory is that the goals of the principal and agent conflict.

In finance theory, a basic assumption is that the primary objective for companies is shareholder wealth maximisation. In practice this is not necessarily the case. It is likely that company leaders and managers prefer to pursue their own personal objectives, such as aiming to gain the highest bonuses possible. The leaders and managers are likely to display a tendency towards ‘egoism’ (i.e. behaviour that leads them to maximise their own perceived self-interest; Boatright, R.(1999). This can result in a tendency to focus on project and company investments that provide high short-term profits (where manager’s pay is related to this variable, i.e. payment of commissions), rather than maximising of long-term shareholder wealth through investment in projects that are long-term in nature for the benefit of all stakeholders. Hence British industry has been notorious for ‘short termism’. Interestingly, short termism attitudes due to flawed remuneration structures and excessive risk taking have been blamed in part for the current crisis in the world banking sector.

Short-termism has been defined as a tendency to foreshorten the time horizon applied to investment decisions or raise the discount rate above that appropriate to the firm’s opportunity cost capital (Demirag, L. Tylecote, 1992). It is considered to characterise countries that are classified generally as ‘outsider-dominated’ (see Frank Mayer, 1994; Short et al, 1998), where this means that the economy is not only dominated by large firms controlled directly by their managers but also indirectly through the actions of outsiders, such as institutional investors. This categorisation of corporate governance system could be good for future research. Further, short term pressure on companies has arisen from the institutional investment communities, who have been more interested in gaining quick profits from portfolio investment than in long term survival and growth of their investee companies. They have been accused of ‘churning’shares in order to make high returns on investment, regardless of the effects of their actions on managers, who as a consequence have been under pressure to focus on short term performance (Sykes, J. 1994). In this context of corporate governance, managers are tempted to supplement their salaries with as many prerequisites as possible (such as holidays through the company, office equipment and the like) again leading to a reduction in shareholder value. The reduction in shareholder’s welfare is known as the ‘residual loss’ in agency theory terminology. Overall, we can see that this ‘agency problem’ presents shareholders with a need to control company management and leadership.

An important question is therefore, ‘how can shareholders exercise control over company management or leadership?’ Another important and basic assumption is that it is expensive and difficult for the principal to verify what the agent is doing (see Eisenhardt, 1989). There are a number of ways in which attempts are made by the shareholder to ‘monitor’ company leadership. Monitoring by shareholder is expensive, as it involves initiating activities such as shareholder engagement (expensive on time consuming and resources). Incentive schemes and contracts are examples of monitoring techniques. Mangers may provide extra information about risk management in their annual reports for example, which will add costs to the accounting process. They may expend additional resources in arranging meetings with primary shareholders. The costs associated with such initiatives are referred to *as ex-ante* bonding costs. The literature shows that solutions to agency problems involve establishing a ‘nexus’ of optimal contracts (both explicit and implicit) between management and company’s shareholders. These include remuneration contracts for management and debt contracts. These contracts seek to align the interest of the management with those of the shareholder (Williamson, J.D 1996).

We now consider the direct ways in which shareholders can monitor company management and help to resolve agency conflicts. First, as owners of the company, shareholders have a right to influence the way in which the company is run. Another way in which core institutional investors can influence investee company management is through engagement and dialogue, namely one-on-one meetings. Such meetings are taking place more and more frequently and seem to be influencing corporate behaviour in a significant way. Hollard, J. 1998) considered the function of such meetings from a financial reporting perspective, showing that private disclosure through engagement in a dialogue should develop to supplement public corporate disclosure. This is to avoid insider dealings where an investor (or a member of the family, company for example) sells or buys shares in a company or sells information on receipt of private information, in order to make personal profit. Such events are high profile and result in court cases, if information becomes public. If market mechanisms and shareholder's ability to express them are not enough to monitor and control managerial or leadership behaviour, some sort of regulation or formal guidance is needed. Indeed if markets were perfectly efficient and companies could compete in an efficient market for funds, artificial initiatives aimed at reforming corporate governance would be redundant, as we should not worry about governance reform, since, in the long run, product market competition would force firms to minimise costs and as part of this cost minimisation to adopt rules, including corporate governance mechanisms, enabling them to raise external capital at the lowest cost- competition would take care of corporate governance (Shleifer, A & Vishny, R. 1997).

However, markets are not perfectly competitive and therefore intervention is necessary in order to improve corporate governance, help companies to raise finance and make companies more accountable to their shareholders and other stakeholders. Agency problems do exist between companies and their shareholders/stakeholders throughout the world, and governments should intervene by producing policy documents and codes of corporate governance best practice at a fast rate, to help companies improve their standards of corporate governance, to make companies more accountable to shareholders and other stakeholders. Which brings us to another theory called transaction theory.

3.9.2.3 Transaction theory

An exposition of transaction cost theory, describing its historical development, maybe found in Williamson, J. (1996). He stated that transaction cost theory was an interdisciplinary alliance of law, economics and organisation (Williamson, J. 1996, p.25). This discipline was initiated by Cherty March's (1963) *A behavioral Theory of the Organization,* a work that has become one of the cornerstones of industrial economics and finance theory. Theirs was an attempt to view the organisation not as an impersonal economic unit in the world of perfect markets and equilibrium, but rather as an organisation comprising people with differing views and objectives. This theory is of the view that transactions are removed and management co-ordinates transactions. The organisation of a company (e.g., the extent of vertical integration) seems to determine the boundaries beyond which the company can determine price and production. In other words, it is the way in which the company is organised that determines its control over transactions. Clearly, it is in the interest of a company management to internalise transactions as much as possible. The main reason for this is that such internalisation removes risks and uncertainties about future pricing and other quantitatives. Any way of removing such information asymmetries is advantageous to company management and leads to reduction in business risk for a company. Traditional economics considers all economic agents to be rational and profit maximisation to be the primary objective of business. Conversely, transaction cost economics attempts to incorporate human behaviour in a more realistic way. In this paradigm, managers and leaders as well as other economic agents practice ‘bounded rationality’. Simon, H1957) defined bounded rationality as behaviour that was intentionally rational but only limitedly so. Transaction cost economics also makes the assumption of ‘opportunism’. This means that managers and leaders are opportunistic by nature. The theory assumes that some individuals are opportunistic, some of the time. The result of assuming bounded rationality and opportunism is that companies must:

Organise transaction so as to economise on bounded rationality while simultaneously safe-guarding the transactions in question against the hazards of opportunism (Williamson, J. 1996, p.48). Opportunism has been defined as ‘self-interest seeking with guile’ and as ‘the active tendency of the human agent to take advantage, in any circumstances, of all available means to further his own privileges’ (Crozier, M. 1964, p.265). Given the problem of bounded rationality and opportunism, managers organise transactions in their best interests and this activity needs to be controlled. Such opportunistic conduct could have dire consequences on corporate finance as it would discourage potential investors from investing in companies. Immediately, we can see similarities here between agency theory and transaction cost economics, as both theories present a rationale for management to be controlled by shareholders.

3.9.2.4 Stakeholder theory

Stakeholder theory has developed gradually since 1970s. One of the first expositions of stakeholder’s theory, couched in management discipline, was presented by Freeman, R. E.1984, who proposed a general theory of the company, in corporate accountability to a broad range of stakeholders. Since then, there has been an abundance of writings based on stakeholder theory, across a wide array of disciplines (e.g. Donaldson, L and Preston, L.

1995). The role of companies in society has received increasing attention over time, with their impacts on employees, then environment, local communities as well as their shareholders, becoming the focus of debate. In this context social and environmental lobby groups have gathered information on business activities and have targeted companies that have treated their stakeholders in an unethical manner. Stakeholder theory may be viewed as a conceptual cocktail, concocted from a variety of disciplines and producing a blend of appealing sociological and organisational flavours. Indeed, stakeholder theory is less of a formal unified theory and more of a broad research tradition, incorporating philosophy, ethics, political theory, economics, law and organisational social science (Wheeler, D.A. et al, 2002). A basis for stakeholders is that companies are so large and their impact on society so pervasive, that they should discharge accountability to many more sectors of society than solely their shareholders, which is currently the predicament at the PSL. There are many ways of defining stakeholder theory and 'stakeholders' depending on the user's disciplinary perspective.

One commonality characterising all definitions of stakeholders is to acknowledge their involvement in an 'exchange' relationship (Pearce, J A. 1982; Freeman, R.E. 1984; Hill, C. Jones, G. 1992). Not only are stakeholders affected by companies, but they in turn affect companies in some way. They hold a 'stake' rather than simply a 'share' in companies. Stakeholders include shareholders, employees, suppliers, customers, creditors, communities in the vicinity of the company's operations and the general public. The most extreme proponents of stakeholder theory suggest that the environment, animal species and future generations should be included as stakeholders. Analytically, the general public may be viewed as corporate stakeholders because they are taxpayers, thereby providing companies as 'corporate citizens' to enhance, not degrade their quality of life (Hill, C. Jones, G. 1992). Indeed, every stakeholder represents part of the nexus of implicit and explicit contracts that constitute a company. However, some writers refer to 'stakeholders' simply as those who have a legitimate stake in the company, in the broadest sense (Farrar Hannignan, 1998).

In the UK, the Corporate Report (ASSC, 1975/ ASSC-1 Communications Group) was a radical accounting proposal for its time, which suggested that companies should be made accountable for their impact on a wide group of stakeholders. The way that the Corporate Report hoped to achieve this was by encouraging companies to disclose voluntarily a range of statements aimed for stakeholder use, in addition to the traditional profit and loss account and balance sheet. The additional statements included a statement of value added, an employment report, a statement of money exchanges with government, a statement of transactions and foreign currency, a statement of future prospects and statement of corporate objectives. The report engendered a substantial amount of controversy, although its impact was negligible at the time.

(a) Transaction cost theory versus agency theory

Difficulties in disentangling agency theory and transaction cost economics have been acknowledged in the literature (see e.g. Gislon, B. Mnookin, R.H. 1985). Williamson, J.D. 1996 addressed the extent to which agency theory and transaction cost theory provided different views of the theory of the company and managerial/leadership behaviour. He concluded that one of the main differences between agency theory and transaction theory was simply the use of a different taxonomy (i.e. using different terminology to describe essentially the same issues and problems). For example, transaction cost theory assumes people are often opportunistic, whereas agency theory discusses moral hazard and agency costs. Agency theory considers that managers/ leaders pursue perquisites, whereas in transaction cost theory, managers opportunistically arrange their transactions. Another difference is that the unit of analysis in agency theory is the individual agent, whereas in transaction cost theory the unit of analysis is the transaction. However, both theories attempt to tackle the same problem: 'how do we persuade company management to pursue shareholder's interests and company/shareholder profit maximisation, rather than their self-interests?' They are simply the different lenses through which the same problems may be observed and analysed. We now consider another 'lens' that of stakeholder theory versus agency theory.

(b) Stakeholder versus agency theory

Is it possible that companies can maximise shareholder wealth, in an agency theory framework, at the same time as satisfying a broad range of stakeholder needs? In other words, is there any consistency between stakeholder theory and agency theory? Or should we ask if there is a scope for integrative thinking. The importance of this question and related questions cannot be overstated, given the pervasive impact that business has on society in our consumer-led, multinational-driven world. Yet the answer remains elusive. Modern frameworks for business which depict a 'sustainable organisation' culture within a corporate community and which also recognise the interdependencies and synergies between the company, its stakeholder, value based networks and society are emerging from the academic literature. Such an approach to business seeks to maximise value creation, through simultaneous maximisation of economic, social and ecological welfare. That's an element of integrative thinking. Some academic work has provided empirical evidence that stakeholder management leads to improved shareholder value (Hillman Keim, 2001). However, stakeholder theory has long been vilified as the anathema of shareholder based agency theory (Sternberg, R. 1998). Revisiting this perspective, embodied in the work of Milton Friedman (1982), from this viewpoint the only moral obligation facing managers is to maximise shareholder return, as this results (in an efficient market) in the best allocation of social resources (see e.g. Drucker, N. 1982; Jansen, S. 1991). The continual friction between these two theoretical frameworks was discussed by Shankman (1999), who pointed out that agency theory has for a long time represented the domain paradigm for business and that the conflict between agency and stakeholder theories of the company can be characterised as:

An ongoing struggle between economic views of the firm which are decidedly silent on the moral implications of the modern corporation and ethics who place the need for understanding ethical implications in a central role in the field of business ethics (Shankman,N. 1999,p. 319).

Indeed, on a theoretical basis, there are significant differences between the two theoretical paradigms, which at first sight render the two theories irreconcilable. For example, Shankman, N. 1999, described stakeholder theory, but not agency theory, as normative in orientation, showing that the whole theoretical and philosophical underpinnings of the two theories were at variance. Nevertheless, there is a growing perception among theorists and practitioners that these two paradigms may allow them to be treated within one framework. For example, Shankman, N. 1999 argued that agency theory may be subsumed within a general stakeholder model of companies, as:

(i) Stakeholder theory is the necessary outcome of agency theory and is thus a more appropriate way to conceptualise theories of the company;

(ii) Agency theory, when properly modified, is at best a narrow form of stakeholder theory;

(iii) The assumptions about human behaviour and motivation implicit in agency theory are contradictory and

(iv) All theories of the company or firm must uphold an implicit moral minimum that includes certain fundamental rights and principles and assumptions of human behaviour that may very well require other traditional theories of the company to be modified or even reconceived

Similarities between the theoretical standpoints are evident on close examination. For example, it is the manager group of stakeholders who are in a position of ultimate control, as they have decision-making powers allowing them to allocate the company's resources in a manner most consistent with claims of other stakeholder groups (Hill, C. Jones, G. 1992). This means that it is company management and leadership who are ultimately responsible for satisfying stakeholder's needs and expectations. Using agency terminology, given their unique position of responsibility and accountability, leaders and manager's interests need to be aligned not only with shareholder's interests but also with the interests of all other stakeholder groups (integrative thinking) as stated in Hill, C. Jones, R (1992):

There is a parallel between the general class of stakeholder-agent relationships and the principal-agent relationships articulated by agency theory. Both stakeholder-agent and principal-agent relationships involve an implicit or explicit contract, the purpose of which is to try and reconcile divergent interests. In addition, both relationships are policed by governance structure (Hill, C. Jones, R. 1992, p. 134).

Balancing the needs and interests of different stakeholder groups is notoriously difficult. This should not however be used as an excuse for making no effort to achieve such a balance. Hill, C. Jones, G. (1992) also pointed out that many of the concepts and language of agency theory could be applied equally well to stakeholder-agency relationships. Overall, they argued that principal-agent relationships as defined by agency theory could be viewed as a subset of the more general class of stakeholder-agent relationships. Indeed, in developing 'stakeholder-agency theory' they sought to develop a modification of agency theory aimed at accommodating theories of power arising from a stakeholder perspective. They argued that stakeholder-derived and agency theory perspectives on organisational phenomenon, which has been viewed as mutually exclusive interpretations, may indeed be interpreted in one model, by making a series of assumptions about market efficiency. As Quinn, J.F. Jones, B.R. (1995) explained, adopting one perspective (that of agency) leads to a discourse based on self-interest, whereas adoption of the other leads to a discourse of 'duty' and social responsibility. Unless these two perspectives can be merged in some way, the managerial discourse cannot be expected to combine fully the extremes of profit-seeking self-interest and moral responsibility to society.

As discussed above, the only realistic compromise solution to this problem is to adopt the business case, rather than the pure ethics or moral case. The business case for managers to adopt a stakeholder-oriented approach is based the notion that ‘good ethics’ is ‘good business’, and that employing ethics as a strategic management tool increases the present value of the company (Blanch, L. and Peale, L. 1988; Kotter, J.P. and Heskett, L.1992; Quinn, J.F., Jones, B.R.1995). This is, according to Quinn, J.F., Jones, B.R. (1995), an example of ‘instrumental ethics’ whereby managers/leaders choose an approach of corporate social responsibility in order to maximise shareholder wealth. As argued earlier, this is really the only approach to ethics that makes sense in the modern world, given the extant legal and regulatory environment confronting businesses. Unless corporate social responsibility and accountability enhance shareholder wealth, neither company management nor large institutional investors, nor small-scale shareholders would ever endorse it as a realistic approach to corporate activity. It is more realistic to accept that ethics and morals have to be profitable in order to be acceptable to business. But why should this not be the case?

This could be answered principally based on a growing body of literature and empirical evidence that suggests that corporate accountability which takes into account a broad range of social, ethical and environmental factors is conducive to financial performance.

This text attempts to show that business can ethical and profitable, by considering the growing wealth of literature endorsing a positive relationship between corporate social responsibility and corporate financial performance. As we see from above discussion, the history of corporate governance has to a large extent involved an ongoing power struggle between the proponents of narrow, shareholder-oriented approach to corporate governance and a broader, stakeholder-oriented approach. It is my view that the stakeholder-oriented, or at least the ‘enlightened shareholder’ view seems to be winning this battle. On the other hand as the discipline is maturing, research is broadening substantially, adopting different methodological approaches (such as qualitative research methods), addressing governance issues in different sectors, across different time horizons and taking account of a larger number of stakeholder groups and their needs. It is the accountability aspects of corporate governance which have evolved dramatically in recent years, with the expectations for corporate accountability being transformed and extended. In this context, I intend to reflect the dimensions of this framework, by summarising the academic research in corporate governance, at the same time showing how the agenda for corporate governance, both in the academic research community and in the practitioner sphere is evolving and broadening. In this chapter we have discussed a broad spectrum of definition of corporate governance existing in the literature, ranging from a narrow agency theory definition to broader, stakeholder-oriented definitions.

3.10 Principle one (Accountability)

Corporate governance has been defined in this paper, which also mentioned that this term means different things to different people. This part of the paper positions corporate governance within the context of a "market economy", as the PSL is always guided by the "market economy". It also fosters integrative thinking. This fraction of the paper integrates these references within the context of personal accountability resulting from the way senior managers/leaders run a company. Personal accountability has come into the limelight for three reasons:

- Increased shareholder activism
- A growing amount of mismanagement and
- Both ethical and moral issues raised by a growing number of scams.

In many industries there are other issues raised by overcapacity, examples being banking, electronics and automobiles, which go unattended until the whole sector is in trouble. These too, raise questions about management's accountability. Another case is problems resulting from globalisation, where divergent jurisdictions, cultures and governance rules have clashed. Sometimes excess capacity is fed by nationalism, which blurs effective judgment. The lack of level playing fields or universal standards, regarding ethical and moral behaviour is another case in point.

The scams which took place in the late 1990s and early twenty first century brought to the foreground the need for increased corporate scrutiny. People have been quick to exploit legal and regulatory loopholes around the world and, as cannot be repeated too often, companies are composed of people.

Management accountability is a 'must', but it is not so easy to pinpoint individual responsibilities because mismanagement has many aspects. These range from lack of integrative thinking and plain inability to run the company's business, relying on media effects rather than substance, to overpaying one for services rendered. Mismanagement can take place both at the home, office and abroad. But of the more than $ 400 billion in publicity declared losses, because of poor corporate governance, during the first three years of this century;

- Most occurred away from head office and
- In the majority of cases, those who were responsible fell through the cracks of multiple, incompatible national regulations.

Whether in banking or in sports or other industries, the class of legislation and over-lapping of regulatory bodies has proved, time and again to be the enemies of good governance. Either national regulators will not undertake thorough inspection, thinking that ‘others’ will do the job, or they are afraid to step on each other’s toes. Therefore regulators may soft-pedal in execution of their duties, which lets the wrongdoers off the hook. Regulators who check on corporate governance now ask: does anyone in the organisation check to see:

- If policies and procedures are sound?
- If they are observed by everybody?
- If compliance is closely monitored by internal control?

Internal control is an arm of corporate governance and it should answer queries such as: who has oversight on transactions? Who inspects the portfolio positions? Who is aware of how the PSL is affected by profit re-dimensioning by the assumption of new risks? Who is in charge of resetting limits when risk increases? Who makes sure that the feedback is always on time and the arteries of the organisation are not clogged? Internal control (IC) is a matter of organisational referential integrity. William Mcdonough, (2005) the former Chairman of New York Federation, once said that corporate governance depends on more than a company’s compliance with rules. This ‘more’ is the value differentiation provided by a timely, accurate and focused feedback, which should be assured through internal control Mcdonough (2005).
To understand what should be expected from internal control, consider the notion of ancient Egyptian art stated by Andre Malraux, 2009. ‘Egyptian art’, Malraux said, does not try to fix what is was, like the Roman statutes are doing. (Instead) it opens the gates to eternity (by) merging appearance to reality. A global survey on internal control which was conducted on International Securities Markets Association (ISMA, www.isma.co.za) in 1998 established the trend prevailing in the opinion of 76 talented people in the financial industry working for

46 different central banks, commercial banks, investment banks, broker/dealers and trade associations. The consensus of these meetings, which took place in eight countries, in two continents, is that IC is a most important organisational process whose objectives and deliverables can best be described as follows:

- Internal control is a dynamic system covering all types of risk, addressing fraud, assuring transparency and making possible reliable financial reporting
- The chairman of the board, directors, chief executive officer and senior management are responsible and accountable for internal control
- Beyond risks, internal control goals are the preservation of the entity's assets, account reconciliation and compliance. Laws and regulations impact on IC
- The able management of IC requires policies, structure, technology,open communications, access to all transactions, real-time execution, quality control and corrective action.
- Internal control must be regularly audited by internal and external auditors to ensure its rank and condition, and to check that there is no cognitive dissonance at any level.

Internal control acts as a brake on excesses in corporate governance. Therefore, it is a process established by the board to provide them with proactive feedback on the way the whole organisation functions. As such, it is affected by and affects all levels of personnel, because it brings transparency. Basically, internal control enables board members and senior executives to supervise and manage by tracking exposure from credit risk, market risk, operational risk, settlement risk, legal risk and other risks relating to transactions and the management of assets and liabilities as well as to fraud and security. The aim is to:

- Safeguard the assets of the business
- Assist in compliance and account reconciliation
- Lead to immediate steps for corrective action and
- Promote personal accountability at all levels of management.

Internal control's deliverables must focus on the seven deadly sins that have the power to demolish any business in any sector, at any time (in alphabetic order):

- Amorality
- Apathy

- Arrogance
- Deception
- Fear
- Greed
- Lying.

Gilson, B. Mnookin, R.H, (1985) note that one contributor to the above increase has been technology, like the internet, which has opened up new opportunities for fraud; it has created an environment that does not sufficiently discourage or penalise dishonesty. People become fraudulent because of lack of appropriate punishment and the perception of an opportunity for easy gains. At time this opportunity becomes widespread.

By contrast, a weak control environment undermines the effectiveness of a company's accounting system and by so doing, creates a predisposition toward misrepresentation and misinterpretations in financial statements. In this short sentence are embedded ethics and morals as well as business risks, including the needed emphasis on meeting budget, profit or other financial or operational goals, and also to the extent to which one or few individuals dominate management. At the foundation of an internal control lies the fact that an effective organisational structure provides an overall framework for reporting relationships of business units, properly assigning authority and responsibility, and establishing constraints over day-to-day and longer-term functioning of the organisation. Effective methods are necessary to:

- Avoid conflict of interest
- Establish acceptable business practices and
- Clarify the understanding of and improve compliance with the entity's policies and objectives

Another important aspect is that of accountability of independent directors. The board of directors is typically composed of senior company executives, usually known as inside directors and executives of other firms and consultants, who are considered to be independent directors. These two classes co-exist in various ratios. There are many reasons why the mix of inside and outside directors varies from one company to the next. Some of the reasons are historical; others have to do with the chairman's and CEO's personality. 'Independence' of board members should not be interpreted as to mean that they are not connected to the company on whose board they sit. Many outside directors are bankers from institutions which finance the entity. The deeper notion of this term is that outside directors should primarily have an independent mind, which is the opposite of rubber-stamping the chairman or CEO's wishes. There are also other prerequisites, which include:

- Knowledge of the company's business, its product and its market
- Fairly frequent contacts with shareholders and other non-executive directors
- Adherence to a code of ethical or moral practices as company supervisors
- Ability to challenge the 'obvious' in policy issues as well as a grasp of auditing procedures and financial issues
- Doing research on important company matters, rather than just turning up once a month and having a good lunch

One of the ways in which a sense of accountability could be improved if necessary is that, especially for independent directors, appropriate training is provided. Several people knowledgeable in the skills needed to exercise the board's supervisory duties have called for financial training of non-executive directors, emphasising how important it is that independent board members are able to challenge executive directors, their plans and their accounts. Such training must include:

- Learning from the past mistakes
- Appreciate the challenges of globalisation and
- Understand the toxic waste embedded in some financial instruments.

For instance the, one troubling aspect of Freddie Mac fiasco, 2008 (US government-sponsored mortgage company) is the apparent inaction by its outside directors before the deplorable events. As Bert Ely, (2002) an independent analyst put it, 'the financially savvy, long-term Freddie directors should have uncovered the earnings manipulations long before; if there has ever been a set of directors who should have smelled a rat, these should have'. Bert Ely (2002).

3.11 Principle two (Transparency)

Transparency is an essential element of a well-functioning system of corporate governance. Similarly, risk management and an effective system of internal control are vital to effective corporate governance. It is not only on Sport Sponsorship deals where transparency becomes crucial but during the global financial crisis has emphasised the importance of transparency and effective risk management in relation to the banking sector. This talks to a broad and integrative thinking. The Walker and Turner reviews, conducted in response to this crisis, have raised the profile of risk and risk management within the corporate governance remit. Corporate disclosure to stakeholders is the principal means by which companies can become transparent. The effective linkage between audit committees and the internal and external audit functions is essential to well-functioning corporate governance. Internal audit, external audit and audit committees all serve as mechanisms which ensure the quality of financial reporting and which should enhance companies' transparency. Weaknesses in these areas can easily lead to corporate failure, as they provide central monitoring mechanisms in corporate governance.

Equally important is the issue of disclosure, which is critical to the functioning of an efficient capital market. The term 'disclosure' refers to a whole array of different form of information produced by companies, such as the annual report which includes the director's statement, the Operating and Financial Review (OFR), the profit and the loss account, balance sheet, cash flow statement and other mandatory items. It also includes all forms of voluntary corporate communication, such as management forecasts, analysts presentations, the AGM, press releases, information placed on corporate websites and other corporate reports such as stand-alone social reports (Healy Palepu, 2001). Voluntary disclosure is defined as any disclosure above the mandated minimum (Core, S. 2001). Improvements in disclosure result in improvements in transparency, which is one of the most important aims of corporate governance reform worldwide (see, e.g. OECD, 1999, www.oecd.co.za). Increased and improved disclosure is likely to reduce agency costs as better information flows from the company to the shareholder, which in turn reduces information asymmetry.

Disclosure has long been recognised as the dominant philosophy of most modern systems. It is a sine qua non (essential aspect) of corporate accountability (Farrar Hannigan, 1998, p.11). from an agency perspective, the existence of information asymmetry results in managers being far more knowledgeable about the company's activities and financial situation than current or potential investors. This applies equally to the stakeholder theory, as inadequate information places all stakeholders' not just shareholders at a disadvantage. Without a structured system of disclosure and in particular financial reporting, as well as comprehensive and integrative thinking, it would be very difficult for shareholders to obtain appropriate and reliable information on their investee companies. Such information asymmetry leads to moral hazard and adverse selection problems. By ensuring frequent and relevant corporate disclosure, shareholders are in a better position to monitor company management. The accounting function is an essential aspect of a well-functioning corporate governance system. From a historical viewpoint a widely held hypothesis stipulates that both accounting and auditing developed as a monitoring mechanism and that accounts have always been demanded by investors for decision-making purposes. Watts R, Zimmerman, J.L. (1986), in particular, highlighted the importance of financial reporting as a means of reducing information asymmetry. They discussed the agency theory approach of Jensen MC. and Meckling, W.H. (1976), inter alia and showed that accounting plays a contracting role, as accounting is used in the nexus of contracts aimed at monitoring managers and leaders. Inefficiencies in the market for information have resulted in the need for mandatory disclosure by companies. One reason given in the literature for disclosure regulation is that accounting information may be regarded as a public good, because existing shareholders implicitly pay for its production but have no means of exacting a share of this payment from new shareholders (Leftwich, B.A. 1980; Watts R, Zimmerman, J.L. 1986; Beaver, M. 1989).

This in turn leads to underproduction of information, which represents a form of market failure (Healy Palepu, 2001). There is a theoretical prediction that relevant and reliable disclosure by companies attracts institutional investors (Diamond, D.W. and Verrecchia, R. E. 1991 and Kim, L). In relation to monitoring company management in an agency theory setting, how does financial accounting information help shareholders to monitor and control company management in an agency theory framework? One example of how accounting information is used to control management/leadership is through their remuneration, as the principal-agent model predicts that there is a direct link between company performance and managerial remuneration. One way of reducing problems is to establish explicit (and implicit) contracts between company management and their providers of finance.

Such contracts require management to disclose relevant information that enables shareholders to monitor their compliance with these contractual agreements, so as to evaluate the extent to which management has utilised the company’s resources in the interest of its shareholders (Healy Palepu, 2001). A large body of academic research has investigated the extent to which financial accounting information is used to determine management remuneration packages. This text does not attempt to provide exhaustive coverage of the literature in this area, as an extensive review has been published (Bushman, R.M. and Smith, J. 2001). However it is worth noting, for example that half of managerial bonuses is supposed to be determined by corporate performance. Further, research has shown that corporate performance measures have been used in evaluating managerial performance and that remuneration contracts depended significantly more on disclosed accounting measures than on share price (Keating, R. 1997). There are also several empirical studies which seek to show the relationship between corporate governance characteristics (board membership, sub-committee membership, for example) and corporate disclosure. For example, a study by Cheng, R. and Courtenay, Y.B. (2006) explored the relationship between the board of directors and voluntary disclosure. Their analysis, based on companies listed on the Singapore Stock Exchange, found that boards of directors with a larger proportion of independent, non-executive directors were positively and significantly related to higher levels of voluntary disclosure. If we assume that executive directors are monitored more effectively in an environment where there are more independent non-executives on board, then it makes sense that such boards choose to endorse greater transparency through increased disclosures to their shareholders and other stakeholders.

