Sport Governance in Australia: Questions of Board Structure and Performance

Abstract

Governance within sport is receiving increasing attention with the rise of commercialisation and professionalism within the industry. The purpose of this research was to examine the current state of sport governance within an Australian context particularly in relation to board structure at the National Sport Organisation (NSO) level. A qualitative method was adopted employing five Australian NSOs as the sample. Interviews were conducted (n=10) with various board members of these organisations to uncover the major challenges they are facing in relation to their organisation's governance. Results showed that there are significant challenges facing these organisations in relation to board composition, independence, performance, and evaluation. These issues are reflective of pressures arising from government agencies and members of these organisations amongst other stakeholders. A number of theoretical implications arise from the current study including the need for further study examining the delegate versus independent model of board composition and other issues that were salient as part of the reported emergent thematic structure. The results within the current study expand our understanding of what was previously known about the complex issues of board composition and board performance assessment within non-profit sporting organisations. These results may have implications for the selection process of boards within the non-profit sport industry and how these boards are assessed in terms of their performance.

Keywords: sport governance, national sport organisations, board composition

The academic discipline of corporate governance within sport organisations has begun to receive an increase in attention from scholars in response to the growing concerns over the level of professionalization and commercialisation that has taken hold of the sport industry in the last decade. This increase in scholarly attention has been mirrored by a significant number of industry reports that also call for better corporate governance processes and systems to be adopted by the sport industry to combat the issues facing this sector in relation to 'poor' governance practices (Crawford and Carter, 2011; Arbib, 2012). The aim of the current study was to investigate a number of key areas relating to corporate governance in sport organisations that have been highlighted as concerns for the industry both from an academic and practitioner perspective. More specifically, the study focuses on board composition and structure within non-profit sporting organisations based in Australia. The structure of sport in Australia is reflective of the western European model of sport and is also seen in other non-European nations such as the Canada and New Zealand. Therefore, although based in Australia, the findings of this study may indeed resonate in other nations within similar sport governance systems. Moreover, the finding of this work increase our understanding of agency theory specifically as it relates to sport governance systems.

"An organisation's reputation is 'the currency' by which it trades in the marketplace" (Wood and Rentschler, 2003, p.528). Within Australia, National Sport Organisations (NSO) are responsible for the governing of a sport within the nation and for representing that sport internationally. The reputation of a NSO begins with the board, but in recent times the nature of board composition and structure has changed, mainly in response to the ethos of professionalism and commercialization that has taken hold of the sector. Stakeholders need to be reassured that the people who govern the organisation are acting in its best interests (Hoye and Cuskelly, 2007). For the NSOs within Australia, these stakeholders are primarily the State

Sporting Organisations (SSOs) and subsequently their grassroots membership, who operate within sporting networks also made up of local sport clubs and associations.

The complexities involved in contemporary sport governance within Australia are further exemplified by the volunteer nature of the majority of boards that exist within sporting networks. Kikulis (2000, p. 306) remarks that "the volunteer board and its legitimate decision making authority has been established and widely adopted across national, regional and local sport organisations". While the concept of a volunteer board is not new, there is now a shift in the governance model to cater to the increased professionalization of sports in response to the growing pressures of commercialization and professionalization within the sector (O'Boyle and Shilbury, 2015; Shilbury and Ferkins, 2011; Taylor and O'Sullivan, 2009).

Australian NSOs, like other non-profit organisations, face challenges in terms of their governance and leadership given the nature of these largely volunteer-led boards who have ultimate responsibility for the organisation, in association with a paid CEO who acts as a conduit between the board and other paid staff (O'Boyle, Cummins, and Murray, 2015; Hoye and Cuskelly, 2003). This situation has created challenges, most notably in relation to board composition, but also monetary compensation for board members and the assessment of both the board's performance (Papadimitriou, 2007).

The current paper explores the issues of board composition, performance, and assessment within five NSOs in Australia. This work builds of previous studies in the field that have addressed issues such as board roles and board calibre and adds to our understanding of this complex governance environment. Given that the structure of sport in Australia and therefore its governance frameworks are mirrored within a number of other countries such as Canada, New Zealand, UK and a number of other mainland European nations, the findings within this research may resonate within these structures also.

