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The Role of the Board in UK National Governing Bodies of Sport

**Birkbeck Sport Business Centre
September 2011**

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1. Introduction

Over the last couple of decades, governance has become increasingly recognised as a crucial process: first in the private sector, following high-profile commercial failures in the 1980s; and latterly in the public and voluntary sectors. The board of directors¹ plays a central role in the process of good governance. The board is concerned with strategy, leadership, change, conformance, performance and a number of other functions.² Academic research on governance has often been prescriptive – models of how boards should operate and advice offered to practitioners. A number of codes designed to aid stock-market listed organisations³, non-listed organisations⁴, and nonprofit organisations, charities, and community organisations⁵ have also been prescriptive in nature. However, research examining how boards actually operate has often found major gaps between the prescriptions of the governance literature and what occurs and what is considered possible ‘on the ground’. In this respect, it can be argued that an understanding of good governance is not simply about complying with certain procedures but is more about the creation of standards and behaviours that add value to an organisation.⁶

In the sport sector, good governance has also risen rapidly up the agenda. Over the past decade within the UK, sports councils and national governing bodies of sport (NGBs) have been encouraged to professionalise their administrative structures as part of a process of modernisation.⁷ NGBs are central to the provision of sport participation opportunities and elite sport in most westernised countries. They are nonprofit organisations that often rely on a volunteer board to oversee multiple and diverse roles that include the organisation and management of competitions, coach development, increasing participation, developing talent, volunteer training, marketing and promoting the sport, and bidding for and hosting competitions. That NGBs should be governed effectively is increasingly recognised both within and outside sport. For example, the UK government has committed itself to ‘improving governance arrangements to ensure that sporting bodies better reflect the needs of

¹ For consistency we will refer to the board throughout although it is recognised that in many third sector (sport) organisations the governing body may be termed differently

² Stone and Ostrower (2007).

³ Financial Reporting Council (2010).

⁴ Institute of Directors (2010).

⁵ National Council for Voluntary Organisations (2005; 2010).

⁶ Bain and Barker (2010).

⁷ Houlihan and Green (2009).

the communities they serve'.⁸ In addition, the Sport and Recreation Alliance recently launched the *Voluntary Code of Good Governance for the Sport and Recreation Sector*, which focuses primarily on the board.⁹ Within academia, sport governance and the board is a relatively under-researched topic. A recent comprehensive review reached the following conclusion: 'The body of research devoted to the study of governance within any form of sport organisation is in its infancy'.¹⁰ This is, however, slowly changing, with a number of published books and articles addressing sport governance issues.¹¹

This report examines governance in the voluntary sports sector, focusing on NGBs in the UK. There are over 300 NGBs in the UK recognised by the four Sports Councils and they vary significantly across a range of factors, such as turnover, organisational structure, the number of staff, and the number of member clubs and individual members. This report builds on a similar report by the Birkbeck Sport Business Centre published last year that looked at a range of broader governance issues.¹² This year, the report seeks to understand a variety of board-specific issues including board structure, roles and responsibilities; board development; risk management and legal compliance; and board involvement in strategy. In doing so it is able to understand better what it is that boards of sport organisations do, and at the same time address the need for sport governance research.

⁸ This is one of the six structural reform priorities to create a sporting legacy from the Olympic and Paralympic Games that was set out in the Department for Culture, Media and Sport Business Plan (DCMS 2010: 16).

⁹ Sport and Recreation Alliance (2011).

¹⁰ Hoye and Cuskelly (2007: 203).

¹¹ See, for example, Inglis (1997); Shilbury (2001); Hoye and Cuskelly (2003); Taylor and O'Sullivan (2009).

¹² Walters et al (2010).

2. Methods

The information for this report was collected through an online questionnaire. The questionnaire comprised both closed ('tick-box') and open questions. This meant that a large amount of data could be collected and also that respondents had the opportunity to provide detailed answers where appropriate.

Sample

All national governing bodies of sport recognised by each of the four home country sports councils – Sport England, Sport Northern Ireland, sportscotland and the Sports Council for Wales – were invited to take part in the survey. This provided an initial population of 325 NGBs.¹³ Each of these was contacted by email on four occasions. On each occasion, the NGBs were informed about the purpose of the survey, invited to take part and assured that their response to the questionnaire would be anonymous. The Sport and Recreation Alliance, the Scottish Sport Association, the Northern Ireland Sports Forum and the Welsh Sports Association also provided assistance by publicising the survey to their members.

A total of 69 NGBs completed the online questionnaire, giving an overall response rate of 21 percent. This is a reasonably good response rate for a detailed survey of this type. Table 2.1 provides a breakdown by country of the NGBs surveyed and those that responded. However, one limitation is that a large number of NGBs did not respond and therefore the issue of non-response bias needs to be addressed if these results are to be used to make inferences about the overall population, i.e. all NGBs in the UK. Perhaps the most common way of addressing non-response bias is to compare statistically the first wave of respondents with the last wave to determine whether there are any differences. The assumption is that the late respondents are more likely to reflect non-respondents. If no statistical differences are found, one can be more confident that the sample of respondents is broadly representative of the entire population. We tested for statistical differences between the first wave of 47 NGBs that all responded to the survey quickly and the last wave of 22 NGBs that responded after follow-up emails and telephone calls. No statistically significant differences were found between the two groups on variables such as the number of full-time employees, board size, board effectiveness and a range of other variables.

¹³ This is the total number of recognised NGBs drawn from the four home country sports council websites in October 2010.

We can conclude from this that our sample of 69 NGBs is broadly representative of the overall population of 325 NGBs.

Table 2.1: A breakdown of the population of NGBs and respondents

Sports council	Number of recognised NGBs	Number of NGBs that responded	Response rate (%)
Sport England	140	44	31
Sport Northern Ireland	68	8	12
sportscotland	71	12	17
Sports Council for Wales	46	5	11
	325	69	21

Describing the Respondents

We asked NGBs for information on the number of full-time and part-time employees. The mean number of full-time employees was found to be 27 and for part-time employees seven. However there was wide variation – 25 per cent of NGBs indicated that they did not have any full-time employees whilst 15 per cent of NGBs had over 50 full-time employees. We used number of full-time employees as a proxy for organisational size when analysing the results in order to differentiate between large and small NGBs. We divided NGB respondents into two groups. The first group contained NGBs that had five or more full-time employees. There were 36 NGBs in this group. The mean number of full-time employees was 54 (although if we take out the largest six NGBs that had a substantial number of full-time employees the mean would be 23). The second group contained 33 NGBs that had indicated they had four or fewer full-time employees. The mean number of full-time employees in this group was 1. Previous research has suggested that governance processes may differ in smaller NGBs.¹⁴ We analysed responses to all questions by size of NGB based on these two groups and we have reported these differences where relevant.¹⁵