The implication of this study is therefore that the independent non-executive director function is succeeding, at least in the Singapore market, in reducing agency problems, through improving corporate transparency. Similar results were found by Chen, S. and Jaggi, A. (2000), where they studied mandatory financial, rather than voluntary, disclosure in Hong Kong stock market. One area of corporate disclosure which has, until now been largely neglected and which has lagged significantly behind the agenda for corporate governance reform in the UK, is that of governance reporting. A new initiative, arising from collaboration between Independent Audit Limited and the ACCA (Association of Chartered Certified Accountants), has been established to tackle this area of reporting, with the aim of highlighting the issues companies should take into account when disclosing governance-related information. The report (Independent Audit Limited, 2006) falls into two sections. First, it provides empirical evidence on users' attitude towards corporate governance that is beginning to dominate. The report is generally cautious about the usefulness of governance disclosures to the institutional investment community, but does acknowledge that most long-term investors do think seriously about governance. They are increasingly recognising that good governance is about leadership, direction and control and should be taken into account in the assessment of management performance. The report also highlighted the potential for better governance reporting to contribute to the growing dialogue between companies and their stakeholders. Many of the issues upon which stakeholders and investors are asked to vote for are governance-related and improved disclosure of corporate governance information will help to inform investors in making their voting decisions.

The corporate governance reporting framework recommended by the report moulds itself around a series of questions which boards of directors can use to evaluate their approach to corporate governance. The aim of governance reporting should be to communicate the nature and quality of strategic leadership and control exercised by the board. The recommended questions are (Independent Audit Limited, 2006, p.6, www.ial.co.za):

- What is the board's role and what did it do?
- What gives the board confidence in the people it has?
- How did the board work together?
- How did management support the workings of the board?
- How did the board ensure it was fully effective?
- How did dialogue with investors help the board to meet its objectives?

The report emphasises the need for boards to consider these questions which are also critical for certain entities, as a means of integrating governance reporting into an annual report, without making it a separate and disconnected component. Overall, the report stressed the need for greater self-evaluation and reflectivity in the board's reporting of their own effectiveness. This type of introspective and evaluative reporting is starting to emerge, for example BP's (2005) annual report comments that:

The board continued its ongoing evaluation processes to assess its performance and identified areas in which its effectiveness, policies or processes might be enhanced. A formal evaluation of board process and effectiveness was undertaken, drawing on internal resources, individual questionnaires and interviews were completed; no individual performance problems were identified. The result showed an improvement from the previous evaluation, particularly in board committee process and activities, while also identifying areas for further improvement. Regular evaluation of board effectiveness underpins confidence in BP's governance policies and processes and affords opportunity for their development (BP, 2005, p.161).

This represents a venerable attempt to disclose the board's self-evaluation of their performance and effectiveness in the governance area. The BP (2005) annual report also states that in order to discharge its corporate governance function in the most effective manner, the board has developed a series of policies: a governance process policy; a board executive linkage policy; a board goals policy; and an executive limitations policy.

A similar, positive view of board self-evaluation of its effectiveness can be found in Tesco, V. (2005) annual report, which states that: With the full support of the board, the Chairman led a formal evaluation of the performance of the board and its key committees. The review concluded that the Tesco board is highly effective and that there have been significant improvements in the board's culture, dynamics and administrative processes during the year (Tesco, V. 2005, p.12).

3.12 The role of boards in Corporate Governance

The global financial crisis has made companies, regulators and society more aware of the potential consequences of weaknesses in board function. For example, the crucial monitoring role of non-executive directors has been highlighted by the recent Walker Review, Financial Reporting Council (2009). Similarly, the Turner Review of Banking Regulation (2009) has shown the importance of establishing effective remuneration structures which do not over incentivise risk taking.

For a company to be successful it must be well-governed. A well-functioning and effective board of directors is the Holy Grail sought by every ambitious company. A company's board is its heart and as a heart it needs to be healthy, fit and carefully nurtured for the company to run effectively. Signs of fatigue, lack of energy, lack of interest and general ill-health within the board's functioning require urgent attention. The free and accurate flow of information in and out of the board is as essential to the healthy operating of the corporate body as the free and unhindered flow of blood is to the healthy functioning of the human body. A light-hearted approach to recommending key characteristics of board effectiveness was adopted in King II Report on *Corporate Governance: A Practical Guide* (2004). The guide summarised seven types of board in a circular diagram in order to help boards identify whether they are successful and effective or not.

From the seven types, only one is an effective board demonstrating the following characteristics:

- Clear strategy aligned to capabilities
- Vigorous implementation of strategy
- Key performance drives monitored
- Effective risk management
- Sharp focus on views of key stakeholders
- Regular evaluation of board performance

The other six types of board were labeled ‘The Rubber Stamp’, ‘The Talking Shop’, ‘The Dreamers’, ‘The Adrenalin Groupies’, ‘The Number Crunchers’ and ‘The Semi-Detached’. It is easy to ascertain from these titles that boards falling into any of these six categories have got serious problems that they need to address. An individual and interesting insight into board effectiveness has been presented in *The Fish Rots from the Head* (Gerrant, R.M. 1996). Garrant drew on his experiences on company boards as well as his experience as an academic to highlight problems within boards and make recommendations for corporate governance improvements in this essential area. One criticism he made was that boards spent too much time ‘managing’ (being professional managers) and insufficient time ‘directing’. He defined ‘directing’ as showing the way ahead and providing leadership. There are numerous ways in which the effectiveness of the direction provided by a company’s board can be improved. Here below I flag the other initiatives that have been recommended in order to ensure board effectiveness.

3.12.1 Unitary and two-tier board structure

Boards fall into two general models, a unitary board or a two-tier board. Unitary boards tend to be the most common form, especially in countries which have been influenced by the Anglo-Saxon style of corporate governance. Unitary include both executive and non-executive directors and tend to make decisions as a unified group. On the other hand, two-tier boards have two separate boards, a management board and a supervisory board. The management general includes only executives, focused on operational issues of major importance and is headed by the Chief Executive Officer. The supervisory board deals with other strategic decisions and oversees the management board. The Chairman of the company sits on the supervisory board as a non-executive. Supervisory boards consist exclusively of non-executive directors. The supervisory board is often used as a vehicle for introducing diverse stakeholder groups into corporate governance, by including representatives on the board, such as employees or environmental consultants. This is in the area where two-tier boards provide a much greater opportunity for stakeholder exclusivity than unitary boards. Two-tier boards are however, only effective where there is an effective relationship between the chief executive, heading the management board, and the chairman, heading the supervisory board. In splitting the role of chairman and chief executive, the Cadbury Report (2002), recommended that there should be a balance of power between board members such that no individual could gain 'unfettered' control of the decision-making process. Further, there should be a clear division of responsibility at the top of the company, ensuring this balance of power and authority. The Cadbury Report (2000) stipulated that if the roles of chairman and chief executive were not filled by two individuals, then a senior member of the board should be present and should be independent. The importance of splitting the roles of chairman and chief executive derives from the extremely different functions which someone in each of these positions should carry.

The essential role of the chairman in ensuring board effectiveness cannot be overstated. As stated in *Corporate Governance:* A Practical Guide (2004), the chairman has a pivotal role to play in helping the board to achieve its potential, being responsible for leading the board, setting the board agenda and ensuring its effectiveness. According to Parker, T. (1990), the intangible quality of personal leadership issuing from the chairman is the most important factor in achieving board effectiveness. Cadbury Report (2002) draws an analogy between the chairman of a board and the conductor of an orchestra. However good an orchestra is, and however brilliant the individual players, it is the conductor who brings them together, leads them, sets the pace and highlights their individual prowess against the backdrop of the whole team of players. We now look at evidence from academic literature relating to the importance of these initiatives for effective corporate governance. According to the academic literature, splitting the role of chairman and chief executive is a corporate governance initiative that can reduce agency problems and result in improved corporate performance because of more independent decision-making (Donaldson, L. and Davies, K. 1994). In previous sections of this paper, we considered that agency problems could be lessened by mechanisms that aided monitoring of boards in order to align shareholder and management interests. Some studies have shown that splitting the role has indeed led to significantly higher financial performance (Peel O'Donnell, 1995).

However, it has been suggested that such improvements may be a case of wishful thinking and that the evidence is not persuasive enough to engender splitting the roles in practice (Daily, C.M. and Dalton, D. 1997). One area of the academic literature has focused on the relationship between top management turnover, corporate financial performance and the introduction of corporate governance initiatives (such as split roles) into companies. In such studies, top management turnover has been used as a proxy for corporate governance quality, as a well-governed company is considered likely to remove ineffectual directors before they can do harm.

A company with ‘good’ corporate governance mechanisms, such as split roles or an optimal balance of executive and non-executive directors is likely to display more effective monitoring of management. However, high turnover of directors may not always involve replacing poor managers with better ones. There may be ulterior motives behind such replacements, which do not result in better people on the board. Nevertheless, if ‘good’ managers replace ‘bad’ ones, then we would assume that companies with higher top management turnover, better corporate governance mechanisms and more effective board members would display superior financial performance. Basing their analysis on these assumptions, Dahya, C.F. *et al*. (2002) found that top management turnover was higher after Cadbury than before, but only in companies that had altered their board structure as a result of Cadbury. They also found that higher turnover of top management was statistically related to poorer financial performance, according to an extensive sample of UK companies around the time of the Cadbury Report.

In the USA, boards of directors have been harshly criticised for not attaining a balance of power and therefore reducing board effectiveness by Federal Reserve System, Carter McNamara (2009). The board culture in the USA is considered to discourage conflict. This implies that the CEO (usually also the company chairman) wields excessive power and has ultimate control over decision-making. Further it is typical that US boards are excessively large, also reducing board effectiveness (Jensen, 1993). Indeed, statistical evidence has shown that corporate performance and value were a decreasing function of board size (Yermack, D.L. 1996). For most companies, the CEO and the chairman tend to be the same person. There is an emerging consensus opposing this practice, as expressed in the following statement:

Some of the Sarbanes-Oxley rules for bosses and directors may be too cumbersome or prescriptive, a more useful idea is a toughening of checks and balances for bosses. Best of all American companies should adopt the common European practice of separating the jobs of chairman and chief executive, entrenching a check at the heart of their corporate governance systems (The Economist, 28 November 2002, emphasis added)

This is one area of corporate governance where the UK is significantly more proactive than the USA, although senior independent directors substitute for split roles to some extent on American boards. Although UK companies have generally institutionalised split roles for their chairmen and chief executives, as a result of corporate governance reform, the USA has been slower to initiate change in this area. Research into the role of non-executive directors, is that there is growing body of academic literature relating to the function of non-executive directors and their contribution to 'good' corporate governance. However, there is no clear consensus in the literature concerning whether or not non-executive directors play a useful corporate governance role and whether or not they enhance shareholder wealth and financial performance. We look at a selection of empirical evidence from academic research in favor of the presence on non-executive directors on boards, as well as evidence against it.

3.12.1.1 Evidence in favour

From an agency-theory perspective, non-executive directors may be perceived as playing a monitoring role on the rest of the board. There is a substantial quantity of academic literature indicating that boards of directors perform an important corporate governance function and that non-executive director's act as necessary monitors of management (Fama, E.1980; Fama, E. and Jensen, M. 1983). Without the monitoring function of non-executive directors it would be more likely that inside executive directors would be able to manipulate their positions by gaining complete control over their own remuneration packages and securing their jobs (Mock, N.B. *et al,* 1998). Some academic studies have shown that non-executive directors have monitored management effectively. An indicator that has been used to proxy for such monitoring efficiency is chief executive turnover, the implication being that more frequent turnover of chief executives leads to better corporate financial performance. Further, this may in turn be related to a greater proportion of non-executive directors on company boards. Their independent influence on the board should in such cases lead to the removal of ineffective chief executives. Indeed, Weisbach, M. (1988) found evidence that the turnover of chief executives was more strongly related to company performance in companies characterised by a majority of non-executive directors. The presence of outsiders on company boards is also thought to be positively related to corporate control activity, as outsiders can facilitate takeovers, thereby activating the takeover constraint that disciplines company management (Agrawal, A. and Knoeber, C. 1996). In relation to hostile takeover bids, empirical evidence has been provided, showing that boards with a significant independent contingent benefit shareholders in the bidding process (Byrd, J.W. and Hickman,.K.A. 1992). Again this endorses the presence of non-executive, outside directors on boards. Also, in relation to the positive effects for shareholders of non-executive director's on boards, Rosenstein S, Wyett, J. (1990) found evidence of a positive share price reaction to their appointment.

3.12.1.2 Evidence against

Another school of thought in the academic literature considers that boards of directors per se are superfluous, as the market provides a natural solution to the notorious agency problem rendering internal mechanisms unnecessary (Hart, S.P 1993). If boards are superfluous then, from this theoretical viewpoint, non-executive directors are merely another impotent element in an unnecessary structure. Proponents of this view consider that the 'market' disciplines company management naturally (e.g. through the threat of hostile takeovers and shareholders voting), thereby aligning manager's interest with those of shareholders. In relation to the relevance of non-executive directors versus the relevance of executive directors, there is considerable debate in the academic literature. Some evidence endorses the position of executives in preference to non-executives on boards.

For example, one empirical study investigated the wealth effects of inside, executive director appointments by management (Rosenstein, S, Wyatt, J. 1990). Using event study methodology, the paper reported a positive share price reaction to the announcement of inside director appointments. The findings stressed the important role that inside directors played in ratifying material corporate decisions and endorsing corporate strategies. However, the study also highlighted the relevance of the existing board composition to the effect of new appointments, where there was a board imbalance displaying a high proportion of non-executive directors and less favorably when the balance was skewed more to insiders. The papers concluded that the benefits associated with the appointment when managerial and shareholder interests were closely aligned (i.e. when there was no significant agency problem). There is also a perception among other academics and practitioners that the involvement of non- executive, outside directors on boards can damage corporate governance by reducing entrepreneurship in the business and by weakening board unity. This was certainly the view expressed by many board directors in their initial response to the Higgs recommendations to broaden the role and effectiveness of non-executive directors in the UK. There is also evidence suggesting that non-executive directors have a negative, rather than a positive impact on corporate financial performance. The presence of outside directors on US boards represented one of seven mechanisms used to control agency problems examined by Agrawal, A. and Knoeber, C. (1996). They found persistent evidence of a negative relationship between the proportion of outside directors and the company's financial performance. The authors examined their findings and concluded that the causality ran from board composition to performance and not in the opposite direction, dispelling this explanation. They commented that:

One possible rationale is that boards are expanded for political reasons, perhaps to include politicians, environmental activists or consumer representatives, and that these additional outside directors either reduce firm performance or proxy for the underlying political constraints that led to their receiving board seats (Agrawal, A. and Knoeber, C. 1996, p.394).

Clearly, these authors would be unlikely to support the hypothesis that wider stakeholder accountability improves corporate financial performance. However, their results are interesting and beg further investigation. They emphasised the interdependence of various control mechanisms, such as the non-executive director function and took account of such interrelationships in their analysis in order to avoid spurious results.

3.12.1.3 Getting the balance right

Overall, it seems that the majority of empirical evidence endorses the roles of both non-executive and executive directors, even though some results are conflicting. Both groups of directors bring different but essential skills to the boardroom. An effective board attains the appropriate balance between the two. The weight of evidence seems to endorse the monitoring role played by non-executive directors and supports the current UK and US policy of encouraging their effectiveness. This view is emphasised by Mace, M.C. (1986), for example, who stated that many chief executives considered the most effective boards were those with a 'balance' of inside and outside directors. Too great a proportion of insiders or outsiders can swing the balance in the wrong direction, for example: If there are too many insiders, the management team can become excessively cohesive.

This sets up a very dangerous situation because the directors tend to derive their judgment only from colleagues. The scarcity of outside directors restricts outside influence and leads to close-minded decisions. On the other hand, the addition of many outsiders brings new information and ideas and allows the entire board to make sound decisions. Outside directors provoke an independent and fresh review of long-term decision, effectuate impartial, uncontaminated audits of managerial performance, and counter-balance the influence of top management; companies need strong, knowledgeable insider directors as well as independent outsiders in order to represent stakeholders most effectively (Alkhafaji, A.F. 1989, p.54).

In practice, although the market offers real incentives to solve the agency problem, they are not sufficient to satisfy fully the needs of shareholders and other stakeholder groups. Such corporate governance mechanisms as the presence of independent, non-executive directors are necessary to improve the quality of governance in listed companies, as stated in the ACCA Report (2008) framework for good corporate governance and risk management. Boards should include both outside non-executive and executive members in the governance of organisations. Outside members should challenge the executives but in a supportive way. No single individual should be able to dominate decision making. It follows that the board should work as a team with outside members contributing to strategy rather than simply having a monitoring or policing role.

Boards need to comprise of members who possesses skills and experience appropriate for the organisation. All board members should endeavour to acquire a level of understanding of financial matters that will enable them to participate in decisions regarding the financial direction and control of the organisation Higgs (2003), on the review of the role and effectiveness of non-executive directors. Another question addressed in the academic literature asks whether or not non-executive directors who are alleged to be independent are truly independent, or whether their independence is debatable. Indeed, a degree of skepticism is displayed by many authors concerning non-executive director’s independence. One of the major problems highlighted in the literature arises from the role played by executive directors in appointing non-executives. This could clearly compromise their independence if the appointment process is affected unduly by cronyism (Waldo, A. 1985; Mace, M.C. 1986; Vancil, R. 1987). Short, N. (1996) also debated this issue, concluding that far more research was required, hence this.

3.12.2 Executive remuneration

In the early 1990s people were not as familiar with the term 'corporate governance' as they are today. Even in leading business schools, discussions of corporate governance tended to centre on director's pay and 'fat cats'. Although the contentious issue of executive remuneration and the problems of setting pay at appropriate levels have long been an extremely important aspect of corporate governance, the need to establish directors' pay at level that incentivises management to pursue shareholder interests has been emphasised in the academic literature (Jensen, M. 1993). In this sense, executive remuneration is one more mechanism that can be refined to improve corporate governance.

The gap between executives' pay and that of workers on the factory floor has been shown to have widened in the past twenty years (see e.g. The Economist Report, 15 November, 2002). The Higgs Report quoted this Economist Report research finding, on average, company chairmen in the FTSE 100 companies were earning 426, 000 pounds per annum at that time. This gives an indication of the salaries earned by senior board members. Directors have received unreasonable amounts of additional benefits (e.g. in the form of stock options), which has generated controversy. Further, some people have felt that such high rewards have not been accompanied by high performance. Even the current financial crisis has caused public outrage around the world at executives in bank boardrooms who have attracted immense levels of remuneration but led their banks into financial collapse, seemingly walking away with little more than a scolding.

In some quarters calls for government to have a greater influence on the way banks are run, given that the general public (i.e. taxpayers) now have significant stakes in banks. Whether this will happen or whether the management and running of banks will remain firmly in the hands of senior bank executives remain to be seen. There is a vast quantity of literature relating to executive remuneration. Clearly, it is not the intention of this text to provide comprehensive coverage of this literature, but rather to give a flavour of the issues addressed and some salient findings. As for the relationship between remuneration and corporate performance, one academic study found strong statistical evidence linking excessive executive remuneration with 'bad' corporate governance and poor corporate performance in the USA (Core, S. et al, 1999). Indeed, a significant negative association was found between remuneration (arising from board and ownership structure) and corporate operating and share price performance, indicating that companies fared less well when their board structure allowed an imbalance of power leading to excessive chief executive remuneration. In relation to the level of executive remuneration in different countries, another paper examined the progressive globalisation of executive remuneration (Cheffins, 2003). The author debated that not only was remuneration harmonising at an international level but it was also following US levels, which are traditionally higher than in other parts of the world. The paper reviewed the data on the remuneration of US executives, concluding that the pay packages of US chief executives were far more lucrative than those of executives in other countries around the world. The paper discussed a number of market-oriented drivers for executive pay convergence and linked this evolution to the steady convergence of global corporate systems towards a market-based structure: a more market-driven global corporate governance system may be characterised by more lucrative executive pay structures.

One of the main issues raised was disclosure of executive remuneration. Cheffins, B.R. (2003) considered that if tougher laws on disclosure of executive packages were introduced internationally this would advance the 'Americanisation' of executive pay. Moreover, shareholders would be able to see the remuneration that incentivises executives to maximise shareholder value. This would in turn help to reduce the 'agency cost' in those companies. Cheffins, B.R. (2003) argued that a strong relationship between pay and performance could reduce the costs associated with shareholder monitoring. Such changes are certainly occurring at present, with the UK government's introduction of legislation committing institutional investors to vote on directors' remuneration and requiring companies to make far more detailed disclosure on their policies on director remuneration.

There has been mixed evidence on whether directors' remuneration has risen or fallen as a result of corporate governance reform. Recent survey evidence by Watson Wyatt (2008) pointed to a fall in top director's remuneration of 18% in 2005 (Burges, R.A. 2005). The survey examined pay packages for executive directors in FTSE 100 companies. As the survey considered packages, including salaries, bonuses and future share and performance-related share option awards, the findings reflect principally the impact of performance-related changes to remuneration. The drive by institutional investors to ensure that director's remuneration is related directly to actual corporate performance, rather than performance of the market, has clearly had an effect. In other parts of the world, performance criteria for awarding share options have become far more exacting. In the past, directors had been awarded options if their earnings rose by 3% above inflation. Now they only receive share options if earnings rise 10% above inflation. On the other side, a survey of 903 companies, conducted by Independent Remuneration Solutions (a consultancy) and Manifest (the proxy voting agency), found that total chief executive remuneration had risen 208% since 1998, while their salaries had increased by 58% (Moules, D.2005). Further, directors of the largest companies were attracting 'superstar' levels of remuneration, with their pay being on average 63% above the next person down in the corporate hierarchy. There is clear evidence now that the sort of globalisation of pay along US levels is starting to take place in the UK as predicted by Cheffins, B.R. (2003). The general comment from both aforementioned opinions depict statistical evidence, the data set selected, the time period and the variables chosen all affect the outcome. These findings give diametrically opposite results. On balance, it seems that executives at the very top of the ladder have perhaps suffered some decrease in their overall earnings, but executives overall are continuing to do very well.

Another element is the increasing complexity of pay packages. It seems that by making them more complex, the actual ingredients of huge payouts are less transparent, making critique of remuneration more difficult. Sarah Wilson from Manifest has commented that although this growing complexity is delivering value to directors, it may not be delivering value for shareholders (Moules, D. 2005). A whole host of other issues are now considered to improve board effectiveness as well as the primary three discussed above. Board size is an important factor which is included in most corporate governance rating systems. Boards should be small enough to be effective, more cohesive and to enable more participation and discussion. Constraining board size in order to achieve a more effective board seems to be the preferred choice. From the burgeoning academic and practitioner literature on boards of directors, as well as from the recommendations of the various codes of practice. A compilation of light-hearted 'recipe' for a 'good board' has been done as follows:

- The board should meet frequently
- The board should maintain a good balance of power
- An individual should not be allowed to dominate board meetings and decision-making
- Members of the board should be open to other members' suggestions
- There should be high level of trust between board members

- Board members should be ethical and uphold morals as well as have a high level of integrity
- The board should be responsible for the financial statements
- Non-executive directors should (generally) provide an independent viewpoint
- Board members should not be opposed to new ideas and change
- The board must be dynamic in nature
- The board must understand the inherent risk of the business
- The board must communicate with shareholders, be aware of shareholders needs and translate them in into management strategy
- The board should be aware of stakeholder issues and be prepared to engage actively with their stakeholder
- As education becomes increasingly important, board members should not be averse to attending training courses.

3.13 Conclusion

The literature offers a number of alternative models that have been proposed for improving the effectiveness of boards in corporate governance. Most of the literature discussed has derived from an agency theory, finance paradigm of corporate governance and boardroom effectiveness. However, other disciplines, such as management science, have illuminated our understanding of boards as corporate governance mechanisms. Nevertheless, on the other side the benefit the study accrues from the use of case-study design is perhaps the most compelling one, due to the fact that it incorporates multiple methodological approaches in a single research. There can thus be triangulation of methodologies: different investigative methods can be combined within the study, increasing its validity. Thus within the context of the case study, interviews and observational research might all be combined, in the context of a clear research framework. The following chapter explores qualitative case study research methods and maps out in details the case for the study.

CHAPTER FOUR

ABSA-PSL QUALITATIVE CASE STUDY RESEARCH METHOD

4. Introduction

A qualitative case study research was used for this study. This occurred with a set of convictions that guides the following enquiries: The nature of reality on payment of commissions, relationship on the impact of commission with tactical marketing factors, brand exposure, and the position of depicted values from the study. Rubin, A.& Babbie, E. (2001: 32) suggest that this approach (outlined paradigm) informs the study about where to find the answers. Creswell, J.W. (1998:173) indicates that a qualitative case study research method is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident.

4.1 Discussion of the case

Notably, in the context of this study Box 2 below (an extract from Box 1 in Chapter 1: a piece on sports sponsorship that was published in 2007 in various media platforms) illustrates the need to explore the boundaries between a phenomenon (sport sponsorship) and the context (corporate governance practises) as methodically explained in chapter one, here below is a tidbit educed from chapter one context, see portion below:

Box 2:

At the centre of the controversy has been the yet-to-be finalised "token of gratitude", which was at first labeled as commission. The PSL negotiating team…...……is in line to receive R70m in their individual capacities. In an open letter to Absa CEO Steven Booysen, finance minister Trevor Manuel labeled the transaction as "morally reprehensible" and "corrupt"……" corruption is a criminal offence for both the giver and receiver………"My understanding is that the individuals concerned are elected into office to serve the interests of the sports code……there cannot ever have been an expectation that they would ………have an entitlement to personal enrichment for administering the sport, however they have received " Source: www.safpu.org.za (accessed, October 2007). They have also received the following amounts: then PSL CEO receives R 7.5 million commission, a negotiating team member receives R 7.5 million commission, a further negotiating team member receives R

12.5 million commission, a marketing agent receives R 5.5 million commission, another receives R 25 million commission and lastly the R 5 million is sliced amongst executive members who are not part of the negotiating team.

The reference to the token of gratitude, commissions, alleged corruption and personal enrichment as per the extract above alludes to the issues of corporate governance when concluding sports sponsorship deals. It is therefore against this background that this case study examines the evolution of sport sponsorship and further explores the extent to which good corporate governance practices (accountability and transparency – context) are adhered to, as well as scope for integrative thinking and common sense. This notion espoused by Creswell, J.W. (1998:173) above is further echoed by Meyers, H. (2009) whereby case study is sometimes used to test and refine propositions in real world. There is however lot of misunderstandings about the case study approach. Looking up case study in the Dictionary of Sociology as a beginning, one found the following in full citation:

"Case Study: The detailed examination of a single example of a class of phenomena, a case study cannot provide reliable information about the broader class, but it may be useful in the preliminary stages of an investigation since it provides hypotheses, which may be tested systematically with a larger number of cases. (Abercrombie,N., Hill, S.F.& Turner,S.B. 1984, p. 34)"

Case study does not claim any particular methods for data collection or data analysis. Any and all methods of gathering data from testing to interviewing can be used in a case study, although certain techniques are used more than others (Merriam, S. 1988). First, the researcher agrees with Merriam, S. (1988) that research focused on discovery, insight and understanding from the perspectives of those being studied offers the greatest promise of making significant contributions to the knowledge base and practice of education. Qualitative case study research approaches a problem of practice from a holistic perspective in order to gain an in-depth understanding of the situation and its meaning for those involved. The interest is in process rather than outcomes, in context rather than a specific variable, in discovery rather than in conformation. Such insights into aspects of educational practice of this nature can have a direct influence on policy, practice and future research. Second, most case studies especially in this education exercise are qualitative and hypothesis-generating rather than quantitative and hypothesis-testing.

Concerning considerations of strategy in the choice of cases, it should be mentioned that the various strategies of selection are not necessarily mutually exclusive. For example, a case can besimultaneously extreme, critical, and paradigmatic. The interpretation of such a case can provide aunique wealth of information because one obtains various perspectives and conclusions on the case according to whether it is viewed and interpreted as one or another type of case.The case story is itself the result. It is a "virtual reality," so to speak. For the reader willing to enter this reality and explore itinside and out, the payback is meant to be sensitivity to the issues at hand. Students can safely be let loose in thiskind of reality, which provides a useful training ground with insights intoreal-life practices that academic teaching often does not provide.As mentioned above that, there are several misunderstandings about this case study approach. To understand why the conventional view of case-study research is problematic, we need to grasp the role of cases and theory in human learning. Heretwo points can be made. First, the case study produces the type of context-dependentknowledge that research on learning shows to be necessary toallow people to develop from rule-based beginners to virtuoso experts. Second,in the study of human affairs like the aforementioned entities, there appears to exist only context-dependentknowledge, which, thus, presently doesn't rule out the possibility ofepistemic theoretical construction, as we will see in chapter five of the study.

