

Characteristics of the organizational structure of Brazilian soccer clubs: what do the by-laws say?

Características da estrutura organizacional dos clubes de futebol brasileiros: o que dizem os estatutos?

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Abstract

The objective of this study is to identify the organizational structure of professional Brazilian soccer teams. We performed content analysis of the by-laws of 17 clubs in the Brazilian Championship A Series for the 2016 season and identified the corporate bodies and the responsibilities assigned by the by-laws of each team. The bodies mentioned regularly are the General Assembly, Supervisory Board and Decision-Making Board. The design of the by-laws led to the understanding that the Decision-Making Board affects the remaining boards, despite the General Assembly being considered the sovereign in all clubs. The by-laws do not mention financial accountability regarding damages to the assets and the definition of the payment of the Executive Officers. The by-laws also do not mention the establishment of present or future financial liability. The implications of this scenario are the increase on potential conflicts, furthermore these statutory omissions may affect how managers, leaders and supporters interact and behave, damaging the management and governance of Brazilian soccer teams.

Resumo

Este estudo objetiva identificar as características da estrutura organizacional dos clubes profissionais de futebol no Brasil. A análise de conteúdo nos estatutos sociais de 17 clubes da "Série A" do Campeonato Brasileiro de 2016 identificou os órgãos e as funções atribuídas a cada um nos estatutos. Os órgãos presentes em todos os clubes são Assembleia Geral, Conselho Fiscal e Conselho Deliberativo. O desenho dos estatutos leva à interpretação de que o Conselho Deliberativo, pelas suas atribuições, tem influência sobre os demais órgãos, apesar de a Assembleia Geral ser mencionada como 'soberana'. Os estatutos são omissos a respeito da responsabilidade financeira que prejudique o patrimônio, e também, sobre a definição da remuneração da Diretoria. Os estatutos, também, são omissos quanto ao estabelecimento da responsabilidade financeira, seja presente ou futura. Como implicações, as omissões ou lacunas estatutárias potencializam conflitos e podem afetar a interação de gestores, dirigentes e torcedores, prejudicando a gestão e a governança dos clubes brasileiros.

Practical Implications

The by-laws of the major Brazilian soccer clubs do not discuss the financial responsibility and the remuneration of its directors. These and other gaps identified in the study indicate the need for improvement in the governance structure of these organizations. Such gaps cause insecurity and doubts about the financial and sports results.

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1 INTRODUCTION

The professionalization process of soccer clubs as social organizations, started during the 1990's in Europe. The goal was to improve sports performance, transforming the organization into a club-company with a market logic, which would professionalize the sport and promote a balance between sports and financial performance.

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While the sport is undergoing professionalization in several countries, Brazil is moving slowly since the arrival of sports media coverage through sports cable television channels (Mattar, 2014). Public measures were implemented to assist this change, such as the Lei Pelé and the Lei Zico (Law Pelé and Law Zico), and recently, the Programa de Modernização da Gestão e de Responsabilidade Fiscal do Futebol Brasileiro (PROFUT – Program for the Modernization and Financial Accountability of Brazilian Soccer).

These laws established requirements, such as the publication of audited financial statements in the standards required by the Conselho Federal de Contabilidade (CFC – Federal Accounting Council), the divulgence of the by-laws and the annual reporting to the responsible financial and sports entities. In addition, the PROFUT makes certain demands regarding the administration and organizational structure of the clubs, such as the autonomy and independence of the Supervisory Board and the mandate duration of the presidents, in exchange for the payment of debts with the Federal Government in several parcels, as well as the amnesty of fines and charges.

Brazilian soccer clubs are considered nonprofit associations, however, as the sport developed into a business, these organizations started to focus on the financial results. Currently, the greater the quantity of tournaments won, more players are revealed by the clubs, which generates more money. However, to win titles the club must invest in structure and athletes (Bács, 2014). Therefore, there is a loop between financial and sports performance, in which the Brazilian clubs fail to achieve the balance due to their high losses associated with large amounts of debt.

