



# WHY DO BOARDS EXIST?

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# CHAIR'S FOREWORD

“

Boards in the play, active recreation and sport system are challenged in a changing world. We acknowledge and sincerely thank the hundreds of people who give their time to grapple with complex issues.”

More than ever we need boards in the play, active recreation and sport system to demonstrate strong leadership in crafting a considered path into the future.

This short resource does not have the answers. Rather it outlines some of the major issues in your world. It is, in part, based on evidence from our fifteen years of commitment to governance development in the play, active recreation and sport system and reflects on wider issues affecting for-value enterprises in general. The aggregate data seen in Governance Mark assessments highlights the ongoing issue of lack of clarity with purpose and outcomes. These sit at the heart of the board's role.

Hopefully you'll also find some practical guidance to help your board keep the dialogue at the right level.

You may not agree with it all but boards without debate are pointless forums.

I look forward to taking up the discussion with you.

Ngā mihi



Bill Moran  
Chair Sport New Zealand

# INTRODUCTION

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## THE MONKEY AND THE NUT

Somewhere in Africa a tribesman digs a hole of an exact size and places a peanut at the bottom. A monkey arrives, reaches into the hole and grabs the nut making a fist. But now he can't remove his fist along with the nut. Despite having the means to escape he does not, and the hunter has an easy meal. Our observation is that many of today's boards are also holding onto the nut. They are too busy holding onto ingrained governance practices unsuitable for managing today's complexities.

Boards that Dare, Marc Stitger and Sir Cary Cooper<sup>1</sup>

All organisations exist for a reason, to satisfy a need within their constituency. This short publication is framed as a series of challenges to boards in the play, active recreation and sport system. No one is in any doubt that we live in a time of rapid change. The things we built yesterday and the way we go about business today may already be obsolete and certainly will be challenged in the years ahead. Facing these issues is the core responsibility of a board. We can learn from the past, but we can only influence the future. Like the monkey focussed on the short term of the peanut rather than the long term, boards need to develop disciplines that keep them engaged with things yet to happen. Too often boards are acting as layers of management reviewing activity rather than as a subset of the ownership overseeing the achievement of their desired outcomes through management actions.

This paper does not purport to have answers. Options for future direction will be influenced by your unique circumstances. Strategies for thinking, and questioning are outlined together with ways that a board can structure its work to focus on those things that will have most impact on creating a successful future. Most of you will be already grappling with these challenges. They are brought together here in summary form to help your board with its discussions.

<sup>1</sup> Paraphrased from Stitger, M and Cooper, C. Boards that Dare. 2008. Bloomsbury Business. London

# WOULD WE CREATE THIS ORGANISATION?

“

If the board's struggling with the 30-second elevator pitch, maybe there's something going on inside the company that's got to be fixed.”

- CHRIS BRODY\*

A former President of a prominent national sport organisation (NSO) suggested that every Annual General Meeting should open with a winding up motion. If there was not a strong argument against then perhaps it was a valid proposition. Physical recreation and organised sport have existed for thousands of years and will continue to exist long after system organisations as we currently understand them have disappeared.

Facilities, competitions and leagues can be owned but sport cannot. But in most cases people can and will continue to participate or compete, irrespective of and sometimes despite formal structures.

If this organisation did not exist would we create it and in what form is a question that every board should ponder from time to time. The process of understanding the unique reason for the organisation's existence should also clarify the value it generates.

If we disappeared would our sport continue to exist? In the case of a regional sports trust (RST), would activity continue in our region?

In both cases the answer is certainly yes. Some things may be lost. Do we understand with clarity what they are and are they are of enough consequence to warrant use of other people's time and money to retain?

## Question for the board

- If this organisation did not exist, would we create it and in what form?

2 Bryant, A. New Directors Chair blog. Linked In. June 2019

# THE BOARD DOES ITS WORK FIRST

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It is essential that a board does its job first. This paper reflects that reality and the necessary sequence of work.