The full argument behind these two points can be found in Flyvbjerg, H. (2001, chaps. 2-4). For reasons of space, one can give only an outline of the argument here. At the outset, however, we canassert that if the two points are correct, it will have radical consequences forFlyvbjerg, H.(Case-Study Research Misunderstandings p 221the conventional view of the case study in research and teaching). This viewwould then be problematic.Phenomenological studies of human learning indicate that for adults, there exists a qualitative leap in their learning process from the rule-governeduse of analytical rationality in beginners to the fluid performance of tacitskills in what Pierre, F. Bourdieu (1977) called virtuosos and Hubert Dreyfusand Stuart Dreyfus (1986) called true human experts. Here we may note that most people are experts in a number of everyday social, technical, and intellectualskills such as sponsorship brokering/negotiating, giving a gift, riding a bicycle, or interpreting images ona television screen, whereas only few reach the level of true expertise for more specialised skills such as playing chess, composing a symphony, or flying a fighter jet.For researchers and for the sake of objectivity to the advancement of the study (finding nexus between corporate governance principles and sport sponsorship transactions), the closeness of the case study to real-life situations and its multiple wealth of details are important in two respects. First, it is importantfor the development of a nuanced view of reality, including the view thathuman behaviour cannot be meaningfully understood as simply the rule-governedacts found at the lowest levels of the learning process and in muchtheory. Second, cases are important for researchers' own learning processesin developing the skills needed to do good research. If researchers wish todevelop their own skills to a high level, then concrete, context-dependentexperience is just as central for them as for professionals learning any otherspecific skills. Concrete experiences can be achieved via continued proximityto the studied reality and via feedback from those under study. Great distanceto the object of study and lack of feedback easily lead to a stultifiedlearning process, which in research can lead to ritual academic blind alleys,where the effect and usefulness of research becomes unclear and untested.As a research method, the case study can be an effective remedy against thistendency; hence we embarked on the following:

4.2 Experience interviews

As literature review assisted us as an assimilation of all primary and secondary research material concerning the topic; various sources of information have been consulted in order to produce a holistic perspective on the topic. These sources of information include amongst others books, trade publications, academic journals, newspapers, the internet, published statistics and presentations.Equallyexperienced interviews also brought the research process to fruition. Case studies often contain a substantial element of narrative. Good narrativestypically approach the complexities and contradictions of real life.Accordingly, such narratives may be difficult or impossible to summariseinto neat scientific formulae, general propositions, and theories (Benhabib, S. 1990; Mitchell, R.G.& Charmaz, K. 1996; Roth, P.A. 1989; Rouse, J. 1990; White, J.R. 1990).This tends to be seen by critics of the case study as a drawback. To the case studyresearcher, however, a particularly "thick" and hard-to-summarise narrativeis not a problem. Rather, it is often a sign that the study has uncovered aparticularly rich problematic stance. The question, therefore, is whether the summarisingand generalisation, which the critics see as an ideal, is always desirable.Nietzsche, F. (1974) was clear in his answer to this question. "Above all,"Nietzsche, F. 1974 said about doing science, "one should not wish to divest existenceof its rich ambiguity" (pp. 335,-373).This being said, it should nevertheless be added that the balance betweencase studies and large samples is currently biased in favor of the latter insocial science, so biased that it puts case studies at a disadvantage withinmost disciplines. In this connection, it is worth repeating the insight of Kuhn, R. (1987): that a discipline without a large number of thoroughly executed casestudies is a discipline without systematic production of exemplars, and that adiscipline without exemplars is an ineffective one. In social science, a greaternumber of good case studies could help remedy this situation.

Interviews were conducted with relevant people who are very knowledgeable in the area and discipline of sport and sponsorship. The purpose of these interviews was not limited to gain insights into the history of sport sponsorship, the current market trends, but also on practices and norms that anticipated future occurrences. The respondents were drawn from areas of sport sponsorship processes in order to provide different perspectives on the matter from their unique personal experiences. Interviews were conducted also with both the provider and recipient of sponsorships to provide a conflicting point of view and enhance the objectivity of the study, albeit some respondents asked for confidentiality during interviews.

4.3 In-depth interviews

Substantial in-depth interviews were conducted with the Minister of Sport and Recreation, the Chairperson of the Portfolio Committee on Sports and Recreation in Parliament, twelve Portfolio Committee on Sports and Recreation members,seven members of the Select Committee on Education and Recreation under National Council of Provinces in Parliament, the Group Marketing, Communication Manager and CEO of the said financial institution. The information extracted through these in-depth interviews, particularly using the face-to-face method of collecting data, enabled the researcher to clear any ambiguities in the questions asked and probe for further clarification whenever the respondents provided an inadequate answer. The in-depth interviews therefore gave more complete information. More emphasis was placed on this method of researching because it avoids the costs associated. The interviewer was also able to ask questions that are more meaningful to a particular respondent and gained significant information with regards to their individual motivations to watch sport, their passion, and ability to solicit sponsorship. Respondents had more opportunity to express their point of view without feeling intimidated or obscured. The information generated from these interviews influenced and facilitated sections of the paper.

4.4 Method of administration

Face-to-face interviews are considered the best administering method and so some interviews were conducted in this manner. Even though it is much more time consuming and difficult, the benefits of this method, especially in relation to this research, outweighed the costs. Face-to-face interviews were useful as they allow personal feedback from the respondents, and offer an opportunity for respondents to explain complicated or difficult concepts. Furthermore such interviews allow the interviewer to evaluate non-verbal responses. As a result the quality of the information gathered is more accurate. Beside these benefits, the primary reason this method was selected was to ascertain spontaneous responses to a number of questions, which is very important to research of this nature. Spontaneous responses are very beneficial because they imply top-of-mind awareness with regard to sponsors and they are very honest than selecting from a set of options.

4.5 Scope and Limitations

(a) Scope

The scope of the research has been based on the respondents who are day-to-day managers, sport writers, legislatures, political principals and practitioners of sport and sponsorship as Unit of Analysis of the study.

(b) Limitations

Financial

There are inevitably financial restrictions, as this work is conducted by a single student. This has led to serious limiting repercussions on the research and prohibited it from being as extensive as it could have been, even internationally.

Timing

As this is part of an overall course, the University, particularly my supervisor in South Africa has placed premium on the implementation of agreed time frames. As we would understand how controversial this topic is, some of the respondents were responding with caution to certain questions. However the researcher established rapport with the respondents, especially pertaining to sensitive information, thus making it possible for them to provide the information. This may have influenced the content of the research, which is conducted over a protracted period of time. Being a student at the University and owing to the nature of the research, it was strenuously conducted in both Cape Town and Johannesburg. It was not always easy to reach some of the officials as they are busy people, given the nature of their jobs. Some experience interviews were conducted via e-mail or over the phone as a result of geographical restrictions, to counter time inhibitions, thus we succeeded.

4.6 Sample Frame

Owing to the time constraints and tight financial reins, on a glimpse the majority of the sample frame comprised PSL CEO, PSL Executive members,Former Minister of Sport and Recreation South Africa, Chairman of the Portfolio Committee on Sports and Recreation in Parliament, CEO ABSA bank in South Africa, Deputy Minister of Sport then finance Minister, Sports editor City Press, Committee house Chair in Parliament, Group Executive Officer in Marketing and Communication ABSA bank and Sport and Recreation and relevant legislatures to mention just a few. The chosen sample comprises people with good knowledge in this industry. It is for that reason that the researcher adopted a variety of ways i.e. face-to-face interviews, phone interviews, e-mails etc. to mitigate some constraints. In this case study research drew upon the work and outlined steps that were used. Each stage of the methodology consisted of a discussion of the application of those procedures in the proposed study as follows:

4.6.1 Design the case study protocol:

a.determine the required skills-

The ability to ask good questions and to interpret the responses, being a good listener, be adaptive and flexible so as to react to various situations, have a firm grasp of issues being studied, and be unbiased by preconceived notions is what underpinned this aspect of required skills.

b.develop and review the protocol-

The development of rules and procedures was consistently contained to enhance the reliability and validity of case study research.

4.6.2 Conduct the case study:

c.prepare for data collection-

In case studies, data collection was treated as a design issue that enhanced the construct and internal validity of the study, as well as the external validity and reliability (Yin, R.K. 1994). The study employed three sources of data collection:Firstly as documentation because of the stable, un-obstructive, exact and broad coverage of this source. Secondly, interviews because they are targeted as they focus on case study topic, insightful as they provide perceived causal inferences. Thirdly, direct observation due to its reality-covers events in real time and its contextual as it covers event context.

d.conduct interviews-

Interviews are one of the most important sources of case study information. This served to corroborate previously gathered data. The use of tape recorders during the interviews was considered.

4.6.3 Analyse case study evidence:

e.analytic strategy-

Exploratory factor analysis was an analytical strategy because it is a co-relational technique to determine meaningful factors of shared variance. This strategy began with a large number of variables and then tried to reduce the interrelationships amongst the variables to a smaller number of factors. Factor analysis finds relationships where variables are maximally and minimally correlated with other variables and this was considered. After this process had been done, a pattern appeared of relationships or factors that capture the essence of all of the data gathered.

4.6 Conclusions

In this section, the study resorted to clear explanations. Those explanations were necessary to help the reader understand the implications of the findings. This chapter addressed key tools of the methodology chosen. It explained the case at length and what other authors make of the qualitative case study approach. The following chapter will provide research findings and discussion thereof, and it will be moving on the premise of number of existing policies mentioned and utilized in the text.

CHAPTER FIVE

RESEARCH FINDINGS AND DISCUSSION

5.1 Introduction

By the South African Sport and Recreation Amendment Act no 18 of 2007, government has a constitutional obligation to ensure good and responsible governance of sport and recreation in the Republic;the administration of sport and recreation in the Republic has been entrusted to sport and Recreation bodies. Sport and Recreation belongs to the nation over which government with its elected representatives have an overall responsibility including the elected representatives of sport bodies such as South African Football Association and PSL. Recorded malpractices and poor governance in sport has resulted in disputes and differences over the past few years, something which necessitate intervention by government.

In order to redress the inequalities in sport and recreation by optimizing the participation, involvement and ownership of previously disadvantaged communities in the playing, administration, management and support of sport and recreation in the Republic South Africa, sport sponsorship in the context of both integrative thinking as well as balanced/ equal development of sport remain vital. By law, the PSL is obligated to act within the regulations of (National Sport and Recreation Amendment Act, no 18 of 2007). This is because the PSL is a member and an affiliate to the South African Football Association (SAFA). SAFA is a permanent member of the South African Sports Confederation and Olympic Committee (SASCOC). Sport and Recreation South Africa (SRSA/Government) finances/fund SASCOC with South African tax payer's money and SASCOC is a national entity entrusted with the development of Sport in South Africa. This is an inextricable link.

Where then do we locate the issue of integrative thinking and equal development in the realm of both former Minister of Sport and Recreation denouncing solicitation of commission from our interview, as well as the former Minister of Finance going as far as to call the PSL-ABSA transaction morally reprehensible?, to quote the latter, this is what comes out to the public during his condemnation in a form of an open letter to the then CEO of this financial institution, see appendix A, interview 3:

"In an open letter to Absa CEO Steven Booysen, finance minister Trevor Manuel labelled the transaction as morally reprehensible and corrupt, see appendix A. Manuel further warned: I surely need not remind you that corruption is a criminal offence for both the giver and receiver. I cannot understand, though, why the same issues do not arise in your mind when dealing with sports administrators. "My understanding is that the individuals concerned are elected into office to serve the interests of the sports code. Most of them have private interests for profit, both in soccer and outside of it; there cannot ever have been an expectation that they would have acquired ownership of soccer that they have an entitlement to personal enrichment for administering the sport."

On the revelation from the interview of this research with the former finance Minister, when he advanced the aspect of integrative thinking and broader development, he mentioned the following:

"In sport, individuals avail themselves for election to positions within sports administration in order to serve the sport. Frequently, individuals who thus avail themselves, and are then elected should have their means of livelihood. Most sporting codes remunerate executive members for out-of-pocket expenses and, if the code can afford it, also pays a stipend for attending meetings or events. Where such an elected representative, e.g. the President of a Union, becomes a full-time employee, it should be by formal resolution of the Board and such employment should be remunerated in a transparent manner, with delegates aware of what the terms and conditions are.

Executive Committees are elected in order oversee the work of management and ensure that the assets of the union/code are protected. These functions are taken together under the rubric of 'fiduciary responsibilities'. In addition, the executive committees of sport codes also take responsibility for the promotion and development of such sporting codes. Now if the executive, or some of its members are involved in slicing off some of the proceeds of sponsorship contracts or payments to the codes, whether they do so by resolution of the board, or not, the problem is that they are compromised and thus cannot exercise their fiduciary responsibilities by exercising oversight over the staff, in the execution of assigned duties. If there is no distinction between elected executive members and staff, there can be no oversight. If there is no oversight, it is hard to imagine how the code will be developed. Such development includes functions such as expanding and organising the amateur side of the code .This applies everywhere".

In the same vein the former Minister of Sport and Recreation in the interview of this research reveals the following that see appendix A, interview 1:

"*Normally we investigate to check if the deal served its intended target or not. Remember the South African Sport and Recreation Act guides all of us in sport including ABSA in instances like this. It looks towards the realization of what is enshrined in the constitution, of which corporate governance is very strong component. But to make it clear to you, as government we were against the payment of commissions as the Act guides us with clear intentions in the preamble; that of*":

- Providing measures aimed at correcting imbalances in Sport and Recreation
- Promote equity and democracy in Sport and Recreation

The process of the payment of commissions was not open and transparent and there was no accountability to the public as relevant stakeholders and customers of the game of sport. We always emphasise the fact that the public should hold its leaders accountable. These were the views of the former Sport Minister, as h also believed that this not in line with principles of corporate governance.

The former Portfolio Committee Chair on Sport and Recreation in Parliament in our interview reveal that, see appendix A, interview 2:

"*My view is that these commissions is the way of blunted corruption, exploitation and nepotism- you cannot be elected and solicit sponsorship and then think you are entitled to that (in a form of commission), it's wrong. The basis for your election is voluntary not on remuneration and creation of self-wealth through self-seeking at the expense of sport development, it's wrong*".

To examine some of the assertions from the interviewees, the study explores the following concepts and avenues, to diagnose how interviewees arrive at some conclusions.

5.2 Definition of corporate exploitation

Oneof the underlying problems when it comes to explaining exploitation and corruption is the confusing complexity in defining it, especially when deployed by law makers, government and the general public. Corruption is a phenomenon that is heavily embedded in a particular cultural appreciation of the way in which the public and the private spheres relate to each other. In this sense, the typical definition of corruption reflects some very ingrained Western assumptions about the office (whether public or corporate), the office holder and those who depend upon them, for example, the consumer, suppliers, workers and so on. As Bratsis, P. (2003) argues, at the heart of Western conceptions of corruption is the misuse or abuse of the office, with particular emphasis on the subversion of the public good by private self-interest (see also Clarke, R. 1983; Williamson, E. 2000). To differ with Bratsis, would be to say this cannot be narrowed to Western conceptions but African conceptions too. An example might be a manager using their position to appropriate funds for private use. Following Anand, J. et al (2004), we might approach organisational corruption as the 'misuse of an organisational position or authority for personal gain or organisational (or sub-unit) gain, where misuse in turn refers to departures from accepted societal norms'(Anand, J. et al, 2004). This definition is echoed in other conventional statements on corruption such as:

Behaviour which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or state gains; or violates rules against the exercise of certain types of private-regarding influences (Nye,J. 1989). Corruption is a kind of behaviour which deviates from the norm actually prevalent or believed to prevail in a given context, such as the political. It is deviant behaviour associated with particular motivation, namely private gain at public expense (Friedrich, H. 1989). Organisational corruption (is the) pursuit of individual interests by one of more organisational actors through the intentional misdirection of organisational resources or perversion of organisational routines (Lange, P. 2008). As Bratsis, P. (2003) concludes from his analysis of definitions like these, 'put simply, no corruption in the modern sense is possible if there is no public and private' (Bratsis, P. 2003). It is often the individual agent gaining from the malfeasance that has dominated our understandings of corruption. Moreover, such acts are usually classified as corrupt because they break the law. If organisations, economic interactions and markets are embedded in public networks of trust and fair play as Granovetter, M. (1985) and Fukuyama, R. (1995) suggest, then corrupt actors misuse these networks for private gain. These are crimes committed either by a corporation (i.e. a business entityhaving a separate legal personality from the natural persons that manage its activities), or by individuals that may be identified with a corporation or other business entity. This narrow and specific definition of exploitation is useful since it certainly delineates the various forms it might take today. We can enumerate just a few to provide substance to this definition:

- Private appropriation an fraudulent use of funds;
- Misrepresentation of the financial condition of the firm;
- Receiving and offering bribes
- Industrial espionage

There is a problem with this definition of exploitation however, when we move away from the individual as our focal point to the collective level. As Heffernan Kleining (2004) point out, the definition of exploitation as the illegitimate personal gain by a public officer misses too much of what actually goes on. Moreover, since it relies on the public-private split, undue attention has been given to state officers as the key agents of corrupt activities: It leaves out much of what has historically been deemed exploitive; and it relies upon the superficial clarity of a public-private distinction and an unexamined view of what counts as improper use. Exploitation is not the exclusive failing of public officers; there may also be personal exploitation, corrupt institutions and exploitive cultures (Heffernan Kleining, 2004:3, quoted in Dine, A. 2007:3) Turning back to for-profit organisations, definitions of corporate exploitation run up against the distinction often made between it and corporate crime. We want to blur this overly rigid division between corporate exploitation and criminality. It is commonly argued, for example, that corporate crime is different because it represents a category of activities in which the corporation as a whole benefits from the illegality, rather than specific individuals in the company. Exploitation is more thought of as a form of deviance from societal norms by individual agents. Building on Braithwaite, J. (1984), the distinction and the rationale behind it is articulated by Simpson, P. (2002) in her analysis of corporate crime, law and social control. She argues:

On the whole, illegality is not pursued for individual benefits but rather for organisational ends. Thus, in order to maintain profits, manage an uncertain market, lower company costs, or put a rival out of business, corporations may pollute the environment, engage in financial frauds and manipulate, fix prices, create and maintain hazardous work conditions, knowingly produce unsafe products and so forth. Managers' decisions to commit such acts (or order or tacitly support others doing so) may be supported by operational norms and organisational subcultures (Simpson, P. 2002:7). There is another angle of looking at issue of corporate exploitation, but also important for the study is to use the overall category of exploitation to explain both individuals benefiting from the misuse of their position, as well as these broader organisation-level violations of the law. There is a glaring example underpinning this view; Lange, P. 2008 suggests that the act of exploitation cannot be viewed simply as individual deviance. Whole firms/companies might be involved in the corruption, making it difficult to tell the difference between individual corruption and organisational crime, or 'corruption against and on behalf of the organisation' (Lange, P. 2008). Corporate corruption could thus be expanded to include activities such as:

- Price fixing
- Anti-competitive behaviour
- Misleading and deception
- Tax evasion and money laundering
- Irresponsible working conditions
- Marketing of unsafe products

By blending corporate crime and exploitation in this way, we are able to capture some unusual and ambiguous cases of organisational transgressions. Then the question is how 'bad apples' make bad decisions? One of the problems with discussions around evil people and deeds in relation to corrupt activities and immoral/unethical behavior is that the discourse often lapses into what Darley, J. (1992) calls a kind of 'naïve psychology'. By this he means that our image of evilness tends to be rather simplistic and unrefined, derived from Hollywood movies, myths and bad novels. It is as if bad people are somehow born this way and are thus morally irredeemable. Such a deception of wrongdoing may perhaps be useful when discussing the horrible cruelty of concentration camp guards or the American soldiers leading the My Lai Massacre in Vietnam, but for corporate corruption we need more subtle categories to account for how individuals choose 'not to act otherwise'. This takes us away from the 'born-to-be bad' conception of immoral/unethical disposition, and identifies more precisely the actual decision-making processes that appear to lead some individuals to be more prone to corruption.

To conclude the, 'bad apple' analysis of corporate exploitation is useful in a very abstract manner, as outlined in moral philosophy. Every agent who engages in exploitation has the choice not to do so. But when translated into a 'folk' explanation of corruption, this analysis misses a great deal too. Not only are the situational variables downplayed, but it forgets how people are able to present a variety of excuses and justifications for their behaviour in order to alleviate and assuage their regret and even see themselves as right and proper. As we continue to argue and discuss in this paper however, agency still remains a crucial element in these rationalisation processes. In the process of this realisation, we need to ask how do people with a relatively stable and meaningful moral conscience behave unethically and immorally without experiencing a crippling sense of inconsistency, guilt or what Festinger, L. (1957) famously called ‘cognitive dissonance’? The possibility exists that hypocrisy would be a possible explanation for fathoming this inconsistency between moral discourse and unethical deeds.

5.3 Theories of exploitation

Driven by greed, ignorant of their connectedness to the whole, humans persist in behaviour that, if continued unchecked, can only result in their own destruction. The collective manifestations of insanity that lies at the heart of the human condition constitute the greater part of human history. Greed and desire for power are psychological motivating forces not only behind warfare and violence between nations and ideologies, but also the cause of incessant conflict in personal relationships, Festinger, L (1957). They bring about distortion in your perception of other people and yourself. Through them, you misinterpret every situation, leading to misguided action designed to rid you of fear and satisfy your need for more, a bottomless hole that can never be filled. It is important to realise, however, that greed and desire for power are not the dysfunctions that am speaking of, but are themselves created by dysfunction, which is a deep- seated collective delusion that lies within the mind of each human being. Greed and desire for power are not the ultimate causal factors. Trying to become a good or better human being sounds like a commendable and high-minded thing to do, yet it is an endeavour you cannot ultimately succeed in unless there is a shift in consciousness, Festinger, L. (1957).

This is because it is still part of the same dysfunction, a more subtle and rarified form of self-enhancement, of desire for more and strengthening of one’s conceptual identity, one’s self - image. You do not become good by trying to be good, but by finding the goodness that is already within you and allow that goodness to emerge. But it can only emerge if something fundamental changes in your state of consciousness. The history of Communism is a perfect example in trying to illustrate my point; originally inspired by noble ideals, it clearly illustrates what happens when people attempt to change external reality, create a new earth without any prior change in their inner reality, their state of consciousness. They make plans without taking into account the blueprint for dysfunction that every human being carries within: the ego, Ashforth, M. (2004).

The power of large corporations is awesome. Today, trans-national corporations dominate the Western world in much the same manner in which the Roman Catholic Church dominated medieval society. As the nation-state was the primary entity at the dawn of the modern age, so the giant corporations are all-powerful in the twenty -first century world. Unfortunately for society, far too many giant corporations have abused this power in their relations with their workers, their stakeholders, their consumers, and the public at large. They have also abused our environment, defrauded the government, and exploited the developing nations of the Third World. In their actions, they have even abused the very democratic process that has given them the opportunity to achieve this power, Joshi, P. (2004).

Exploitation and socialisation

Anand, J. Ashforth, B.E. and Joshi,C.P. (2004) draw on a vast amount of literature to discuss how individuals use rationalisation and socialisation tactics to justify their acts of exploitation. According to these authors, individuals involved in exploitive acts usually describe their acts in such a manner that they do not seem unethical at all or sometimes are subjected to socialisation processes that make their acts of unethical behavior seem “normal.” It is these rationalisation and socialisation acts that make the individuals involved in practices of unethical behaviours continue with these practices. They propose eight types of rationalisations that individuals use to justify their acts that include denial of responsibility, of injury, of victim, social weighing (that is, condemn the condemner, selective social comparison), appeal to higher loyalties, and metaphor of the ledger (that is, ‘am entitled to it!’ attitude). The authors also discuss how corrupt processes and acts are accepted in an organisation (socialisation) through the processes of co-optation, incrementalism, and compromise. Ashforth, B.E. and Anand, J. (2003) suggest a third process of institutionalism that normalises corruption in organisations when an organisation makes the environment conducive to act unethically. If this decision leads to favourable responses, then it would be added to the organisational memory as a success and would thus be normalised and the corruption would be adapted to such practices over time.

Exploitation and Trust

Gambetta, D. (2002) examines the different meanings of exploitation and explains how the behavioural and relational properties of individuals help understand exploitation. The author mostly uses "trust" to explain the existence of exploitation and states that exploitation is basically the breach of trust between the truster and 'fiduciary' due to incentives given by the exploiter.He then explains the different conditions under which corruption exists and concludes by making some empirical predictions about corruption. For example, the author proposes that the more numbers of trusting relationships, the higher is the probability of exploitation. Therefore, a society that is more exploitive need not be worse than a society that is less exploitive because a less exploitive society would probably have lesser numbers of trusting relationships and therefore fewer opportunities for exploitive. Another proposal is that the opportunities for exploitive increase with the increase in the turbulence of the society. Actors can justify their acts by using pretexts of ignorance or uncertainty and try to pass off their exploitive acts as something else. Therefore, if a society is more "error-prone", it would be difficult to distinguish between a exploitive act and something else that might be true.

Seidman, J.G. (2004) argues that to have a life worth living, one must ensure physical security, financial prosperity, and spiritual sustenance or meaning. But he states that the third requirement of trust continues to shake because in order to gain trust and to make individuals follow (ethical) rules based on this trust, individuals need to understand the reasoning behind the rules that require ethical leadership. The author then asserts that the proven approaches to ethical leadership are: Demonstrate the unequivocal importance of ethics from the top; Make ethics essential to career advancement; publicly reward ethical behaviour; publicly punish lapses; Make understood that ethics is for everyone. Using similar logic, Thomas. T.., Schermerhorn, Jr. and Dienhart, JR. (2004) show that ethical leadership should be fostered and is sustainable. They argue that ethical leadership must be built by focusing on the total costs of ethical failures and corporate cultures that value ethical norms should be maintained.

Exploitation and personal Integrity

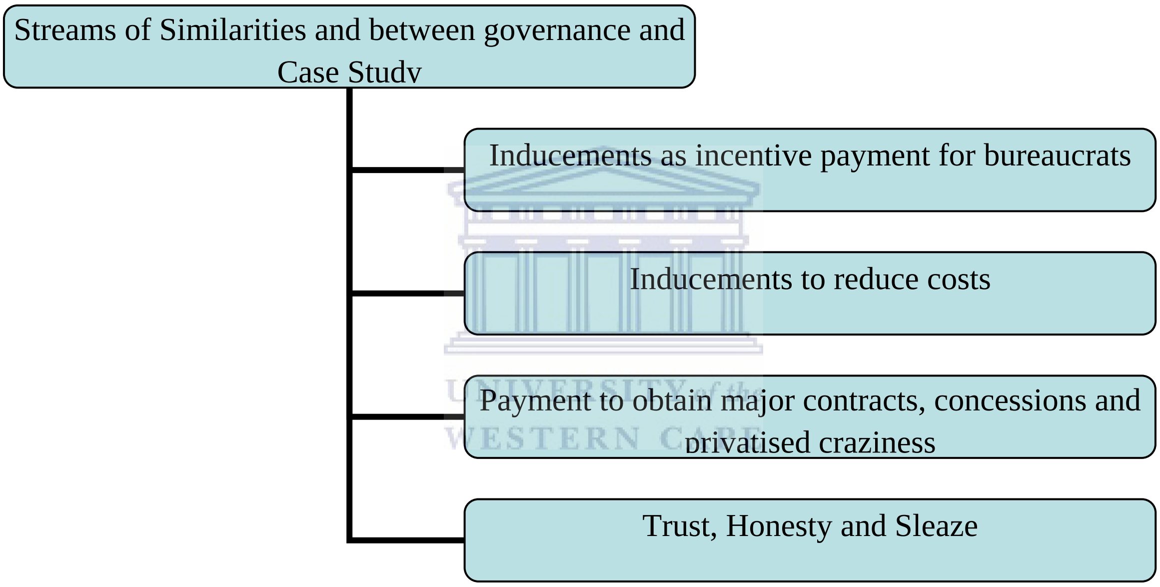
Veiga, Golden and Dechant, K. (2004) explore why managers bend rules even when they live by a personal code of conduct that includes certain principles about integrity, regard for others, and keeping commitments. They interviewed members of the Academy of Executive's advisory panel. These executives represented 111 diverse national and multinational corporations that participated. Performance-based judgment calls, faulty rules, and socially embedded norms were the three broad factors that made managers exploitive, even though the act involved some degree of personal angst. The authors conclude by stating that managers "need to be taught" how to confront ethical dilemmas and hence recommend that those organisations should focus on overall excellence rather than strict conformity of rules. Weaver, S.J (2004) argues that to foster ethical behaviour by employees, fairness is important. Also, ethics must be integrated across the board, and must have the support of routine organisational functions. For this, the author offers some suggestions. He argues that ethics initiatives should include the need for compliance. Also, employees should be included in these initiatives, suggesting that ethics training should made part and parcel of the job-specific, operationally orientated training. He argues that the fairness of the selection of the new hires is a strong signal of the importance of ethics within the organisation. In order to understand executive ethical leadership, Trevino, L. Brown, M. and Hartman, L.P. (2003) conducted 40 semi-structured interviews: 20 with corporate ethics/ compliance officers and 20 with senior executives representing medium to large American companies. They found that for an executive to be perceived as an ethical leader, the executive must engage in socially salient behaviours that make him stand out as an ethical figure. This meant that the ethical leadership involves using communication and a reward system to guide the behaviour. This is in contrast to the traditional belief that ethical leadership involved only integrity and values-based leadership.