This occurs because the clubs have no well-defined business strategies to create opportunities and attract partners and investors (Fatta *et al.*, 2016). The organizational structure becomes compromised, because it would be a consequence of the strategy (Gurianova & Mechtcheriakova, 2015) capable of capturing environment changes more easily.

The revenues caused a leap in the development of soccer as a business (Mattar, 2014), but the inefficient management in clubs and federations is evident and must be studied. The use of business mechanisms in clubs affects the management and can change the organizational structure (Rodrigues & Silva, 2009). The lack of a well-defined structure is one of the causes of Brazilian soccer not achieving the level of professionalization of the sport like in other countries (Mattar, 2014).

Understanding how clubs are structured is the first step to understand the difficulties faced during the professionalization process. Studying this structure seeks to contribute for the improvement of the management of soccer in Brazil, as well as broadening the analysis of the sports scenario in Brazil and the understanding of the organizational structure of clubs, which is considered one of the pillars of management inefficiency (Mattar, 2014). Additionally, providing an information base for future research, which are still scarce, both in Brazil and other countries (Fatta *et al.*, 2016), even when considering the clear relevance these studies have for these businesses.

To meet this demand, the objective of this study is to analyze the organizational structure of professional soccer clubs in Brazil. This understanding would serve as a basis to comprehend how this structure can be a limitation for the professionalization of soccer clubs in the country. The analysis was performed on 20 clubs participating in the Brazilian Championship A Series in the 2016 season. We note that, due to the various government measures to contribute to the positive transformation of soccer, discussions on the subject will be emphasized on the academia and on the market, thus, there will be a demand for research on the organizational characteristics.

Despite the reasons preventing the clubs from operating in a sustainable way not being completely known, this professionalization is important since public resources are being used to assist the financial stability of clubs. The expectation is that the improvement of management allows the soccer market to become stronger and more competitive. In addition, this improvement would lead to better sports performance, attendance in the stadiums, and consequently, more income and a better image. Finally, the Brazilian clubs would be able to keep their best players and/ or counter-propose the proposals from foreign clubs, mainly European and Asian.

2 PREVIOUS LITERATURE AND THE BRAZILIAN CONTEXT

Brazilian soccer changed its structural characteristics, transforming into a business from the beginning of the 1990's (Mattar, 2014). During this period, the clubs performed partnerships to work on their management (Leoncini & Silva, 2005), requiring structural adjustments to the business logic to professionalize the management and to adapt the structure of the clubs (Rao & Silva, 2009). The partnerships also sought to assist the improvement of the economic and/or sports results (Fatta *et al.*, 2016).

Structural changes also occurred due to external pressures derived from the development of the soccer business (Raina *et al.*, 2010). This structure is defined and controlled by the by-laws, that “[...] represent the codes that summarize the fundamental principles, the rules and the application texts that must be followed by the executive board [...]”, as well as by the decision-making and advisory boards, which are advisory bodies (Carravetta, 2006, p. 45).

The degree of professionalization of a club defines the size of the board and of the departments (Costa & Silva, 2006), which will be larger as the club becomes more business-like. Modern and successful professional soccer teams require a high-level management to reconcile and meet the needs of all stakeholders, which will increase significantly with the professionalization of the team (Bács, 2014).

Despite the importance of the organizational structure in the management process and that it can be used as the basis for the success of soccer clubs, it is also one of the factors that hinders the growth and professionalization of Brazilian soccer, limiting the performance of an efficient and professional administration (Mattar, 2014). There are few Brazilian studies on the need for a well-defined organizational structure allied with the strategies of the clubs, despite the existing emphasis. We mention three studies on the subject.

Recently, Fatta *et al.* (2016), reviewed publications on the management and organizational structure of Brazilian soccer clubs. The authors reviewed the SPORTDiscus and Web of Science databases, identifying eight studies that converge on the evidence that Brazilian clubs have an amateur management, preventing new business partners from joining due to the lack of a well-defined organizational structure and management model.

