FIFA...Absolutely Corruptible?

‘The time for monopolies is over. Football needs democracy and transparency’

- Karl-Heinz Rummenigge

ABSTRACT

This article considers the current approach to corporate governance taken by FIFA and its apparent failure. It then considers possible ways that FIFA can address these failings by drawing from leading corporate governance models. The key question addressed here is how can the current FIFA administration approach the necessary reform?

Key words: corporate governance, FIFA, stakeholder

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1. INTRODUCTION

FIFA (The International Federation of Association Football / Fédération Internationale de Football Association) is the world governing body for football and has responsibility for the worldwide administration of football. It was founded in Paris in 1904 as a voluntary organisation consisting of just seven European Football Associations with the aim of extending the global reach of football. Now based in Zurich, FIFA is a registered charity governed by Swiss law and consists of 208 member nations (three more than the international Olympics Committee and 16 more than the UN). The president of FIFA is Sepp Blatter who is now in his fourth term, having been re-elected (unopposed) on the 1st June 2011 (FIFA, 2011a).

Over the last year FIFA’s corporate governance practices have come under close scrutiny as the association has been faced with allegations of corruption including vote buying in their presidential election and bribery in the World Cup bidding process. The way in which FIFA has dealt with these allegations has drawn widespread criticism which has resulted in many questioning the effectiveness of its current administration. Football’s world governing body has long been perceived as a bastion of self-servience, reluctant to allow outside intervention/interference to affect its workings (Yallop, 1999) and is now perceived by 84% of the British public as being corrupt (YouGov, 2011). Such is the lack of faith in FIFA that the Football Supporters Federation tabled notice of an emergency motion in relation to the ‘continued financial and corruption scandals at the highest levels of FIFA’ at the 4th European Football Fans’ Congress held in Denmark in July this year (FSF, 2011). FIFA appears to consistently fail when it comes to basic corporate governance practice, which is something that needs to be urgently addressed if the organisation is to regain any of the credibility that has been lost through its recent turmoil.

2. FIFA

2.1 THE POWER OF FIFA

Football is the world’s most popular game, being played and supported by more than three billion people worldwide (Doley, 2008). FIFA controls world football and its most popular tournament (the World Cup) which in turn ensures its ranking amongst the most powerful of sporting organisations. The sheer size of FIFA means it has the potential to be a powerful political force that can wield influence greater than that of many governments (Gardiner et al, 2006). The extent of this influence was highlighted in the recent bidding process for the 2018 World Cup in which FIFA required potential host nations to agree to pass a range of ‘special laws’ in relation to eight guarantees outlined by FIFA covering areas such as tax exemptions and visa waivers. The British government agreed to these temporary laws and had it won out would have had to enact them at a cost of £250 million to the UK taxpayer (Bloomberg, 2011). The apparent power of FIFA was also highlighted in 2010 when Sepp Blatter forced both the French and Nigerian governments to relent in their interference in the affairs of their national teams by using the threat of sanction and possible suspension of their respective football associations from FIFA. Kaufmann and Penciakova (2010) claim that failure to heed Sepp Blatters warnings would have meant political suicide for the parties involved due to the voting public’s sporting interest and influential private groups strong financial interests in the game. Kaufman (2010) highlights the absurdity of FIFA being in
such a position when he suggests that such political interventions from FIFA ‘could ultimately constitute a challenge to the sovereignty of member countries’. This level of influence coming from a sporting organisation with such questionable ethical practices gives cause for concern.

The hierarchy of FIFA are well aware of the extent of their influence, so much so that former president of FIFA João Havelange once proclaimed:

‘I've been to Russia twice, invited by President Yeltsin. I've been to Poland with their President. In the 1990 World Cup in Italy I saw Pope John Paul II three times. When I go to Saudi Arabia, King Fahd welcomes me in splendid fashion. In Belgium I had a one-and-a-half hour meeting with King Albert. Do you think a Head of State will spare that much time to just anyone? That's respect. That's the strength of FIFA. I can talk to any President, but they'll be talking to a President too on an equal basis. They've got their power, and I've got mine: the power of football, which is the greatest power there is’

- (as quoted in Yallop, 1999)

It was this statement that led Goldblatt (2006) to suggest that ‘such unrepentant and patrician self-importance is the first of many structurally ingrained problems with the global governance of football.’