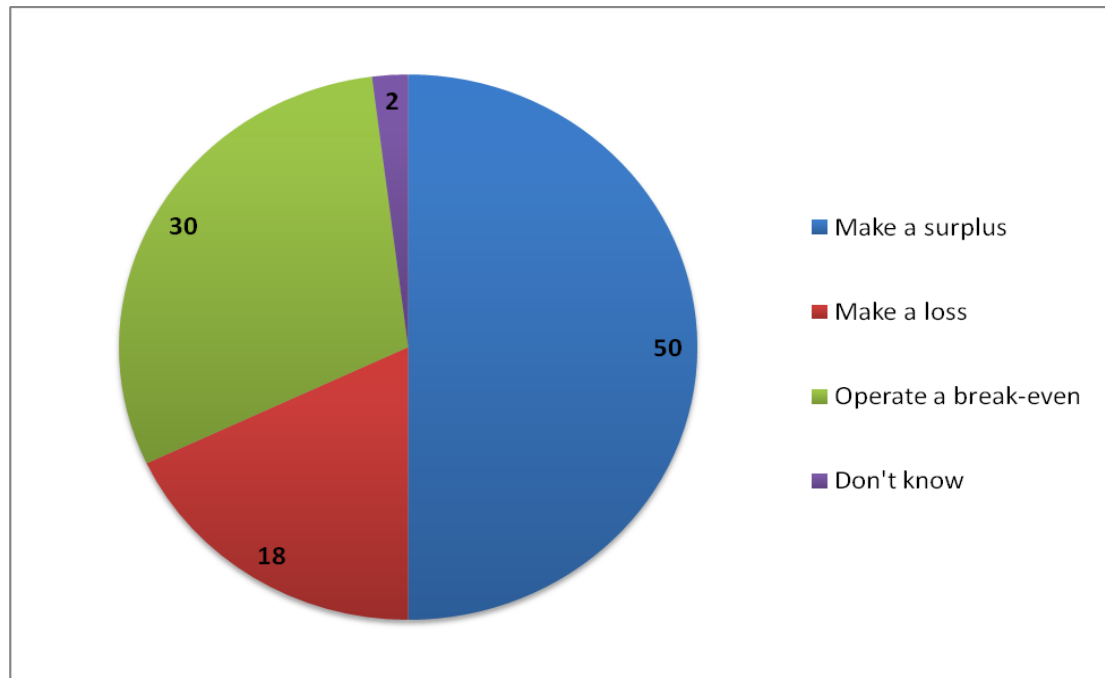
We also asked for background financial data. Figure 2.1 demonstrates that the majority of NGBs (80 per cent) that responded were either operating at break-even (30 per cent) or were making a surplus (50 per cent) with 18 percent responding that they made a loss. When analysing the responses to this question by size it was found that large NGBs (those with five or more full-time employees) were more likely

¹⁴ Rochester (2003).

¹⁵ We performed chi-square tests or independent samples t-tests on all questions to see where any statistically significant differences existed between the two groups at the 5 per cent level of significance.

to have made a surplus whilst those NGBs with four or fewer full-time employees were more likely to operate at break-even.

Figure 2.1: Breakdown of NGBs by profit and loss (per cent)



3. Board structure, roles and responsibilities

The structure of the board is presumed to have a significant impact on the way an organisation functions. Structure, here, refers to various features of a board, such as its size and its use of sub-committees, and relatively unchanging aspects of ongoing practice, such as the number of meetings held each year and the percentage of board members that usually attend meetings. Specific roles and responsibilities are also very important in governance, for by defining and performing them effectively, board members can enable appropriate decision making within an organisation and help to ensure accountability.¹⁶

The majority of research in this area is prescriptive. Academics and a range of agencies have between them produced innumerable lists and descriptions of roles and responsibilities. They have also made suggestions regarding appropriate board size and other structural considerations. These lists and suggestions overlap significantly and often draw on each other. Yet researchers that have examined board roles and responsibilities in practice have found that there are substantial differences between their findings and the prescriptions.¹⁷ The conclusion of many studies is that there is a gap between prescribed board roles and actual board behaviour.

Only three published academic studies have directly examined board roles and responsibilities in sport and they were conducted in Canada¹⁸, Australia¹⁹ and Taiwan.²⁰ The first two highlighted the similarities between sport bodies and other nonprofit organisations. The third pointed out some important differences. However, these seemed to be more to do with the two-tier board structure common in Taiwan, rather than major discrepancies between sporting and other organisations. One further issue that demands attention is organisational size. As mentioned in chapter two, recent research has suggested that small nonprofit organisations may have a distinctive approach to governance. As such, the structure and the roles and the responsibilities of the board may differ significantly from larger organisations.

¹⁶ Hoye and Cuskelly (2007: 54).

¹⁷ See, for example, Holland (2002) and Miller (2002).

¹⁸ Inglis (1997).

¹⁹ Shilbury (2001).

²⁰ Yeh et al. (2009).

Our survey examined many of these aspects and found some interesting results. First, the structural aspects of the board. The average size of an NGB's board is 11. There is quite a range – the smallest board has three members and the largest has 38 – but most NGBs have boards with between seven and 12 members. As table 3.1 shows, nearly two thirds of NGBs (63 per cent) have between seven and 12 board members.

Table 3.1: Number of board members

Number of board members	Percentage of NGBs
3-6	15
7-12	63
13-38	22

The survey also asked about the specific make-up of the board. The results suggest that the majority of NGB boards are entirely volunteer-run. Nearly two thirds of NGBs (65 per cent) have no paid executives on their boards; 20 per cent have one; and a further 15 per cent have between two and five. When looking at these figures, it is of course important to take into account those NGBs that have no paid staff anyway within the organisation. As set out in chapter two, one quarter of NGBs surveyed have no full-time employees. Still, of the remaining three quarters of NGBs that employ at least one full-time staff member, 59 per cent have a fully volunteer-run board.

One of the key recommendations in almost every code of good governance is that organisations should have independent, non-executive directors on their boards. For example, the UK Sport guidance, *Good Governance: A Guide for National Governing Bodies of Sport*²¹, recommends the appointment of 'non-executive directors from outside the sport who bring particular specialist skills required by the NGB'. Our survey sought to ascertain how common this practice was among UK NGBs. We found that a slight majority (52 per cent) do have independent, non-executives on their board. Of these, more than half (53 per cent) have between one and three. Still, in 2011, it is worth noting that 48 per cent of NGBs have no independent, non-executive directors.

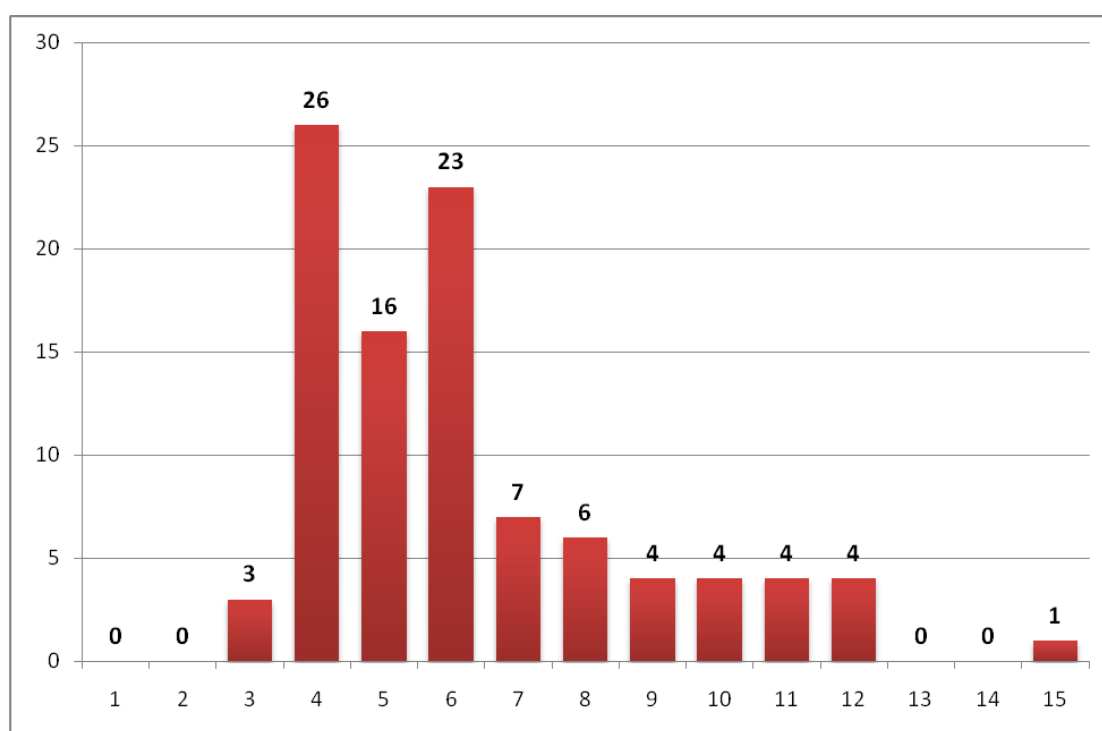
It is interesting to see whether there are any differences between small and large NGBs in terms of board size and the use of non-executive directors. Our survey

²¹ UK Sport (2004).

enabled us to test for statistically significant differences between small NGBs (defined as those with fewer than five full-time employees) and large NGBs (defined as those with five or more full-time employees). The results indicate that there are no statistically significant differences: average board size and the average number of non-executive directors appear to vary equally across NGBs – large or small.