Literature Review

There have been a number of studies within sports governance that have focused on government intervention in sport (Hoye, 2003), global sport organisation governance (Forster 2006) and changes in governance structures (Kikulis, 2000). Aspects of the internal workings of the board have also been studied, which include board context, process and dynamics (Parker, 2007; Pye and Pettigrew, 2005) and decision making (Soares, Correia and Rosado, 2010). The power of individuals or groups has also been the focus of some studies in board power and performance including the power of the CEO within these organisations (Garner and Harrison, 2013; Hoye and Cuskelly, 2003).

The volunteer nature of NSO boards is reflective of the delegate representative model of board composition that has been traditionally synonymous with federal governing structures (Hoye and Cuskelly, 2007). This representative model explains the levels of trust that are built within networks as delegates are generally elected to represent the interests of their own affiliations and not necessarily those of the sport (or a network) as a whole (Shilbury et al., 2013). Furthermore, the selection of essential skill-sets potentially required to foster trusting relationships such as high level leadership skills, and communication and negotiation skills, is difficult given the nature of the nomination process in delegate models. Within the non-profit context in general, Kearns (1995) suggested that board members should possess specific talents that add value to the board, a clear understanding of their role and selflessness, all of which would appear to be useful for governing in sporting networks. It can be seen how a delegate representative model may not necessarily facilitate this situation and, hence, the inclusion of these qualities in non-profit sporting boards. All of these issues are further complicated by the limitations on time that volunteer board members may have to interact with other governing powers in a network.

Shilbury (2001) noted with this model that "governance and structures are impeding the progress that national sporting organisations are able to make in completing the professionalization of their industry and the implementation of management practices" (p. 259). This was supported by Hoye (2003) who stated that a delegate model affects the ability of NSOs to "influence the direction and activities of individual SSOs to deliver the outcomes demanded by government funding programs" (p. 214). Taylor and O'Sullivan (2009), in their review of national sport organisations in the UK found that while boards preferred a more 'corporate' structure and wanted to attract people to the board with specific business skills; they still wanted to retain some representative element. However, Hodgkin (1993) in his comparison between the governance structures of corporate and non-profit organisations warns that non-profits should not adopt a corporate governance model because they exist for different purposes, they have multiple stakeholders and the roles of their boards are somewhat different to those of corporate boards. Dent (2014) states that non-profit boards are self-perpetuating and do not have the same pressures as corporate boards from shareholders because there are none. They do not have the issue of sacrificing long term health for short term gain. However, he states that the general consensus about non-profit organisations (NPOs) is that there is a lack of 'good' governance within these entities.

When discussing the impact of a representative versus an independent model of board composition, it is first important to discuss the role of the board and how each model may impact on the board's role. Some studies such as Doherty and Hoye (2011) have identified the need to clearly define the role of the board and board members. This study showed that role ambiguity was the major factor impacting on board members' perceived performance. Wright and Millesen (2008) also added lack of communication as a determining factor. They believed that role ambiguity could be decreased through training and feedback. However, training can be challenging when board members are often volunteers and there are time/cost pressures.

Shilbury (2001) in his study of Victorian SSOs found that executive directors preferred board members to have a focus on strategy and long term planning. In addition, Bradshaw, Murray and Wolpin (1992) in their study of Canadian non-profit board structures, processes, and effectiveness found that the role of the board was focused on strategic planning, and having a shared vision for the organisation. They also noted that in relation to financial matters; boards were quite reactive and did not appear to take risks. Following on from Bradshaw et al., (1992), a study by Inglis (1997) of provincial Canadian sporting organisations identified four factors that were important roles of the board being "mission; planning; executive director; and community relations" (p. 174). Inglis, Alexander and Weaver (1999) continued this work and developed a framework for the roles and responsibilities of non-profit boards, which showed strong support for the strategic activities undertaken by boards.

