

Sport New Zealand
**GOVERNANCE BENCHMARKING
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**SPORT
NEW ZEALAND**

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CONTENTS

EXECUTIVE SUMMARY	3
INTRODUCTION.....	5
GAINS IN GOVERNANCE EFFECTIVENESS SINCE 2004	6
More capable, better qualified boards.....	6
A wider pool of board-ready candidates	7
More explicit succession planning.....	7
More stable boards	7
Constitutional and governance design improvements.....	8
Better documentation of board role and other governance infrastructure	9
More boards are committed to the discipline of self-evaluation.....	9
Boards have a more proactive role in strategic planning	9
Boards are better equipped to carry out their employment responsibilities	10
Some boards are more efficient	10
OPPORTUNITIES TO FURTHER STRENGTHEN GOVERNANCE PERFORMANCE.....	10
1. Delivering more effective policy leadership.....	11
2. Through the articulation of desired outcomes	12
3. Through criterion-referenced management reporting	13
APPENDIX 1: PARTICIPATING ORGANISATIONS 2014	15

EXECUTIVE SUMMARY

This report summarises research undertaken in 2014 on behalf of Sport New Zealand by BoardWorks International. The research involving 24 separate national and regional sports and recreation organisations repeated similar research undertaken with the same organisations in 2003/04. Its aim was to obtain an up-to-date view of governance systems and practices in the sector and to identify and evaluate changes made since 2004. Each organisation was benchmarked against the best practice concepts developed and promulgated by Sport New Zealand since 2004. These expectations are demanding but by no means beyond the reach of organisations such as those participating in this research.

The research identified governance effectiveness improvements across a wide range of performance components. For example, there have been noticeable improvements to constitutions generally and in particular to specifications relating to tenure, board size, selection/election processes and composition. There are generally improved role definitions in place and overall the membership of boards appears to have a broader skill base, than in 2004. Most boards have also improved practices that relate to board efficiency (e.g. an increased focus on agenda planning and other techniques that improve board time use). These improvements are both significant and commendable in the light of the largely volunteer director base on which the governance leadership of the sector depends.

At the same time, however, there remain *effectiveness* gaps that represent significant opportunities to further strengthen the governance of the sector. If attended to these opportunities have the potential to not only enhance the governance performance of the sector, but to make the jobs of boards and their management teams both more manageable and more satisfying.

Looking to the future, the greatest challenge is to assist boards out of the 'activity trap' most have succumbed to. Their preoccupation with operational activity, both in relation to planning and monitoring organisational performance, is such that many boards appear to be little more than spectators to management activity.

In this regard most of the boards appear to operate in a manner that is inconsistent with a basic tenet of governance: that it is 'ownership one step down, not management one step up'. A board *governs*; it does not manage. In practice, many of the participating boards appear to act more as a top tier of management than as an independent governing body, detached from day-to-day operational activity, serving the collective interests of the organisation's owners, and determining the outcomes to be achieved in return for access to member, community, taxpayer and commercial partner funds. Boards have a vital 'leadership' role in organisational life and this appears to be widely understood and accepted *in principle*. In practice, however, there were signs that among the participating organisations many boards are content to follow the lead of their chief executives.

Critically, there is a weakness evident not only in the sport and recreation sector but equally across other not-for-profit and commercial sectors. This is an apparent lack of understanding of the central role in effective governance that is played by the policy-making process. Even though many organisations have adopted comprehensive and coherent governance policy frameworks over the years, very few of their current boards appear to 'own' these, understand their purpose as an essential means for 'remote control' or apply them to good effect. Consequently, neither board nor management attention is focused to the extent it should be on the things that matter. The workload of most boards is both heavier and less value-adding than it could be.

This is particularly apparent in the quality of strategic plans. With few exceptions, these have little or no practical use at the board level because they mostly lack an articulation of organisational purpose and intended outcomes (impact). Such a statement is needed – along with other dimensions of governance policy – to create a rationale and risk framework for subsequent management action. A clearly stated outcomes (ends) framework is necessary before, logically, management can design and implement effective management action (means).