Beyond the specific make-up of the board, the survey looked at various established board practices. We found that the average number of board meetings per year among NGBs is six. As figure 3.1 shows, some held as few as three and some as many as 15, but most held either quarterly or bi-monthly board meetings.

Figure 3.1: Number of board meetings held per year (per cent)

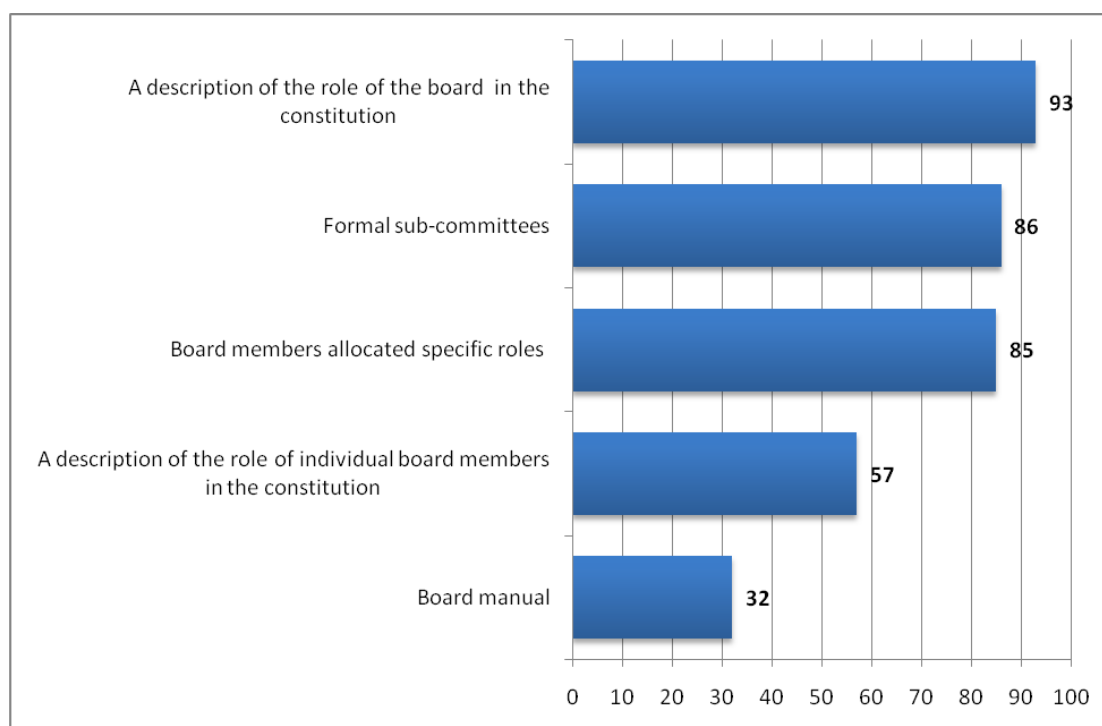


Attendance at the meetings was generally high. NGBs reported that, on average, more than four fifths (83 per cent) of their board members usually attended meetings. Here, though, there was a difference between large and small NGBs. Large NGBs (those with five or more full-time staff) reported that average attendance at board meetings was 91 per cent; for small NGBs, it was 75 per cent.²² This may reflect the difficulties that volunteers in some small NGBs have in terms of work-load.

²² This difference is statistically significant at the 0.01 level ($t=-3.296$, $p=0.002$).

Our survey also looked at other ‘structural’ aspects of the board. Figure 3.2 shows what percentage of NGBs instituted various board practices. It can be seen that the vast majority of NGBs have a description of the role of the board in their constitution (93 per cent); have formal sub-committees (86 per cent); and allocate specific roles to at least some of their board members (85 per cent). A smaller proportion of NGBs have a description of the role of individual board members in their constitution (57 per cent); and under a third (32 per cent) have a board manual. Taken together, these features give an idea of how ‘formalised’ NGB boards currently are. Again, it might be expected that smaller NGBs, i.e. those with fewer full-time employees, had less formalised board structures. Analysis of the survey data suggested that this was not necessarily the case. The only difference we found was that small NGBs (0-4 full-time staff) were less likely to have formal sub-committees.²³ All other aspects of formalisation varied similarly across large and small NGBs.

Figure 3.2: Percentage of NGBs that reported various board practices



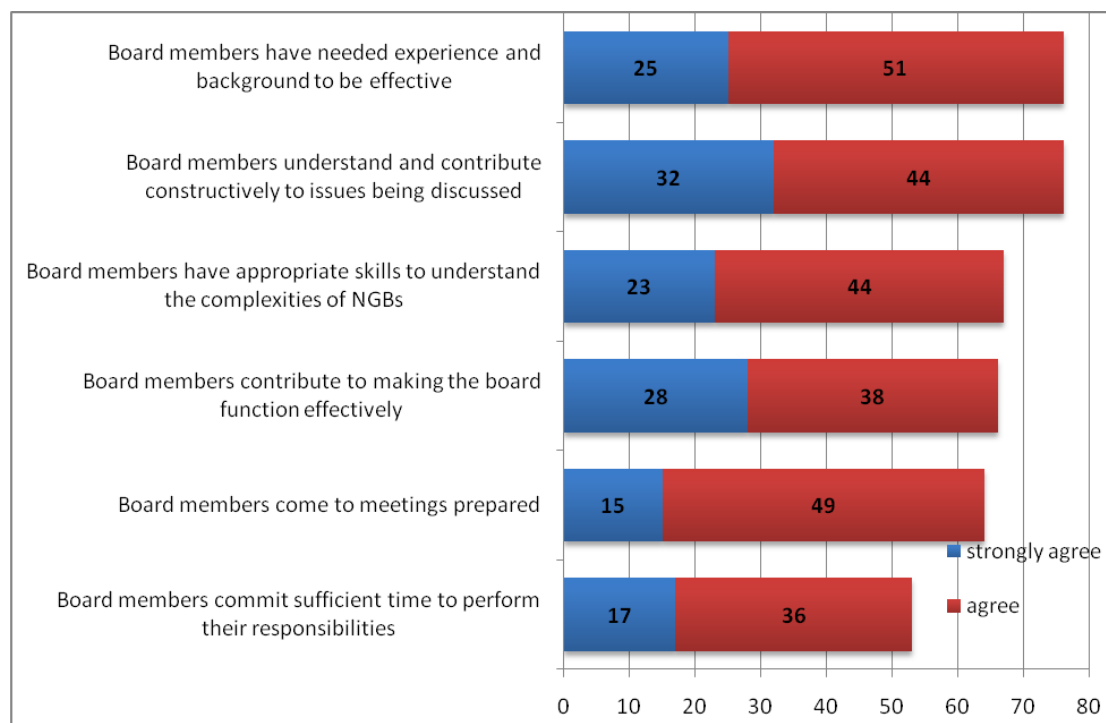
One area of governance where NGBs and other nonprofit sport organisations face particular challenges is board composition – that is, appointing people with the right mix of skills and experience and setting appropriate limits on board service to ensure

²³ We ran a chi-square test, comparing the numbers of small NGBs with formal sub-committees against the number of large NGBs with formal sub-committees (Pearson Chi-square=10.878, p=0.004).

timely renewal of board members. The majority of NGBs used to elect, and many continue to elect, board members in line with representative structures, or, in some cases, to recognise length of service. This can, in some cases, make it difficult for NGBs to ensure that board members have the required skills and attributes. Indeed, research has suggested that applying nonprofit governance guidelines to NGBs may need some adaptations, given the impact of these member-representation systems.²⁴

The survey sought to explore these issues. As figure 3.3 shows, more than three quarters of NGBs (76 per cent) either strongly agree or agree that board members have the needed experience and background to be effective. A slightly smaller proportion (67 per cent) believe that board members have the appropriate skills to understand the complexities of NGBs. In comparison, 53 per cent either agree or strongly agree that board members commit sufficient time to perform their responsibilities. This is often raised as an issue by NGBs and from our survey, in comparison with other aspects of board composition, it emerged as more of a problem.