2.2 FIFA - BRIBERY, SCANDAL AND CORRUPTION

FIFA has been no stranger to scandal and over the years with allegations of bribery and corruption being commonplace amongst its ranks. However 2010/11 have seen allegations of corruption reaching epic proportions with key executives of football's world governing body having been accused with accepting bribes totalling $100 million from suppliers (BBC Panorama, 2010), offering to sell their votes to prospective World Cup hosting nations (Wilson, 2010) and attempted bribery in the FIFA presidential elections (BBC, 2011). Corruption has been described as ‘an act that subverts the public good for private or particularistic gain’ (Gerring and Thacker, 2004 p.300) and is most common in organisations that employ poor corporate governance processes (Wu, 2005). So far almost half of FIFA’s 24 man Executive Committee have been accused, suspended or convicted in relation to corruption (Chartered Secretary, 2011).

Previous allegations of corruption have been met by FIFA’s refusal to open its doors to public scrutiny. This appears to be especially true of the ‘Blatter years’ during which the apparent lack of appetite for change may have been due to the phenomenal (financial) success of his regime. However, the extent of the latest allegations has led to some of FIFA’s main sponsors including Coca Cola, Adidas, Visa and Budweiser making public their discontent with the way FIFA is being run and requesting reform (Reuters, 2011). It can be claimed that the increase in commercialisation has played a role in the corporate governance failure of FIFA, however, the commercialisation of football appears to be a double edged sword as it is the corporate partners of FIFA that are currently applying the pressure for governance reform. FIFA’s sponsors are unlikely to allow their brands to be tarnished by association and as key sponsors contribute 26% of FIFA’s revenue, approximately $1 billion (ESPN, 2011a), they have sufficient weight to request/dictate governance reform within FIFA.

3. CORPORATE GOVERNANCE AND FIFA

3.1 THE GOVERNANCE OF FOOTBALL’S GOVERNING BODY

There are two major questions that any corporate governance model must address, who is in control and whose interests will prevail? (Bainbridge, 2002). For all its committees, FIFA is essentially a closed shop to the outside world and apparently that is the way they prefer it. When Julio Grondono, FIFA’s senior vice president was questioned by the British media on the allegations of corruption he asked that the FIFA family be left ‘alone’ (ESPN, 2011b). When Sepp Blatter was questioned on FIFA’s ethics he replied ‘I will not go into discussions with people that like to create problems’ (MacDonald, 2011). Statements such as these do not instil faith in the inner workings of FIFA and there was little surprise when a One World Trust Global Accountability Report scored FIFA with just 27% in their transparency section (One World Trust, 2007).

The FIFA Congress is an assembly consisting of representatives from each affiliated member association and is FIFA’s supreme governing body. It meets on an annual basis to make decisions which relate to FIFA’s governing statutes, approve the annual report and when necessary elect the President of FIFA, its General Secretary and the other members of FIFA’s Executive Committee. Each national football association has one vote, regardless of its size or footballing
strength. The FIFA Governance structure is made up of 36 Committees focusing on both sporting and business aspects including ethics. At first glance FIFA appears to have quite a comprehensive governance structure that ticks all the right boxes so it is unusual that it attracts condemnation over its lack of transparency.

The glare of the world’s media and murmurs of discontent from major sponsors have encouraged FIFA to act fast and they have attempted to instil integrity into the voting process on the World Cup hosting by giving each of the 208 members a vote as opposed to the current process of the decision being made by the (sometime) 24 man Executive Committee. At first glance this may seem like a step in the right direction but given the apparent culture of bribery and corruption, the potential for financial gain for the winning country and the fact that many of the 208 countries involved in the process could be defined as needy, it will be interesting to see the results.

It has taken Sepp Blatter until the 12th year of his presidency to approach the subject of corporate governance and he has now claimed to make this approach one of ‘zero tolerance’. He is doing this by setting up a ‘council of wisdom’ which will be composed of ‘respected personalities from the football family, and possibly from other areas outside football’ (FIFA, 2011a). So far, names mentioned in connection with FIFA’s new ‘solutions committee’ or ‘council of wisdom’ have included Johan Cruyff, a retired Dutch footballer and current manager of the Catalan national team, Placido Domingo KBE, a Spanish-Mexican tenor and conductor and Henry Kissinger, a Nobel laureate who served as U.S. secretary of state from 1973 to 1977. With its reputation laying in tatters it may seem that any attempt to regain credibility may be too little too late for an organisation that states in its mission statement that it must be ‘a model of fair play, tolerance, sportsmanship and transparency’.

