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The purpose of CEO compensation in sports organisations

A qualitative study of CEO compensation in sports organisations from both a board perspective and a CEO perspective.

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Title
The purpose of CEO compensation in sports organisations: A qualitative study of CEO compensation in sports organisations from both a board perspective and a CEO perspective.

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Abstract
Background: CEO compensation as a phenomenon is a well explored topic in both for-profit and non-profit organisations but limited research is made on sports organisations. Due to the important social role that sports organisations entails, one can argue for the need to investigate the purpose of CEO compensation in these organisations as well.

Purpose: The main purpose of this study is to explore the purpose of CEO compensation in sports organisations. The purpose of executive compensation will further be studied from both a CEO perspective as well as from the board perspective.

Method: This thesis has an abductive research approach and proceeds from previous theories within corporate governance to investigate the purpose of CEO compensation in sports organisations. The empirical part consists of a qualitative interview study to investigate if previous theories are applicable to explain the purpose of CEO compensation in these organisations or if there exists other, unexplored purposes.

Findings: The findings of the study suggests that the view on the purpose of CEO compensation in sports organisations is different from the board perspective and the CEO perspective. From the board perspective, the purpose appears to be to control the behaviour of the CEO, to gain organisational legitimacy, to make the organisation more business-oriented and to attract individuals with shared interests. On the other hand, from the CEO perspective, the purposes appear to be to increase the motivation and to attain individual legitimacy.

Keywords: Compensation, Sports organisations, Agency theory, Stewardship theory, Institutional theory

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1 Introduction

The introduction starts with the thesis's background followed by the problematization of the subject. This is subsequently followed by the research purpose and the research question.

1.1 Background

The debate on executive compensation is present in academics as well as in the public arena (Edmans & Gabaix, 2016). Behind the global economic crisis in 2008, large bonuses and stock options were some factors that led to short-term strategies and risky behaviour (Cable & Vermeulen, 2016). Additionally, the growth in executive pay has increased the focus on executive compensation due to the various corporate scandals during the last decades (Fernandes, 2008). Various researchers within the corporate governance literature have illustrated what shapes the compensation structure in both non-profit and for-profit organisations (e.g., Frumkin & Keating, 2010; Murphy, 2013; Roomkin & Weisbrod, 1999). Furthermore, research on compensation in sports organisations has been focusing on either compensation of coaches (Thomas & Van Horn, 2015) or compensation of players (e.g., Adcroft et al., 2009; Della Torre et al., 2014; Jones & Walsh, 1988; Montanari et al., 2008). Moreover, Barros and Barros (2005) also investigate how human and social capital affects the earnings of executives in sports organisations. However, there has been a limited focus in the corporate governance research regarding compensation structures of executives such as CEOs or equivalent in these organisations.

Excessive executive compensation in non-profit organisations, which sports organisations can be considered as, has been a well-discussed topic in the media over the past decade. One such case is the Swedish Red Cross where the chairman received a substantial amount in economic compensation (Thellenberg, 2010). Moreover, in a comparison with another non-profit organisation, it was found that the American section of the Red Cross paid a more significant percentage of the grants to their executives (Wile, 2012). The Red Cross is not the only non-profit organisation that has been

accused of excessive executive compensation. Young Adult Institute reportedly paid their top executives a million dollar each in 2011, which laid the foundation for a public investigation about how non-profit organisations compensate their executives (Pallotta, 2012). These events have increased the discussion about whether such amounts are reasonable or not as compensation in non-profit organisations.

Previously, the attention of executive pay in sports organisations have been primarily on English Premier League clubs. In 2012, the highest-paid executive, David Gill, was paid £2.6 million (Conn, 2013) and in 2019 the highest-paid executive, Daniel Levy, received a total of £7 million from Tottenham Hotspurs (Fermie, 2020). The high economic compensation paid to Daniel Levy has previously upset players and also resulted in negative media attention (Hughes, 2018). The amount received by the top paid executive has almost tripled in seven years. This indicates a fast growth in executive's economic compensation which may impose the question about how the compensation is determined. However, the Premier League clubs might belong more to for-profit organisations than what a traditional sports organisation does.

Contrary to English Premier League clubs, Swedish sports organisations are prohibited from being in other organisational forms than non-profit associations (Riksidrottsförbundet, 2012). Hence, some differences in the structure of compensation policies exist since executive compensation, in general, tends to be higher in for-profit organisations (Frumkin & Keating, 2010). This difference in pay might partly explain the relatively high turnover of sporting directors in Swedish ice hockey clubs. During the 2013/14 season, 11 out of 26 sporting directors in Swedish hockey clubs competing in the two top tiers retired from their work (Svensson, 2014). The reasons for this high turnover seem to be several. One might be the increasing workload consisting of several tasks and responsibilities, another reason might be the low economic compensation in relation to the salary level of the players (Svensson, 2014). The same author further mentions that these organisations are missing out on important human capital as a consequence of the demanding working environment. Hence, with these issues of high turnover on a sporting director level, one might assume that the same would apply to other executives such as CEOs in sports organisations.

The executives of the sports organisations appear on the front pages of Swedish newspapers and are paid close attention in the media given the importance of the organisation they are heading. The importance of these organisations can be explained by the fact that they have an important social role in society (Waardenburg & Nagel, 2019). These authors further indicate that sports organisations can bring people with different backgrounds together as well as it can be an important tool to develop social networks. They also emphasize that there is a strong belief that sports organisations can promote social cohesion in modern European society which is increasingly characterized by social differentiation and disintegration. Personal involvement in sports organisations is considered to be an effective solution to many social issues and problems related to socialization, health and integration of citizens in western societies (Elling et al., 2001). However, all sports organisations do not seem to equally foster social integration, the variations in the level and nature of social integration are largely explained by the characteristics of the organisation and further also by type of activity and organisational size (Østerlund & Seippel, 2013). Notwithstanding the high public profile of sports organisations and executives heading them, there is limited attention to the remuneration to executives in sports organisations in the corporate governance literature compared to the equivalents in both for-profit and non-profit organisations.

In a for-profit organisational context where equity compensation aligns the interests of shareholders and directors, boards of directors tend to be better monitors of the top management team to ensure that they act in alignment with shareholders' interests (Elson, 1996; Gopalan et al., 2014). Another factor that contributes to and motivates the degree of compensation is the outside managerial labour market who exerts direct pressure on the firm to sort and compensate managers according to performance (Fama, 1980). However, in a non-profit organisational context, incentives for executives tend to be different from those in for-profit organisations. The purpose of executive compensation in non-profit organisations can be to recruit, motivate and retain executives and further attract competence as well as prevent losing this competence to other organisations due to the competitive market (Frumkin & Keating, 2010).

To summarize, it has been discussed in previous literature that the purpose of executive compensation in non-profit organisations is to recruit, motivate and retain executives

(Frumkin & Keating, 2010). Hence, it might be motivated and in the interest of the stakeholders to also investigate the purpose of executive compensation in sports organisations. Since there has been a high employee turnover, looking at the compensation of the CEO in sport organisations tend to be important because their leadership has shown to affect club performance of both social and financial magnitude. Thereby, compensation might be an important aspect to consider as well as its function and what it is. As stated earlier, the corporate governance research about executive compensation has mostly been focusing on a for-profit or non-profit setting but the field of research in sports organisations tends to still be quite unexplored.

1.2 Problematization

Executive compensation can take place in various forms regardless of whether it is a for-profit organisation, non-profit organisation or sports organisation. The different forms of compensation can range from fixed based salaries, performance-based bonuses to fringe benefits (Murphy, 2013). In non-profit organisations, executive compensation mainly consists of a fixed base salary, but bonuses are also a common incentive, although it is not as frequent as in the for-profit sector (Roomkin & Weisbrod, 1999). However, in a for-profit context, the CEO compensation can also contain equity compensations such as stock options and performance shares (Murphy, 2013). On the other hand, non-profit organisations with no private owners cannot compensate their executives in that manner (Roomkin & Weisbrod, 1999). Moreover, bonuses related to performance that benefits organisational objectives tend to be common in non-profit organisations despite not having any residual claimants (Barragato, 2002). Thus, non-profit organisations seem to pay substantial bonuses as well, but these bonuses are not based on the profit of the organisation. The measures used in most non-profit organisations' incentive plans are tied to fundraising and cost efficiencies (Frumkin & Keating, 2010). However, executives' total compensation seems to be higher in the for-profit sector (Frumkin & Keating, 2010; Roomkin & Weisbrod, 1999).

1.2.1 Control

Executive compensation can be considered an essential tool for aligning the interests of shareholders and managers (Gopalan et al., 2014). This is to solve the agency problem discussed in Jensen and Meckling (1976) about the discretion of management and the managerial power that are present in agency theory. Agency theory suggests that ownership and control should be separated to run the firm more efficiently (Fama, 1980). In non-profit organisations, there is no apparent agency problem between donors and residual claimants since there are no residuals to claim, but an agency conflict might still exist because there are incentives of decision-making agents to expropriate donations or other perks which need to be controlled (Fama & Jensen, 1983). Newton (2015) also mentions the alignment of interests from a non-profit perspective and that these types of organisations provide unique opportunities to expropriate resources. Hence, it could be argued that executive compensation might be seen as a mechanism for the board to control the behaviour of the CEO.

1.2.2 Pay for performance

Pay for performance is another factor determining the CEO compensation, but it is not prominent in non-profit organisations (Frumkin & Keating, 2010). Performance-based contracts are set to align the interests in a principal-agent relationship (Barros et al., 2007). This is because agency theory suggests that all individuals are set to maximize their utility and therefore act in their own interests (Jensen & Meckling, 1976). Pay for performance in a non-profit organisation refers to rewarding an executive based on achieving optimal performance for the organisation (Newton, 2015). In sports organisations, on the other hand, club performance both from a financial perspective and a sports performance perspective could be used to control the executive from expropriating resources (Barros et al., 2007). Thereby it could be argued that executive compensation can be used as a tool to increase performance.

1.2.3 Motivation

One of the key assumptions regarding the purpose of CEO compensation in for-profit organisations is to give the CEO a claim on the residual of the organisation to motivate

superior performance (Martin & Butler, 2017). Furthermore, in non-profit organisations, executive compensation is used to recruit, motivate and retain executives and thereby minimize the risk of losing competence to other organisations due to the competitive market (Frumkin & Keating, 2010). However, individuals in non-profit organisations seem to have other factors than monetary incentives motivating them as well (Handy & Katz, 1998). Frumkin and Keating (2010) argue that a majority of the people working in non-profit organisations prefer altruistic and non-pecuniary benefits instead of monetary rewards. Furthermore, working for the greater good seems to be another motivational factor besides the salary (Newton, 2015). Moreover, the self-selection hypothesis tends to have an important role when individuals choose to work for a non-profit organisation (Caers et al., 2006). The self-selection hypothesis means that individuals compare offers from for-profit and non-profit organisations and then opt for the sector that best matches their goals. Therefore, non-profit executives are assumed to have stronger commitment and loyalty to the mission of the organisation compared to for-profit equivalents (Handy & Katz, 1998).

Although agency theory is applicable when explaining incentives in non-profit organisations (Fama & Jensen, 1983), it might not be the only theory trying to explain it. Stewardship theory claims that the manager's actions depend on several other factors than just their self-interest (Letza et al., 2004). Stewards tend to be intrinsically motivated and thus they act in the best interest of the organisation since doing so might lead to opportunities for desired individual outcomes (Tosi et al., 2003). Originally, stewardship theory was designed for examining events where executives, or stewards, act in the best interest of the principals (Davis et al., 1997). This refers to situations where the goals of the manager are somewhat aligned with the goals of the principals (Sundaramurthy & Lewis, 2003). Hence, in stewardship theory, pro-organisational and collectivistic behaviour results in higher utility than self-serving and individualistic behaviour (Davis et al., 1997).

1.2.4 Legitimacy

The purpose of executive compensation might not only be explained by internal governance mechanisms such as the need for control and motivation. The purpose of

executive compensation can also be explained by external governance mechanisms where the organisation aims for acceptance from the external environment (Talaulicar, 2020). External governance mechanisms can be the legal environment, the market for corporate control, external auditors, stakeholder activism, rating organisations and media (Aguilera et al., 2015). Institutional theory states that the governance in terms of structure and processes in an organisation is considered to be legitimate and thus satisfying the external environment based on the social norms, values and expectations (Eisenhardt, 1988).

Famous CEOs might receive higher compensation due to their celebrity and not necessarily based on firm performance and outcome. Higher compensation for celebrity executives might thereby be motivated since they have powerful effects on the organisation by influencing the legitimacy and status (Wade et al., 2006). Hiring a celebrity as an executive could further increase the visibility of the association and it might be easier for the association to attract new members and investors (Ferris et al., 2011). The purpose of executive compensation from a board perspective might thereby be motivated by the opportunity for the board to reach higher status, legitimacy and fame of the organisation. Moreover, from a board perspective, the purpose of compensation could be to attain legitimacy from the external environment (Eisenhardt, 1988). By replicating the arrangements of other organisations within the same industry, the ambition is to achieve legitimacy (Main et al., 2008).

Summarized, the existing literature explains several potential purposes of executive compensation such as motivational purposes (Frumkin & Keating, 2010), controlling purposes (Newton, 2015), striving for legitimacy (Eisenhardt, 1988) and retaining competence (Frumkin & Keating, 2010). Ferkins and Shilbury (2015) emphasize that there is existing literature about the non-profit sector from which sports studies can benefit. Further, the competitive nature of the daily activities in sports organisations might differ from traditional non-profit organisations and thereby this type of study might be motivated to investigate what the purpose of executive compensation is in sports organisations.

The purpose of compensation seems to be different from a board perspective compared to the perspective of the CEO. From a board perspective, the compensation might be explained by the need for control and fulfil the organisational legitimacy. From the CEO perspective, the purpose seems to be explained by motivation and legitimacy. Since the board might expect that the compensation is used to control the CEO, while the CEO expects the compensation to be a motivator, a potential expectation gap of the purpose could exist. Moreover, the board and the CEO may have different perspectives on legitimacy. The board might use compensation to attain organisational legitimacy, while the CEO identify the compensation as a tool for status and personal legitimacy. Hence, these different perspectives might create tensions and further an expectation gap in the negotiation process indicating that neither one of the different perspectives can explain the purpose of compensation alone.

1.3 Purpose

The main purpose of this study is to explore the purpose of CEO compensation in sports organisations. The purpose of executive compensation will further be studied from both a CEO perspective as well as from the board perspective. The authors of this paper will contribute to the existing corporate governance literature by focusing on the compensation within sports organisations which, to the best of the authors' knowledge, is not a well-explored topic.

1.4 Research Question

What is the purpose of executive compensation in sports organisations from a CEO and board perspective?

2 Literature Review

The literature review starts with an introduction of the theories which lays the foundation of this study. Based on these theories, the second part will introduce each theme of the potential purposes of CEO compensation from a board perspective. The third part brings up what the purpose of compensation might be from the perspective of the CEO. These themes will later be summarized in our research model which will be the basis for the empirical part of this thesis.

2.1 Theory Outline

2.1.1 Agency Theory

Agency theory assumes that organisations are legal fictions that consist of a nexus of contracts between the individuals in an organisation (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976). These contracts can be both real and fictional, but agency theory defines the contracts as an agency relationship between one or more individuals (principals) that engage another person (agent) to perform some service on their behalf by giving the agent authority to perform this service (Jensen & Meckling, 1976). Hence, in a for-profit context, shareholders become principals and executives become agents (Davis et al., 1997). Agency theory assumes that both agents and principals are utility maximisers and motivated by self-interest. Further, it recognizes that the agent and principal have different goals. Therefore, it is likely that the agent will take actions that are not in the best interest of the principal and a goal conflict will occur (Van Puyvelde et al., 2013). To solve this issue, the principal may be forced to establish appropriate incentives for the agent to make him willing to take actions aligned with the interest of the principal (Jensen & Meckling, 1976). Incentives aimed to control and mitigate the behaviour of an agent could also negatively impact the shareholder wealth; however, this is suggested to be necessary within agency theory (Martin & Butler, 2017).

In most organisational forms, the structure of the contracts between principal and agents limits the agency costs by specifying either fixed compensation or incentive payoffs tied to specific measures of performance (Fama & Jensen, 1983). In many organisations, the

ownership or risk-bearing and control of the organisation is separated. Thereby, the organisation can be more successful, since agents with higher specific competencies and skills might be able to run the organisation more efficiently (Fama, 1980). In order to run the organisation as efficiently as possible, the pay arrangements to executives should be based on the optimal contracting approach as a remedy to the agency problem (Bebchuk & Fried, 2003). Optimal compensation contracts should further be based on the trade-off between the ambition of providing efficient risk-sharing with CEO incentives for the individual to make appropriate decisions (Jensen & Murphy, 1990).

Despite some similarities between non-profit organisations and for-profit organisations that rely on executives and managers to carry out the daily operations for the organisations, there are some notable differences. While agency theory asserts that the main task of a manager in a for-profit organisation is to maximize shareholder value, managers' responsibility in a non-profit organisation is to achieve both social missions and ensure the long-term viability of the organisation (Blevins et al., 2020). Contrary to for-profit organisations, there are no agents with alienable rights in residual net cash flows and thus, there are no residual claims. Thereby, no agency problem between the decision manager and residual claimants exists in non-profit organisations, but agency conflicts between decision managers and donors might still exist (Fama & Jensen, 1983). Despite no residual claimants, shirking behaviour among managers and employees could exist in non-profit organisations. Mainly because the monitoring of the agents is less extensive since it is not linked to claims of profit and that it is more complex to evaluate the outputs and performance of these organisations (Van Puyvelde et al., 2013).

Another difference between non-profit organisations and for-profit organisations might be the board composition. Independent directors in the board might decrease the agency costs in an organisation and improve the organisational performance since these independent directors are not tied to management and tend to be more critical (Jensen & Meckling, 1976). In contrast to publicly listed corporations, non-profit organisations are not required to have an independent board (Blevins et al., 2020). If the board in a non-profit organisation consists of independent board members representing several donors

or other important constituencies, they could provide meaningful control of the managers and executives and agency costs will decrease (Van Puyvelde et al., 2013).