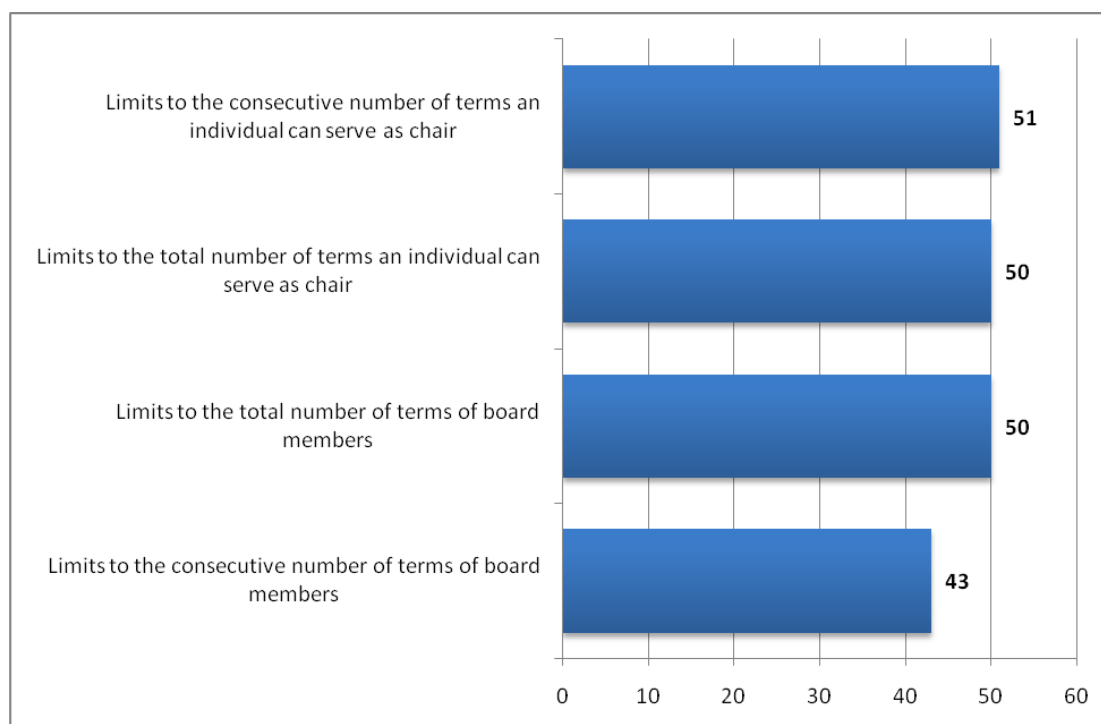
Figure 3.3: Percentage of NGBs that agreed with the following board composition processes



²⁴ Hoye and Inglis (2003).

Regarding board renewal, the survey suggests around half of all NGBs impose specific limits on total and consecutive terms for board members and, specifically, for board chairs (see Figure 3.4). Again, we looked for differences among large and small NGBs, but found none. It appears that these practices are spread across NGBs of all sizes – roughly one in two NGBs have board member term limits.

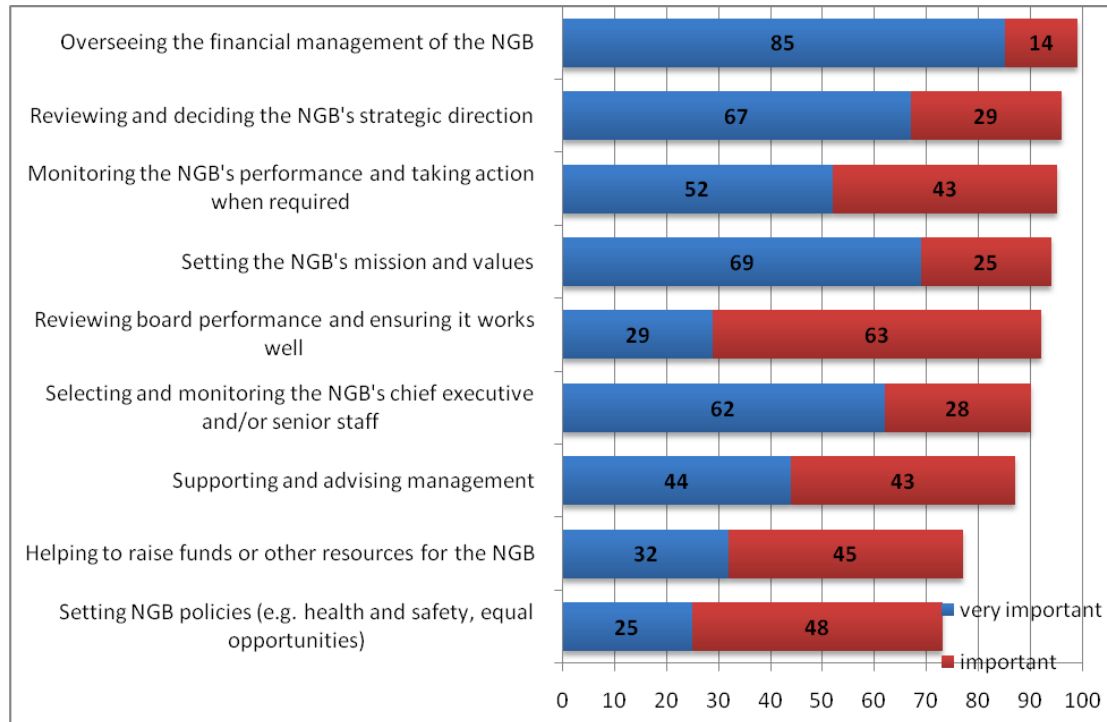
Figure 3.4: Percentage of NGBs reporting the following board renewal processes



Defining board roles is a key governance process. As discussed earlier, defining, agreeing upon and performing board roles aids decision-making within organisations and can help to ensure accountability. Our survey sought to ascertain which board roles NGBs considered most important. Figure 3.5 displays the results. It appears that NGB boards consider their most important roles to be financial, strategic and legal. 85 per cent of NGBs regard overseeing the financial management of the organisation as very important. And more than two thirds (69 per cent) of NGBs consider setting the organisation’s mission to be very important; likewise, reviewing and deciding the organisation’s strategic direction (67 per cent). Next, NGB boards see their role as supervising and stewardship: selecting and monitoring the chief executive and/or senior staff (62 per cent); and monitoring the NGB’s performance and taking action when required (52 per cent). This illustrates the contrasting roles of

a board: performance and conformance. The former suggests a forward-looking strategic orientation; the latter, careful monitoring and scrutiny.