A number of studies within the field have focused on the relationship between the board and the CEO (Shilbury and Ferkins, 2011; Hoye and Cuskelly, 2003; Hoye, 2006) and board and committee cohesion (Doherty and Carron, 2003). Hoye and Cuskelly's (2003) study of Victorian SSO board performance found that there were four elements that impacted the relationship between the board and CEO: board leadership; trust; control of information available to the board; and the responsibility for board performance. A further study by Hoye (2006) with a sample of six SSOs found that when the CEO and board chair successfully worked together, the performance of the board was enhanced. Furthermore, Harrison and Murray (2012) found that a chair of the board that was perceived as effective had a significant impact on the effectiveness of the CEO.

Industry reports such as those by Crawford and Carter (2011) and Airbib (2012) have highlighted the need for a skills based board in NSOs. Within academia, Issues related to board performance, perceived effectiveness, and questions of board member competencies have appeared sporadically within the sport governance and non-profit governance literature in

general (Bayle and Robinson, 2007; Fletcher, 1992; Hoye and Doherty, 2011; Herman and Renz, 1997; Holland and Jackson, 1998; Kearns, 1995; Papadimitriou, 2007; Wellens and Jegers, 2014). However, a notable aspect of the literature has only received minimal scholarly attention is how board member performance is assessed. Hoye and Inglis (2003) argued that the assessment of the board should be the responsibility of the board itself. Holland (1991) raises two concerns with this manner of assessment: the necessity for a suitable instrument; and the abilities of board members to carry out assessment accurately. The development and testing of a self-assessment questionnaire found that the six identified areas (understanding context; builds learning; nurturing group; recognising complexity; respects process and shapes direction) were empirically proven to identify effective from less-effective boards. He also suggested that boards need to also take the feedback from stakeholders into consideration. The Board Self-Assessment Questionnaire (Jackson and Holland, 1998) was then tested with 623 board members across 34 non-profit organisations and found to be a valid and useful tool for evaluating board performance. Gill, Flynn and Reissing (2005) also developed an instrument, the Governance Self-Assessment Checklist, which was tested within 32 non-profit organisations. They also found that the instrument had good internal consistency and could differentiate between stronger and weaker governance practices.

NSOs face many challenges: balancing the need to increase participation at the grass roots level while also developing athletes at the elite level (Ferkins et al., 2010); working in collaboration with SSOs (O'Boyle and Shilbury 2013); meeting government requirements that are increasingly being linked to funding; adapting to changes in a more commercially driven and competitive environment; and managing the needs of multiple stakeholders (Papadimitriou, 2007). It is necessary that increased scholarly attention is directed towards the sport governance domain to provide research-based insights and possible solutions to address these challenges.

Scholars have identified a number of areas in the sports governance literature that require attention: the strategic role of the board (Ferkins et al., 2005), board role and organisational performance (Yeh, Hoye and Taylor, 2011; O'Boyle and Hassan, 2013), board - executive relationships (Hoye and Cuskelly, 2003), strategic capacity (Ferkins et al., 2010), conflict (Schulz, 2011), role ambiguity (Doherty and Hoye, 2011), and board performance (Hoye and Doherty, 2011; O'Boyle and Bradbury, 2013). Shilbury and Ferkins (2011) noted specifically that there is a gap in the literature around board structure and composition, and that sport faces significant barriers in these areas. The current paper addresses a number of these gaps, primarily focusing on the composition of boards of Australian NSOs and how a representative versus independent model can impact on the governing function of these entities.

Method

Due to the nature of the research questions posed in this study, a qualitative method was the most appropriate investigative tool to employ and is reflective of the majority of previous sport governance work in the field. Other scholars have employed similar qualitative approaches through action research and case studies and these have been acknowledged as suitable techniques to explore such phenomena (Berg, 2001; Denzin and Lincoln, 2011; Edwards and Skinner, 2009; Lincoln and Guba, 1985). The qualitative exploratory method adopted within the current study employed a series of semi-structured interviews supported by relevant document analysis to develop a thematic structure related to board composition and performance assessment within NSOs in Australia (Yin, 2013). The use of quantitative methods was considered inappropriate in order to conduct an in depth analysis of an organisation and ascertain the richness of information considered necessary. This research required an insightful and detailed description of characteristics associated with board composition and structure with research outcomes that were largely inductively determined. It

is for this reason that a qualitative method was chosen for this research study, which typically involved consideration of subject matter which is by no means easy to quantify.

