

Full reference: Malagila, J.K., Zalata, H.A., Ntim, C.G., & Elamer, A.A. (2020) ‘Corporate Governance and Performance in Sports Organisations: The Case of UK Premier Leagues’, *International Journal of Finance and Economics*, Forthcoming (Accepted 18 June 2020).

Corporate Governance and Performance in Sports Organisations: The Case of UK Premier Leagues

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Corporate Governance and Performance in Sports Organisations: The Case of UK Premier Leagues

Abstract

A considerable amount of accounting, economics and finance studies have investigated the link between corporate governance (CG) and performance in profit and non-profit organisations. This paper departs from the existing literature by investigating the relationship between CG structures and both financial performance (FP, measured as return on assets (ROA) and equity (ROE)) and non-financial performance, measured as league points won (NFP-Points), of sports organisations with specific focus on UK premier leagues' football (soccer) teams. We collect data relating to CG structures, FP and NFP-Points of football clubs playing in the four UK premier leagues in England, Northern Ireland, Scotland and Wales along with the English Championship teams over the 2011-2016 period. We analyse our data relating to 80 football clubs over a 6-year period (generating 397 club-year observations) by running a number of multivariate analyses to test our hypotheses. Our findings are as follows. First, we find that NFP-Points is higher in clubs with larger boards, non-executive directors (NED), CEO role duality, and higher percentage of foreign and/or younger directors, but lower in firms with higher percentage of female directors. Second and by contrast, we find that the relationship between these same set of variables and FP is, however, insignificant except for boards with NED that remained significant and negatively related to ROA. Our findings appear to reflect the prioritisation of *on-the-field* performance over *off-the-field* performance by sports organisations. Our evidence is largely robust to using alternative measures and estimation models.

KEYWORDS: economics and finance; corporate governance and performance; popular sport organisations; football/soccer, premier league, UK

JEL Codes: G3; G34; G38

1. INTRODUCTION

A series of major financial crises, corporate scandals and failures, especially from the 1990s onwards, such as Enron and the 2007/2009 global banking crisis brought to the fore the importance of good corporate governance (CG), sound financial and risk management, accountability, disclosure and transparency within organisations (Estélyi & Nisar, 2016; Liu, Padgett, & Varotto, 2017; Yamori, Harimaya, & Tomimura, 2017). Subsequently, academic and public interest in CG structures, and in the process, a large theoretical and empirical literature on CG emerged within the broader accounting, economics and finance literature (for reviews, see Bozec & Bozec, 2012; Kirsch, 2018; Shleifer & Vishny, 1997; Terjesen, Sealy, & Singh, 2009). A lot of this extant literature have focused on examining the effect that CG has on financial performance (Ahern & Dittmar, 2012; Carter, D'Souza, Simkins, & Simpson, 2010; Gyapong, Monem, & Hu, 2016; Jackling & Johl, 2009; Marimuthu & Kolandaisamy, 2009; Ntim, 2015; Salloum, Jabbour, & Mercier-Suissa, 2019; Sarhan, Ntim, & Al-Najjar, 2019a). Other studies have linked CG structures to other organisational outcomes such as compensation (Agyei-Boapeah et al., 2019; Core, Holthausen, & Larcker, 1999; Elmagrhi et al., 2019; Liu et al., 2017), audit fees, book-tax differences and dividend policy (Abdul Wahab et al., 2018; Gyapong et al., 2019; Sarhan et al., 2019b), disclosure (Elamer et al., 2019; Hughey & Sulkowski, 2012), earnings management and fraudulent reporting (Cumming, Leung, & Rui, 2015; García Lara, García Osma, Mora, & Scapin, 2017), efficiency (Yamori et al., 2017), environmental performance (Haque & Ntim, 2020; Shahab et al., 2020b), and stock price informativeness (Gul, Srinidhi, & Ng, 2011; Shahab et al., 2020a).

The main evidence that is emerging from these studies is that CG structures have major effects on corporate outcomes. However, it is also worth noting that other studies show inconclusive results on the CG structures–performance relationship. Specifically, some studies show mixed results on the relationship between specific CG characteristics and firm performance (Ahern & Dittmar, 2012; Brown & Caylor, 2009; Elsayed, 2007; Jackling & Johl, 2009; Malik & Makhdoom, 2016). Other studies even find no significant relationship (Afrifa & Tauringana, 2015; Marimuthu & Kolandaisamy, 2009). Arguably, and assuming similar research design being applied, two reasons could explain this inconclusiveness. First, exogeneous factors, such as the firm's external environment (e.g., the competitive environment) can affect the CG–performance relationship (Boone, Field, Karpoff, & Raheja, 2007; Coles, Daniel, & Naveen, 2008). Second, certain biological, psychological and social factors affecting the behaviour of directors may limit the explanatory power of traditional theories that have been applied to study this relationship (Buss, 1989; Loukil & Yousfi, 2016; Meier-Pesti & Penz, 2008). Hence, apart from the relevant theories adopted in this paper, our paper contributes to the literature by using the tendency of UK football

clubs to prioritise *on-the-field* (non-financial) over *off-the-field* (financial) performance (i.e., the clubs' competitive environment) to develop our research hypotheses.

Furthermore, a major limitation of the existing CG literature in accounting, economics and finance is that it has focused almost exclusively on publicly listed firms, with a few focusing on non-profit organisations, such as charities (e.g., Elmagrhi, Ntim, Malagila, Fosu, & Tunyi, 2018; Newton, 2015). Of greater concern and closer relevance to our current study is that there is virtually no study that examines the impact that CG structures can have on the performance of sports organisations, especially the most popular ones, such as football (soccer) within the larger accounting, economics and finance literature. Noticeably, existing literature indicates that there is a tendency by football club managers to heavily depend on external investors and be willing to sustain financial (*off-the-field*) losses provided this will lead to better footballing (*on-the-field*) successes (Acero, Serrano, & Dimitropoulos, 2017; Lang, Grossmann, & Theiler, 2011; Rohde & Breuer, 2017). Therefore, and given that sports organisations, especially popular ones, such as football clubs tend to place greater emphasis on *on-the-field* compared with *off-the-field* performance, it is likely that the effect of CG structures on performance in sports organisations may be different from non-sports organisations. Thus, the CG–performance link in sports organisations arguably requires to be analysed separately.

Meanwhile and despite the lack of empirical attention by accounting, economics and finance scholars, in the past three decades, a number of factors, including the significant re-organisation of football leagues as popular sports, the ever-expanding club competitions, and increasing media interest and coverage, have propelled the global football industry into growing significantly, especially in Europe/UK (Acero et al., 2017; Dimitropoulos & Tsagkanos, 2012). Observably, the football industry's growth has increased football clubs' streams of revenues/cash flows from the internationalisation of football product markets, the licencing of lucrative football television broadcasts rights and related advertisements, and increased foreign investments and professionalisation of their operations (Nauright & Ramfjord, 2010).

However, the recent history of football clubs in the UK in particular shows that the very large increases in clubs' revenues/cash flows year after year has not always been consistent with their financial performance (FP) in terms of, for example, pre-tax profits (Hamil & Walters, 2010; Millward, 2013). In addition, there are examples of rising club debt levels, and several clubs being forced to enter into administration/bankruptcy proceedings (Millward, 2013). The poor financial (e.g., profitability and leverage) performance is also common in many European football clubs (Dimitropoulos, 2010, 2011). In this case, the extant sports literature shows that one of the major reasons for this apparent paradox is “overinvestment”. For example, excessive investment in

acquiring/retaining best football talents (Acero et al., 2017; Rohde & Breuer, 2016) aimed at achieving and maintaining better *on-the-field* results, can result in financial bankruptcy.

