

GOVERNING SPORT

The Role of the Board and State Administrator

SECTION 1 WHAT IS GOVERNANCE?

'The board's job is to create the future, not mind the shop'.

John Carver. *Boards that Make a Difference.* San Francisco: Jossey-Bass, 1991

'At the board's most fundamental level, the role of the board is to establish the organisation's purpose and strategic direction, develop and monitor policies and to work closely with the State Administrator to ensure that the organisation's objectives are met'

Terry Kilmister, *Board at Work,* Wellington: NFP Press, 1993

SECTION 2 THE ROLE OF THE BOARD

- The board's job is to govern the sports organisation; management's job is to run the sports organisation.
- The board ensures that the organisation has a secure long-term future by:
 - establishing the organisation's strategic direction and priorities
 - interacting with key stakeholders to inform them of achievements and ensuring that they have input into determining strategic goals and direction
 - regularly scanning the external operating environment to ensure that the organisation's strategic direction remains both appropriate and achievable
 - monitoring organisational performance and evaluating strategic results
 - reporting back to the stakeholders at the AGM
 - establishing the policy framework for governing the organisation, from which all operational policies and actions are developed
 - defining key relationships between the organisation and its stakeholders and other key individuals and organisations/groups
 - appointing, setting performance targets for evaluating the performance of and rewarding, as appropriate, State Administrator
 - monitoring State Administrator and organisational compliance with the relevant federal, state and local legislation and bylaws, and with the organisation's own policies
 - proving advice and guidance to the State Administrator as required
 - assessing risks facing the organisation, establishing a risk management plan and monitoring compliance, and
 - evaluating its effectiveness as a board.

SECTION 3 STAKEHOLDER RELATIONSHIPS

- Boards of sporting organisations typically have three key groups of stakeholders:
 - **Stakeholders who are legal owners**-members, as identified in the articles or constitution, own the organisation. Legal owners have the right to make changes to the articles or constitution, to appoint or elect members to the board, and to determine that the organisation should wind up or close.
 - **Stakeholders who are moral owners** - players, coaches, officials others involved or with an interest in the sport.
 - **Stakeholders with whom the organisation has a business relationship** - contractual relationship, funding bodies, the suppliers of goods and services general public as paying customers.
- The board is primarily accountable to its legal owners with a secondary accountability to its moral owners.
- Certain stakeholders or stakeholder groups might contribute to the strategic direction setting process by:
 - taking part in a strategic retreat with the board and staff
 - take part in focus groups initiated by the board or by the State Administrator, or
 - taking part in surveys initiated by the board or by the State Administrator.

SECTION 4 GOVERNANCE STRUCTURES

- Most governance structures include:
 - governance documents that define the rules and regulations for operation, eg articles of association or a constitution. Members have the power to alter these documents
 - an annual general meeting (AGM) at which members
 - a board committee structure which may include non-board members (general members or individuals from outside the organisation).
 - Take care not to design governance or any other responsibilities that will or could conflict with or duplicate the board's role.

SECTION 5 GOVERNANCE POLICIES

What are policies?

- Policies describe the course or general plan of action adopted by an organisation.
- Policies can be written *prescriptively-stating what must or should happen, or proscriptively-stating what must not or should not happen.*

The board's governance policies

- The board establishes its leadership role via its development, adoption and review of governance policies. Once adopt, the board should have in place a process that ensures the policies are applied.
- Only the board can make changes to governance policies.
- It is recommended that the board should develop four areas of governance policy. These are based on John Carver's Policy Governance ® model:
- The *strategic plan*: This contains the outcomes, strategic shifts or key results the board has identified for the organisation to achieve. These are often referred to as Key Result Areas (KRAs).

- *Board- State Administrator relationships policies:* These define the nature of the board- State Administrator interrelationship, specifying the details and extent of the board's delegation to the State Administrator and the methods to be applied in evaluating State Administrator effectiveness.
- *State Administrator Limitations policies:* These define the extent of decision-making authority given to the State Administrator by the board. These policies can be written prescriptively or proscriptively.
- *Governance Process policies:* These describe the board's own operating processes and practices.
- The strategic plan addresses the external world in which the organisation exists, mapping out purpose, intention and priorities for survival and achievement. The other three governance policy categories address the internal world of the organisation, defining operational strategies for effectiveness and efficiency.

Developing, adopting and reviewing governance policies

- The board should develop its own governance policies.
- Only the board can approve or adopt a governance policy.
- All board members are bound by governance policies once adopted. Policies enable the board to speak with one voice.
- Governance policies can be initiated, altered or deleted by the board as required.
- The board should systematically review all governance policies on a regular basis.
- The State Administrator should be required to report to the board on compliance with the State Administrator Limitations policies and achievement of the KRAs as defined in the strategic plan.