Information is the lifeblood of the governance process and yet governance-quality reporting to most of the participating boards seems, at best, hit and miss. The absence of an outcomes orientation in strategic plans and at the board level more generally means that organisational and chief executive performance monitoring is made more difficult. Both boards and management are buried in the preparation and processing of reports on activity, with results or impact related to organisational purpose scarcely referred to, if at all. Much of the material provided to boards by their management teams is random operational detail, perhaps not even useful at the chief executive level. A comprehensive and actively applied governance policy framework would facilitate the kind of criterion-referenced monitoring that would make reporting more efficient and effective.

In conclusion, this review indicates that while the standard of governance of sport and recreation organisations is, in many respects, much improved on that documented in 2004, it is still falling short of what is both desirable and possible in some key areas. Therefore, prevailing governance processes are not making the best use of the valuable time and capabilities of volunteer directors or the staff who support them. Consequently, good, well-motivated people cannot perform to their capacity, nor can their organisation benefit from the potential of focused and proactive governance leadership.



INTRODUCTION

The 2002 report of the Ministerial task force¹ that led to the establishment of Sport New Zealand (Sport NZ) (then SPARC) identified the need to address governance shortcomings within the sport and recreation sector. In 2003, Sport NZ initiated a long-term project to develop the governance and leadership effectiveness of sporting and recreational bodies in New Zealand. As a starting point, it commissioned research into the characteristics of governance and board operations applying across a large sample of organisations in the sports and recreation sector at that time.² This research, completed in 2004, has subsequently informed a wide range of governance capability-building initiatives and other support measures.

In 2014, Sport NZ asked BoardWorks International, the original researchers, to undertake a follow-up exercise. Its aim was to obtain an up-to-date view of governance systems and practices in the sector and to identify and evaluate changes made since 2004. All but two of the 26 organisations in the original exercise participated again.³

Each organisation was benchmarked against the best practice concepts developed and promulgated by Sport NZ since 2004.⁴ These have been extensively promoted through specialist publications such as *Nine Steps to Effective Governance* and *The Role of the Chair* and related training courses for directors and senior management.⁵ These are demanding expectations but by no means beyond the reach of the organisations participating in this research.

The benchmarking comparisons indicate that, in many ways, governance capability has increased considerably in the sports and recreation sector over the last decade but so have the pressures on governance effectiveness. Since 2003, the aggregate turnover within publically funded sport and recreation bodies has more than doubled, numbers of employees have risen markedly, event budgets have leaped dramatically, the professionalisation of athletes has moved quickly, and franchising arrangements have become more widespread. Public and commercial funds coming into sport from a range of sources have significantly increased, bringing more complex and accountable stakeholder relationships.

The legal framework for directors has also continued to evolve as expectations of governance performance and accountability across all sectors increase. Patterns of sport participation, and leisure activity generally, have changed markedly and continue to challenge traditional organisational structures and business models. The predominantly volunteer directors of sport and recreational organisations now face challenges that equal and, in some aspects, exceed those of their commercial counterparts.

These trends show no signs of tapering off. Consequently, further gains in governance effectiveness are not only desirable but necessary.

Perhaps of even greater fundamental importance is that sport, and indeed most recreational activity, is ultimately about the pursuit of excellence. On that basis alone active participants have a right to expect that, in the governance of their activities, they will be supported by a group of people who are just as committed as they are to the highest possible standards of performance 'off the field'.

¹ *Getting Set for an Active New Zealand*.

² Twenty-six different organisations (19 National Sports Organisations (NSOs), five Regional Sports Organisations (RSTs) and two National Recreation Organisations (NROs)).

³ BoardWorks International. (2015). *Sport New Zealand Governance Benchmarking Review 2014: Overview Report*.