Similarly to for-profit organisations and non-profit organisations, agency theory can be applied in sport organisations as well. The importance of board composition in order to monitor, advise and control the agent is mentioned in the literature of for-profit organisations (Jensen & Meckling, 1976), non-profit organisations (Blevins et al., 2020; Van Puyvelde et al., 2013) as well as sports organisations (Malagila et al., 2020). Moreover, the idea with diverse interests and incentives to align these interests that are present both in for-profits (Jensen & Meckling, 1976) and non-profits (Fama & Jensen, 1983), are also applicable in sports organisations (Malagila et al., 2020). Hence, from an agency theory perspective, incentives such as economic compensation tend to have an important role when aligning interests and thereby reach desired performance regardless of organisational context.

2.1.2 Stewardship Theory

Contrary to agency theory, where the focus is on aligning interests of agents and principals, stewardship theory assumes that the interests of principals and agents are somewhat aligned due to the agent's collectivistic interests (Van Slyke, 2007). In stewardship theory, the manager as a steward will protect and maximize the wealth of the shareholders without extensive need for monitoring (Davis et al., 1997; Till & Yount, 2019). The main determinant in the choice between a principal-agent relationship or a principal-steward relationship is the risk awareness of the principal since a risk-averse principal will expect the manager to act in their self-interest (Davis et al., 1997).

Stewardship theory was originally developed from psychology and sociology and can be divided into two parts (Van Puyvelde et al., 2012). One part of stewardship theory assumes that stewards and principals have separate interests and that the steward will be motivated to act in the best interest of the organisation (Davis et al., 1997; Van Slyke, 2007). This is because the steward receives higher utility when acting in the best interest of the organisation rather than in their own interest (Davis et al., 1997; Martin & Butler,

2017). The other part of stewardship theory assumes that the steward and the principals have perfectly aligned goals (McLeod et al., 2021; Van Puyvelde et al., 2012). In organisations with stakeholders and shareholders competing with each other, the steward will opt to increase the performance of the organisation since it will satisfy most of the groups (Davis et al., 1997).

In non-profit organisations, all donors, both private and corporate, can be considered as external principals since they have delegated the decision making to the organisation while the internal principal is the board of directors (Van Puyvelde et al., 2012). Since the steward acts in the best interest of the principals, he or she is considered trustworthy (McLeod et al., 2021). The long-term relationships between the stewards and their principals are based on trust, collective goals, reputation and involvement which ends up with alignment due to relational reciprocity (Van Slyke, 2007). Because of the high identification with the organisation, stewardship theory assumes trust and collaboration rather than distrust and control (Bernstein et al., 2016). Managers who have a strong identification with the organisation tend to be stewards, while those who externalize the organisation are often recognized as agents (Martin & Butler, 2017). Trust and reputation could further be argued as incentives for alignment while monitoring instead is a potential sanction (Van Slyke, 2007). The picture of a steward is displayed as an honest individual with personal integrity who does not steal or cheat and honour their commitments (Martin & Butler, 2017). However, the steward should not be considered selfless, but he or she instead considers that working towards the goals of the organisation also is in their own self-interest (Davis et al., 1997; Till & Yount, 2019).

An underlying idea of stewardship theory is that motivation is more about self-actualization rather than wealth maximization (Till & Yount, 2019). Van Puyvelde et al. (2012) argues that stewards tend to be intrinsically motivated, which means that the activity performed is not performed for any reward other than the activity itself. Stewardship theory does not only account for the financial needs of the stewards but also sees other motivational factors for managers rather than individual financial goals (Till & Yount, 2019). However, stewards do have necessarily needs to survive such as a fair income (Davis et al., 1997). It is further argued that stewardship theory recognizes that stewards still have to make a living but since they act in the best interest of the

organisation over their own self-interest it is rationalized that they will receive a fair return for the efforts made (Martin & Butler, 2017). Moreover, Van Slyke (2007) indicates that stewards are rewarded with nonpecuniary mechanisms to a more significant extent than agents in agency theory. The assumption that monetary rewards are the primary motivator for most individuals can further be seen as a self-fulfilling prophecy that attracts self-interested individuals into leading positions in business organisations (Till & Yount, 2019).

Stewardship theory is considered as an alternative to agency theory by researchers to explain corporate governance issues (e.g., Davis et al., 1997; Martin & Butler, 2017; Till & Yount, 2019; Van Puyvelde et al., 2012). However, previous literature only found partial support for the use of stewardship theory (Schillemans, 2013; Van Slyke, 2007). Hence, it is unclear whether one of the theories is more appropriate than the other since previous studies have indicated that both theories can increase performance (Davis et al., 1997). Initially, a principal-steward relationship will have higher transaction costs than a principal-agent relationship since it takes time to develop such a relationship but over time, these costs will be lowered (Van Slyke, 2007). Incentive systems based on pay for performance have been developed to minimize agency problems in non-profit organisations but on the other hand, this type of monetary reward may drive out the intrinsic motivation (Van Puyvelde et al., 2012).

With stewards being so eager to act in the best interest of the organisation regardless of whether it is the interest of shareholders in for-profit organisations (Davis et al., 1997; Till & Yount, 2019) or stakeholders in non-profit organisations (Van Puyvelde et al., 2012), it is not surprising that the same seems to apply for managers in football organisations (McLeod et al., 2021). If one applies this theory to sport organisations it might be the case that CEOs are motivated by managing the organisation to sporting success, financial stability or other organisational goals rather than the economic compensation they receive.

2.1.3 Institutional Theory

Another theory that might explain how compensation is determined, which is not necessarily contradictory but rather complementary to other theories, is the institutional theory (Eisenhardt, 1988; Fernandez-Alles et al., 2006). Contrary to earlier presented theories, the institutional theory explains that compensation policies in organisations are driven by efforts to attain legitimacy from the external environment by mimicking the arrangement of other organisations and by adhering to expected and perceived regulatory and social norms (Main et al., 2008). There are several important common characteristics in the incentive systems designed by organisations that might not be explained by either agency or stewardship theory. One example is egalitarian salaries based on length of service with consideration to horizontal equity, which is an absence of incentive systems based on performance (Fernandez-Alles et al., 2006). Moreover, it is argued that there is a need for a more developed theory to set the agency theory into a neo-institutional framework (Main et al., 2008).

According to the framework of institutional theory, the behaviour and survival of an organisation are dependent on how the organisation adopts the structures and processes that best matches the standards, beliefs and norms in their institutional environment to gain acceptance (Fernandez-Alles et al., 2006). This phenomenon is defined in the previous literature as isomorphism, which further might explain why the structure of organisations in the same environment or industry are quite similar (DiMaggio & Powell, 1983), including the management practices and the design of compensation systems (Fernandez-Alles et al., 2006). Thereby, the purpose of compensation to managers and further how it is determined is in general heavily dependent on which industry or environment it belongs to (Eisenhardt, 1988).

The striving for legitimacy in the social context where the organisations are embedded seems to be important to consider when compensation schemes for executives are designed (Zolotoy et al., 2018). If behaviour and management practice in an organisation, including executive pay arrangements, is judged as illegitimate due to the social norms and the environmental context, the organisation might experience huge blaming from external actors (Joutsenvirta, 2013). Moreover, the CEO compensation schemes in US organisations seem to vary depending on where the headquarter of the

organisation is located. Findings suggest that organisations with headquarters in areas surrounded by strong religious social norms attenuated the relationship between equity incentives and firm value (Zolotoy et al., 2018).

Management practises in different organisational forms tends to be very generic and able to spread indiscriminately across for-profits, non-profits and other organisational forms (Pope et al., 2018). For-profit governance theories such as institutional theory could be used as a starting point to understand governance practices in non-profit organisations despite no perfect fit (Viader & Espina, 2014). This might be explained by the fact that organisations belonging to the same population are staffed by managers facing similar legitimacy problems and thereby driving their organisations into greater isomorphism (Pope et al., 2018).

As stated earlier, management practices tend to be very generic regardless of organisational type (Pope et al., 2018). Sports organisations tend to seek legitimacy externally as well (Walters & Tacon, 2018). The search for legitimacy could be through for instance central, regional and local authorities (Strittmatter et al., 2018). Furthermore, institutional pressures seem to contribute to the management practises in South Korean sports clubs (Joo et al., 2017). They further indicate that institutional pressures stemmed from the relationship between the leagues and the government, but also social expectations from fans and media. Since management practices tend to be generic regardless of organisational type, it could be expected that the incentives for executive compensation might be similar as well. However, Eisenhardt (1988) indicates that the purpose of compensation can differ among industries and environments. Thus, it cannot be concluded that the purpose and structure of executive compensation are the same in sports organisations as in for-profit or non-profit organisations from an institutional theory perspective.

2.2 Board Perspective

2.2.1 Control

In for-profit organisations, awarding managers with equity is a way to control that they work in the best interest of the organisation (Fang & Gerhart, 2012; Martin et al., 2019).

Drawing on agency theory and its underlying assumptions, compensation schemes can be seen as incentive alignment systems that control managers from moral hazard (Montanari et al., 2008; Van Puyvelde et al., 2013). Furthermore, incentives such as compensation can be seen as control mechanisms to align the interests of managers and the organisation (Jensen & Meckling, 1976). Compensation, especially pay for performance compensation, can also be a controlling aspect when trying to govern the organisation to the desired outcome (Theuvsen, 2004).

What needs to be controlled is the behaviour and actions of executives (Fama & Jensen, 1983). The reason for the need for control is the model of man, which states that every individual is expected to maximize their utility (Davis et al., 1997; Jensen & Meckling, 1976). Hence, if the behaviour is not controlled, it is likely that the organisational goals will not be fully attained (Van Puyvelde et al., 2012). However, criticism against the model has been raised. The model has been accused of being a simplification for mathematical modelling as well as providing an unrealistic description of human behaviour since labelling all humans as self-serving does not consider the complexity of human actions (Davis et al., 1997).

Previous literature indicates that in non-profit organisations, the purpose of compensation is not based on the need to control the executive since non-profit board members do generally not believe that their managers will behave opportunistically (Van Puyvelde et al., 2013). Further, non-profit board members tend to believe that their CEO will act in ways aligned with the organisational mission and goal in support of the stewardship theory (Bernstein et al., 2016). Hence, even though the CEO has diverged interest, he or she will act in the best interest of the principal. On the other hand, Blevins et al. (2020) found similar problems with interest alignment in non-profit organisations as in for-profit organisations and advocates that the available solutions to these problems must be quite similar as well. Thus, having compensation as a form of control factor might be applicable in non-profit organisations as well. However, since the output of a non-profit organisation is hard to observe compared to for-profit organisations, it is difficult to measure managerial performance and write meaningful incentive contracts. This might result in serious agency problems in non-profit organisations (Brickley & Van Horn, 2002).

In for-profit organisations, the purpose of compensation can be explained by the need to control the behaviour of the CEO (e.g., Fang & Gerhart, 2012; Jensen & Meckling, 1976; Martin et al., 2019). Meanwhile, the previous research in non-profit organisations are scattered whether economic compensation has the purpose to control the CEO or not (e.g., Bernstein et al., 2016; Blevins et al., 2020; Brickley & Van Horn, 2002; Van Puyvelde et al., 2013). Hence, the purpose of compensation tends to differ regarding the organisational context. To the best knowledge of this paper's authors, this is a quite unexplored research field within sports organisations. What might be expected due to the similarities with non-profit organisations is that the purpose of compensation does not necessarily have to be to control the executive. However, as Blevins et al. (2020) stated, the same problem with the alignment of interests is present in both for-profits and non-profits. Hence, the purpose of compensation from a board perspective could be to control the CEO.

2.2.2 Legitimacy

While agency theory emphasizes that CEO compensation is motivated by the need to minimize managerial shirking through monitoring and incentive mechanisms (Jensen & Meckling, 1976), it can be argued that the CEO compensation has a socially legitimate purpose (Zajac & Westphal, 1995). Organisations do not always seek financial objectives, where the incentives are not only used to align the interest between principal and agents. The incentives are also symbolic since the organisation aims for legitimacy in a social context (Fernandez-Alles et al., 2006). Further, the organisational decision regarding the CEO compensation structure is likely to be affected by the changing institutional or social context in which the decision regarding CEO compensation takes place (Zajac & Westphal, 1995).

The search for legitimacy might not only explain the purpose of compensation, but it also tends to explain the recruitment and selection process of certain types of positions, such as the top management team (Lin, 1999). Having a celebrity in a top position might have several positive effects on the organisation since they could increase public attention from the media (Malmendier & Tate, 2009). Furthermore, previous research

suggests a correlation between social capital and status attainment, meaning that high-status individuals also possess high social capital (Lin, 1999). Thereby, social skills and networks are important in the recruitment process, even more than human capital related skills and could therefore be a motivator for executive pay as well.

In a non-profit organisational context, organisations tend to be more and more confronted by political pressures to become more efficient by applying management policies developed in the market sector of society (Theuvsen, 2004). To maintain institutional legitimacy, the organisation tends to mimic the arrangement of other organisations and adhering to expected and perceived regulatory and social norms (Main et al., 2008). Therefore, non-profit organisations tend to adopt inefficient and not perfect applicable management incentives plans, since these incentive plans are originally designed for for-profit organisations (Theuvsen, 2004). Thereby, the purpose of CEO compensation in non-profit firms might be heavily dependent on what is judged as accepted and legitimate in the institutional environment.

In Swedish sports organisations, some executives are former athletes. This phenomenon might be explained by the research of Malmendier and Tate (2009), which indicates that having a celebrity in the top management team brings a positive effect on the organisation. It can also be explained by the high social capital these people might contribute with (Lin, 1999). Another explanation can be similar to the fact why players with high experience receive higher pay than non-experienced players. A player's reputation can have an impact on stakeholders' expectations. Thereby, clubs might be willing to sign players with a good reputation to reach positive judgement from the external environment which further can result in an increase in revenues from season tickets, sponsors and media (Montanari et al., 2008).

2.3 CEO Perspective

2.3.1 Motivation

The literature on motivational theories can be considered as quite extensive with several influential theories of need, such as Maslow's hierarchy of needs, Alderfer's growth needs and affiliation needs by McClelland and McGregor (Davis et al., 1997). Further

theories dealing with motivation is the expectancy theory developed by Vroom (Pepper & Gore, 2015), the motivation of workers theory by Hackman and Oldham as well as self-leadership theory by Manz (Davis et al., 1997). Despite all these motivational theories available, motivation is commonly divided into two forms in management studies; intrinsic and extrinsic motivation (Davis et al., 1997; Pepper & Gore, 2015). Since extrinsic and intrinsic motivation have connections to agency theory and stewardship theory (Davis et al., 1997), this paper will focus on these two specific types of motivation.

The definition of extrinsic motivation is when an activity is performed due to its instrumental value (Pepper & Gore, 2015). Furthermore, extrinsic motivation is connected to extrinsic rewards. Extrinsic rewards are tangible, have a measurable market value and are used as a control mechanism in agency theory (Davis et al., 1997). Pepper and Gore (2015) also advocates that extrinsic motivation is affected by the individual's risk profile. However, the views regarding the relationship between risk and motivation are somewhat separated since Kocabıyıkoğlu and Popescu (2007) claims that the relationship between risk aversion and extrinsic motivation is a common myth. On the other hand, intrinsic motivation is when an activity is performed because of the inherent satisfaction of an individual rather than some separable consequences (Fang & Gerhart, 2012; Pepper & Gore, 2015). Important determinants of intrinsic motivation are self-efficacy, self-determination and feelings of purpose (Davis et al., 1997). However, intrinsic motivation has also been described as some vaguely defined extrinsic motivators (Pepper & Gore, 2015).

With extrinsic motivation meaning that an individual will perform an activity because of the separable outcome (Fang & Gerhart, 2012) and extrinsic rewards being tangible and measurable (Davis et al., 1997), pay for performance can be considered as an extrinsic motivator (Brandl & Güttel, 2007; Theuvsen, 2004). In agency theory, pay for performance is considered to be an important mechanism to motivate the CEO to improve corporate performance (Amzaleg et al., 2014). Previous studies have pointed out pay for performance as a factor of motivation in both individualistic and collectivistic cultures, but empirical explanations of how it affects individual motivation seem to be rare (Chang, 2011).

Contrary to Chang's (2011) suggestions, Kocabıyıkoğlu and Popescu (2007) argue that variable pay may not be a good motivator unless the individual's marginal utility is inelastic to changes in their wealth. Hence, these authors state that less risk-averse individuals do not necessarily work harder with variable pay but those with higher marginal value of wealth tend to do so. Therefore, variable pay such as pay for performance will only work when extrinsic motivation is a major force of an individual's behaviour (Theuvsen, 2004). Moreover, previous research has found that extrinsic rewards such as poorly designed monetary rewards can, in some cases, crowd out the intrinsic motivation and reduce the total motivation (Pepper & Gore, 2015; Theuvsen, 2004). Thus, extrinsic rewards may not only encourage an individual's extrinsic motivation but also reduce the intrinsic motivation in a so-called crowding out effect (Theuvsen, 2004). Kocabıyıkoğlu and Popescu (2007) conclude that profits potentially could be increased as a result of managers being appropriately motivated.

As stated earlier, intrinsic motivation refers to performing an activity because of the inherent satisfaction and enjoyment within the specific activity (Fang & Gerhart, 2012; Pepper & Gore, 2015). Although intrinsic motivation cannot easily be measured, it should not be underestimated (Pepper & Gore, 2015). Till and Yount (2019) states that in modern motivational theory, managers are not primarily motivated by monetary rewards. Intrinsic rewards can instead of monetary rewards take place in terms of growth opportunities, affiliation, self-actualization and achievement (Davis et al., 1997). It is argued that the purest form of intrinsic motivation is when an individual performs an activity without reward or control (Fang & Gerhart, 2012). Furthermore, individuals performing activities that are combined with a certain mission, such as employees in non-profit organisations, tend to be intrinsically motivated (Pepper & Gore, 2015). Additionally, intrinsically motivated people tend to become stewards in a principal-steward relationship to a larger extent than those who are extrinsically motivated (Davis et al., 1997).