Potential NSOs to take part in the study were targeted based on two differing sets of criteria. The first was participation rates in the top 10 organised sports in Australia according to the Exercise Recreation and Sport Survey (ASC, 2010) report. The second set of criteria was based on the top ten NSOs receiving the most funding from the Australian Sports Commission in 2012-2013. Therefore the results of the current study are focussed on the NSOs that met one of these two criterions. Ultimately 18 NSOs were selected due to 'Football' and 'Basketball' emerging in both categories. Letters were sent out to all 18 NSOs explaining the purpose of the research and seeking their interest in being involved. In all cases these NSOs had a board of directors and a paid CEO with other paid management staff also employed within the organisations. Five NSOs ultimately agreed to take part in the study ranging from mainstream sports to medium and lower profile NSOs allowing for an appropriate spread of governance issues and challenges impacting NSOs of varying size within the Australian sporting landscape.

Participants

Purposive sampling (n=10) was used to select individuals within these organisations who could provide detailed comment on the governance issues facing these organisations in line with the research questions posed in this study. The research team conducted the interviews between January 2013 and July 2013. Interviews lasted between 45 minutes and 1.5 hours and a number of follow up interviews were also conducted to discuss emergent themes in greater depth and occasionally to confirm statements and responses from participants. All participants (P1 - P10) had vast experience in governance roles within sport and other industries and as such were able to provide expert comment on the issues that were raised. Their lived experiences within sport governance and this expertise helped to ensure an additional level of validity within the reported results (Shilbury, Ferkins, and Smythe, 2013).

Data Collection

Questions related to the major foci of the study were posed during the semi-structured interviews with opportunities for follow-up interrogation. This semi-structured format encouraged rich qualitative responses (Miles and Huberman, 1994). The interviews began with a discussion of the general governance structures and processes within the organisations followed by a more acute examination of board composition and board performance assessment and compensation. Following initial discussions around sport governance in general, the first set of detailed questions covered board composition (e.g., 'Is the board comprised under a federal, independent or hybrid model of sport governance?'). The second set of questioning related to the inclusion or exclusion of the CEO as a member of the board and the benefits or challenges associated with either situation (e.g., 'Do you think the board's ability to assess the performance of the CEO is compromised when he/she is a member of the board? Do they have equal voting rights as every other board member?'). The final line of questioning related to the assessment of the CEO's and board's performance and the issue of monetary compensation amongst board members (e.g., 'Is there a performance-base-pay (bonus) scheme involved for the CEO or other senior executives within the organisation? Is this an important mechanism for ensuring high levels of organisational performance?'). All of the above sections included a number of additional questions that contributed to establishing an emergent thematic structure within the study.

Analysis

It was decided that the research team would transcribe each interview verbatim rather than employ a professional service as it was agreed that this process would form an important part of the initial thematic analysis. All research team members had equal involvement in the analysis stage. In total there were over 200 pages of text (1.5 spaced, 12 point) to be analysed by the research team. NVivo software was also used to assist with an initial coding process. To

analyse the extensive data that was generated within the study, a five stage thematic analysis was conducted (Braun and Clarke, 2006; Manoharan, Gross, and Sardeshmukh, 2014):

- Transcription of interviews paying attention to both verbal and non-verbal expression.
- Fifteen initial codes emerged during data reduction such as models of governance, level of compensation, and types of performance management (assistance from NVivo).
- Recurring phenomena and relationships were identified in coded data in order to combine the codes into overarching themes.
- Themes were reviewed and refined, with new data emerging until the codes were grouped appropriately.
- Themes were assessed in terms of their relevance to the study purpose, and a report was compiled about the meaning of the data.

As a final stage within the analysis of the data, review of relevant documentation was conducted as a secondary data source to support or in some cases contradict statements made by participants during interviews. Such documentation included organisational constitutions, strategic plans, and other relevant governance related materials.

Inter-rater reliability was established through both members of the research team checking the data and ensuring emergent themes were consistent for both researchers. Furthermore, in order to test the credibility of the interpretation of the data, member checking was conducted with participants involved in the study, which probed biases, clarified interpretations, and tested the discussion and conclusions (Tashakkori and Teddlie, 1998). These opinions were confirmed as consistent with the researchers' analysis. The following section describes the results of this analysis which are separated into the various themes that emerged at the conclusion of the data analysing process.