Figure 3.5: Percentage of NGBs that considered the following roles as very important or important to the board



It is interesting to note that under a third (29 per cent) of NGB boards regard as very important reviewing the performance of the board itself and ensuring it works well (although 63 per cent do consider it important). This issue of board evaluation is explored in more detail in chapter four. Still, it is worth making the point here that research suggests board self-evaluation should be considered a key part of the governance process.

4. Board development

Board development is the term used to summarise the activities that are important to build and maintain a strong board of directors including recruitment and selection, induction and training, and monitoring and evaluating performance.²⁵ Board development is seen as an ongoing activity that must be integrated into the way that the board functions. However within the nonprofit literature there is a general lack of research on these issues. The research that does exist tends to consider these issues alongside board structure and composition. Previous research has suggested that appropriate board development practices result in the continued strength of the board and lead to an improved level of organisational performance.²⁶ Therefore the case can be made that the issues of recruitment and selection, induction and training, and monitoring and evaluating performance are significant enough to warrant attention on their own as part of the developmental function of the board.

Recruitment and Selection

Recruiting appropriate people onto the board is important for all types of organisation. It has been claimed that an effective recruitment procedure can improve the quality of board members²⁷. Best-practice recruitment guidelines are available within a variety of codes aimed at different sectors, including sport. The survey asked NGBs to what extent they agreed with particular statements relating to recruitment procedures. The results are set out in figure 4.1. Prior to recruitment, it is important that the skills and competencies that are required on the board are defined to ensure that the identification and selection of board members with the appropriate competencies form the basis of the board recruitment policy.²⁸ Figure 4.1 reveals that 31 per cent of NGBs agreed that they develop competencies and skills profiles to nominate board members. This is an issue that many nonprofit sport organisations previously failed to address and board members are often appointed as representatives of a particular stakeholder group, rather than for their skills and abilities that are required on the board. Indeed, it has been found that there is a clear tension in sport organisations between the selection of board members to represent particular stakeholder groups, e.g. regions or counties, or referees or players, and

²⁵ Brown (2007).

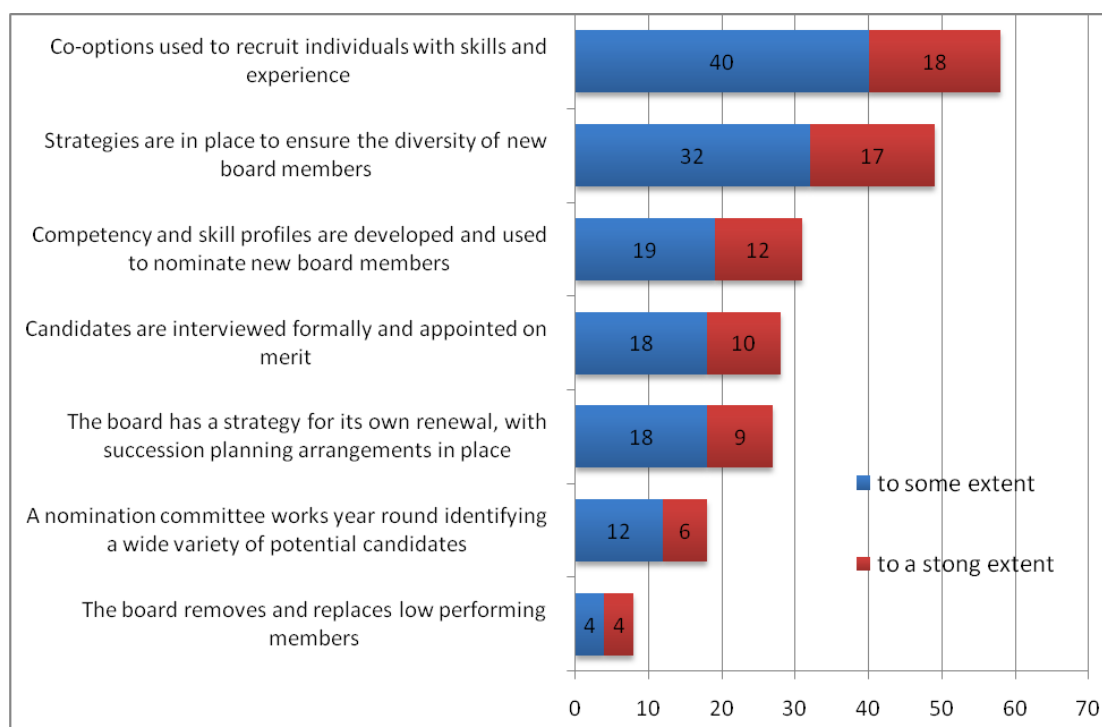
²⁶ Holland and Jackson (1998); Brown (2007).

²⁷ Brown (2007).

²⁸ Brown (2007); Daily and Dalton (2004).

ensuring that people with appropriate skills are selected.²⁹ The majority of NGBs (58 per cent) agreed when asked if they co-opt members onto their boards with particular skills and experience. However, it should be pointed out that if co-option is done without first identifying the required skills needed then it could lead to the appointment of board members that add little value to the organisation.

Figure 4.1: Percentage of NGBs that agreed the board uses the following recruitment and selection processes



Having a formal, transparent and objective procedure to appoint new directors to the board of a nonprofit sport organisation is an important aspect of the recruitment procedure. Such a procedure requires that the role is publicised, including a detailed breakdown of the responsibilities involved.³⁰ It may also require that a nominations committee – a specialist sub-committee of the board – is formed to oversee the selection process. The need to filter and screen potential candidates and provide due diligence are also acknowledged as important aspects of the selection procedure.³¹ Figure 4.1 reveals that 18 per cent of NGBs agreed when asked if they use a nominations committee; 27 per cent agreed that there is a strategy for board renewal including succession planning; and 28 per cent agreed when asked if candidates were formally interviewed and appointed on merit. The survey results revealed that

²⁹ Hoye and Cuskelly (2007).

³⁰ Brown (2007).

³¹ Brown (2007); Daily and Dalton (2004).

there were no significant differences on these issues between small NGBs (i.e. those with four or fewer full-time employees) and large NGBs (those with five or more).

Induction and Training

Best-practice guidelines are available on induction and training within the variety of governance codes across the various sectors although it has been argued that these two aspects are common governance problems for nonprofit organisations.³² New directors should receive induction to the board that allows them to familiarise themselves with the policies and procedures of the organisation. The required information and guidance can include the memorandum and articles of association, the organisational strategy, and minutes of part board meetings.³³ NGBs were asked to state to what extent they agreed that the board uses a number of induction and training procedures (figure 4.2).

Figure 4.2: Percentage of NGBs that agreed the board uses the following induction and training processes