On behalf of the owners the board must be clear about organisational purpose, outcomes to be achieved and the major challenges that need to be addressed. The board's role is to establish the 'why' and the 'what' before engaging with management on the 'how'.

Only then can strategic thinking begin about the most cost-effective options to fulfil the stated purpose. Planned cycles of monitoring, learning, review and strategic refinement follow. This linear thread sits at the heart of the Governance Mark process. A board fully understanding this role is well prepared to engage with and hold management and itself to account.

## CLARITY OF PURPOSE



The board are the guardians of purpose.”

Non-profit or for-value organisations exist to make a positive change in the world delivering benefits to their owners and stakeholders. For this they are granted a preferential legal and tax status and stand in the public domain seeking support to further their goals.

Boards are a subset of the owners, acting on their behalf to determine and deliver benefit to those groups. Owners extend beyond the legal ownership, being those that can vote (NSOs) to the broader category of moral ownership; those that are impacted by the organisation's activities; participants, volunteers, fans, officials and parents. It is crucially important to retain the ownership perspective. Relations with sponsors, funders, broadcasters, donors and suppliers are important but they are business rather than ownership relationships. Play, active recreation and sport organisations did not come into existence to satisfy their business partners. The benefit from that relationship must transfer to the owners in some way or the association is diversionary at best.

Purpose can only be expressed as change to fulfil a need in the external world. “We exist so that...” is a good opening. Everything else is a means to get there and as such negotiable, changeable and ultimately able to be discarded. The play, active recreation and sport system has a great story in terms of impact on lives. Too often organisations lose that story and focus on the current activities selected to achieve the stated ends.

One useful way to view purpose is the idea of a “True North” put forward in a seminal Stanford Innovation Review article, *Mission Driven Governance*<sup>3</sup>. Once purpose is clear then every decision, every commitment of resource can be tested against the organisation's True North.

It may be attractive to take funding from here and there but often the funders intent is rather more to the east or west of your compass. Coupled with the reality that funding rarely comes with all necessary overhead built in you can end up expending energy on activity that is diversionary at best or even financially disadvantageous.

*The absence of a central idea [of organisational existence] is a sign that the directors have failed to meet one of the most significant obligations of their leadership of the company*<sup>4</sup>.

The 2018 research into the value of sport<sup>5</sup> confirmed the contribution to health and wellbeing, community cohesion and national identity. These are the reasons that the government invests. Government agencies, including Sport New Zealand, are now operating under the Living Standards Framework<sup>6</sup> and as such need to demonstrate impact. Everyone needs to move focus from activity to the genuine benefit those efforts produce within our communities and tell that story better.

### Questions for the board

- Are we very clear about the purpose for which we exist and the benefit we generate?
- Can we clearly state and communicate those?

<sup>3</sup> <https://pdfs.semanticscholar.org/9508/754a74d7db2f5a32c501a17b4cadedalf3e.pdf>

<sup>4</sup> Charan, R. Carey, D, Useem, M. Boards that Lead. 2014. Harvard Business review Press. p40

<sup>5</sup> <https://sportnz.org.nz/news-and-events/media-releases-and-updates/articles/value-of-sport>

<sup>6</sup> <https://treasury.govt.nz/publications/tp/living-standards-framework-introducing-dashboard-html>

## THE CHALLENGE OF SETTING OUTCOMES



As with the definition of purpose the definition of the outcomes central to the fulfilment of that purpose is board work.”

The story of play, active recreation and sport is a good one. It can positively impact individuals and communities. However, a single organisation may only be one of many contributors to creating that change. That does not mean the story shouldn't be told but every board must understand its own theory of change. Specifically, how will our activities lead to those high-level benefits for society?

The outcomes you commit to producing must sit within the reality of your control and influence. Some of the top-level outcomes that play, active recreation and sport contribute to will likely be measured by others e.g. community cohesion. Your goals will either have a known empirical link to the higher level or possibly stem from a pilot with rigorous evaluation associated. Outcomes must be specific, describing the external benefit to be created.

Across the non-profit sector documents are created that have laudable aims but most of them cannot be achieved or measured. Worse they are about the organisation itself rather than the change it is trying to make in the world.