Results and Discussion

Yeh and Taylor (2008) suggest the board is critical because they ensure organisational activities are in the best interest of the entity. The NSOs who participated within this study experienced varying degrees of challenges when undergoing structural change in the board, and for some, implementing change took several years or is currently ongoing. The following section presents the results of the interview data and provides a discussion based on the emergent thematic structure. Quotes from the participants who took part in the study are also presented throughout to illustrate and support some of the key findings in the current paper.

Structure and skillset

Traditionally the majority of Australian NSOs have a representative board structure (Hoye, 2003). One of the concerns with this structure is "even if impartiality is not lost, the appearance of impartiality may be seen to be lost" (Sherry, Shilbury and Wood, 2007). According to Shilbury and Kellett (2006) this delegate structure is attributed to the federal model used in the Australian Government. Furthermore, sporting volunteers differ from those in many other volunteer sectors in that they often contribute because they have a personal connection to the sport: for example, their children participate in the sport (Hoye and Inglis, 2003). This in itself is engrained in the culture of the Australian sporting industry. In contrast, the Australian Sports Commission has strongly advocated for NSOs to adopt an independent board. The independent board is generally one in which people are appointed because of a particular skillset they possess. The Australian Sports Commission Principle 1.8, recommends that boards should have a "blend of expertise, skills and diversity necessary to effectively carry out its role" and "have all directors being independent, regardless of whether they are elected or appointed" (2012, p.6). P1 commented that "it is a challenge trying to attract business people with the right skill set, whereas it is easier to find people with a passion for the sport". This was supported by P3 from a different NSO who said the biggest challenge is getting quality

people on the board and “despite the fact that you can appoint two directors you still rely on your members to vote” [them in].

More specifically, of the five NSOs that took part in this study, four had an independent board and one operated under the hybrid model. The hybrid model contains elements of both a delegate/representative board and an independent board. Sherry et al. (2007) points out that in a hybrid model, independent board members are sought for their skills such as business and management, rather than their sporting expertise. Consistent with this line of enquiry there was a general consensus from the NSOs within this study that moving away from a representative model was in the best interests of their organisations. Wellens and Jegers (2014) in their study of governance effectiveness in non-profit organisations found that “financial dependency on government funding clearly influences organisational governance”. Indeed, three of the five NSOs studied in the current work attributed this change in governance structure to the Australian Sports Commission linking of the ‘Mandatory Sports Governance Principles’ to future allocation of government supported funding. There was also the realisation amongst many participants that their current representative structure was not working. P6 suggested that “having people on the board who were heavily involved with the sport had some significant drawbacks, including showing interest in sport-specific discussions at board meetings but not contributing or showing interest when other topics were discussed”.

P7 commented that when they had state representation on their boards those individuals would represent their state interests rather than that of the sport or organisation as a whole, and that “it just made good business sense to move away from the representative model”. This sentiment was echoed in the work by Shilbury and Ferkins (2011) who state: with a delegate model board, members were “representing the states of regions rather than the greater strategic interests of the sport” (P.120).

The majority (8/10) participants within the study suggested that their organisation experienced efficiency gains when they changed their board structure. The benefits included improving the skillset of the board by incorporating external expertise; freeing the organisation from constraints that focused on parochial interests thereby allowing the organisation to adopt a strategic approach; and improved financial governance. P10 commented that the new structure allowed for clearer decision making and clearer lines of sight, and that "the organisation can see the positives of effective governance".

The issue of conflicts of interest also became apparent during this line of questioning. The Australian Sports Commission (2012) clearly states that there is a conflict of interest for presidents of SSOs also being on the NSO board, a situation that has been commonplace within Australian sport. Sherry et al. (2007) discussed the issue of conflicts of interest in sports management and stated that due to the nature of sport "multiple roles are commonly found across sport organisations" and that the individual typically defines which role is more important than others (p. 270). In addition, Babiak (2007) in her study of inter-organisational relationships in a Canadian NSO found that members who hold multiple roles can complicate relationships. One NSO within the study encountered this very situation where two board members were also the chairpersons of their respective SSOs. These members were required to relinquish one of these roles in order to meet the new governing principles. One member decided to stay on the NSO board and resign from the state board, while the other did the reverse.