Economising on virtue: The Control of exploitation

Untrustworthy elected officials and bureaucrats are frequently exploitive. They substituteprivate benefits for public responsibility. If officials are generally untrustworthy, ordinary peopleand businesses may believe that the only way to get what they need is through a pay-off.Furthermore, if most officials are known to be exploitive, people may also seek things to which theyare not entitled, such as tax breaks or waivers of costly regulations. Officials in turn may createextra rules and regulations and contracting opportunities in order to profit personally. High income taxpayers lowered their payments, but it seems difficult to see this as a reflection of a loss ofmoral commitment. The authors make the following argument. If audited, one's ultimate tax liability will be positivelyrelated to one's reported income because tax collectors are not perfectly informed. However, one is more likely to beaudited the greater one's underpayment. These effects pull in opposite directions. However, if the audit probability is one,only the first effect operates (Slemrod, T.B. and

Christian, C.W. 2000).As Gambetta, D. (2002) notes: “coercion exercised over unwilling subjects who have not pre-committedthemselves to being prevented from taking certain courses of action or who do not accept the legitimacy of the enforcement of a particular set of rights while demanding less of *our* trust in others, may simultaneously *reduce* the trust others havein us. It introduces an asymmetry which disposes of mutualtrust and promotes instead power and resentment. As the high incidence of paranoid behavior among dictators suggests, coercion can be self-defeating, for a while it may enforce‘cooperation’ in specific acts, it also increases the probability of treacherous ones: betrayal, defection, and the classic stabin the back.” Exploitation is a coping strategy in the face ofuntrustworthy, dishonest officials, but it may also be part of a conscious private-wealthmaximizationstrategy orchestrated by these same officials.Paradoxically, a deeply exploitative regime usually operates with a high degree of reciprocal,affect-based trust. Because bribers and bribes are operating outside the law, they need to trust eachother in order to maintain their relationships. They may design schemes that minimize the possibilitiesof betrayal, such as making payments only when exploitative services are delivered, or that limit the costsof betrayal, such as the use of middlemen. Nevertheless, the risks that one side will betray the othercan be substantial so that links based on kinship or friendship can be important ways to lower the risk. The exploitative official is an untrustworthy and dishonest agent of the public interest but a trustworthyfriend and relative, Gambetta, D. (2002).

To understand corruption one needs to clarify what is being bought and sold in a corrupttransaction. It will do little good simply to deplore the small number of trustworthy officials and thecitizenry’s willingness to pay. Instead, one needs to understand the incentives for making andaccepting payoffs. Reforms can then be directed in two directions. First, one may reduce theopportunities and the net financial benefits of giving and receiving bribes and illicit campaigncontributions. Second, one can try to shift the attitudes of politicians, public officials, and citizensaway from personalized corrupt relationships toward the view that the state has obligations to thecitizenry to provide fair and efficient service. For officials, this means replacing particularized,affect-based service delivery with fair and impartial state institutions. Officials become trustworthyagents of the state, not trustworthy friends and relations. For citizens, this means a willingness todemand more of the state than they have in the past. Thus this second reform direction involvesboth changes in public attitudes toward government and the creation of institutions that can channelpublic demands for government reform, Slemrod, T. B. (2000).The aim here is not to provide a full analysis of the problem of exploitation, but to outline the major economic functions that sometimes exploitation serves for those who engage in inducements. Reforms within each category can reduce the incentives both for those who pay and for those who accept or demand payoffs. Such reforms take people's underlying psychology as given and ask how behaviour can be modified. Secondly, is a consideration of reform designed to have a more general impact on the trustworthiness of all types of officials and on their accountability to citizens. The idea is not to discuss the full range of possible reforms in government structure and accountability but concentrate instead on those that increase citizens' role in demanding change. Analogically, if you consider the following diagram of streams in notion about the case study of this research:Diagram 4:



Source: Designed by M. Mdekazi (2011)

a. Inducements as incentive payments for bureaucrats

Inducements can be incentive payments for good service. Firms and individuals may pay to avoiddelay. Payoffs to those who manage queues can be efficient since they give officials incentives bothto favor those who value their time highly and to work quickly. The corruption of tax collectorsmay be efficient so long as the government can impose a binding overall revenue constraint. But theconclusion that the routine corruption of those who manage queues and collect taxes can betolerated is extremely problematic. First, the result only follows if officials have limited discretion, Slemrod, T.B. (2000). Second, non-exploitative alternatives exist that avoid the costs of illegal payment systems. Queues can bemanaged through a set of differential fees. Revenue collection offices are sometimes permitted toretain a portion of the taxes they collect.Firms pay bribes to obtain certainty, but the certainty may be illusory since corrupt deals cannot be enforced. Individualised attempts to reduce uncertainty can, at the level of society increase uncertainty and unpredictability. Ingrained corruption can also hold back state reform. Firms thathave benefited from payoffs and their allies within the state apparatus will oppose reform effortsdesigned to make the economy more open and competitive.In short, although bribes can sometimes be characterised as incentive payments to publicofficials, a policy of active tolerance is likely to be destructive of the prospects for long term reform.Pay-offs that is widely viewed as acceptable should be legalised, but not all “incentive pay”schemes will actually improve bureaucratic efficiency. Instead, the civil service system ofrecruitment, pay and promotion may need reform to align the incentives of officials with the goalsof the programs they are administering (Ackerman, D. 1999). Furthermore, lawenforcement may need to be reformed to improve its deterrent effect. Too often, enforcement isused as a way to punish political opponents or is otherwise ineffective as a deterrent (ibid: 52-58).

b. Inducements to Reduce Costs

Governments impose regulations, levy taxes, and enforce criminal laws. The economicimpact of bribes paid to avoid regulations, supersede the criminal law, and lower taxes dependupon the efficiency of the underlying programs that are subject to corrupt distortions. Given aninefficient legal framework, payoffs to avoid regulations and taxes may increase efficiency. This defense of pay-offs is sometimes espoused by investors in the developing world and the countries intransition. It is a pragmatic justification that grows out of frustration with the existing legal order. It attempts to justify exploitation carried out to obtain benefits to which one is not legally entitled, Ackerman, D. (1999).But individuals and firms are not only obligated to obey laws that they judge to be efficientand just. In the United States, industry’s response to environmental, health, and safety rules that itfinds burdensome is not generally to bribe officials or enlist the help of criminals to evade the law.Instead, firms work to change the laws in congress, make legal campaign contributions, lobbypublic agencies, and bring lawsuits that challenge laws and regulations. One can complain about theimportance of wealth and large corporations in American political life, but, at least,well-documented lobbying activities and campaign contributions are superior to secret bribes inmaintaining democratic institutions.

c. Payments to obtain major contracts, concessions, and privatised firms

Exploitative payments to win major contracts, concessions, and privatising companies aregenerally the preserve of large businesses and high level officials. Such payoffs appear analogous tocases in which government disburses a scarce benefit, only this time the value of the benefit isvalued in many million, not a few thousand dollars. In the post-socialist states the most importantrecent cases involve the privatisation of the entire capital stock of the economy. This is a massive,ongoing effort that produced many allegations of corruption and insider deals involving high levelpoliticians and officials.In such cases, politically-connected officials may be effectively insulated from prosecutionand can thus be less restrained in their corrupt demands than low-level bureaucrats, Slemrod, T.B. (2000).

Second, thosewho obtain benefits through the bribery of low-level officials are rarely thought to behaveinefficiently once the benefit is obtained. In contrast, for major deals, exploitation introducesuncertainties into the economic environment that may give the corrupt firm a short run orientation, Ackerman D. (1999).There are two reasons for this. First, the firm may fear that those in power are vulnerable to being overthrown because of their corruption. A new regime may not honour the old one's commitments.Second, even if the current regime remains in power, the winner may fear the imposition of arbitrarydemands once investments are sunk. Competitors may be permitted to enter the market, or thecontract may be voided for reasons of politics or greed.In response to exploitation in contracting, internal reforms ought to include an overhaul ofthe privatisation and procurement processes (Ackerman, D. 1999). In particular,reforms should limit the influence of top politicians and their allies. Other efforts need to focus onthe bribe-payers, especially global firms. Some of the same firms that engage in legal politicalactivities at home feel less constrained about violating laws on campaign funding and bribery indeveloping and transitional economies.

Thus considerable current effort has focused on encouragingthe international business community to develop norms of honesty and a lack of tolerance of briberyby their employees. In addition to efforts that are essentially hortatory, the OECD Convention onCombating Bribery of Foreign Public Officials in International Business Transactions is in theprocess of ratification and includes some follow-up monitoring. A number of Central Europeancountries have signed this treaty, and most of those have ratified it. The international movement to limit exploitation in international business spearheaded by the nonprofit Transparency International isclearly an effort to change the level of honesty of global corporations.

d. Conclusion: Trust, Honesty and Exploitation

The theoretical work suggests that some countries and sectors can descend into vicious cycles in which exploitation, distrust, and dishonesty breed more of the same over time. Conversely,virtuous cycles can also operate in which trust and honesty build on each other. These patternsdepend both on people's underlying attitudes and on calculations of self-interest broadlyunderstood. My basic claim, based on both theory and empirical work in advanced democracies, isthat attempts to produce generalised trust are not likely to produce large gains in terms ofdemocratic performance and market functioning. Rather, the fundamental puzzle is how to createstate and market institutions that are reliable and trustworthy at the same time as interpersonalrelations based on mutual trust (or distrust) are kept from undermining these reform efforts, Anand, J. (2004).

Strongand loving interpersonal bonds are, of course, valuable aspects of any society, but they can causeharm if they operate unchecked within political and bureaucratic organisations. As we will see in thesections that present data on the region, there appear to be widespread differences across the postsocialistcountries in the functioning of the state and the market and in the degree of trust in publicinstitutions and in other people. Most of the countries created out of the Soviet Union appear tosuffer from much higher levels of distrust and corruption and much lower levels of functioning thanmany of the countries on the list for potential European Union membership. To the extent that some of countries are caught in vicious cycles while others are not, the reform recommendations willdiffer widely across the region, Anand, J. et al, (2004). Information about honesty, trust, and corruption in post-socialist countries can be dividedinto four categories:

(1) Trust in government and in other people,
(2) Individuals' perceptions ofcorruption in public institutions and their coping methods,
(3) The role of the nonprofit sector, and
(4) Business dealings with each other and with state institutions.

This section discusses the first twoissues.Roughly speaking, the data show a disturbing trend. The countries close to Western Europeare increasingly diverging from most of the countries of the former Soviet Union. Exploitation anddistrust of government are serious problems in Central Europe, and some sectors are especiallydysfunctional, but, in general, the scale of the difficulties is much less than in the countries farther tothe East. The evidence from some countries of the former Soviet Union is that a vicious cycle may be atwork where high levels of corruption, distrust and organised crime produce even higher levels in thefuture with a resulting undermining of state and market institutions. One important issue for futureresearch is whether some of these countries may need to go through a second fundamentaltransition rather than being able to reform through small steps. In contrast, many of the countries inline for membership in the European Union appear to have problems that can be dealt with on acase by case basis, Festinger, L. (1957).

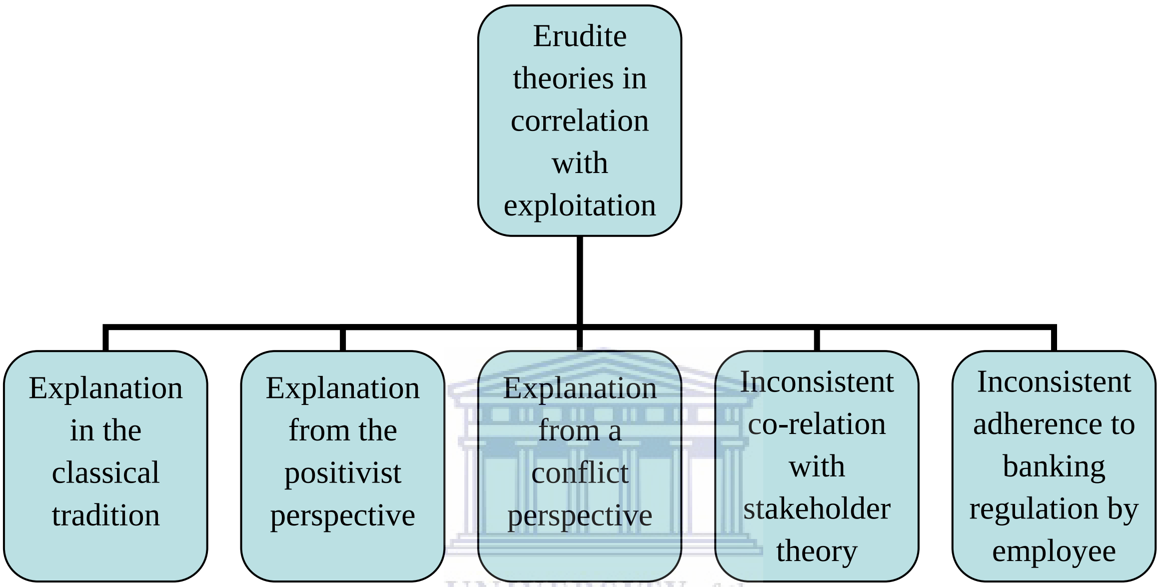
Research on transition countries is complicated by the difficulty of knowing if thephenomena one observes are a temporary product of the transition itself or if they represent long-termattitudes and behaviours. Furthermore, we know little about whether the nature of the transitionprocess has consequences for the type of society that will emerge. The available data cannot usuallydistinguish between short-term behaviour and long-term shifts and has little to tell us about thefeedback mechanisms that may operate to convert short-term practices into long-termcharacteristics for good or for ill.There are, however, grounds for believing that the transition process has created specialstrains. Democratisation may breed corruption and crime if it is accompanied by a weakening ofstate controls and confusion among the population about proper behaviour in a context of increasedfreedom, Simpson, P. (2002). Similarly, especially in the transition economies, the shift from central planning to themarket may lead to monetary corruption as a replacement for the system of administered benefitsbased on connections. The market replaces many former administrative decisions, but the stateremains a source of important benefits and costs Miller, G.S. Koshechkina, K. 2001, Rose-Ackerman, 1999). A key issue for reformers is to identify particular sources of strain and to act toprevent transitional problems from producing major long-term distortions.

5.4 Theoretical explanation of White-Collar crime

In due course two schools of thought, the classical and the positivist, evolved from which various theories for the explanation of crime developed. The classical school emphasises rational decision-making. People transgress the law because they gain personal gratification from such behaviour (eg financial gain or some other benefit) while the prospects of painful consequences (being apprehended) are limited. This pleasure pain principle is central to the thinking of classical school, Hefferman, W.C (2004). Positivism places more emphasis on factors that induce the offender to act in a particular way. These factors must therefore be addressed in order to control crime.

We begin by discussing explanation in classical tradition and in that process we present a graphical depiction of situated theories and classical explanations of felonious inclinations below:

Table 5: Correlation between deals and exploitation



Source: Designed by M. Mdekazi (2011)

5.4.1 Explanation from a classical tradition

A recent attempt to explain white-collar crime within the classical tradition was developed by Hirschi, T. and Gottfredson, M. (2000). These authors argued that white-collar crime can be explained in the same way as conventional crime because the motives are the same (Brown, J. et al 1998). Individuals tend to strive for short-term gratification without taking account of the possible long-term consequences of their actions- in this case crime. Such persons are characterised by impulsiveness, aggression and indifference to the opinions of others. This tendency to seek short-term gratification of desires does not necessarily lead to crime. Exploitation requires the opportunity as well as the possibility of evading immediate punishment. This explanation of crime is based on the assumption that human behaviour is motivated by self-interest in that pleasure is sought and pain avoided (Albanese, L 1995).

Hirschi, T. and Gottfredson, M. (2000) (in Walsh, E. 2000) found that offenders commit fraud, forgery and embezzlement in their early twenties but that these crimes become less common amongst older offenders (40 years and older). The figures for male offenders are higher than for women and it appears that there is a greater incidence thereof amongst blacks. In other words, Hirschi and Grottfredson argue that, on the basis of their research findings, there are no demographic differences between white-collar offenders and conventional offenders. Therefore, all exploitations, including white-collar crimes, can be attributed to self-interest if there is an opportunity to commit a crime and there is little chance of detection. Benson, B.L. and Moore, D. V. (in Albanese 1995) tested Hirschi, T and M. Grottfredson's theory. More than two thousand white-collar offenders were compared with a similar number of conventional offenders who had committed bank robberies and offences relating to illegal drug use. The researchers found that white-collar offenders are different from conventional offenders. The typical white-collar offender does not have deviancy problems such as alcohol or drug abuse, poor school performance or social maladjustment. Consequently the research conducted by Benson, B.L. and Moore, D.V. did not support the assumptions made by Hirschi, T. and Gottfredson, M. that all offences could be explained according to their theory.

5.4.2 Explanation from the positivist perspective

(a) Sutherland's theory of differential association.

Sutherland's theory of differential association is a well-known explanation for all crime, including white-collar crime, within the positivist tradition. He held that crime is learned behaviour where the offender is exposed to a preponderance of definitions in favour of breaking the law (Brown, J. et al 1998). In organisations obsessed with profit, rules are set aside and laws broken in order to achieve success. In such a climate of poor business ethics and morals, employees and leaders learn how to steal and defraud to guarantee success.

But not everyone in such organisations commits crimes. According to Walsh, E. (2000), it is difficult to accept that offenders such as embezzlers will get normative support from the workplace to misappropriate money entrusted to them or that a medical doctor will be exposed to a preponderance of definitions in support of fraud in the medical profession. The main criticism leveled by Marshall Clinard, 1997 (in Reid 1997) against Sutherland's theory of differential association was that it could not explain all forms of white-collar crime because it did not take into account the "*personality factor*". Personality is regarded asmainly evident from behavioural characteristics, while character and identity (which are also part of the personality profile) are mainly associated with the nature of the individual and more particularly with the person's moral qualities. It is therefore important that personality traits be taken into account in the study of white-collar offenders, Reid.P. (1997). Research on the personality traits of individual white-collar offenders has resulted in the following description of these persons (Friedrichs, H. 1998; Reid, P. 1997, Joubert, M. 1998):

- There are no indications of biogenetic or psychological deviances
- The personality type of the white-collar offender can be classified as normal
- Offenders tend to take risks and display unusual recklessness, partly because of their indifference towards rules and regulations
- They have a lust for power and control and offenders are described as egocentric. They are highly regarded in their occupational circles
- They are often intelligent and tend to be easily frustrated by their work situation if it is not challenging enough for them
- Because they are intelligent, they are creative in rationalising their own behaviour. Their guilt feelings are therefore rather easily neutralised
- Emotional uncertainty and feelings of personal impotence are experienced in some instances. These are usually the reasons why these persons seek recognition and success.
- Status symbols are considered important
- They do not consider themselves to be criminals (rather they see themselves as honest people who have taken advantage of a good business opportunity).
- The law-breaking aspect of their criminal actions is acknowledged, but they argue that the laws are wrong or not applicable to them

(b) The neutralisation theory of Sykes and Matza.

A well-known explanation of white-collar crime in the positivist tradition is the neutralisation theory originally developed by Sykes, J. (1994) and Matza, D (2000). These theories contended that damage caused by criminal actions is neutralised in the mind of the offender before the crime is committed. By this means guilt feelings are eliminated and neutralisation techniques are applied which temporarily free potential offenders from the moral constraints imposed by society's rule and laws. Sykes, j and Matza, D (in Siegel Senna 2000) identify the following five such neutralisation techniques:

- **Denial of responsibility:** Offenders contend that unlawful activities such as employee theft or fraud are not their fault, attributing their actions to circumstances beyond their control such as the fact that they needed money for their children
- **Denial of injury:** Criminal behaviour is rationalised. For example taking, stealing money from the company in a form of commission, bribery, fraud is not regarded as a crime but as taking the money as a temporary "loan" or entitlement
- **Denial of victim:** An employee will, for example, steal from a company to take revenge for being passed over for promotion. In such a case, he or she feels the company deserves to suffer the loss
- **Condemnation of the condemners:** The company management is regarded by the workers as corrupt and without a code of ethics and morals. The employer sets a poor example for employees by committing certain transgressions himself or herself. Therefore the blame for the crime is put on others and any feelings of guilt suppressed. A common argument is "other people do it and companies do not act consistently" in punishing offenders. A corporate offender even sometimes put the blame on legislation arguing that the law is unnecessary rigid, unfair and prescriptive and thereby constitutes an obstacle in the way of realising the company's primary objective.
- **Appeal to higher loyalties:** Career-oriented offenders are often trapped by syndicates. Employees are often intimidated by syndicates to such an extent that they fear for their own safety or the safety of their families.

As in case of Sutherland's theory of differential association, the neutralisation theory is useful to explain the process of criminal action, but not why they occur in the first place. It emphasises rationalisation of behaviour per se, rather than why the rationalisation takes place.

(c) A psychological explanation of corporate exploitive.

In terms of this approach, external causative factors are related to internal or personality factors in order to explain corporate crime.

(i) Causes of corporate exploitation

The following three independent but often interacting external causative factors for corporate crime are identified; namely pressure, opportunity and predisposition (Ellis Walsh 2000).

Pressure: the pressure of a highly competitive market sometimes tempts individuals to take shortcuts and break certain rules, regulations and legislation in order to be successful.

Opportunity: large, prosperous companies which reward innovative ideas and outstanding results irrespective of how they were achieved, provide the opportunity to transgress the rules.

Predisposition: a company with weak controls, where employees strongly associate themselves with the company and where there is a lack of ethics and morals favouring the breaking or sidestepping of rules and laws creates the predisposition for corporate exploitation.

The above-mentioned three external factors (pressure, opportunity and predisposition) bring Ellis Walsh (2000) to the following characteristics of corporate offenders as internal factors, which explain the causes of corporate exploitation:

(1) Individual characteristics: A low IQ (intelligent quotient), poor self-control and conditioning are obviously not individual characteristics applicable to someone who has worked in a disciplined fashion for years to achieve his or her high status position at management level, for example.

(2) Moral argument: Those people who operate on a high level of cognitive moral development are more independent and behave in a way that corresponds with their own convictions on what is right and wrong. People, who function on a lower level of cognitive moral development, tend to conform to group norms. Therefore, the lower the level of moral development, the greater the tendency to become involved in corporate misdemeanors if the external factors of pressure, opportunity and predisposition present themselves.

(3) Machiavellianism: Machiavellianism refers to the manipulation of others for personal gain. A characteristic of Machiavellianism behaviour is the exploitation and misleading of colleagues and the bullying of subordinates, for example. In the

business world, individuals with this trait will use any means, even committing crimes such as theft and fraud, to achieve their goals.

(ii) Explanation

Ellis Walsh (2000) offers the following psychological explanation of corporate crime on the basis of these causative factors. The misdemeanors of corporate exploitation can be explained on the grounds of the following three variables:

- A locus control
- Moral argument
- Machiavellianism

Psychologists hold that people have either an internal or external locus of control. People with an internal locus of control tend to believe they can affect outcomes and that they are relatively resistant to the influence of others. In contrast, people with an external locus of control emphasise the power of environmental factors and believe that, as individuals, they cannot influence the situation but that external circumstances can. People guilty of corporate crimes tend to have an external locus of control. This supports Sutherland's argument that such offenders are more susceptible to definitions in favour of unlawful behaviour such as fraud, particularly if the top structure of the company is in favour of such definitions. Hence, the behaviour of corporate offenders can be ascribed to the following characteristics:

- An external locus of control
- A low level of cognitive moral development
- Machiavellianism (manipulation)

5.4.3 Explanation from a conflict perspective

Conflict criminology attributes the causes of corporate crime in a particular to the capitalist economy. It is particularly the competition within the capitalist dispensation that persuades individuals that each one is responsible for his or her own well-being and that it is therefore economically justifiable to compete with others for wealth and status. If one accepts, however, that such a competitive individualism based on economic considerations exists, then one would expect a lower incidence of white-collar crime in a communist or socialist dispensation, but this is not the case. A study of economic crime in Poland, for example, revealed that the incidence of white-collar crime in a socialist dispensation displays remarkable similarities to white-collar crime in a capitalist dispensation (Albanese, L. 1995). It would seem, therefore, that the desire of the potential offender to enrich himself or herself is a stronger motivating factor for crime than the ideology prevailing in a country.

5.4.4 Explanation from an ethical perspective

An ethical explanation offers an alternative to the classical, positivist and conflict approaches to white-collar crime. Albanese, L. (1995) identifies three basic arguments that support an explanation of crime, namely:

- External factors help to influence people to commit crime, although these factors do not cause crime themselves
- Virtually all exploitative behaviour is essentially a matter of exercising freedom of choice in decision making. There is no such thing as an underlying or inherent tendency to commit crime and therefore (since it does not exist) such a tendency cannot be curbed or inhibited by a protest of arrest
- The key to explaining exploitative is the fact that the incidence of exploitative can be curbed by reducing external contributory factors as far as possible, as well as by altering the ‘pleasure’ or reward (such as financial gain and eluding punishment) that law-breaking holds for the other.

Most explanations for crime put the blame on bad influences, a negative environment or exploitation tendencies, but these are static factors. Biographic characteristics such as gender, marital status and race cannot cause corruption in themselves. They can contribute towards justifying a bad decision (committing crime) or towards shifting the blame, but such factors do not in themselves take the decision for the potential offender to commit a crime. If we are to understand the causation of corruption we must discover how people make non-criminal choices (this is also the main premise of control theories, which proceed from the behaviour of law abiding citizens in order to explain that of lawbreakers, Donald, R. Cressy 1990).

The question should therefore be asked: where do people learn to take decisions that accord with legal, ethical and moral principles? Researchers have shown that ethical behaviour is often learned by following the example set by others. Donald, R. Cressey (1990) (Law School Centre on Corporate Governance) conducted interviews with auditors and each of these respondents claimed that the ethical behaviour of company personnel is decisively influenced by the example set by top management. This argument has been confirmed by Marshall Clinard's investigation when he conducted interviews with middle level managers in corporations (Albanese, L 1995). In the business world quick, decisive action is required that is supposed to be to the advantage of the company at all times. The result of this requirement is that workers take shortcuts, put safety in the back seat and disregard the law when it creates a barrier between profit and self-interest. Yet there are those who can resist pressure and conduct business honestly and equitably without giving way to the demand to be successful at all costs. The way in which ethical principles are learned and internalised (become part of person's own reference framework) may vary. Most companies have a code of ethics that is presented to workers in writing, but maintaining a positive ethical climate is made possible by holding individual workers responsible for their actions. This would mean that employees who commit fraud should be relieved of their posts and handed over to the law. The tendency, however, is to protect the public image of the company by dismissing the person or by insisting on partial or full restitution. In this process companies lose millions of rands per year that constitute severe financial setbacks for them. Companies are also unwilling to make their losses known because such statistics are an embarrassment to them and also undermine confidence within the company.

The causative factors listed for white collar corruption are mainly external. Coleman, R. (2002) approach to causation is directly concerned with internal factors, namely the offender's motivation for corruption and his or her neutralisation of guilt feelings. On the other hand the prerequisite of an opportunity for exploitation exemplifies the influence of external factors. Like conventional crimes, white-collar crime is not fully explained by any one theory. Consequently a variety of approaches have been used to put together a more comprehensive explanation for this exploitation phenomenon.

The positivist approach attributes corruption factors that exonerate the individual offender; adherents of the classical approach set too much store by the impact of potential punishment; and conflict criminologists place too much emphasis on economic inequality. The ethical approach focuses more on individual responsibility for decisions made to conduct exploitation. When ethical principles have been internalised exploitation tendencies and actions are prevented because pleasure is no longer gained from exploitation since a negative value (e.g. dismissal from employment and prosecution) is placed on the error and consequences of crime.

5.5 Observed signal of PSL governing principles towards sponsorship transaction

5.5.1 Observed signals of PSL governing principles towards sponsorship transaction

The case study approach generally involves the in-depth study of a phenomenon with reference to a particular ‘case or cases’. It is usually an exploration of a question or phenomenon of interest when little is known in advance and when a situation is may be complex. Usually case studies examine the processes and dynamics within a specific case, draw on multiple sources of information and tell a story, usually in chronological order like we did here below:

Article six of the Premier Soccer League constitution, under objectives of the league, stipulates that the league in 6.1 of the article will promote, organise, control and administer professional football. In 6.2 of the same article the league will co-ordinate and facilitate the development of professional football. Under the utilisation of funds in the same article six, 6.7 of PSL constitution suggest that utilisation of funds should be in pursuit of PSL objectives but not for personal gain except:

- For the payment of staff as per their employment contracts
- For the awarding of honoraria to the Executive Committee as approved by clubs at the Annual or Biennial General Meeting
- For the payment of people employed or contracted to carry out specific tasks or work.

Article nine (9) of the PSL constitution, under the topic Elections,paragraph 9.9, suggests that, a candidate for the position of chairperson may be an independent person or from a club. This is in view that individuals are elected onto the League's various committees to serve the interests of the sport, not in the expectation of acquiring personal fortunes to the detriment of the organisation they are representing. This view reinforces independency of candidates to be elected.The PSL board of governors has the power to enter into sponsorship arrangements with any legal entity and to solicit and accept fees, donations, bequests, contributions, endowments and subscriptions for the benefit of the league and this says nothing about individuals but only the league. The same board of governors has the power to confer awards and honours on individuals in recognition of their contribution to football in South Africa but it is silent on the payments of commission to individuals.

Despite the aforementioned concerns on the PSL constitution, there appears to be an interesting point under article nineteen (19) on Sub Committees. The point here is that sub-committees maybe appointed by the Executive Committee, and this should consist of at least three members, one of whom will be the convenor appointed by the Executive Committee, and that a sub-committee has no authority to make decisions or issue public statements or pronouncements, let alone the fact that the sponsorship committee as a standing committee or subcommittee does not feature nor exist in the PSL constitution. The payment of commissions to PSL official raises a question because it becomes a predicament to locate whether the sponsors are content with this conduct and the extent to which this demeanour impacts on the expectations of sponsorship.

5.5.2 Critical concerns about the PSL board

(a) Board of Governors

Article 13 of the PSL Constitution confers functions and powers to the Board of Governors

Area of concern

One of the key provisions regarding the composition of Boards is that the majority of Board Members must be non-executive members.These are members who are not part of the Executive Committee of the organisation and non-executive board members; in this case, Article 13 of the PSL Constitution does not specify how many non-executive board members there are on the PSL Board of Governors.

In an event that there are more executive members than there are non-executive members, the prevalence of conflict of interest would be very high, as executive members would in essence be accounting / overseeing themselves.

Board Committees

As an important element of governance, the Board of Governors should delegate some of its functions to a well-structured committee(s). Section 13.10 and 13.11 gives full effect to this delegation, however:

Areas of concern

- There are only two Committees that are mentioned in the PSL Constitution and they are the Disciplinary Committee and the Dispute Resolution Chamber.What about the other Committees key to the functioning of the PSL?