Specifically, Rodrigues and Silva (2009), studied the impacts of the adoption of the business logic in the organizational structure of the clubs Figueirense Futebol Clube and Sport Club Internacional. The results indicated that the teams were in different stages of adoption of their professional structures. While Figueirense was expanding its structure, Internacional was compressing it, since it was focused on improving financial income.

Raina *et al.* (2010), analyzed European clubs and verified the relation between the different organizational structures, work practices and philosophy in the development of youth team programs. Comparing 26 professional clubs from five European countries, the authors verified a homogenization of the organizational structure in these clubs, mainly the existence of a specific department for youth teams. However, there is a lack in communication between departments as a form of improving the development of these programs, thus, revealing players of the club.

3 METHODOLOGICAL PROCEDURES

The sample of this study was composed by the 20 clubs participating in the Brazilian Championship A Series, the object of study were the by-laws of these entities, specifically the sections concerning the organizational structure (corporate bodies). From the 20 clubs, 17 by-laws were analyzed, since the documents from the clubs Chapecoense, Cruzeiro and Sport were not available.

The documents analyzed in this study were the by-laws available on the websites of the clubs in October/2016. After this date, seven clubs already have updated their by-laws (Botafogo, Grêmio, América, Corinthians, São Paulo, Flamengo and Vitória).

Initially, the by-laws were read and the sections mentioning the structural configuration of the clubs, identified. Then, we performed a new reading focused in the sections of the organizational structure to identify all the bodies that formed the structural design of the entities. For each body identified we compiled information about the composition, objectives and attributions.

Based on the name, we identified 22 different types of corporate bodies. These structures were organized in a standard typology, given the diversity of nomenclatures used in the various clubs for bodies with similar functions. For such we compared the composition, objectives and responsibilities of the bodies among the clubs to classify them.

The club Santos had no Board of Directors, but a combined Committee of Executive Management and Administration, which was considered as such. The club Grêmio had an Executive Management, Presidency and Vice Presidencies. Due to the functions performed, these bodies resembled the Boards established by other clubs, thus, being classified as a single body. The club Santa Cruz mentioned the Executive, being considered as a director body. For the club Atlético MG, the Committees were aggregated to the Board of Directors.

Regarding the Supervisory Board, a Fiscal Committee and a Guidance and Supervision Board were added. The structure of the club Palmeiras did not mention a body named “Supervisory Board”, but through the attributions it resembled this body in other clubs. The club Corinthians has the Conselho de Orientação (CORI – Guidance Board), some of its responsibilities are similar to the supervisory board, however, there was a body with this name, thus, it was grouped to the Management Board.

Therefore, we identified the bodies cited the most in the by-laws and defined a basic structural configuration of the clubs. We removed some of the analyzed bodies, considering only those present in at least 40% of the by-laws. Chart 1 presents the final identification of the bodies according to the clubs.