Appointed vs. Elected

The board compositions of the five NSOs who participated in this study included a combination of elected and appointed members (see Table 1). On average, 70% of members were elected and 30% were appointed. P5 commented that they would like to change the compositions from five elected and two appointed members to four elected and three appointed

members in order to exploit more external expertise. P2 said that ideally they would like to change their board composition to include more appointed members to attract additional commercial expertise, but felt that it would never be approved as the members would not allow it if the majority were not elected by them.

Shilbury (2001) conducted a study into board roles with Victorian sporting organisations. The board members were asked what special expertise that they bring to the board. The two most popular responses from board members related to sport experience (79.4%) and knowledge of the SSO (53.9%). Business skillsets in areas such as finance, planning and policy development were listed less frequently. He commented that "these results suggest little progress in recognising the diverse range of skills required providing appropriate governance for contemporary sporting organisations" (p. 263).

Insert Table 1 here

The ASC Sports Governance Principles (2012) states that "members of an organisation should elect the majority of the board of directors" (p. 4). This was certainly the case for all the NSOs involved with the current study. The ASC (2012) also advocates "one state one vote" (p. 4). Wellens and Jegers (2014) in their review of the literature concluded that "a well reasoned and thought-out selection procedure for board members appears to be important" (p. 229). Furthermore, Brown (2007) in his study of non-profit board development practices supported this and suggested that central to the process should be the question "What are we looking for in a board member?" (p. 313).

Shilbury (2001) recognised that sport organisations have to work hard to attract volunteers and determining how they will elect or identify directors is an issue that needs addressing. In the current study, the approach taken by NSOs that had an independent board to identify, advertise, select and appoint these positions varied greatly. Two used a sub-committee of the board, called the 'Nomination Remuneration Committee' or 'Nominations Committee',

for this purpose. This sub-committee concept has been advocated by the ASC (2012). Moreover, in 2013 the ASC mandated that a 'Nominations Committee' be implemented in each funded NSO to nominate board members that members will vote on (Australian Sports Commission, 2013). Three out of the five NSOs in this study required that current members nominate candidates but the person does not necessarily need to come from within the sport. P7 commented that with this approach their SSOs will nominate someone with experience in that sport even though it is not a requirement: "it is just built into the culture of their sport". The other NSOs receive CVs from potential board candidates then send these to the membership to select and elect the board members.

Independent board positions were generally filled through co-optation by the elected board members. One sport took a different approach and conducted a skills audit, whereby knowledge and skills gaps were identified through an online survey by the elected members and then provided this information to the 'Nomination Remuneration Committee' so they could use this as a point of reference when searching or speaking to potential board members. They advertised these positions in the Australian Financial Review and the Committee then shortlisted, interviewed and made recommendations to the Board. This is in line with ASC (2013) which has required that NSO boards have a skills mix, conduct an audit to determine skills of the current board to meet strategic goals, identify gaps and fill these gaps with independent board members. Balduck, Van Rossem and Buelens (2009) conducted a study on board members' competencies in community sporting clubs. Twenty-three clubs were involved in the study, which aimed to identify competencies of effective board members. Their findings illustrated that there were certain competency areas that were deemed important: cognitive; emotional intelligence; social intelligence and service orientation. The study suggested that as well as filling the gaps in skills (cognitive competencies), boards should also consider the emotional intelligence and social intelligence required of a board member.

P5 in the present study commented that the risk of appointing people external to the sport and unknown to the board or membership is that "they may cause disharmony on the board and may affect how the group functions together". This participant stated that when they changed to an independent model they did not receive much resistance from the members initially, but when areas of conflict occurred within the board involving appointed members, there were concerns about using this model.