Observably, the focus on *on-the-field* non-financial performance (NFP-Points) at the expense of long-term financial sustainability by football clubs, especially in Europe has become a major concern of regulators, such as the Union of European Football Association (UEFA) and the England Football Association (FA) (Vöpel, 2011). Consequently, in 2010, the UEFA and the European Club Association (ECA) agreed to unanimously approve a set of rules called “Financial Fair Play” (FFP), which came into force from 2011 (UEFA, 2015a; Vöpel, 2011). The FFP rules aim to ensure long-term financial stability and to restore the competitive balance between European football clubs (UEFA, 2015a, 2015b, 2017). Indeed, FFP rules are based on Value 8 (*FFP and regularity of competitions*) of the eleven key values that form the UEFA’s sports philosophy (UEFA, 2017). In this Value 8 UEFA supports “*fair play both on and off the pitch, clubs to operate transparently and responsibly, to protect both sporting competition and the clubs themselves. FFP seeks to ensure that clubs do not get into a spiral of debt in order to compete with their rivals, but rather compete within their own means*” (UEFA, 2017).

Consequently, there has been a growing debate regarding the implications (especially financial ones) of these reforms on the long-term sustainability European football industry (Rohde & Breuer, 2017), and thus, increasing calls for research on football clubs governance that can enhance current knowledge and understanding (Hamil, Holt, Michie, Oughton, & Shailer, 2004; Michie & Oughton, 2005). In this case, we argue that the UK football premier leagues provide a unique context for examining the CG–performance relationship of football clubs for three main reasons. First, the UK premier leagues remain the biggest in financial terms and by far the most popular in terms of viewings globally, with broadcasting rights and sponsorship packages reaching over £1 billion annually (Dimitropoulos, 2014). Thus, UK football organisations are big and serious businesses, whose failure will arguably have major financial, economic and social implications not just in the UK, but also worldwide.

Second, in addition to the stricter enforcement of FFP rules and the general regulatory environment, the UK has been at the fore front of CG reforms, including those relating to sports that have been adopted worldwide (Cuomo, Mallin, & Zattoni, 2016). For example, the UK Corporate Governance Code, 2016, formerly known as the UK Combined Code is the latest version of these CG reforms (UK, 2016, 2018)¹. This CG code contains specific good CG principles relating to accountability, effectiveness, leadership, relations with shareholders and remuneration, and has been adopted or adapted in many countries (Cuomo et al., 2016). This

¹With effect from the accounting periods beginning on or after 1 January 2019, the UK CG Code 2016 was replaced by UK CG Code 2018 (UK, 2018).

implies that our findings may not only be applicable to the UK, but also to football organisations and businesses operating in other countries.

Third, the UK football governance reforms and businesses are at relatively advanced stages of development. For example, the UK Companies Law, the UK Corporate Governance Code, and the Football Code of Governance (Cuomo et al., 2016; FA, 2017; UK, 2006, 2016) all contain specific governance provisions that can be empirically analysed. For example, they all specify the need to ensure a reduction in the concentration of power in few hands, greater board independence and diversity. However, with the rise of the “sugar daddy” financing model, the UK football clubs’ governance structures have, in recent years, experienced an increase in ownership concentration (Lang et al., 2011; Rohde & Breuer, 2016). The “sugar daddy” financing model is a phenomenon where an extremely wealthy private investor (mostly and increasingly foreigners) buys the majority ownership of a sports/football club, and subsequently fully bankrolls its operations financially (Lang et al., 2011). The existing literature shows that ownership structure affects the role and composition of corporate boards (Renders & Gaeremynck, 2012; Setia-Atmaja, 2009; Sur, Lvina, & Magnan, 2013).

Therefore, the current study seeks to contribute to the accounting, economics, finance and CG literature by investigating the association between CG characteristics and performance of 80 football clubs in five football leagues (i.e., Premier leagues in England, Northern Ireland, Scotland and Wales along with the English Championship league) in the UK over a six-year period (i.e., 2011-2016). We use two measures of financial performance, return on assets (FP-ROA) and return on equity (FP-ROE), and one measure of non-financial performance, league points won (NFP-Points). The CG characteristics investigated, include board size, board independence proxied by the presence of non-executive directors (NED) on board, board diversity (the presence of female, foreign and young directors on board), and CEO duality (CED). By so doing, we seek to contribute to, as well as extend, the existing CG literature in accounting, economics and finance in a number of ways. First, we provide evidence on the extent to which CG structures affect FP and NFP-Points. Specifically, we provide evidence that shows NFP-Points is higher in clubs with larger boards, presence of board NED, CEO role duality, and higher percentage of foreign directors (FOD) and younger directors (YOD), but lower in firms with higher percentage of female directors (FED). Second and by contrast, we provide new evidence that shows that the relationship between these same set of variables and FP is, however, largely insignificant. Our findings offer new insights by demonstrating that sports organisations seem to prioritise their *on-the-field* (non-financial) over *off-the-field* (financial) performance. Consequently, the ineffective role of football clubs board of directors in sustaining their long-term FP raises the need for both owners and fans to force their agents to pay greater attention to both financial and non-financial performance of their clubs.

The rest of the paper is structured as follows. The next two sections will review the theoretical literature and develop hypotheses. Sections four and five will present the research design and report and discuss empirical findings respectively, whilst the final section concludes the paper.

2. THEORETICAL FRAMEWORK

The choice of a theoretical framework for the current study was influenced by three factors. First, there is limited theoretical and empirical literature on the football industry's economics, finance, CG, accounting/disclosure quality, firm value and corporate social responsibility, amongst others. Second, the extant literature reveals a plethora of theories researchers have adopted in researching the patterns relating to the CG–performance association (Jackling & Johl, 2009; Kiel & Nicholson, 2003; Raheja, 2005), which include agency (Daily, Dalton, & Cannella Jr, 2003a; Daily, Dalton, & Rajagopalan, 2003b; Eisenhardt, 1989; Fama & Jensen, 1983a, 1983b; Jensen & Meckling, 1976), stewardship (Davis, Schoorman, & Donaldson, 1997; Donaldson & Davis, 1991) and resource dependence (Hillman & Dalziel, 2003; Hillman, Withers, & Collins, 2009; Kiel & Nicholson, 2003; Pfeffer & Salancik, 2003) theories. Third, given the multifaceted nature of the CG–performance relationship, it has been argued that no single theory will be sufficient in providing explanations for empirical links (Gyapong et al., 2016; Salloum et al., 2019; Sarhan et al., 2019), and that appropriately combining multiple theories would improve the explanatory power of studying such a complex social/economic phenomenon (Ntim, 2015; Ntim, Opong, & Danbolt, 2012). Consequently, we also draw from multiple theories in developing our hypotheses, and adopt the agency theory (AT), stewardship theory (ST) and the resource dependency theory (RDT) as discussed in the following paragraphs.

The AT is one of the most widely used theories in finance, accounting and management studies (Daily et al., 2003a; Daily et al., 2003b; Eisenhardt, 1989). The theory frames the principal-agent relationship from a behavioural and a structural perspective (Fama & Jensen, 1983a, 1983b). The AT predicts, given the chance, the agent will behave in a self-interested manner that conflicts with the principal's interest. As such, the principal must institute appropriate structural mechanisms (e.g., a football club board of directors) for advising, monitoring and controlling the agent (e.g., the manager of a football club) in order to deter/limit the agent's opportunistic behaviour and efficiently align both parties' interests (Fama & Jensen, 1983a, 1983b). Consistent with AT, the appropriate board characteristics (e.g., its structure, composition and roles) are the ones that enable the board to advise, monitor and control the agent in order to achieve maximum firm performance at the lowest agency (contractual and operational) costs (Fama &

Jensen, 1983a, 1983b; Jensen & Meckling, 1976). Studies applying AT show that such board characteristics includes the separation of CEO and board chair positions in order to avoid managerial entrenchment (Brown & Caylor, 2009; Eisenhardt, 1989; Fama & Jensen, 1983b; Jensen, 1993; Yermack, 1996) the presence of NED to improve board independence (Darko, Aribi, & Uzonwanne, 2016; Hillman & Dalziel, 2003; Shleifer & Vishny, 1997) and board diversity, such as the presence of FED (Carter et al., 2010) and FOD (Estélyi & Nisar, 2016), which bring new perspectives and insights into the board, and minimise agency costs (Carter et al., 2010; Estélyi & Nisar, 2016).

