



**Governance**  
**In**  
**Sport and Recreation Organisations:**  
**An Analysis.**

**Submitted**  
**By**  
**Michael Cahill**

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### **Statement of Authenticity**

Except where reference is made in the text of the thesis, this thesis contains no material published elsewhere or extracted in whole or part from a thesis by which I have qualified for or been awarded another degree or diploma.

No other person's work has been used without due acknowledgment in the main text of the thesis.

This thesis has not been submitted for the award of any degree or diploma in any other tertiary institute.

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Michael Cahill

March 29, 2001

## ABSTRACT

This thesis examines emerging issues in the governance of non-profit sport and recreation organisations.

Firstly, the thesis examines definitions of non-profit organisations and the contribution that non-profit organisations make to society, especially, the contribution to aspects of the civil society. The thesis then explores current theory relating to social capital formation, non-profit organisation governance and public sector reform and establishes a broader framework for considering issues relating to non-profit organisation governance. This framework is titled 'An enabling governance for social capital formation.'

The thesis provides analysis of a self-assessment survey of government funded sport and recreation organisations in Victoria. The survey tested the level of satisfaction with organisation governance in the funded sport and recreation organisations. The survey elicited satisfaction ratings from Chairs, CEOs and non-executive board members against the elements of an enabling governance for social capital formation. The analysis identifies areas where there are low levels of satisfaction with governance performance.

The thesis concludes, that it is by supporting improvement in these areas that government, and other supporters of non-profit organisations, could maximise the outcomes of governance improvement support programs.

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# 1 Introduction

Awareness of the importance of organisation governance, both in the corporate and non-profit sectors, has grown over recent years. Kooiman (1996:8) in discussing the adoption by the World Bank of notions of 'good governance' comments that 'the concept of governance has recently been taken up as a basis for more elaborate theorizing.' Kilmister (1999:2) in comparing the considerable development of management theory and practice to the recent emergence of governance theory states that 'making the board's job tougher is the fact that during the last two decades management thinking has left governance thinking languishing in the far distance.' No matter what the reason, there now exists an acceptance that governance practices have a significant effect on:

- The effective operation of the organisation's business or enterprise.
- The ethical conduct of an organisation's operations and public perceptions of organisations being civically responsible.
- The confidence of shareholders and stakeholders in the operations of an organisation.

This acceptance of the importance of governance has led to the development of governance theories and tools beyond those included in relevant government legislation and regulations. For example; the Organisation for Economic Co-operation and Development (OECD) produced Principles of Corporate Governance (OECD 1999) and Carver (1997) has successfully established the notion of 'policy governance' for non-profit organisations and claims increasing attention in his work 'from those whose interest is not in non-profit and public organisations but in the befuddled state of corporate governance.' Lyons (1997) has identified a link between organisations' governance and social capital development in a civil

society; and Francis (2000) has undertaken a detailed study of the relationship between ethics and corporate governance.

This thesis will examine more closely the link between the governance of non-profit organisations and their ongoing contribution to society, in particular their ability to generate social capital.

The thesis will contribute to a greater understanding of non-profit organisational governance, in particular, governance in sport and recreation organisations and the role that governance practices play in supporting the formation of social capital

The thesis will increase knowledge and understanding of:

- the role non-profit organisations, in particular sporting organisations, in social capital formation,
- the impact of governance processes on that role,
- the general understanding and awareness of governance issues amongst non-profit sporting organisations,
- the impact that the application of modern theories of non-profit organisation governance and related government reforms are having on non-profit sporting organisations contribution to social capital formation.

## 2 Aims of the Thesis

Gaining further insight into governance in the non-profit sector and how the application of governance theory and related government reforms may be affecting the governance of non-profit organisations in general and, more particularly, its affects on their role in supporting social capital formation is the key aim of this thesis. In achieving this aim the thesis will examine:

- non-profit organisations, particularly non-profit sport and recreation organisations, and the important role that they play in society
- how government reforms in the area of contracting and their related impact on governance practices affect the operations of non-profit organisations and hence these organisations contribution to society
- the current position and appreciation of governance issues among major sport and recreation organisations in Victoria.

To achieve the aims the thesis will firstly examine literature relating to, non-profit organisations and their importance, the concept of social capital and its relationship to non-profit organisation, and how government reform related to contracting out has impacted on non-profit organisation governance.

From the literature a concept of governance that incorporates the findings of the literature is formed. Satisfaction with performance against this concept was measured by a self administered questionnaire. The results of the questionnaire were analysed providing conclusions and recommendation relating to sport and recreation organisation governance.

### 3 Literature Review

This section of the paper, through an examination of available literature,

- defines non-profit organisations;
- examines the importance of non-profit organisations to society, in particular, their contribution to social capital;
- defines social capital;
- examines parallels between public sector reforms relating to the provision of government funds and emerging governance theory
- examines the relationship between government contract specifications that relate to governance and non-profit sporting organisation's ability to contribute to social capital formation through governance practices.

#### 3.1 Defining non-profit organisations

This section of the paper will examine accepted definitions of non-profit organisations and establish a broad definition that encompasses legal status, size and structure and social purpose.

A number of studies have been undertaken with the aim of extending the general understanding of non-profit organisations. The John Hopkins Comparative Non-profit Sector project (Anheir et al 1997, Lyons and Hocking 1998) is a significant international study into the nature of non-profit organisations and is referred to in a number of international sources. Major work being undertaken by the Australian Bureau of Statistics (ABS) and the Centre for Australian Community Organisations and Management (CACOM) at the University of Technology, Sydney (ABS 1999) is linked to the John Hopkins project. Osborne (1999:15)

refers to the findings of the John Hopkins project in identifying the key characteristics of non-profit organisations. The John Hopkins project found that the characteristics of non-profit organisations

were that they

- were formally constituted organisations
- were private organisations and separate from government (though they could receive governmental support for their work)
- were not profit distributing to their owners or directors
- were self governing and equipped to control their own activities; and
- had some meaningful voluntary content, such as voluntary income, volunteer labour or voluntary management.(p 15)

While the above provides a theoretical definition of non-profit organisations, non-profit organisations and their scope of operations are defined in law. As Smith and Lipsky (1993:24) indicate: 'The nonprofit designation is a legal category that requires an organisations to file forms...and adhere to regulations...' and go on to add:

Legal status is also a way of joining together two important aspects of community: the moral community in which individuals share certain values and social concerns and the legal community that defines the rules of governance and participation for the organisation. (p 24)

In the Australian and Victorian context non-profit organisations are defined within the Corporations and Tax legislation at the national level and for some the Associations Incorporation Act 1981 at the state level. Breeny (1998:33-36) identified different types of legal structures that may apply to non-profit organisations. These are:

- Unincorporated association;
- Incorporated association;
- Company limited by shares;
- Company limited by guarantee;
- Trusts.

Of these structures only incorporated associations are exclusively non-profit.

Further codification of rules for non-profit organisations has taken place as part of the implementation of Australian tax reform. Under rules associated with the implementation of a goods and services tax in Australia distinctions are made between charitable, religious and other non-profit organisations. A distinction is also made in relation to the size of the non profit organisations (as measured by financial turnover) with differential tax treatment being afforded to organisations according to which category the organisation belongs.

There are several ways of examining the types and structures of non-profit organisations. The John Hopkins Comparative Project established 11 activity groups for analysing the non-profit sector known as the International Classification of Non-profit Organisations (Anheier et al 1997:192). In Australia, this system of classification was adapted by the Australian Bureau of Statistics (ABS) to define nine fields of activity groups. (ABS 1999:538) These groups are Health, Education and research, Community services, Other human services, Arts and culture, Leisure (which includes sport and recreation) Interest organisations and other.

Political scientist Robert Putnam (1995) has undertaken extensive studies into the role of non-profit organisations in social capital development. Putnam defined non-profit organisations in accordance with their social purpose. Putnam 'concluded that democracy tends to work best where there is a tradition of civic engagement – when there are lots of choral societies football clubs and neighbourhood associations (Greiner 1995:2). Putnam (1995:70-73), in defining types of non-profit organisations, argued that the growth of large advocacy groups, such as the American Association of Retired Persons and the National Organisation for Women, and voluntary committees of management of government/private

owned or financed institutions and philanthropic/trust organisations, such as the Metropolitan Museum of Art and the Ford Foundation, have clouded the issues facing more traditional community voluntary associations such as sports clubs, and their role in developing 'social capital'.