SECTION 6 STATE ADMINISTRATOR'S OPERATIONAL POLICIES

- Once the governance policies are established by the board, the State Administrator is responsible for developing operational policies that complement governance policies and carry out the actions or achieve the results stated in governance policies.
- While operational policies are 'owned' by the State Administrator, they must be aligned with the board's governance policies. The board should not adopt or approve operational policies. It can, however, seek to satisfy itself that operational policies are appropriate. The State Administrator's ability to make necessary operational policy changes should not be restricted or delayed through a need to refer them for board approval.

SECTION 7 DETERMINING THE ORGANISATION'S STRATEGIC DIRECTION

'The board's first responsibility is to ensure that the organisation has clearly established goals; objectives and strategies for achieving them; that they are appropriate to the circumstances and that they are understood by management'.

Henry Bosch. *The Director at Risk.* Melbourne: Pitman Publishing, 1995

- It is the board's job to establish to the organisation's strategic direction. This will be reflected in the strategic plan, which will typically include:
 - the board's vision for the organisation
 - a 'snap shot' or pre-plan position of the organisation at the start of the period covered by the plan

- clearly stated results to be achieved, referred to as KRAs, and
- each KRA to have broadly stated objectives with related strategies and performance indicators.
- The board develops the strategic plan in partnership with the State Administrator and staff of the organisation and the sport's key stakeholders.
- Regardless of how the strategic plan is developed it must ultimately be 'owned' by the board.
- Once adopted, only the board can change the strategic direction or alter the KRAs in the strategic plan.
- The process of developing the strategic plan and ensuring that it remains up to date and relevant is called 'strategic thinking'.
- Strategic thinking involves constant analysis and assessment of external and internal factors that might inhibit or help the organisation to achieve its KRAs, and results in decisions taken by the board and the State Administrator to ensure sound, appropriate ongoing operations.
- Time should be set aside at every board meeting for strategic thinking.
- All further plans should be consistent with the strategic plan. Depending on the organisation's needs these may include operation, business, marketing or high performance plans. Each plan should work towards achieving the KRAs in the strategic plan.
- All operational planning designed to achieve the KRAs is the responsibility of the State Administrator.
- The board should play no part in developing operational plans beyond setting the strategic plan.
- While the board may wish to see, or be assured that operational plans have been developed, it should not adopt or approve these plans.
- The board should constantly evaluate the achievement of KRAs.

SECTION 8 THE BOARD'S PROCESSES and PRACTICES

'The board must strive to be as good as its job as it expects the State Administrator and staff to be at theirs'.

Terry Kilmister, *BoardWorks International*

SECTION 9 BOARD MEETING

- Board meetings should focus on governance matters, i.e. policy making and review, progress towards KRAs, financial health of the organisation, rather than on administrative and operational matters.
- The board meeting is an ideal forum for the board to engage in strategic thinking in order to ensure the ongoing relevance and appropriateness of its strategic plan and KRAs. The meeting should adopt a future focus building on past learning.
- Board meetings should be managed in a manner designed to encourage diversity of opinion by ensuring input from all board members as appropriate without prejudicing effective and efficient decision-making.
- All board members have equal rights at the board meeting. This includes the right to:
 - have their questions, opinions and views heard
 - question the State Administrator
 - vote on an issue and refrain from voting
 - have their vote recorded, and

- receive information relevant to the board meeting (agendas and papers) in time to prepare for the meeting.
- The Chair, with input from other board members, and the State Administrator as appropriate, should design the agenda for board meetings. However it would be recalled that the meeting is a governance meeting, not a management meeting, and therefore all matters on the agenda should reflect the board's governing responsibilities.
- Meeting agendas should include as a regular item, the opportunity for individual board members to declare any existing or potential conflicts of interest regarding items on the agenda prior to these items being discussed at the meeting.
- The board should meet as often as is required to carry out its governance duties. Typically, boards of sporting organisations meet monthly or two-monthly.
- Board meetings should take as long as is required to carry out the board's governance responsibilities.
- The board should ensure that appropriate records of board meetings are kept to provide an accurate account of decisions reached.
- The State Administrator should not be required to take minutes at the board meeting as this removes him/her from fully performing a valuable advisory role to the board.

SECTION 10 BOARD COMMITTEES

- It is a common practice for boards to establish a minimum number of committees to help them carry out aspects of their work.
- Committees established by the board should report to the board.
- Staff and other non-board members may assist board committees to carry out their work, but only those board members on a board committee are accountable for the work of the committee.
- If the board appoints such committees, they are board committees and should report to the board. When the State Administrator determines a need to form a committee for administrative or operational purposes they are not board committees and report to the State Administrator not the board, even if a board member is on the committee.
- Board committees should never duplicate responsibilities delegated to the State Administrator.
- The board should only establish committees to help it to do its own work, never the work of the State Administrator or staff.
- Each board committee should have a 'term of reference' defining the role of the committee, the extent of its authority, structure and membership, and reporting requirements.

SECTION 11 THE ROLE OF THE CHAIR

- The Chair's primary role is to ensure the board carries out its governance role in the most effective manner possible. Meetings the board remains focused on its governance role.
- The Chair is bound by the board's governance policies and decisions and thus has no authority to alter, amend or ignore these policies and decisions.
- Any close working relationship between the Chair and the State Administrator should not usurp the board's collective responsibility as the employer of the State Administrator.