3.2 CORPORATE GOVERNANCE REFORM

Contemporary corporate governance debate reflects concerns over the long-term management and oversight of companies and whether or not they effectively utilise principles of transparency and responsibility. Corporate governance although now ‘fashionable’ (Farrar, 1998) is not a new concept. The term ‘governance’ derives from the Latin ‘gubernare’ meaning to steer (Soloman, 2007, p.1) and directly applies to those who participate in the direction of a company, or in this case FIFA, thus meaning it has been practiced in one form or another since the inception of the corporate entity (Tricker, 2000). There is no single model of good corporate governance and different countries have developed different approaches that are in line with their legal frameworks and business traditions.

Calls for the reform of FIFA have been widespread and repeated. For FIFA to heed these calls and commit to a fundamental reform it would have to be ‘root and branch’ to be effective. The difficulty in this is the global structure of football. FIFA is essentially an umbrella which cover a group of football confederations, some of which are wealthier and more powerful than others but each of whom are responsible for their internal governance and each of whom wield influence in FIFA. Bose (2011) likens the current set up of FIFA and its confederations to India’s Mughal Empire in the 18th century or China under the warlords in the 19th century where the supreme rulers could only do as much as the regional leaders permitted. And so, for FIFA to reform its governance practices it will need to make sure that it becomes engrained in the culture of all the world’s governing bodies.

The need for change appears apparent to those outside FIFA’s circle, but it does have to be asked whether there is a real appetite for change amongst those who run the game. FIFA is a very successful organisation with a sound financial footing and a large part of this success has been under the leadership of Sepp Blatter. When Blatter first won the presidency, FIFA was ‘basically penniless’ according to its senior vice president Julio Gordon, there were no cash reserves and little money to distribute to member football associations. This is in stark contrast to FIFA’s 2010 statement which ‘closed the 2007-2010 period with a result of USD 631 million and also increased its reserves to USD 1,280 million’ and announced an increase in its ‘investment in football development programmes over the upcoming 2011-2014 period from the USD 691 million that was in the budget for 2007-2010 to USD 800 million’ (FIFA Financial Report, 2010 p.9).

FIFA’s Secretary General Jérôme Valcke has claimed that he is ‘looking for ways to improve the governance of FIFA and provide the organisation with tools and procedures which will help it face the challenges which may come’ (FIFA, 2011b). If this is true there is an abundance of governance principles and procedures available to help him in his quest. The European Corporate Governance Institute lists in excess of 300 codes of Corporate Governance from all over the world on its website, each available for download.

If and when a new approach to governance comes, FIFA need to ensure it is not simply a box ticking exercise to appease the public. A robust governance framework will be required with clearly defined principles. The King II report on corporate governance (superseded by the King III Report in 2010) provides a broad outline of values that should be expected of FIFA. The characteristics highlighted in the report which originates from the most recent host of the World Cup, South
Africa, are listed as:

- Discipline - a commitment to behaviour that is universally recognised and accepted as correct and proper.
- Transparency - the ease with which an outsider is able to analyse a company's actions.
- Independence - the mechanisms to avoid or manage conflict.
- Accountability - the existence of mechanisms to ensure accountability.
- Responsibility - processes that allow for corrective action and acting responsibly towards all stakeholders.
- Fairness - balancing competing interests.
- Social Responsibility - being aware of and responding to social issues

- (The King II Report, Executive Summary, 2002, p.10 -11)

### 3.3 GOVERNANCE AND LEADERSHIP

On the specific aspect of leadership the UK Corporate Governance Code 2011 provides a clear example of what should be expected:

**A.1 The Role of the Board**

*Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.*

Continuous allegations of corruption have tarnished the image of Fifa’s executive committee leading to senior members of the footballing world such as Karl Heinz Rummenigge and Michel Platini calling for reform. This is not the sign of an effective board and if it continues as it is could prove detrimental to the long term success of the organisation.