Lyons (1996 and 1997) of the Centre of Australian Community Organisations and Management, using definitions developed by Putnam draws a distinction between 'public serving non-profits' and 'member owned/member serving non-profits'. He argued that 'non-profits that operate to serve the interests of their members have a greater potential to generate social capital than those that are established to provide services to others' (1997:5). He supports his argument by stating that while 'the various methods of incorporation require that non-profit organisations are member owned' but 'organisations are able to adapt forms of incorporation to suit their particular arrangements' (1997:5-6). In terms of relating social capital to the issue of governance Lyons concludes that it is 'only the member owned organisations that operate in the civil society paradigm that can try and build social capital in the very way they are governed'. (1997:7)

From the discussion above it can be seen that there are three ways in which non-profit organisations can be defined or analysed. Firstly, there is a legal/quasi legal definition where non-profit organisations are defined by their organisational construct and compliance with legislative requirements. This is the most common and most simple way of defining non-profit organisations but has limitations in terms of the variety of legal structures available. This means that legal status is not a singular method for identifying non-profit organisations. Secondly, there is a functional definition in which non-profit organisations are defined by their operations and spheres of activity. The non government provision of social services, has

traditionally been dominated by non-profit organisations, but, as Ryan (1999) points out, there is an ever increasing presence of for-profit organisations involved in the non government (but government funded) provision of social services. Therefore, drawing conclusions about non-profits by simply examining fields of activity is limited. Finally, there is the socio/political analysis of non-profit organisations. This analysis provides a basis for distinguishing between non-profits by their function and overall contribution to society.

Based on the above analysis the organisations that are the subject of the research incorporated in this paper can be defined as:

- Legally incorporated entities.
- Operating on a non-profit basis and therefore not profit distributing to members.
- Operating in the sport and recreation field.
- Member-owned/member servicing
- Financially independent
- Democratic organisations with the boards elected by the members.

### **3.2 An examination of the importance of non-profit organisations, in general, and more particularly non-profit sporting organisations to society**

Having identified a definitional framework of non-profit organisations for use in the thesis this section will examine the contribution that non-profit organisations make to society in terms of economic and social contributions.

Non-profit organisations play a significant role in compensating for market failure in the delivery of “public goods.” This “market failure” (Smith and Lipsky 1993:28) role for non-



profits is one of the most discussed arguments put forward and dates back to Adam Smith (Cohen and Roger 1995:12–21).

The presence of non-profit organisations in the various markets is clear and significant. Non-profits have traditionally been the dominant providers in areas of social service such as; health and community services, education and research, religion and leisure. These areas are identified as major fields of activity by the ABS (ABS 1999). In areas of manufacturing, finance and other areas of business non-profits are also present in the forms of associations, trade unions and co-operatives. Peter Drucker drew attention to the significant impact that non-profit organisations have on a country's general economic performance adding though that '...the impact was largely unquantified.'(Drucker in Kilmister 1993:3) Since that time a number of studies have been undertaken to better understand the impact. The most significant and relevant of these studies is the John Hopkins Comparative Nonprofit Project, which is collecting international data in regard to non-profit organisations, with related work being undertaken by Australian Bureau of Statistics and the University of Technology Sydney. Lyons and Hocking (1999) provide some preliminary finding from this project. It is worth noting here that in terms of economic size the non-profit sector '...is almost four times the size of local government in Australia' and 'has a larger turnover than the communications industry.' (p1)

The role of non-profit organisations in providing services in the face of market failure is only one manner in which non-profit organisations contribute to society. Ryan (1999) argues that the establishment, by governments, of markets or quasi – markets in many areas of service provision dominated by non-profit organisations has eliminated many aspects of market failure in the provision of these services, thus allowing competition from commercial

business in the provision of such services, therefore diminishing the strength of the market failure argument as a justification or explanation of the role of non-profit organisations. Other commentators argue that the “market failure” argument is limited and distracts analysts from the more significant contributions of non-profit organisations to the community.

Smith and Lipsky (1993:26-34) provide a strong criticism of the limitations of the market failure theory. They conclude that:

People establish and join (non-profit) organisations because the advantages or incentives outweigh the additional costs in personal time and resources required in organisational activity. These personal and small group calculations of costs and benefits are profoundly affected by historical precedent, government policy, the structure of political institutions and peer and community influences.

Cohen and Rogers (1995) identify three specific theoretical arguments for the role of non-profits in society. The first of these arguments, “neoliberal constitutionalism” is highly economically focussed and incorporates the market failure role of non-profits. The two further arguments identified by Cohen and Rogers (1995) “civic republicanism” and “egalitarian pluralism” introduce political theory as well as economic theory into discussions of the role of non-profit organisations. The application of these two aspects of political theory Cohen and Rogers have termed “associative democracy”. They argue that non-profit organisations

can function as schools of democracy. Participation in them can help citizens develop competence, self confidence and a broader set of interests than they would acquire in a more fragmented political society (p43).

This argument is extended by “social capital” theorists who have argued that associations play an important role in

- providing opportunities for people to give voluntarily,
- promoting trust and reciprocity; and

- ensuring the development of democratic processes.

The role of non-profit associations in promoting the development of democracy has been recognised for some time. ‘As far back as the 1830’s, Alexis de Tocqueville recognised the powerful contributions of voluntary associations to the country’s political and intellectual life (Smith and Lipsky 1993:3).’ Fukuyama (1999:19) describes de Tocqueville as ‘Perhaps the most important theorist of social capital’ even though he never used the term. In extending de Tocquerville’s and supporting the premise that associations are ‘schools of democracy’ Cohen and Rogers (1995:43) argue that:

...associations help foster the civic consciousness on which any egalitarian order and its deliberative politics depend. That is, they promote the recognition of democratic process and equity and a willingness to uphold them as fixing the basic framework of political argument and social cooperation.

The above discussion has examined literature regarding the important contribution, both economic and social, that non-profit organisations, in general, give to society. The paper will now concentrate more closely on sport and recreation organisations which is its main focus.

It needs to be recognised that most general discussion on non-profit organisations

‘...is specific to one or two related industries: to the social services, to health and social services, to the arts, or to churches or to trade associations. Very little work has been done on sport, for example or recreation...organisations (Lyons 1996:11).

The effects of this can be observed in the available literature, for example the economic data from the Australian Nonprofit Data Project has sport and recreation included in a broader category called leisure which also includes the arts, culture and social clubs. Also, various studies that have been undertaken on the economic impact of sport (Sport and Recreation Victoria 1996, Hillary Commission 1997, Confederation of Australian Sport 1998) do not

separate non-profit and commercial organisations when estimating the economic contribution of sport or its constituent parts. The lack of useable data for analysing the sport and recreation industry was identified in the recent report to the Australian Federal Government titled *Shaping Up* (Department of Industry Science and Resources 2000). In recognition of the lack of quality data that exists the report recommends that ‘additional funding be provided to...improve the collection and analysis of statistics.’