⁴ The benchmark for comparisons in this review is set high and is largely described in the Sport NZ publication *Nine Steps to Effective Governance*, now in its third edition (the first edition was published in 2006). The framework outlined in the *Nine Steps* is in use throughout New Zealand and around the world and provides a tested and proven reference point.

⁵ In addition to various key publications, Sport NZ has developed a number of specific tools (e.g. online board and director evaluation) to assist boards in the sector to adopt and apply good practice.

A first-rate performance is inherent in the notions of ‘stewardship’ and ‘trusteeship’ that underlie basic concepts of the responsibilities of boards and directors. In law these are expressed as *fiduciary duties*. However, one of the earliest writers on board performance, Robert Greenleaf, exhorted board members to go further than this – to the acceptance of ‘*a dynamic obligation to be an insistent driving force obliging an institution to move towards distinction*’.⁶ Greenleaf also concluded that the questionable performance of major organisations and institutions is seldom the result of incompetence or poor motives, or a lack of industry on the part of the internal administration and leadership, but stems rather from governing boards’ ‘*failure to accept a more demanding (and rewarding) role*’.⁷

Acceptance of this ‘dynamic obligation’ – and the chance to discover a more rewarding role – is fundamental to the research referred to in this summary report and the conclusions drawn from it. It has indicated that further significant gains in governance effectiveness in the sport and recreation sector are both possible and necessary, even in core governance processes.

GAINS IN GOVERNANCE EFFECTIVENESS SINCE 2004

The following have been the principal improvements in governance effectiveness since the initial research published in 2004.

More capable, better qualified boards

Boards are undoubtedly more capable in terms of relevant experience and understanding of the governance role than they were 10 years or more ago. Board composition was a common concern among the participating organisations in 2004. Governance challenges were not always well understood in the wider organisations and, not surprisingly, wholly election-based processes delivered boards of variable quality. Parochial interests frequently trumped the best interests of both organisation and sport.

On paper, at least, it appears the governance credentials of board members in the sector have increased greatly over the last 10 years or so. A range of factors has facilitated the trend to *skills-based* boards. For example, compared to 2004, when there was a concern that ‘lottery-like’ AGM board election processes resulted in boards neither ‘representative’ nor capable of the quality of leadership required, there is now a significant proportion of appointed directors on most boards. The most common ratio is three appointed to four elected board members but equal numbers apply in some organisations.

This has been assisted by the now widespread use of board appointment panels. Panels typically bring together perspectives from both within the sport and from outside it. Most panels contain at least one independent member able to bring specific expertise in governance to the process. Some panels recommend appointments to the board; others have the power to decide. That appointment panels are increasingly tasked with evaluating the relative suitability of candidates for *election* is a further significant advancement.

These ‘mixed’ structures, which have a high degree of *selection* in their process, have helped boards get the best of both worlds. That is, credible, effective, elected ‘insiders’ well connected to ‘grassroots’ concerns and highly competent appointed ‘outsiders’ able to add a more detached, objective perspective and valuable experience and attributes not readily available within the organisational membership.

⁶ Robert K Greenleaf. (1977). *Servant Leadership: A Journey Into the Nature of Legitimate Power and Greatness*. New York/Mahwah, Paulist Press.

⁷ Greenleaf. (1977). *Op cit.*, p.57.

The now common practice of advertising publicly for both appointed and elected directors is being used to good effect. It underlines the importance of governance roles and has the effect of both broadening and deepening the governance talent pool.

Avoiding conflicts of interest within boards is now dealt with in a variety of ways and it does not seem the problem it has been in the past. The wider range of candidates emerging for both elected and appointed board roles means it is relatively easy to exclude candidates who might face conflicts of interest, including conflicts of loyalty. Constitutional changes have helped reduce, but not yet eliminate, potential internal conflicts between those with different leadership responsibilities within the organisation (e.g. by excluding regional, discipline or franchise board chairs from membership of the national board).