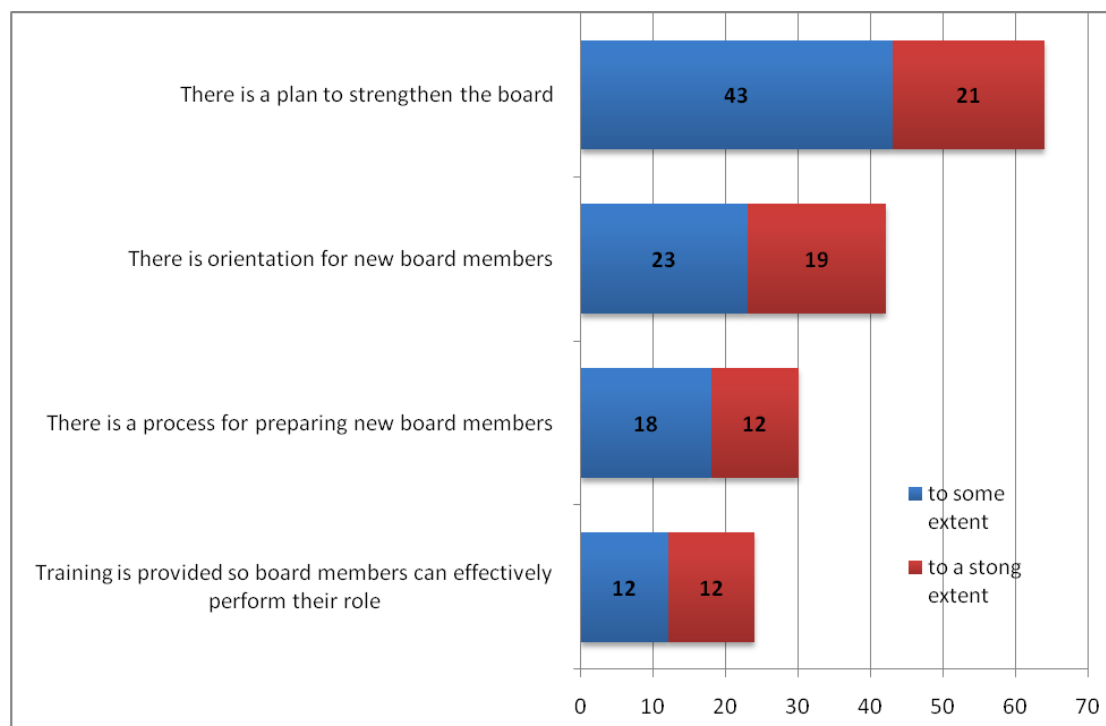


Figure 4.2 reveals that 42 per cent of NGBs agreed when asked if there is orientation for new board members and 30 per cent of NGBs agreed that there is a process for preparing new board members. Although a minority of NGBs were found to have in place these two induction procedures for new board members, large NGBs with more

³² Bain and Barker (2010).

³³ Bain and Barker (2010).

than five full-time members of staff were more likely to have these procedures in place.³⁴

There is also a need for ongoing training to ensure that board members have the requisite skills and competencies to deal with changing organisational dynamics or environmental pressures.³⁵ Undertaking a skills audit of the board on an annual basis is one way in which the training needs can be identified.³⁶ The majority of NGBs (64 per cent) agreed when asked if there is a plan to strengthen the board, although in many cases this clearly does not involve board member training as only 24 per cent agreed with this.

Monitoring and Evaluating Performance

Monitoring and evaluating the performance of the board, both collectively and in relation to the performance of individual directors, is the third key aspect of board development. This provides an opportunity for the board to evaluate its own effectiveness, to assess areas of strength and weakness, to set standards and performance expectations based on set criteria, and to evaluate individual member performance.³⁷ The *Voluntary Code of Good Governance for the Sport and Recreation Sector* sets out the following as part of an evaluation process: ensuring each member of the Board carries out a self-assessment and has an informal annual one-to-one meeting with the Chair; and ensuring the Chair receives an annual formal review from a designated member or members (two maximum) of the Board.³⁸ However within nonprofit organisations it has been argued that an evaluation of overall board performance and individual board member evaluations are relatively rare.³⁹ When asked, 39 per cent of NGBs agreed that the board evaluates overall board performance and 22 per cent agreed that the board evaluates the performance of individual directors. It was also found that large NGBs (those with more than five full-time employees) were more likely than small NGBs to evaluate overall board performance⁴⁰ and evaluate the performance of individual directors⁴¹.

³⁴ We found statistically significant differences (at the 5 per cent level of significance) between small and large NGBs regarding orientation for new board members (Pearson Chi-square=14.293, p=0.014) and the process for preparing new board members (Pearson Chi-square=16.560, p=0.005).

³⁵ Brown (2007).

³⁶ Sport and Recreation Alliance (2011).

³⁷ Hoye and Cuskelly (2007).

³⁸ Sport and Recreation Alliance (2011: 20).

³⁹ Cornforth (2001).

⁴⁰ Pearson Chi-square=11.453, p= 0.043)

⁴¹ Pearson Chi-square=8.67, p = 0.070 (Significant at the 0.1 level).

Previous research found that although recruitment and selection, induction and training, and monitoring and evaluating performance are important, there are other factors that affect board member capabilities.⁴² However these three aspects are clearly important to board development with previous research also finding a positive correlation between particular board development processes and board performance⁴³. It is also the case that despite detailed prescriptions on best practice board development, this is an area in which many recommended processes are not implemented by organisations, suggesting a gap between recommended procedures and reality. Despite extensive prescriptive guidance, issues around board development are challenging and it has been argued that only well resourced nonprofit sport organisations have a good understanding of the functioning of the board that will be able to implement best practice recommendations.⁴⁴ This requires further research although our survey revealed that based on NGB size, there were few significant differences between NGBs in relation to recruitment and selection, induction and training, and board evaluation.

⁴² Brown (2007).

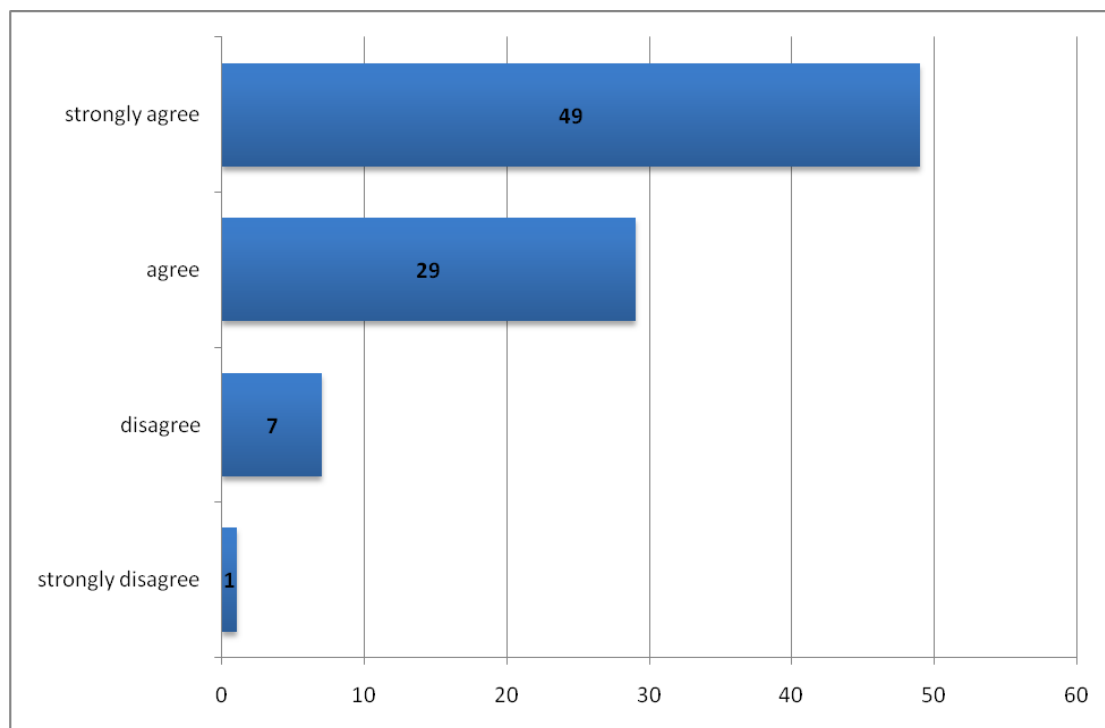
⁴³ Hoye and Cuskelly (2004).

⁴⁴ Hoye and Cuskelly (2007).

5. Board involvement in strategy

The contribution that the board makes to organisational strategy is a functional aspect of the board that has gained currency within organisations and academic literature alike.⁴⁵ Strategic involvement can relate to two key aspects: formulation and evaluation.⁴⁶ Strategy formulation is increasingly accepted as a key role of the board and is considered a critical and fundamental aspect of effective governance.⁴⁷ However many nonprofit organisations are governed by a voluntary board and it has been argued that it is unrealistic to assume that the board will be involved in strategy.⁴⁸ Nevertheless research has shown a positive correlation between the degree of board engagement in strategy and the extent to which board members shared a common vision.⁴⁹

Figure 5.1: Percentage of NGBs that agreed/disagreed that their board was involved in strategy and strategy development.