- Does the PSL have an Audit Committee, Remuneration Committee, Sponsorship Committee etc? These are important Committees, as they should advise the Board and ensure collective decision-making on matters they are established for, and in such Committees the principle should be that the majority of membership should be from non-executive board members to avert any potential conflict of interest, from a constitutional point of view.

(b) Risk

One of the important aspects relating to an organisation such as the PSL with so many assets, that it should be a standing requirement that there must be continuous assessment of the risks that might impact on the functioning of the PSL.

Areas of concern

- The PSL does not explicitly provide in its clauses for risk management, although the Constitution might not be the correct area to have such, but the Constitution does not seem to make provisions for mitigating risk.
- The question that must be asked is, does the PSL have a risk management plan to safeguard its assets and ensure it's a going concern?
- Is there a Risk Management Unit or Risk Management Committee that is entrenched to oversee and advise on issues of Risk Management within the PSL constitution?

(c) Stakeholder relations

- The provision in King 111 emphasises the importance of stakeholder relations.It is said that it is the responsibility of the Board to ensure that the perceptions of the stakeholders are given attention as they affect the reputation of the organisation.
- It is further stated that the Board should delegate management to pro-actively deal with stakeholder relations etc.

Areas of concern

- How is the current relationship between the PSL and its stakeholders, i.e. the football fraternity (supporters/customers), government, sponsors, associations, media etc?
- Was there any form of accountability to the stakeholders after the PSL-ABSA, let alone SABC & Supersport saga?

- Is there a strategic roadmap / plan to deal with various stakeholders of the PSL, the media, football fraternity etc. and how does that impact on the vision of the PSL moving forward? This is fertile ground for future research.

5.6 ObservedMark of Corporate Governance in the banking institutions

5.6.1Processes of corporate governance

The board of directors of a bank is ultimately responsible for ensuring that an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent in the bank’s on-balance sheet and off-balance sheet activities and that responds to changes in the bank’s environment and conditions, is established and maintained, provided that the board of directors may appoint supporting committees to assist it with its responsibilities. The process of corporate governance referred to in the above includes the maintenance of effective risk management and capital management by the bank. The conduct of the business of bank entails the management of risks, which may include, amongst others the following types of risks:

- Compliance risk
- Market risk
- Position risk
- Operational risk
- Reputation risk
- Transactional risk
- Any other risk regarded as material by the bank

In order to achieve the objective relating to the maintenance of effective risk management envisaged in the abovementioned section, every bank shall have in place comprehensive risk-management processes and board-approved policies and procedures:

- To identify
- To measure
- To monitor
- To control and
- To report

As a minimum, the risk-management processes, policies and procedures shall be sufficiently robust to identify and manage material interrelationships between the bank’s relevant risk exposures. Also to ensure the bank's continued compliance with the relevant documented set of internal policies, controls and procedures. They shall ensure appropriate board and senior management oversight and involvement and that the senior management of the bank is aware of the limitations and assumptions made in respect of the said internal model and the impact that such limitations and assumptions may have on the output. Internally, the bank is also expected to account for:

- The nature of margin agreements, that is unilateral or bilateral agreements
- The frequency of margin calls
- The margin period of risk
- The minimum threshold of unimagined exposure the bank is willing to accept
- The minimum transfer amount.

In the context of systems and controls, the bank shall do that in respect of trading activities, which systems and controls shall be based on duly documented policies and procedures for process valuation, which documented policies and procedures, shall include: matters relating to verification, matters relating to adjustments in respect of valuations, defined responsibilities, frequency of independent valuation as well as the source of market information to be used. All shall be subject to clear and independent reporting lines, that is independent from the front office, which line will ultimately shall be to an executive director of the bank.

5.6.2 Guidelines relating to conduct of directors

It is expected that every director of a bank or controlling company shall acquire a basic knowledge and understanding of the conduct of the business of a bank and the laws and customs that govern the activities of such institutions. Although not every member of the board of directors of a bank or controlling company is required to be fully conversant with all aspects of the conduct of the business of a bank, the competence of every director of a bank shall be commensurable with the nature and scale of the business conducted by that bank and in the case of a director of a controlling company, as a minimum, shall be commensurable with the nature and scale of the business conducted by the banks in the group. All directors and executive officers of a bank shall perform their functions with diligence and care and with such a degree of competence as can reasonably be expected from persons holding similar appointment and carrying similar functions as are requirements. In view of the fact that the primary source of funds administered and utilised by a bank in the conduct of its business, shall be the duty of every director and executive officer of a bank to ensure that risks that are of necessity taken by such a bank in the conduct of its business are prudently managed. It is expected of them to provide reasonable assurance as to the integrity and reliability of information and financial statements.

5.6.3 Compliance function

A bank shall have in place as part of its risk management framework an independent compliance function, which independent compliance function shall ensure that the bank continuously manages its regulatory and supervisory risks, that is, the risk that the bank does not comply with applicable laws and regulations or supervisory requirements. The compliance function should be headed by a compliance officer of the bank, who performs his/her functions with diligence and care and with such a degree of competence as can reasonably be expected from a person responsible for such function. As a minimum, the compliance officer should ensure, as far as possible, that ***no conflict of interest with/between other internal control functions exists.***

The compliance officer should ensure that regulatory requirements are incorporated into operational procedure manuals. He/she should recruit sufficient staff of the correct quality in order to monitor and test continuously the bank's compliance with laws and regulations. The manual spoken about should address the material risks to which the bank is exposed and dully address all material objectives and aspects of applicable legislation.

5.6.4. Market abuse

A bank should implement and maintain policies and procedures to guard against the bank being used for purposes of market abuse and financial fraud, including ***insider trading, market manipulation*** and money laundering. These regulatory measures are there to ensure the following:

- To ensure compliance with relevant legislation
- To facilitate co-operation with relevant law enforcement agencies
- To identify customers and, in particular, ***recognise suspicious*** customers and transactions

- To maintain high ethical standards
- To provide adequate training and guidance to relevant staff
- To maintain internal records of transactions
- To ***report*** suspicious customers and transactions
- To provide a clear audit trail

5.7 Analysis of the Case Study in relation to both Sponsorship transaction and exploitation theories

There have been numerous journalistic assessments and accounts particularly in the print media (www.citypress.co.za, www.sundaytimes.co.za/ October 2007) that seeks to examine this link, however academic scrutiny of the empirical and conceptual link between these concepts is minimal internationally and largely in South African academia. This study therefore examined the conceptual link through a Case Study of Football Sponsorship in South Africa (ABSA-PSL Sponsorship), hence the consideration of the case study as a refresher.

5.7.1 *A Transaction Cost Approach to Sport Sponsorship*

This is our first section of analysis. Sport sponsorship is supposed to be an evolving area of interest not only for business practitioners, but to academics as well. Despite recent advances, thin scholarly reviews of sponsorship attest to a lack of underlying theories and conceptual foundations on which to base empirical enquiries. This section draws from the economics literature to provide an overview of the Transaction Cost Theory, a theory which is central to the title of this study – an approach that draws attention to the costs involved in negotiating, retaining and monitoring sponsorship exchanges. The term “costs” refers to those characteristics or dimensions of a sponsorship transaction that make exchange problematic. From the perspective of sport organisations, three sources of sponsorship costs are outlined relating to the need for:

(1) Planning and safeguarding

(2) Adapting and servicing and

(3) Monitoring and evaluating.

The Transaction Cost Theory introduces implications for sponsorship relations, particularly with respect to the possibility for costs to expand over time, the consequences of sponsor-specific investments and the choices of governing mechanisms used to manage costs. Critiques of the approach are discussed, followed by recommendations for empirical research and methodological considerations using transaction cost theory. The above reflects sponsorship's central importance to the organisation of sport in general but more particularly its significance as a conceptual link with aspects of marketing and governance (Farrelly Quester, 2003a), strategic planning (Amis, J. Pant, N.& Slack, T. 1997) as well as ethics (McDaniel, S.R. Kinney, L.& Chalip, L. 2001).

As with any burgeoning field of interest, research into sport sponsorship demonstrates a range of perspectives. The emerging models have enabled analyses of elements as diverse as sponsors' motivations for decisions (Thwaites Carruthers, 1998), their strategies to leverage sponsorship returns (Amis, J. Slack, T. 1997& Berrett, T. 1999), the effectiveness of sponsors in developing brand awareness (Irwin, A. Lachowetz, Cornwell, T.B.& Clark, R. 2003) and the nature of environmental pressures helping or hindering sponsoring relationships (Berrett, T.& Slack, T. 1999). Despite these advances, scholarly reviews of the sponsorship literature attest to a lack of underlying theories and conceptual foundations on which to base empirical enquiries (Cornwell, T.B. & Meenaghn, T. 1991; Olkkonen, R. 2000) such as mentioned here above.

Indeed, while certain areas of sponsorship gain much attention (e.g., sponsorship effects), some notable conceptual gaps exist, particularly with respect to the trade-offs and cost considerations that inherently arise from sponsorship activity. Indeed, there have been few approaches available to address the intricacies of securing, maintaining and evaluating sport sponsorship relations. This paper draws from the economics literature to discuss a theoretical framework for the study of sport sponsorship. Transaction Cost Theory (TCT) represents an approach that draws attention to the costs involved in negotiating, developing and monitoring sponsorship exchanges. Here the term "costs" refers broadly to those characteristics or dimensions of a sponsorship transaction that make exchange problematic (Jones, R,S. 1987).

The purpose of this analytical section is twofold. The primary aim is to provide an overview of this approach as it relates to sport sponsorship and to identify sources of related costs. Secondly, a discussion of TCT's applications for future empirical enquiry is presented, taking note of methodological considerations and limitations.

The primary focus is on sponsorship from the perspective of the “sponsored” (i.e. the sport organisation or event) for two related reasons. First, while the presence of costs to both parties in sponsorship relations is acknowledged, there is already a significant body of research examining corporate activities aimed at leveraging sponsorship that, while not described as costs per se, could easily be adapted into a transaction cost framework (Thwaites, C. 1995). By contrast, there is a paucity of sponsorship literature that takes into account the perspective of sport organisations and the activities they engage in as part of the sponsorship relationship. Maybe this paper will assist to unlock that. Indeed, scholars observe that the bulk of existing sponsorship research tends to emphasise the sponsoring company’s viewpoint (Olkonnen, R. Tikkanen, H.& Aladjoutsijärvi, P. 2000a).

The importance of considering costs (i.e. those characteristics or dimensions of a transaction that make exchange problematic) stems from sponsorship’s marketing discipline and the increasing scrutiny to which it has recently been subjected (Hastings, G.& Saren, M. 2003). For instance, with the value of sponsorship becoming more frequently questioned by corporations (Harvey, T. 2001), sport organisations and events may arguably have to devote more resources for monitoring sport administrators and spectator behaviour or alternately, may have to expend more on hospitality and other sponsor benefits, such as arresting abnormalities in sponsorship transaction, such as commissions.

Insofar as these issues are problematic to the sponsorship environment, their inclusion in a framework of sponsorship relations seems increasingly relevant. In response to this attention, the study of sport sponsorship has become considerably more sophisticated in recent years. Yet in many cases, aspects of sport sponsorship are viewed as two sides of an equation focusing inevitably on narrow conceptions of inputs and outputs (Cornwell, T.B. & Meenghan, T. 1998). This is not to downplay the importance of antecedent conditions (e.g., levels of media exposure) or the outcomes and effects of these (e.g., effectiveness in developing brand awareness) like what the PSL is doing. Rather, it simply points out that recent work in the area is directed towards viewing sponsorship as an inter-organisational process (Cousens, L.& Slack, T. 1996; Olkkonen, R. 2001), where the standard neo-classical sponsorship transaction as a perfect and stable exchange is no longer used as a template from which to evaluate these activities and self-seeking opportunity. Instead, there is an increasing appreciation for the complexity of the process, including the acknowledgement that sponsors’ decisions do not always meet our conception of logical strategic management (Shaw, S& Amis, J 2001). Such observed case variations suggest considerable nuances to sponsorship exchanges that were previously described in relatively straightforward terms. Because TCT is inherently concerned with managing costs, some rarely analysed activities, such as those aimed at securing sponsorship agreements, can be brought to light. By extension, the systems of rules or practices under which organizations agree to interact with each other (in the form of contracts, monitoring or evaluation procedures) are profoundly related to aspects of governance (see Williamson, E, O. 1979). Thus, one of TCT's applications is that it has been used to prescribe particular management or governance structures (Williamson, E. 1999). In this way, TCT has provided the basis for a body of marketing research looking at distribution channel structure (Heide, S. 1994) as well as buyer-supplier relationships (Heide, S.& John, L.B. 1992). This section proceeds on four fronts. First, an overview of neo-classical perspectives on exchange is provided in order to compare and contrast their assumptions with those proposed in TCT. The second section briefly outlines the key elements of TCT and relates them to sponsorship. In the third section, three broad sources of related costs are outlined. Implications and limitations of the TCT framework are then briefly presented, concluding with a discussion of methodological considerations and possible avenues for future research.

5.7.2 The Emergence of Transaction Cost Theory (TCT)

Before introducing the key concepts underpinning TCT, it is helpful to use a heuristic to show how TCT departs from classical perspectives of economic relations. The heuristic method described here is central to neoclassical economics and involves the idea of exchange. Applied to fields as diverse as psychology and politics, exchange theory postulates that individuals and groups become involved in relationships to gain benefits that are either real (e.g., resources) or perceived (e.g. status). At its most rudimentary level, exchange theory describes a discrete transaction, one in which a given product is exchanged for a given price. Some sport sponsorship agreements appear to fit the model of a discrete exchange.

For example, when a sponsor purchases advertising space at an event or on a team uniform, sport organisers may have set prices depending on the ad's size or placement. Of course, few would characterise sponsorship agreements as purely discreet exchanges; to do so would effectively imply that there is nothing between the parties and never has been and never will be (Macneil, I.R. 1980). Thus one of the problems in describing sponsorship as a discreet exchange is that it suggests that transactions occur in a vacuum, where immediate adjustments to societal changes are taken as axiomatic. A second limitation to discreet exchange models (sometimes referred to as traditional or market forms of exchange) is that they imply equilibrium of outcomes, where both buyer and seller are assumed to benefit equally from the exchange. While useful in a normative sense (ultimately, achieving equilibrium is likely *desirable* in sponsorship relations), this perspective suggests both parties have (near-) perfect information from which to make a decision to engage in the agreement.

The prospect that sponsors and sport organisations might not know what to expect is underplayed as are the activity, investment and costs that both parties potentially bear in the process of trying to find out.In the face of these limitations and with advances in marketing approaches, sponsorship agreements have come to be depicted as social or relational exchanges (Olkkonen, R. et al., 2000b). Unlike traditional or market forms of exchange, relational perspectives suggest that with any exchange there is a tacit expectation of future reciprocation. For example, lending a garden tool to one's neighbour constitutes a relationship where the lender may expect something in return (though the expectation may not be made explicit). Applied to sponsorship, relational exchange theory supports McCarville, R. and Copeland, J.W. (1994) recommended that sport organisations provide guarantees to ensure the expectations of sponsors are consistently met over the long term (ABSA-PSL Transaction deal). Thus, a relational model posits that sponsorship association involves continuous interactions between parties (Farrelly & Quester, 2003a). And where the notion of discreet exchanges implies that the parties involved have perfect information, relational exchanges introduce the prospect of uncertainty.

5.7.3 TCT and the "New Economics"

Transaction Cost Theory is built upon Coase, R. (1937) seminal paper "The nature of the firm" in which he observed that the operation of market mechanisms is not without its costs. In contrast with Adam Smith's claims that markets were unequivocally the most efficient system of exchange, Coase pointed to the costs of activities such as researching what prices are (or should be), negotiating contracts, inspecting the results, and settling disputes. Williamson's subsequent expansion of Coase's work since the 1970s has brought into view the costs of carrying out exchanges. Williamson, E.O (1994) defines transaction costs in this way:The *ex-ante* costs of drafting, negotiating and safeguarding an agreement and, more especially, the *ex post* costs of mal-adaptation and adjustment that arise when contract execution is misaligned as a result of gaps, errors, omissions, and unanticipated disturbances;

the costs of running the economic system (p. 103) Williamson's formulation of transaction costs rests primarily on two assumptions. The first, *opportunism*, is a behavioural assumption built upon the notion of self-interest that is so closely linked with classical economics. The main distinction in TCT is that opportunism raises the possibility that one or both parties in the exchange may act with "guile", (Williamson, E.O.1979: 234), -remember the PSL negotiators. That is, exchange partners may conceal information or mislead one another in order to gain an advantage. Costs subsequently arise to make provision for this uncertainty through monitoring, repeated negotiations and enforcement mechanisms. Thus, a basic assertion of TCT is that firms seek ways to constrain opportunism and limit the effects of uncertainty. For sport organisations, guarding against the possibility of opportunistic sponsor behaviour presents a significant challenge since sponsors may end their involvement with what they perceive as unsuccessful programs (Berrett, T. 1993).

In Willamson, E.O. (1999) view, whatever mechanisms organisations choose to protect themselves from such contingencies represent a source of costs.*Bounded rationality* (Simon, H. 1957) is the second behavioural assumption underpinning TCT and is used to describe exchange partners' cognitive limits in a transaction. Here, it is assumed that while parties in the exchange intend to act rationally, their capacity to do so is inherently constrained by their inability to gain complete information. If this capacity were not constrained, Williamson, E.O (1985) observes, all exchanges (and their contingencies) could effectively be conducted through planning or, more specifically, through a contract.

Bounded rationality simply suggests that perfect contracting is not possible or feasible in the face of uncertainty and so exchange partners incur costs to cope with informational uncertainties. Therefore, in the context of sponsorship relationships, the question is: what are these costs and in what instances might they arise? For the interest of the study, these will be discussed here below. A Classification of Sponsorship Costs while the specific source and nature of transaction costs is undeveloped in Williamson's work (Rindfleisch, A.& Heide, B. 1997), he breaks down transaction costs into three broad categories related to planning, adapting and monitoring (Williamson, E.O 1981). It should be kept in mind that these categories of costs are not mutually exclusive, nor are they meant to be definitive. Rather, as with the examples provided, they are meant to illustrate a range of investments and/or financial burdens and the authors leave it to future researchers to develop empirically grounded frameworks(see below):

(a) Planning and Safeguarding Costs

As the following passage highlights, there can be a significant investment on the part of the sport organisation before any sponsorship agreements are settled. Some of the initial investments associated with making an organisation or sporting event more marketable thus include the costs of positioning and posturing that occur during the initial phases of a relationship (Dwyer, N.B. & Schurr, O.H. 1987). For example, in 1998, organisers of the Manchester 2002 Commonwealth Games acknowledged that the Games had not been effectively branded and marketed in the past and that they needed to develop a high quality product to attract sponsorship.How much the organizers intended to commit to this task is unclear (O'Sullivan, S. 1998). A sport organisation's second investment may be further linked with Dwyer, N.B. et al.'s (1987) notion of posturing. That is, to create an appropriate fit with a sponsor, organisations may need to adopt a new technology in order to expedite the exchange (Barney, J.& Hesterly, W. 1996). The new technology may be physical, as when the organisation adds corporate boxes at a stadium or, it may involve learning the language or jargon of a particular firm. For example, the hiring of specialised marketing personnel or the recruitment of board members from the corporate sector are attempts to introduce "cultural brokers" (William, M. 2005) in organisations so that differences in working styles or practices can be reconciled.

As the perceived need to become more business-like has increased, so too have the costs associated with acquiring a corporate image. For smaller local or regional sport organisations, or for organisations previously administered by volunteers, such a change may prove costly and challenging. Moving from the kitchen table to the boardroom can become a "catch-22" where sponsorship funds are needed to make this move and the move itself is needed to gain sponsorship, Stotlar, D.K. (1996).Still prior to any sponsorship agreement, a third level of investment may include costs associated with identifying potential sponsors, preparing proposals, meeting with sponsors, and legal costs associated with the formalisation of sponsorship agreements. While high profile teams and major international events may be in the position of having potential sponsors approach them, other sport organisations or event organisers may spend considerable time and money soliciting and sealing sponsorship deals. An International Events Group survey showed that in North America 68% of sponsorship agreements were initiated by the sponsored organisation, 14% were handled by an agency, while the remaining 18% were selected by the sponsor following a request for proposals. These findings have been mirrored in the European sponsorship market (Stotlar, D.K. 1996).

(b) Adapting and Servicing Costs

Rindfleisch, A. and Heide, B. (1997) describe a second source of transaction costs, resulting from the need to adapt to an uncertain environment. These include direct costs incurred by communication, coordination and negotiation problems, as well as indirect costs that arise from having to prepare for opportunistic behaviour (Rindfleisch, A.& Heide, B. 1997). Olkkonen, R. Tikkanen, H.& Aladjoutsijärvi, R. (2000b) note that an abundance of current management literature on sponsorship concentrates on marketing communication issues. Furthermore, it is widely recognised within the sport management literature (e.g. Copeland, R, Frisby, W.& McCarville, R 1996; Slack, T. 1998) that those sports organisations who can "talk the talk" are likely to be more successful in obtaining and retaining corporate sponsorship than those who cannot. Thus while the first outlay in obtaining corporate funding may involve replacing a "kitchen-table" managerial style with one more compatible with marketing discourses (Morgan, J. 1992), this does not mark an end to this adaptation period. Following the contract agreement, additional costs can result from the sport organisation's need to fit into the corporate environment, including, for example, the costs of hiring a consulting firm to create a formalised strategic plan and it's like what the PSL did by having diversity management marketing as a consulting company, or establishing a sponsorship committee within the organisation itself which does not reflect on their constitution.

Closely related to issues of communication are the costs associated with coordination arising from the development of mechanisms to facilitate control over inter-organisational exchange processes (Olkkonen, R. et al., 2000a). Within a sponsorship agreement, coordination costs may stem from such tasks as organising meetings with the sponsor, distributing progress reports or press releases, traveling to meet with sponsors, managing events and organising hospitality functions, arranging media training for athletes, or even providing childcare for clients.*Ex post* costs related to the servicing of the contract also fit within this category. Servicing costs are associated with securing commitments and are a result of efforts (over and above the terms of the contract) to keep the sponsor happy. For this reason the sales adage "under promise and over deliver" is seen as the key to maintaining sponsor relations.

What this axiom suggests, however, is that the signing of a contract should not be regarded as the terminal consummation of a relationship (Cheng, C.Y.& Stotlar,D.K. 1999); ultimately, sport organisations can expect additional costs over time. For instance, given the relational nature of the sponsorship exchange, the partnership invites the prospect of other tactical elements to be shared by both partners including databases for clients and customers or other activities such as supporters' clubs or product launches (Grönroos, C. 1996). Walliser, J. (2003) reference to "decay effects" in consumers' attitudes towards sponsorship, it follows that this slack could burden both parties. More pessimistically perhaps, Williamson, E.O. (1994) uses the term "mal-adaptation costs" to describe the costs of negotiating "disturbances" resulting from unforeseen circumstances (p. 103). Negotiation costs may thus transpire when a conflict of cultures and priorities emerges between the sport organisation and the corporate sponsor. As Dwyer, N.B. et al. (1987) noted, "parties with highly divergent goals may spend considerable economic and psychic resources in conflict and haggling processes" (p. 14). Virtual advertising, for instance, has the potential to create conflict between sponsors of the team or event, and sponsors of the broadcast network, who could effectively have the power to place their brand wherever they wish on the television screen, either covering another logo, or generating unanticipated clutter (Turner, P.& Cusumano, S. 2000). From the sport organisation's perspective, resolving such conflicts takes time and money.

(c) Monitoring and Evaluation Costs

In relational exchange transactions (like sponsorship), significant attention is paid to the quantification and measurement of benefits, including psychic and future benefits (Dwyer, N.B. et al., 1987; Macneil, I.R. 1980). Thus, monitoring costs arise because of the need to evaluate sponsorship exchanges. They are the investments associated with having to assess and report the level of exposure or benefits received by the sponsor.Farrelly and Quester (2003b) for example, propose that sport organisations measure the impact of sponsorship agreements in order to ensure a sponsor's willingness to continue the relationship. Anecdotal evidence suggests that sponsored organisations occasionally assume some of these costs. As an example, the NBA's Toronto Raptors formed a partnership with 11 of their major sponsors to determine the effectiveness of their sponsorship program. The US$50,000 cost of the survey to track customer recall of, and reaction to, sponsors was shared between the Raptors and their sponsors (Mullin, B. Hardy, S.& Sutton, W. 1993). The same authors reported a similar example from the NBA with the Minnesota Timberwolves' "Account Executive Program" (Mullin, B. Hardy, S.& Sutton, W. 1993).

A second source of potential costs emanates from the monitoring strategies designed to counter ambush marketing. In light of perceptions that event organisers are to blame for consumer apathy towards ambushing, it has been argued that sport organisations ought to increase their responsibility in monitoring their venues (Payne, D. 1998; Shan Sandler, 1998). While many of the safeguarding contingencies may be built- in prior to the sponsorship contract, the added responsibilities to "police" the venue can fall on the sport organization. Organisers, for example, may have to seek legal advice, liaise with local law enforcement or help ambush "hit squads" in maintaining clean venues by scanning spectators' clothing for brands and logos (Payne, D. 1998).

5.8 Discussion

Transaction cost theory highlights a number of implications relevant to our understanding of sport sponsorship processes. Certainly, the impact of relationship marketing has contributed to an increasing importance of customer retention and loyalty over mere sale closure (Hastings, G& Saren, M. 2003). Consequently, scholars and those trained in marketing have moved away from seeing sponsorship relations as one-off transactions. When combined with a transaction cost approach, this shift in paradigm has its own implications.

First, TCT raises our awareness of a range of other costs that may be incidental to sport sponsorship agreements. These might include intangible costs such as a perceived loss of autonomy for the sport organisation or an erosion of public goodwill because of the sponsor's image. Indeed, Thibault Harvey (1997) identify a loss of control as a key issue in situations of inter-organisation dependency and others similarly note that involvement with corporate sponsors tends to prioritise the demands of the marketplace over the demands of the sport (Howard, S.& Crompton, N.B. 1996; Slack, T. 1998). In the case of the 1998 World Cup, for example, it was suspected that sponsor Nike pressured the Brazilian team to force an unfit Ronaldo onto the field in the final (Hare, R.D. 1999).

Furthermore, "goodwill" costs may arise when customer opposition directed against the sponsor is transferred to the sport organisation. While alcohol and tobacco companies have traditionally been looked upon as less favourable sponsors in sport (Mullin, B. et al., 2000), sponsorship by fast food franchises is also becoming increasingly controversial (Sweeney Sports Report, 2003). Perhaps more contentiously, a Melbourne soccer team successfully approached a local brothel for sponsorship ("Brothel sponsors club", 2004). Such negative externalities may not only create immediate resentment (Gratton, C.& Taylor, P. 2000); they can have very real costs when an organisation tries to erase the effects of previous sponsor association. A telling illustration: in 2002, the Houston Astros had to seek legal recourse in order to buy out the suddenly infamous “Enron” ballpark after the naming rights sponsor collapsed in the largest bankruptcy in US history (Berger, C.R. 2002). A second consideration raised by TCT is the apparent conundrum of rising expectations inherent in sponsor relations, where parties may tend to expect more and more from the exchange over time.

In Farelly Quester’s (2003b) exploratory study, for example, the authors suggest that the Australian Football League (AFL) ought to raise their level of “market orientation” in order to favourably influence sponsors’ perceptions. They subsequently warn that the AFL needs to identify ways to favourably influence this perception, such as presenting and being involved in joint activation opportunities. Strategically, the AFL’s market orientation will be less effective if it does not fully devise a modus operandi that produces superior value for the sponsor (p. 358)

While the authors agree that adopting such strategies may encourage further investment by the sponsor, such statements also reveal that the building of trust and commitment may involve substantial investment. This is not to downplay the importance of developing sponsorship relationships; indeed, there appears to be little doubt that repeated exchanges nurture trust and commitment and increase the likelihood of sponsorship renewal (Farrelly Quester, 2003a). Lending further support, TCT would maintain the significance of repeat transactions such as these should subsequently reduce the prospect of opportunistic behavior in the future.

However, Williamson, E. (1981) notion of *asset specificity* also serves to highlight the Risks inherent in developing technology (e.g., a modus operandi) that is not easily deployed elsewhere. That is, while repeated interactions and relationships build trust, they also build in common understandings and practices that represent a significant investment for the parties involved. By extension, this commitment represents a significant cost if the relationship ends. Thus TCT helps to explain the possible costs involved when the sponsorship relationship comes to an end. As Copeland, R. et al. (1996) point out: it is ironic that successful event organisers may be the most traumatised by discontinued sponsorships. That is, the stronger the association a sport has with a sponsor, the more difficult it may be for future sponsors to make their own presence felt (p. 34)Third, and perhaps the most salient conceptual point drawn from TCT, is that sponsorship relations involve decisions about governance (Williamson, E.2000).

In other words, TCT posits that the process of making sponsorship decisions involves not only a mean-ends dichotomy (e.g., what level of sponsorship will yield the biggest return); it also involves making choices about which governing mechanisms or organisational arrangements are appropriate. It furthermore suggests that these relationships consist of a network of interacting rules, practices and protocols set by the organisations involved. In light of the wide range of responses available to govern sponsorships, TCT might help to explain the variance in how organisations manage sponsorship agreements or where the trade-offs lie within these particular designs. For example, under what circumstances is it less costly to engage a marketing director where sponsorship relations were previously handled by board members? What consequences do safeguarding or monitoring mechanisms have for other parts of the organisation? Transaction cost theory thus allows us to expand on means-end dichotomies describing sponsorship in terms of the structures that shape and constrain these relationships.