While it is difficult to estimate with good accuracy the full economic contribution of non-profit sport and recreation organisations there is enough evidence to accept that there is an economic impact of significance. Equally important is the social contribution of sport and recreation organisations. In relation to the social outcomes of sport and recreation *Shaping Up* recommends ‘that more detailed studies be undertaken to explore further the potential of using sport and recreation as a tool in achieving social objectives (Department of Industry Science and Resources 1999:56)

Putnam (1995) examined the relationship between associations and social capital, including the link between non-profit organisations and social capital formation. He argues that not all non-profit organisations contribute to social capital formation. He states:

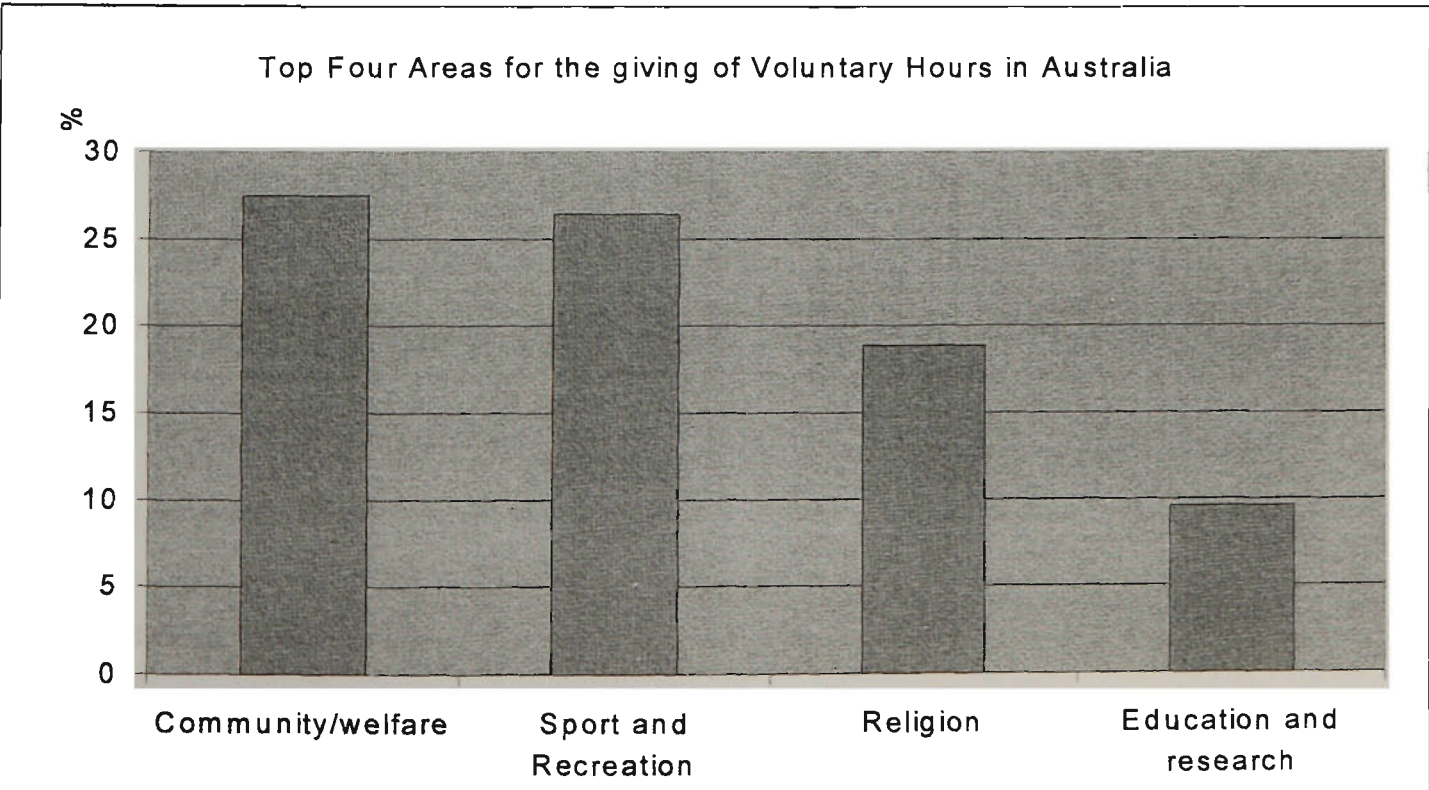
To identify trends in the size of the non-profit sector with trends in social connectedness would be another fundamental conceptual mistake. (p 71)

Putnam argues that it is the way that an organisation operates, its democratic processes, the way it involves people in voluntary activities and assists people to interact and support each other socially, that is the key to social capital formation. As identified earlier in this thesis, Lyons (1997) argues that member owned/member serving organisations can develop social

capital in the way that they are governed. His argument is that it is the democratic processes of selection of Directors and the voluntary contribution to governance of such organisations that provides the fertile ground for social capital formation. As defined in the previous section the organisations that are the subject of this study are member owned/member serving organisations.

Putnam (1995) and Fukuyama (2000) identify voluntary contribution as a key indicator of social capital. Sport and recreation attracts a significant amount of volunteer contribution. The chart below ranks the four highest areas of activity in relations to hours volunteered. The figures were compiled by the Australian Bureau of Statistics and indicate that 26.4% of all hours volunteered in Australia are in sport and recreation. Unfortunately, the amount of this volunteer contribution provided as volunteer board members is not identified, but it can reasonably be assumed it is significant.

**Chart 1**  
**Giving of Voluntary Hours in Australia**



Inglis (1997) and Slack and Hinings (1987) reflect research in Canada that has examined both the operations of sport and recreation organisations and the relation with the social benefits of sport and recreation. These studies are discussed below.

Inglis (1997) examined the role of the Board in amateur sport organisations. Her work concentrated on the 'the role of policy volunteers' who typically bring years of sport experience to the board table and the role of professional staff. This study included 235 respondents of whom 31 were executive directors while the remainder of the sample was volunteer board presidents or members. The study

offers initial findings that advance the understanding of the roles of mission, planning executive director community relations and policy that are associated with the governance of amateur sporting governance.' (p172)

The study does not touch on aspects of the democratic governance of the organisations, the role of boards in representation and communication and hence their contribution to social capital.

Slack and Hinings (1987) sought to establish a conceptual framework for analysing the impact of 'government initiated planning systems' on the operations of sport organisations. The study forms the conclusion that there are a number of factors that affect organisations apart from government intervention. These are:

- the operating environment;

- the tasks the organisation undertakes and how it uses technology;
- organisational scale;
- available resources; and
- organisational age.

The study touches on the themes that are the primary purpose of this thesis but do not provide an analysis of governance or its impact on social capital formation.

In concluding this chapter it can be seen that:

- non-profit organisations play significant economic and social roles within society;
- not all non-profit organisations make social contributions in the way that they are governed;
- given the nature of their operations and governance, sport and recreation organisations can contribute to social capital formation through the manner in which they are governed.

### **3.3 Defining Social Capital**

The term social capital came into use during the 1990s. The definition of the term is largely attributed to the work of Robert Putnam (1993, 1995) but the essential characteristics of social capital have been known for some time. As Fukuyama (1999:19) indicates ‘the term social capital was brought into wider use by the sociologist James Coleman and the political

scientist Robert Putnam...' but 'Perhaps the most important theorist of social capital was someone who never used the term but who understood its importance with great clarity:... Alexis de Tocqueville.'

Given Fukuyama's commentary on the historical notion of the development of the term social capital this paper will explore other terms that may be encompassed within a definition of social capital. Cohen and Rogers (1995:9) adopted the term 'associative democracy'. They state:

deliberative politics of association can harness group contributions to democratic order. By altering the terms conditions and public status of groups, we believe, it can improve economic performance and government efficiency and advance egalitarian – democratic norms of popular sovereignty, political equality, distributive equity and civic consciousness. This deliberative politics of association and the view of contemporary democratic governance that it embraces as essential to such governance we call 'associative democracy'.

The Hillary Commission (1998) when discussing the social impact of sport adopts the term 'social cohesion' and states:

For our working definition, we see two main parts to social cohesion. The first relates to the social ties between individuals and groups the second of sharing social agreements.