Board Size

One of the major themes that emerged from the data related to board composition was board size. The board size of each NSO interviewed ranged from five to nine members, which aligns with recommendations of Australian Sports Commission (2012) Principle 1.8. When asked if they were happy with the size of the board all 10 respondents agreed that they were. The reasons given included: they are able to make quick decisions; it is easy to manage; a smaller group is easier to canvas; it is possible to gain consensus quicker; it gives you diverse opinions; you get to work as a team; it is not top heavy; any more people and it would be slow and cumbersome and could become really complex for making decisions. P8 from an NSO that had nine members on their board said they were happy with that number, but if they had the choice they would prefer to decrease it to seven. This supports work by Taylor and O'Sullivan (2009) focussing specifically on NSOs within the UK who proposed that boards should have 5-12 members as this allows for efficiency in the decision making process. In contrast, Wright and Millesen (2008) in their study of board role ambiguity for non-profit chief executives and board members in the United States proposed that "although larger groups may decrease the average effort expended by each group member, the performance of the group itself may increase because many hands make light work" (p. 333). The optimal size of a board within NSOs and indeed other non-profits continue to be an area of debate within both research and

practice, however, it does it appear that a shift is taking place to adopt smaller skills based boards.

Board Member Assessment and Compensation

The way boards are appraised and the success of these methods varied greatly within the selected NSOs. The appraisals included: no formal appraisal; self-assessment; peer assessment; an internal Nominations Committee being responsible for the process; and an external consultant interviewing board members.

P2 commented that "self-assessment or the ability for a board to regularly assess itself is difficult" and in reality it is the membership that judges the board, as they have the ability to vote them on or remove them from the board. The NSO that used an external consultant indicated that this process occurs every two to three years where individual board members would self-assess then peer-assess and obtain an individual report.

The NSO that indicated that they do not have a formal appraisal suggested it was due to other priorities in terms of governance projects, but it is something they are planning in the future.

In line with the increase in professional ethos taking hold of the sport industry Ferkins et al. (2009) suggested that in the future there may be a need for the board to be compensated for their time and expertise. Furthermore, in a recent review of the governance of New Zealand Cricket (n.d.), Recommendation 36 suggested that the board should consider remunerating its directors. Shilbury and Ferkins (2011) pointed out that compensating board members could increase the "cultural distance between NSOs and community based sport" (P. 124). Within the present study, there were mixed views from the participants on whether the board should receive compensation. Two of the five NSOs supported the idea that board members are compensated, with already issuing a small honorarium. Comments included: board members are not in it for the money, but some pocket money is helpful; they believe it is a tax benefit; and it is a way of recognising them for their contributions.

P7 stated that historically board member compensation has not been something the organisation has engaged in, but they would be open to the idea, and they do, however, reimburse costs (travel, accommodation) for board members. P5 did not support board members receiving compensation: "I think as soon as the national body starts paying its directors then you know, where does that end, and how much does that cost the sport?"

Theoretical Implications

The major theoretical implications of the current study relate to agency theory. Board composition, board independence, board performance and evaluation are all important dynamic components of this theory. Agency theorists argue that a separation between ownership and management creates a conflict of interests between owners and managers. To reduce this agency problem, owners develop governance mechanisms to align managers' interests with those of owners and a board of directors is one of these major mechanisms (Fama & Jensen, 1983).

As initially described by Fama & Jensen (1983) and Jensen & Meckling (1976), agency theory can be used to frame the partnership of an executive officer (agent) and the board (principals). The theory can be used within an organisation to ensure that management decisions and activities are directly aligned with the established direction of the board (Fama & Jensen, 1983; Rhoades, Rechner, & Sundaramurthy, 2000). Agency theory suggests a premise now common-place in many sport organisations: that the CEO should be directly accountable to the board, and all major management decisions and activities should receive the approval or at a minimum the consultation of the board (Clarke, 2004; Fama & Jensen, 1983; Miller-Millsesn, 2003; Rhoades et al., 2000). The role of the board therefore is to recruit and retain high level management positions, measuring CEO performance and bonus agreements, creating an organisational vision and developing suitable policy, attracting investment and dealing with capital finance issues, and approving or rejecting major decisions put forward by

the CEO or high level management (Fama & Jensen, 1983; Miller-Millsesn, 2003). As almost all non-profit sport organisations are not owned by an individual or consortium the principals within this unique sector when applying agency theory are the individuals or groups who derive substantial benefit from the organisation's existence. This situation gives rise to the agents being the employees of the sport organisation including the CEO. The role of the board in this instance is to ensure that employees' performance within the sport organisation is facilitating progress towards an agreed vision for the organisation.