Like the AT, the ST is also about relationship between two parties and framed from a behavioural and structural perspective. However, under the ST the relationship explained is that of the principal (owner) and the steward (manager), not the agent, and its underlying assumptions are based on the humanistic and pro-social rather than the economic and self-interested perspective of the AT (Davis et al., 1997; Donaldson & Davis, 1991). Consequently, the ST predicts that, given the appropriate context in which to operate, the steward will behave in ways that aim at the principal's interest (Davis et al., 1997; Donaldson & Davis, 1991; Pearson & Marler, 2010). Thus, under the ST, maximum firm performance is achieved when the principal institutes an organisational structure and culture (e.g., collectivism and cooperative) in which the stewardship behaviour can flourish (Davis et al., 1997; Pearson & Marler, 2010). Empirically, for example, ST predicts a positive CED–performamnce relationship because CED facilitates organisational efficiency (e.g., fast response to necessary strategic changes) due to unity of leadership and control (Boyd, 1995; Daily & Dalton, 1994; Donaldson & Davis, 1991; Moscu, 2013).

Although AT is historically the predominant theory used to study boards of directors, empirical evidence shows that the RDT has increasingly become more influential as a lens for understanding boards (Hillman & Dalziel, 2003; Hillman et al., 2009). From an organisational and strategic management perspective, RDT characterizes the firm as an open system, dependent on contingencies in the external environment (Hillman et al., 2009; Pfeffer & Salancik, 2003). RDT suggests boards enable firms to gain resources and/or minimise dependence (Hillman & Dalziel, 2003; Hillman et al., 2009; Pfeffer & Salancik, 2003). Consequently, RDT views board characteristics, such as board size, composition and diversity as indicators of the board's ability to provide the firm with critical resources and improve firm performance. For example, RDT supports larger boards because of the potential to broaden firms' range of connections (Guest, 2009; Lückerath-Rovers, 2013) and the presence of FED to enhance board's legitimacy (Farag & Mallin, 2017; Kiel & Nicholson, 2003; Lückerath-Rovers, 2013; Solakoglu, 2013) with the external environment. Similarly, RDT supports the view that the presence of FOD provides the firm with experiences, outlooks, skills and cultural values that may not be available to the firm's

local context (Jhunjhunwala & Mishra, 2012; Ujunwa, 2012) and that directors' age heterogeneity brings a wide range of ideas/approaches from younger (e.g., greater enthusiasm/energy) and older directors (e.g., greater experience/stability) in the decision making process (Anderson, Reeb, Upadhyay, & Zhao, 2011; Richard, Barnett, Dwyer, & Chadwick, 2004).

Notwithstanding the preceding theoretical discussion, certain behavioural and structural characteristics of the firm and its directors may limit these theories' explanatory power to predict a positive CG–performance relationship. For example, the benefits of having a larger board size and an independent and diverse board may be limited/reduced if the directors are busy with other responsibilities (e.g., due to multiple directorship) (Falato, Kadyrzhanova, & Lel, 2014; Faleye, Hoitash, & Hoitash, 2011; Field, Lowry, & Mkrtchyan, 2013), lack the qualifications, skills or/and experience relevant to the specific directorship role (Terjesen et al., 2009; Tharenou, Latimer, & Conroy, 1994) and/or are geographically/physically distant from the firm's head office to the extent that the costs of regular board meetings attendance, engaging in essential networking or familiarizing with what is happening in the local context are prohibitively high (Coval & Moskowitz, 2001; Knyazeva, Knyazeva, & Masulis, 2013; Lerner, 1995; Masulis, Wang, & Xie, 2012). Consequently, the ability and incentive/willingness to efficiently and effectively advise, monitor, and control management operations and performance will be undermined, adverse selection and moral hazard left unchecked, and firm performance/value decreased (Falato et al., 2014; Masulis et al., 2012).

Consequently, and given each theory's strengths and limitations discussed above, the next section (Section 3) seeks to enhance their predictive power by drawing on their joint insights to develop the research hypotheses of this study.

3. HYPOTHESES DEVELOPMENT

The limited literature on football clubs supports the assertion that the quality of CG is relevant in explaining the administrative, managerial, operational and financial performance of professional football clubs (Dimitropoulos, 2010; Michie & Oughton, 2005; Scafarto & Dimitropoulos, 2018). Studies find that the quality of CG in terms of board of directors' and ownership characteristics is associated with the quality of football clubs financial reporting, such as the level of opportunistic earnings management (Dimitropoulos, 2011), profitability and viability (Dimitropoulos & Tsigkanos, 2012), and debt/financial risk levels (Dimitropoulos, 2014).

In this paper, we focus on, and contribute to, the association between board of directors' characteristics, and both the financial and non-financial performance (FP-ROA, FP-ROE and

NFP-Points) of football clubs in the UK. We review the relevant traditional accounting, economics and finance literature, and develop the research hypotheses in the following sub-sections.

3.1 Board size (BDS) and football club performance

Numerous studies have debated and analysed the optimal corporate board size question (Anderson & Reeb, 2003; Boone et al., 2007; Coles et al., 2008; Guest, 2009; Jensen, 1993; Yermack, 1996). Some studies support smaller boards (e.g., Jensen, 1993; Yermack, 1996), while others support larger boards (e.g., Anderson & Reeb, 2003; Coles et al., 2008). From the decision-making perspective, it is claimed that smaller boards improve decision-making and monitoring (Jensen, 1993; Yermack, 1996). Arguably, one major criticism of larger boards is the problem of social loafing and free riding. On the contrary, smaller boards are found to have less communication problems, and improves cohesiveness and decision-making (Jensen, 1993; Yermack, 1996). The RDT supports larger boards because of their potential to broaden the range of connections between a firm and its external environment (Guest, 2009; Lückerath-Rovers, 2013).

The mixed findings on the optimal board size is reflected in the mixed findings of papers investigating the association between BDS and performance (Dwivedi & Jain, 2005; Ghosh, 2006; Jackling & Johl, 2009; Kathuria & Dash, 1999). For example, some studies find a positive association between corporate BDS and performance (Dwivedi & Jain, 2005; Jackling & Johl, 2009; Kathuria & Dash, 1999), while others find a negative association (Ghosh, 2006). However, the literature also underlines the relevance of exogenous variables (e.g., the specific regulatory and competitive environment in which a firm is operating) in influencing the CG–performance relationship (Boone et al., 2007; Coles et al., 2008). Thus, given these mixed results and the apparent tendency of UK football clubs to prioritise the *on-the-field* performance (NFP-Points) over the *off-the-field* performance (FP), our first hypothesis (H₁) is stated as:

H₁: UK football clubs' BDS are associated with clubs' NFP-Points but not with clubs' FP.

3.2 CEO duality (CED) and football club performance

Studies examining the effectiveness of CED (i.e., having a CEO who is also the board chairperson) as a corporate leadership structure have found mixed results (Brickley, Coles, & Jarrell, 1997; Brown & Caylor, 2009; Core et al., 1999; Elsayed, 2007; Yermack, 1996). Indeed, Finkelstein and D'aveni (1994) referred to CED, as a “double-edged sword” because of the inherent trade-off between “oversight independence” associated with CEO-chairperson separation, and “unity of

command or leadership” associated with CEO duality. In addition, Elsayed (2007, p. 1204) suggested that the impact of CED on performance is “a key controversy in the CG literature”.

Many previous studies (Boyd, 1995; Brickley et al., 1997; Daily & Dalton, 1994; Dalton, Hitt, Certo, & Dalton, 2007; Donaldson & Davis, 1991; Lin, 2005; Rechner & Dalton, 1991) have very diverse conclusions regarding the effect of CED on corporate performance. Based on AT, studies show that agency problems are higher when there is no separation of the CEO and the board chair positions (Brown & Caylor, 2009; Jensen, 1993; Yermack, 1996). This is because AT advocates boards independence from management to avoid managerial entrenchment (Eisenhardt, 1989; Fama & Jensen, 1983b), but CED conflicts “board independence” and reduces board’s monitoring power over the corporate executives (Dalton et al., 2007). The problems of CED can be manifested through lower firm value (Brown & Caylor, 2009; Yermack, 1996), excessively higher CEO compensation (Core et al., 1999), and poor corporate performance (Daily & Dalton, 1994; Rechner & Dalton, 1991).