More specifically as a working definition at this stage, we have interpreted social cohesion as reflected in:

- the strength of a shared sense of community and national identity
- the strength of community organisational structures
- the ease of integration of immigrants or disadvantaged groups
- the quality of intergroup relations
- the strength of bonds within family groups
- the ability of families to support and encourage societal values
- positive individual development. (pp 7&8)

In the Australian context, the release of Putnam's work on social capital stimulated works in related areas and developed social capital related terms. Two such works are *The Truly Civic*



*Society* (Cox 1995) and *Civic Capitalism: An Australian Agenda for Institutional Renewal* (Greiner 1995). Both of these works aim to ‘extend the social capital concept.’ (Cox 1995:21) Cox describes a ‘civil society’ as one that ‘ involves social connections with political life. Politics must combine the valuing of difference, intertwined rights and responsibilities and collective and democratic involvement in decisions, which affect us.’ Greiner in defining ‘civic capitalism’ states that:

This is a term, which refers to a nest of institutions and attributes. The institutions are those found in the interdependent systems of free markets, a free and open culture and a free polity. The attributes include a belief in the subjectivity of individuals practical intelligence and an acceptance of our instinct for social solidarity and voluntary association. (Greiner 1995:3)

A consideration of the above social capital related definitions suggests that there is no single clear definition of social capital. While most definitions are derived from the work of Coleman and Putnam, different interpretations exist. The World Bank provides a definition of social capital on its web site. In posing the question ‘What is Social Capital?’ it states:

Social capital refers to the institutions, relationship and norms that shape the quality and quantity of a societies social interactions. Increasing evidence shows that social cohesion is critical for societies to prosper economically and for development to be sustainable. Social capital is not just the sum of the institutions that which underpin a society –it is the glue that holds them together. (World Bank 2000:1)

The site goes on to discuss ‘vertical and horizontal associations’ and an ‘enabling social and political environment’ and the importance of these factors in social capital development.

Cox (1995) identifies social capital alongside other accepted benefits in society and provides an analysis that places society’s store of wealth in four categories. These categories are:

- Financial Capital – which in essence is the financial system;
- Physical Capital – which is building, civil infrastructure and the quality of the environment;

- Human Capital – which relates to the society’s provision of education and training and the generation of knowledge and skills; and
- Social Capital – which is ‘ the process between people which establish networks, norms and social trust and facilitate co-ordination and co-operation for mutual benefit.’ (Cox 1995:15.)

Other definitional discussions of social capital exist. In particular, the Centre for Community Organisations and Management (CACOM) at the University of Technology Sydney, has examined the concept closely in the Australian context (see Onyx 1996, Lyons 1997, Bullen and Onyx 1998). Generally, CACOM accepts that social capital ‘originates with people forming social connections and networks based on principles of trust, mutual reciprocity and norms of action.’ (Bullen and Onyx 1998:2)

Despite there being significant recent discussion of social capital it is not inappropriate to conclude that there exists more a concept of social capital rather than a definition. Fukuyama (1999:20) provides some reason for this where he states:

Neither sociologists nor economists have been happy with the spreading use of the term social capital, the former because they see it as part of the broader conquest of the social sciences by economics and the latter because they regard it as a nebulous concept that is difficult, if not impossible to measure’

Even though there is this lack of definitional clarity, the concept of social capital has gained general acceptance to the extent that the Australian Labor Party Policy for the Victorian Government state that it ‘will place a high priority on developing Victoria’s social capital’ (Australian Labor Party 2000 p1) Internationally, the term has become associated with ‘Third Way’ (Giddens 2000) politics. This link will be discussed later in this chapter.

In concluding this section it can be seen from the literature:

- Recognition that there are significant benefits flowing from voluntary association has existed for more than a century.
- The concept of social capital and that societies have a stock of values, trust, and mutual reciprocity essential for and derived from voluntary association has emerged more recently.
- There is a general recognition that non-profit organisations play an important role in social capital formation and that local, voluntary non-profit organisations such as sports clubs play a pre-eminent role in social capital formation.

### **3.4 Non-profit Organisation Governance**

Earlier in the thesis it was shown that non-profit organisations play an important role in society both in terms of economic contribution and, in many cases, achieving important social outcomes. Integral to this is the organisation's governance, for non-profit organisations 'cannot achieve their important goals unless they are well governed.' (Slesinger 1995:1) This section examines both the theoretical and practical analyses of non-profit organisation governance and how this applies to the governance of non-profit sporting organisations.

In examining governance in non-profit organisations this section of the thesis will first examine general definitions and concepts of governance before moving to a discussion of corporate governance and non-profit organisation governance. The Shorter Oxford Dictionary defines governance as:

- 1: the action or manner of governing; and
- 2: the office function of power of governing

Traditionally this definition has been applied to governments. The World Bank definition of governance reflects this traditional application to governments. The World Bank states on its website that:

We define governance as the traditions and institutions by which authority in a country is exercised for the common good. (World Bank 2000a:1)

Such defining of governance is obviously very narrow. In contrast, Greer and Hoggett (1997:214-215) observe 'that the term governance has been defined in at least six different ways' and go on to 'adopt a notion of corporate governance... focusing on the way in which organisations - both public and private (including non-profit private organisations) - are directed and controlled.' (p.215)

Greer and Hoggett's (1997) paper *Patterns of governance in local spending bodies* examines specifically the governance of government funded non-profit organisations in the community, health and education sectors. In discussing corporate governance they state that:

Corporate governance is concerned with giving overall direction to the enterprise, ensuring the internal accountability of management to the board, and with meeting the requirements of external accountability and regulation. (p215)

In defining organisational governance for sport and recreation organisations the definition adopted by Sport and Recreation Victoria (1999:12) is:

Organisational Governance describes the arrangements an organisation calls on to plan, direct and control its long term development and day to day operations. It refers primarily to:

- The role and performance of the Board or Management Committee
- The role of the Chief Executive Officer (CEO)/Executive Director (ED)
- The relationship between the Board and the CEO/ED
- The system and procedures in place to deal with the key dimensions of the organisation's operations, including especially long-term and operational planning risk management, financial planning and budgeting and human resource management.
- The formal written documentation – constitution rules – that provide the formal framework for organisational governance.

The term 'corporate governance' and 'organisation governance' have been adopted widely for discussion of issues of governance in the non-profit area. Arts Victoria (1998) and MS Society (1998) both adopt the term corporate governance, while organisation governance is used as an alternative by others (Auld 1997, Sport and Recreation Victoria 1999). The Industry Commission on the other hand simply uses the term 'governance' for its *Inquiry Into Charitable Organisations* (Industry Commission 1995). All these terms, for the purpose of this thesis, can be assumed to be synonymous, even though it must be acknowledged that different theorists tend to use differing terminology to distinguish between for-profit and non-profit governance. In adopting a single definition for corporate/organisational governance, it is not suggested that issues of governance are the same in the profit and non-profit areas or the same from one sector of non-profit activity to another, but to reflect that in the literature there is a convergence of thinking around issues of governance. This, in itself, may reflect that the full scope of the issues related to governance are yet to be fully explored.

Interest in issues of corporate governance have emerged lately as matters of importance in both the for-profit and non-profit organisations. Although consideration of corporate governance 'may be dated back to when incorporation with limited liability became available in the nineteenth century, with the need for legislation and regulation (Vinten 1998:419).'

Vinten (1998) reviewed various writings on corporate governance. His discussion examined reports and academic writings in the UK, USA, Canada, South Africa and Japan. His paper considers major government reports such as that provided by the Cadbury Commission in the UK and the Treadway Commission in the USA as well as journal articles from the selected countries. Vinten (1998:419) identifies 'six contemporary developments' that have increased

the awareness of issues of corporate governance. Of these developments two are particularly germane to this thesis. The first of these developments is:

...the redistribution of task between the public and private sectors and between the public and charitable sector of the economy requires the full public confidence in the way companies are run.... This has led to corporate governance concepts entering into both the corporate and charitable sectors as all sectors of the economy appear to be in fluid interaction and mutual dependence.

This driver of governance reform is a key focus of this thesis and will be discussed in detail in the next section.