5.8.1 Criticisms of Transaction Cost Theory

Transaction cost theory is, of course, not without its limitations. Two criticisms are particularly pertinent vis à vis sport sponsorship relations:

(1) Transaction cost theory holds cost minimisation as the organisational imperative and,

(2) It lacks predictive value in explaining why some sponsorship relations are established and not others.The first of these criticisms arises because of TCT’s emphasis on economising versus strategising (Barney, J.& Hesterly, W. 1996). Williamson E. (1996) tenet that “economy is the best strategy” (p. 77), suggests that minimising transaction costs should take precedence over exploring new innovations. It furthermore implies that what is efficient in the short term is also efficient in the long term (Ghosal, S.& Moran, H. 1995). Thus, TCT seems to suggest that managers are inherently more concerned with efficiency than with other considerations such as flexibility or adaptability.

In essence, maintaining cost as the only consideration of sport managers would implicitly recommend that managers uphold the primacy of organisational design over strategic planning.A second criticism of TCT in the context of sponsorship relations is that it still maintains rationality as a given. Thus, while TCT may provide a more detailed picture of the sponsorship process, caution should be exercised in using it to explain why some sponsorship relations evolve while others do not. Whereas TCT assumes that the choice of governance mechanisms rests on creating efficient exchanges, scholars like Perrow, C.(1981) argue that these decisions could simply be based on a manager's desire to exert influence. For example, in one of their cases, Shaw, S. and Amis, J. (2001) imply that existing prejudices by a sponsor's decision-makers are not easily swayed by the sporting team, despite the seemingly rational fit between the sponsor's target market and the team's image. This reliance on actor's rationality differs, for example, from neo-institutional explanations that would instead explain sponsorship decisions through sponsors' perceptions and logics of "appropriateness" (DiMaggio, P.& Powell, J. 1991).

5.8.2 Agenda for Empirical Research

Drawing from the considerations above, two broad areas of interest are offered that might lead to empirical work using TCT in sponsorship. First, given that the nature of costs is underdeveloped in the context of sponsorship; further exploration is needed to help build an empirically based typology of the activities noted above. Examples of costs relating to sponsorship transactions are difficult to come by, suggesting that these considerations are so embedded in the transaction itself that they go unnoticed or are assumed to be "un-newsworthy" in media. Moreover, managers of sport organisations or events are rarely asked about this facet of sponsorship. As Walliser, J. (2003) points out, hospitality activities are largely ignored in sponsorship literature and the same can be said with respect to personnel requirements or budgeting processes. Thus, how sport managers perceive planning, safeguarding or monitoring issues could help illustrate the extent to which these activities are valued and/or how they perceive the resource requirements of maintaining sponsorship commitments. A second set of empirical questions stems from TCT's focus on governance structures (Rindfleisch, A.& Heide, B. 1997).

In a sponsorship context it is of interest how sport organisations attempt to minimise or control transaction costs. Would sport organisations adopt internal structures such as hiring specialised staff (a hierarchical mechanism) or would they choose to contract out for things like legal services or employ specialised public relations companies to negotiate with sponsors (a market mechanism)? In either case, the consequences, both intended and unintended of such structures, would be of interest. For instance, how do transaction costs and their corresponding mechanisms influence other areas of an organisation's functioning? How do these affect sport organisations' relations with other agencies such as local government councils and how do they compare with the mechanisms in place to service other funders (e.g. lotteries)? To address these questions, both quantitative and qualitative methodological approaches are likely to provide valuable data. In the wider field of marketing, Rindfleisch, A. and Heide, B. (1997) note that surveys are the most common way of collecting information about transaction cost constructs. In the context of sport sponsorship, surveys could be used broadly to determine managers' attitudes towards TCT's main assumptions (bounded rationality and opportunism) and more particularly to see if these are related to an organisation's likelihood of adopting safeguards and monitoring mechanisms. While there are challenges to this approach, including the investigator's ability to accurately convey the various constructs to respondents, surveys can nevertheless provide valuable information concerning which transaction cost variables are ranked (or rated) as most problematic (Hobbs, H. 1996).First-hand accounts from personal interviews could be of additional use as a means of gaining rich, in-depth information. Combined with secondary sources of data such as formal contractual agreements, they could help build illustrative case studies. Cases involving large-scale sponsor relations between major events and multinational corporations might be particularly revealing in terms of showing the breadth of transaction costs, though access to the above sources of data may be more difficult to obtain simply due to their scale.

Thus, case studies involving mid-sized national sport organisations (and their sponsors) may prove more fruitful in order to identify the relative importance of transaction costs within their organisation and their effects on sponsorship relations. Finally, given sponsorship's relational nature, the authors would agree with Berrett, T and Slack, T (1999) who advocate longitudinal studies to help ascertain different sponsorship responses related to the environment, particularly where these responses would include activities relating to the need to safeguard, service and monitor the relationship.All models of sport sponsorship (including the one described here) are either explicitly or implicitly based on exchange theory. The principles and tenets of exchange theory are useful to sponsorship frameworks because they ultimately highlight the distribution of rewards, benefits and resources in sponsorship relationships (McCarville, R.E.& Copeland, R. 1994).

Transaction cost theory helps to expand on these principles, ultimately taking into consideration the distribution of planning, safeguarding and monitoring costs in sponsorship relationships. With sponsorship research accused at times of lacking theory development (Olkkonen, T. 2001), this paper has attempted to provide a broader understanding of the complex relationship that sport organisations enter into with their sponsors. The aim here is not to diminish the benefits that sport organisations receive from their sponsorship relationship, but rather to encourage an alternate theoretical view of a broadening subject area.

Despite TCT's critics, the new business approach still has value to both researchers and managers interested in sponsorship. With respect to scholarly research, Williamson's work on TCT is touted as an empirical success story and is the most frequently cited source in organisation theory (Swedberg, K. 2003). With sponsorship relations increasingly viewed as dynamic processes, TCT helps to focus attention on some of the underlying difficulties inherent in sponsorship relations such as information disparities and opportunistic behaviours. Furthermore, these underlying challenges draw attention to a range of governing mechanisms including some of the institutionally prescribed practices of sponsorship relation building (e.g., providing hospitality, evaluating outcomes).From a more applied standpoint, the authors agree that many sport managers are likely have a tacit understanding of sponsorship costs and the governance activities derived from them. Experienced sport managers may also be aware on some level that demands for sponsorship servicing have increased in the last decade, reflecting a shift from sponsors' philanthropic to corporate investment rationales. Thus along similar lines as Olkkonen's (2001) defense of a network approach , it is suggested that the role of TCT research is perhaps best used to *sensitise* managers to cost considerations and broaden practitioners' views regarding the context in which they operate.

5.9 Corporate governance in line with the case study in the context of banking regulations

The board of directors of a bank is ultimately responsible for ensuring that an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent in the bank's on-balance sheet and off-balance sheet activities and that responds to changes in the bank's environment and conditions, is established and maintained, provided that the board of directors may appoint supporting committees to assist it with its responsibilities. The process of corporate governance referred to in the above includes the maintenance of effective risk management and capital management by the bank. The conduct of the business of a bank entails the management of risks, which may include, amongst others the following types of risks:

- Compliance risk
- Market risk
- Position risk
- Operational risk
- Reputation risk
- Transactional risk
- Any other risk regarded as material by the bank

In order to achieve the objective relating to the maintenance of effective risk management envisaged in the abovementioned section, every bank shall have in place comprehensive risk-management processes and board-approved policies and procedures:

- To identify
- To measure
- To monitor
- To control and
- To report

As a minimum, the risk-management processes, policies and procedures shall be sufficiently robust to identify and manage material interrelationships between the bank's relevant risk exposures. Also to ensure the bank's continued compliance with the relevant documented set of internal policies, controls and procedures. The processes shall ensure appropriate board and senior management oversight and involvement and that the senior management of the bank is aware of the limitations and assumptions made in respect of the said internal model and the impact that such limitations and assumptions may have on the output. Internally, the bank is also expected to account for:

- The nature of margin agreements, that is unilateral or bilateral agreements
- The frequency of margin calls
- The margin period of risk
- The minimum threshold of unimagined exposure the bank is willing to accept
- The minimum transfer amount.

In the context of systems and controls, the bank shall do that in respect of trading activities, which systems and controls shall be based on duly documented policies and procedures for process valuation, which documented policies and procedures shall include: matters relating to verification, matters relating to adjustments in respect of valuations, defined responsibilities, frequency of independent valuation as well as the source of market information to be used. All shall be subject to clear and independent reporting lines, that is independent from the front office, which line will ultimately be to an executive director of the bank.

5.9.1 Summary

In our heuristic interview with ABSA (Group Executive/Marketing) on this sponsorship transaction is what they (ABSA) had to say:

- *Good corporate governance is the key tenet of the way in which Absa does business, and is a non-negotiable element of our sponsorship negotiations.*
- *We have a strict and thorough Code of Ethics, and abide by any laws which may govern our behaviour and business dealings.*
- *We are not part of paying commissions, we are not involved. Our sponsorships do not include any allocation for payment of commissions.*
- *It is common practice worldwide, that if an agency or third party is used to negotiate a deal, they receive compensation, and this is often in the form of a percentage of the sponsorship fee. However, as sponsors, we are in no way involved in this process, and it is generally agreed before we are even engaged with a sponsorship proposal. In certain cases where a rights holder utilises the skills of internal parties to negotiate a deal, their management and governance structures may decide to award compensation to those internal parties for the conclusion of the deal, but once again, this is managed and governed by their own governance structures and the sponsors are in no way involved.*

In contrast it is worth noting that even government was against the payment of commissions, as the former Minister of Sport revealed that:The South African Sport and Recreation Act guides all of us in sport including ABSA in instances like this, its veered toward the realisation of what is enshrined in the constitution, of which corporate governance is very strong component. But to come out clear to you as government we were against the payment of commissions as the Act guides us with clear intentions in the Preamble; that of:

- Providing measures aimed at correcting imbalances in Sport and Recreation.
- Promote equity and democracy in Sport and Recreation.

More interestingly is that Butana Komphela the Chair of the Portfolio Committee in Parliament recognises the fact that the Act has a short- coming of not regulating sponsorship and particularly those who are solicitors of sponsorship. This omission is because the main focus was meant to regulate foreign players and administrators as they were diluting our development. We for example consider financing of sport which resides in sport and recreation, we have not linked private money to public money, such a de-link led to unaccountability.

One common aspect in their response is that there can be no justification for the payment of commissions to elected people; this is echoed by Trevor Manuel in our interview with him. The above is one aspect in which this study seeks to address in its finality, to influence policy as well as the legal framework that governs Sport in the country, particularly on issues of governance.The second component of analysing this section is to flag the PSL constitutional framework in relation to these issues of corporate governance, with specific reference to this sponsorship transaction, as depicted here below:The case study approach generally involves the in-depth study of a phenomenon with reference to a particular 'case or cases'. It is usually an exploration of a question or phenomenon of interest when little is known in advance and when a situation is may be complex. Usually case studies examine the processes and dynamics within a specific case, draw on multiple sources of information and tell a story, usually in chronological order as we did here below:

Article six of the Premier Soccer League constitution, under "objectives of the league" stipulates that the league in 6.1 of the article will promote, organise, control and administer professional football. In 6.2 of the same article the league will co-ordinate and facilitate the development of professional football. Under the utilisation of funds in the same article six: 6.7 of the PSL constitution suggests that utilisation of funds should be in pursuit of PSL objectives but not for personal gain except:

- For the payment of staff as per their employment contracts
- For the awarding of honoraria to the Executive Committee as approved by clubs at the Annual or Biennial General Meeting

- For the payment of people employed or contracted to carry out specific tasks or work.

Article nine (9) of the PSL constitution under the topic Elections: Paragraph 9.9 suggests that a candidate for the position of chairperson may be an independent person or from a club. This is in view that individuals are elected onto the League's various committees to serve the interests of the sport, not in the expectation of acquiring personal fortunes to the detriment of the organisation they are representing. This view reinforces independency of candidates to be elected. PSL board of governors has the power to enter into sponsorship arrangements with any legal entity and to solicit and accept fees, donations, bequests, contributions, endowments and subscriptions for the benefit of the league and this says nothing about individuals but the league. The same board of governors has the power to confer awards and honours on individuals in recognition of their contribution to football in South Africa but it is silent on the payments of commission to individuals.

Despite the aforementioned concerns on the PSL constitution, there appears to be an interesting point under article nineteen (19) on Sub Committees. The point here is that sub-committees maybe appointed by the Executive Committee, and this should consist of at least three members, one of whom will be the convenor appointed by the Executive Committee, and that a sub-committee has no authority to make decisions or issue public statements or pronouncements, let alone the fact that sponsorship committee as a standing committee or subcommittee does not feature nor exist in the PSL constitution. The payment of commissions to PSL officials signifies a question because it becomes a predicament to locate whether the sponsors are content with this conduct and the extent to which this demeanour impacts on the expectations of sponsorship.

5.9.2 Extrapolation of concerns about PSL board

(a) Board of Governors

Article 13 of the PSL Constitution confers functions and powers to the Board of Governors

Area of concern

One of the key provisions regarding the composition of Boards is that the majority of Board Members must be non-executive members; these are members who are not part of the Executive Committee of the organisation and non- executive board members, in this case, Article 13 of the PSL Constitution does not specify how many non-executive board members there are in the PSL Board of Governors. In the event that there are more executive members than there are non- executive members, the prevalence of conflict of interest would be very high, as executive members would in essence be accounting / overseeing themselves.

Under these circumstances the greatest propensity is that if the executive decides in their meeting and agrees on commissions, the board abides by the decision of the negotiating team because of its influence and will be expected and required to approve the decision of the negotiating team when it comes to the payment of commissions. To illustrate this point and the study, especially on issues of corporate governance towards remuneration theory, some of the interviewees from PSL, who are also executive members, reveal that the distribution of commission payments on this transaction was allocated as follows:

a. if the then PSL CEO receives R 7.5 million commission
b. a negotiating team member receives R 7.5 million commission
c. a negotiating team member receives R 12.5 million commission
d. a marketing agent receives R 5.5 million commission
e. and maybe the Chair receives R 25 million commission
f. Lastly the R 5 million is divided amongst executive members who are not part of the negotiating team

These will discernibly beg a number of questions, which maybe responded to here as we continue with our analysis i.e. the criteria to allocate these amounts in line with remuneration theory and corporate governance terms.

(b) Board Committees

As an important element of governance, the Board of Governors should delegate some of its functions to a well-structured committee(s). Section 13.10 and 13.11 gives full effect to this delegation, however:

Areas of concern

- There are only two Committees that are mentioned in the PSL Constitution and they are the Disciplinary Committee and the Dispute Resolution Chamber.What about the other Committees that are key to the functioning of the PSL?

- Does the PSL have an Audit Committee, Remuneration Committee, Sponsorship Committee etc.?These are important Committees, as they should advise the Board and ensure collective decision making on matters they are established for and in such Committees, the principle should be that the majority of membership should be from non-executive board members to avert any potential conflict of interest, from a constitutional point of view.

(c) Risk

One of the important aspects relating to an organisation such as the PSL with so many assets, that there should be a standing requirement that there must be continuous assessment of the risks that might impact on the functioning of the PSL.

Areas of concern

- The PSL does not explicitly provide in its clauses around risk management, although the Constitution might not be the correct area to have such, but the Constitution does not seem to make provisions for mitigating risk.
- The question that must be asked is;does the PSL have a risk management plan to safeguard its assets and ensure its going concern?
- Is there a Risk Management Unit or Risk Management Committee that is entrenched to oversee and advise on issues of Risk Management within the PSL constitution?
-

(d) Stakeholder relations

- The provision in King 111 emphasises the importance of stakeholder relations; it is said that it is the responsibility of the Board to ensure that the perceptions of the stakeholders are given attention as they affect the reputation of the organisation.
- It is further stated that the Board should delegate management to proactively deal with stakeholder relations etc.

In conclusion, rebounded and echoed by both literature and as well as the former Minister of Sport (Dr. Rev. M. A. Stofile) and the Chairperson of the Portfolio Committee on Sport and Recreation in Parliament of the Republic of South Africa (Mr. B. M. Komphela) during interviews of this study; the theory of exploitation is motivated and driven by greed, selfishness, ignorance and lack of integrative thinking. In this context, the Parliamentary Monitoring Group (PMG), on the 6th of October 2007 disclosed that a “principle” has been accepted that PSL officials doing the sponsorship negotiations were entitled to a commission (PMG) 2007). This is significant, because such a “principle” would have been in contravention of the PSL constitution and Corporate Governance principles.To a larger extent it is even antagonistic to the preamble of the Sport and Recreation Act of 1998, which advocates the provision of measures aimed at correcting the imbalances in sport and promoting equity (National Sport and Recreation Amendment Act, no 18 of 2007).

By law and principle, the PSL is obligated to act within the above regulations. The article reveals that 70 million rand will be received by a negotiating team. Trevor Manuel in our interview for this study raises an important issue that, in sport, individuals avail themselves for election to positions within Sports administration in order to serve the sport. Frequently, individuals who thus avail themselves are then elected and obtain their means of livelihood. Where such an elected representative, e.g. the President of the Union, becomes a full-time employee, it should be by formal resolution of the board and such employment should be remunerated in a transparent manner, with delegates aware of what the terms and conditions are, so that it’s easy to account should there be a need.

Logically executive committees are elected in order to oversee the work of management and ensure that the assets of the Union or Association/entity are protected. These functions are taken together under the rubric of ‘fiduciary responsibilities’. Mr. T. Manuel also indicates that in many instances, sport administrators also earn their livelihood from some form of involvement in sport, and then this creates a greater obligation for clean lines of separation of decision-making. In many countries, club-owners of professional teams are explicitly excluded from decision-making in administration in order to safeguard the reputation of the sport. This appears not to be the case in the PSL. Augmentation of the above is that driven by greed, ignorant of their connectedness to the whole, humans persist in behaviour that, if continued unchecked, can only result in their own destruction. The collective manifestations of insanity that lies at the heart of the human condition constitute the greater part of human history.

Greed and desire for power are psychological motivating forces not only behind warfare and violence between nations and ideologies, but also the cause of incessant conflict in personal relationships. They bring about distortion in your perception of other people and yourself. Through them, you misinterpret every situation, leading to misguided action designed to rid you of fear and satisfy your need for more, a bottomless hole that can never be filled.

It is important to realise, however, that greed and desire for power are not the dysfunction that I am speaking of, but are themselves created by dysfunction, which is a deep- seated collective delusion that lies within the mind of each human being. Greed and desire for power are not the ultimate causal factors. Trying to become a good or better human being sounds like a commendable and high-minded thing to do, yet it is an endeavour you cannot ultimately succeed in unless there is a shift in consciousness. This is because it is still part of the same dysfunction, a more subtle and rarified form of self-enhancement, of desire for more and strengthening of one's conceptual identity, one's self- image. You do not become good by trying to be good, but by finding the goodness that is already within you and allow that goodness to emerge. But it can only emerge if something fundamental changes in your state of consciousness.Anand. J, Ashforth, M & Joshi, C.P. (2004) draw on a vast amount of literature to discuss how individuals use rationalisation and socialisation tactics to justify their acts of corruption.

According to these authors, individuals involved in corrupt acts usually describe their acts in such a manner that they do not seem unethical at all or sometimes are subjected to socialisation processes that make their acts of unethical behaviour seem "normal." It is these rationalisation and socialisation acts that make the individuals involved in practices of unethical behaviours continue with these practices. They propose eight types of rationalisations that individuals use to justify their acts that include denial of responsibility, of injury, of victim, social weighing (that is, condemn the condemner, selective social comparison), appeal to higher loyalties, and metaphor of the ledger (that is, 'am entitled to it!' attitude). The authors also discuss how corrupt processes and acts are accepted in an organisation (socialisation) through the processes of co-optation, incrementalism, and compromise.

Ashforth, M. and Anand, J. (2003) suggest a third process of institutionalism that normalises corruption in organisations when an organisation makes the environment conducive to act unethically. If this decision leads to favourable responses, then it would be added to the organisational memory as a success and would thus be normalised and the corruption would be adapted to such practices over time. Gambetta, D. (2002) examines the different meanings of corruption and explains how the behavioural and relational properties of individuals help understand corruption. The author mostly uses “trust” to explain the existence of corruption and states that corruption is basically the breach of trust between the truster and ‘fiduciary’ due to incentives given by the corrupter. He then explains the different conditions under which corruption exists and concludes by making some empirical predictions about corruption. For example, the author proposes that more the number of trusting relationships, higher is the probability of corruption.

Therefore, a society that is more corrupt need not be worse than a society that is less corrupt because a less corrupt society would probably have lesser number of trusting relations and therefore fewer opportunities for corruption. Another proposal is that the opportunities for corruption increase with the increase in the turbulence of the society. Actors can justify their acts by using pretexts of ignorance or uncertainty and try to pass off their corrupt acts as something else. Therefore, if a society is more “error-prone”, it would be difficult to distinguish between a corrupt act and something else that might be true.

Seidman, J.G. (2004) argues that to have a life worth living, one must ensure physical security, financial prosperity, and spiritual sustenance or meaning. But he states that the third requirement of trust continues to shake because in order to gain trust and to make individuals follow (ethical) rules based on this trust, individuals need to understand the reasoning behind the rules that requires ethical leadership. The author then asserts that the proven approaches to ethical leadership are: Demonstrate the unequivocal importance of ethics from the top; Make ethics essential to career advancement; publicly reward ethical behavior; publicly punish lapses; Make understood that ethics is for everyone. On a similar logic, Thomas,T, Schermerhorn, J.R. and Dienhart, J.W. (2004) show that ethical leadership should be fostered and is sustainable. They argue that ethical leadership must be built by focusing on the total costs of ethical failures and corporate cultures that value ethical norms should be maintained.

Untrustworthy elected officials and bureaucrats are frequently corrupt and exploitive. They substitute private benefits for public responsibility. If officials are generally untrustworthy, ordinary people and businesses may believe that the only way to get what they need is through a payoff. Furthermore, if most officials are known to be exploitative and abusive, people may also seek things to which they are not entitled, such as tax- breaks or waivers of costly regulations. Officials in turn may create extra rules and regulations and contracting opportunities in order to profit personally. As Gambetta, D. (1988b) notes: "coercion exercised over unwilling subjects who have not pre-committed themselves to being prevented from taking certain courses of action or who do not accept the legitimacy of the enforcement of a particular set of rights while demanding less of *our* trust in others, may simultaneously *reduce* the trust others have in us. It introduces an asymmetry which disposes of mutualtrust and promotes instead power and resentment.

As the high incidence of paranoid behaviour among dictators suggests, coercion can be self-defeating, for a while it may enforce 'cooperation' in specific acts, it also increases the probability of treacherous ones: betrayal, defection, and the classic stab in the back."Corruption is a coping strategy in the face of untrustworthy, dishonest officials, but it may also be part of a conscious private-wealth maximisation strategy orchestrated by these same officials. Paradoxically, a deeply corrupt regime usually operates with a high degree of reciprocal, affect-based trust. Because bribers and bribes are operating outside the law, they need to trust each other in order to maintain their relationships. They may design schemes that minimise the possibilities of betrayal, such as making payments only when corrupt services are delivered, or that limit the costs of betrayal, such as the use of middlemen. Nevertheless, the risks that one side will betray the other can be substantial so that links based on kinship or friendship can be important ways to lower the risk. The corrupt official is an untrustworthy and dishonest agent of the public interest but a trustworthy friend and relative. One-sided payments to win major contracts, concessions, and privatising companies are generally the preserve of large businesses and high level officials.

In actual conclusion, the theoretical work suggests that some countries and sectors can descend into vicious cycles in which corruption, distrust, and dishonesty breed more of the same over time. Conversely, virtuous cycles can also operate in which trust and honesty build on each other. These patterns depend both on people's underlying attitudes and on calculations of self-interest broadly understood. My basic claim, based on both theory and empirical work in advanced democracies, is that attempts to produce generalised trust are not likely to produce large gains in terms of democratic performance and market functioning. Rather, the fundamental puzzle is how to create state and market institutions that are reliable and trustworthy at the same time as interpersonal relations based on mutual trust (or distrust) are kept from undermining these reform efforts. Strong and loving interpersonal bonds are, of course, valuable aspects of any society, but they can cause harm if they operate unchecked within political and bureaucratic organisations. As we will see in the sections that present data on the region, there appear to be widespread differences across the post- socialist countries in the functioning of the state and the market and in the degree of trust in public institutions and in other people. Most of the countries created out of the Soviet Union appear to suffer from much higher levels of distrust and corruption and much lower levels of functioning than many of the countries on the list for potential European Union membership. To the extent that some of countries are caught in vicious cycles while others are not, the reform recommendations will differ widely across the region. Information about honesty, trust, and corruption in post-socialist countries can be divided into four categories:

(1) Trust in government and in other people,

(2) Individuals' perceptions of corruption in public institutions and their coping methods,

(3) The role of the non-profit sector, and

(4) Business dealings with each other and with state institutions.

This section discusses the first two issues. Roughly speaking, the data show a disturbing trend. The countries close to Western Europe are increasingly diverging from most of the countries of the former Soviet Union. Corruption and distrust of government are serious problems in Central Europe, and some sectors are especially dysfunctional, but, in general, the scale of the difficulties is much less than in the countries farther to the East. The evidence from some countries of former Soviet Union is that a vicious cycle may be at work where high levels of corruption, distrust and organized crime produce even higher levels in the future with a resulting undermining of state and market institutions.

One important issue for future research is whether some of these countries may need to go through a second fundamental transition rather than being able to reform through small steps. In contrast, many of the countries in line for membership in the European Union appear to have problems that can be dealt with on a case by case basis.

5.10 Conclusion

Research on transitional countries is complicated by the difficulty of knowing if the phenomena observedis temporary a products of the transition itself or it represent long-term attitudes and behaviours. Furthermore, we know little about whether the nature of the transition process has consequences for the type of society that will emerge. The available data cannot usually distinguish between short-term behaviour and long-term shifts and has little to tell us about the feedback mechanisms that may operate to convert short-term practices into long-term characteristics for good or for ill.

Therefore there are however, grounds for believing that the transition process has created special strains. Democratisation may breed exploitation and criminal activities if it is accompanied by a weakening of state controls and confusion among the population about proper behaviour in a context of increased freedom, growth and development. Similarly, especially in the transition economies, the shift from central planning to the market may lead to monetary corruption as a replacement for the system of administered benefits based on connections. The market replaces many former administrative decisions, but the state remains a source of important benefits and costs (Miller, L. Grødeland, A.B. and Koshechkina, T.V. 2001, Rose-Ackerman, 1999). A key issue for reformers is to identify particular sources of strain and to act to prevent transitional problems from producing major long-term distortions and negative implications. Two things to be noted on this study are that, the reason for the entity to be passionate about the sponsor seems not to be linking with brand commitment from this transaction. This equally confirms no nexus on the two concepts from the data gathered and analysis made for the study. The following chapter will map out way forward through reflections, future research and practical recommendations.

CHAPTER SIX

WAYFORWARD THROUGH REFLECTIONS, FUTURERESEARCH AND PRACTICAL RECOMMENDATIONS

6.Introduction

The study initially committed on finding the nexus between sport sponsorship and corporate governance principles, namely accountability and transparency in the conclusion of the sponsorship transaction, without negating the significant element of integrative thinking. The research consisted of four phases; literature review which provides a detailed analysis of all primary and secondary material available on this topic. The second phase was a qualitative case study research methodology which comprised of in-depth interviews with targeted stakeholders. The third part presented the research findings and discussion section, which revealed lack of integrative thinking as a challenge, and lastly the way forward through reflections with limited recommendations provided including highlighting potential future research areas.

6.1 Lack of common sense and integrated thinking from practitioners

The complexity of organisational decisions requires the ability to integrate diverse facts, ideas, issues, and connections to solve problems and sensitively take advantage of new opportunities. Martin, R. (2007a) identifies this ability as integrative thinking. A person's practical knowledge and experiences (i.e. their common sense) can interfere with integrative thinking. An example of this can be seen in a leader or general manager's reliance on common sense as they engage in the different areas of their job and in a business student's reflection that organisational behaviour concepts are just common sense or a little bit more. In both cases, it is the little bit more that brings into question how common sense influences a decision-makers ability to engage in integrative thinking, and reason that both accountability and transparency are necessary for good governance.

6.1.1 The paradox of common sense

What is common sense?

The substantial elaboration of this concept is reflected on the works of Reiter (2001), where common sense is defined as "sound judgment not based on specialised knowledge; native good judgment". "Sound practical judgment derived from experience rather than study" Lonegarn, S.C. (1999:111) defines common sense as knowledge derived from "a basic nucleus of insights that enables a person to deal successfully with personal situations that arise in ordinary living, according to the standards of the culture and the class to which the person belongs". In the workplace, common sense is defined or experienced as "a gut feeling, innate ability, knowing how, learning from mistakes and the act of learning, using others in a purposeful way, demonstrable cognitive abilities and personal attributes - i.e. being streetwise, being practical, having confidence, and being self-motivated" (Gerber,E. 2001:74).Overall, common sense is based on reality and results in practical intelligence Albrecht, S. (2007). Practical intelligence provides people with a way of understanding that gives them insight into issues and it allows the decision maker:

- To make reasonable assumptions and weigh different courses of action.
- To hold reality-based expectations and to make sensible, practical, and responsible decisions.
- To take practical corrective action when things go wrong (Gerber, E. 2000; Schragis, S and Frishman, R. 2006; Stewart, O. 1996).