Other scholars have adopted RDT (Boyd, 1995; Hillman et al., 2009) and ST (Donaldson & Davis, 1991; Pearson & Marler, 2010) to test the effectiveness of the CED as a corporate leadership structure. These scholars argue or find that CED facilitates effectiveness in organisations, promotes unity of leadership, and improves organisational efficiency (e.g., fast response to necessary strategic changes) and performance (Boyd, 1995; Daily & Dalton, 1994; Donaldson & Davis, 1991; Moscu, 2013). Consequently, some authors have concluded that there is no one optimal corporate leadership structure because both CED and CEO-board chair separation have related costs and benefits, with “duality” being more beneficial to some firms, while “separation” being more advantageous for other firms (Brickley et al., 1997). Indeed, Brickley et al. (1997) findings suggest that the costs of CEO-board chair separation are larger than the benefits for most large firms with low levels of ownership concentration. In addition, studies have found that CEO-board chair separation have positive effect on corporate performance following low performance, but negative effect if prior period performance was high, and that different types of CEO-board chair separation have different effects on performance (Krause & Semadeni, 2013, 2014).

Notwithstanding the non-consensus and mixed results in the literature, in developing our CED–performance hypothesis, we also consider the concentrated ownership structure of UK football clubs. Ownership structure is relevant in affecting board composition and functioning (Brickley et al., 1997; Renders & Gaeremynck, 2012; Setia-Atmaja, 2009; Sur et al., 2013). Furthermore, in a concentrated ownership structure, the ST predicts a positive CED–performance relationship (Moscu, 2013; Pearson & Marler, 2010). However, because there is more focus/emphasis on NFP-Points than on FP, we expect that the ST predicted positive effect of CED

to be on the club's NFP-Points, but not on FP. Our second hypothesis (H₂) is, therefore, stated as follows:

H₂: In the UK football clubs, CED is positively associated with clubs' NFP-Points but not associated with clubs' FP.

3.3 Board non-executive directors (NED) and football club performance

One of the commonly used proxies for board independence is the presence of non-executive (outside) directors on boards (NED). The presence of NED is regarded to be an essential CG characteristic in controlling and monitoring corporate executives' opportunistic self-interests (Darko et al., 2016; Hillman & Dalziel, 2003; Rodriguez-Fernandez, Fernandez-Alonso, & Rodriguez-Rodriguez, 2014). Indeed, AT and RDT supports the view that the interests (e.g., resources and profits) of principals (e.g., business owners) are better safeguarded and maximised the larger the proportion of NED is (Darko et al., 2016; Hillman & Dalziel, 2003; Shleifer & Vishny, 1997).

Modelling the interaction of firm insiders and outsiders on board and the board's ideal size and composition, Raheja (2005, p. 283) shows that "the optimal board structure is determined by the trade-off between maximizing insiders' incentive to reveal their private information, minimizing coordination costs among outsiders and maximizing outsiders' ability to reject inferior projects". Raheja (2005) also shows that directors' and firms' characteristics determine the optimal board size and composition. Thus, according to Raheja (2005), while having more NED on boards is desirable according to AT and RTD, it is also plausible to argue that more NED is not infinitely beneficial. More NED may imply intensive monitoring over insiders, which might diminish the insiders' motivation to disclose private information to NED. This is probably because of the little rivalry between (the now fewer) insiders to disclose such information in order to gain NEDs' support.

Following from Raheja (2005), it is not surprising that there are also mixed empirical results on the board NED–performance association. The findings of some studies show a positive relationship (Malik & Makhdoom, 2016), others indicate a negative relationship (Kumar & Singh, 2012), and yet others do not find any significant association (Afrifa & Tauringana, 2015; Rodriguez-Fernandez et al., 2014). Notwithstanding the mixed results on board NED–performance relationship, a significant body of empirical literature adopting AT and RDT supports a positive association (Dimitropoulos & Tsagkanos, 2012; Jackling & Johl, 2009). In addition, we also

consider the focus/emphasis placed on NFP-Points rather than on FP by football clubs. Therefore, our third hypothesis (H₃) is stated as follows:

H₃: In the UK football clubs, the presence of NED on boards is positively associated with clubs' NFP-Points but not associated with clubs' FP.

3.4 Female directors (FED) on boards and football club performance

Theoretically and on their own, both the RDT and AT suggest that the presence of FED on boards has a positive relationship with firm performance (Carter et al., 2010; Kiel & Nicholson, 2003; Lückerath-Rovers, 2013). While AT and RTD hold different underlying assumptions in explaining or emphasise different aspects of the overall CG-performance relationship, their support of a positive FED-performance relationship is based on similar arguments. That is gender diversity has the potential to increase the “soft” resources available to a firm such as legitimacy from stakeholders, corporate reputation, and connections with the external environment (Farag & Mallin, 2017; Lückerath-Rovers, 2013; Solakoglu, 2013), enhance board independence and bring new/diverse insights and perspectives that help to minimise agency costs (Carter et al., 2010; Zalata et al., 2019a). The limitation, however, is that this gender diversity “resourcefulness” argument is contingent upon the male-female differences explained by biological (e.g. genetic) (Buss, 1989; Loukil & Yousfi, 2016), psychological and social factors (Loukil & Yousfi, 2016; Meier-Pesti & Penz, 2008; Zalata et al., 2019b).

For example, psychology and economics studies on risk-taking preferences show that women are more risk-averse than are men (Croson & Gneezy, 2009; Loukil & Yousfi, 2016). Consequently, in a gender diverse board, the AT predict that the FEDs' risk-averse behaviour will counterbalance the excessive risk-taking behaviour of their male counterparts and reduce agency costs. However, these studies investigate women preferences in the general population, which may not necessarily represent the preferences/characteristics of women who manage to climb the corporate ladder and become directors (Sila, Gonzalez, & Hagendorff, 2016). Indeed, studies show that such women are likely to have the same (Cosentino, Montalto, Donato, & Via, 2012), less (Loukil & Yousfi, 2016) or even more (Berger, Kick, & Schaeck, 2014) propensity to take risk compared to male directors.

Similarly, studies on FED-performance/value relationship show mixed results (Carter et al., 2010; Marimuthu & Kolandaisamy, 2009; Salloum et al., 2019; Ujunwa, 2012). Some studies find no relationship (Marimuthu & Kolandaisamy, 2009), positive relationship (Gyapong et al., 2016;

Lückerath-Rovers, 2013; Ntim, 2015; Salloum et al., 2019; Sarhan et al., 2019), and yet other studies find a negative relationship (Ahern & Dittmar, 2012; Berger et al., 2014; Ujunwa, 2012).

In the absence of a clear theoretical and empirical consensus on the direction of the FED–performance relationship, limited literature on the football industry’s CG–performance relationship and the observed tendency of football clubs to prioritise their NFP-Points over FP, we state our fourth hypothesis (H₄) as follows:

H₄: In the UK football clubs, the presence of FED on boards is associated with clubs’ NFP-Points but not with clubs’ FP.

3.5 Foreign directors (FOD) on boards and football club performance

The increasing internationalisation of football products and foreign investments in the UK football league means that the influence of foreign ownership on boards of directors’ composition, roles and implications to football club performance could not be ignored (Lang et al., 2011; Nauright & Ramfjord, 2010; Oxelheim & Randøy, 2003; Rohde & Breuer, 2017; Wilson, Plumley, & Ramchandani, 2013). For example, in order to protect their foreign investment interests, foreign investors/owners are likely to appoint foreign directors (Oxelheim & Randøy, 2003; Shleifer & Vishny, 1997). Like FED, the two commonly adopted perspectives on the role of foreign directors (FOD) on boards are RDT and AT.