Almost all NGBs stated that that reviewing and deciding the NGB's strategic direction was either very important (67 per cent) or important (27 per cent). However figure 5.1 reveals that 78 per cent of NGBs agreed or strongly agreed when asked if their board

⁴⁵ Ingley and Van Der Walt (2005); Schmidt and Bauer (2006).

⁴⁶ Judge and Zeithaml (1992).

⁴⁷ Nadler (2004).

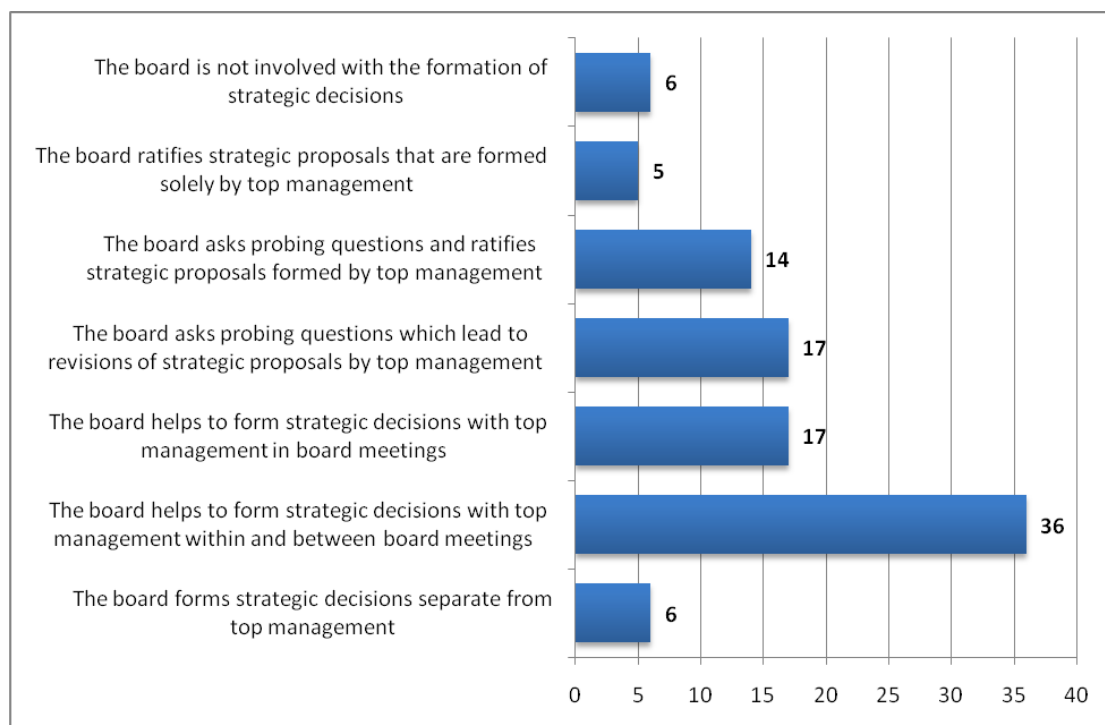
⁴⁸ Edwards and Cornforth (2003).

⁴⁹ Bradshaw et al (1992).

was involved in strategy and strategy development. Therefore it would appear that some NGBs would like their boards to be more involved in the development of strategy.

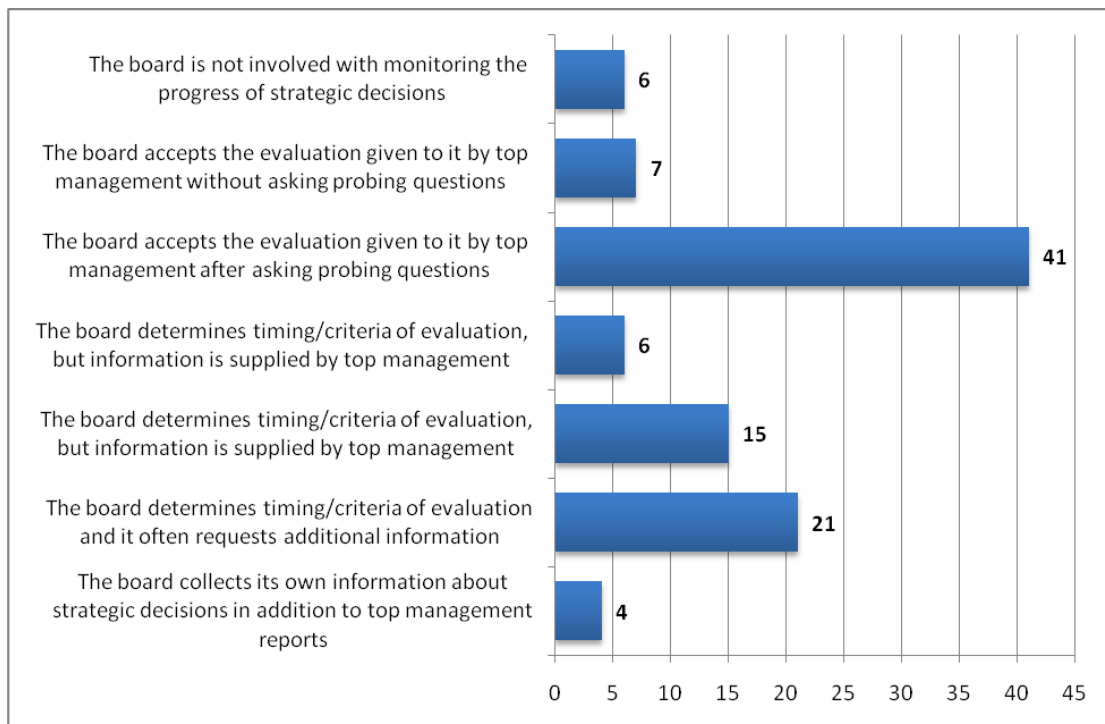
When asked to expand further on this and for NGBs to identify the extent to which the board was usually involved in the formation of strategic decisions, it was found that only six per cent stated that the board formulated strategy separate from management. In total, 53 per cent of NGBs stated that strategy was something that took place between the board and management with 17 per cent stating that it was done during board meetings and 36 per cent stating that it took place within and between board meetings (figure 5.2). In total 36 per cent of NGBs stated that strategy was usually developed by management and that the board was responsible for asking questions which led to ratifying the strategy or revising the strategy. Only six per cent of NGBs stated that the board was not involved in strategy development. This suggests that despite the fact that there are many volunteers on NGB boards, the majority are involved in the strategy process, either through approving the strategy or working alongside the board to develop the strategy.

Figure 5.2: Percentage of NGBs that reported levels of involvement in strategy development



Board involvement in the evaluation of strategic decisions is also seen as an important part of their involvement in strategy. NGBs were asked to identify which of the following statements could be applied to the usual role of the board in relation to the evaluation of strategic decisions. Figure 5.3 illustrates that the majority of boards at NGBs are involved in the evaluation of strategy in some way. Only four per cent indicated that the board was not involved with monitoring the progress of strategic decisions and seven per cent stated that the board accepts the evaluation given to it by top management without asking probing questions. A further 41 per cent responded that the board accepts the evaluation of strategy given to it by top management after asking probing questions while 42 per cent replied that the board determines the timing and criteria of evaluation although there were differences between whether the information supplied by management was rarely challenged by the board (six per cent), often challenged by the board (15 per cent), or whether requests were often made for additional information (21 per cent). Only four per cent indicated that the board collects its own information about strategic decisions in addition to top management reports. It was also found that at NGBs with more than five full-time employees the board was more likely to be involved in the evaluation of strategy.⁵⁰

Figure 5.3: Percentage of NGBs that reported levels of involvement in strategy evaluation



⁵⁰ Pearson Chi-square=12.780, p=0.047.