Furthermore, Brandl and Güttel (2007) advocate that an individual's motivation depends on his or her preferences. This is regardless of the individual representing a for-profit organisation or a non-profit organisation (Theuvsen, 2004). Pay for performance

structures tend to be appropriate for individuals who seek income maximization and status improvement while on the other hand, it seems irrelevant to those who seek loyalty and self-actualization (Brandl & Güttel, 2007). Income maximisers are always motivated by monetary rewards, while status-oriented employees are motivated by financial rewards only if it differentiates them from members in their social reference group (Theuvsen, 2004). These individuals tend to be more attracted to for-profit organisations based on their preferences, while those who seek loyalty and self-actualization tend to be attracted to non-profit organisations (Brandl & Güttel, 2007). Since individuals who seek loyalty and self-actualization do not react to financial rewards, pay for performance will not be an effective compensation strategy in the organisations represented by these individuals (Theuvsen, 2004). However, the adoption of pay for performance systems can turn loyal individuals into income maximisers (Brandl & Güttel, 2007).

Compensation can have different motivational purposes and be in different forms depending on the type of organisations. In for-profit organisations, one key assumption about executive compensation is that it is used to motivate superior performance (Martin & Butler, 2017). For-profit organisations tend to motivate executives and employees with financial means to a larger extent than non-profit organisations whose workforce often are motivated by non-monetary and altruistic goals (Brandl & Güttel, 2007). There are several reasons why this is the case and as earlier mentioned individual preferences is one and the fact that organisations actively choose individuals with similar characteristics is another (Theuvsen, 2004). Another reason behind this difference in ways of motivating is self-selection which means that individuals apply for work in organisations matching their own characteristics (Brandl & Güttel, 2007; Theuvsen, 2004).

Previous studies on compensation in sport organisations have mainly been focusing on players (e.g., Adcroft et al., 2009; Della Torre et al., 2014; Montanari et al., 2008). Individuals who receive high compensation tend to be more committed to the organisation and less likely to quit (Della Torre et al., 2014). Monetary compensation is considered to be an important motivator for performance in sport organisations (Della Torre et al., 2014; Montanari et al., 2008). Furthermore, monetary compensation is also

used to attract and retain individuals (Montanari et al., 2008). Salary dispersion tends to have positive effects on team performance as well as financial performance in sports organisations (Adcroft et al., 2009; Della Torre et al., 2014). Players in sport organisations tend to be compensated through pay for performance incentives as a part of their compensation structure (Adcroft et al., 2009; Della Torre et al., 2014). In the National Football League (NFL) performance-related bonuses account for 25% of the total pay (Adcroft et al., 2009). Moreover, the performance measures consist of both individual performance and team performance (Adcroft et al., 2009; Della Torre et al., 2014).

Potential similarities between CEOs and players in sport organisations might be that they are attracted and motivated by monetary compensation. Moreover, it can be considered as quite likely that they also have bonuses tied to team performance while individual performance can be harder to measure for CEOs. However, sports organisations also have an important role in society (Waardenburg & Nagel, 2019) which to some extent are similar to non-profit organisations. Furthermore, McLeod et al. (2021) argue that football managers tend to have aligned interests with the club they represent and thus be motivated by success on the field. Hence, it cannot be excluded that there can be similar intrinsic rewards as motivators in sport organisations as Brandl and Güttel (2007) argues is the case in non-profit organisations.

As the motivators tend to differ between for-profit and non-profit organisations depending on organisational choice and individual self-selection (Brandl & Güttel, 2007; Theuvsen, 2004), one might assume some differences in sport organisations as well. Hence, investigating what is motivating these CEOs can be beneficial from the CEO perspective. Thereby, individuals that are intrinsically motivated can be motivated by working for pro-organisational goals and thus accept lower economic compensation (Davis et al., 1997). These individuals are not identified as income maximizers (Theuvsen, 2004). Instead, they identify the opportunity to work in organisations with aligned mission and goals as a compensation in itself. On the other hand, extrinsically motivated individuals tend to value the economic compensation or other extrinsic rewards more than intrinsic motivators and thus from an agency perspective, this is considered an important motivator (Amzaleg et al., 2014). Hence, it could be essential

to identify what type of individual the CEO tends to be and then develop the compensation structure based on his or her preferences. Otherwise, there is a significant risk that the compensation structure might not be appropriate for the CEO. Based on the findings by Kocabıyıkoğlu and Popescu (2007), that profits could be decreased with inappropriate compensation structure, one could also assume that the organisational performance will be negatively affected as well.

2.3.2 Legitimacy

In the corporate governance literature, there is a current debate regarding how organisations should incentivize executives to raise their performance. The standard answer is performance-related pay (Jensen & Murphy, 1990), but another fundamental emotional motivator is the seeking for status and recognition (Loch et al., 2001). The same authors further argue that status and recognition seem to buy access to opportunities, influential networks, and career advances. The criteria for status are flexible concerning cultural and environmental shaping (Loch et al., 2001). Moreover, the same authors state that status is shaped by what society agrees to count as a reward. They further emphasize that the reason why singers, doctors, lawyers and athletes are rewarded with high respect and status lies within their ability to perform what others cannot.

Famous CEOs seem to receive higher economic compensation compared to their equivalents in other organisations (Malmendier & Tate, 2009). Thereby, it is likely that former athletes choose to stay in the business as CEOs, given that they will receive high economic compensation in relation to their performance. However, non-profit organisations seem to attract individuals who are not characterized as income maximisers (Brandl & Güttel, 2007). Instead, the history, mission and organisational goal seem to be the more important motivator for these individuals in non-profit organisations. These people are not only working for money but also wish to serve other people and society in general (Theuvsen, 2004).

Non-monetary rewards, especially attaining status, have been argued to be an important motivator for executives, even more important than financial rewards and thereby

financial rewards seem to be irrelevant to motivate executives since they value status and glory more (Verbeke et al., 2016). Further, the definition of status attainment can be described as a process where individuals within an organisation mobilize and invest resources for returns in socioeconomic standings (Lin, 1999). Additionally, the same author defines resources in this context as consensually determined valued goods in society, where the values of these goods are normative judgements that correspond to wealth, status and power.

The behaviour of executives might also be dependent on how status symbols are shaped within the organisation and the external environment (Loch et al., 2000). Examples of internal status symbols can be a big office, a nice car received from the organisation and similar benefits. On the other hand, external status symbols can be identified as superior performance compared to relevant peer groups (Loch et al., 2000). Putting this into a sports context, one can argue that striving for good performance compared to competitors in other organisations to attain status and glory from the public is a significant motivator and might tone down the importance of monetary compensation.

2.4 Research Framework

In this section, the research framework developed from the literature review will be introduced. In this framework, the potential purposes of compensation are explained from both a board perspective and a CEO perspective separately. From the board perspective, the main purposes of CEO compensation tend to be to control the CEO, but also to strive for organisational legitimacy. From a CEO perspective, motivation and legitimacy in terms of attaining status tend to be the main purpose of CEO compensation.

From the board's perspective, drawing on both agency and stewardship theory, the controlling mechanism seems to be important to explain the purpose of compensation. As stated earlier, Jensen and Meckling (1976) claim that monetary compensation is used to align interests and Theuvsen (2004) argues that variable pay can be used to control organisational governance. Contrary to this, in those organisations where the CEO is identified as a steward, these monetary incentive systems may not be appropriate (Till

& Yount, 2019). Therefore, the board might not need to control the CEO through variable pay. Instead, the CEO might be offered increased responsibilities and authority, since individuals who seek loyalty and self-actualization are not attracted by financial rewards because they are intrinsically motivated by the organisational mission and goal (Theuvsen, 2004). Hence, one might argue that this could be identified as a compensation in itself.

From the perspective of the CEO, one can argue that the CEO might be either extrinsically or intrinsically motivated. Extrinsically motivated individuals are motivated by financial rewards and tend to choose for-profit organisations over non-profit organisations (Brandl & Güttel, 2007). Contradictory, intrinsically motivated individuals find the motivation in the activity performed (Fang & Gerhart, 2012; Pepper & Gore, 2015) and those individuals tend to opt for non-profit organisations (Brandl & Güttel, 2007). Furthermore, Davis et al. (1997) indicate that stewards in stewardship relationships tend to be intrinsically motivated. However, this is not a static concept since adapting to extrinsic rewards such as pay for performance can turn an individual from being intrinsically motivated to be extrinsically motivated (Brandl & Güttel, 2007).

When combining the controlling perspective from the board of directors with the motivation perspective of CEOs, there might be a perfect fit. The controlling aspect with variable pay and pay for performance structures tend to be aligned with extrinsically motivated CEOs since those types of structures motivate these individuals. On the other hand, a stewardship relationship with aligned interests between the organisation and the CEO seems to fit better with intrinsically motivated individuals. A potential conflictual aspect might arise when there are separated opinions of the compensations' purpose seen from the two perspectives. Assuming a CEO is extrinsically motivated, there might be tensions in the purpose of compensation, since an extrinsically motivated CEO might value compensation in terms of monetary rewards higher than being compensated through increased responsibilities and authority. On the other way around, if the CEO is mainly intrinsically motivated, tensions might arise if he or she is mainly compensated through monetary rewards and not compensated by being offered high responsibility and authority.

The other potential purposes of CEO compensation in our framework are legitimacy from the perspective of the board and also legitimacy from the perspective of the CEO. These purposes are somewhat aligned, but with some differences given the diverse perspectives of legitimacy. In the perspective of the board, the purpose of compensation can be explained by the striving for organisational legitimacy and acceptance by the external environment by implementing appropriate compensation plans that are judged as legitimating (Zajac & Westphal, 1995). From the perspective of the CEO, striving for high individual legitimacy in terms of individual status attainment can be identified as a significant compensation in itself (Loch et al., 2001; Verbeke et al., 2016). Thereby, these purposes are apparent in the framework as well since they might have an impact on how organisations incentivize their CEOs in the previous literature. Hence, the CEO and the board of directors might need to compromise when negotiating about the compensation so that both parties can be as satisfied as possible. The framework below can ease the understanding of how compensation is established since neither of the potential purposes from the different perspectives tends to explain the purpose of compensation alone. Instead, there might be a co-creation between the board perspective and the CEO perspective that explains the purpose.

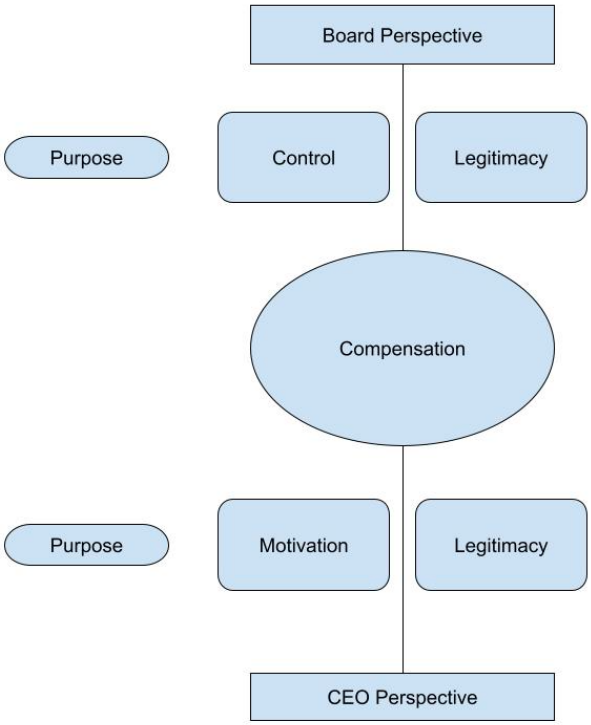

Figure 1 - The research framework explaining the purposes of CEO compensation

3 Method

In this section, the methodology of the study is provided. The section is divided into the following parts: The research philosophy, the research approach, the choice of theory, criticisms of sources, the research strategy, the data collection, the interview guide, the sample selection, the data analysis, the research quality and ethical considerations.

3.1 Research Philosophy

The aim of this paper is to study the purpose of CEO compensation in sports organisations both from a CEO perspective as well as from a board perspective. The research philosophy laying the foundation for this paper is the research philosophy called critical realism. Critical realism is a form of realism that focuses on explaining what can be observed and experienced when it comes to underlying structures of reality (Bryman & Bell, 2013). Critical realism was developed in the late twentieth century as a response to other philosophies (Saunders et al., 2016). Furthermore, this philosophy implies that the view of scientists is one of many ways of interpreting reality which also separates it from the positivists who claim that the scientists' view is a correct description of reality (Bryman & Bell, 2013). Additionally, critical realists view reality as external and independent and also not directly accessible through knowledge of reality or observation of it (Saunders et al., 2016). Hence, science is a systematic attempt to express the functions and structures that exist regardless of human thoughts (Bryman & Bell, 2013).

Critical realism tends to be the appropriate philosophy since this thesis focuses on explaining the underlying structures and the purpose of CEO compensation. To find out what the underlying structures look like, the research is based both on the CEO perspective and the board perspective to get as close to a correct view of the reality as possible. Moreover, we are open to accept other interpretations of reality which further strengthen the appropriateness of critical realism.

3.2 Research Approach

Previous studies have mainly been focusing on the purpose of CEO compensation in for-profit and non-profit contexts. However, in a pure sports organisational context, the research is narrow. This statement is based on the findings from the literature review. This, combined with the fact that the nature of sports organisations compared to both for-profit and non-profit organisations tend to be different, the authors of this paper argue that there is a need for a study to explore the purpose of compensation in sports organisations specifically. Furthermore, this study aims to investigate if similar theories and findings explain the purpose of CEO compensation in sports organisations as in for-profit organisations and non-profit organisations. Alternatively, it might be the case that other unexplored purposes exist to explain the CEO compensation in these organisations.

The approach of this study can thereby be identified as abductive. An abductive approach has several similar characteristics as an inductive and deductive approach. However, it is important to note that an abductive approach is not a mixture of these (Alvesson & Sköldberg, 2017). Abduction is a mode of reasoning that has grown in popularity in business research and is used to overcome the limitations associated with both inductive and deductive approach (Bryman & Bell, 2015). An inductive approach takes stands from empirics which then guides the research to develop a theory to explain the findings, while a deductive approach takes stands from theory which then guides the research to confirm the theory (Alvesson & Sköldberg, 2017). Similar to the inductive approach, an abductive approach takes stands from empirical facts but does not reject previous theoretical contributions, as in a deductive approach (Bryman & Bell, 2015). Further, the analysis of the empirics might be combined with previous theories as a source of inspiration to discover new patterns (Alvesson & Sköldberg, 2017).

In a deductive way of reasoning, as a part of our abductive approach, we started this study by reviewing existing literature in the corporate governance field. The appropriate theories and concepts were then summarized in our framework which further was the basis for our data collection. Since the research field of executive compensation in sports organisations is limited, we used literature from for-profit and non-profit

organisations as well. Thereby, we could not exclude that other theories would be appropriate to explain the purpose of compensation in the field of sports organisations which further strengthen the abductive approach.

In the empirical part, we used an inductive way of reasoning in our abductive approach where we interviewed CEOs and board members in sports organisations. One of the purposes of the interviews was to test if our framework corresponds to reality. However, since the existing literature illustrating the purpose of compensation in sports organisations was limited, we could not exclude the existence of other appropriate theories or factors to explain the purpose of compensation in these organisations. Hence, with an abductive way of reasoning, we would be able to be flexible concerning the findings in the empirical part. This allowed us to be open to the possibility of being surprised by the findings, rather than using it to confirm the preunderstandings enabled from existing theory (Bryman & Bell, 2015).

3.3 Choice of Theory

This study is based on agency theory, stewardship theory and institutional theory. Agency theory is used because compensation, especially financial rewards, has a central role in aligning the interests of principals and agents which is one of the main contributions of agency theory (Jensen & Meckling, 1976). In this paper, alignment of interests is set to help the understanding of the purpose of CEO compensation from a board perspective. Stewardship theory on the other hand can be seen as a complement to agency theory where the focus on extrinsic financial rewards is reduced and instead a central theme is intrinsic rewards (Davis et al., 1997). Thus, extrinsic and intrinsic motivation can also help to understand the purpose of compensation. Moreover, the institutional theory focuses on attaining organisational legitimacy by mimicking arrangements within a certain industry (Main et al., 2008). Therefore, institutional theory and more specifically legitimacy can be a third perspective assisting to understand the purpose of compensation. These theories provide different explanations of the purpose of executive compensation. Hence, they will help to ease the understanding of the purpose of compensation from both the board perspective as well as the CEO perspective. With these theories provided, it will also be easier to

understand the tensions between the CEO perspective and the perspective of the board regarding the purpose of compensation in sports organisations.

3.4 Criticism of Sources

The research process began by screening the existing literature. When searching for relevant articles to include in this study, databases such as Google Scholar, Web of Science and Scopus were used. Additionally, some books have been used when writing the method section of this paper and all of these books have been available at the Jönköping University library. Moreover, the method section includes an ethics guide from the Association of Business Schools which lays the foundation for the ethical considerations of this thesis. In the background section, both scientific and popular science articles have been used with the purpose to demonstrate the relevance of the subject. Additionally, a non-scientific article was used in the method section to motivate the sampling. Otherwise, scientific articles lay the foundation for this paper. Furthermore, all of the articles used in the literature review have been peer-reviewed. A peer-reviewed article has been critically evaluated by reviewers with expertise in the field of research before being published (Bryman & Bell, 2013). Hence, articles that are peer-reviewed are considered to have adequate quality. Moreover, a majority of the articles used in the literature review were published in journals included in the 2018's ABS-list and the aim was to only use articles with a score of 2 or above. ABS Academic Journal Guide has the purpose to rate journals based on their quality.