The 2014 benchmark review of governance in the system highlighted that planning remained a challenge.

*With few exceptions, these [strategic plans] have little or no practical use at the board level because they mostly lack an articulation of organisational purpose and intended outcomes (impact).<sup>7</sup>*

The Governance Mark process which many organisations have embarked on has at its heart this linkage from purpose through outcomes to strategy. The subsequent and linked processes of resource allocation, monitoring, learning and review are all means to achieve the ends defined by purpose and outcomes.

*Data from Governance Mark assessments to date indicates that only 13% of organisations begin with clearly expressed purpose and outcome frameworks.*

### Question for the board

- Do we have clear statements stating the benefit we seek to create and for whom?

<sup>7</sup> <https://sportnz.org.nz/managing-sport/search-for-a-resource/research/governance-benchmarking-review-2014>



## GOOD STRATEGY/BAD STRATEGY



Bad strategy tends to skip over pesky details such as problems. It ignores the power of choice and focus, trying instead to accommodate a multitude of conflicting demands and interests.”<sup>8</sup>

- RICHARD REMULT

Strategic planning cannot happen until the board has done its work. That work is best described as the strategic thinking which must precede strategic planning. Clarity of purpose and setting of outcomes come first. The board needs a deep understanding of the operating environment and the challenges, risks and opportunities within it.

Strategy is the response to known and anticipated challenges that lie between the current and desired states. Any planning process must be in the context of what lies in the way.

Many of those things will be outside the organisation's ability to control. They must be mitigated or worked around. Optimistic direct assault with limited resource on entrenched issues will likely fail.

Strategy is a choice. There are many frameworks for strategic thought but ultimately strategy is landing on the best option using the available information. Not the most obvious or the historic path but a genuine canvassing of choice. We know that considering just two options doubles the chance of success.

The board should understand and regularly interrogate the organisation's theory of change. This needs to outline exactly how programmes and interventions are going to advance the stated purpose. It is insufficiently deployed as a strategic tool and frequently poorly explained. A theory of change is a step-by-step outline, ideally informed by empirical evidence, describing how activity will translate into impact for the ownership. Regular review assists with evaluation of implementation. The best plan will fail if poorly executed.

*Our Centre for Social Impact has observed that most people have not really thought through their theory of change because they are so busy doing.*

Jennifer Gill<sup>9</sup>

Many plans are hopeful essays replete with wishful thinking. Too often a bright new future is described and then no movement of resources occurs to align with the new plan. Most sector organisations are operating on a very thin equity base and the capacity for new initiatives is limited. Boards need a clear line of sight on where resource is being applied both in financial and human terms. As far as practical budgets should be constructed under the headings matching the high-level outcomes. Resource allocation consistent with planning is a sometimes tough but necessary conversation.

The job of the board can be described as ***the creation of the right benefits for the right people at the right worth.***

Informed choices need to be made. Membership organisations can be strong on passion and short on logic. Significant changes in direction need to be backed up with evidence. Right worth is a central factor in decision making forcing consideration of the relative cost/return of options and asking if this is the best use of time and money. It is a key consideration when multiple possibilities are on the table and change is needed.

### Questions for the board

- Do our strategies address known and anticipated challenges?
- How many options did we consider?
- Are these the most cost effective when measured against our outcomes?
- How confident are we that our resources are matched to our purpose, priorities and plans?

<sup>8</sup> Rumelt, R.P. Good Strategy/Bad Strategy. The difference and why it matters. 2011 Profile Books London

<sup>9</sup> Gill, Jennifer, former CE Foundation North quoted in True to Label. 2018. Page J.

## SAYING NO



Several notable people including Steve Jobs have said that the primary purpose of a strategic plan is clarity around saying no.”

Some organisations have grown because being busier and getting bigger is seen to be good for its own sake. We exist to do good and more good is surely better. Good is easy to justify but is it the right good at the right worth? Without clarity and focus growth is merely busyness and mission creep becomes a likely consequence.