In 2004, it was relatively common that the organisation chief executive was a member of the board but often restricted to a non-voting role. Compelling arguments against this practice have meant that chief executive membership of boards in the sector has now all but disappeared.

A wider pool of board-ready candidates

In 2004, many boards took the view that it was difficult to find well-qualified individuals willing to stand for election or be appointed to the governing boards of sports and recreation organisations. Today, advertising of board positions has helped create a problem of a different order; many boards are now finding it a challenge to choose from among many well-qualified and well-motivated candidates.

The general increase in the ratio of appointed to elected positions, and other constitutional changes making elective positions more open and contestable, have assisted in this process. Compared to 10 years ago there is greater interest both within sport and recreation organisations and the wider community in taking on governance roles. Active interest in governance as a professional (but not necessarily paid) activity is reflected in the steadily growing membership of the Institute of Directors and other organisations such as Springboard, which focuses on the younger, aspiring director cohort.

More explicit succession planning

A tendency was apparent in 2004 for boards to take the view, particularly if most of their directors were elected, that board succession was beyond their influence. Proactivity in informing the process of selecting new board members was also seen as somewhat inappropriate. Now, the use of succession planning tools like skills matrices is widespread. Board and director evaluation processes – now in wider use – are often designed explicitly to support the succession process. Typically, boards also go to some trouble to brief the board appointment panels referred to previously on the skills, attributes and experience they need around the board table. A number of the surveyed organisations have also grasped the potential to apply such processes just as actively to *elective* positions.

The active advertising of vacant board positions, by forcing boards to be more explicit about the skills, attributes, etc., they are seeking, has also assisted to elevate the importance and transparency of the succession planning process.

More stable boards

A rapid turnover in board members and board leadership, often as a consequence of constitutionally limited tenure, made it very difficult in 2004 for some boards to gel as work groups and to develop their thinking about important strategic issues. Because the 'face' or personality of the board was continually changing, it also meant that the mutual trust and confidence necessary for an effective relationship between board and chief executive was difficult to develop. In at least one National Sport Organisation (NSO), there was the possibility that as many as half the board's members could change each year.

In contrast, some boards experienced the opposite of that problem – the continuing membership of people who had arguably been on their boards for too long. This was particularly noticeable among the Regional Sports Trusts (RSTs) but in other types of organisation as well.

Both these issues have been tackled in the interregnum. In most of the sampled organisations, including RSTs, the basic board term is now three years, a term increasingly common in other sectors as well. Also, a majority of organisations surveyed now impose an upper limit to the time that can be served. Most commonly the limit in place is three successive three-year terms. While there is a debate internationally about limiting board service, restricting the number of terms in office that can be served consecutively ensures fresh thinking is brought to the boardroom. It is also easier to replace long-standing board members who are holding on to their positions for the wrong reasons.

Constitutional and governance design improvements

The predominant form of legal entity among the participating organisations is the incorporated society. The applicable legislation (the Incorporated Societies Act 1908) is outmoded, particularly when applied to the governance of large and complex organisations. In 2004, many constitutions also appeared to be out of date, thus compounding that problem. However, the majority of the constitutions reviewed in 2014 are comparatively modern and up-to-date. They are generally well constructed and written in plain English. The inclusion of provisions relating to operational prescriptions, common in 2004, has mostly been removed.

As in other sectors, the ‘federated’ organisational structures typical of national sports and recreation bodies create a range of challenges. In 2004, those structures reflected power struggles between different organisational units and excessive parochialism that distracted from their ability to act with a common purpose and to develop shared strategic intent. In the time since, many, if not most, organisations have attempted to tackle this problem. Three NSOs have gone so far as to create *de facto* unitary structures. However, as these can be interpreted as overriding member associations’ legal and constitutional sovereignty, these changes may prove problematic later.

In 2004, a number of NSOs were struggling with the respective roles of organisations’ governing boards and member ‘councils’. Where such councils still exist their role is now better defined and, in most cases, it is less likely to conflict with that of the board than previously.