When collecting articles, it is important to have a critical approach (Bryman & Bell, 2015). Having a critical approach means that one has to go beyond just describing what previous literature has stated (Bryman & Bell, 2013). This has been taken into consideration during the whole thesis. Furthermore, Bryman and Bell (2013) argue that not all literature that has been reviewed should be included in the literature review. They state that the focus should be on the quality of the articles since citing questionable literature can harm the argumentation.

When searching for relevant articles one has to develop some keywords. The following keywords were the ones mostly used in this paper. They were used either alone or in different combinations:

Compensation, Remuneration, Purpose, Incentives, Legitimacy, Non-profit, Sports organisations, Agency theory, Stewardship theory, Institutional theory

3.5 Research Strategy

The two main strategies when studying a research problem is the qualitative or the quantitative strategy (Bryman & Bell, 2013). Qualitative research is considered to provide a more comprehensive understanding of a social phenomenon than what would be obtained with a quantitative research strategy (Silverman, 2013). The decision of which strategy to be used in a study is based on what type of information the researcher wants to receive (Olsson & Sörensen, 2011). Furthermore, qualitative research strategy focuses more on analysing words rather than quantifying the amount of data when collecting and analysing the data (Bryman & Bell, 2015). Additionally, qualitative strategies strive to find descriptions and categories that best explains a phenomenon which can be considered as the main advantage of the strategy (Olsson & Sörensen, 2011). Another advantage of qualitative research is the close involvement with the people being investigated, which entails a greater understanding of the world through the eyes of the participants (Bryman & Bell, 2015).

However, some criticism has been levelled at qualitative research methods, especially from quantitative researchers. One of them is the subjectivity that qualitative research entails since the findings might rely too much on the researcher's unsystematic judgement about what is significant and important (Bryman & Bell, 2013). Qualitative research is further generally more difficult to replicate by other researchers than quantitative research is since qualitative data is much more unstructured. Another disadvantage with qualitative research is the lack of transparency since there are difficulties to establish what the researchers actually did and how they came up with the conclusions of the study (Bryman & Bell, 2015).

The chosen research strategy needs to be suitable for the purpose of the study and it also has to fit with the research philosophy (Saunders et al., 2016). Concerning the purpose of this thesis, our research will be qualitative. The qualitative strategy is appropriate for this study since it allows us to get a deeper understanding of the purpose of CEO compensation in sports organisations. Moreover, qualitative research emphasizes words more than numbers (Bryman & Bell, 2013), and therefore it is suitable for this study since words can ease the understanding of the purpose. As stated earlier, qualitative research implies issues with subjectivity and replicability (Bryman & Bell, 2015) but these issues are however not sufficient enough to motivate the use of a quantitative strategy instead.

3.6 Data Collection

The data collection was implemented through semi-structured interviews. The interviews took place either through video calls or by telephone. Face to face interviews would be preferable, but concerning the current circumstances due to the COVID-19 pandemic, we realized that face to face interviews would not be feasible. The reason why we used semi-structured interviews was that it would increase our chances to receive as much important material from the participants as possible since we would be able to ask supplementary questions. This is further explained in section 3.6.1.

Since all participants in our study had Swedish as their mother tongue, we decided to conduct the interviews in Swedish and translate them to English afterwards. We believed that this would increase our chances to receive more well-developed answers from the participants and make them feel more comfortable. The participants in the interviews were also completely anonymous, and so were the organisations they represented. We believed that this would make it easier for us to receive more valuable information from the participants as well.

Our choice of using either telephone interviews or Zoom interviews have contributed to some potential limitations. One limitation that may occur by using Zoom or equivalent platforms is the risk of technological problems, which can make the flow of the interview less smooth than a face-to-face interview. One of the limitations of interviewing by telephone is that it does not allow the interviewer and respondent to see

each other, which means that any visual cues cannot be picked up. On the other hand, there is no risk that the participants' answer will be affected by visible characteristics of the interviewer such as age and ethnic group. However, some benefits with telephone and Zoom interviews deserve to be mentioned. One of them is the flexibility that entails that both the participant and interviewer are more able to adjust the designated time of conducting the interview. Another benefit is that it enables greater access to a larger geographically dispersed sample since it does not require any travel costs or travel time (Bryman & Bell, 2015).

3.6.1 Interviews

When conducting this study, interviews have been used as the research method. Performing a multiple case study was also an alternative but this idea was dropped in favour of interviews. Eisenhardt (1989) claims that case studies include a combination of data collection methods such as interviews, observations and questionnaires. The difficulties to perform observations, time constraints and challenges with constructing reliable cases were some of the reasons for dropping the idea of having case studies as the research method. Therefore, interviews were chosen as a research method since it is suitable when testing the concepts found in previous literature and their correspondence to reality. Furthermore, interviews were chosen to collect data because it enables greater openness to the object of the study compared to what a quantitative study enables (Alvesson & Sköldberg, 2017).

Interviews are considered as one of the most important methods when it comes to collecting qualitative data (Qu & Dumay, 2011). Performing interviews does not only require important skills such as note-taking and careful listening but also sufficient preparation and careful planning. Moreover, the interviewers must develop enough expertise so that well-informed questions could be asked (Qu & Dumay, 2011). When performing the interviews, the aim was to collect as much information as possible. Thus, a majority of the questions were open-ended which means that they cannot be answered with a yes or no. When yes or no questions were asked, a follow-up question requiring a more comprehensive explanation complemented the initial question. Another important aspect when performing interviews is to be neutral and not guide the

interviewee in a certain direction. Additionally, the order of the questions tends to have an important role when performing interviews. We have chosen to have some general questions at the beginning of the interview for the interviewee to be comfortable with responding to questions before heading towards more specific questions.

Interviews can be performed in different forms. One type of interview is the structured interview where the interviewer asks the interviewee questions based on a predetermined interview guide (Bryman & Bell, 2013). Another type is the unstructured interview where the interview is shaped individually with the intention to make the interviewee more relaxed and unassessed (Qu & Dumay, 2011). This paper will however go for the hybrid version called semi-structured interview, meaning that the interviewer uses an interview guide with questions covering specific themes and the interviewer also has the ability to ask follow-up questions (Bryman & Bell, 2015). Furthermore, semi-structured interviews tend to be quite flexible when it comes to the answers of the interviewee as well as the order of the questions (Bryman & Bell, 2013).

3.7 Interview Guide

In this section, we present the two interview guides used when conducting the interviews. Moreover, each question or set of questions are followed by a short motivation of why the question was asked.

3.7.1 Interview guide CEOs

1. **Describe your main working tasks, which are your main responsibilities?**
   This question was asked to get a deeper understanding of the working tasks the CEO has been assigned by the board to further understand their relationship.

2. **Can you describe what the recruitment process looked like when you were recruited? What did the club demand from you? What did you demand from the club to accept the offer? Can you describe the discussion with the board of directors about your perks?**

These questions were asked to get a deeper understanding of how the negotiation process between the CEO and the board took place. It might contribute to the clarification of different purposes of CEO compensation.

3. **What is motivating you in your work? What is less motivating? What do you consider demanding with your work?**
   These questions were asked to explore what the CEO finds as motivating in his work and further if the CEO is intrinsically or extrinsically motivated.

4. **Which are the main benefits of your job? Why?**
   These questions were asked to explore what the CEO identifies as the main benefits associated with his work to see if it might be shared organisational goals, economic compensation, status attainment or something else. The questions are partly derived from stewardship theory to investigate if the CEO is intrinsically motivated. It can also be argued that it is connected to institutional theory if the CEO is motivated by increasing status. Lastly, extrinsic motivation and to some extent agency theory could be related to economic compensation as a motivator.

5. **What makes you stay in your current position and not search for another employer?**
   This question was asked to find out if the choice of staying within the organisation is explained by receiving high economic compensation, the possibility for a famous CEO to receive high pay in relation to his workload, his status attainment or something else. Again this is related to all three theories used in this paper.

6. **How do you feel about being a public figure? In your opinion, what are the pros and cons of being a public figure?**
   These questions were asked to see whether the CEO associates status attainment as a positive aspect or not. This question relates to institutional theory.

7. **Can you please describe your relationship with your club's fans and sponsors? How does this relationship affect your work?**
   These questions were asked to get a picture of whether striving for legitimacy affects the CEO or not.

8. **Why do you think that such a large number of former players end up having the position as a CEO?**
   This question was asked to see if the choice of the CEO is affected by institutional pressures or something else. It can also be related to stewardship theory and that those previous players might share the organisational goals.

9. **Is there any variable pay in your contract? <u>IF</u> yes, what are the variable pay based upon? <u>IF</u> no, how would you feel about having variable pay in your contract? What should the variable pay be based upon?**
   These questions were asked to find out if there exist performance-based incentives in the contract of the CEO and if these criteria are based on financial performance, on-field performance or something else.

10. **How does the variable pay affect your performance? Please describe! Describe how you think that variable pay would have affected your performance**
    This question is asked to find out if the CEO associates performance-based contracts as motivating in his work. Alternatively, if he would find them motivating if they existed.

11. **How do you think that your current position will affect your future career?**
    This question is asked to get an understanding if the CEO associates the increased future career opportunities due to his current role as a relevant compensation besides monetary rewards. This question is derived from institutional theory where status seems to buy access to opportunities, to an influential network, and career advances.

3.7.2 Interview guide board members

1. **What does the CEO recruitment process look like in your organisation? What criteria do you search for? What does the potential headhunting process look like?**

   These questions were asked to find out what the board of directors values when hiring the CEO. Furthermore, we want to investigate whether they already at this stage think of how compensation should take place and more specifically if the person is intrinsically or extrinsically motivated.

2. **What are the working tasks for the board of directors? What are the working tasks for the CEO?**

   These questions were asked to find out which responsibilities the board have and which responsibilities the CEO has. The aim is to see if the distribution of responsibilities is similar to other organisations.

3. **Can you describe the relationship between the board of directors and the CEO? How does the communication work?**

   The third set of questions aims to find out whether it is a controlling relationship based on agency theory or a collaborative relationship based on stewardship theory.

4. **Describe the process behind the decision of the CEO compensation?**

   This question has its roots in all the three theories used in this paper. The aim is to find out if the compensation has a controlling purpose (agency theory), motivating purpose (stewardship theory) or legitimacy purpose (institutional theory). Furthermore, it aims to find out what the process looks like and how the negotiation can take place.

5. **What is the compensation based upon? How do you decide what is fair compensation?**

   The purpose of these questions was to find out what lays the foundation for the compensation. From an agency theory perspective, the purpose is to align the interests by pay for performance. Alternatively, from an institutional theory

perspective, it could be to attain organisational legitimacy by having a CEO with a good reputation.

6. **Is there any variable pay in the CEO contract? How do you decide whether or not to include variable pay in the contract? What is it based on?**
   These questions are partly based on the pay for performance perspective of extrinsic motivation from the CEO and partly on the controlling perspective of agency theory. Moreover, it could also be argued to have connections to stewardship theory since having no variable pay might show that the CEO is more intrinsically motivated.

7. **What is the purpose of variable pay from your point of view? Please describe!**
   This question has a more specific purpose than the previous one. This question aims to find out the purpose of variable pay from the board perspective and thus to find out whether it is to control the CEO or to motivate him or her.

8. **Are there any other types of perks besides the salary in the contract with your CEO? What is the purpose of those perks?**
   These questions aim to find out if or how the board aims to motivate their CEO with other perks.

9. **In your opinion, why do you think so many former players become CEOs?**
   This question can be related to stewardship theory and that those previous players might share the organisational goals and thus are motivated by acting in the best interest of the organisation. On the other hand, it could also be a form of striving for legitimacy for the organisation by hiring a CEO with a good reputation.

10. **Are there any external factors affecting the governance of the organisation? Which are those factors? How do these factors affect governance?**
    These questions are based on institutional theory and aim to find out if mimicking other clubs is as common in sports organisations as it is in other

organisational contexts.

11. **What is your opinion about other clubs' CEO compensation? Compared to other clubs, how would you rank the compensation level in your club? How do you attract CEOs so that they do not leave for similar jobs in other businesses?**
    When asking how they compare their compensation structure to the compensation structure of other clubs, the question is derived from institutional theory. It refers to the search for legitimacy in a social context. The other part of the question aims to find out how they work with talent retainment.

3.8 Sample Selection

The sampling method used in this paper is non-probability sampling. Having a non-probability sample implies that no random selection has been made and thereby some units in the population are more likely to be selected than others (Bryman & Bell, 2015). This is in contrast to the probability sample which uses a random selection where all units have the same probability to be included in the sample (Bryman & Bell, 2013). One reason for using a non-probability sample can be due to time constraints and to reduce costs that would have been present if a probability sample would have been applied (Bryman & Bell, 2015). With consideration to the time constraints of this study, a non-probability sample was considered to be the appropriate method.

The selection process started with a brainstorming session of which sports that we wanted to include in the study and which sports organisations would be appropriate to include. The list of potential clubs for our study was quite extensive due to the awareness that not everyone wants to participate. We contacted several clubs from different locations and different sports. Having respondents from different locations in Sweden is important for the generalizability of our results. The geographic spread allows us to make conclusions at a national level instead of just a regional level.

The type of sports organisations was limited down to only include ice hockey and football since these sports are considered as popular in Sweden. Their popularity is

shown in an article presenting the 20 strongest brands of all Swedish sports organisations where 11 of them were hockey clubs and nine of them were football clubs (Sport & Affärer, n.d.). These sports clubs, in general, also tend to have the financial means to have an employed CEO or equivalent. The criteria for being included in the study as a CEO or equivalent was that they would have the position as their full-time employment. Hence, the interviewees consisted of board members, CEOs or individuals that have had such positions during the last five years. The criteria for being included in the study as an organisation was that it had to compete in one of the two national top tiers in their sport. Hence, in the case of football clubs, they are competing in *Allsvenskan* or *Superettan* for males alternatively *OBOS Damallsvenskan* or *Elitettan* for females. When it comes to hockey clubs, they are competing in *Svenska Hockeyligan (SHL)* or *HockeyAllsvenskan* which are the two top tiers for men. The reason for not focusing specifically on any women's team in hockey is because the majority of them are included in the same organisation as the male team. Furthermore, we were open to contact clubs in the third tier in hockey if needed. The motivation for studying clubs in the two top tiers is that they can differ substantially when it comes to the number of members, number of employees and revenues. Thus, we can see if the purpose of compensation differs with organisational size.

The sample selection resulted in 16 interviews where the participants together represented five hockey clubs and four football clubs. We aimed to interview the CEO and at least one board member representing each club but in two clubs only the CEO was willing to participate. Thereby our sample consists of nine CEOs and seven board members. Moreover, the aim was primarily to interview the chairman and secondary another board member. In our case all the board members who participated were chairmen.

3.9 Data Analysis

The theme identification in the empirical part of this study is inspired by Ryan and Bernard (2003). Themes come both from prior theoretical frameworks, but also from the empirical data. The first pass at generating themes comes from how the interview questions are designed, which in turn are based on prior theoretical frameworks from

the literature review. However, one cannot anticipate all the themes before analysing the empirical data (Ryan & Bernard, 2003). In this study, the theme identification process was done through a thematic analysis, where potential themes are identified through repetition, which refers to topics that occur and reoccur in the empirical data. The more one concept occurs in the text, the more likely it is a theme (Ryan & Bernard, 2003). In this process, we also looked for similarities and differences, where we explored how the participants discussed a specific topic in different ways. We also used our theory-related concepts as a springboard to find themes.

The analysis process of the data began with transcribing the recorded interviews to text. The interviews were conducted and recorded in Swedish and later transcribed into English. After that, we started proofreading the transcribed material three times and underlined potential key phrases. Ryan and Bernard (2003) emphasize that the text should be read at least twice to find potential key phrases. Thereby, we decided to read it three times to increase our chances to find as many reliable key phrases as possible and develop a deeper understanding of the collected data. The second step was to make a thematic analysis inspired by Bryman and Bell (2015). The interviews were read again and we started to identify themes by looking after reputation, similarities, differences and theory-related material. These themes were later derived into subthemes.

3.10 Research Quality

To reach the high trustworthiness of a study, four criteria are especially important to consider and there are also several provisions that the qualitative researcher may employ to meet them (Shenton, 2004). In this part, we introduce the four main criteria of trustworthiness, which are credibility, transferability, dependability and confirmability. Further, the actions needed to maintain high trustworthiness is presented.

3.10.1 Credibility

Credibility is a measure of how congruent the findings are with reality (Shenton, 2004). Credibility establishes whether or not the research findings represent reasonable information drawn from the participants' original data and further is a correct

interpretation of the original views of the participants (Anney, 2014). The credibility is further dependent on whether the presented result is coherent to the existing literature (Shenton, 2004). The researchers in this study have made several considerations to reach as high credibility as possible. We have taken great and useful help from the supervisor, who possesses extensive experience in research at a high level. The supervisor has during the work assisted with great feedback and guidance which have increased the credibility of this paper. Further, to increase the credibility of this study, the researchers have used triangulation, which involves the use of multiple and different investigators, sources, and theories to attain valid findings. Triangulation further helps the researcher to reduce the systematic bias and cross-examine the integrity of responses from the participants (Anney, 2014). Since the participants in the study are representing several different sports organisations and further in turn representing different sports, the risk of biased results will decrease and there will be a greater chance of obtaining trustworthy findings.