| Club | Legal Form | Date of the Current By-law | Date of the Analyzed By-law | Corporate Bodies | | | | | |
|---|------------|----------------------------|-----------------------------|------------------|----|----|----|----|----|
| | | | | GA | SB | DM | DB | AB | MB |
| América Futebol Clube | NPO | 08/31/2017 | 2015 | M | M | M | M | M | M |
| Grêmio Foot-Ball Porto Alegrense | NPO | 06/24/2017 | 2015 | M | M | M | M | M | M |
| Associação Atlética Ponte Preta | NPO | 12/01/2015 | 2014 | M | M | M | M | M | - |
| Botafogo de Futebol e Regatas | NPO | 08/08/2017 | 2008* | M | M | M | M | M | - |
| Fluminense Soccer Club | - | 08/27/2016 | 2001 | M | M | M | M | M | - |
| Santos Futebol Clube | NPO | - | - | M | M | M | M | M | - |
| São Paulo Futebol Clube | NPO | 01/01/2017 | 2011 | M | M | M | M | M | - |
| Clube Atlético Mineiro | NPO | 08/24/2015 | 2008 | M | M | M | M | - | - |
| Clube Atlético Paranaense | NPO | 12/08/2014 | 2014 | M | M | M | M | - | M |
| Clube de Regatas do Flamengo | NPO | 06/05/2017 | 2015 | M | M | M | M | - | M |
| Esporte Clube Vitória | NPO | 04/02/2017 | 2008 | M | M | M | M | - | - |
| Santa Cruz Futebol Clube | NM | 08/15/2013 | 2007 | M | M | M | M | - | - |
| Sport Club Corinthians Paulista | NPO | 02/01/2017 | 2015 | M | M | M | M | - | M |
| Sport Club Internacional | NPO | 05/23/2016 | 2014 | M | M | M | M | - | - |
| Coritiba Foot Ball Club | NPO | 02/20/2011 | 2011 | M | M | M | - | M | M |
| Figueirense Futebol Clube | NPO | 09/02/2013 | 2013 | M | M | M | - | - | M |
| Sociedade Esportiva Palmeiras | NPO | 12/08/2006 | 2006** | M | M | M | - | - | - |

Chart 1. General information of the Brazilian clubs participating in the A Series in 2016.

Source: Prepared by the authors.

Caption: NPO – Non-profit Organization; GA – General Assembly; SB – Supervisory Board; DM – Decision-Making Board; DB – Board of Directors; AB – Advisory Board; MB – Management Board; M – Mentions; NM – No Mentions/Not Informed (in the By-law).

* Found on the website, but not in a document.

** In the initial provisions the Club claims that the by-law was approved in a meeting in 2013, however, on the final provisions, it points that it started to be in force in 2006, this study uses this date as the last update of the by-law.

After selecting the bodies to be analyzed we performed the tabulation and standardization of the texts to be analyzed. We performed content analysis using the technique of Analysis of Similarity, identifying the occurrence of words and the connection between them, to recognize a content structure. The software used was IRAMUTEQ.

The words that appeared the most were verified and then grouped into word clouds, from the relations found. From this association the governance mechanisms emerged. Three categories were initially targeted in content analysis for the content extraction from the documents: the composition, the objectives and the responsibilities of each body (Table 1).

For each of the six identified bodies we analyzed, separately, each of the three categories (composition, objectives and responsibilities), resulting in 18 analyses. The preliminary results identified the main characteristics of these bodies through the relationship between the most cited words in each text. The analysis resulted in 98 attributes distributed among the bodies. Then, these information were grouped in a list and, based on the judgment of the authors, they were synthesized, rewritten and rearranged to avoid duplication of information, resulting in 43 governance mechanisms to be evaluated (Table 2).

Table 1. By-laws by body and analyzed category

| Corporate Body | Categories | | |
|-----------------------|--------------------|-------------------|---------------------|
| | Composition | Objectives | Attributions |
| General Assembly | 16 | 15 | 15 |
| Supervisory Board | 17 | 6 | 17 |
| Decision-Making Board | 17 | 15 | 17 |
| Board of Directors | 13 | 2 | 10 |
| Advisory Board | 7 | 3 | 5 |
| Management Board | 7 | 2 | 7 |

Source: Prepared by the authors.

The governance mechanisms were classified as: (i) operational autonomy, (ii) cross-control of another body in the structure, (iii) issues that demand the vote from the board, (iv) duration of a mandate, (v) number of members and (vi) time of association. This classification is based on certain actions, such as exclusive decisions of bodies, those that may require vote, and which bodies can make decisions about others.

The time information about the duration of a mandate, number of members and time of association were classified by the quantity of information on the composition of the bodies. From this definition, we analyzed the by-laws individually to verify in which boards the mechanisms were present.

We highlight that the analysis proposed in this study considers only the evidence found in the documents provided by the clubs, we did not confront these evidence with the practical activities performed by each body. The objective is not to question the actual operation of these structures, even if such structures were created purely to meet legislation demands, but to identify possible flaws in the management of clubs. For such, the main governance inconsistencies found were discussed from our understanding of the information gathered.