Another constitutional or governance design problem apparent in 2004 was the persistence of separate positions of organisational president and board chair. The continued existence of a separate presidential role was, in some cases, a sign of an incomplete transition to new governance arrangements. It often indicated internal tensions and trust issues in some federation-type organisation structures. In the worst cases organisations had experienced both competition and confusion between the two roles and a dilution of governance authority.

Where the president role continues today it appears to be more narrowly defined and there is better understanding of the value the role should add. Broadly, however, continued retention of the role seems more likely for the sake of tradition than for any functional governance purpose. There continue to be risks in retaining both president and board chair roles but, compared to 2004, these appear to be better managed.

Better documentation of board role and other governance infrastructure

The need in 2004 for improved understanding of board roles and responsibilities was quite marked. However, this is an area where the direct impact of Sport NZ's investment in producing best practice guidelines and conducting regular training courses for directors and senior management is readily apparent. The recruitment of more experienced directors referred to earlier has undoubtedly played its part as well.

Most boards have adopted some form of charter or governance policy manual to better document their responsibilities and the way they intend to operate as a board and to delegate authority to management. Also, regular reviews of such documentation are scheduled by most boards, although their ability to use these policy frameworks as designed is mixed and is a matter that will be explored further later in this review.

More boards are committed to the discipline of self-evaluation

As in other sectors at that time, relatively few sports and recreation boards in 2004 were actively undertaking a regular process of self-assessment as the basis for continuous governance performance improvement. Boards already committed to the practice appeared to be those already functioning at a higher level of governance effectiveness. Others excused the absence of a self-evaluation discipline for various reasons, including that it would be 'inappropriate' to ask volunteers to submit to this type of evaluative process.⁸

Two-thirds of the participating organisations now apply a structured board evaluation process and undertake regular reviews. In addition, others have adopted a review process as policy but acknowledge its application is occasional and inconsistent.

Board evaluations among the proactive group are usually undertaken at least biennially.⁹ The specially designed Sport NZ online system is one method used but others have created and implemented their own systems. In small number of cases review processes are facilitated or supported by external consultants.

Boards have a more proactive role in strategic planning

In 2004, few boards were proactively involved in a strategic planning process. For the most part they appeared to do little more than 'rubber-stamp' draft strategic planning documents prepared well away from the boardroom. Nor did boards appear to experience an ongoing strategic thinking process that forced them to concentrate on matters which were central to organisational success. Consequently, there were also weaknesses in boards' abilities to monitor organisational and chief executive performance.

Today, boards are far more likely to be engaged directly in a strategic planning process and in a timelier manner. In most surveyed organisations boards are now actively involved in the process of shaping both the process and the plans. Most boards engage directly in strategy workshops and are also actively consulted by those drafting strategic plans, be they staff or consultants. In a number of organisations, stakeholders have also been actively involved.

However, as described later in this Summary Report, most of the strategic plans reviewed were deficient in their basic structure, severely limiting their usefulness for governance purposes.

⁸ The prevailing sense being that those taking on board service are doing the organisation a favour. Gratitude should be shown regardless of the quality of contribution.

⁹ The most common return period is one year but we also noted that one organisation conducts an online survey after each board meeting.

Boards are better equipped to carry out their employment responsibilities

Compared to the situation in 2004 there has been considerable progress in many respects. For example, boards seem more aware of their employer responsibilities and more confident in carrying these out. There are documented performance management processes in place in most organisations. Many boards now have properly constituted committees for dealing with chief executive employment matters, including the conduct of the performance management process. This has made the performance management process more structured, more transparent and, in a sense, more 'professional'. It has taken the 'burden' of the chief executive's performance off most, but not all, board chairs and underlined their accountability to the board as a whole. Most boards not only adopt a structured and systematic performance management process but apply this at regular intervals. The chief executive performance evaluation and feedback process is more likely to be viewed as a continuous one.