Based on RDT and the advisory role of directors, FOD bring additional experiences and outlooks, skills, cultural value, and problem-solving capabilities not available to the local context of the football club (Jhunjhunwala & Mishra, 2012; Ujunwa, 2012). Based on AT, there are two competing views on FOD monitoring role. First, because of their double-outsider position (i.e., being foreigners and non-executives), foreign NED can enhance board independence, improve monitoring and reduce agency costs (Estélyi & Nisar, 2016). Second and by contrast, FOD may be less effective in monitoring because of FOD geographical/physical distance from the corporate head office (Masulis et al., 2012). This makes attendance to board meetings difficult, costly and time consuming (Knyazeva et al., 2013; Lerner, 1995) and may mean FODs are cut off from essential networks of valuable soft information (Coval & Moskowitz, 2001; Masulis et al., 2012). In addition, familiarity with laws, regulations, rules, standards, and methods/strategies related to the accounting, economics, finance, governance, and management practices in the local context is key to effective monitoring. FOD may be less familiar with these aspects of the local context, and this could add to the difficulties in assessing managerial performance or fail to appreciate the key challenges facing the local managers (Masulis et al., 2012).

Following from the above competing views of the role of FOD, it is arguably not surprising that there are mixed empirical results on the FOD–performance association. While some studies find a positive relationship (Estélyi & Nisar, 2016; Ujunwa, 2012), other studies find a negative relationship (Jhunjhunwala & Mishra, 2012). Therefore, consistent with the lack of theoretical and empirical consensus in the literature as to the effectiveness of FODs on boards and the observed tendency of football clubs to prioritise their NFP-Points over FP, we state our fifth hypothesis (H₅) as follows:

H₅: In the UK football clubs, the presence of FOD on boards is associated with clubs' NFP-Points but not with clubs' FP.

3.6 Young directors (YOD) on boards and football club performance

The extant literature suggests that the directors' age heterogeneity is a positive feature for a firm in terms of performance (Anderson et al., 2011; Horwitz & Horwitz, 2007; Richard et al., 2004). Based on the RDT, Anderson et al. (2011) suggests that directors age heterogeneity is positively associated with firm performance because of its potential to bring a wide range of ideas from both the younger and the older directors. For example, while younger directors bring greater energy and more entrepreneurial orientation such as less risk aversion behaviour, older directors bring greater stability and experiential wisdom to the boardroom decision-making process (Anderson et al., 2011; Richard et al., 2004). Indeed, Richard et al. (2004) found that the firm-level demographic diversity was associated with positive firm outcomes, such as creativity, innovation, and problem-solving ability. Therefore, based on RDT and the observed tendency of football clubs to prioritise their NFP-Points over FP, our sixth hypothesis (H₆) is stated as follows:

H₆: In the UK football clubs, the presence of YOD on boards is positively associated with clubs' NFP-Points but not associated with clubs' FP.

4. RESEARCH DESIGN

4.1 Data sources, sampling and data collection

The primary data for football clubs' FP (ROA and ROE) and CG characteristics/variables in the five UK football leagues were manually collected from annual reports/financial statements filed by companies including football clubs and available at the Company House website (<https://www.gov.uk/get-information-about-a-company>). Both the annual reports and the Company House website were reviewed/scrutinised to identify the relevant FP and CG data for

the football league seasons 2011-2016. The Company House website provides information on company accounts filing history, and company directors' profile, such as director's name, date of birth, nationality and country of residence, date of directorship appointment, and whether the director is still active or resigned, when they resigned, and occupation. Where necessary, we used the director's name and individual football club websites to identify a director's gender.

The available information in the sampled annual reports did not practically allow the verification of the level of similarity and consistency in the clubs' specific choices of accounting policies. However, all the annual reports in our sample use the same terminologies to disclose the specific financial items we used to calculate ROA and ROE. These are the "*operating profit/loss*", "*total assets*", and "*total shareholders' funds/equity*". Overall, the presentation format is almost the same, and these financial items with their corresponding figures/amounts were easily identifiable during the manual collection. This helped to enhance the consistency in the data collection. In addition, we believe the scaling of the *operating profit* by *total assets* (ROA) and by *shareholders' funds/equity* (ROE) have further improved the comparability of these FP measures between clubs in our sample.

[Insert **Table 1** about here]

Furthermore, the data for total number of points won by a club (i.e. NFP-Points) at the end of a league was also manually collected from the respective websites of the football leagues (for example, the EPL website <https://www.premierleague.com/tables>), and where necessary individual football clubs' websites were visited and reviewed as supplementary or validation sources of data. Our final sample covers the entire 80 football clubs playing in the five UK premier leagues over the most recent six-years with data availability. This generating a total of 480 observations and the final sample of 397 after excluding 83 club-year observations with some missing data. Table 1 presents our final sample selection procedure.

4.2 Empirical model specification

To investigate whether football club governance characteristics influence the performance of football clubs in the UK football league, we employed an ordinary least squares (OLS) regression model to test the hypotheses developed in Section 3. Given the type of data, the OLS regression model employed is specified below:

$$FCP = \beta_0 + \beta_1 BDS + \beta_2 CED + \beta_3 NED + \beta_4 FED + \beta_5 FOD + \beta_6 YOD + \beta_7 AGE + \beta_8 LEV + \beta_9 SIZE + e \dots\dots\dots (1)$$

Where FCP is *football club performance* represented by club’s financial (*FP-ROA* and *FP-ROE*) and non-financial (*NFP-Points*) performance. *FP-ROA* is return on assets, measured as operating profit scaled by total assets, *FP-ROE* is return on equity, measured as operating profit scaled by shareholders funds and *NFP-Points* is measured as natural logarithm of total points won by a club at the end of the league. *BDS* is board size, measured as a dummy variable taking the value of 1 if board size is between 5 and 12 directors, 0 otherwise (García Lara et al., 2017). *CED* is CEO duality, measured as dummy variable taking the value of 1 if the CEO is the chairperson, 0 otherwise. *NED* refers to the presence of non-executive directors on board, which is used as a proxy for presence of independent directors. Since not all football clubs have NED serving on their boards, we measure *NED* as a dummy variable taking the value of 1 if the board has at least one NED and 0 otherwise. *FED* represents female directors, measured as dummy variable taking the value of 1 if the board has at least one female director and 0 otherwise. *FOD* refers to the presence of foreign directors, measured as a dummy variable taking the value of 1 if the board has at least one non-British director and 0 otherwise. *YOD* refers to young directors, measured as a dummy variable taking the value of 1 if the average age (in years) of directors is less than the sample median and 0 otherwise. Finally, we control for football club age (*AGE*), Leverage (*LEV*), size (*SIZE*) and year of operation with year dummies. The appendix contains full definitions of all the variables used in this study.

5. EMPIRICAL RESULTS AND DISCUSSION

5.1 Descriptive statistics

We report the descriptive statistics for all variables in Table 2. It shows, on average, that 50% of our sample have a board size between 5 and 12 members, and only 12% has their CEOs serving at the same time as chairpersons of their board. Surprisingly, Table 2 shows that only 12% of UK football clubs comprise of at least one NED suggesting that new regulations requiring more representation of NED might be called for. It shows a good number of our sample, in particular 36%, have at least one female director and 29% of our sample employ at least one non-British director. Finally, 46% of our sample have young directors. Table 3 reports correlation matrix between all variable used in our analysis and, in general, it does not suggest the presence of any serious multicollinearity issues.

[Insert **Table 2** about here]

[Insert **Table 3** about here]

5.2 Multivariate analysis

Corporate governance and the non-financial performance of the UK football clubs

In Table 4 we report our regression analysis of the relationship between CG and NFP-Points of UK Football clubs. To investigate the impact of board size on the football clubs' NFP-Points, we focus on the coefficient of *BDS*. Consistent with the findings of past studies (Dwivedi & Jain, 2005; Jackling & Johl, 2009; Kathuria & Dash, 1999), Table 4 shows a positive relationship between *BDS* and NFP-Points at 5%, demonstrating that optimal board size between 5 and 12 members are more likely to be characterised by less communication problems, social loafing and free-riding; characteristics that are more likely to enhance decision making and therefore positively impact club performance.