SECTION 12 BOARD EVALUATION

- The board should evaluate its own effectiveness annually.
- The board should explicitly set standards and performance expectations to provide a basis for a formal annual evaluation of its governance effectiveness.
- Best practice approaches to board evaluation include:
 - setting time aside, at least annually, for the board explicitly to address its collective and individual member performance
 - using an independent facilitator/consultant to help the board design a suitable evaluation process and confidentially.
 - Conducting self and peer appraisal of all board members and the Chair.

SECTION 13 BOARD – STATE ADMINISTRATOR RELATIONSHIPS

‘A strong State Administrator needs a strong board’.

John Carver. *Boards that Make a Difference.* San Francisco: Jossey-Bass, 1991

SECTION 14 MAKING CLEAR THE EXTENT OF DELEGATION TO THE STATE ADMINISTRATOR

- The board’s basic operating assumption must be that the State Administrator is fully capable of managing all operational matters.
- Given the above point, the State Administrator should be delegated maximum authority to manage all operational matters included the appointment of administrative, coaching and technical staff.
- An effective and productive board- State Administrator relationship is built around:
 - mutual respect for their separate but mutually interdependent roles and responsibilities
 - a clearly defined and documented delegation
 - mutual agreement about the limits to the freedom granted to the State Administrator in order to carry out his/her role and tasks
 - clearly defined, unambiguous results to be achieved
 - a fair and ethical process for evaluating State Administrator effectiveness
 - Once the board has made clear the extent of its delegation to the State Administrator, it must respect that delegation and refrain from giving instructions to, or evaluating, staff responsible to the State Administrator.
 - Board members should feel free to talk with all staff but, in so doing, must take all care to ensure that they do not come between the State Administrator and the staff members.
 - Board members should know, at least, the key staff and their roles and staff members should know who is in the board.

SECTION 15 DECISION-MAKING POWER OF THE STATE ADMINISTRATOR

- It is imperative that the State Administrator knows the extent to which they can make decisions without recourse to the board. With this made clear they can get on with the

job to be done without having to constantly refer to the board to seek permission to carry out operational functions.

- The State Administrator is then free to use their judgement to apply the board's policies and make all appropriate decisions, and take all actions necessary to achieve the results sought by the board.
- Typically the State Administrator Limitations policies will cover some or all of the following policy categories:
 - financial management
 - investments and financial reserves
 - personnel management
 - relationships with stake holders
 - protection of assets
 - payment of remuneration and benefits
 - reporting to the board
 - support and information for the board
 - public relations, and
 - emergency State Administrator succession.

SECTION 16 STATE ADMINISTRATOR RELATIONSHIP WITH THE BOARD and INDIVIDUAL MEMBERS

- The State Administrator should attend every board meeting. The State Administrator's advice should be sought in most meetings coming before the board.
- The State Administrator should be encouraged to use the expertise of board members. However, taking advice and using director expertise is at the discretion of the State Administrator, not the board or individual directors.
- Only the board as a whole can instruct the State Administrator. This means that, excluding extraordinary circumstances, the Chair should not issue instructions to the State Administrator that are not in accord with board policies and decisions.
- The Chair and the State Administrator may establish a regular forum, but great care should be taken to ensure that this does not serve as a de facto board. The Chair should not receive official information from the State Administrator that is not also made available to the board.

SECTION 17 FINANCIAL RESPONSIBILITIES

'Nothing gives boards more concern than the handling of money. They worry far more about how funds are protected and spent than about the most crucial accountability: whether total expenditures produce a sufficient human outcome.

John Carver. *Boards that Make a Difference.* San Francisco: Jossey-Bass, 1991

- Financial 'governance' is different from financial 'management', which is the responsibility of the State Administrator.
- Financial governance entails setting the financial policy framework within which the State Administrator must carry out day-to-day financial management.
- The board's financial governance policies might address some or all of the following:
 - State Administrator expenditure authority
 - Budgeting/financial planning
 - Reserves
 - Investments
 - General guidelines for financial management/overall financial condition
 - Employee remuneration and benefits, and

- Protection of assets
- In addition to viewing financial statements regularly, the board should also require evidence of compliance with the board's financial policies.
- The budgeting process should begin with the board determining what 'financial state' the organisation would be in at the end of that financial year, i.e. a certain allowable deficit, a target surplus, a balanced budget, or some variation of these.
- The budgeting is developed by the State Administrator and, in a broad form, is adopted by the board. By approving a broad rather than a detailed budget, the board empowers the State Administrator to make necessary adjustments in response to minor changes in operating conditions without having to go back to the board for approval.
- The budget should be regarded as a live management and governance tool that is subject to regular review and readjustment.
- All board members share equal responsibility to monitor the financial health of the organisation. Board members should never defer to the treasurer's or a committee's views without first considering the issue themselves.