More chief executives now have annual performance agreements that spell out the board's expectations for the coming year. Consequently, there is less reliance on relatively static job descriptions as the basic reference point for chief executive performance planning. In this regard, an increasing proportion of boards are using their strategic plans as the basis for setting annual performance expectations.

Some boards are more efficient

Our research identified boards in the sector that serve as good role models for a wide range of opportunities to 'tweak' board performance, particularly in respect to improved *efficiency* (e.g. better board work planning, improved agenda structures, etc.). This means there are either exemplars of good practice already evident, or there are boards that appear to understand what can be achieved and are experimenting with changed practices.

Improved efficiency, however, is only one component of good governance. *Effectiveness* plays a more important role in the delivery of desired outcomes. The following section focuses on three areas of effectiveness where many, if not most, of the participating organisations fall well short of best practice. The substantial report identifies a wider range of shortcomings and improvement opportunities. This Summary Report focuses on what we regard as the three most critical areas.

OPPORTUNITIES TO FURTHER STRENGTHEN GOVERNANCE PERFORMANCE

Despite the undoubted gains referred to above there are still a number of governance fundamentals in respect of which progress has been disappointing. The failure to grasp these fundamentals is holding back the governance performance of organisations and thus, almost certainly, *organisational* performance.

Three of these shortcomings lie at the centre of our concern:

- Inadequate policy leadership
- Poor articulation of intended outcomes (i.e. inadequate strategic leadership)
- Management reporting that lacks relevance at the governance level.

These three deficiencies are inherently interconnected. Their common link is an underlying governance malaise that has been described in another context as the *activity trap*.¹⁰ It is where the dominant thought pattern concerns activities with end results forgotten or assumed.

¹⁰ Kaufman, Roger, Hugh Oakley-Browne, Ryan Watkins and Doug Leigh. (2003). *Strategic Planning for Success*. San Francisco, Jossey-Bass/Pfeiffer. p.203.

The apparent inability at the governance level in the sector to distinguish outcomes from activities (or ends from means) is a significant problem. To overcome it will require a substantial shift in thinking – and in related performance capability.

The starting point is the need to agree that the role of boards in the sector is to *govern*, not manage. As noted earlier, corporate governance has been described as ‘ownership one step down, not management one step up’.¹¹ In other words, a board does not manage anything. It acts on behalf of *owners*, however defined, to ensure the organisation achieves what it should. It determines what success looks like, what risks must be managed, and holds staff¹² accountable for achieving the desired results.

Contrary to this ‘first principle’ much, if not most, of the board-related materials we examined showed boards typically being drawn ‘donkey-deep’ into dialogue about what people in their organisations are *doing*, not about what they should be, and are, *achieving*. Most of the boards studied appear to spend the greater part of their time as passive spectators to the activities undertaken by management and staff. Too much board time seems to be spent in a relatively random, management-driven manner engaging with matters that are peripheral at best to the responsibilities that only a governing board can discharge.

To take governance leadership to the level both needed and expected of it, attention must be given to the following aspects of board performance. This is not a governance issue alone; upskilling and performance improvement is also needed at the staff level. However, the board must do its job first. Boards should therefore focus on the following three areas.

1. Delivering more effective policy leadership

Despite the now almost universal existence of board charters and various governance policy documents, we found little evidence to suggest these play any significant role in boards’ thought leadership or in their basic direction and control of organisational performance. Boards, generally, seemed not to appreciate the relevance or application of the comprehensive governance policy frameworks many of them had in place. The potential gains from developing those policies, given that they seem to have little bearing on board and management actions do not generally appear to have been realised.

A direct consequence of boards’ poor understanding of the importance and application of their policy-making role is that the way they spend their time is less focused and has less impact than it should. Board work is also more arduous and potentially more stressful than it need be, which is of particular concern given the voluntary nature of most boards in the sector. Board work needs to be made easier, not harder!