4 ANALYSIS AND DISCUSSION OF THE RESULTS

Table 2 presents the information about the governance mechanisms identified from the content analysis of the by-laws. The only mechanisms present in all by-laws were the election of the president and vice president of the Decision-Making Board and the number of members of the Supervisory Board. The budget is the topic that appears the most and it does not go through the approval of the General Assembly or the Advisory Board, being a responsibility of the SB and DM, which are the bodies with more power over the financial supervision of the clubs.

Usually, the Decision-Making Board is the body with most attributions, corroborating its existence as pointed by Carravetta (2006), who considers it a very political body. The number of subjects voted by the body is not strange, since it is a decision-making body.

The concentration of decisions denoted as operational autonomy can indicate that the influence exerted within the club tends to be individualized, which hinders the transition to a professional structure. The exercise of isolated influence within the club due to the involvement of individuals from different powers could be inhibited by cross track information, however, these are very few, indicating the need for the re-evaluation of the attributions to legitimize a more professional organizational structure.

Table 2. Presentation of the functions by classification and corporate body

| Body Mechanism | General Assembly | Supervisory Board | Decision-Making Board | Board of Directors | Advisory Board | Management Board |
|--|-------------------------|--------------------------|------------------------------|---------------------------|-----------------------|-------------------------|
| Operational Autonomy | | | | | | |
| To monitor and/or supervise financial administration and/or management actions | | 7 | 4 | 2 | | |
| To advise and/or opine on the preservation of ethical, philosophical and historical traditions | | | | | 2 | |
| To manage and supervise the heritage and image, and/or defend the interests of the club | | 2 | 2 | 14 | 1 | 3 |
| To analyze, evaluate, and/or present the financial statements and trial balances | 1 | 17 | 8 | 6 | | 2 |
| To authorize the hiring and/or dismissal of employees | | | | 7 | | 5 |
| To give opinions regarding the accountability of the club | | 4 | 5 | 11 | | |
| To give provision of positions | 7 | | 1 | 1 | | |
| To draft their own internal regulations | | 4 | 11 | 9 | | 5 |
| To draft the internal rules of the club | | | 4 | | | |
| To choose and/or employ the services of an independent audit | | 4 | 4 | | | 3 |
| To standardize the remuneration of the board of directors | | | | 3 | | 3 |
| To standardize the amounts to be paid by the associates, their admission or dismissal | | | 7 | 5 | | 5 |
| To establish and/or dismiss the boards/committees according to the needs | | | 7 | 9 | | 4 |
| To guide, supervise and/or approve of the activities of the club and business management | 1 | 11 | 8 | 1 | 2 | 4 |
| To represent the Club in all areas | | | 1 | 11 | | 4 |
| Cross control of another body of the structure | | | | | | |
| To communicate to the DM any circumstances that is or that may be harmful | | 15 | | | | 2 |
| To meet, enforce and/or monitor the deliberations of the DM, SB, GA, By-laws | | 6 | 3 | 12 | | 5 |
| To draft the general budget and, through the BD submit it to the DM | | 1 | | 9 | | 1 |
| To make recommendations to the BD about its organization and use of funds | | 3 | | | | |
| To appoint or dismiss members of the BD | | | 1 | 6 | | 4 |
| To be accountable and provide the opinion of the independent audit and to the SB and DM | | | | 10 | | 3 |
| To comply with and monitor the deliberations of the DM | | 1 | 2 | 3 | | 1 |
| Issues that demand the vote of the collegiate | | | | | | |
| To present opinion on the economic, financial and/or administrative movements | | 5 | 1 | | | |
| To present opinion on the supervision of the implementation of the budget | | 7 | 1 | | | |
| To analyze, discuss, vote and monitor the compliance with the strategic planning of the club | | | 1 | 5 | 1 | 2 |
| To decide on the transactions of assets | 4 | 3 | 13 | | 1 | 1 |
| To deliberate and/or manifest about serious financial responsibility | | | 1 | | 1 | |
| To deliberate and/or manifest about the changes on the By-law | 11 | 1 | 13 | 1 | 1 | 1 |
| To deliberate and/or manifest about any relevant situations | | 2 | 13 | | 5 | |
| To deliberate and/or give an opinion on the budget and/or the need for additional credits | | 13 | 13 | 2 | | 5 |
| To analyze and approve the financial statements and other accounting documents | | 8 | 13 | | 1 | 1 |
| To deliberate, judge and/or prosecute members of bodies and/or other associates | 5 | | 15 | 1 | | 1 |