The second of these developments is that 'abuse and fraud have led to a greater awareness of the inadequacies of governance, and demand for reform....' The importance of this driver for governance reform, in the Australian context, has been reinforced by Francis (2000) in his book *Corporate Governance and Ethics* where he states:

The pressure to have corporate governance was, however, impelled by the corporate greed of the 1980s. (p10)

While a general perception may be that abuse and fraud is an issue in the corporate sector and not in the non-profit sector, examples of poor governance related fraud have been identified in the non-profit arena. In particular the National Safety Council of Australia (Moore 1998:13 and Australian Institute of Company Directors 1999:17) has been identified as an example of fraud, poor governance and its consequences in the non-profit sector. Similarly, there have recently been questions raised in the media in regard to abuse of position and perceived conflict of interest by directors of the Australian Football League. In the case of the AFL this is despite the fact that governance reform in the AFL has been considered a best practice model of governance reform in sport. (Sport and Recreation Victoria 1999:28)

As stated earlier the adoption of a single definition of governance does not imply a single approach to governance or a single application of governance principles. The operational context of an organisation is also a major consideration. The Organisation for Economic Co-operation and Development in developing its Principles Corporate Governance recognises the contextual element to understanding corporate governance and states: 'Corporate governance is affected by the relationships among participants in the governance system' and 'Therefore there is no single model of good corporate governance.' (OECD 1999:3)

Carver (1997:2-5) makes a clear distinction between governance in for-profit and non-profit organisations. He states: 'The relevant variable that separates the governance of most public and non-profit enterprises from most profit organisations is the automatic market test of product worth.' (p6) Based on this summation he concludes that it is then the added task of the non-profit board to accept the 'additional burden' of creating some form of surrogate market test. Carver justifies this position by stating that 'Any reasonable definition of productive excellence must relate chiefly to whether a good or service is worth the full economic cost of its production.'

This simple economic distinction is widely accepted. The OECD (1999:2) states that 'Corporate governance is only part of the larger economic context.' The acceptance of a single economic distinction between purpose of the for-profit and non-profit board is evident in the easy transfer of governance theory and practice from the for-profit sector to the non-

profit sector. The Australian Institute of Company Directors (1999:4) when referring to governance structures for non-profit organisations state:

There are three elements of a governance structure:

- members(usually called shareholders in a private or public company) of an organisation - the primary beneficiaries of the services provided – who elect or appoint the directors to the board;
- directors, who are appointed by the members to govern the organisation on their behalf; and
- managers, who are appointed by the board to manage the affairs of the organisation on a day to day basis. (1999 p4)

Moore (1998:11) states that ‘Non-profits, generally, have widely different stakeholders (including parties without a financial interest, eg members and volunteers) from corporations, but there is essentially no difference in corporate governance principles from these types of organisations.’ Arts Victoria (1998:3) in its governance manual for arts organisations demonstrates a transfer of for-profit governance principles to the non-profit sector where it states;

In recent years, the governance of organisations, both large and small, companies, government bodies and not-for-profit has become a major focus....Governance can be defined as the system or process by which entities are directed and controlled to achieve maximum value for major stakeholders.

However Lyons (1997:9) argues, there is a further more complex distinction between the governance of a for-profit and that of a non-profit organisation. The distinction being that some non-profit organisations can ‘operate in the civil society paradigm (and) try and build social capital in the very way they are governed.’ If this argument is accepted then the commonly accepted definitions and concepts of governance generated in the for-profit arena



are too narrowly focussed on matters of financial and commercial probity to truly reflect the broad range of economic and social outcomes stemming from the non-profit sector.

It should be noted that the definition and application of the concept of governance is being questioned even in relation to profit orientated organisations. Francis (2000) has examined the ethical dimensions of governance and, while his examination is based in commercial probity, his consideration of the ethical dimension extends existing concepts of corporate governance. Tomasic (2000:1) also identified limitations in the apparent general application of popular governance concepts. He argues:

That the concept of corporate governance is not a precise one and its meaning is affected by cultural values...(therefore) it is necessary to look at corporate governance situationally, rather than abstractly.

Tomasic (2000:1-2) goes on to argue that 'corporate governance has moved beyond' 'accurate financial reports,' arguments about separation of ownership and control' and 'beyond a narrow legalism,' 'to encompass a multi layered set of considerations emerging out of the life of the modern corporation.' The argument that is being put by Tomasic concerns the cultural differences between countries and how this may mitigate against the global application of corporate governance principles. This thesis argues that similar cultural differences exist between for-profit and non-profit organisations and between the different governance structures that exist in the non-profit sector. Therefore a situational approach needs to be taken in considering the application of governance principles and practices across these organisations.

In summary, it can be seen from the above discussion that concern with issues of corporate governance have emerged mainly in the 1980s. With two of the major drivers of this increased interest being government contracting and lack of trust in the operations of for-

profit and to a lesser extent non-profit organisations due to fraud and abuse (Vinten 1998). Initially governance theory dealt with narrow legal definitions of incorporation, the extent of director liability, the proper presentation of the organisations financial position and meeting government expectations of accountability and probity as specified in contracts. This has lead to broadly accepted definitions of corporate governance that have been applied similarly in the for-profit and non-profit sectors. Also general concepts and principles of governance that are intended for very wide ranging application have been promulgated.

As Tomasic (2000) identified, consideration of governance is moving beyond these narrow definitions. Issues of culture (Tomasic 2000), of ethics (Francis 2000) and of social capital formation (Putnam 1995 and Lyons 1997) are affecting the understanding of the function of governance not only on the individual organisation but also on the community in which the organisation operates.

Given this there is scope to examine more closely definitions and concepts of governance and how they may be applied to different areas of non-profit operation.

### **3.5 Government contracting and the impact of non-profit organisations**

As Vinten (1998:419) has indicated one of the major drivers of the emergence of corporate governance as an issue has been ‘the redistribution of tasks between the public and private sector.’ This redistribution of tasks is part of a wide ranging public sector reform process that has been in process for many years. This ‘model of reform... has been described variously as New Public Management (NPM), corporate management and managerialism (Considine 1996:78).’ In discussing the application of New Public Sector Management in the Victorian

context Armstrong utilises 'Pollit's eight elements of NPM reforms (Armstrong 1998:12).'

One of these eight elements of NPM is 'Introducing market and quasi – market type mechanisms (Armstrong 1998:13)'. It is this element of public sector reform that is most relevant to this thesis as governments and non-profit organisations are significantly engaged in the delivery of services in the same markets. As Lyons (1996:1) observes: 'Non-profit organisations are the dominant form of organisations in four industries: social services, sport and recreation, interest groups (trade and professional associations and advocacy organisations) and of course religious institutions.' Of these industries, the ones in which both governments and non-profit organisations are most prevalent are social services and sport and recreation.

In analysing the introduction of quasi market reforms associated with the NPM reforms in Victoria Armstrong (1998:18) states that one action was to 'introduce competition (contestability) to the government sector.' Contracting is one of the major tools by which contestability is introduced. Domberger and Hall (1995) in their major study of contracting in Australia state that contracting 'is primarily about the introduction of competition, or more precisely, contestability into the provision of public funded services (Domberger and Hall 1995:1).'

There has been much written about contracting, its benefits and disadvantages and its introduction and management. While these aspects of public sector reform are important, the aspects of contracting most relevant to this thesis are how has the introduction of contestability for government funded services affected the operational context for non-profit organisations, their governance and ability to contribute to social capital formation. In considering the impact of these reforms the thesis will first consider their extent particularly

in the industries where government and non-profit organisations are most prevalent, that is social services and sport and recreation.

The majority of work in this area has taken place in the social services industry. Despite the main focus of this thesis being sport and recreation the thesis will include a consideration of the impact on non-profit organisations due mainly to the paucity of data in relation to sport and recreation.

In her study of the procurement of public services in the health sector Smyth (1998) summarises well the extent of contracting. She states

The use of contracting in the use of public services is now well established in the UK and the USA and central to the notion of the reinvention of government being pursued by many governments today. A central tenet of this approach is to require the providers of most if not all, public services to be chosen by competitive tendering (Smyth 1998:215).

In the Australian context Victoria has been seen as a state that has significantly embraced contracting. Alford and O'Neil (1995) examined the major contracting reforms implemented in Victoria by the Kennett Government. Ernst (1999) Paice (1999) and George (1999) have all provided critiques of contracting and related reforms implemented in Victoria.

The critical question for this thesis is the extent that these reforms have impacted on non-profit organisations, their governance and management practices and on their ability to contribute to social capital formation. Once again the majority of literature relates to non-profit organisations in the area of community services. Smith and Lipsky (1993:96) state unambiguously that: 'Contracting with government to provide services has abetted significant changes in the governance of nonprofit organisations.'