**A.2 Division of Responsibilities**

*There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company’s business. No one individual should have unfettered powers of decision.*

Although there is one senior vice president and seven vice presidents it does appear that Sepp Blatter is effectively the Chairman and CEO of Fifa and there appears to be no clear division of responsibilities.

**A.3 The Chairman**

*The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.*

Sepp Blatter has proved to be an effective leader but he has been no stranger to controversy with it having been alleged that he was aware of the bribery (Chaudhary, 2002 & Kelso, 2011). If Blatter is to be successful with governance reform he needs to be seen ‘a paragon of virtue’.

**A.4 Non-executive Directors**

*As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.*

The present governance structure at FIFA utilise independent directors. There has been a move towards independent input by certain appointments to Sepp Blatters ‘Solutions Committee’. As a point of interest, the English FA Council approved the principle of appointing of two independent non-executive directors in June 2011 in an effort to develop ‘stronger governance’ (The FA, 2011).

If FIFA is to truly embrace governance reform it might go so far as arranging the production of an independent annual governance report which would outline (in detail) the approach to each principle. This might include year on year comparisons, benchmarking against global guidelines and a complete financial report which covers ALL its operations. These characteristics combined with the recommendations on gender in board diversity from the UK Corporate Governance Code (all 24 members of the executive committee are male) could provide direction for Sepp Blatter’s intention to put ‘FIFA’s ship back on the right course in clear transparent waters’ (CNN, 2011).

### 3.4 STAKEHOLDERS IN FOOTBALL
With a steady stream of corporate scandals continuing to come to light, public interest in stakeholder theory continues to grow and the term ‘stakeholder’ is now seen as a powerful one (Phillips, Freeman, & Wicks, 2003, p.479) Although stakeholder theory cannot offer a ‘complete solution for addressing the problems of business in society’ it can ‘point to a need for social controls to encourage the beneficial effects of institutional behaviours and to regulate or prevent the harmful effects’ (Wood, 2007).

Stakeholder theory views FIFA as a series of collaborative and competitive relationships each requiring simultaneous attention (Simmers, 2004). The concept of stakeholder theory has been described as ‘deceptively simple’ Freeman (1984, p.246), simple insofar as ‘it is easy to identify those groups and individuals who can affect, or are affected by, the achievement of an organisation’s purpose’ and deceptive because ‘once stakeholders are identified, the task of managing the relationships with them is enormous’. Stakeholder theory assumes that values are ‘necessarily and explicitly a part of doing business’ (Freeman et al 2004) and its appeal in the sphere of business ethics derives from its promise to help solve morally difficult problems (Orts & Strudler, 2009).

The global reach of FIFA automatically ensures a wide range of stakeholders and the balancing of these stakeholders competing interests with the long term ambition of FIFA may present sufficient opportunity for the organisation to regain credibility. Major stakeholders in this respect include supporters, sponsors (both corporate and national), communities, beneficial charities, football associations and the environment. Supporters can justifiably be described as the lifeblood of football, without whom FIFA would almost certainly cease to exist. They buy the tickets, they buy the merchandise, they tune in in their billions to watch televised games. It is the access to supporters that attracts corporate sponsors to FIFA and these corporate sponsors including some of the world's top brands such as Coca Cola and Adidas pay a lot of money for the privilege, $500 million and $304 million respectively (Armitstead, 2011).

If FIFA is serious about reviewing its approach to corporate governance it must attempt to balance its ambition with the needs of its stakeholders. In doing this they must engage their stakeholders in an attempt to understand and prioritise their needs whilst at all times demonstrating transparency and accountability in their activities.

3.5 CONCLUSION

We have seen from the continued allegations of corruption that the current model of corporate governance employed by FIFA is not effective. We have discussed how existing models of corporate governance such as the South African King Report II and the UK Corporate Governance Code can provide a valuable source upon FIFA can draw should they wish to move towards a credible corporate governance regime. FIFA should take the opportunity to win back public trust by becoming completely transparent in its dealings. It is submitted that this can be achieved through the use of independent review and stakeholder engagement as the combination of these can provide the level of transparency that is required for the long term success of football's world governing body.

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