Source: Prepared by the authors.

Caption: GA – General Assembly; SB – Supervisory Board; DM – Decision-Making Board; BD – Board of Directors; AB – Advisory Board; MB – Management Board.

Table 2. Presentation of the functions by classification and corporate body (continued)

| Body Mechanism | General Assembly | Supervisory Board | Decision-Making Board | Board of Directors | Advisory Board | Management Board |
|---|-------------------------|--------------------------|------------------------------|---------------------------|-----------------------|-------------------------|
| Issues that demand the vote of the collegiate | | | | | | |
| Presented no information | 2 | | 5 | | | |
| Less than 2 years | 3 | | 5 | | | |
| Between 2 and 5 years | 16 | | | | | |
| More than 5 years | 8 | | 16 | | | |
| To elect the President and Vice-President | | | 3 | | | |
| To elect the own President and Vice-President | | 10 | 17 | | 2 | 1 |
| To examine and give opinion on the trial balances, accounts, reports and taxation documents | | 16 | 3 | | | 2 |
| Termination, merger, incorporation, split of the club and other legal changes | 16 | 1 | 12 | | 3 | |
| Mandate duration | | | | | | |
| Presented no information | 17 | 2 | 3 | 8 | 13 | 12 |
| Less than 2 years | | | | | | |
| Between 2 and 5 years | | 15 | 11 | 9 | 3 | 5 |
| More than 5 years | | | 3 | | 1 | |
| Number of members | | | | | | |
| Presented no information | 17 | | 1 | 7 | 16 | 11 |
| Less than 100 | | 17 | | 10 | | 6 |
| Between 100 and 300 | | | 9 | | | |
| More than 300 | | | 7 | | 1 | |
| Membership time | | | | | | |
| Presented no information | 2 | 17 | 10 | 13 | 17 | 15 |
| Less than 2 years | 4 | | 2 | | | |
| Between 2 and 5 years | 9 | | 4 | 2 | | 1 |
| More than 5 years | 2 | | 1 | 2 | | 1 |

Source: Prepared by the authors.

Caption: GA – General Assembly; SB – Supervisory Board; DM – Decision-Making Board; BD – Board of Directors; AB – Advisory Board; MB – Management Board.

Generally, the by-laws are not clear about the responsibilities of contracting and/or dismissing of players and coaching staff. Few by-laws touch this subject, and the form the mechanism is presented, it only covers the administrative staff of the club. This suggests a failure of governance. Since there is no accountability for signings and/or mislead dismissals, occasional “package” signings are encouraged, as well as often changing the coach; this can be seen in the clubs along the seasons. The responsibilities are not directed or monitored, thus, failed signings may result in high costs to the club. In addition, there is no detail of who is responsible for the transactions of purchase and sale of athletes and how the process should be carried.

Generally, we identified that the by-law allows for a less professional management due to not determining who is responsible for these decisions and, therefore, who can be held accountable for the consequences of the decisions. Thus, governance is affected because the attributions of each organ are not clear, allowing a performance between the omissions in the by-laws.