Smith (1996) examined contracting of social services in New Zealand. She has examined the 'transformation of the relationship between government into one of principal and agents bound by contractual terms and a regulatory framework...(p.5).' She continues to comment that 'the new relationship, which gives government considerably greater control of that voluntary sector activity which it funds, has thrown a spotlight...upon the perennial issues of accountability and efficiency (p5).' In many ways this new relationship has led to what Anheier et al (1997:190-191) have termed 'the state dependency thesis' in which 'non-profit organisations have become private extensions of the state.' It should be noted here that Anheier et al (1997) examine several qualifications to the state dependency theory.

The stipulation of actions through contracts or service agreements is only one way in which government market/ quasi market reforms have affected non-profit organisations. Dees (1998) and Ryan (1999) have both examined the impact of competitive forces on non-profit organisation management and governance. Dees (1998) examines the need for board and management development for non-profit organisations in relation to 'commercialising' their operations but warns that 'They must understand the risks of becoming too businesslike ... (p.66).' Ryan (1999:134-135) has also observed the affects of market reforms and notes that, in the social service areas 'Non-profits now share territory with for-profits, sometimes as competitors and sometimes as collaborators.' He then goes on to ask then in this new market for social services 'Who promotes civic virtues?' In considering this question, Ryan observes that 'by providing a venue for volunteers and trustees to contribute their time in service or governance non-profits contribute to a healthy civil society and democracy.'

The interaction between government driven governance/management reform and civil society/ social capital considerations has clearly presented a conundrum for those considering the future of the non-profit sector. Stewart-Weeks (1999) articulates the conundrum very well when he states:

Hence my dilemma. What often happens is that I find myself arguing passionately for more modernisation in the governance and management of not-for-profit social enterprises. But I also believe we need more not-for-profit organisations out there churning over stocks of social capital – using it, building it, making it work.(p57)

In terms of Government reform this dilemma can be seen in Kettl's (2000) international review of government reform. Kettl (2000) found that while it can be argued that there have been benefits in cost savings and efficiency from government reforms, 'confidence in political institutions declined during the 1990s.' (p56). Findings similar to those of Kettl have driven a further set of reforms that have been advocated by the New Democrats in the USA and the Third Way in Europe particularly the UK (see Giddens 2000 and Scanlon 2000).

Third way politics is based on the premise 'that a strong civil society is necessary both for effective democratic government and for a well functioning market system' (Giddens 2000:29) Both Giddens (pp. 78–83) and Scanlon (pp. 70–73) discuss the important role that social capital and the voluntary networks that are the essence of social capital formation play in the Third way political paradigm. Third way politics sees a clear government role in the fostering of social capital in response to both globalisation and the new knowledge economy.

As Scanlon states

Conceived of in terms of a network of social capital, the Third way account of community seems to offer a model of the social that reconciles otherwise incompatible forms of life and to offer a new approach to government that ordinarily would beset with contradictions. (Scanlon 2000:72)

For Scanlon this reconciliation is between 'market community and polity (p.73).' Giddens (2000) similarly argues that

the three key areas of power – government, the economy and the communities of civil society – all need to be constrained in the interests of social solidarity and social justice. A democratic order as well as an effective market economy depends upon a flourishing civil society. The civil society in turn needs to be limited by the other two. (p.51)

There has been much written about the emergence of Third way politics but for the purposes of this thesis, it is sufficient to note that in practice Third way politics continues the practice of market mechanisms, in particular contestability and the related contracting of services. Under Third way policies, though, the use of market has been constrained so as to 'promote the social environmental and economic wellbeing' (Passey 2000:9) of communities. In practice, in the United Kingdom and in Victoria the adoption of third way policies have seen the abolition of compulsory competitive tendering (CCT) and the institution of policies of 'Best Value' (Passey 2000 and Office of Local Government Victoria 2000). The abolition of CCT and the adoption of 'best value' policies provides possibly the clearest distinction between the new public sector management, especially those aspects stemming from 'public choice school,' (Clarke and Corbett 2000:3). and public sector management in the environment of Third way politics. Clarke and Corbett (2000 ch1) provide a description of how the Kennett Government in Victoria was strongly influenced by the public choice school particularly in terms of contracting out and privatisation.

This distinction is important for this thesis for, as Passey (2000:9) identifies, 'Best Value means more (not less) third sector involvement.' The question, then, is how well positioned are non-profit organisations to deliver the social/economic outcomes that are expected under Third way politics and has the years of contracting service regimes impacted on their ability

to go beyond management of service delivery and engage in social capital formation. Previously in the thesis it was identified that volunteer participation in society is a key indicator of social capital and the non-profit organisations play an important role in providing opportunities for voluntary contribution. Furthermore, it is member owned/ member servicing organisations such as sporting organisations that can do this through their governance practices.

The Joseph Rowntree Foundation has funded a number of studies into volunteers and voluntarism in the United Kingdom. One of these studies specifically investigated *The impact of the contract culture on volunteers* (Russell and Scott 1997). This study ‘identified important changes in the role of volunteers in service delivery agencies, which have implications for future participation and voluntary sector governance’ (Russell and Scott 1997:1). The study was based within the health and community care sector. Specific findings of the report included:

- The workload, level of responsibility and skill required of volunteers have increased significantly as a result of the development of contracts – particularly for those serving on management committees. Recruitment has become more difficult.
- The perceived need for professional skills and the formalisation of volunteers’ roles limits broad based participation.
- Contracting has precipitated small – and medium – sized organisations into a managerial culture in which voluntarism is becoming less relevant. (Russell and Scott 1997:1)



A related study funded by the Joseph Rowntree Foundation examined *Accountability in a Contracting State*. (Kumar, 1997) found contracting has led to ‘an increase in the bureaucratisation of the voluntary sector.’ (Kumar 1997:6). Smith and Lipsky (1993:97) had reached a similar conclusion in their investigation of non-profit governance and stated ‘under a contracting system nonprofits do seek public support and conform their governance in order to be in a better position to do so’

In relation to sporting organisations there has been little research into the impact of government reforms, particularly contracting, on their management and governance. Auld (1997) provides one significant piece of work. Auld’s work examined the impact that the growing prevalence of professional managers within National Sporting Organisations was having on decision making processes. He noted from the literature that commercial and professional processes and ‘state intervention’ (Auld 1997 p5) impacted on organisations’ decision making. Auld’s (1997:38) work has ‘suggested that volunteers are becoming marginalised from the core organisational decision areas to the periphery. Such a process may have long term implications for volunteer recruitment and retention.’ He concludes that ‘much work needs to be done to enhance our understanding of the impact of professionals on voluntary sporting organisations (p39).’ Given the link drawn with ‘state intervention’ and professionalisation in his work it is reasonable to argue that the same need for research is required in relation to state intervention.

In concluding this section of the thesis it can be seen from the literature that the government reform process and, in particular, reforms related to contestability and contracting, have had an effect on non-profit organisation governance. There appears to be an acceptance that the affect has been largely positive on aspects related to corporate governance. However, in

regard to another aspect of non-profit organisation governance, the formation of social capital, the impact on volunteers would indicate that the impact of government contracting reforms may not have been so positive in this area.

## 4 Statement of the Problem

From the literature it can be seen that there has been the emergence and convergence of a number of new theoretical concepts in recent years. From the late 1980s onwards the concept of corporate governance has developed and expanded from considerations in the for-profit arena to provoking significant discussion and research into how board and committees of management in the non-profit area should operate. This development has seen a significant revaluation of the work of non-profit boards, Taylor et al (1996:36) have described this as 'the new work of the nonprofit board.' From the literature it can be seen that this new work has called on non-profit boards to adopt new practices in the way they operate and there is an associated expectation that board members will be more skilful in undertaking their governance role. Some commentators have linked the growing awareness of issues related to corporate governance with the government reform process.