Some years ago, New Zealand Golf took a long hard look at its programmes and their fit with strategy. The resulting report indicated that up to a million dollars of activity was “off strategy”. At the time that included significant investment in major events and little investment into the grass roots of the game. Tough choices were made over time, but it proved easier than constantly trying to raise the necessary funds to support off-strategy activity.

It is easy to be busy and to grow for growth's sake but ultimately a reckoning will come.

In Jim Collin's study of corporate demise, *How the Mighty Fail*<sup>10</sup>, his five-stage model traversed; hubris born of success, the undisciplined pursuit of more, denial of risk and peril, grasping for salvation and capitulation to irrelevance or death. The avoidance of harsh reality is accompanied by strong opinion lacking evidence, failure to commit to decisions and seeking of culprits rather than learnings.

Boards are rightly passionate about their world, but it is easy to add activity, easy to believe that all activity is of value. Funding of new lines of business rarely covers true cost. Many organisations quietly gain overhead without demonstrable connection to outcome achievement. Boards need to take a rational and pragmatic view, getting outside the organisation taking a neutral and considered perspective. Making the hard calls is not easy but they are essential.

*“Business and individuals will begin, gather and have more activities than they can reasonably sustain”<sup>11</sup>*

Henry Cloud

Knowing what needs to end is necessarily prefaced by clarity on what you are trying to achieve. As with a beautiful garden a successful business requires a systematic process of pruning. “Without endings you don't get the best roses.”<sup>12</sup>

The work of Nobel laureate Daniel Kahneman highlighted how susceptible to bias we all are in our decision making<sup>13</sup>. He discussed the “inside view” we take in which we focus on what we know and neglect what we do not know. This makes us overly confident in our beliefs rather than taking the “outside view” which shifts the focus from the specifics of the current situation to the statistics of outcomes in similar situations. Kahneman's call for slow thinking is highly relevant to the boardroom. When we decide in haste, we embrace unconscious bias of several varieties, we rely on assumptions and long held beliefs. We don't give time to probe below the obvious, often acting on impressions and intuitive beliefs. Board work is thinking work and is not something to rush. The challenge for boards is to clear the agenda of material irrelevant to their role to free up time for the thinking work.

### Question for the board

- What should we stop doing?
- Do we spend enough time making considered decisions?
- Is everything coming to the table necessary for our work?

<sup>10</sup> Collins, J. *How the Mighty Fail*. 2009. Harper Collins. New York

<sup>11</sup> Cloud, H. *Necessary Endings*. 2010. Harper Business. New York p25

<sup>12</sup> Cloud, H. *Necessary Endings*. 2010. Harper Business. New York p16

<sup>13</sup> Kahneman, D. *Thinking Fast and Slow*. 2012. Penguin Random House. UK.

## MOVING THE DIALS – THE BOARD’S MONITORING ROLE



**If you don’t know where you are going, you might not get there.”<sup>14</sup>**

- YOGI BERRA, AMERICAN BASEBALL LEGEND

At its heart governance is the guiding of an organisation to a successful future. All the judgement and wisdom necessary on that journey is meaningless unless there is a context for gauging progress relevant to purpose and in the direction of stated outcomes. In a high-performance sense, we might ask “is it making the boat go faster?” or more generally, “are we moving the dials?”. Both questions assume we have a starting point, desired achievements and a system of measurement.

“How do we know?” is among the best of all questions in the boardroom. Are we judging our progress based on assumptions or anecdotal evidence or gut feeling? The board should always be seeking evidence that application of resource is having the desired impact.

A carefully framed purpose or “True North” sets the general direction of travel but a board must set criteria for monitoring progress. This is often seen as a dashboard, set of traffic lights, group of dials or similar. Whatever mechanism is used a known starting point and desired end point are required.

In some cases, impact from strategy may not be fully apparent for some time. In this case, as far as possible, lead not lag indicators are needed. If the goal is to lose weight, then calories consumed and expended are excellent lead indicators of likely success. Similarly, no one goes to a pinnacle world event without strong indication that they are “in the frame”. If there are goals, for instance, associated with attraction and retention of new participants, then quality of experience sampling is a valid perspective.