We also emphasize the responsibility of the Board of Directors to standardize their own remuneration. Contrary to what Costa and Silva (2006) pointed regarding the remuneration of the board of directors in non-profit organizations, this is the only body that can be paid – unlike other bodies –, even if it is not explicit in all by-laws. The authors explain that remuneration can occur when the clubs outsource their administration. The performance in other bodies is voluntary and does not require working full-time, however, the board of directors is the active body of the, thus requiring working full-time.

We found that 7 of the 17 clubs analyzed mentioned some form of remuneration to the Board of Directors. Chart 2 presents the excerpts of the articles that deal with this subject on the by-laws.

| Club | Article | Description |
|------------------|---------|---|
| Atlético Mineiro | 64 | <i>“In the exercise of their functions and powers, the Board will be aided by a body of Associate Directors and Administrators, indicated by it and subject to the approval of the Decision-Making Board, including their respective remuneration, whom will perform functions of trust according to the tasks delegated to them [...]”.</i> |
| Coritiba | 112 | <i>“IV – to approve the hiring of managers and employees and define their salaries, according to the jobs and salaries plans”.</i> |
| Figueirense | 139 | <i>“Sole paragraph – Will be hired and paid professionals with proven qualifications by the FIGUEIRENSE, to occupy the executive management in each area”.</i> |
| Flamengo | 68 | <i>“Paragraph 4 – For non-statutory directors, hired and paid by FLAMENGO, the same obligations, prohibitions and responsibilities required from the presidents and vice presidents of the Powers of FLAMENGO are imposed, in accordance with paragraphs 1, 2 and 3”.</i> |
| Grêmio | 94 | <i>“The management positions will be paid and filled by contracts in accordance with the law”.</i> |
| Santos | 77 | <i>“The Executive Administration of SANTOS is managed by paid professionals, with proven qualification, hired by SANTOS on a full-time and exclusive dedication regime to SANTOS, who will be responsible for the implementation of the general administration of SANTOS, subject to the decisions and determinations of the Management Committee, with remuneration fixed by this body”.</i> |
| Vitória | 21 | <i>“Paragraph 3 – The Board of Directors may hire and set the remuneration of professionals, considering the values practiced in the market, to effectively work on executive management or providing specific services to VITÓRIA, and may, for this purpose, create and extinguish positions”.</i> |

Chart 2. References to the remuneration of directors in the By-laws – 7 cases were found.
Source: By-laws of the clubs.

For the cases referred to in Chart 2, the remuneration can be given to those who hire administrators, corroborating Costa and Silva (2006). Thus, when hiring, training, professional experience, full-time employment and exclusive dedication are required. Therefore, the Board of Directors may have paid professionals, which can be a positive factor when seeking professionalized management. Despite dedicating themselves to the club, when managers and advisers are not paid they must engage in other activities to receive financial return, thus, the club becomes a peripheral activity.

However, we note that the board is responsible for hiring, firing and establishing the remuneration of the managers, there is no segregation of duties, which is a serious flaw in the governance of the clubs, considering it creates a favorable environment to the interference of conflicts of interest in the internal management. Essentially, these assumptions are made on the gaps (intentional or not) present in the interpretation of the by-laws.

Furthermore, regarding the attributions of the Board of Directors, we verified that in many cases this body is responsible not only for the accountability of the clubs, but also for evaluating, giving opinions and monitoring the finances and budget. In other words, it monitors its own actions. Again, we note that there is no segregation of functions and determination of responsibility within the organizational structure of the clubs.

Supervising the management actions and, as a result, accountability, should be the sole responsibility of the Supervisory Board. Some by-laws require this board to have members with Accountancy training. However, the responsibility for the approval of the accounts is of the Decision-Making Board, a decisive body with members from different academic backgrounds (or none), that must evaluate the accounts based on the opinion of the Supervisory Board. Thus, if the opinion is favorable, even if there is accountability, the evaluation by the Decision-Making Board comes from this report and not from a collective analysis. This may cause the decision to be previously influenced.