3.10.2 Transferability

Transferability refers to whether the results of a study can be transferred to other contexts. Transferability is reached when the result of the study is applicable in different settings or contexts with respondents in future research and the results will still be similar (Anney, 2014; Bitsch, 2005). There are several actions a researcher can take to increase the possibility to reach the high transferability of a study (Anney, 2014; Bitsch, 2005). First, since the findings of a qualitative project are specific to a small number of particular environments and individuals, it is impossible to guarantee that the findings and conclusions apply to other situations and populations (Shenton, 2004). Therefore, to increase the chances of reaching high transferability, the choice of participants should be carefully selected based on specific purposes associated with answering the research question of the study. The researcher should thereby focus on key informants, who are considered to have specific knowledge in the topic and further contribute the most to answering the research question (Anney, 2014). Second, to help other researchers replicate and use similar conditions in other contexts in future studies, the researcher should aim for thick descriptive data. Thick descriptive data refers to a rich and extensive set of details concerning methodology and context, which should be included

in the research report to increase transferability (Anney, 2014). In this study, the researchers have made a careful selection of respondents by only interviewing board members in sports organisations and CEOs or equivalent of these. Except for presenting a detailed methodology, the interview guide used to gather the empirical data is presented in section 3.7.

3.10.3 Dependability

Dependability refers to the stability of findings over time (Bitsch, 2005). This further implies that the findings of the study can be applicable and trustworthy for future research, with limited risk of being irrelevant. It also implies that similar results will be obtained if the work were repeated in the same context, with the same methods and with the same participants by other researchers (Shenton, 2004). To obtain dependability more directly, the researchers should describe every process during the study in detail and thereby enable a future researcher to repeat the work (Shenton, 2004). To fulfil these requirements, the authors of this paper have compiled a detailed description of how the data was collected, both theory and empirics.

Peer examination is another way to obtain the dependability of a study. During peer examination, the researcher discusses the research process and findings with neutral colleagues with the purpose to get feedback and suggestions for improvement (Anney, 2014). During the work of this study, other students have been reading and opposed the work on four occasions, which has been useful for the researchers and further increased the dependability of this study.

3.10.4 Confirmability

Confirmability refers to the issue of bias and prejudices from the researcher. To reach a high degree of confirmability in research, data and findings from the empirics should not be dependent on the researchers' thoughts, motives and values (Bitsch, 2005). Instead, the research should be independent to reach high trustworthiness. In this study, the interviews were recorded and thereby eliminated the risk of biased interpretation of the answers from participants. Other ways of decreasing the risk of low confirmability

can be through triangulation and peer examination (Anney, 2014), which as previously mentioned was reached through using several sources and participants and further discussing the work with other students during the process.

3.11 Ethical Considerations

There are several ethical considerations to take into account when performing research, such as ethical values and institutional pressures that researchers must respond to for what and who can be researched and how research is conducted (Bryman & Bell, 2015). Research that to some extent is likely to harm participation is regarded as unacceptable by most people (Bryman & Bell, 2013). The authors of this study have carefully assessed the risks of harm to the research participants, and further been taking necessary actions to minimize the risk of harm. Aside from guaranteeing that the participants and the organisation they represent will remain anonymous, the audio recordings from the interviews were strictly preserved safe from unauthorized people outside this study. Another ethical consideration that was needed to take into account was the informed consent. The informed consent sent out to the participants of this study is presented in Appendix 1 in Swedish. The informed consent entails the implication that people who are asked to participate in the study should also be fully informed about the research process (Bryman & Bell, 2015). This implies that participants should be informed about the process of the study to be able to make an informed decision about taking part, including what their participation entails, why their participation is valuable, how the data will be used, and how and to whom findings will be reported (Association of Business Schools, 2015). Additionally, the participants were informed that their personal information will be handled in line with the current GDPR directions. We took this task very seriously since the failure of meeting this confidentiality and anonymity of participants might increase the risk of harming the participants.

4 Empirics and Analysis

In this section, the data collected through the interviews will be presented and analysed. The data have been divided into two parts where one part is from the perspective of the board and the other one is from the perspective of the CEO. Lastly, this section will present an analysis of the research framework as well.

4.1 Introduction of the Empirics

This chapter will begin with a short presentation of the respondents in this study. This will be done without revealing the identity of the respondent or the organisation they represent. As presented in Table 1, nine current or former CEOs and seven chairmen were interviewed. In the table, it is also presented which of the respondents belong to the same organisation. The sports organisations are further classified into small or large organisations and the classification has been based on revenues. The small sports organisations are the ones who have revenues equal to or below 30 million SEK and the large ones are those with revenues above this level based on the latest available annual reports.

Table 1 - Information about the participants of the study

Respondent	Position	Club	Sport	Size of organisation	Interview time
Board member 1	Chairman	Club A	Hockey	Large	56 min
Board member 2	Chairman	Club B	Hockey	Small	35 min
Board member 3	Chairman	Club C	Football	Large	55 min
Board member 4	Chairman	Club D	Football	Small	39 min
Board member 5	Chairman	Club E	Hockey	Large	32 min
Board member 6	Chairman	Club F	Hockey	Large	37 min
Board member 7	Chairman	Club G	Football	Small	55 min
CEO 1	CEO	Club H	Football	Small	30 min
CEO 2	CEO	Club I	Hockey	Small	30 min
CEO 3	CEO	Club D	Football	Small	23 min
CEO 4	CEO	Club B	Hockey	Small	40 min
CEO 5	CEO	Club C	Football	Large	34 min
CEO 6	CEO	Club G	Football	Small	22 min
CEO 7	Former CEO	Club A	Hockey	Large	45 min
CEO 8	CEO	Club E	Hockey	Large	46 min
CEO 9	CEO	Club F	Hockey	Large	47 min

4.2 Board Perspective

4.2.1 To control the behaviour of the CEO

Similar to what was provided in the research framework, the interviews resulted in a theme that the purpose of compensation is to control the behaviour of the CEO. More specifically, compensation is used to control the CEO to work towards certain specific goals. The results are however somewhat mixed but variable pay tends to be the most frequently used incentive to control the CEO. Hence, the sub-theme is to have performance-related bonuses.

Table 2 - To control the behaviour of the CEO

Theme	Sub-theme	Category
To control the behaviour of the CEO	To have performance-related bonuses	Having bonuses based on revenues
		Having bonuses based on profits
		Having bonuses based on sporting success
		Having bonuses based on brand management

Sub-theme: To have performance-related bonuses

The respondents' answers within this area may have been the most inconsistent in this study. It is more or less an even distribution of those who believe that performance-related bonuses are appropriate to control the CEO and those who find it unnecessary and almost harmful instead. Some of the responding board members stated that they use performance-based bonuses to control the CEO and one of them added that the ongoing COVID-19 pandemic resulted in a temporary pause of this type of compensation. Another board member mentioned that they do not have this type of compensation in their current compensation structure, but is open to including variable pay in the future. The remaining board members indicated that their organisations do not use any performance-related bonuses and that they see more risks than benefits with

implementing such bonuses. There seem to be several reasons behind this decision, but the most common one is that it is not that easy to set up an appropriate measure. The different types of reasoning can be seen in the following two answers from two of the respondents:

> *"... I think that, with incentives such as performance-related bonuses, one should be damn careful because it can create things that you are not striving for within an organisation such as short-termism and so on. Thereby, bonus structures are very advanced and difficult to manage. From my point of view, I think that they are redundant so I have tried to avoid them…" (Board member 7).*

> *"It is completely natural since it is an important tool to manage the CEO's focus in the direction that we want, namely that we are setting up goals related to what he, in this case, has to achieve. Then it becomes natural that we also follow up and that the compensation and performance somehow go hand in hand with the goals." (Board member 5).*

On the other hand, a chairman from one of the organisations that do not use bonuses to control their CEO pointed out that sporting performance and financial performance are not appropriate measures. In the case of financial performance, the same individual explained that profits are too uncertain to use as a measure and that sales are not appropriate either since the CEO cannot do all the sales alone. Another board member from another organisation said that having bonuses based on sporting performance is not fair against the CEO. This is because the CEO can perform well while the sporting team simultaneously underperforms on the sports field which cannot be blamed on the CEO. Both these two board members instead advocated a negotiation process about raising the base salary instead. One of the respondents argued the following about implementing variable pay to the CEO:

> *"Profits are too uncertain as a measure. It has to be something connected to sales that would lay the foundation for variable pay. (...) but the CEO cannot do all the sales by himself…" (Board member 2).*

The results in this study are to some extent in line with previous research since compensation is a way to control the actions of CEOs in for-profit organisations (Fang & Gerhart, 2012; Jensen & Meckling, 1976; Martin et al., 2019). Furthermore, performance-based compensation can be used to control the governance of an organisation to a certain outcome (Theuvsen, 2004). The respondents in this study - who advocated bonuses - have primarily been focused on controlling the CEO to achieve specific outcomes rather than controlling the actions of the CEO. However, these aspects appear to be complementary rather than contradictory which means that focusing on one of them does not exclude any focus on the other one. Van Puyvelde et al. (2012) further argue that if the behaviour is not controlled, there is a risk that organisational goals will not be fully attained. This statement gives support for the chairmen who advocate bonuses intending to attain organisational goals. On the other hand, those organisations that did not use bonuses to control their CEOs have been quite successful as well. Their success refers both to sporting performances and financial performances. Thus, it cannot be excluded that there are other ways to attain organisational goals than by using bonuses to control the CEO.

Problems with aligning interests have been found in non-profit organisations as well and Blevins et al. (2020) indicate that the solutions to these problems might be similar to the solutions in for-profit organisations. Moreover, the output of non-profit organisations is considered to be hard to observe which implies difficulties with measuring CEO performance and constructing appropriate compensation structures (Brickley & Van Horn, 2002). The same problems with measuring the output of the CEO performance have been found in this study. As stated earlier, this problem is a major factor for why some organisations do not use bonuses to control their CEO. Among those who use bonuses to control their CEO, the solutions to the problem seem to be quite similar. Financial and sporting performance is used as measures in all three organisations and one of them also has measures tied to the brand name. The chairman from the organisation who did not currently use bonuses, but was open to using them in the future, also mentioned sporting and financial performance as the most appropriate measures. The same chairman further divided the financial performance into two parts, where one part is more sales-oriented and the other one is profit-driven.

What can be observed when analysing the interviews is that those chairmen who advocated bonuses belong to the large organisations in this sample. Vice versa, those chairmen who did not advocate bonuses to control the CEO belonged to the small organisations. Hence, one can argue that large sports organisations are quite similar to for-profit organisations in their governance. This has also been visible in the interviews that the structure and governance of the large sports organisations are similar to what is the case in for-profit organisations. This might explain why those organisations find some measures useful, while small organisations do not. On the contrary, small sports organisations can be argued to be similar to non-profit organisations where it is hard to find the proper measures. In these sports organisations, voluntary work seems to be more common than in the large ones. Hence, it might be the case that having performance-related bonuses is connected with the size of the organisation.

Another interesting observation made when analysing the interviews is that not all chairmen and CEOs have the same opinion of how variable pay is implemented in their organisations. Generally, the board members talked about how the incentive structures were developed and used within their organisations. On the other hand, some CEOs stated the opposite, namely that no variable pay is present in their current employment. The reasons behind this disagreement may be several. One potential reason could be that it is not communicated from the board of directors to the CEO that variable pay is present. Thereby, one could argue that better communication could be desired so that the variable pay is known for both parts and thus have the opportunity to fulfil its purpose.

4.2.2 To gain organisational legitimacy

This theme emerged when elucidating how the purpose of CEO compensation from the board perspective partly can be explained by the pursuit of organisational legitimacy. The compiled aspects of how the purpose of compensation is dependent on the organisational need to improve their legitimacy are presented in the following two sub-themes.

Table 3 - To gain organisational legitimacy

Theme	Sub-theme	Category
To gain organisational legitimacy	To improve organisational reputation	Hiring a former player as a CEO
		Compensation in line with current rules and norms
	To meet external pressures	Pressure from Municipality
		Pressure from fans
		Pressure from National sports associations
		Pressure from partners

Sub-theme: To improve organisational reputation

One of the aspects of how the purpose of CEO compensation is explained by legitimacy issues is the strive to improve the organisational reputation. To satisfy the expectations from the external environment of what is judged as normative and acceptable, the purpose of compensation can be to fulfil the current rules and norms. One of the respondents implied that his organisation would never risk not doing everything by the book. If the CEO is not compensated in line with current rules and norms, there is an extensive risk of harming the organisational reputation. The respondent exemplified:

> *"Small sports organisations still believe that one can compensate [the executives] partly by no taxable monetary compensation, but we would never risk to not do everything by the book" (Board member 1).*

Another recurring aspect of how the organisations are striving for greater reputation seems to be that their CEO is required to possess other competencies than just sports skills to attain organisational legitimacy. A recurring topic during the interview process with the board members in this study was the external pressures to make the organisation more professional. To adapt to this, several board members indicated that they searched for CEOs with relevant business backgrounds to handle these issues. These indications seem to explain why some sports organisations attempt to appoint their CEO by a person with a business background.

> *"It becomes a borderline case when the organisation becomes as big as several sports organisations [in Sweden] are now, it is like running a business. Look at the CEO in Färjestad, he comes from SAS. (...) Djurgården has a new one [CEO] now, I don't know his background but at least, he has no hockey background" (Board Member 1).*

The first statement regarding the necessity to do everything by the book is in line with previous literature. Main et al. (2008) indicates that organisations must adhere to expected and perceived regulatory and social norms shaped by the external environment. Thereby, one can argue that the purpose of compensation in this context is to live up to the current social norms and regulations. Contrary to the benefits of hiring a celebrity, such as a former player, which enables increased public attention of the organisation from the media (Malmendier & Tate, 2009), the interviewed board members seem to look for other competencies in the process of appointing a CEO. Theuvesen (2004) states that especially non-profit organisations face an increasing external pressure to adopt management practices developed in the for-profit sector of the society. A direct consequence of this external pressure is an increased mimicking of for-profit organisations (Main et al., 2008). This isomorphism seems to be apparent even in the process of appointing the CEO in sports organisations and the board seems to value business experience over experience in sports.

Sub-theme: To meet external pressures

Another sub-theme that emerged during the interview process that explains the purpose of CEO compensation in sports organisations is the need to meet external pressures. A recurring topic during the interviews with the board members was the ongoing change of elite sports organisations in Sweden and the need to adapt to these changes. Traditionally, Swedish sports organisations have mainly been characterized by being built up by voluntary work and engagement, according to some respondents. Moreover, several respondents also stated that a consequence of increasing external pressures during the last decades has resulted in these organisations becoming more and more professionalised to meet these pressures. Examples of external pressures these

organisations must adapt to are the requirements from the municipality, national sports associations, fans or partners. Further, these pressures influence how the organisation is shaped, by being less non-profit oriented and move more towards professionalisation like a for-profit organisation, which also might affect the purpose of CEO compensation. One board member exemplifies:

> *"How we organize ourselves, and control and lead, will move more and more to look like a professional organisation, and not like a non-profit organisation based on commitment, voluntariness, organisation, some kind of conviction. Rather, there are more and more [people] within the organisation and around the organisation that expects us to be like all average employers, all average companies, like any other average actor in this system" (Board member 7).*

These findings seem to be in line with previous literature presented in the literature review. Sports organisations are not unique from traditional non-profits and for-profits; they also tend to seek legitimacy externally by meeting the emerging pressure (Walters & Tacon, 2018). This also strengthens the statement by Pope et al. (2018) that management practices tend to be very generic regardless of organisational type. Furthermore, the responses from the board members indicated that their organisation needs to become more professionalized. This also seems to comply with the statement that executive compensation is affected by the changing institutional or social context in which CEO compensation decisions take place (Zajac & Westphal, 1995). Thus, having compensation structures that comply with external pressures might be considered as one purpose of compensation.

4.2.3 To make the organisation more business-oriented

When interviewing the board members, one recurring theme of CEO compensation was to make the organisation more business-oriented. In line with the increasing commercialisation of sports in general, the similarities with other businesses increases and the interviewees stated that sports organisations need to cope with these changes. This could further be derived into the sub-themes of how to recruit a competent CEO as well as how to retain that competence.

Table 4 - To make the organisation more business-oriented

Theme	Sub-theme	Category
To make the organisation more business-oriented	To recruit a competent CEO	Offer a competitive compensation structure
	To retain a competent CEO	Compensating for public pressure
		Matching offers from other organisations
		Offer the CEO authority and responsibility

Sub-theme: To recruit a competent CEO

As stated above, the respondents agreed that one of several purposes with CEO compensation in sports organisations is to make the organisation more business-oriented. One way to accomplish that is by recruiting a CEO with certain competencies. However, there were some deviations in what exact competencies the sports organisations aimed for. The most common competencies that the organisations opted for was knowledge within sales, finance and marketing. Furthermore, the chairmen from the large organisations stated that it was favourable having a CEO with experience in leading organisations of similar size. According to our respondents, these are competencies that any organisation could benefit from which implies that sports organisations also compete with both for-profit organisations as well as non-profit organisations to get the best candidates. Thus, compensation seems to have the purpose to recruit this type of competence from other businesses. As one of the board members from a large organisation in this study stated about the process of deciding the appropriate compensation:

> *"It is more or less that you get what you pay for and we have to be prepared that we need to pay around 100 thousand [SEK a month] to get it right." (Board member 1).*

Other board members explained that sports organisations need to replicate compensation structures from for-profit organisations to get the compensation systems

attractive enough to recruit an appropriate CEO. In some cases, this included implementing bonus systems while others chose to offer a competitive base salary instead. One chairman explained that his organisation had to raise the proposed base salary when they recruited their CEO. The motivation behind this decision was that the salary requested by the CEO did not deviate significantly from what was normal in for-profit organisations of similar size. This act might indicate that the sports organisations are aware of the competition with other organisations. However, another board member indicated that future generations tend not to be motivated primarily by economic compensation, which might change the purpose of CEO compensation in sports organisations. He explained that younger generations tend to value freedom, stimulating working tasks and personal development over monetary compensation:

> *"Nowadays, I have noticed this when I recruit people in other contexts, it is very much about personal development, stimulating working tasks, freedom and so on. I read somewhere, about six months ago, that the salary was ranked in 7th place." (Board member 6).*

This shows some similarities with non-profit organisations since Frumkin and Keating (2010) argued that these types of organisations use executive compensation to attract the right competence. Moreover, one could expect that the same implies in for-profit organisations as well since financial rewards have several other purposes in these organisations (Martin & Butler, 2017). Regardless of potential similarities with other organisations, one purpose with CEO compensation in sports organisations seems to be to attract CEOs with appropriate competence. The awareness of what competencies the CEO for these organisations need to possess appear to be one reason behind this purpose. Due to the competition with other types of organisations, sports organisations need to be willing to offer a competitive salary to be able to attract the right competence. This becomes clear when one of the board members stated that they need to be willing to offer the CEO a monthly salary of 100 000 SEK to attract the right competence. However, this might change within the coming years since the younger generations tend to value other incentives over monetary rewards according to another board member. This shift might be positive for the sports organisations since they thereby can put more resources into the sporting section.