Although this theory adequately analyses the role of the board in relation to controlling management and employee function, there are also a number of limiting factors associated with this particular theory. As a precursor, agency theory is an idealistic model. The theory makes a bold assumption that only two entities exist within the organisation – the principals and the agents (Daily, Dalton, & Cannella, 2003). This is rarely the case within sport organisations and both the CEO and the board interact with a number of different stakeholders and external entities associated with the organisation. In addition, when management satisfy the agenda of the board, their own agendas are usually satisfied as well (Lane, Cannella, & Lubatkin, 1998). As a result of this, boards within sport organisations often encourage the agenda of the CEO in the achievement of organisational objectives as opposed to simply assuming a monitoring role of the CEO‟s performance. Following on from this, with a desire to uphold their reputation within executive management circles, the CEO is likely to be agreeable to whatever the board's agenda may be. This can result in less monitoring of the CEO's performance (Yeh & Taylor, 2008). Finally, a further limitation of agency theory is that it assumes organisations do not affect or are not affected by their wider operating environment (Chelladurai, 2005), and perceives that to internally monitor is the prime role of the board within an organisation.

Practical Implications

Attracting board members with highly developed skillsets has clearly been presented as a major challenge for Australian NSOs. It appears easier to attract candidates from within the sport (as opposed to external directors) because of their passion, but they may not necessary have the level of business acumen that may be required for the board to be successful. In addition, the NSOs in this study experienced some resistance in appointing independent board members even though they could potentially improve the diversity of experience and skill base that would allow the sport to grow and develop commercially. When selecting board members, NSO boards could consider skill gaps, but also the key characteristics and personality traits required to take up a position on the board (Balduck et al., 2009; Yeh and Taylor, 2008).

All ten participants within the study argued that it was imperative to ensure that people with knowledge of the sport still remained on the board. Taylor and O'Sullivan (2009, p.687) found a similar response within their sample: "NGB's [NSOs] were conscious of the need to retain some element of representation on the board, so as to avoid boards becoming alienated from those they are seeking to serve". One NSO in the present study filled their skills gap by examining previous membership records and finding people who had the skills they needed and approached them to become reinvolved with the sport. This could be a targeted recruitment strategy that other NSOs could adopt.

The results of the current study could be used in a similar way as an initial step to share ideas and innovations of how Australian and international NSOs manage governance related issues and could provide a more consolidated approach by working together and with the ASC to improve their governing processes.

Yeh and Taylor (2008, p. 42) stated that "board independence is regarded as a mechanism for organisations to monitor CEOs". While the majority of the NSOs involved in this study had an independent board structure, they found managing the performance of CEO

was an area of concern. Some boards did not have the skill set, knowledge or time to conduct an adequate and robust performance assessment.

Conclusions

Due to the qualitative nature of this study and the sample size, findings may not be representative of all NSOs within Australia and indeed abroad. However, the NSOs who participated in this study have varying membership size, staffing, annual turnover and allocation of government funding and as such they are generally representative of the varying types of NSOs within Australia. As similar results were reported within a number of the issues outlined above, it is possible to draw on some generalisations and implications for other Australian and international NSOs who operate in similar environments. In addition, the federal model of sport governance that operates within Australia is also mirrored within a number of countries throughout the world including Canada, The United Kingdom, Ireland and a number of other European nations. As such, the results of this study bounded by the federal model of governance may resonate within these systems also. Furthermore, the findings of this study may also have relevance for the general non-profit environment as they face similar issues and challenges to their sporting counterparts. However, further research is clearly warranted to explore these issues in more depth and to possibly present a case for best practice within Australian sport governance.

P6 summed up the change of focus for their NSO from a delegate model to independent skills based board with an increased level of professionalism by saying: “gone are the days where the primary thing that we talk is [sport]. It’s hardly ever about the game….it’s about the business [of sport]”.

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Table 1. Breakdown of board membership within the NSOs.

Sport	Appointed	Elected	Total
NSO 1	5	2	7
NSO 2	6	3	9
NSO 3	6	2	8
NSO 4	5	2	7
NSO 5	5	3	8
TOTAL	**27**	**12**	**39**