### Questions for the board

- What are our dials and are they moving in the right direction?
- Where are our starting and end points?
- Do we know which activities are making the boat go faster and which are not?

<sup>14</sup> Berra, Y quoted in Charan, R. Carey, D, Useem, M. Boards that Lead. 2014. Harvard Business review Press.

# SPECIFIC ISSUES

## THE CHANGING FACE OF THE FOR-VALUE WORLD



Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.”<sup>17</sup>

- LARRY FINK, CHIEF EXECUTIVE BLACKROCK.

There are a range of trends and specific issues that boards need to keep on their radar. The following four are among the most relevant to the sector.

“... organisations within the [for-value] sector are being expected to engage in an ever more competitive market for supporters, compounded by unsustainable growth in the number of NFPs seeking financial support.”<sup>15</sup>

Akina Foundation 2017

In the past ten years the clear distinction between the for-value and for-profit worlds has blurred. The breadth and type of organisation embracing a social purpose has expanded quickly. New energy is being channelled through social enterprises, impact investing, B Corps<sup>16</sup>, social procurement programmes and others. Major institutional investors are increasingly taking a long-term view.

In this climate all forms of non-profit organisation are being challenged. Aotearoa New Zealand is oversupplied with organisations. Some 120,000 non-profit entities including over 28,000 charities compete for attention and resource.

Understanding this and combining with what we already know about the coming generations can only raise multiple red flags for this and other sectors. Technology enabled businesses and consumers are removing layers in the supply chain with ruthless efficiency.

“If you want to work with teenage girls, that may not necessarily be through traditional structures and certainly not the competitive ones; it will more likely be small and nimble operators.”<sup>18</sup>

In the contemporary world two things above all others typify the successful non-profit organisation. A detailed study<sup>19</sup> of successful non-profits in the United States found that an obsession with results and a talent for partnerships are the distinguishing factors.

The authors go on to note that greatness has more to do with how non-profits work outside the boundaries of their organisations than how they manage their internal operations. Taking a dollar and turning it into four by working in partnership with others defines the contemporary high-impact non-profit organisation.

### Questions for the board

- Do we have an accurate and up to date picture of key changes in our operating environment?
- Should we go it alone or look to work with others?

<sup>15</sup> Akina Foundation. 2017. Growing Impact in New Zealand: impact investment, need, practice and opportunity.

<sup>16</sup> Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

<sup>17</sup> Fink, L. (2018) 'A sense of purpose: Larry Fink's annual letter to CEOs', January, <https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter>

<sup>18</sup> Robyn Wong, SportNZ quoted in True to Label. 2018. Page J.

<sup>19</sup> Crutchfield, L.R. and McLeod-Grant, H. Forces for Good. 2012 The six practices of high impact non-profits. Jossey Bass, San Francisco.

## IS IT ABOUT THE MONEY?



Growth in revenue unless it is matched with tangible growth in outcome achievement is merely added cost and activity and should be reviewed with a very critical eye.”

The for-value sector is often resource thin, people are generally not highly paid, and the prevailing view is that more resource is needed. But is it? Most non-profit organisations in Aotearoa New Zealand lack a sound outcome and reporting framework. Boards do not have a good set of dials to guide decisions and stakeholders are unable to make judgements beyond a level of busyness. Seeking additional funds without an ability to demonstrate impact from current resource is a weak position. The play, active recreation and sport system is not exempt.

A 2018 study<sup>20</sup> of non-profit organisations in Aotearoa New Zealand found that almost all organisations miss one or more key elements in the planning performance continuum.

### Revenue trends

Many parts of the play, active recreation and sport system have enjoyed revenue growth in the past decade or so.

The following brief analysis is taken from balance sheet review across twelve mid-sized NSOs, six RSTs and small sample of regional organisations.

The comparison is from 2004 (CPI adjusted) to 2018 revenue per annum.