As aforementioned, several board members indicated that they need to replicate the compensation structures of other organisations. It has been stated that mimicking other organisations can build and maintain institutional legitimacy (Main et al., 2008). Theuvsen (2004) argued that this strive for legitimacy could result in non-profit organisations adopting inefficient compensation structures since these structures originally were developed for profit-driven organisations. When putting this into a sports organisational context, one might see some tendencies of inappropriate compensation structures. Several board members mentioned that their compensation structures were based on experiences from for-profit organisations which might indicate that they can be inappropriate. However, these respondents proclaimed that their systems were adjusted to fit into the context of a sports organisation. On the contrary, several respondents claimed that monetary compensation could not be transferred from for-profit organisations into sports organisations. This gives indications that regardless of adjustments to the compensation structure, it will not be completely transferable. Hence, to fulfil the purpose of compensation, which is to make the organisation more business-oriented, sports organisations, regardless of size, might need to rethink what type of compensation they will use. As one of the board members mentioned, coming generations tend to value other types of compensation over monetary rewards. Thereby, it is possible that sports organisations need to offer other perks besides monetary rewards.

Sub-theme: To retain a competent CEO

Except for recruiting the right competence, another recurring sub-theme in the interviews was to retain the right competence. All the responding board members were aware of the risk that their CEO could apply for a similar position in other organisations. However, there are different ways to cope with these challenges. To maintain competence and make the organisation more business-oriented, different types of compensation are used to retain the CEOs within the organisations. One way of compensating the CEO is by giving him or her authority and responsibility. This was especially common in small organisations with limited financial resources. As an

example of how non-monetary compensation can be used to retain a CEO, one of the board members stated:

> *"... by giving trust so that she feels that she has support to strive against the goals that we have formed together, the board of directors and the CEO" (Board member 4).*

Thus, these small organisations aim to fulfil this purpose with other types of compensation rather than just salary and other monetary perks. However, non-monetary compensation implies the risk of the CEO taking this opportunity to learn by having all this authority and responsibility and later on leave for another organisation that can offer a substantive salary as well. One chairman also mentioned the importance of loyalty and how loyalty tends to be a difference between CEOs in sports organisations compared to for-profit organisations. The same chairman further stated that loyalty is important to be able to handle the workload despite quite low monetary compensation. Moreover, another way to retain a CEO according to the respondents is through matching other organisations contract offers. When it comes to matching other organisations' offers, the chairmen of the smaller organisations indicated that the financial stability of the organisation and putting financial resources into the sporting section is more important than retaining a CEO who demands a high salary. On the other hand, one chairman from one of the large organisations claimed that monetary compensation is important and that having a competitive compensation structure is necessary to retain the CEO. The following quotes illustrate how separated the views are within this area:

> *"... if a CEO will come to me and demand a salary of 60 000 [SEK] or otherwise he will leave. Well, then I think he has to leave. That is it." (Board member 2).*

> *"... it is important for us to offer compensation so that our employees do not leave for the big organisations when we have educated them. We want to retain them and then we have to compete. It is a free market after all." (Board member 6).*

Hence, it appears that loyalty seems to be more important when an organisation is small and has limited financial resources. Furthermore, one of the respondents stated that sports organisations, in general, tend to be more dependent on loyalty compared to for-profit organisations which in turn might affect how the compensation structure is constructed. However, it seems like the purpose of compensation - to make the organisation more business-oriented - is the same regardless of the amount of loyalty based on the respondents' answers.

Since being a CEO in any of these sports organisations implies more or less the same responsibilities as being a CEO in a for-profit business of similar size, the chairmen opted for recruiting experienced business leaders. However, another dimension of why sports organisations are seeking more experienced leaders is because of the public pressure and expectations on a sports organisation. Contrary to a for-profit organisation of similar size, a CEO of a sports organisation will have a lot of attention. One chairman argued that public pressure is taken into account when determining the CEO compensation. The same individual further mentioned that it would be hard for an inexperienced leader to deal with this type of situation by saying:

> *"...you have to be quite tough and it is not that fun to be 30-35 [years old] and maybe get your first leading position and be that exposed" (Board member 1).*

This is in line with previous research since Lin (1999) argues that the search for legitimacy does not only include the purpose of compensation but also the recruitment process of the top management team. While the recruitment of experienced leaders to some extent can be explained by difficulties with having an inexperienced CEO, one could assume that legitimacy affects the recruitment process as well. This seems to be the case since most of the respondents advocated that it is favourable to hire experienced CEOs. Therefore, one could expect that it is considered legitimate to have an experienced leader. However, it has also been explained by the respondents that there are several types of compensation that can be used to retain a competent CEO. Some respondents have argued that non-monetary compensation can fulfil this purpose but additionally, they declared that they saw risks with it too. One risk that was mentioned

was the awareness of the CEO just having the position for career development purposes. This risk was not mentioned to the same extent by the board members who advocated monetary rewards to retain their CEO. These respondents declared that the risk of other organisations outperforming them in terms of monetary rewards was the most urgent. Hence, to make the organisation more business-oriented by retaining the CEO, a mix of these strategies might be beneficial. By combining these strategies, the risk of losing the CEO to another organisation could potentially be decreased.

4.2.4 To attract individuals with shared interests

Another theme that emerged during the interview process with the board members was that many sports organisations actively seek individuals with shared interests and strong emotions for the organisation. These individuals seem to be important to recruit and retain within the organisation.

Table 5 - To attract individuals with shared interests

Theme	Sub-theme	Category
To attract individuals with shared interests	To recruit a CEO with an emotional bond to the organisation	Recruiting internally within the organisation
	To retain a CEO with an emotional bond to the organisation	Offer the CEO authority and responsibility

Sub-theme: To recruit a CEO with an emotional bond to the organisation

In the recruitment process, it seems to be common that sports organisations attempt to appoint a CEO with strong feelings and a pre-existing relationship to the organisation. Therefore, some sports organisations prefer to recruit the CEO from within their own ranks. As stated earlier, it is difficult, especially for the small sports organisations, to offer an equivalent wage to their CEO compared to what other organisations in the immediate area offer their CEO. Thereby, this gap can be filled by instead compensating their CEO by offering a leading position in an organisation that the CEO has a pre-existing relationship with. However, it would probably be difficult to fill this gap if the CEO was recruited externally with zero feelings for the organisation since

before. Instead, it presupposes that the individual has a burning desire to work for the organisation and further has a strong emotional relationship to the organisation. Alternatively, one board member indicated that it might be feasible if the CEO has a burning desire to work within a certain sport. Another board member stated the following when explaining the process behind the determination of the wage level of their CEO:

> *"We would prefer to pay more, but our financial position looks like it does (...) but it may require that the person is interested in the organisation. It is not possible to compare with the industry, we have a lot of industries in this region, (...) their salaries are on a completely different level." (Board member 7).*

Moreover, one of the respondents mentioned that recruiting a CEO with strong emotional feelings for the organisation takes stands from a kind of social responsibility. He explained it further:

> *"It is connected to the ambition of the club, to attain the ambassadors and those who have been working in the organisation and the club. With everything that comes with it, but also to get role models in the organisations for both young girls and boys who want to attain results, that there exists a possible post-career, I think that is an important social responsibility." (Board member 3).*

In these cases, one can argue for the importance of offering the CEO position to an individual who has a strong existing relationship with the club. The reason for this might be found in the previous literature, where executives who are identified as stewards seem to be more motivated to act in the best interest of the organisation, rather than their self-interest (Davis et al., 1997; Martin & Butler, 2017). These strong feelings might increase the opportunity to offer the CEO lower monetary compensation than the individual would demand from another employer. Moreover, Brandl and Güttel (2007) state that the motivation of an individual depends on his or her preferences. Assuming that the individual has strong pre-relationships with the organisation, it is likely that this individual will be easier to motivate than other individuals. Pepper and Gore (2015) further state that individuals who can work with a certain aligned mission tend to be

intrinsically motivated. Thereby, the board's willingness to recruit individuals with emotional bonds to the organisation seems to be explained by the findings in the previous corporate governance literature.

Furthermore, the purpose of compensation seems to partly take stands from a kind of social responsibility. The potential reason why it is important for sports organisations to retain people with a relationship to the organisation can be found in the previous literature. Fernandez-Alles et al. (2006) state that incentives can be symbolic when the organisation aims for legitimacy in a social context. Thereby, sports organisations who niche themselves to take a high degree of social responsibility might use this as a type of compensation when attracting individuals with shared interests.

Sub-theme: To retain a CEO with an emotional bond to the organisation

As aforementioned, a CEO of a sports organisation might value the opportunity to work in an organisation to which the CEO has strong emotional bonds. To retain the CEO, some respondents mentioned that the board of directors needs to create incentives that the CEO identifies as satisfying. Aside from appointing an individual with strong emotional bonds to the organisation as a CEO, some of the respondents argued that the board further should offer the CEO a high degree of authority and responsibility in their work. These responsibilities might further contribute to personal development, which some individuals seem to value even higher than monetary compensation. Additionally, one board member denoted the importance of the leadership that the board executes to show that the CEO has their confidence and trust to create a satisfying working environment, even when external pressures arise. This can be shown by close communication between the chairman of the board and the CEO. On the question regarding how the board actively work to retain the CEO, one board member answered:

> *"There is a lot about the leadership that I and the board exercise. In the area of responsibility and trust that [name of the CEO] has, I believe and hope that it motivates him and drives him in that role. (...) and it is important to show in everyday life our appreciation of his competence" (Board member 3).*

According to the empirical findings in this study, especially small sports organisations tend to not be able to offer equivalent wage levels as other employers in the same immediate area. Thereby, they need to create other incentives to make the CEO willing to stay in the organisation. Handy and Katz (1998) state that individuals in non-profit organisations tend to have stronger commitment and loyalty compared to individuals in for-profit equivalents. They also declare that these individuals further seem to prefer altruistic and non-pecuniary benefits instead of monetary rewards. One can therefore again assume that a part of the CEO compensation consists of offering authority and responsibilities with the purpose of both attracting the CEO, but also to make the CEO willing to stay in the current position.

4.3 CEO Perspective

4.3.1 To increase the motivation

From the CEO perspective, to increase the motivation can be seen as one of the purposes of CEO compensation. All of the respondents indicated that at least one type of compensation increased their motivation to perform well. This was also expected in the research model but more surprising was that monetary compensation tends to not be dominant. Instead, other types of non-monetary compensation such as working for a greater purpose and having the opportunity to work in a sporting context tend to be more important. This will be shown more explicitly in each of the four sub-themes presented further in this section.

Table 6 - To increase the motivation

Theme	Sub-theme	Category
To increase the motivation	Reaching personal wealth	Having substantive salary
		Having variable pay
	Working for a greater purpose	Motivated by the mission and goal of the organisation
		Working with their passion
		Having diverse working tasks
		Develop and building an organisation
		Increasing the general perception about the benefits of the sport
		Doing good for the municipality and the society
	To reach authority and responsibility	Being able to make operative decisions
	To get the opportunity to work in a sporting context	Working with committed colleagues
		Competing environment

Sub-theme: Reaching personal wealth

Receiving substantial monetary compensation to increase personal wealth emerged as a sub-theme in this study. This is because a majority of the respondents mentioned how it would affect their motivation. Most of these respondents indicated that they were not primarily motivated by money. When responding to the question about what is motivating them in their work, none of the responses could be connected to increasing personal wealth. However, all of the respondents received a salary by working for their organisation but this is not considered as their primary motivator. The reasons seem to be several. In some cases, the respondents mentioned that they already have earned enough money previously in their career and now valued other types of compensation. Several other respondents mentioned that they need to receive a fair income to live a good life but they do not consider money as their primary motivator. Furthermore, there are a few outliers in this study where one of them indicated that monetary compensation is an important motivator. This individual does also have variable pay in his contract but

due to the COVID-19 pandemic, it is currently paused. Another individual was open to implementing variable pay in the contract but simultaneously also stated that variable pay did not affect the perceived motivation in previous employment. Moreover, a third CEO mentioned that variable pay could be motivating for some individuals but not for this CEO personally. When comparing contracts that include variable pay with those without, the same CEO also said:

> *"... one can practice both. I think that the most important thing is to get the right effect of how to govern and run the business." (CEO 8).*

Similar to non-profit organisations, where individuals tend to have other motivators rather than monetary incentives (Frumkin & Keating 2010), CEOs in sports organisations tend to value non-pecuniary benefits over monetary rewards. With monetary rewards being an extrinsic motivator (Brandl & Güttel, 2007; Theuvsen, 2004), one can argue that CEOs in sports organisations are more intrinsically motivated. This is in line with modern motivational theory which indicates that managers to a larger extent are intrinsically motivated (Till & Yount, 2019). Moreover, extrinsic motivators such as performance-based bonuses tend to be appropriate only when extrinsic motivation is a major force of an individual's behaviour (Kocabıyıkoğlu & Popescu, 2007; Theuvsen, 2004). Based on the responses from the CEOs in this study, one cannot say that extrinsic motivation is a major force of their behaviour.

As stated earlier, badly designed extrinsic rewards can in some cases reduce the total motivation (Pepper & Gore, 2015). This problem seems to be quite rare in sports organisations since extrinsic rewards barely exist. However, some organisations use extrinsic rewards to motivate their CEO which thereby can harm the motivation based on the statements by Pepper and Gore (2015). Contrary to this, Brand and Güttel (2007) stated that the adaptation of extrinsic rewards can turn intrinsically motivated individuals into extrinsically motivated ones. Hence, it cannot be stated that there is only one appropriate way of motivating CEOs in sports organisations.

Sub-theme: Working for a greater purpose

A recurring sub-theme that emerged in the interviews was that working for a greater purpose could be seen as a motivator. The term greater purpose can be considered as quite broad and that is a rather descriptive reflection of the responses. Although the responses could be grouped into working for a greater purpose, there are several ways of doing it. A majority of the respondents stated that they were motivated by being able to develop and build the organisation. Based on the responses, this was especially true for the CEOs in the small sports organisations. One explanation appeared to be that the CEOs in these organisations to a larger extent can affect the decisions and the organisational structure compared to CEOs in large sports organisations. One of the CEOs defined several aspects related to working for a greater purpose:

> *"... it is also about having freedom with responsibility, being a part of building the organisation, being a part of something that the whole town cares about so there are both elements, that it feels like a great honour to be able to work within this organisation apart from the economic aspect…" (CEO 4).*

Except for being able to develop and build an organisation, the above-mentioned CEO also indicated that doing good for the municipality and society can be seen as a part of working for a greater purpose. This is mentioned by several other CEOs and what the majority of them have in common is that they have been growing up in the same area as their sports organisations operate. Hence, they have been able to see the impact that their organisation has on the local community which further can explain why they feel that this is an important aspect of working for a greater purpose. More specifically, the respondents mentioned the social aspects and the financial aspect of their organisation when talking about the greater purpose and its effects on society. From the respondents' view, the social aspects refer to the sports organisations having the ability to bring people together and to create something that the citizens can be proud of. Additionally, the financial aspect refers to the increased tax revenues that the municipalities receive from the business of the sports organisations. These aspects are developed further by two of the respondents:

> *"In our first year in [name of the league they belong to], we performed an economic evaluation of the tourism where we saw how many people travelled*

here from other municipalities because of the games and how much money that were spent in our municipality then. A consumption that would not have taken place if the ice hockey game would not have taken place." (CEO 9).

"It is important today that people have something that brings them together. I usually say a bit bantering that it is this century's, at least in Sweden, way to practise a religion. You go to the arena and you are there because you believe in certain things and you are very passionate about it." (CEO 8).

Furthermore, the theme working for a greater purpose also included aspects such as working with one's passion and increasing the awareness about the benefits that sports imply for society. Apart from giving people something to gather around and increased revenues for the municipality, some respondents also mentioned that sports organisations inspire younger generations. Therefore, to be a part of this organisation and inspire young individuals to chase their dreams tend to be important and motivating according to a few of the respondents. Additionally, the majority of the respondents indicated working with their passion is an important motivational factor. Moreover, the word passion can be divided into two parts. Some of the respondents used the word passion to describe their love for the game and that being able to work with a certain sport is more motivating than financial rewards. On the other hand, other respondents used the word passion to describe their love for a certain organisation and working for this organisation appeared to be more motivating than financial rewards. One of the respondents made a quite good summary of how passion could be apparent as a motivator when asked what was motivating in the work for the respondent's former organisation:

"Well, it had nothing to do with prestige or the position itself and so on but instead I would say that it was the love for two things, on the one hand, hockey as a sport and on the other hand [his club]." (CEO 7).

Based on the above-presented findings, one could see that CEOs in sports organisations are quite similar to their equivalents in non-profit organisations when it comes to working for a greater purpose. In non-profit organisations, it has been stated that

individuals have other motivators than financial rewards to perform well (Handy & Katz, 1998) and that working for a greater good is an important such factor (Newton, 2015). More interestingly is that this tends to be the case regardless of organisational size. As presented earlier, working for a greater good can range between several different aspects, including doing good for society. This is in line with the statements from Waardenburg and Nagel (2019) that sports organisations have an important role in society. Doing good for society could also be considered a characteristic of non-profit organisations. Based on these similarities, it might be the case that these types of organisations attract similar individuals with similar preferences of motivation.