Therefore, as required by the PROFUT, the autonomy and independence of the Supervisory Board is necessary, as well as the responsibility and ethics of its members to avoid impaired judgment. However, the by-laws show a clear dependence between bodies in decision making regarding the finances of the clubs. This situation creates an environment permeated by weak internal control and, consequently, low governance.

Regarding the elections for the Decision-Making Board, the by-laws usually point that the members are elected by the associates who comprise the General Assembly in accordance with the by-law. However, there is no information about the possibility of the Board members being part of the associates, therefore, voting in the club elections through the General Assembly. Considering that, in some clubs, the Decision-Making Board is responsible for electing, inducting and/or dismissing Board members, it is possible that through the omission of the by-laws on this subject, Board members choose members of the Decision-Making Board that may induct them as directors or dismiss those who are not well regarded.

We note that the discussions regarding accountability that harms the assets of the club is omitted in the by-laws. The impasse is that all bodies could deliberate about the financial aspects, but, at the same time, neither could be held accountable. This can create a favorable environment for the development of irresponsible financial practices.

The accumulation of functions can impact the information flow and internal management, through the direct interference on how each organ must and actually performs its attributions. If the clubs are managed according to the by-laws, with overlapping, duplicated or diverted functions, the result will be greater administrative insecurity, which causes impacts on the sports results. Contrary to what Nagovitsin (1983) pointed, it seems that subdividing the organizational structure through the by-law does not prevent the duplication of functions.

5 FINAL CONSIDERATIONS

The analysis of the by-laws showed potential governance failures in the analyzed clubs. We analyzed the by-laws made available by the clubs in October 2016. Thus, the scenario may have changed for seven clubs that updated their by-laws recently.

The governance of the teams of the first division of Brazilian soccer is structured in six boards, the General Assembly, the Decision-Making Board, the Supervisory Board, the Board of Directors, the Management Board and the Advisory Board. The last two can be interchanged, alternating in the structure of the clubs. Thus, the organizational structures of the clubs present similarities, as noted by Raina *et al.* (2010). These authors propose that there is little variation in the structures within each country.

From our results we can understand that the General Assembly is the most important body for the deliberation of specific issues. However, due to being limited, the Decision-Making Board becomes the main body within the club, with decision power over all relevant subjects.

Nevertheless, the Supervisory Board is responsible for monitoring the management of the club, while the Advisory Board for the discussions regarding the historical, traditional and social aspects of the club. For this reason, the Advisory Board is of great political importance in the internal structure of the clubs, exerting critical influence in it. These results corroborate the assertions of Carravetta (2006).

We identified forms of communication between the bodies that comprise the structure of the clubs that are legitimized by the by-law, however, it may not work in the routine of the club if it is not enforced or monitored. Being accountable, communicating and exchanging information between the different boards can show some sort of subordination.

We can point the statutory omissions as a major finding, these can cause several conflicts of interest between corporate bodies and advisors/directors, in which political issues tend to stand over the common interests of the club. Therefore, we identify that the governance problems faced by Brazilian clubs may be caused by the – possibly intentional – gaps existing in the by-laws.

As a rule, by-laws are nothing more than documents created to support internal actions of organizations, not to guide the behavior of those involved. This guidance should be provided by codes of conduct. Given this discussion, the gaps found may derive from the pressure exerted on those responsible for drafting the by-laws and by the various interests involved.

Despite all organs of the organizational structure being allowed to discuss changes in the By-law, political organs such as the Advisory and Decision-Making Boards exert their influence over the other bodies, so their demands can be privileged. In addition, the by-law is approved by the General Assembly, which is often composed by members who do not know the internal routines of the clubs or even their function, so they end up voting in accordance with the other counselors. Therefore, by-laws presenting gaps is normal, since they are developed over time and considering the interests of the parts involved.

Given these results, we see a need for studies to analyze these organizations and how they are structured, so the knowledge of soccer as business is expanded and the Brazilian clubs are finally able to enter the select group of clubs that have professional management. Through this these clubs will achieve good results both on and off the field, contributing to the growth of the local economy and the promotion of great sporting spectacles.

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