In the mid 1990's the concept of social capital has been given a more clear definition and accepted as an important part of a vibrant and strong society. There is much discussion among commentators as to how social capital can be measured and how it can be promoted. While there is much divergence in this discussion commentators appear to agree on two aspects:

- Social capital is in decline in major industrialised countries, and
- Voluntary contribution is an important component of social capital, especially voluntary contribution that engages people in aspects of local governance particularly being engaged in non-profit boards and committees of management.

The role of government in social capital formation is a matter of significant debate amongst those commentating on matters related to social capital. For the purpose of this thesis though it can be identified that, at a minimum, there is recognition of a role for governments in ensuring that there is an 'enabling social and political environment' (World Bank Group 2000:1) that allows and encourages social capital formation.

The Government reform process through the 1980s and 1990s, especially those aspects that have emerged from the 'public choice school', has to a large degree embraced the primacy of markets and extended the notion of markets to areas where markets are not natural such as education, community services and the areas of interest for this thesis, sport and recreation. The introduction of quasi-market mechanisms in these areas has seen the promotion of contestability in the distribution of government funds and contracting as the mechanism for managing grant provision and service management. More recently there has been a questioning of the primacy of markets and a growing recognition that social aspects also need to be considered. In the corporate world this is reflected in the growing acceptance of the concept of triple bottom line accounting; in the governmental sense there has been the emergence of Thirdway political theories.

The purpose of the study that is undertaken for this thesis, therefore, is to ascertain whether government contracting reforms have had the same impact on organisational governance in sport and recreation organisations as has been noted in the area of community services. That is, ascertaining whether sporting organisations are satisfied with their performance in aspects of corporate governance such as board procedures, policy development, financial management, strategic planning and stakeholder relations and, in addition, in areas of social interest such as recruitment and retention of volunteers, member communication and

democratic member involvement in the organisation both at the board level and in sub committees.

5 Theoretical Framework

The study will test the level of satisfaction with a new concept of non-profit organisation governance. The concept brings together key aspects of traditional corporate governance that are applicable to the non-profit sector and organisational governance attributes, which would foster social capital formation. This new concept of governance is termed: *An enabling governance for social capital formation*. (See Figure 1)

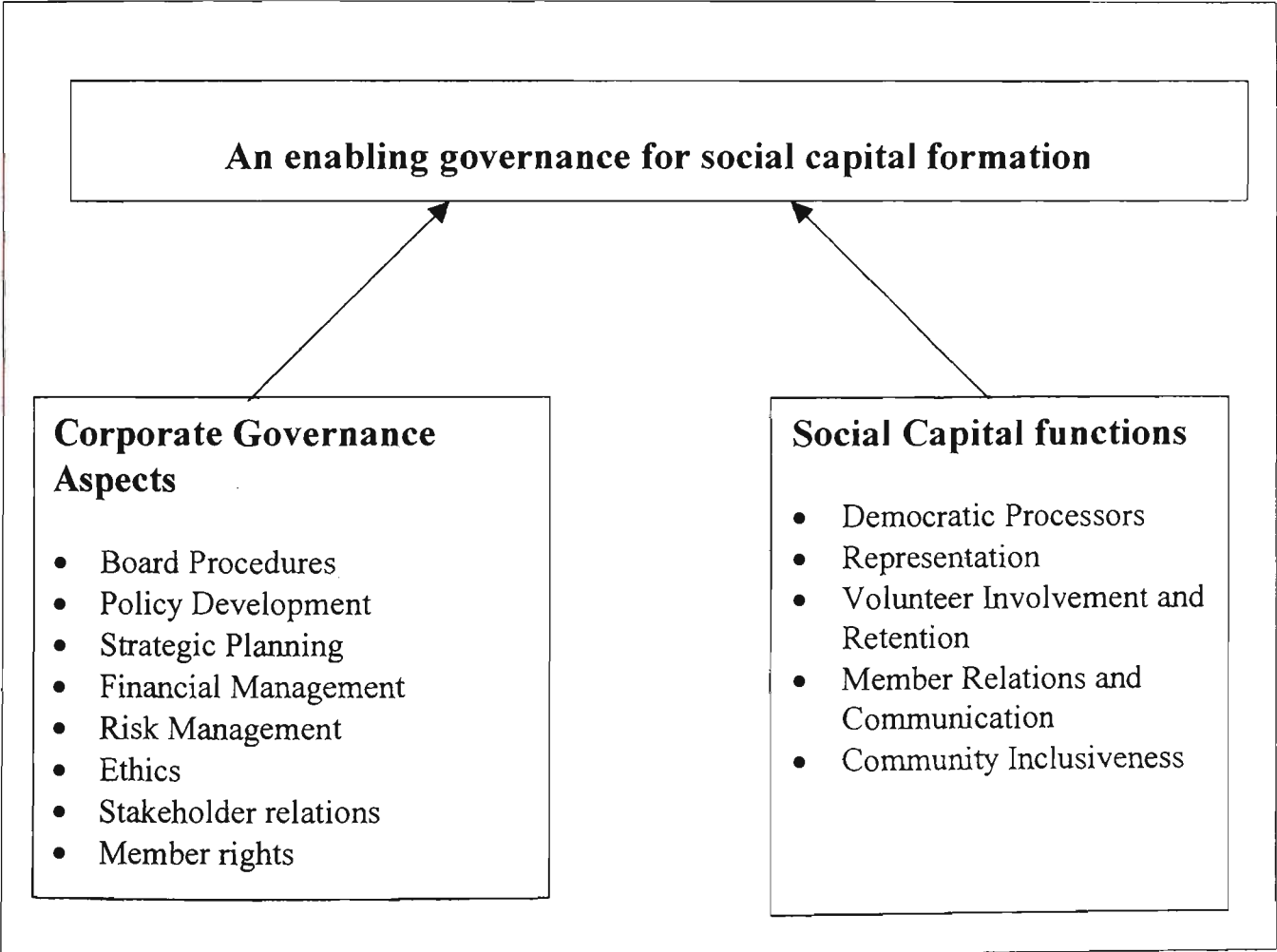


Figure 1 An enabling governance for social capital formation

This concept of organisational governance incorporates the common aspects of corporate governance that apply to business function policy development and strategic planning. It also

incorporates the application of ethical practice as identified by Francis (2000) and stakeholder considerations as discussed in the OECD Principles of Corporate Governance (1999). The concept does not include the rights of shareholders as a key element of the concept is the recognition of the difference between shareholders and members and it is the treatment of members in the governance process that is key to an organisation providing a platform for social capital formation.

The social capital aspects of this concept include the key elements of ‘associative democracy’ as discussed by Cohen and Rogers (1995). These elements are democratic processes and representation. Volunteer involvement and retention and the relationship between members and board and between members were identified by Putnam (1995) as key elements of the role of clubs and associations in contributing to social capital formation. Both Cox (1995) and Fukuyama (2000) point out that having member owned/ servicing organisations does not necessarily mean that social capital will be formed. They point out that clubs and membership can be used to build exclusiveness and can form around undesirable purposes such as racism or extreme nationalism. For this reason community inclusiveness is included in this concept of governance. Community inclusiveness, means that any person in the community in which the club operates is able to join the club or association and consequently any member is then able to take part in the governance functions of the organisation. This part of the concept will require a level of situational interpretation as many clubs and associations have differing classes of memberships that afford different rights and this may or may not impact on the organisation’s ability to provide a platform for social capital formation. For example, a sporting club that places a nominal membership fee on junior membership and withholds voting rights would not be undermining its ability to contribute to social capital formation. A sporting club that determined, for example, that women could

only have a class of membership that afforded less than full rights would not be operating in a mode that maximised social capital formation. In terms of inclusiveness organisations are required to comply with both national and state human rights and equal opportunity legislation. For the purpose of this thesis it is assumed that all organisations comply with legislative requirements.