[Insert **Table 4** about here]

Our second hypotheses investigate the association between CEO role duality and NFP-Points. Table 4 shows that the coefficient on *CED* is positive and significant at 1%. Contrary to AT expectation and CG codes in most countries, our result suggest that *CED*, at least for football clubs, facilitates and improves organisational efficiency and performance; a result that is consistent with Brickley et al. (1997), Krause and Semadeni (2013), and Krause and Semadeni (2014). In addition, our results appears to be consistent with the ST which predicts a positive *CED*–performance relationship because of unity of leadership and organisational efficiency/effectiveness claimed to be a feature in a principal-steward relationship (Boyd, 1995; Donaldson & Davis, 1991; Moscu, 2013). This result is also consistent with the presence of highly concentrated ownership structure common of UK and European football clubs, and conducive for principal-steward relationship supported by the ST to flourish (Acero et al., 2017; Elsayed, 2007).

To investigate board *NED* and football clubs' NFP-Points, we focus on the coefficient of board *NED*. Consistent with our expectation and Jackling and Johl (2009) and Dimitropoulos and Tsagkanos (2012), Table 4 shows a significant positive relationship at 1% between board *NED* and NFP-Points. This suggests that the presence of at least one board *NED* is associated with better football clubs' NFP-Points, supporting the view that these directors constitute an important governance mechanism constraining any potential agency problems. In contrast to board *NED*-NFP-Points results, Table 4 shows that lower NFP-Points is significantly associated with the presence of *FED* on boards, suggesting that these directors might cause, at least for football clubs, a cost for stakeholders.

In addition, we measure board diversity in terms of foreign directors (*FOD*). Consistent with our expectation and the RDT, Table 4 shows that the association between *FOD* and NFP-Points is positive and significant at 1%, demonstrating the presence of *FOD* is likely to bring more additional skills and experiences that cannot be obtained by national directors, which in turn facilitates and improves the football clubs' NFP-Points. Our finding is consistent with Ujunwa (2012) and Estélyi and Nisar (2016).

Our final measure for board diversity is the presence of young directors (*YOD*). Consistent with H_6 , Table 4 shows a significant positive relationship between the NFP-Points of football clubs and *YOD* demonstrating that since young directors have potentials for a long career horizon, they are more likely to be concerned about their reputation and therefore work hard and diligently to improve the NFP-Points of their football clubs.

5.3 Further analysis

Non-linear relationship

As previously explained, strong boards play an important role in improving monitoring efficacy over executive directors. However, there is no consensus among theorists on how to measure optimal board size. Some argued that large boards are more likely to have more diversified background and expertise, which can improve the board efficacy. However, others argued against oversized board. More specifically Jensen (1993), and Yermack (1996) argued that large boards are less likely to function effectively due to communication breakdowns and inefficiencies, while a small board is more likely to have effective discussion between directors and to reach true consensus from its deliberations. There is no consensus among prior studied on the impact of board size on NFP-Points, and this might be because these studies have assumed that the relationship between board size and firm NFP-Points is linear. We argue that the relationship between board size and NFP-Points is not necessarily linear. That is, as the board size increases, it might have effective discussion and monitoring over its executive. However, if it increases beyond a specific point, it starts to create agency problems. Therefore, we investigate whether there is curvilinear relationship between board size and the NFP-Points of football clubs. We do so by adding board size as a continuous variable and squared board size to our model. We report this analysis in Table 5, and consistent with our main analysis, it shows that the link between *BDS* and NFP-Points remains significantly positive at 1%, while squared board size becomes significantly negative at 1%, and therefore, supporting our expectation of the existence of a curvilinear relationship between board size and the NFP-Points of football clubs (i.e., board size facilitate the football club NFP-Points until a specific point).

[Insert **Table 5** about here]

Arguably, the presence of board NED plays a crucial role in improving board monitoring and mitigating any potential agency problems. The findings of some of extant studies imply that it is desirable to appoint more board NED (Darko et al., 2016; Hillman & Dalziel, 2003; Shleifer & Vishny, 1997). However, as the number of board NED increases, the motivation for each board NED to be informed might decrease, and consequently, free-riding behaviour might increase. In addition, having more board NED implies intensive monitoring over inside (executive) directors, which might diminish their motivation to disclose private information to the board NED probably because of the little rivalry between insiders to disclose such information to gain the support of board NED (Raheja, 2005). All these theoretical and empirical propositions suggest that there might be an optimal number of board NED to promote good monitoring environment and to improve the decision making, and thereby enhance the football clubs' NFP-Points. That is, the relationship between board NED and NFP-Points might be curvilinear, instead of being a linear relationship. To investigate this proposition, we add the proportion of board NED, as a continuous variable and squared proportion of board NED to our model. We report this analysis in Table 5, and consistent with our main analysis, *board NED* is still positive and significant at 1%, while squared proportion of board NED becomes negative and significant at 5% level of significance, and thereby supporting our expectation that the football clubs' NFP-Points would initially improve, as the number of board NED increases until a specific point after which any increase in board NED would diminish their benefit.

Tokenism issue

Under the main analyses above, we found that the presence of female directors is negatively associated with NFP-Points. Arguably, a single female director is more likely to be appointed to meet social pressures to appoint women directors, and may not be able to defy other members' pressure and therefore, in this case, a single female director is unlikely to provide effective mentoring (Bourez, 2005; Konrad, Kramer, & Erkut, 2008). That is, football clubs with single female directors might drive our findings reported under the main analysis. As a further test, we repeat our analysis using other measures of female directors (*FED*). In particular, we define *FED*, as an indicator variable set to one if there are at least two female directors on the board. The results of this analysis are reported in Table 6. However, it still shows a significant negative relationship between *FED* and NFP-Points. Finally, we define *FED*, as an indicator variable that is set to one if a football club has at least three female directors on the board, otherwise zero. The results of this

analysis are also reported in Table 6 and are still qualitatively similar to our finding reported under the main analysis, and therefore, suggesting that our findings are not driven by Tokenism cases.

[Insert **Table 6** about here]

Corporate governance and the financial performance of the UK football clubs

We have, so far, focused on the impact of CG characteristics on football club's NFP-Points, as measured by total points won by football clubs. However, one might argue that these CG characteristics might equally influence the FP of a football club. In fact, the extant research has already showed that board of directors' characteristics affect public companies' FP. However, and by contrast, given the evidence (Acero et al., 2017; Dimitropoulos, Leventis, & Dedoulis, 2016; Schubert, 2014) that sports organisations, especially football clubs tend to prioritise *on-the-field* performance (NFP-Points) over *off-the-field* performance (FP), it is likely that the relationship between CG characteristics as measured in the current study and FP may differ from those that have been reported for non-sports organisations, especially football ones. Therefore, as a further analysis, we investigate whether our findings reported under the main analysis can be extended to football clubs' FP. We use two measures of FP; namely return on assets (*ROA*), measured as operating profit scaled by total assets and return on equity (*ROE*), measured as operating profit scaled by shareholders funds. We report the results of this analysis in Table 7. In contrast to the NFP-Points, the result shows insignificant relationship between the CG variables and both measures of football clubs' FP (with the exception of the association between board NED and ROA, which indicates a significantly negative association at 5%). This result suggests that the CG characteristics investigated in the current study only play a significant role in improving the NFP-Points of the football clubs. These findings also seem to reflect the view that sports organisations, especially football clubs tend to prioritise the *on-the-field* performance (NFP-Points) over the *off-the-field* performance (FP).