### NSOs

Ten have grown revenue (range of 41% to 814%)

Two have dropped in revenue (14% and 34%)

Overall revenue across the twelve had moved from \$43.2m to \$84.1m (94%)

### RSTs

Five have grown revenue (range of 55% to 124%)

One has declined by 10%

Overall revenue for the six had moved from \$14.8m to \$24.9m (68%)

### Regional layer

A sample of four regional bodies from two team sports (not Cricket or Rugby)

One has collectively moved from \$3.8m to \$6.1m (61%). The other from \$3.9m to \$9.8m (158%)

### Quality of the story

Admittedly this a quick analysis and in some cases extraordinary items are no doubt in play. High performance investment is a factor in some but not all cases. Overall it asks the question; what have we achieved with these funds? Have we moved the dials in a compelling manner that validates seeking and using further resource? Can we compete in a world where there are many equally good or better stories being told?

This analysis is something that every board should undertake for themselves.

### Questions for the board

- Have we analysed our historic revenue and expense against outcome achievement?
- Can we tell a compelling and evidence-based story about the returns on the funds we have been entrusted with?

<sup>20</sup> <https://sportnz.org.nz/managing-sport/search-for-a-resource/news/true-to-label>

## PARTICIPATION VS PERFORMANCE



Aotearoa New Zealand is a very small market. Trying to maintain sub-elite structures with remunerated players across multiple codes is a daunting task.”

Achieving excellence is expensive in any area. We all like to see and encourage young people, especially, achieve in their field of endeavour be it sport, the arts or science. What separates the very good from the exceptional is the hard and costly bit.

NSOs, in particular, grapple with the maintenance of a talent pathway leading, hopefully, to elite success while trying to facilitate a welcoming and flexible participatory environment. Within this context several conflicting and difficult issues arise. In most sports approximately 15% of the base is interested in progressing through the pathway. Some codes being exceptions. There is no peer reviewed evidence of a link between high performance success and sustained participation growth. Yet generally the political structure which exercises legal ownership is very focussed on this part of the business.

High performance activity is not charitable in nature. Recent rulings of the Charities Registration Board have made that clear.<sup>21</sup> This constrains revenue opportunity in the costliest side of the business. Few sports enjoy significant broadcast revenues and even those that do are under threat from fragmentation of distribution channels. The cost of maintaining the ‘product’ at a level that works for sponsors and broadcasters is challenging in itself.

Such teams will only prosper as long as the community they relate to is prepared to support them. To attempt growth beyond that will ultimately lead to trouble.

In his study, *The Sound of No Music*<sup>22</sup> James Phills dissected the demise of a long-standing orchestra in the San Francisco area that came to an unnecessary end simply because they got that balance wrong.

*‘Like many non-profits the Oakland Symphony failed to understand the distinction between mission and strategy. That mistake helped kill a venerable orchestra’*

A fuzzy mission, growth-based strategy and rapid increase in fixed costs were at odds with the capacity of a changing demographic to support the organisation and after 53 years of serving audiences the organisation folded.

This is a challenge for boards and in this small market an area of uncomfortable trade-offs and tough decisions.

### Questions for the board

- Are we sure our performance pathway costs are balanced with dependable revenue streams?
- Do we understand and have the resource balance correct?
- Do we have a sustainable business model?

<sup>21</sup> <https://www.charities.govt.nz/charities-in-new-zealand/legal-decisions/view-the-decisions/view/swimming-new-zealand-incorporated>  
<sup>22</sup> Phills, J.A. *The Sound of No Music*. Fall 2004. Stanford Social Innovation Review

## DOES YOUR STRUCTURE SUPPORT YOUR PURPOSE?



It is questionable if the layers of political ownership, club to district to region and national are still suited to a rapidly changing digital world.”

The federated model of the NSO evolved from the bottom up, clubs created regions to facilitate competition or develop facilities. The national body was needed to connect to the international world and attract resource that was only available at that level. Federal models were suited to a volunteer environment.

Equally the underlying concepts of membership will need to change. Coming generations have very different views on what belonging means. The idea of even medium-term commitments simply does not hold attraction.