However, there are challenges associated with a reliance on common sense thinking. First, as noted by Lonergan, S.C. (1999), common sense varies by culture. It also varies among individuals since not all people have the same set of experiences. Therefore, common sense requires a "concerted, intentional, and integrated effort to develop a shared pool of judgment" (Alday, M. 2005) when a group is making a decision.Second, common sense knowledge is not the same as theoretical knowledge (Gerber, E. 2001). Relying on common sense knowledge may result in oversimplification and a reliance on condensed information. The insights and intuitions derived from past experience and action can overemphasise knowledge acquisition for taking action while undervaluing knowledge acquisition for the sake of knowing. Complex decision making requires knowledge acquisition for both action and knowing. The risk of only focusing on action is that the situation may be misdiagnosed and the actions may not fit the context (Snowden, D.J. and Boone, M.E. 2007). In an organisational situation, that difference can reduce the real-time learning that is a part of decision making because individuals focus on the practical content knowledge relevant to what they have done (Gerber, E. 2001). Since others in the organisation may have developed their organisational common sense from similar work there may be insufficient diversity of common sense. Therefore integrative thinking that moves beyond common sense thinking may be restricted. Third, the reliance on past experience, particularly success, can foster an environment of expediency over reflection, an emotional attachment to initial plans, the risk of assuming a certain level of predictability rather than non-predictability, a reliance on researching best practices, an inability to see new patterns, and exploring new ways of thinking (Gerber, E. 2001; Schragis and Frishman, 2006; and Snowden, D.J. and Boone, M.E. 2007). This limits the ability to address the complex contexts that exist in organisations.

6.1.2 Complex contexts

Snowden, D.J. and Boone, M.E. (2007) developed the Cynefin framework for identifying the context that is prominent in the decision-makers environment. Their model identifies four contexts: simple contexts with obvious causality, complicated contexts in which there are clear relationships but multiple answers, complex contexts, and chaotic contexts characterised by turbulence and no clear causal relationships. Complex contexts are linked to common sense in the following discussion.The complex context is defined as the realm of unknown unknowns and the authors say it is the domain of contemporary business (Snowden, D.J. and Boone, M.E. 2007). Complex contexts are characterised by: unpredictable, emergent, and instructive patterns; many competing ideas; and a need for innovative approaches. An emergence/probing thinking approach is required rather than the analytical approach. In a complex context, the decision-making environment might be one of experimentation, increased levels of interactions, and searching for patterns rather the analytic approach which may not lead to a quick solution of the issue (Snowden, D.J. and Boone, M.E. 2007). Successful decision-making in complex contexts requires the individual to "think in terms of integrative functions – (that is) the functions that produce successful integration across knowledge and interactional domains and (to) confer agency (authority to act) upon the decision makers" (Moldoveanu, M. 2008, p. 38).

6.1.3 Integrative thinking and common sense:

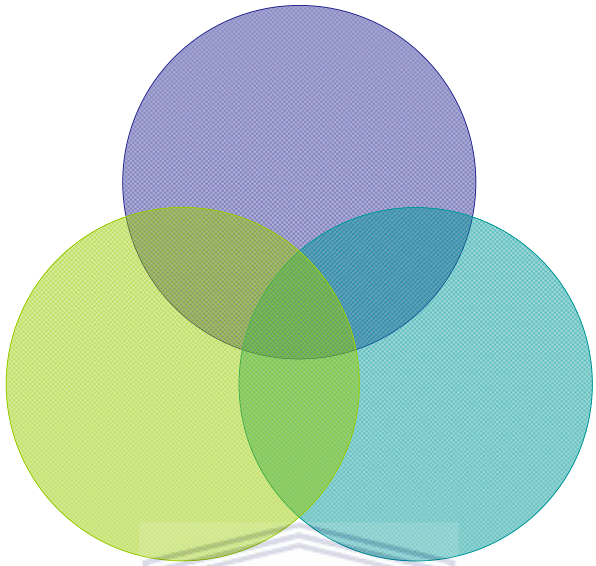


Diagram:5

Source: Designed by M. Mdekazi 2011

Complex contexts are situations where there is not a clear right or wrong decision and where the choices are not either-or (Martin, J. 2007a). This requires thinking about two or more "conflicting ideas in constructive tension" (Martin, J. 2007b, p. 7). In these situations integrative thinking facilitates the process. Martin's (2007b) four stage models are reflective of the process of thinking and making decisions and the steps are interrelated: salience, causality, architecture, and resolution. The dynamics of the stages reflect:

- *Salience*. Arriving at our choice by considering a set of features we deem salient.
- *Causality*. Creating a mental model of the causal relationships among those features.
- *The Architecture*. Arranging those casual relationships into an architecture intended to produce a specific outcome.
- *The Resolution*. Thereby reaching a resolution of the problem at hand (Martin, J. 2007b, p. 29).

The stages of Martin, J. (2005, 2007a) integrative thinking model reflect the decision making process regardless of the thinking style in which people engage. What is different is the framing of the steps and the actions associated with each. When engaged in integrative thinking, the decision maker can identify more factors as salient. The decision maker welcomes complexity and the messy process that is created by looking for relevance in multiple, less obvious factors. Causality is seen as multi-directional and the decision maker is encouraged to question the validity of the factors being used. The architecture of the decision making process is to look at the systemic level, to visualise the entire issue, and to avoid assigning sub-sections of the issue to different people. Central to integrative thinking is that the decision maker looks for how the different factors in the issue fit together and influence each other. Another elaboration of this concept is that in integrative thinking, resolution is focused on resolving the tensions among competing alternatives, generating innovative solutions, leveraging opposing ideas, refusing to accept unattractive trade-offs, and being willing to go back to the beginning (Martin, J. 2005, 2007a).

At first glance, common sense does not appear to support integrative thinking. Rather, common sense seems to be a better fit with decisions that fall within the simple or complicated contexts identified by Snowden, D.J. and Boone, M.E. (2007). Simple contexts are the domain of best- practice, which by definition reflects past experience. Decision makers can assess facts, categorise them and base their choice on established practices derived from experience (Snowden, D.J and Boone, M.E. 2007). Common sense also supports decision making in complicated contexts since expertise is used to analyse the situation and then decision makers develop a response that is derived from their area of knowledge or specialisation. From a conventional perspective, the decision making process limits the number of factors that are salient, draws from functional expertise, focuses on obvious relevant features, and reduces stress by reducing complexity. In integrative thinking factors in the situation can be addressed individually thus creating a sequential architecture and the possibility that a resolution in a complex situation can be achieved by accepting trade-offs. Common sense limits a person's ability to engage in integrative thinking because of the narrow frame it creates and the frame's impact on each of the steps in integrative thinking. For example:

- Common sense is derived from past experience. This creates frames that are tied to what has been. The resulting functional and organisational frames influences how one responds to process change, opportunities, challenges, competitors, customers, and interpersonal interactions (Schoemaker, P.J. H. and Russo, J.E. 2001).

- Common sense reflects an individual's existing mental models but is not likely to equal current reality (Martin, J. 2007b). This distorts what one looks for and increases the likelihood that disconfirming information will be ignored. Drawing from existing models simplifies a person's mental map of the situation and restricts who and what are identified as relevant. It also increases the feeling of being right and therefore lessens learning, looking for new approaches, and the willingness to change course.
- Engaging in decision making based on common sense leads to filtering information and oversimplifying or over-reliance on specialisation. Overconfidence leads to ignoring key information and relying on shortcuts based on assumptions not facts. The combination results in a 'thinking frame' that is applied automatically and an increase in miscommunication with those involved in the decision (Russo, J.E.& Schoemaker, P.J. 1989).
- Engaging in decision making based on common sense reduces the likelihood that the decision maker will address the real issue. As Alday, M. (2005) writes, the person who responds to an issue by saying it is just common sense will not effectively specify the issue or identify the causes of the opportunity or challenge.
- The application of common sense produces decisions heavily based on intuition; which, in turn, may create overconfidence and an overgeneralisation of the: "degree to which good intuitive solutions to some dynamic problems also offer good solutions to other problems" (Meyer, D.B. and Hutchinson, J.P. 2001, p. 39).

The paradox of common sense is the same paradox that exists with intuition. Specifically, using intuition to make decisions in complex contexts can lead the decision-maker astray; yet at other times one's "intuitive guesses about optimal solutions turn out to be surprisingly good" (Meyer, D.B. and Hutchinson, J.P. 2001, p. 39). Therefore, common sense does have a role to play in integrative thinking, especially in the critical first step of determining the salience of issues. Decision making requires "that the context must be taken into account and that the decision maker be able to interpret on-going events in terms of their past experiences and existing store of knowledge" (Beach, M.E. 1997, p. 143). Common sense facilitates recognition and provides the "mental ability to cope with the challenges and opportunities of life" (Albrecht, S.2007, p. 41). The multiple experience-based mental models each person holds allow them to make sense of what is going on. When a person has acquired workplace common sense they have also developed skills associated with sense-making. As defined by Weick, R.E. (1995), the process of sense-making is grounded in discursive construction that is dependent on social interaction. Central to the sense-making process is the ability to be retrospective, a reflective skill developed through observation and explanation. In addition, sense-making is an on-going active process of extracting cues, confronting the organisation's environment, experiencing the results, and learning from the encounter. Overall, sense-making is a belief and action driven process that involves "plausible reasoning (of) going beyond the directly observable to form ideas or understandings that provide enough certainty" (Weick, R.E. 1995, p. 56).

Recognition and sense-making are a part of determining what is salient. While seeing less obvious factors is important (Martin, J. 2007a), it is difficult to identify what is not obvious until the obvious factors are considered. The obvious and the less obvious are part of each person's common sense mental model of the organisation and its environment. It is past experience that shapes the knowledge each person brings to the decision making process. Each person's domain is comprised of theories, hypotheses, assumptions, and conclusions (Albrecht, S. 2007), and the collective domains of all of the people involved in the decision making process provide a rich base from which to begin to think integratively. Even in an organisation where the decision makers have experienced the same set of events, each person has experienced them differently and has internalised them differently.The challenge is to leverage common sense and the different ways of knowing. The first step is to be aware of the prevalence of common sense as a driver of how people initially react to a situation and to challenge reactions that are prefaced by the phrase "it is just common sense." The best response is to ask why? Beyond this, it is important to have tools that help decision makers invest in developing the shared pool of judgment advocated by Alday, M. (2005) and to use this pool to identify all potentially relevant factors while avoiding framing biases and other common sense limitations.

6.1.4 Five tools for leveraging and sharing common sense experiences

To leverage common sense and the different ways of knowing, the authors suggest five tools that can enhance integrative thinking, accountability and transparency in decision making.

1. Initiate conversations by focusing on experiences and framing the experiences from a positive rather than negative perspective. This legitimises the past experiences that have shaped people's common sense while at the same time not allowing the conversation to deteriorate into who or what is to blame or a negative "if only we had" experience. An effective tool for initiating conversations is Appreciative Inquiry. It builds on the foundation of dialogue. Dialogue is "a form of conversation whose purpose is to promote understanding and learning" (Gerard, G. and Ellinor, L. 2001, p. 2).

This approach to conversation fosters seeing the whole and the connections within it and the holistic approach fosters collaboration and shared meanings. Cooperrider, D.*et al.* (2008) state that "appreciative inquiry is the cooperative co-evolutionary search for the best in people, their organisations, and the world around them.It is an approach to organisational analysis and learning (that) is intended for discovering, understanding, and fostering innovations in social organisational arrangement and processes" (p. 3). The discovery phase of Appreciative Inquiry is relevant for identifying salient factors. This phase focuses on learning about and valuing the best of "what is" in terms of practices and causes of success. This is different from asking "what is the need?" In this phase, people explore backward questions by recalling high-point experiences, inward questions by discussing the meaning from those experiences, and forward questions by asking what would the future look like.

2. Create an environment of asking questions and identifying purpose. Asking questions helps to uncover good judgment and the complexity behind each person's perception of the situation. Asking why a person believes in what they do is an important part of using common sense to uncover assumptions and potentially relevant factors. It is not, however, sufficient to determine what is salient. Engaging the decision makers in identifying not just a single purpose but multiple linked purposes - a hierarchy of purposes - facilitates thinking about the different levels of a situation such as who is involved at each level of the hierarchy and the knowledge different players bring to better understand the outcomes at each level of the hierarchy. Nadler, G. and Chandon, W.J. (2004) write that questioning how an issue is initially framed is critical to uncovering the purpose, and developing a ladder of purpose hierarchy moves the decision makers beyond the initial framing of the issue to enlarge the scope of thinking. Thinking in terms of purpose rather than problem lessens the likelihood that biases from common sense knowledge will dominate the discussion. Moving to a ladder of purpose allows common sense knowledge to kick off the decision making process rather than to end it.

3. Develop external as well as internal interpersonal dynamics. Complex decision making involves a team of people focused on resolving the issue. To increase the ability to develop a solution, teams develop strong norms, internal processes, and the ability to work well together. This is common sense developed from past experiences of working with others on project teams or on committees. What is needed to identify salient factors is to engage in external activities to gather information, develop allies, and coordinate across different functional areas (Ancona, D. and Bresman, H. 2007). Common sense knowledge is socially constructed and fostering external connections builds on the social learning skills already acquired while fostering new common sense learning.

A strong internal and external connection improves the alignment of the different common sense frames and lessens communication errors.

4. Provide opportunities to blend intuition and logical thinking. Albrecht, S. (2007) refers to this as "intulogical thinking" (p. 70) which integrates both logical and intuitive patterns of ideation into a synergistic combination. Intulogical thinking draws on the internalised intuitive thinking that stems from common sense yet requires linking intuition with logical processing. This decreases the likelihood that either-or thinking will develop and integrating intuition and logic will create new frames. The new frames are supported by using strategies to analyse assumptions and benchmarks, to identify constraints, to stay focused on the objectives, and to create joint frames based on the combined views of others (Schoemaker, P.J. and Russo, J.E. 2001). This lessens common sense knowledge biases associated with overconfidence and self-correction.

5. Create sensitivity to optimistic amplification. Common sense creates confidence and optimistic feelings about what is known. Optimism is supportive of problem recognition (Scheier, M.*et al.*, 1986) because it increases the likelihood that people with favourable expectations experience less stress when they have to process threatening information because they are less concerned about being vulnerable (Papenhausen, R. 2006). On the negative side, common sense creates a naive optimism that is anchored in the knowing derived from past experience.

This creates a tendency to "misperceive the causes of certain events…and to emphasise the positive and downplay the negative" (Lovallo, D. and Kahneman, D. 2003, p. 59). Recognizing and utilising only optimistic opinions about issues lessens the ability to think critically as one attempts to identify potentially relevant factors. As part of creating sensitivity, it is important to create a climate that does not confuse the situation by engaging in unfettered brainstorming intended to generate a list of relevant factors. Coyne, J.*et al.* (2007) recommends providing a structure that bounds the range of exploration, tailors the questions, and ensures that everyone is fully engaged.

Schmitt, D. (2007) writes that "computers are really bad at dealing with what is called common sense knowledge, but that creative tasks require exactly this kind of knowledge" (p. 126). This presents decision-makers with a challenge. On one side, common sense thinking restricts how an issue is perceived; the thinking that is used; how the decision making process is navigated; the questions that are asked; and the speed at which a solution is defined.On the other side, common sense thinking is grounded in rich experience and provides a sense of security when confronted with an issue for which there is not a right answer. The recommendations presented in the paper address the paradox of common sense as it affects the first stage of the integrated thinking model, identifying the salient factors of the situation. The recommendations are:

- To initiate conversations by focusing on experiences and frame the experiences from a positive rather than negative perspective.
- To create an environment of asking questions and identifying purpose.
- To develop external as well as internal interpersonal dynamics.
- To provide opportunities to blend intuition and logical thinking.
- To create sensitivity to optimistic amplification.

Adopting the recommendations allows decision makers to build on the positives of common sense thinking while utilising a holistic thinking process. Openly talking about people's common sense- based perceptions of an issue at the salience stage of integrative thinking accomplishes two things. First, it lessens the likelihood that escalation will occur. It lessens the overconfidence that comes from common sense and the increased risk that a course of action will be adopted too quickly and that important concerns about the proposed course of action will be ignored (Staw, B.M. and Ross, J. 1987).Second, common sense conversations develop skills that are transferable to the other stages of integrative thinking. Sharing common sense experiences to identify salient factors requires asking questions. As questions are asked, awareness of internal and external dynamics increases. Discussing the common sense perspectives helps achieve balance between the optimism created by common sense experience and the reality of the issue. Both increase the likelihood that multi-cause dynamics will be identified and evaluated in stage two of integrative thinking. Sharing common sense thinking helps the decision maker to see multiple sides of the issue and creates the holistic structure needed for stage three. The openness of sharing common sense assumptions increases trust and understanding which can increase the willingness to look for creative rather than "what has been done in the past" solutions.Perceiving and responding to organisational issues, at least initially, from a common sense perspective is a fact of life. In complex situations, it is not about common sense thinking or integrative thinking, it is about both. This paper has presented insight into how to accomplish this with five recommendations.The concepts presented support the need to develop applied research designed to measure the effectiveness of the recommendations. The concepts also support developing case study research into:

- how pro-actively addressing common sense perceptions fosters the development of positive tension and risk taking;
- identifying how common sense thinking lessens, increases or remains the same over the integrative thinking stages; and
- the degree to which common sense thinking is managed as part of implementing the innovative solutions derived from the integrative thinking process.

In conclusion, in the context of integrative thinking towards decision-making and collaboration, this section explores a conceptual model for decision making that is focused on re-discovery and collaboration. The model consists of six components: self-awareness, development orientation, systems perspective, emotional orientation, complexity dynamics, and generative conversation. As an interactive model, the components create a mental frame that enables the decision maker to achieve greater insight and develop creative opportunities that enhance the ability to see decision-making as a complex process. A central component of leadership is the ability to make effective decisions in a wide variety of situations. This is emphasised in the traditional literature on decision making. There the focus is on differences in the scope of decision making and different decision making characteristics. As a result, decision making is frequently viewed as a prescriptive process focused on discrete choices at a single point in time (Garvin, D.A and Roberto, M.A 2001). This orientation can produce a mindset (frame of reference) that is action oriented and that limits the extent to which the decision maker engages in thinking about the process of thinking. Therefore, decision outcomes are often less than optimal. While a number of factors interact to produce these outcomes, the mental model held by the decision maker is a significant factor since it helps determine the decision making process and ultimately the success or failure of it. This part presents a model of a decision making mindset that is drawn from five schools of thought:

- Complexity

- Emotional intelligence

- Learning

- Dialogue and

- Systems thinking.

The dynamics of the model increase the opportunity for discovery and collaboration, which in turn reduces the likelihood of a “failed decision” outcome. While other organisational factors (i.e. culture, power and politics, group dynamics, motivation) are part of the decision making dynamics, the scope of this paper is on the individual leader and how the integration of the model’s components can enhance the decision making process.

6.2.1 Why decision processes may result in failure

Paul C. Nutt’s (2002) 20-year research on the decision making process found that over 50 per cent of the decisions made by the corporate leaders he interviewed failed. His study further indicated that the decisions failed because the decision makers imposed, rather than explored, the problem and the course of action. This approach (idea-imposition) to making decisions results in less than optimal outcomes. To improve decision making, Paul Nutt proposed a “best practice” approach (a discovery approach) based upon the exploration of multiple perspectives derived from the involvement of relevant stakeholders.In a climate where timeliness and pragmatism (Nutt, P.C. 2002) are frequently valued, the idea-imposition process is the most frequently used decision making process. It has a strong cultural and intuitive appeal. Even when a discovery process is used, it is likely that the decision maker will switch to idea-imposition somewhere in the process. What is the advantage of expanding the decision making effort to the more complex discovery process? According to Nutt, P.C (2002), the answer is as simple as the engagement is complex. Decision makers will avoid falling into one or more of the seven decision traps.To effectively avoid the issues raised above, decision makers need to expand not only their frame of reference but also their mental model of what constitutes effective decision making. Doing so can help them be more effective in leading a process of discovery that is focused on expanding the search for ideas and exploring multiple alternatives. It also encourages the collaboration and engagement of those affected by the decision making process and its outcomes. Focusing on discovery and collaboration requires that decision makers:

- have a good sense of self-awareness;
- are cognisant of the role of learning in the decision making process;
- look at issues systemically; understand the role of emotions in the decision making process; and
- be able to effectively use conversation to uncover and manage the complex nature of decisions.

These components will be used to develop a model for discovery thinking.

6.2.2 Model of re-discovery and collaboration

The proposed model encourages the decision-maker to challenge or change the framework used when engaged in the decision making process. Schoemaker, P.J and Russo, J.E (2001, p. 134) define a decision frame as being derived from mental models and providing “a stable, coherent cognitive structure that organises and simplifies the complex reality that a manager operates in". Frames are powerful since they exert a strong influence over the decision maker's perception of a situation and can generate blindness resulting in narrowing the decision maker's focus and placing an artificial boundary that keeps some elements within the frame while excluding other elements (Russo,J.E and Schoemaker, P.J 1989). The idea-imposition frame is comprised of activities related to: speed, action, acceptability, power, persuasion, pressure, lack of exploration, the tangible, relying on untested assumptions, focusing on a limited perspective, and neutrality. The content in this frame ignores discovery activities related to: reflection; engagement; listening; qualitative inclusion; and sharing. It thus ignores the complexity of most decisions. To incorporate discovery activities into a decision making frame a mental model that captures the dynamics of the activities is required.Mental models are rich networks of concepts and relationships that represent a generalisation of the "world" in which we live, work, and make decisions (Senge, P.M 1990a, b). Frequently, a decision maker's mental model includes activities related to the functions of decision making. These activities include: setting objectives; searching for alternatives; comparing and evaluating alternatives; choice; implementation; and follow-up/control (Harrison, E. 1999). The quantitative/action orientation of these activities leads to a reduction in the likelihood that discovery activities will be important to the decision maker. To develop a discovery decision making frame, the mental model needs to include components of exploration and collaboration. The latter is significant in that decisions can fail when stakeholders are not engaged in the decision making process.

6.2.3 Components of the model

The model is comprised of interactive components whose dynamics are managed through generative conversation to enhance discovery and collaboration. The components and their interaction are briefly described below.Better self-awareness (including understanding the strengths and limitations of one's preferred approach to decision making, and the ability to recognise one's assumptions and the role they play in the decision making process) increases the decision maker's ability to understand their impact on the issue for which a decision needs to be made. With enhanced self-awareness comes:

- an awareness of the emergent and developmental nature of effective decision making;
- an enhanced willingness to see the system that is involved – how all elements in the decision interact; and

- a greater sensitivity to the way emotions affect the decision making process.

The above three help to develop an awareness of the complexity and the chaotic nature of the interdependencies that exist in the issue and the decision making process used to address the issue.While the above components address the dynamic nature of the mental model, their synergy comes from an awareness of the need to engage in generative conversation to maximize discovery and collaboration. Engaging in the discovery and collaboration process enables the decision-maker to make a more effective decision. It is important to note that while the narrative presents a linear flow, the first five components interact in a reciprocal manner that reinforces and increases the awareness of each.

- ***Self-awareness***

Schoemaker, P.J and Russo, J.E (2001, p. 154) write:Managers must learn to recognise the limits of their own frames (or models) and learn how to recognise and challenge other people's frames. Yet, to do this, leaders need to first understand what their own decision making frames are and, more importantly, what their own mental models are. This is critical since the most significant leverage-point for improving the quality of decision making is to change one's own perspective (Senge, P.M*et al*., 1994).Gaining understanding of one's mental model of decision making requires taking a look at what comprises the current model and reflecting on how it developed. The time required for this level of reflection yields a significant return when compared to the cost of failed decisions. The gain is compounded when it is recognised that the decision maker's orientation to the process is what shapes the perception that the person brings toward the complexity of the decision making issue and the degree of interpersonal interdependencies necessary to make an effective decision.After identifying the components of the mental model, it is critical for decision makers to think about their assumptions toward the decision making process. How do their assumptions reinforce and limit the scope of the information used? Identifying assumptions about the decision making process helps the decision-maker understands how their assumptions interact with the information used in assessing the situation and the environment. Thus, the decision maker can see the impact the interaction has on the entire decision process (Senge, P.M.*et al*., 1994). Gaining a better understanding of the assumptions provides the decision maker with an opportunity to assess the values imbedded in the assumptions and their preferences toward: risk; how the decision making process is structured; the diversity of individuals included in the process; and the likely effectiveness of the desired outcomes (Irwin, J.R and Baron, J. 2001; Kunreuther, H. 2001).Self-awareness overcomes decision blunders and traps by increasing the decision maker's ability to generate a new decision making mental model that more effectively fits with the realities of complex decisions. Self-awareness also increases the opportunity for discovery and collaboration. As decision makers become more self-aware, their ability to "see" organisational barriers increases and they then can influence the barriers, and, as a result, ultimately influence the decision making process. Enhanced self-awareness also increases understanding of their risk tolerance and comfort level with bringing issues to the surface, exploring multiple perspectives, and encouraging collaboration. In addition, as people better understand them and become more skilled at expressing their assumptions about how they are shaping their cognitive and emotional responses to the issue, they may become less dependent on the use of power to "push" a single perspective.

- ***Development orientation***

Decisions produce outcomes with consequences, therefore, it is important for the decision maker to be aware of the role of learning in the decision making process. This does not mean simply learning from the outcomes of past decisions but learning before, during, and after the decision making process. To effectively "learn" requires that decision makers be aware of their own (and others') processes of reflecting, connecting, deciding, and acting, as well as the need to engage in learning in a public environment (Senge, P.M.*et al*., 1994). It also requires a mental model that encourages: emergent learning and risk taking; exploring both success and failure; a willingness to engage in trial and error learning/experimentation; avoiding a push for a quick final solution; encouraging contradiction and improvisation; engaging in reflection; and a willingness to diffuse the learning to the additional learning cycles that are generated (Levitt, B. and March, J.C. 1988; Redding, J.C. and Catalanello, R.F. 1994).Building on the learning component is the need to hold a development orientation. That requires focusing on enhancing the talents of the people involved. This approach helps instill a sense of self-esteem, advocacy and partnership into the process that leads to accountability, trust, and a more transformative view of the decision making process (Gilley, J.W. and Maycunich, A. 2000).A development orientation overcomes decision blunders and traps by treating all decisions as learning experiences with a development orientation; the decision maker is more likely to encourage exploration of multiple perspectives and claims as well as thinking about the political and social dimensions of the issue. A development orientation also means thinking about the desired results and changing them as new information or insight emerges, while depending less on defensive evaluation and justification.

- ***Systems perspective***

Kim, C. (1999, p. 2) defines a system as:

Any group of interacting, interrelated, or interdependent parts that form a complex and unifiedwhole that has a specific purpose.

In elaboration and at its heart, this definition requires that the decision maker's mental model moves from a focus on events and patterns to a holistic view of the issue and the environment in which it is occurring. This mental shift means that what is important is looking for, and making decisions based on, interconnections and interdependencies, or what Sherwood, S.J (2002, p. 2) calls "a community of connected entities". A systems perspective means that the decision maker needs to be aware that actions do not occur in isolation but rather they affect a system or systems. A decision pertaining to an event is not what is needed, but a decision that works on the system is (Kim, C. 1999).To enhance the above awareness Gharajedaghi, J. (1999) states that the decision maker must understand the dynamics of the environment in which the system is found and that this environment is comprised of multiple systems with controllable and uncontrollable elements. In addition, both the system and its environment are dynamic, not static, and an interplay of factors can emerge that affects the system during the decision making process. It is also important to recognise that systems capture the past, the present, and the future and that they are comprised of cycles, not linear relationships. Overall, a systems perspective requires that the decision maker focuses on processes rather than blame; understands cause and effect separated by time and space; understands where the leverage points lie and where small changes positively affect the whole system; and derives solutions that resolve the problem rather than a quick fix that only addresses symptoms (Mintzberg, H. 2003).A systems perspective overcomes decision blunders and traps by increasing the likelihood that the decision maker will look for hidden concerns as well as for generic structures that would help clarify the problem before evaluating diverse claims. In addition, it enhances the willingness to define results in terms of the system not from an individual perspective. This, in turn, is likely to increase the resources expended to search for ideas and evaluate proposals based on the overall costs and benefits to the entire system.

Finally, a systems perspective increases the inclusion of multiple stakeholders and diverse perspectives.

- ***Emotional orientation***

Emotions have a significant impact on how people perceive an issue and how they respond to its dynamics and the process of resolving the issue. Anger, frustration, exhilaration and ambivalence influence how decision making is approached. It is important for decision makers, in their mental models, to recognize their own emotions as well as those of others since this helps the decision maker see the importance of leveraging emotions to empower relationships and make effective decisions (Duxbury, D. and Anderson, F. 2000). Since the data used to make decisions seldom is complete and is often ambiguous, emotions can play a role in the decision making process (Cherniss, C.2001). Ambiguity, in turn, can lead to stakeholders holding emotional beliefs that weaken the decision making process. Such beliefs include: a perception that decision making is done in secret; feeling there is limited feedback and opportunity to make decisions and a perception that mixed messages are being sent (Cooper, R. and Sawaf, A. 1996).Understanding the power of emotions and increasing one's sensitivity to them allows decision makers to "tune into the emotions that are the most accurate and helpful when making difficult decisions" (Cherniss, C. 2001, p. 6). For decision making, it is crucial to build on Goleman's emotional intelligence (EI) skills related to personal competence (self-awareness, self-regulation, and motivation) and social competence (empathy, building bonds, cooperation, conflict management, influence, and an ability to catalyse change) (Duxbury, D. and Anderson, P. 2000). The latter believe that EI helps people feel more balanced, thus capable of making effective decisions and that EI facilitates both collective and individual learning thereby helping decision makers develop a more complete systems perspective.An emotional orientation overcomes decision blunders and traps by enabling the decision maker to be more sensitive to the ethical impact of the decisions, as well as to the needs and interests of multiple stakeholders. An emotional orientation also limits the use of authority, power and political actions to achieve a preferred course of action. It helps decision makers look at both the costs and benefits across stakeholder groups. Decision makers also spend time to clarify directions to reduce ambiguity and its consequences, and more effectively use emotions to maximise emergent learning.