[Insert **Table 7** about here]

That is, it seems that CG play asymmetric monitoring role in football clubs and they are willing to support football clubs policies sustaining their long-term footballing (*on-the-field*) successes and therefore satisfy their fans at the expense of sustaining their financial (*off-the-field*) performance which might affect the football clubs survival on the long run and consequently destroy owners' investments. However, the time has come for football clubs' board of directors to pay more

balanced attention to both on-the-field and off-the-field performance, otherwise this might worsen their long term *on-the-field* performance and lose the support of their fans. For example, the UEFA and the England FA have forced a new rule, namely Financial Fair Play in order to sustain both sporting competition and the clubs themselves. Breaking this rule will have a significant consequence on the on-the-field performance. The current anecdotal evidence supports this, for instance, as consequence of breaking the financial fair play, Manchester City Football Club has been recently banned from participating in the European club competitions which of course might have affected their fans negatively. Consequently, in the current regulatory environment, the ineffective role of football clubs board of directors in sustaining their long-term financial performance raises the need for both owners and fans to force their agents to pay greater scrutiny over financial policies as well.

5.4 Robustness analysis

First, under the main analysis, we have defined board NED, as a dummy variable, which is set to one if the board has at least one NED, and zero otherwise. As a robustness test, we define it as the proportion of board NED to the total number of board members. The reported results in Table 8 are qualitatively similar to these reported under the main analysis.

Second, we have measured foreign directors (*FOD*), as an indicator variable that is set to one if board comprises at least one non-British director, and zero otherwise. As a robustness analysis, we define *FOD* as the percentage of non-British directors in the board. We report the findings of this analysis in Table 8, and they are qualitatively similar to those reported under the main analysis.

Finally, we have measured the NFP-Points of football clubs using the natural log of the number of points. However, as a robustness check, we measure the NFP-Points using the quantile of points. In particular, we classify football clubs into 10 quantiles based on the number of points. The results of this analysis are reported in Table 8, and again they are qualitatively similar to those reported under the main analysis.

[Insert **Table 8** about here]

6. SUMMARY AND CONCLUSION

Although a large amount of accounting, economics and finance studies have examined the association between CG and performance in profit and non-profit organisations, those doing so within the context of popular sports organisations are rare. Consequently, and in this paper, we

depart from the dominant pattern of existing research by investigating the relationship between CG structures and financial (FP)/non-financial (NFP-Points) performance of sports organisations with specific focus on UK premier leagues' football teams.

We do so by collecting data relating to CG structures, FP and NFP-Points measures of football teams playing in the four UK premier leagues in England, Northern Ireland, Scotland and Wales along with the English Championship teams over the 2011-2016 period. We, then, analyse our data relating to 80 football clubs over a 6-year period (generating 397 club-year observations after eliminating 83 club-year observations with missing data) by running a number of multivariate analyses to test our hypotheses.

Our findings are as follows. First, we find that NFP-Points (league points) is higher in clubs with larger boards, presence of board NED, CEO role duality, and higher percentage of foreign and younger directors, but lower in firms with higher percentage of female directors. Second and by contrast, we find that the relationship between these same set of variables and FP is, however, insignificant except for the board NED that remained significant and negatively related to FP-ROA. Our findings appear to reflect existing view (Acero et al., 2017; Dimitropoulos et al., 2016; Schubert, 2014) that sports organisations, especially football ones tend to prioritise *on-the-field* performance (NFP-Points) over *off-the-field* performance (FP). Our evidence is largely robust to using alternative measures and estimation models.

This study is one of the early attempts at contributing to the accounting, economics, finance and CG literature by providing new insights on the extent to which CG structures drive performance in sports organisations. In particular, we contribute to the accounting, economics, finance and CG literature by showing that in contrast to their profit-oriented counterparts, popular sports organisations seem to tend to prioritise *on-the-field* performance (non-financial) over *off-the-field* (financial) performance. Our study also has important regulatory and policy implications, especially for football authorities, who are particularly concerned with the long-term viability of football clubs both *on- and off-the-field*. In particular, the evidence of no significant link between FP and CG structures of football clubs calls for greater efforts in improving CG structures that will seek to compel football owners, administrators, coaches, managers and supporters to fairly balance *on-the-field* performance with *off-the-field* performance.

Finally, and although our evidence is important and robust in many ways, its limitations need to be explicitly acknowledged. For example, like all archival studies of this nature, our proxies for CG and performance may or may not reflect practice. Therefore, future research may be able to offer new insights by conducting in-depth interviews with various football stakeholders, such as administrators, managers, owners, regulatory bodies (football associations), coaches, players and supporters regarding these issues. Similarly, due to data limitations, we have explored a small set

of CG mechanisms. Future studies may be able to extend our study by expanding our set of CG variables to include others, such as ownership, as well as external CG mechanisms, such as media following, supporter activism and loyalty, and general public scrutiny on performance. Finally, due to labour intensive nature of the manual data collection that we employed in collecting the unique dataset for this study, we had to limit our sample to top UK football leagues. Our study can, therefore, be extended by future researchers by extending our sample to include the lower football leagues and different popular sports organisations (e.g., American football, Basketball, Cricket and Rugby teams), as well as across different countries of the globe.

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TABLE 1: Final sample selection procedure – The football clubs’ six (2011-2016) year observations

UK football leagues	Number of football clubs in a league	Total number of observations
English Premier League [EPL]	20	120
English Football League Championship [EFLC]	24	144
Scottish Premier League [SPL]	12	72
Welsh Premier League [WPL]	12	72
Northern Ireland Football League Premiership [NIFLP]	12	72
Total number of clubs	80	480
Missing club year observations	-	83
Final sample used (total number of observations for the 80 clubs from 2011 to 2016)	-	397

TABLE 2: Descriptive statistics

Variables	Mean	Median	S.D.	0.25	0.75
<i>Dependent variable:</i> Non-financial performance (league-points)					
NFP-Points	3.15	3.95	1.73	3.5	4.23
<i>Dependent variable:</i> Financial performance (financial returns)					
FP-ROA	-0.17	-0.03	2	-0.31	0
FP-ROE	-0.12	0	4.65	0	0.27
<i>Independent variables:</i> Governance variables					
BDS	0.5	0	0.5	0	1
CED	0.12	0	0.32	0	0
NED	0.12	0	0.32	0	0
FED	0.36	0	0.48	0	1
FOD	0.29	0	0.45	0	1
YOD	0.46	0	0.5	0	1
<i>Control variables:</i>					
AGE	4.68	4.81	0.46	4.69	4.91
LEV	1.72	0.9	2.69	0.48	1.88
SIZE	7.90E+07	1.50E+07	1.80E+08	1.50E+06	6.30E+07
Notes:					
<ul style="list-style-type: none"> All the variables are fully defined in the Appendix. 					

TABLE 3: Correlation matrix

Variables	NFP-Points	BDS	CED	NED	FED	FOD	YOD	AGE	LEV	SIZE
NFP-Points	1									
BDS	0.19***	1								
CED	0.08	0.21***	1							
NED	0.23***	0.24***	0.09*	1						
FED	-0.22***	0.05	0.12**	0.00	1					
FOD	0.34***	0.15***	-0.08	0.01	-0.02	1				
YOD	0.10**	-0.11**	-0.16***	-0.09*	0.13***	0.19***	1			
AGE	0.21***	-0.01	0.09*	0.14***	-0.18***	0.20***	-0.04	1		
LEV	-0.01	-0.17***	-0.12**	-0.11**	-0.10**	-0.01	0.12**	-0.12**	1	
SIZE	0.26***	0.24***	-0.12**	0.45***	0.04	0.42***	0.08	0.16***	-0.11**	1

Notes:

- All the variables are fully defined in the Appendix.
- ***, **, * indicate significance at 1 percent, 5 percent, and 10 percent levels, respectively.