The same is true for executives and other staff employed. There appears, for example, to be a great deal of wasted management time producing voluminous board reports, the content of which does little to assist boards to do their job in an efficient and effective manner.

Boards are ultimately accountable for all that happens in their organisations and yet direct board involvement or oversight of everything that happens is clearly impossible. This would be true even if a board was full time, but few boards are actively ‘at work’ for more time *annually* than their chief executive is likely to work in a week. To be able to direct or control *everything* that occurs in the name of the organisation in the limited time available to it a board must develop and apply a form of remote control. This is the essential role of a governance policy framework. It enables a board to accommodate the complexity of its role *and* live up to its ultimate accountability for organisational wellbeing.

¹¹ By US governance theorist, John Carver.

¹² In some organisational contexts ‘staff’ includes volunteers. It may even include some board members whose time or special knowledge or skills are drawn on to assist with operational activities.

The board's policy framework is therefore a vital basis for delegation of its authority to others to act on its behalf. In turn, it serves as the determinant of the information the board needs to check that its authority is used appropriately and that everything is as it should be.

Until such time as the board has put in place a policy framework management and staff are forced to operate in a vacuum. They must rely for direction and guidance, if provided at all, on ad hoc and possibly idiosyncratic board and individual director interventions. These interventions are unlikely to amount to anything in the nature of the well thought-out and consistent framework needed for the delegation of authority, the management application of that authority, and the board's monitoring of policy compliance and evaluation of the results of the subsequent action. All of this amounts to effective governance.

This research has underlined that there is a pressing need for boards in the sector to better understand the centrality of a board-specified governance policy and to be able to apply the methodology of policy creation and its implementation.

There are many flow-on effects from this basic weakness. Perhaps the most significant and troublesome of these is the failure of almost all of the strategic plans we examined to specify organisational purpose and the outcomes to be achieved.

2. Through the articulation of desired outcomes

It was perhaps the most disappointing conclusion of this benchmarking exercise, comparing changes over a 10-year period, that so many of the strategic plans are as poorly constructed and of no more use at the governance level than was the case in 2004. Strategic plans in the sector continue to fail to demonstrate an understanding that ends and means are different and that ends must be determined before there can be any logical consideration of alternative means (courses of action) to achieve them.

*Ends distinguish purpose from path, results from process, and where one is going from how one is going to get there.*¹³

In almost all of the strategic planning documents reviewed during this research these two conceptually and practically disparate, and yet complementary, elements – ends and means – were confused. The 'ends' part was mostly neglected altogether.¹⁴

As in other not for profit sectors, sports and recreational organisations exist solely for the purpose of achieving a desired outcome and/or delivering a benefit; they do not exist for their own sake. Any *activity* an organisation engages in is simply a means to achieve desired *ends*. Unfortunately, strategic plans in the sector are generally 'outcome-free'. It is apparent they have been laboured over and many have involved extensive consultation. In their final form, however, few amount to more than 'shopping lists' of desired or intended management actions. The strategic plans reviewed often also seemed to reflect an overburden of wishful thinking about what is achievable, meaning they are not only disconnected from explicit outcomes but also from practical reality.

A failure to articulate desired outcomes also goes to the heart of a board's ability to perform other functions that are central to its leadership and stewardship. For example:

- Management empowerment. Clarity of direction (what must be achieved and what must be avoided) is also a necessary precursor to the delegation of authority to the chief executive, and operational planning and implementation by the operational team.

¹³ Carver, John and Caroline Oliver. (2002). *Corporate Boards That Create Value*. San Francisco, Jossey-Bass. pp.20-21.

¹⁴ Some plans do refer to 'outcomes' but only rarely in the true sense of the concept (i.e. a change in condition or set of conditions that can be experienced such as a stakeholder benefit).