Brandl and Güttel (2007) argue that individuals in non-profit organisations seem to be motivated by non-monetary and altruistic goals respectively. Two common explanations for this phenomenon are that organisations choose individuals with similar characteristics (Theuvsen, 2004) and that individuals on the other hand opt for organisations with matching characteristics (Brandl & Güttel, 2007; Theuvsen, 2004). Additionally, Pepper and Gore (2015) point out that individuals in non-profit organisations are intrinsically motivated. As stated earlier, there tend to be several similarities between non-profits and sports organisations. Thus, one might expect their CEOs to have similar characteristics as well. Since things such as doing good for society and working with one's passion seem to be more motivating than financial rewards, CEOs in sports organisations tend to be intrinsically motivated as well. This makes the earlier mentioned assumption that CEOs would be motivated by money to the same extent as players invalid.

However, it is important to not just conclude that CEOs in sports organisations are intrinsically motivated. Instead, one should reflect on why the CEOs responded as they did. One potential explanation could be that they were afraid of reactions by fans and sponsors - even though they have been promised anonymity - if their responses would have been different. Another reason could be that it is considered taboo to state that you are motivated by money in the Swedish culture in general. Furthermore, it can be expected that it might be an extra sensitive aspect in an organisation where most resources are anticipated to be invested in achieving sporting performance. On the other hand, the intrinsic motivation among the CEOs should not be underestimated since

several of the respondents could have been working in for-profit organisations and possibly earned more money. Thereby, the combination of working for a greater purpose and earning an acceptable salary could potentially be as close to an optimal solution as possible. Moreover, this reasoning reduces the importance of the monetary compensation which is in line with the responses. However, one cannot say that it reduces the purpose of compensation since compensation can take place in many forms other than monetary rewards.

Sub-theme: To get the opportunity to work in a sporting context

During the interviews, several respondents indicated that they are motivated by working in a competing environment. According to the respondents, it appears that this type of motivation reduces the importance of financial rewards. One CEO said that the feeling of winning as well as losing together is present in the whole organisation rather than just in the team of players. He also explained that there is a different kind of team spirit in sports organisations compared to other businesses. Another respondent stated that the inner drive to win the league was something that motivated the respondent for several years before he left the organisation. Furthermore, the positive moments that occur after winning a game or being promoted to another league tend to be motivating as well according to some respondents. One of the CEOs who had the experience of other positions within hockey organisations before he became CEO summarized it quite well:

> *"Maybe it is the sport itself, and the competition. Although you have a position besides [the team performance] you still want to be successful. You want the organisation that you work for to be successful." (CEO 2).*

Related to working in a competing environment, several respondents also indicated that they perceived their colleagues as committed to perform well. This commitment towards performing well to reach the organisational goals has been praised by several respondents as important to increase motivation. Similar to what was said about working in a competing environment, one respondent advocated that team performance is as important on the sports field as it is beside the sports field. One of the CEOs mentioned that an important motivational aspect was to make other individuals develop

as well as to make them perform better. Another CEO declared that working with committed colleagues is one of the main advantages of this position:

"The advantage is pretty much that you have the opportunity to work with driven and results-oriented people just like yourself and we all want to achieve something." (CEO 3).

In this sub-theme, it becomes apparent that several respondents find motivation just by working in a sports organisation and the competing environment that it implies. This is in line with previous literature about intrinsic motivation. Previous literature has proclaimed that intrinsic motivation refers to performing an activity because of the inherent satisfaction that the activity provides (Fang & Gerhart, 2012; Pepper & Gore, 2015). Furthermore, intrinsic motivation has been criticized for being hard to measure but it should not be underestimated (Pepper & Gore, 2015). The responses from the interviews witnessed that CEOs in sports organisations tend to be intrinsically motivated. This seems to be the case since they find motivation in the inherent competition that sports imply which possibly also reduces the extrinsic motivation.

Furthermore, intrinsically motivated individuals tend to be motivated by working for pro-organisational goals and thus accept lower monetary compensation (Davis et al., 1997). This statement seems to describe the situation in sports organisations quite well. The responses describe how the individuals outside the sporting section in sports organisations are committed to reach the organisational goals and put less focus on monetary rewards. However, it is important to mention that the respondents are not indifferent towards their income. All of the respondents clarified that they need a fair income to live but what can be assumed is that as soon as that level is fulfilled, the marginal benefit of extra income tends to decrease. Instead, the intrinsic motivators seem to be the most important ones from this level of income and onwards. Hence, it could be argued that working in a sporting context can be seen as a type of compensation. Furthermore, this type of compensation seems to increase in relevance when the basic need of income is fulfilled. This implies that the purpose of compensation has the potential to differ depending on if the basic income need is fulfilled or not.

Sub-theme: To reach authority and responsibility

Another sub-theme that emerged during the interviews was that several respondents valued authority and responsibility for the organisation rather than financial rewards. It appears that being able to affect and make operative decisions in the organisation tends to be an important motivator for the CEOs. Furthermore, one of the respondents indicated that making important decisions is something that triggers. On the other hand, another CEO claimed that in times where the CEO felt unable to affect the organisation as desired, the CEO had thoughts about leaving the organisation. The same CEO also stated:

> *"I think that the position that I possess at the moment is a position that gives me the opportunity to affect and manage the development of the organisation." (CEO 5).*

This sub-theme extends the view that CEOs in sports organisations tend to be intrinsically motivated. Fang and Gerhart (2012) argue that the purest form of intrinsic motivation is when an activity is performed without any reward or control from other individuals. This argument can partly be related to the responses since one of the CEOs felt that being able to make operative decisions was so important that he was thinking about leaving the organisation when this level of decision making was reduced. Thus, too much control of the CEO in sports organisations has the potential to be more harmful than beneficial. Furthermore, intrinsically rewards that can be used to motivate intrinsically motivated individuals are things such as growth opportunities, affiliation, self-actualization and achievement (Davis et al., 1997). Having authority and responsibility can be considered as some form of growth opportunities which strengthens that CEOs in sports organisations tend to be intrinsically motivated. Thus, by assuming that CEOs in sports organisations are intrinsically motivated, it is likely that reaching authority and responsibility is one of several purposes with CEO compensation.

4.3.2 To attain individual legitimacy

Another purpose of the compensation seen from the perspective of the CEO can be to attain individual legitimacy. This means that the possibility of reaching higher individual status can be considered as compensation in itself. As mentioned in the previous section, monetary rewards seem to not be the main purpose of compensation from the perspective of the CEO in sports organisations. Instead, the possibility to increase their own status and improve future career opportunities - which the role as a CEO enables - seems to be more occurring to these individuals.

Table 7 - To attain individual legitimacy

Theme	Sub-theme	Category
To attain individual legitimacy	To attain status	Building a social network
		Striving for fame
	To improve future career opportunities	Gaining adequate leadership experience
		Gaining adequate business experience
		Achieving good results

Sub-theme: To attain status

Due to the great external interest from fans, sponsors and media coverage, the role of the CEO in a sports organisation entails that these people more or less become public figures. One of the CEOs in this study appreciates this and identifies it as a benefit to the job. On the contrary, other CEOs do not identify this as an advantage and would instead prefer to not be a public figure at all. On the question of how it feels to be a public figure, one CEO explained:

> *"I see it as a driving force as well. Of course, there is a part of myself who is a little vain and finds it fun to be at the centre. Otherwise, I do not think that people are searching for this kind of job." (CEO 5).*

Those individuals who appreciate being a public figure might identify this as compensation. However, there seem to be different opinions regarding this where some of the interviewed CEOs do not appreciate the increased celebrity that their job brings. On the same question as above, another CEO answered:

> *"I want to say that it is absolutely nothing I strive for, I do this in my professional role. The downside of this is that there are a lot of journalists who want to put me in place. And of course, sometimes I feel a bad taste in my mouth when someone is asking me questions and I already from the beginning feel that this is not a positive question. Here, they want me to make a fool of myself. I think it is annoying sometimes. But I usually try, and I have succeeded so far, to avoid these traps." (CEO 6).*

The empirical findings regarding if CEOs identify status attainment as compensation is fragmented. There are different opinions on whether status attainment is preferred or not. It can be connected to the issue that status is shaped by what society agrees to count as rewards and that the criteria for status are dependent on cultural and environmental shaping (Loch et al., 2001). The geographical spread in this study is wide, meaning that there might be potential differences of cultural and environmental shaping between the areas where the respondents operate. Furthermore, status symbols are shaped both within the organisation and by the external environment (Loch et al., 2000), meaning that what is considered as a status symbol in one organisation does not have to be a status symbol in another organisation. Status is also dependent on the normative judgements in the society (Lin, 1999), which also can explain why some of the CEOs identify status attainment as a benefit, while others do not. However, the responses cannot confirm or deny whether status attainment is identified as compensation from the perspective of the CEO and further not establish that the purpose of compensation in sports organisations is status attainment.

Sub-theme: To improve future career opportunities

Besides the potential benefit of being a public figure in the role of CEO, another aspect of legitimacy is the opportunity to improve future career opportunities. Although the

nature of a sports organisation is different compared to traditional for-profit organisations and non-profit organisations, a majority of the CEOs in this study thinks that their current position will benefit them from a future career perspective. According to the respondents, their role as a CEO entails a certain responsibility of the working staff, which could be a beneficial experience in other businesses. Furthermore, they speculated that achieving good organisational results and at the same time being the public face observed by the external environment might reduce the barrier and thus make it easier to take the step into other businesses. The role as CEO of a sports organisation also implies an increased social network, including contact with sponsors and other stakeholders, which in turn can enhance future career opportunities. From the perspective of the CEO, this opportunity can be identified as compensation and the purpose of it seems to partly be explained by the increased future career opportunities.

> *"The journey, in this case, is about promotion to Allsvenskan and an establishment phase after that. (...) If you get there, and at the same time have a kind of presence in the media and are of good repute in the local area, it will have a positive impact hopefully, and it will be easier to take a step to another employer."* (CEO 5).

Another CEO agrees and develop the statement further:

> *"Above all, I have very extensive and ongoing close contact with several big companies and partners - through my work on the sales and marketing side - who also could be potential employers [to me] in the future" (CEO 9).*

These statements are in line with the previous research by Loch et al. (2001). These authors state that increased status can motivate executives since it improves their access to opportunities and influential networks, which in turn can benefit future career advances. This is also mentioned by respondents in this study who were optimistic that their great access to influential networks can enhance their future career. Thus, it might be considered as meaningful compensation from a CEO perspective. Further, the respondents argued that the increased status the CEO position entails when good results are accomplished might be beneficial as well. Hence, this could also be considered as a

type of compensation. Thereby, status can be attained in several ways and based on the responses in this study, the CEO position itself, as well as the accomplishments, are two major factors for status attainment.

4.4 Analysis of Research Framework

Based on the analysis of each perspective above, an analysis of the research framework is presented. The empirical findings suggest that compensation partly has the purpose to control the CEO as well as increasing the organisational legitimacy. Furthermore, the analysis emerged in two additional compensation purposes that have not yet been highlighted in the literature. These additional purposes are to make the organisation more business-oriented and to attract individuals with shared interests. From the CEO perspective of the framework, no new themes emerged during the interviews. However, the identified themes tend to be quite broad and contain more aspects than what was expected in the development of the research framework. However, the data indicates that CEOs tend to be more intrinsically motivated rather than extrinsically motivated which is similar to what has been stated by Frumkin and Keating (2010) about CEOs in non-profit organisations. Furthermore, intrinsic motivation tends to take place in the forms of working for a greater purpose, having authority and responsibility as well as having the opportunity to work in a sporting context. Additionally, regarding the legitimacy aspect, the findings suggest that reaching status in itself tends to not be a purpose of compensation for the CEOs. Instead, it is the outcome and status based on the CEOs' performance that tends to make a difference. Moreover, the data indicate that sports organisations differentiate from each other and the main reason for that seems to be the organisational size.

However, one can argue that there might be differences based on what type of sport that is represented within the organisation as well. Based on cultural preferences, there might be high-status and low-status sports which might affect the CEO compensation. Previous research on compensation in sports organisations have investigated sports such as American football, football and hockey (Adcroft et al., 2009; Della Torre et al., 2014; Jones & Walsh, 1988; Montanari et al., 2008; Thomas & Van Horn, 2015) which could indicate that these sports are considered as high-status sports. Thus, one might expect

that compensation in these sports would be higher than in other sports with lower status. However, both football and hockey are considered to have high status in Sweden (Sport & Affärer, n.d.) and thus, the organisations in this study seem to have similar institutional pressure on CEO compensation.

From the board perspective, controlling the CEO was expected to take place in two different ways. One of them was based on agency theory where variable pay is used to control the CEO (Jensen & Meckling, 1976; Theuvsen, 2004). The other alternative was derived from stewardship theory where monetary rewards are considered to be inappropriate (Till & Yount, 2019). In these cases, non-financial rewards such as increased authority and responsibilities can be considered as compensation (Theuvsen, 2004). Our findings suggest that board of directors in large sports organisations tend to prioritize monetary rewards. These organisations tend to use monetary incentives in the form of variable pay to control their CEO while the small sports organisations seem to focus more on non-financial rewards. Hence, it could be argued that the controlling purpose of compensation in larger organisations is explained by agency theory. The main reason why agency theory seems to be primarily applicable in large organisations is that large organisations have more resources. When more resources are present, there tend to be power struggles and also more conflicts between principals and agents. This might be the case since more resources available increases the opportunities for a CEO to cheat on the organisation.

On the other hand, stewardship theory assumes that the organisational interests are aligned with the interests of the CEO and thus the need for control is reduced (Bernstein et al., 2016). Contrary to the large sports organisations in this study, the small sports organisations are dealing with limited resources and the informal structure is thereby based on trust and collaboration rather than the need to control. Thereby, one can assume that small sports organisations do not face the same degree of agency problems as large sports organisations. Since the CEOs in several of the organisations in this study tend to share organisational goals, one could assume that sports organisations, in general, might be more influenced by stewardship theory.

Moreover, legitimacy from the board perspective refers to attaining organisational legitimacy. Zajac and Westphal (1995) argue that this could be done by implementing compensation plans that are considered legitimate. The findings of this study suggest that legitimacy seems to be more related to following rules and norms rather than implementing a certain type of compensation plan. Moreover, it has been stated that having a competent CEO is important when striving for organisational legitimacy as well. The reason for that is because this individual can help the sports organisation to be more business-oriented and professional.

The new themes that emerged in the findings was to make the organisation more business-oriented and to attract individuals with shared interests. To make the organisation more business-oriented, the data indicates that mimicking for-profit organisations and their compensation structures is an important aspect to increase the business orientation of the organisation. This seems to be the case in especially large sports organisations since they have a similar organisational structure as for-profit organisations. Thereby, institutional isomorphism such as mimicking other organisations seems to be apparent especially for large sports organisations. These findings are in line with Fernandez-Alles et al. (2006) who claims that compensation structures in organisations tend to not pursue organisational efficiency. Rather, the compensation structure depends on institutional pressure. The adoption of a specific type of compensation structure used by a majority of organisations in the same environment or sector signals that the organisation belongs to this social context (Zajac & Westpahl, 1995).

Furthermore, the large sports organisations also possess the financial resources that make it possible to, at least to some extent, mimic for-profit organisations. Thereby, the striving of making the sports organisation more business-oriented by mimicking the arrangements in for-profit organisations seems to be explained by institutional theory. Based on the findings in small sports organisations, these organisations tend to use more non-monetary incentives to attract the appropriate competence. The reason for this seems to be the limited financial resources. This goes hand in hand with what has been stated about attracting individuals with shared interests. By attracting individuals with emotional bonds for the organisation, the competence could be attracted at lower costs

than what would have been the case otherwise. By having individuals with emotional bonds as CEOs, one can assume that they will share interests with the organisation. Shared interest is the main determinant of stewardship theory (Van Slyke, 2007) and when having a stewardship relationship, the need for control seems to be reduced (Bernstein et al., 2016).

In the CEO perspective of the framework, the motivational aspect differentiated between extrinsically and intrinsically motivated individuals. Brandl and Güttel (2007) argue that extrinsically motivated individuals tend to opt for for-profit organisations and that intrinsically motivated individuals seem to choose non-profit organisations. Additionally, the findings of this study indicate that individuals in sports organisations tend to be intrinsically motivated. The potential tensions that could arise when there is a mismatch between individual motivation and the rewards given by the board have not been visible in this study. Most of the organisations used intrinsic rewards to reward their intrinsically motivated CEO. Furthermore, in the large organisations, there were some extrinsic rewards as well but no tensions were found. However, there were separate views on whether variable pay was implemented or not in a few cases, which might be a tension because of having a mismatch between the rewards given and the motivation of the CEO. On the other hand, as stated earlier, it could also depend on the lack of clear communication.

The other aspect included in the CEO perspective of the framework is legitimacy. In previous literature, legitimacy from the CEO perspective has been focusing on attaining status as a form of individual legitimacy (Loch et al., 2001; Verbeke et al., 2016). On the contrary, the CEOs in this study tend to not be attracted by attaining status. Instead, the majority of the respondents advocated the experience they receive by having the CEO position. A majority of the interviewed CEOs mentioned that this position could be beneficial in their future career. Hence, legitimacy seems to be a part of the CEO perspective but not in the way that the literature suggested. The legitimacy aspect from the CEO perspective instead refers to achieving results and improving future career opportunities.

Furthermore, in the legitimacy aspect, it appears that the managerial labour market mechanism can be observed. The CEOs in sports organisations tend to be motivated to perform well since they know that it can open up for other career opportunities in the future. The managerial labour market mechanism suggests that the CEO may use their skills, abilities and reputations to either renegotiate their current salary due to the competition from outside offers from other organisations or leave and take the higher offer from the other organisation (Gao et al., 2015; Moerland, 1995). Furthermore, the findings suggest that the CEOs are aware that the reputation is connected to performance and the results of their organisation which in turn can affect their future career opportunities. If they perform well, it might enhance the future career and vice versa. Therefore, it becomes in the interest of the CEO to achieve good results with the club since a good track record can improve future salary as well as future work opportunities. Moreover, the compensation itself can be a signal that the CEO performs well. If a CEO receives a high salary in his current employment, it tends to signal that this individual performs well and that he or she deserves an equivalent or increased salary in future employment.