- ***Complexity***

At times, decision making can feel chaotic; however, most situations are not chaotic but are complex. Therefore, the concept of complexity is crucial to hold in the mental model of decision making (Pascale, R.*et al*., 2000). Within the concept of complexity, Pascale, R.*et al*. (2000) believe that several key principles emerge. First, an approach to decision making that values the status quo has a high element of risk associated with it since it makes the decision maker less responsive to change and adaptation. Second, to survive, living systems self-organise or adapt to their environment. They cannot be forced into a linear path, so there are unforeseen consequences that arise in most situations. Third, while stability is not desired neither is complete chaos; rather the aim is to function at the edge of chaos.Balancing at the edge of chaos requires that the decision makers' mental models allow them to see the decision making process as one of change and instability, rather than a predictable path which is something that is not always achieved or desired. Balance also requires that decision makers understand and accept, even if they do not understand, that "dynamic structures do conform to some form of organising influence" (Hite, P. 1999, p. 207).In addition, balancing requires a shift in perspective from autocratic and rigid planning to an uncontrolled and emergent flow of decision making (Brown, J. and Eisenhardt, K.M. 1998). Finally, balancing requires that decision makers accept short-term inefficiencies, the need for continuous proactive behaviour, (Brown, J. and Eisenhardt, K.M. 1998) and encourage reciprocal relationships among stakeholders (Pascale, R.*et al*., 2000).Having an awareness of the many interacting aspects of complexity (holding a complexity dynamics perspective) overcomes decision blunders and traps by more effectively using and extending the interaction created by the other five components of the model. It moves beyond only thinking in terms of systems as they currently exist, but rather builds in a stronger understanding of the transformational potential of the systems (Stacey, J. 2001). A complexity dynamic includes recognising that the stakeholders' ability to integrate and differentiate work together to prevent chaos and does so by integrating feelings and thoughts, and thoughts with action, in order to maintain the balance (Gharajedaghi, J. 1999; Stacey,J 2001). The complexity approach strengthens the decision maker's ability to solve the "right" problem within the multiple contexts that have shaped it, based on the behaviour of the systems. As such, holding a complexity perspective reduces the likelihood that a decision maker will engage in any of the behaviours listed above.

- ***Generative conversation***

Conversation is a “core business process” (Brown, J. and Isaacs, D. 1996) and one that has tremendous impact on how effectively value is added to and derived from the decision making process. As such, generative (or transformative) conversation is the link that allows the other components of the model to interact to help decision makers achieve a high level of effectiveness. Brown, J. and Isaacs, D. (1996) describe the power that mutual respect, reflection, listening and asking questions, suspending judgment, strengthening of relationships, deriving shared meaning, and the development of mutual commitment has to transform the stakeholders and to generate ideas. This power is reflected in Garvin, D.A. and Roberto, M.A. (2001, p. 10) writing that decision making is:*Rife with discussion and debate and requires a structure that allows for the identification and consideration of a wide range of ideas.* A rational model based on the above (an inquiry approach to conversation) helps to achieve effective decisions. At its heart, inquiry is about asking questions and seeking information rather than only stating and advocating for one’s position. It assumes that the individual is not automatically right and, in fact, may miss some important issues. Inquiry also assumes that people act in ways that make sense to them so it is important for the decision maker to engage in actions that uncover the assumptions that underlie the behaviours (Pegasus, I. 1998). While inquiry is important, it is not sufficient. Rather advocacy (stating one’s views and disclosing feeling, expressing ideas, and proposing courses of action) and inquiry must be balanced (Senge, P.M.*et al*., 1994). Thereby, it creates an opportunity for generative conversation, which “allows for diverse perspectives and interests within a system to interrelate with one another” (Gerard, G. and Ellinor, L. 2001, p. 4). This interaction allows for seeing the whole by being able to see the interconnections between the parts that make the whole (Ellinor, L. and Gerard, G. 1998).Generative conversation overcomes decision blunders and traps by allowing multiple points of views to surface, making hidden agendas visible, developing shared meaning, building relationships, creating opportunities for people to be heard, helping to build a sense of connection, allowing undiscussed issues to be addressed, and enabling the creation of a positive rather than adversarial decision making climate (Preskill, H.S. and Torres, R.T. 1999; Whitney, D. and Trosten-Bloom, 2003). This lessens the chance that the decision maker will simply assume that all the claims are understood and that the first claims stated would be the ones acted upon. Balancing inquiry and advocacy encourages the clarification of direction, looking for hidden concerns, and developing the interests and commitments of multiple stakeholders. Generative conversation helps to ensure that ethical concerns are raised and addressed, and it helps capture emergent learning during the decision making process. Altogether, using generative conversation lessens the likelihood that a “quick-fix” will be applied.

6.2.4 Discovery and collaboration: an emergent process for “living” decision-making complexity

The components of the model create a mental network that generates insight and the development of creative opportunities that lessen the likelihood of seeing decision making as an “event” but rather seeing it as a complex process (Garvin, D.A.& Roberto, M.A. 2001). Thus, the decision making process is structured around discovery (exploring multiple perspectives and engaging in idea generation) and collaboration (awareness that others can help to develop joint creativity rather than individual creativity) (Ricchiuto, A. 1997). This combination produces a “think-first” (Nutt, P. 2002) approach that increases the chance of success based on a strategy of leveraging diverse insight and talent while garnering ownership of the decision making process and outcomes. Overall, discovery and collaboration provide a richer approach from which to develop a frame that allows the decision maker to avoid (Meyer, D.B.& Hutchinson, J. 2001):

1. decision traps that lead to failure;
2. being near-sighted;
3. starting with an analogy that does not fit with the issues to be addressed;
4. failing to assess the penalties for underestimating failure; and
5. Not learning from the emergent feedback received during the decisionmaking process.

The discovery and collaboration orientation has a significant impact on the success of the decision making process, in part, because it helps to avoid the blunders and traps. However, the power comes from what avoiding the traps produces. Namely, staying focused on the issue and approaching its resolution with increased creativity, inquiry, and discernment in an environment of freedom to learn from emergent activity (Nutt,P. 2002; Ricchiuto, A. 1997). The orientation also encourages searching for the right questions to ask as well as encouraging reflection, both of which increase the likelihood of a fundamental rather than quick fix to the issue. It also strengthens the decision maker's ability to deal with contradictions that complex, systemic decision making generates, such as, to be flexible and consistent, proven and innovative, and new and non-threatening (Ricchiuto, A. 1997).

6.2.5 **Conclusion *and limited recommendations towards the Sport and Recreation fraternity***

In conclusion part of the solution is to empower the Minister of Sport and Recreation through the Act to have a clause that not only guides but:

- Provides power to the Minister to investigate major sport sponsorship transactions, in order to advance the redressing of the previous imbalances through necessary regulations. This cannot be called totalitarianism as it is easily practiced in France without totalitarian labels
- Secondly, the intentions of sponsors such as ABSA and others should turn towards what is enshrined in the Constitution of the land, of which Corporate Governance is a very strong component.
- Thirdly in most cases sponsorships should be directed towards the development of the down- trodden grassroots, disadvantaged, rural areas i.e. school kids.
- Culture of transparency and accountability should be entrenched and observed; in this context the public can't be reluctant to exercise this.
- Sponsors must be socially sensible and sensitive and ensure that no commissions be paid to elected members in any form and leaders must be trained and audited if the need arises

Limited recommendation is that legislatures must revisit the Sport Act and consider closing gaps as matter of urgency. Society must resolutely hold its leaders accountable all the time as they are elected to serve not to advance selfish interests. The country needs leaders who are organically incapable of self-seeking to take South Africa to high levels, guided by a fundamental moral and principled template. The research looked at sport sponsorship, used case study method, governance issue, analysis and duly made recommendations. This work was timely when there has been generally a heightened evolution in sport sponsorship and its focus was to explore the nexus and compliance to the founding principles of the organizations (laws of governance). Indeed, good corporate governance aims at ensuring a higher degree of transparency in an organization by encouraging full disclosure of transactions in the company accounts as well as accountability. Academics have been exploring the notion of sports sponsorship and corporate governance with much of the debates grounded on understanding its commercial value.Information was collected through in-depth and experience interviews, documented reviews and constitution of the South Africa football Association, PSL, financial/banking sector policy regulations, South SA African Sports Act, corporate governance reports, annual reports, scholarly journals, academic books, conference papers and Parliamentary Monitoring Group documents etc. to mention but a few.

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Appendix A: Interview 1.

08 January 2011 (Ministry of Sport and Recreation, 2nd Floor, 120 building, Parliament)

(Minister Makhenkesi Stofile's interview on the Study of Sport Sponsorship).

Question 1

What were government expectations in the ABSA-PSL sponsorship deal?

Sponsorship deals are negotiated privately. We only hear announcements that the deal is in the region of this much or that much. As government we only have an interest and the wish that such deals would contribute and be biased towards the disadvantaged, poor i.e. school kids, rural areas etc. In most cases it doesn't go that way. In fact that deal was a cobweb.

Question 2

How did government perceive its obligation in this deal in the context of corporate governance?

Normally we investigate to check if the deal served its intended target or not. Remember the South African Sport and Recreation Act guides all of us in sport including ABSA in instances like this. It looks towards the realisation of what is enshrined in the constitution, of which corporate governance is very strong component. But to make it clear to you, as government we were against the payment of commissions as the Act guides us with clear intentions in the preamble; that of:

- Providing measures aimed at correcting imbalances in Sport and Recreation
- Promote equity and democracy in Sport and Recreation
- To provide for dispute resolution mechanisms in Sport and Recreation
- To empower the Minister to make regulations and to provide for matters connected therewith

Question 3

Does South African Sport and Recreation Act talks to the need to examine sponsorship?

Let me be blunt with you; we are not happy with the Act as it was dominated by liberals. By “we”, I mean the grassroots are not happy. The examination of sponsorship doesn’t exist in the Act, that’s the weakness of the Act. Both I and my predecessor (Balfour) were defeated when we tried to correct certain aspects of that Act in Parliament and by Cabinet. I wanted to have the power to investigate sponsorship deals during negotiations.

My efforts were labeled Totalitarianism,parliament retreated and recoiled and as a result we passed a diluted Act. From where am seated, I think the mistake we made was when we barely crawled. We could have corrected everything in 1995 just after the negotiation battle, when both the liberals and conservatives were still scared. Instead we went through an extreme reconciliation through the guidance of Madiba (Mandela) and Thangana (Tshwete).

This was vulgar in reconciliatory terms i.e. the Government of National Unity (GNU) - what was that for? We did not need that as we had an outright majority victory in our first democratic elections. You see in 1948 when the Nats got their majority, they ruled unapologetically. Even if you look across the globe, the conservatives are regrouping and they have world-wide networks as far as this country South Africa. Mphumzi just compare the Sport Act of France and that of ours and tell me what you see. In France the Act rules everything; there is nothing you do without the knowledge of the Sport Minister if it’s in relation with Sport. The liberals and conservatives do not even bother about that, they don’t call that Totalitarianism, they don’t. We have a very weak Act.

Question 4

With due respect to the Act as well as principles of corporate governance, what would you say is/was the justification of payment of commission to the PSL officials?

There can be no justification or determination of payment of commissions to elected leaders. When I was a treasurer of the African National Congress (ANC), we would for example approach a fundraiser to assist us. We would tell him if the target is R 1million, we would give him 10%, this is just an example, we would have a written agreement openly, nothing is hidden. .

Once he (fundraiser) goes beyond, we would immediately negotiate the deal. This is an open agreement before we even begin the work, not after we have done the work, like what they did after 2010 FIFA World Cup. I wasn’t even aware that there would be bonuses after the world cup, because it was not negotiated before the commencement of the World Cup. Here we are dealing with very “skillful” people; soccer people are “skillful”. I don’t know what the bonuses were for, because some of these people were elected.

Question 5

How can sponsorship be implemented to realise its full potential in addressing matters of imbalances?

In my view it can be realised if sponsors can be vocal about the conditions of their sponsorships. The tricky issue with that is when some sponsors want to exercise their hegemony as far as the selection of the team i.e. in Rugby and intentionally decide who should be voted for or against in councils. That's a very unfortunate part of being vocal, that's bullying. What I want to say is that they should be vocal towards bias regarding the downtrodden, poor. Just consider when Maria Ramos of Absa questioned the pace of transformation as a sponsor, did you witness the reaction? The reactionaries were on top of her regarding the sport, as if she was wrong to make such enquiries. The liberals and conservatives prefer the status quo, they are against change.

Question 6

How would you define the obligation of entities such as the PSL and ABSA when they conduct sponsorship deals?

Things have changed. The league (PSL) used to have strong and inspiring leaders, such as George Thabe, Norman Middleton etc. They were driven and motivated by a particular conscience, that of service and only serving the people not money. They were conscientious and that has changed now. In fact take almost all the leaders in the 1960s and compare them with today's leaders and you tell me.

When members of the ANC came back from exile in the 1990s, most of them those were earning in the region of R2000 a month. I am not talking commissions here or bonuses. Things have really changed. For example in the ANC, the movement has become a labour bureau for those seeking employment and other things, especially if you are a card carrying member, regardless of whether you have a conscience or not. The only thing comrades want is entitlement, mistakenly believing that when you have an ANC card you are entitled to something (crass materialism). You are not supposed to do that as a leader.

Question 7

Would you say the process of the PSL-ABSA deal was a transparent one, and were they accountable to the public/stakeholders?

The process was not open and transparent and there was no accountability to the public as relevant stakeholders and customers of the game of sport. We always emphasise the fact that the public should hold its leaders accountable.

Question 8

Would you say we have acceptable standards of administration when it comes to running the big three sports codes?

They are not satisfying and fulfilling.

Question 9

What is the criterion for funding sport?

We don't have it except from government.

Question 10

Would you say there was a link between sport sponsorship and corporate governance principles in the ABSA-PSL deal?

Not at all, there wasn’t Mphumzi.

Thank You for your time Minister.

Appendix A: Interview 2

27 November 2010, 4th floor, New Building, Parliament of the Republic of South AfricaInterview with Butana Komphela the Chairperson of the Portfolio Committee on Sport and Recreation

NB: This interview is a representation of twelve Committee members, led by Honourable Komphela

1. How would you define the role of the Parliamentary Portfolio Committee towards entities such as the PSL?

It is to check the PSL by and large regarding adherence to policy matters to see if they are in line with the transformation agenda. The PSL cannot be in contradiction with that, that's the thrust of the matter here, that's what we are guarding.

We are trying to make the PSL to be transparent and accountable as they not transparent at this stage.

2. Does the Sport and Recreation Act have a clause that specifically deals with sponsorship issues?

The Act has a short- coming of not regulating sponsorship and particularly those who are solicitors of sponsorship.

This omission is because the main focus was meant to regulate foreign players and administrators as they were diluting our development. We for example consider financing of sport which resides in Sport and Recreation, we have not linked private money to public money; such a link would lead to unaccountability.

3. How would you place the principles of corporate governance in sponsorship deals, do they have a place?

It doesn't exist. It's difficult to locate. It had no place in this ABSA-PSL deal. Remember corporate governance cuts across the disciplines, including entities such as the PSL and it should be respected. It even guides how people should behave when it comes to money, especially the receivers. There is room for corporate governance principles in any discipline.

4. What is your view on the payment of commissions to elected PSL officials?

My view is that it's the way of blunted corruption and nepotism- you cannot be elected and solicit sponsorship and then think you are entitled to that (in a form of commission), it's wrong. The basis for your election is voluntary, not on remuneration and creation of self-wealth through being self-seeking.

5. What would you say justifies the payment of commission?

There can be no justification for that.

6. What gives motives to these payments?

Its greed, selfishness and that's all.

Also to amass as much resources as possible in order to buy votes, to be elected again and then you corrupt others.

7. Would you say ABSA had a motive in allowing the payments or was it part of the agreement with the PSL to pay those commissions?

I don't think they had a motive, ABSA was manipulated, they didn't tell ABSA about commissions. They issued a statement that there would be no commission; however they had no control over that money when it was already paid.

8. Would you say there was a link between corporate governance principles and how that deal was done?

Not at all.

9. Was the deal transparent, beneficial and veered towards the country's constitution?

Again not at all.

10. Did both ABSA and the PSL account to the public when questions were raised about that deal?

No they didn't do that. That is why we are calling for the Act to regulate and bind towards strong accountability when it's necessary, especially on issues of National importance. The PSL is not a funeral parlour but a National entity with heavy economic activity going on there.

11. What should be done for sponsorship to realize its full potential?

There should be an act that regulates usage of sponsorship, and that cannot be called totalitarianism, especially if it is about accountability.

12. Would you say there is correlation between how sport sponsorship is done and corruption?

Yes, its huge, it's a cartel that is driven by those who are powerful, like what is happening to the Stellenbosch Mafia in the Springbok team.It's wrong; it's against the wishes of the country.

13. With regard to meeting the expectations of the public, what is Parliament's intention to prevent these anomalies from happening in the future?

It's to tighten up the constitution and have strong adherence to corporate governance principles if we are to succeed, and make laws that bite on issues of corruption and those who will be on the wrong side of the law.

Thank you for your time Chairperson.

Appendix A: Interview 3

21 February 2011 at Presidency with former Minister of Finance

Interview or input of Mr T. Manuel (Minister of Planning in the Presidency) February 2011.

Through Dumisa Jele (Chief of Staff in the Ministry).

The questions by **Mphumzi** refer.

Of course, your approach is quite correct; I should not be requested to speak about the matters of another portfolio.

In respect of the particular sponsorship transaction he refers to, namely the ABSA/PSL sponsorship, it would be most inappropriate for me to comment because my wife is now the CEO of ABSA. This was not a prospect when I raised the matter with her predecessor, Dr Steve Booysen.

Perhaps Mphumzi might benefit from my general approach to these questions.

Let me start with myself.

I am a Minister in government in order to serve the people in a democratic South Africa. Should the day arise when I believe myself entitled to a share of any transaction that a department I oversee is involved with, I would have lost my purpose as a Minister.

In sport, individuals avail themselves for election to positions within sports administration in order to serve the sport. Frequently, individuals who thus avail themselves, and are then elected should have their means of livelihood. Most sporting codes remunerate executive members for out-of-pocket expenses and, if the code can afford it, also pays a stipend for attending meetings or events.

Where such an elected representative, e.g. the President of a Union, becomes a full-time employee, it should be by formal resolution of the Board and such employment should be remunerated in a transparent manner, with delegates aware of what the terms and conditions are.

Executive Committees are elected in order oversee the work of management and ensure that the assets of the union/code are protected. These functions are taken together under the rubric of ‘fiduciary responsibilities’. In addition, the executive committees of sport codes also take responsibility for the promotion and development of such sporting codes. Now if the executive, or some of its members are involved in slicing off some of the proceeds of sponsorship contracts or payments to the codes, whether they do so by resolution of the board, or not, the problem is that they are compromised and thus cannot exercise their fiduciary responsibilities by exercising oversight over the staff, in the execution of assigned duties.

If there is no distinction between elected executive members and staff, there can be no oversight. If there is no oversight, it is hard to imagine how the code will be developed. Such development includes functions such as expanding and organising the amateur side of the code .This applies everywhere.

In codes where there is also a professional arm, it remains administratively bound to the amateur code. This is how international affiliation happens also. So SAFA is affiliated to FIFA and the PSL is affiliated to SAFA; it stands to reason that the proceeds of the PSL should cross-subsidise the amateur soccer. If the PSL drains resources then the code will be starved of development resources. There should be considerable literature available on this symbiotic relationship.

Other parts of the development of the code include issues such as fairness, refereeing and the like. If the reputation of the sporting administration is impaired, then players and spectators will doubt whether fairness applies at all.

For these reasons, this is a serious matter, and a matter of principle; therefore not directed to any individual or group of individuals.

I am conscious that in many instances, sport administrators may also earn their livelihood from some form of involvement in sport, but this creates a greater obligation for clean lines of separation of decision-making.

In many countries, club-owners of professional teams are explicitly excluded from decision-making in administration in order to safeguard the reputation of the sport. This appears to not be the case in South Africa.

I believe that these are the types of matters that an examination of corporate governance in sport might explore. It is a rich topic with an abundance of literature and research reports from across the world.

Thank you.

T. Manuel.

Appendix A: Interview 4

Interview with ABSA: CEO's Office (Mrs Maria Ramos), ABSA Towers, 5th floor, 170 Main Street, Johannesburg, 2010. 12. 14

Describe the varying nature of PSL-ABSA sponsorship deal, PSL-Super sport deal, PSL-SABC deal simplistically, from your ordinary point of view and explain what do all these deals have in common?

•The deals are fundamentally different due to the nature of the contracts. The Absa deal is for the sponsorship of the league, whereas the SuperSport deal is a broadcast deal whereby Super Sport has acquired the rights to broadcast all PSL games (all tournaments, not just the Absa Premiership). As far as I understand it, the PSL does not have a deal directly with the SABC – SuperSport concluded a deal with SABC whereby they have on-sold the broadcast rights to the SABC.

•Unfortunately I cannot comment on the nature of the SuperSport deal, as we are not privy to the details.

•What the deals would have in common though is that SuperSport and Absa would have assessed the commercial viability (return on investment) of the deals before agreeing to any price.

Describe ABSA's position on principles of corporate governance specifically within the context of sponsorships?

•Good corporate governance is key tenet of the way in which Absa does business, and is a non-negotiable element of our sponsorship negotiations.

•We have a strict and thorough Code of Ethics, and abide by any laws which may govern our behaviour and business dealings.

•As such, sponsorship contracts are concluded in consultation with legal counsel, and include many clauses to protect our brand and reputation. We encourage our sponsorship partners (rights holders) to adhere to similarly strict principles on corporate governance, and should we believe at any time that the rights holders are compromising our reputation and principles, we will take the necessary action.

•Furthermore, we have mandates and approval processes in place which governs the sponsorship contracts which are entered in to and ensure that due process is followed.

What major challenges do you normally experience as sponsors in sponsorship deals?

•Since our sponsorships are managed via comprehensive contracts, there is a strong framework which alleviates many challenges.

•The challenges experienced are more often than not operational, rather than strategic or of a corporate governance nature and these are easily resolved through discussion, debate and regular and clear communication.

•An example would be ambush marketing by a third party, which is in the interests of the rights holder and the sponsor to resolve as quickly as possible. In extreme cases, we may resort to legal counsel to bring ambush marketers in line. To date, we have never had to go as far as litigation to get such an issue resolved.

•Any insurmountable issues between ourselves and a rights holder would lead to arbitration if necessary, and contract termination in extreme cases. Thankfully, we have not (to the writer's knowledge) ever had such an instance.

Is the payment of commissions to elected leaders/negotiators part of the challenge in sponsorship deals?

• No. Our sponsorships do not include any allocation for payment of commissions.

• It is common practice worldwide, that if an agency or third party is used to negotiate a deal, they receive compensation, and this is often in the form of a percentage of the sponsorship fee. However, as sponsors, we are in no way involved in this process, and it is generally agreed before we are even engaged with a sponsorship proposal. In certain cases where a rights holder utilises the skills of internal parties to negotiate a deal, their management and governance structures may decide to award compensation to those internal parties for the conclusion of the deal, but once again, this is managed and governed by their own governance structures and the sponsors are in no way involved.

What would you say was/is PSL obligation when conducting sport sponsorship deal within the context of corporate governance?

•The PSL is accountable to its Board and members of the association, and as such is obliged to comply with any corporate governance agreed to by these parties.

What would you say is the motive and justification for those who negotiate sponsorship to negotiate sponsorships?

•Many initiatives and industries (sports bodies, artists, etc) rely on sponsorship for their existence, and sponsorship makes up a significant percentage of their revenues and ability to operate. Thus the aim would be revenue generation for the rights holder, for them to continue to stay in business. Furthermore, they would most likely be looking for partners who are able to assist them in building their own ‘brands’ and appeal of the activity/event, etc being sponsored, in order to improve its success and sustainability.

•Worldwide, sponsorships have generated an entire industry of agencies and specialists whose area of expertise is sponsorship proposals, measurement and sales. As such, the primary motivation would be commercial in nature – it is a business.

Does treasury department have expectations when it comes to issues of sponsorship by banks, what are those if you know?

•There are no specific requirements beyond the normal requirements in terms of good corporate governance.

Appendix A: Interview 5

Sbu Mseleku's interview 12 December 2010. (Journalist from City Press), Houtbay Beach, Cape Town. Sbusiso Mseleku is a Sport editor of City Press Newspaper.

-Is there sufficient scholarly work on the assessment/appraisal and evaluation of sport sponsorship practices?

No, I don't think there is enough scholarly work, as the practitioners of sponsorship continue to have money in their pockets, this time in form of finder's fee.

-Would you say sport sponsorship, in particular the ABSA-PSL deal was done in accordance and adherence of corporate governance principle?

I would say yes if they have employed an outsider. Remember these solicitors are elected to PSL leadership and therefore are not entitled to commissions; they are assigned to get sponsorships, if they do the opposite-that's corruption.

-What would you say was the obligation of PSL-ABSA sponsorship deals?

People who were voted in those positions (regional structures) should have asked or enquired about ABSA-PSL deal, here I am referring to SAFA regions.

On the other hand Maria Ramos (Group CEO ABSA) said it was not part of the deal or agreement to award commissions.

-Are these deals veered towards the constitution of the country?

Not really, because some portions still go to individual pockets. Bigger portions should go to development than in administration

-Is there a link between sponsorship deal and corporate governance?

Not at all

-What would you say justifies the payment of commissions to PSL officials?

There can be no justification for that

-What would say about sport and recreation act on this matter of sponsorship?

That the act did not assist in this regard

-Would you say this deal did meet the expectations of the public as a stakeholder?

To some extent yes, except the questionable sum of money going to individuals

-Was the deal fully transparent and fully accounted for?

Not at all

-What would you like to see in the deal in order for sponsorship to fully realize its potential?

Sponsorship must go to their intended recipients, not others. Administrators should also adhere to the stipulation of the contract

-Do you see importance/role of corporate governance and act when conducting sponsorship?

Corporate governance will always be significant and necessary

Appendix B: Consent Letter

285 Anfield Village
Forest Drive
Pinelands
Cape Town
7405

15 November 2010

To: President and Deputy President of South African Football Association, 76 Nasrec Road, SAFA House, Nasrec, Johannesburg.

Consent to Participate In a Research Study

Herein receive a notification to humbly alert your office that Mphumzi Julius Mdekazi an M Com student received a permission from both the Minister of Sport and Recreation and the Portfolio Committee Chairperson in Parliament to conduct a Corporate Governance and Sport Sponsorship research study as an enrolled student of higher education institutions/ university. The aim of the study is to find the nexus between sponsorship transactions and corporate governance, with specific reference to PSL-ABSA sponsorship transaction.

It is within this context Mr President that I sensitize your office about this development to interview some of the Executive Committee members of Premier Soccer League as they are your official wing/member; of course questions will be in the context of corporate governance as stipulated above. In-depth interviews (face-to-face interviews) are to be used to gather data from all research participants. The study is schedule to commence 06 December 2010 to the 16 December 2010. One of the ethical issues to be considered for this research is the handling of sensitive issues and confidentiality. Other general considerations are that:

- Participants can withdraw from the study at any stage without penalty
- All data and records obtained will be kept confidential
- Participating in the study will not be rewarded in monetary terms or in any other form
- Each participant has the right to decide on whether or not to participate in the research study.

Your co-operation is greatly appreciated.

Yours Faithfully
Mphumzi Mdekazi

Appendix C: Interview Schedule

Interview Schedule

Let me take this opportunity to welcome you to this interview session. The purpose of this session is tofinding nexus between Sport Sponsorship deals and Corporate Governance Principles (Accountability and Transparency), utilizing the ABSA-PSL Sponsorship Deal as a Case Study.The idea is to find out that as practitioners in the industry of sport, are you able to use and adhere to the utilisation of corporate governance principles when sport sponsorship is conducted.

The lessons of this study are to be applied in endeavours to maximise the working relationships of sponsors, government, legislatures, including community of sport fraternity, as well as identify needed support appropriately. This interview will take about 40 minutes.

I would like you to be free, very honest and critical. This interview is not about providing the correct answer or the wrong answer but it requires you to reflect in terms of your own experiences and how you have seen things done. You can speak in any language that will make this interview easier for you.

Allow me to remind you that you need not mention names if you choose not to, perhaps those of your peers/colleagues. Everything we discuss during the session should be kept confidential if you want to. You are allowed to raise questions with me during the session. Please remember that you have the right not to answer questions that make you feel uncomfortable in any way.

Probe:

Legislature's/ Parliament's position

- How the role of legislatures is explained when it comes to entities such as PSL in sport sponsorship deals?

- With the tools that you have such as the Act, do you find it assists in conducting your oversight function, especially regarding issues of sponsorship and issues of corporate governance?

Academic's position

- Would you say there is sufficient scholarly work compared to journalistic assessment when it comes to issues of sport sponsorship?
- Do scholars find any necessity to co-join principles of corporate governance and sport sponsorship in business studies?

Media's position

- Describe the varying nature of the PSL-ABSA sponsorship deal, PSL-Super sport deal, PSL-SABC deal.
- What do all these deals have in common?

ABSA's position

- What is ABSA's position on principles of corporate governance?
- What major challenges do you normally experience as sponsors in sponsorship deals?
- What is ABSA's position on the payment of commissions?

PSL's position

- What is the PSL's obligation when conducting sport sponsorship within the context of corporate governance?
- How does the PSL arrive at paying commissions, what motivates and justifies such a move?
- What is the PSL constitution's position when it comes to the above questions?
- What is the role of elected leaders in a sponsorship deal?

Government's position

- What is the position of the department of sport and recreation in the implementation and overseeing of sport sponsorship deals?
- Can the department locate its place with regard to the above question in the context of corporate governance?

- What is the position of the treasury department when it comes to issues of sponsorship by banks?
- What is the treasury department's position on the PSL-ABSA deal, with specific reference to the payment of commissions?

Your co-operation is greatly appreciated.