- Performance measurement. The success of an action can only be determined by reference to what it was supposed to achieve. Only when intended outcomes are defined can meaningful organisational and chief executive performance monitoring take place.
- Organisational design. Strategic plans that have failed to address the purposes of an organisation's existence and what it must achieve have contributed to continued conflict within *families* of organisations (i.e. in federation structures).
- Self-evaluation. The absence of an explicit board-level statement that articulates that for which the board is truly accountable constrains the board's ability to plan its work and to assess its own effectiveness.

While boards are now more actively involved in the strategic planning process it would appear that they are active in the wrong part of the process. Instead of helping management design actions they should be establishing the rationale for any action *at all*. Making progress in the 'front-end' board-level articulation of outcomes is mission-critical. A clear statement of organisational purpose and key outcomes goes to the heart of the board's accountability for organisational performance and sustainability. It creates the framework within which management can design and be held accountable for effective and efficient action.

3. Through criterion-referenced management reporting

Information is the lifeblood of the governance process. Therefore, one of the most important factors in a board being able to fulfil its various fiduciary duties is the quality of reporting from the chief executive to the board. There were some notable exceptions, but the overall relevance and quality of board papers was not of the standard the sector should expect. The shortcomings we observed stem to a significant degree from those referred to in the previous two sections. They include:

- Management reporting that is principally focused on *operational* activity. Boards need information about the *impact* in relation to desired results, not about the *effort* to carry out various activities. That executives' reports tend to be focused on describing to their boards the activity they have undertaken is in part due to the absence of explicit outcomes to report against.
- Chief executive reports that, too often, are little more than collections of apparently random and disparate jottings that do not supply boards with the degree of focus on key issues they need from their principal advisor.
- The inclusion of too much unprocessed data and too little (analysed) information. Much of this is fine-grained, highly operational and not set against any board-determined criteria that would make governance sense of the content. Much reporting is simply irrelevant to the governance function and is potentially distracting and likely to cloud the 'big picture'. It increases the volume of board papers and is wasteful of staff time in preparing the material and board members' time in ploughing through it in preparation for meetings.
- Board papers that, in general, are poorly structured. They fail to define a purpose (why is this coming to the board and what is the board expected to do with it?) or provide a context and a starting point (e.g. a board policy or a previous board decision). Recommendations are often vague and poorly framed such that it is not clear what the action requested of the board actually is.
- Too much material included in board meeting packs just 'for information' without any guidance as to its relevance to the board. For example, is it 'nice to know' or 'need to know'?

These criticisms should not, in the first instance, be laid at the door of management alone. The situation reflects a lack of understanding, by boards and management alike, that the board's governance policy framework should be all the guidance needed on what is to be reported. When a comprehensive policy framework exists no chief executive is forced to guess what his or her board needs in the way of information and why.

An improved understanding of these concepts by both boards and management would facilitate the development of tighter, more relevant, *criterion-referenced* reporting. If boards have not specified the metrics they wish to track it is not surprising if staff find it difficult to determine what to include or exclude from their reports. Nor that they find it difficult to determine and explain the significance to the board of what they are describing.



APPENDIX 1: PARTICIPATING ORGANISATIONS 2014


National Sports Organisations (NSOs) for:

1. Athletics
2. Basketball
3. Bowls
4. Canoe Racing
5. Cycling
6. Gymnastics
7. Hockey
8. Netball
9. Rowing
10. Rugby League
11. Softball
12. Squash
13. Surf Life Saving
14. Swimming
15. Tennis
16. Touch
17. Triathlon
18. Yachting

National Recreation Organisation

19. New Zealand Recreation Association

Regional Sports Trusts (RSTs)

20. Bay of Plenty
 21. Canterbury
 22. Hawkes Bay
 23. Southland
 24. Waikato
- 



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NEW ZEALAND**

Ground Floor, 86 Customhouse Quay,
Wellington 6011, New Zealand
PO Box 2251, Wellington 6140
Phone: +64 4 472 8058 Fax: +64 4 471 0813