TABLE 4: Association between football clubs' non-financial performance and corporate governance

Variables	Coefficient	t	P-value
<i>Dependent variable</i>	Non-Financial Performance-Points (NFP-Points)		
<i>Independent variables</i>			
BDS	0.36**	2.08	0.038
CED	0.58***	2.61	0.009
NED	0.95***	5.87	0
FED	-0.83***	-4.97	0
FOD	1.01***	7.36	0
YOD	0.43**	2.55	0.011
<i>Control Variables:</i>			
AGE	0.31	1.16	0.247
LEV	0.02	0.39	0.699
SIZE	0.00	1.43	0.154
_cons	1.04	0.8	0.423
YEARS	INCLUDED		
R2	0.2253		
F	9.23		
OBS	397		
Notes:			
<ul style="list-style-type: none"> • All the variables are fully defined in the Appendix. • ***, **, * indicate significance at 1 percent, 5 percent, and 10 percent levels, respectively. 			

TABLE 5: Association between football clubs' non-financial performance and corporate governance (Non-linear relationship)

Variables	Board size			Board non-executive directors		
	Coefficient	t	P-value	Coefficient	t	P-value
<i>Independent variables:</i>						
BDS	0.47***	5.26	0	0.38**	2.19	0.029
BDS_SQ	-0.04***	-7.09	0			
CED	0.55**	2.46	0.015	0.61***	2.66	0.008
NED	1.04	6.47	0	3.38***	3.8	0
NED_SQ				-2.67**	-2.19	0.029
FED	-0.90***	-5.54	0	-0.82***	-4.86	0
FOD	0.96***	7.31	0	1.01	7.49	0
YOD	0.36**	2.24	0.026	0.43**	2.57	0.01
<i>Control variables:</i>						
AGE	0.31	1.2	0.23	0.32	1.2	0.231
LEV	0.00	0.09	0.926	0.02	0.42	0.678
SIZE	0.00	0.48	0.63	0.00	1.12	0.265
_cons	0.16	0.12	0.902	0.98	0.75	0.453
YEARS	INCLUDED			INCLUDED		
R2	0.3114			0.2211		
F	12.94			8.5		
OBS	397			397		
Notes:						
<ul style="list-style-type: none"> • All the variables are fully defined in the Appendix. • ***, **, * indicate significance at 1 percent, 5 percent, and 10 percent levels, respectively. 						

TABLE 6: Association between football clubs' non-financial performance and corporate governance (Controlling for tokenism)

NF-Points	At least two female directors			At least three female directors		
	Coefficient	t	P-value	Coefficient	t	P-value
<i>Independent variables:</i>						
BDS	0.42**	2.44	0.015	0.38**	2.16	0.031
CED	0.20	0.84	0.401	0.15	0.65	0.514
NED	0.84***	5.16	0	0.82***	5.26	0
FED	-1.45***	-5.54	0	-1.97***	-6.69	0
FOD	1.05***	7.78	0	0.89***	6.58	0
YOD	0.31*	1.83	0.068	0.25	1.53	0.128
<i>Control variables:</i>						
AGE	0.49*	1.7	0.09	0.56**	2.06	0.04
LEV	0.02	0.39	0.695	0.01	0.28	0.783
SIZE	0.00	-0.12	0.907	0.00	0.27	0.784
_cons	0.23	0.17	0.867	0.06	0.05	0.96
YEARS	INCLUDED			INCLUDED		
R2	0.2451			0.2666		
F	10.18			11.28		
OBS	397			397		
Notes:						
<ul style="list-style-type: none"> • All the variables are fully defined in the Appendix. • ***, **, * indicate significance at 1 percent, 5 percent, and 10 percent levels, respectively. 						

TABLE 7: Association between football clubs' financial performance and corporate governance

Variables	Return on assets (ROA)			Return on equity (ROE)		
	Coefficient	t	P-value	Coefficient	t	P-value
<i>Independent variables:</i>						
BDS	-0.05	-0.37	0.714	-0.97	-1.61	0.108
CED	0.08	1.16	0.246	0.12	0.28	0.78
NED	-0.16**	-1.99	0.048	0.48	1	0.32
FED	-0.07	-0.43	0.668	0.41	1.02	0.309
FOD	-0.28	-1.44	0.152	0.11	0.25	0.806
YOD	0.02	0.06	0.951	-0.12	-0.34	0.735
<i>Control variables:</i>						
AGE	0.06	0.69	0.492	0.36	1.23	0.22
LEV	-0.08	-1.26	0.21	0.02	0.49	0.622
SIZE	0.00	3.74	0	0.00	0.57	0.57
_cons	-0.31	-0.68	0.497	-1.69	-1.22	0.223
YEARS	INCLUDED			INCLUDED		
R2	0.0286			0.0226		
F	0.8			0.63		
OBS	397			397		
Notes:						
<ul style="list-style-type: none"> • All the variables are fully defined in the Appendix. • ***, **, * indicate significance at 1 percent, 5 percent, and 10 percent levels, respectively. 						

TABLE 8: Association between football clubs' non-financial performance and corporate governance (Robustness analysis)

Variables	Board non-executive directors			Foreign directors			Performance based on quintiles		
	Coefficient	t	P-value	Coefficient	t	P-value	Coefficient	t	P-value
<i>Independent variables:</i>									
BDS	0.38**	2.17	0.031	0.46***	2.63	0.009	0.77**	2.46	0.014
CED	0.64***	2.87	0.004	0.60***	2.74	0.006	-0.08	-0.19	0.852
NED	1.50***	5.99	0	1.35***	5.75	0	2.51***	5.59	0
FED	-0.81***	-4.82	0	-0.80***	-4.66	0	-1.13***	-3.83	0
FOD	0.99***	7.45	0	1.26***	6.59	0	1.28***	3.81	0
YOD	0.44***	2.64	0.009	0.45***	2.6	0.01	0.68**	2.34	0.02
<i>Control variables:</i>									
AGE	0.33	1.24	0.217	0.40	1.47	0.142	0.16	0.36	0.716
LEV	0.02	0.43	0.667	0.02	0.52	0.602	0.03	0.41	0.679
SIZE	0.00	1.48	0.14	0.00**	2.08	0.038	0.00**	2.31	0.022
_cons	0.94	0.72	0.471	0.64	0.49	0.627	3.38	1.59	0.113
YEARS	INCLUDED			INCLUDED			INCLUDED		
R ²	0.2206			0.2013			0.2173		
F	9.01			8.13			8.85		
OBS	397			397			397		
Notes:									
<ul style="list-style-type: none"> • All the variables are fully defined in the Appendix. • ***, **, * indicate significance at 1 percent, 5 percent, and 10 percent levels, respectively. 									

APPENDIX: Variables definition and measurement

Variable		Definition	Measurement
Name	Abbreviation		
<i>Dependent Variables:</i>			
Non-Financial Performance-Points	NFP-Points	Number of points won by a club	Natural log of total points won by a club at the end of a league.
Financial Performance-ROA	FP-ROA	Return on assets	Operating profit scaled by total assets.
Financial Performance-ROE	FP-ROE	Return on equity	Operating profit scaled by shareholders' funds/equity.
<i>Independent Variables:</i>			
Board Size	BDS	Number of directors	Dummy variable taking the value of 1 if board size is between 5 and 12 directors, 0 otherwise (García Lara, García Osma, Mora and Scapin, 2017).
CEO Duality	CED	CEO who is also the board chair	Dummy variable taking the value of 1 if the CEO serves as board chair, 0 otherwise.
Non-Executive Directors	NED	Presence of board non-executive directors	Dummy variable taking the value of 1 if the board has at least one non-executive director and 0 otherwise.
Female Directors	FED	Presence of board female directors	Dummy variable taking the value of 1 if the board has at least one female director and 0 otherwise.
Foreign Directors	FOD	Presence of board foreign directors	Dummy variable taking the value of 1 if the board has at least one non-British director and 0 otherwise.
Young Directors	YOD	Presence of board young directors	Dummy variable taking the value of 1 if the average age (in years) of directors is less than the sample median and 0 otherwise.
<i>Control Variables:</i>			
Club age	AGE	The age of the football club.	A natural log of number of years (age) of a football club since its establishment.
Leverage	LEV	Football clubs' leverage.	Total liabilities scaled by total assets.
Size	SIZE	Football clubs' size	Football clubs' total assets.