6. Risk management and legal compliance

Boards of directors need to be aware of the variety of risks that their organisation may face and as such, it is increasingly expected that boards are involved in risk management. This requires that boards are aware of potential liabilities to the NGB and are able to manage or prevent their occurrence. Risk management is closely associated with legal compliance and these two aspects are often considered together in the literature and various prescriptive governance guidelines. However there are important differences between risk management and legal compliance. Risk management is about mitigating the impact of risk on organisational performance although it is also about ensuring that organisations are able to take advantage of potential opportunities. Legal compliance is about preventing an organisation or individuals being subject to legislative offences and possible penalties.

Despite corporate governance guidelines addressing risk management and legal compliance, it has been argued that the role of risk management is not as well understood within for-profit governance literature.⁵¹ Similarly in nonprofit governance the issue of risk management and the need to comply with legal and regulatory requirements have been addressed in prescriptive guidelines⁵² although there is very little published research on whether and how nonprofit organisations undertake risk management and/or legal compliance.

Risk management and legal compliance are recognised in the *Voluntary Code of Good Governance for the Sport and Recreation Sector*⁵³, although there is a lack of empirical studies that seek to understand the way that the boards of sport organisations address the issues of risk management and legal compliance. Risk management has become a more salient issue for sport organisations for a number of reasons. These include the fact that there are clear risk management issues within sporting activity such as injury or child-protection; in the face of uncertain funding environments sport organisations need to be aware of the potential risk of losing funding; and risk management can assist the board in effective decision-making and strategy development.⁵⁴ Figure 6.1 reveals that 79 per cent of NGBs argued that the board understands the risks facing the organisation and how these are managed and

⁵¹ Brown et al (2009).

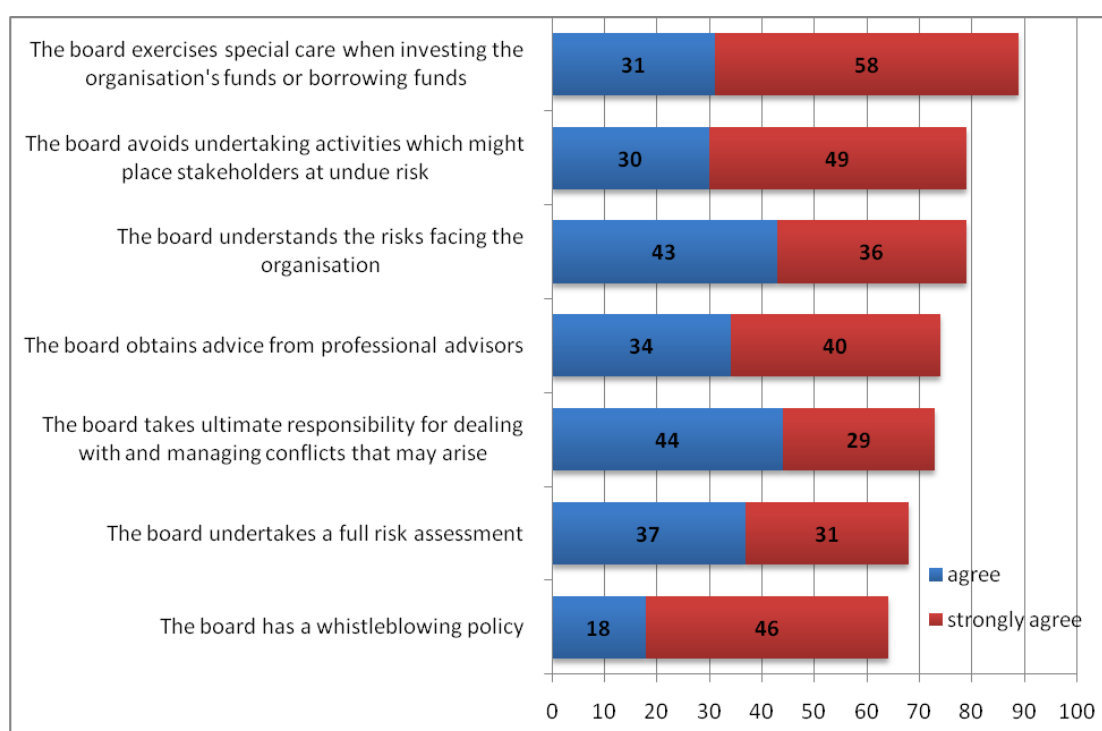
⁵² National Council for Voluntary Organisations (2010).

⁵³ Sport and Recreation Alliance (2011).

⁵⁴ Hoye and Cuskelly (2007).

minimised with 68 per cent stating that a full risk assessment (either periodically or on a rolling basis) is undertaken. 79 per cent of NGBs responded that the board avoids undertaking activities which might place different stakeholders including service users, volunteers and staff, or property, assets or reputation at risk.

Figure 6.1: Percentage of NGBs that agreed the board has the following risk management procedures in place



It has also been argued that sport organisations face a more demanding legal and regulatory environment.⁵⁵ When asked about the importance of fulfilling legal obligations, 67 per cent of NGBs felt this was a very important role for the board and 24 per cent felt that it was important. Figure 6.1 also shows that 89 per cent of NGBs responded that the board exercises special care when investing the organisation's funds, or borrowing funds for it to use, and complies with the organisation's governing document and any other legal requirements in doing so. It was also found that 74 per cent of NGBs boards obtain advice from professional advisors and that the boards of NGBs with more than five full-time employees were more likely to do so than smaller NGBs.⁵⁶ Overall 64 per cent also agreed that the board has a whistleblowing policy and procedures to allow confidential reporting of matters of concern,

⁵⁵ Ferkins et al (2005).

⁵⁶ Pearson Chi-square=11.826, p= 0.037.

such as misconduct, misuse of funds, mismanagement, and risks to the organisation or to people connected with it.

7. Conclusion

Governance within the voluntary sector is an important issue that nonprofit organisations have to consider. At the same time, governance has become important within the sport sector in the UK: a sector in which many nonprofit organisations exist. The role of the board has been acknowledged as a key aspect that determines the process of good governance in an organisation. This report presents the results of a survey of NGBs in the UK that focused specifically on a range of board-related aspects including board structure and roles and responsibilities, board development, risk management and legal compliance, and board involvement in strategy. What is evident is that UK NGBs are a diverse and heterogeneous group of organisations. This report has described what it is that boards of NGBs *are* doing and therefore does not intend to prescribe what they *should* do.

The results have revealed that the majority of NGB boards are entirely volunteer-run and that nearly two thirds of NGBs have no paid executives on their boards. This could help to explain the fact that almost half of NGBs surveyed did not agree that board members had sufficient time to commit to their responsibilities. It was also found that a small majority of NGBs have independent, non-executives on their board. Whilst it could be expected that there would be differences between large and small NGBs, no statistically significant differences were found in relation to average board size while the average number of non-executive directors appear to vary equally across NGBs.

The voluntary nature of the board could also be a factor to explain why many NGBs do not have in place a range of formal approaches to recruitment and selection. This suggests, in line with previous research, that many NGBs may face a tension between the selection of board members to represent particular stakeholder groups and ensuring that people with appropriate skills are selected. The lack of formal procedures in relation to other developmental activities including board induction and training, and monitoring and evaluating the performance of the board, was also found. However, whilst the majority of NGB boards are entirely volunteer-run might suggest that it is unrealistic to assume that the board will be involved in strategy the survey found that the majority of NGBs agreed that the board was involved in strategy development either through approving the strategy or working alongside the board to develop the strategy. The majority of NGBs also agreed that they have in place a range of risk management procedures.

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