Additionally, the findings suggest that there seems to be an expectation gap with the purpose of CEO compensation between the board of directors and the CEO. From the board perspective, the purpose of compensation seems to be to mimic for-profit organisations and gain organisational legitimacy by doing what the board perceives as legitimate. Additionally, large sports organisations tend to control the performance of the CEO by offering pay for performance bonuses as a part of the compensation structure. On the other hand, the CEOs tend to view the purpose of compensation differently. The CEOs appear to claim instead that the purpose of compensation is to motivate and emphasize especially intrinsic rewards. Hence, there seems to be an expectation gap in what is considered as the purpose of compensation. However, the organisations seem to perceive their performances as satisfying indicating that the expectation gap only has minor implications on organisational performance. Based on the presented analysis of the research framework, a refined and more nuanced framework was developed and is presented in figure 2.

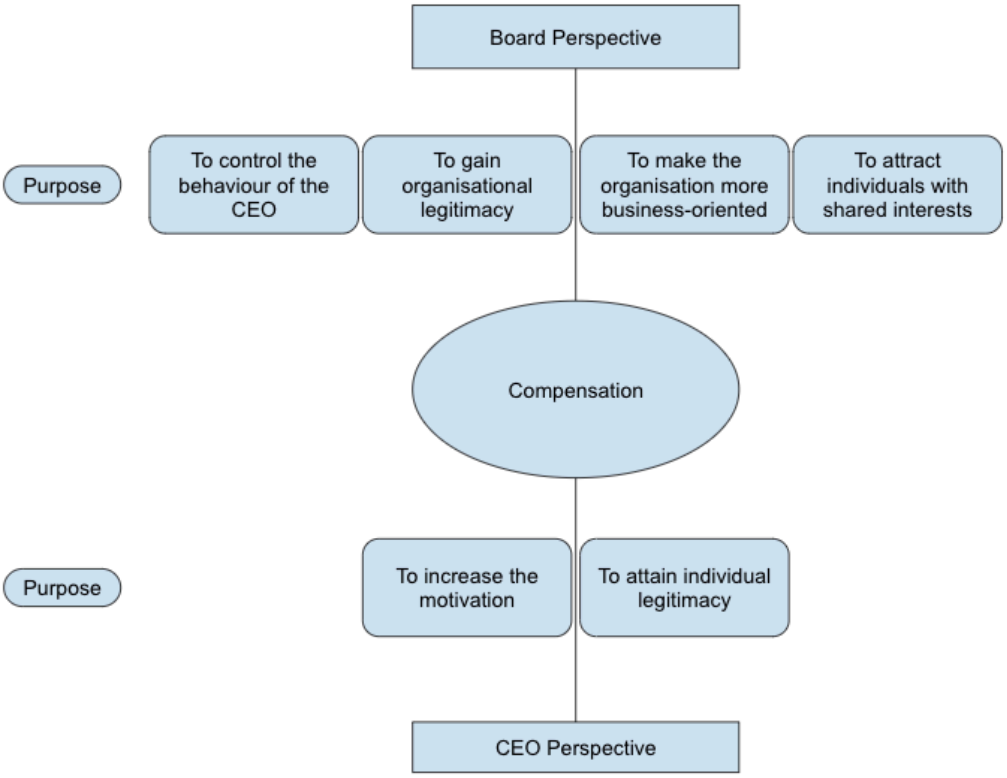

Figure 2 - The new Research Framework

5 Discussion

This section includes a discussion regarding the findings of the study. It further includes theoretical contributions, empirical implications, practical implications and societal implications. The last part of the section brings up limitations, critical reflections of the study and suggestions for future research.

5.1 General Discussion

This thesis aimed to gain insight regarding the purpose of CEO compensation in sports organisations, both from the board perspective and from the CEO perspective. More specifically, it aimed to find out if there are any gaps in the view of the purpose of compensation between the two perspectives. Previous research has mainly been focusing on the purpose of compensation in for-profit organisations as well as non-profit organisations (e.g., Frumkin & Keating, 2010; Handy & Katz, 1998; Roomkin & Weisbrod, 1999; Talaulicar, 2020), but limited research has been made on sports organisations. The research conducted on sports organisations have to a large extent been specified on players and coaches and the purpose with their compensation (e.g., Adcroft et al., 2009; Della Torre et al., 2014; Jones & Walsh, 1988; Montanari et al., 2008; Thomas & Van Horn, 2015) while the purpose of CEO compensation seemed to be limited.

Furthermore, this thesis was built upon some well-established theories such as agency theory, stewardship theory and institutional theory. These theories were also the foundation when developing the research framework for this study since they have different views of what the purpose of CEO compensation is. Additionally, these theories were complemented with literature regarding motivation and more specifically extrinsic and intrinsic motivation. When analysing the previous literature and the different purposes of CEO compensation in the research framework, it appeared to be a form of a co-creation process between the board of directors and the CEO when setting the compensation. This co-creation process seemed to take stands from the aspects presented in the research framework. From the board perspective, aspects such as control and legitimacy seemed to be the purposes of CEO compensation (e.g., Fang &

Gerhart, 2012; Jensen & Meckling, 1976; Lin, 1999; Theuvsen 2004; Van Puyvelde et al., 2013; Zajac & Westphal 1995). On the other hand, the CEO perspective instead included aspects such as motivation and legitimacy to explain the purpose of CEO compensation (e.g., Brandl & Güttel, 2007; Davis et al., 1997; Loch et al., 2001; Pepper & Gore, 2015; Verbeke et al., 2016).

The data for this thesis were collected through 16 interviews with board members and CEOs in Swedish sports organisations. Moreover, the participants were located across the whole country which implies a wide geographical spread. The specifications for being included in the study was that the organisation have to compete in one of the two top tiers in either hockey or football and that the CEO had his position as full-time employment. The included organisations were later divided into small and large organisations based on revenues. Organisations with revenues being equal to or above 30 million SEK, based on the latest available annual report, were grouped as large organisations and the rest of the organisations were considered as small.

The findings of this thesis indicated that there are several purposes with CEO compensation in sports organisations and that they seem to differ regarding if it is from the board perspective or the CEO perspective. In this study, it was investigated which purposes are present in the board perspective and CEO perspective, respectively. Furthermore, the findings of the study highlight that controlling the behaviour of the CEO and gaining organisational legitimacy, which was found as purposes in previous literature, also tend to be present as purposes in Swedish sports organisations. Moreover, two additional purposes that have not been discussed in previous literature were also discovered in the board perspective. These additional purposes of CEO compensation were to make the organisation more business-oriented and to attract individuals with shared interests. To make the organisation more business-oriented refers to recruiting and retaining a CEO with desired competencies. On the other hand, attracting individuals with shared interest is instead more about recruiting a CEO with emotional bonds to the organisation. From the CEO perspective, this study highlights the purposes found in previous literature, namely to increase motivation and to attain individual legitimacy. However, these purposes appeared to be broader in Swedish sports organisations compared to what was found in previous literature. Based on the

findings of this thesis, a refined framework that included all the discovered purposes from the two perspectives was developed and presented in figure 2.

5.2 Theoretical Contributions

This thesis' investigation of what is considered as the purpose of CEO compensation has contributed to the corporate governance literature. By having the starting point in previous studies dealing with non-profit as well as for-profit organisations, this study contributes to extending the corporate governance research to investigate CEO compensation in sports organisations.

This study provides contributions by highlighting the topic of executive compensation and by extension provides contributions to the stewardship stream of literature. Similarly to what previous researchers such as Bernstein et al. (2016), Davis et al. (1997), Martin and Butler (2017), Till and Yount (2019), Van Puyvelde et al. (2012) and Van Slyke (2007) suggests, this thesis indicate that stewardship type of thinking and behaviour is present in sports organisations as well. The findings of this study point out that the majority of the CEOs have collective interests and are motivated to act in the best interests of the organisation. Similarly to what was found by Davis et al. (1997), the findings of this study suggest that there are monetary needs that have to be fulfilled. However, once these needs have been fulfilled, intrinsic motivators tend to influence the behaviour of the CEO.

Additionally, this thesis contributes to the literature that relies on the agency theory in explaining the purpose of executive compensation in sports organisations. Previous findings in the corporate governance literature have pointed out that monetary incentives are an important tool for the board of directors to align the interests between the organisation and the CEO (e.g., Fang & Gerhart, 2012; Martin et al., 2019). This seems to be the case also in large sports organisations where the resources possessed tend to be similar as in for-profit organisations. Hence, it can be argued that monetary incentives are applicable to describe the relationship between the board and CEO in large sports organisations.

This study also contributes to previous findings regarding how compensation can be considered to have a symbolic purpose rather than a controlling purpose (Fernandez-Alles et al., 2006). Furthermore, previous research on institutional theory has pointed out that compensation policies can be adopted to attain legitimacy and that mimicking arrangements of other organisations is a common way to gain this legitimacy (Main et al., 2008). Sports organisations in general, both large and small, seem to undergo a process where they attempt to become more professional due to the increasing institutional pressures. As a result, sports organisations seem to mimic other organisations by adapting compensation structures originally developed in for-profit organisations. The empirical findings suggest that the purpose of compensation in sports organisations thereby partly can be symbolic in order to attain legitimacy, rather than the purpose of controlling the CEO behaviour.

Another contribution of this thesis that adds to the corporate governance literature in sports organisations (e.g., Adcroft et al., 2009; Della Torre et al., 2014; Jones & Walsh, 1988; Montanari et al., 2008; Thomas & Van Horn, 2015) is the implications of the managerial labour market mechanism (Gao et al., 2015; Moerland, 1995). To the best of the authors of this thesis' knowledge, the previous literature on corporate governance in sports organisations do not bring up the managerial labour market mechanism. However, the findings suggest that this mechanism might be present for CEOs in sports organisations. This seems to be the case since the data indicates that improving future career opportunities can be considered as one purpose of CEO compensation from the CEO perspective. By performing well in the current position and gaining a reputation, the findings suggest that it can increase future career opportunities. Hence, the findings of this study might contribute to the existing corporate governance literature by indicating that the managerial labour market mechanism seems to be present for CEOs in sports organisations as well.

5.3 Empirical Implications

One of the empirical implications of this study is that it has given insight regarding how CEO compensation is set in Swedish hockey and football organisations. The process of setting the CEO compensation has several similarities with the wage-setting processes

in other organisations. The process in sports organisations includes the board of directors developing a compensation structure with inspiration mainly from for-profit organisations. Depending on organisational size, the inspiration from for-profit organisations seems to vary where large organisations tend to mimic for-profit organisations more than what is the case for small organisations. Additionally, the organisations in SHL have the ability to benchmark their CEO compensation to their competitors, since the board of directors have access to statistics about the lowest, average and highest CEO compensation in the league. Furthermore, when the board has come up with a proposition, the process also includes a traditional negotiation where the CEO can express their demands before coming up to an agreement.

Another empirical implication is the different views of CEO compensation from the board of directors and the CEO, respectively. In general, the board of directors seem to view the compensation more in monetary terms compared to the CEOs. On the other hand, the CEOs seem to highlight several intrinsic factors as different types of compensation. Thereby, they have slightly different perspectives on compensation which might result in some tensions or gaps if the views of compensation differentiate significantly. These findings are somewhat similar to previous literature in the corporate governance of sports organisations where the view of executive compensation is different between the board perspective and CEO perspective in sports organisations (Barros et al., 2007; Malagila et al., 2020).

5.4 Practical Implications

There are some important practical implications that both board members and CEOs can use in the recruitment process, but also to increase the chances for the board to retain their CEO in the future. Our empirical findings suggest that it is important that the view on the purpose of compensation is aligned both from the CEO perspective and board perspective to avoid potential tensions. A sports organisation with limited financial resources should opt to recruit a CEO with strong emotional bonds to the organisation, or at least someone with a passion for the sport. These individuals seem to value other rewards than just monetary incentives. They further identify the opportunity to work for an organisation they have a strong pre-existing relationship to as a compensation in

itself and one can thereby argue that these individuals are intrinsically motivated. If the organisation on the other hand is looking for specific competence and wants to make the organisation more business-oriented, they need to be prepared for offering a higher degree of monetary compensation to the CEO. This is because they are competing with other organisations from other sectors to recruit this coveted competence which increases the importance of extrinsic rewards.

Generally, CEOs in sports organisations do not have the same access to substantial pay as in other organisations of equivalent size. However, they can be compensated by high authority and responsibilities, since the board in sports organisations generally might be willing to offer their CEO this kind of benefit to compensate for the low salary. Further, the track record that the role as a CEO in a sports organisation entails seems to bring future career opportunities. Thereby, individuals who mainly are motivated by monetary rewards can benefit from having the CEO role, since it can result in a well-paid job in the future.

Since sports organisations have an important role in society (Waardenburg & Nagel, 2019), the authors of this study suggest that the research of compensation in these organisations are important. Due to the societal importance of sports organisations, it can be argued that further research on sports organisations is needed to benefit society at large.

5.5 Limitations and Critical Reflections

One of several limitations of this study is the variance in the size of the organisations that the participants represented. It is quite difficult to make any generalizations of the findings when the largest organisation in the study has revenues ten times as big as the smallest organisation. However, it was considered necessary to include the small organisations as well since it would have been difficult to reach a sufficient sample size otherwise. This is the case due to another limitation, namely the timing of the thesis. This study was conducted during a hectic period for both football organisations and hockey organisations. Thereby, it has been difficult to get participants for the

interviews. If the study instead would have been performed in the autumn, one can assume that it would have been easier to reach out to respondents.

Moreover, the ongoing COVID-19 pandemic has contributed to further limitations. With the current regulations about attendance at sports events, it has been a demanding year for the sports organisations since they have lost a major revenue stream. Thus, the CEO and the board members have faced several demanding challenges that had to be solved and thus participation in this study may not have been prioritized. If this study would have been performed in a year without these regulations, it might have been easier to reach out to participants.

Furthermore, another limitation of this study is that it was not possible to get both board members and CEOs from all of the contacted organisations. Thus, the board perspective is missing in two of the organisations. However, one can argue what impact it would have had on the findings since the sample size was considered sufficient anyway. A last limitation of the study is the fact that some board members and CEOs gave completely different responses to questions about variable pay. On the one hand, it could have been an interpretation mistake, but it is not excluded that there could have been another factor behind the different responses. However, one can expect that these different responses have an impact on the findings of this study which thus must be considered as a limitation.

5.6 Future research

Since only hockey and football clubs are included in the sample of this study, a suggestion for future research can be to investigate the purpose of compensation in other sports as well. In a Swedish context, football and hockey clubs have a unique position when it comes to financial conditions and media coverage. Thereby, a future sample that includes other sports can be beneficial to get a more nuanced view of sports organisations in general. Another topic for future research can be to investigate the purpose of CEO compensation in sports organisations in other countries. In other countries, other legal rules allow different kinds of ownership structure in sports organisations compared to Sweden. Thereby, it could be interesting to investigate if the

purpose of compensation in sports organisations appears to be different in these countries.

Another topic for future research can be to investigate the managerial labour market mechanisms in sports organisations. More specifically, investigate how the managerial labour market mechanism seems to affect the behaviour of executives in sports organisations. Furthermore, the findings in this study suggest that several sports organisations have the ambition to become more professionalized and business-oriented in the future. Thereby, another interesting topic for future research can be to conduct a follow-up study in 10 years to see if the expected increased professionalization has affected the view regarding the purpose of compensation.

5.7 Reflections

The process during this thesis has provided us with useful experience and increased knowledge regarding the topic. However, one reflection during the writing process is that it would have been interesting to discover other perspectives than just from board members and CEOs regarding the purpose of CEO compensation. For example, investigate the perspective from important stakeholders such as members and sponsors. The opinions of these actors might be important to take into consideration as well since they possess a significant impact on sports organisations.

Another reflection is that it perhaps would have been feasible to use a quantitative research approach to widen the sample and thereby increase the chances to find additional patterns to explain the purpose of CEO compensation in sports organisations. On the other hand, quantitative research would not enable us to discover the same depth and richness of the information from the participants as a qualitative research approach.

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Appendix

Appendix 1

Information om att delta i masteruppsats om kompensation i idrottsklubbar

Syftet med studien är att undersöka vilka faktorer som påverkar syftet med kompensationen för personer inom ledande befattning i idrottsföreningar. Forskningen inom detta område är brett inom vinstdrivande och icke-vinstdrivande organisationer, men är begränsad inom idrottsföreningar specifikt. Målet med studien är att få en förståelse vilken funktion kompensation fyller i idrottsklubbar.

Din roll som deltagare i undersökningen blir att svara på frågor som berör ämnet. Du väljer själv hur mycket du vill svara på varje fråga. Både du själv och klubben du representerar blir anonyma i den slutgiltliga rapporten och ingen annan utomstående part kommer kunna ta del av dina svar. Efter att du har accepterat att delta kan du när som helst välja att inte fullfölja din medverkan utan vidare förklaring till varför. När uppsatsen är slutförd kommer den att publiceras i DiVA portal där den kommer finnas tillgänglig för nedladdning.

Om du väljer att delta i projektet kommer den information som samlas in om dig att behandlas och förvaras endast i studiens syfte. Ingen information kommer att delas med tredje part eller ges tillgång till andra personer än den här studiens upphovsmän. Vidare kommer informationen inte att sparas längre än nödvändigt för uppsatsens ändamål, utan raderas efter att uppsatsen blivit publicerad.

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Samtycke till att delta i masteruppsats om kompensation i idrottsklubbar

☐ Jag samtycker till att delta i studien som beskrivs ovan i dokumentet

☐ Jag samtycker till att mina personuppgifter behandlas på det sätt som beskrivs ovan i dokumentet

Plats och datum	**Underskrift och namnförtydligande**
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