*“The other thing that is becoming apparent is that a lot of structures that were developed in the past are no longer fit for purpose – notably federal structures”*

*Michael Frawley, Chief Executive MOTAT<sup>23</sup>*

However as with any structure it is as much about the people than the strict legal forms. Charles Handy<sup>24</sup> noted that federalism is neither good nor bad in itself and believes it is a form of democracy entirely appropriate for our time. He goes on to outline several preconditions for the success of such structures notably very small physical centres with a relatively few delegated powers, typically focused on the future. The smaller parts must not be dependent only on the centre, because that tilts the balance of power too much one way. All parties to the federation work to a common set of rules and standards in the things that really matter. For this they need a common information system.

Several attempts have been made in New Zealand to vary the model but in general the federal structure remains the dominant form. Volunteer research<sup>25</sup> from 2008 indicated that people were happy to volunteer at the coal face, coaching and refereeing for example, but the hard yards of running organisations lacked appeal. Consequently, there was a bunker mentality among the aging and dwindling number of volunteer administrators. This trend will no doubt continue offering further challenge to historic volunteer-based structures.

Sport New Zealand is commencing an NSO Futures piece of work which aims to work with NSOs to explore exactly this from September 2019.

### Questions for the board

- Is our structure fit for purpose in a changing world?

<sup>23</sup> Frawley, M. quoted in True to Label, Page, J. 2018

<sup>24</sup> Handy, C. on Federalism, February 1992 posted on [www.federalunion.org.nz](http://www.federalunion.org.nz)

<sup>25</sup> [https://www.srknowledge.org.nz/wp-content/uploads/2011/11/82.-SPARC-2008-Volunteers\\_Heart-of-Sport.pdf](https://www.srknowledge.org.nz/wp-content/uploads/2011/11/82.-SPARC-2008-Volunteers_Heart-of-Sport.pdf)

# KEEPING FOCUSSED

## BOARDS THAT LEAD



We believe that non-profit boards face a problem of purpose, not a problem of performance.

The better the board understands governance the better governed the organisation will be.”<sup>26</sup>

For a board to fulfil its leadership role it must firstly undertake the necessary direction setting; purpose and outcomes. Then it needs well-designed governance processes that allow tracking of progress towards outcomes, a constant scanning of the environment and a focus on the future. Outlined in the sections below are suggestions of how a board can achieve that perspective.

### Governance systems

How does a board keep a future focus?

- Everything is couched in outcome terms
  - Plans, budgets, reports, decision papers are all set in the context of a desired high-level outcome.
- Only three or four things
  - A board can only focus on three to four major issues at any one time. What are they? These need to be approached in a systematic and planned way. They are scheduled in the annual work plan. As such management can prepare, directors can read ahead of time and third parties can be invited to discuss the issue with the board.
- Yet to happen?
  - How much of our time are we spending on things yet to happen? In normal times this should be as much as 70%.
- Moving the dial
  - How do we know our strategies are moving the dial? Have we scheduled reviews of current strategy? Do we have lead indicators?
- Data or knowledge?
  - Are we receiving raw data or synthesised information? The boardroom is not a place for time wasting analysis of raw data. How far up the information tree is our material; data, information, knowledge or wisdom? The board needs to operate at the highest level possible.
- Why is this coming to the table?
  - Too much information coming to a board has no purpose. It is indicative of flawed policy or delegation. A good discipline is a single person at management level pre-checking board material. What are we asking the board to do with this? In what way does it support their work and not ours?

<sup>26</sup> Chait, R. Ryan, W, Taylor, B. Governance as Leadership. 2005. John Wiley & Sons. New Jersey. p182



## QUICK QUESTIONS

A Board should undertake a thorough review of governance effectiveness every few years. In between times simple questions such as these can be very helpful. They can be posed as a group or peppered through the meeting cycle.

### Should we stay in business?

- Do we know (and are agreed among ourselves) what we are trying to achieve, (our core purpose)?
- Can we express that to others clearly and succinctly?

