

## **Abstract**

Importance of corporate governance as a setting of relations between management and shareholders of a corporation has been widely acknowledged in the past years. Mechanisms of corporate governance are very important in order to increase overall trust in the company and among the individual part of a corporation, especially between managers and investors. At the same time, these mechanisms should serve to shareholders to monitor better activity of management. However, shareholders must understand that an ownership stake obliges them to execute their shareholders rights and to be involved in the life of company, if they require adequate financial results.

This paper describes possible negative consequences of a bad setting of corporate governance mechanisms and of resignation on execution shareholders rights using an example of a leading Czech lottery company SAZKA, a.s which went bankrupt in May 2011 and whose shareholders were Czech umbrella sports associations. It aims to show that it was the wrong practice of corporate governance which caused the failure of this company and not only the investment into a construction of a multifunctional arena in Prague which was rather a consequence, or a product of the neglected corporate governance. Also this study shows, that behaviour of shareholders who seemed to be controlled by the management (as opposed to a nature control of management by shareholders) was steadily worsening the situation of the company even when the insolvency proceeding was in progress. This paper concludes that ownership of a major lottery company by sports associations is not the most efficient system from both point of view of corporate governance and subsequently sport financing.