### Are we on track?

- Is the strategic plan expressed and reported on in a manner that allows the board to easily measure progress?
- Is the plan focussed on outcomes and deliverable results not on processes and “doing”?
- Are we moving the dials?

### Is the money on the business?

- Does our application of resource (financial and human) align to the priorities expressed in the strategic plan?
- Can we prove that to ourselves and others?
- Are our products and lines of businesses regularly reassessed for relevance and fit, and discontinued if necessary?

### Do we have a future perspective?

- Do we spend the majority of our time considering the future and what it might hold for the organisation?
- Do we receive the necessary information to support that discussion?
- Is the business model sustainable and how do we know?
- Could we achieve our goals more effectively by working with others; as part of a merger or in partnership?

### Do we do good work?

- How do we know?
- Are our services a good match for the needs of our customers – how do we know?

## THINKING TOOLS

There are many tools and processes that boards can use to challenge their world, examine proposals and to generate and monitor strategy.

Most people will be familiar with standard tools of strategy and thinking such as SWOT and PEST variants. These and others are outlined in the SportNZ publication *Planning in Sport*<sup>27</sup>. Here are additional approaches a board may wish to consider from time to time.

### Pre – mortem<sup>28</sup>

Starting with the assumption that a new project has gone wrong and thinking what may have caused that result. This tends to de-personalise and negate ownership of new initiatives. The process checks assumptions and probes for weaknesses. In particular this helps get around the 'inside view' bias.

### Back casting

Looking out say ten years to a desired future and working out what would need to change to get there. It is likely that we could not achieve that state simply by tweaking the current arrangements and approach. We would need to think creatively and innovatively about the actions that we would need to have taken in order to reach that point.

### Six Thinking Hats<sup>29</sup>

Certainly not new, but de Bono's Six Hat approach formulated in the early 80's is still a useful tool in some circumstances. A proven process that examines an issue from six specified perspectives.

### Five Whys

Originally used within Toyota, the Five Whys is an iterative questioning technique used to explore the cause-and-effect relationships underlying a problem. Each answer forms the basis of the next question. By repeating the question why? at each level the aim is to get to the root cause of an issue or problem.

### Reframing

Reframing is deliberate examination from a range of different vantage points, perhaps stakeholders, staff, or other outside views. This forces the board stretch its thinking and to understand that there are quite different ways of looking at the same issues. Reframing is all about expanding choices rather than falling victim to the idea that there is only one right way.

Alfred Sloan<sup>30</sup>, noted President and CEO of General Motors and organisational thinker famously quipped;

*'Gentlemen, I take it we are all in complete agreement on the decision here.' Everyone around the table nodded assent. 'Then I propose we postpone further discussion of this matter until our next meeting, to give ourselves time to develop disagreement and perhaps gain understanding of what the decision is all about.'*

<sup>27</sup> [www.sportnz.org.nz/planning](http://www.sportnz.org.nz/planning)

<sup>28</sup> <https://hbr.org/2007/09/performing-a-project-premortem>

<sup>29</sup> [http://www.debonogroup.com/six\\_thinking\\_hats.php](http://www.debonogroup.com/six_thinking_hats.php)

<sup>30</sup> [https://en.wikipedia.org/wiki/Alfred\\_P.\\_Sloan](https://en.wikipedia.org/wiki/Alfred_P._Sloan)

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## RESOURCES AND READINGS

### Value of Sport

<https://sportnz.org.nz/assets/Uploads/The-Value-of-Sport-Main-Report.pdf>

### Planning in Sport

[www.sportnz.org.nz/planning](http://www.sportnz.org.nz/planning)

### Why Your Current Strategic Plan Is Probably Little Use as a Governance Tool

[https://boardworksinternational.com/2018eighteen\\_article1.php](https://boardworksinternational.com/2018eighteen_article1.php)

### Ensuring You Can See the Wood for the Trees: Criterion-Referenced Monitoring

[https://boardworksinternational.com/periodical/2010December\\_Article2.html](https://boardworksinternational.com/periodical/2010December_Article2.html)

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