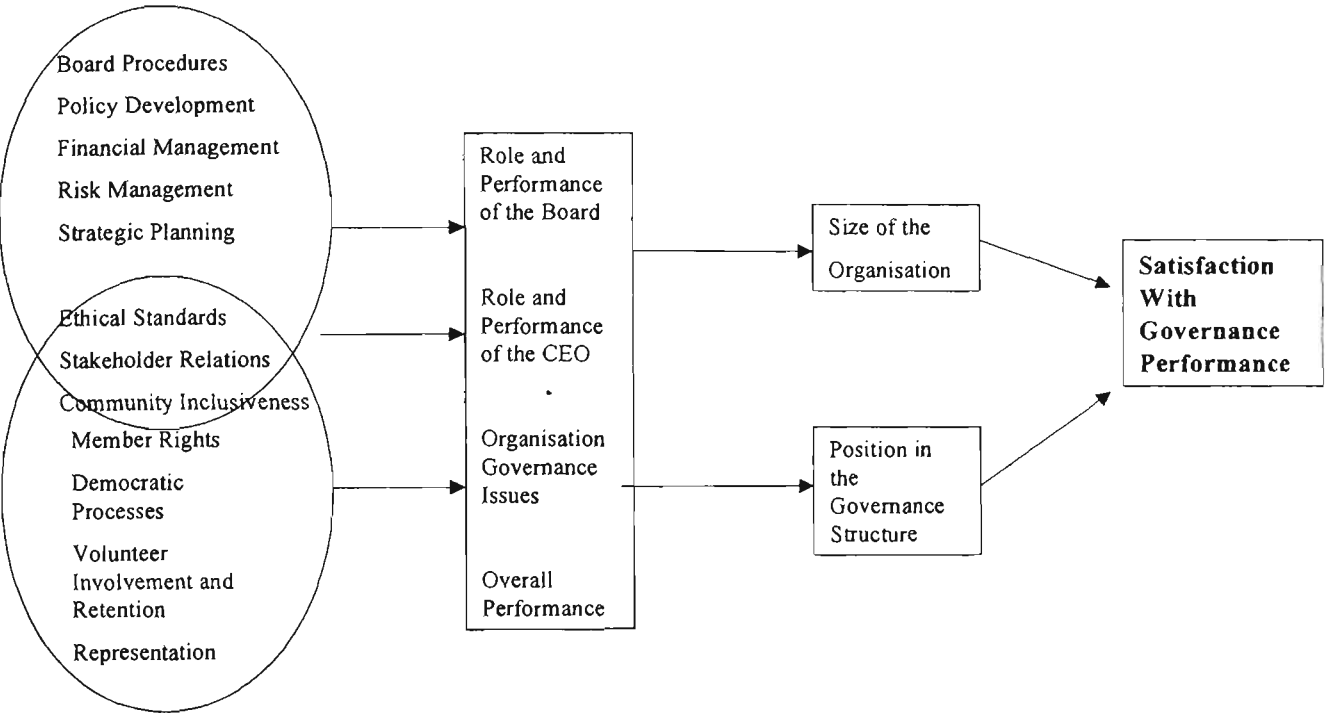
The research design aims to test, within organisations, the level of satisfaction with governance practices that enable the delivery of better services and support social capital formation. Figure 2 is a schematic design of the theoretical framework for the analysis of the level of satisfaction with governance practices that enable social capital formation.

The achievement of desirable standards of “traditional areas of corporate governance” and “social capital functions of governance” are reflected in the key measure: the performance of the board and CEO/ED, organisation governance issues and overall performance. These may be moderated by the size of the organisation and the position of the respondent on the board, ie as Chair, CEO or a non executive director. The measurement of performance is through the satisfaction of board members with performance.



**Theoretical Framework for assessing satisfaction with performance against an enabling governance for social capital formation**

**Traditional Areas of Corporate Governance**



**Social Capital Functions of Governance**

**Figure 2 Theoretical Framework**

## 6 Research Questions and Hypothesis

The research questions addressed in this study are:

- 1 Is the level of satisfaction with governance performance of sporting organisations sufficient to assure governments that these organisations are capable of supporting government's dual aims of providing better services and building social capital?
- 2 Are there specific areas where government should concentrate its support for organisations aimed at improving governance practices?

Auld (1997) and Inglis (1997) suggest a difference in perceptions between the professional staff and voluntary board members but do not distinguish between voluntary board members by the position they hold on the Board. Industry Commission (1995) examines differences in operations according to size that suggests that management and governance practices vary subject to this variable.

The Hypotheses of the study were:

- H 1 The level of individual satisfaction with governance performance varies according to the position the person holds in the governance structure.
- H2 The level of organisational satisfaction with organisation performance varies according to the size of the organisation.

## **7 Research Design**

The study was primarily designed to obtain information in regard to the level of satisfaction with management and governance issues within sport and recreation organisations in Victoria. The study also examined the affect of the independent variables of size of the organisations and position in the governance structure on the dependant variable level of satisfaction.

This was a field study as it examined the perceptions of board members in regard to the operation of their boards. Variables were neither controlled nor manipulated and no artificial setting was created during the time of the survey.

The data for this study was collected over a four week timeframe. The researcher had not undertaken any previous research work on these organisations. The study was sponsored by Sport and Recreation Victoria (SRV) one of two state government agencies that provide funding to sport and recreation organisations. Respondents were informed that the research would be used to shape government education and training support for these organisations.

As the researcher's aim was to determine the level of satisfaction with each organisations board performance the unit of analysis was the organisation.

## **8 Research Methodology**

The methodology used in the study included:

- Gaining support from SRV and VicSport (the peak sporting body in Victoria) for the study;
- Literature search using library and on line facilities;
- Pilot testing the questionnaire with VicSport, Tennis Victoria, and staff from SRV; and
- A survey of individuals who held the positions of chair, chief executive officer and non executive board member in 115 sport and recreation organisations.

### **8.1 Population and Sample**

The study was a total population survey of all sport and recreations organisations that were funded by SRV in 1999 and whose conditions of funding was governed by a funding and service agreement. The population was 115 organisations. (A list of the organisations a included at appendix 1) These organisations can be categorised into four types:

- State Sporting Associations (n=91)
- Regional Sports Assemblies (n=11)
- Peak Sport and Recreation Organisations (n=9)
- Disability Sport Organisations (n=4).

In terms of individual respondents the total population of organisation Chairs and CEOs were included in the study. The inclusion of one non-executive board member from each organisation in the survey provided a representative sample of the views of individuals who

hold those positions. The primary unit of analysis for the study was the organisation, the use of a sample of non-executive board members did not undermine the status of the study as a population survey. Conversely, where the unit of analysis is the individual respondent the study is a sample survey.

The decision to distribute the questionnaire to the Board Chair and a non executive board member, who usually serve in a voluntary capacity, and the Executive Director, who is usually a paid professional, was to encompass the growing *Professionalism of Australian Sport Administration* (Auld 1997) and the 'dual leadership' that exist in boards 'between board volunteers and executive director' (Inglis 1997 p160).

As three questionnaires were distributed to each organisation, a total of 345 questionnaires were distributed. The study incorporated the entire population for SRV's funding programs.

## **8.2 Data Collection Methods**

Data were collected by means of a self administered questionnaire (see Appendix 2) distributed by mail to each organisation. Each questionnaire was accompanied by a covering letter that set out the purpose of the study and assured respondents of confidentiality (Appendix 3). To track respondents while preserving confidentiality, a separate return form was provided to be returned separately from the questionnaire. All surveys were posted to the registered mailing address of the organisation. The CEO of each organisation was asked to select the non executive member of the board to be included in the study and forward the survey directly to that person. All surveys were packaged in separate sealed envelopes and sent as a bundle to the organisations involved in the study.

A four week time from was allowed from the posting of surveys to the closing date for returns. Reply paid envelopes were provided for all responses.

### **8.3 Design of the Questionnaire**

The questionnaire design was based on:

- issues relating to organisational governance that were examined in the literature review;
- a self assessment questionnaire previously used in a small study of six organisations undertaken by Sport and Recreation Victoria (SRV 1999),
- a widely used ‘Self Assessment (Tool) for Non-profit Governing Boards’ (Slesinger 1995); and
- the ‘Board Self-evaluation Scorecard’ (Arts Victoria 1998: Appendix XI) used by Arts Victoria in its governance project.

To allow maximum comparability with the study previously undertaken by SRV (SRV 1999) the questionnaire used for this study was used as the basis for the questionnaire design. This questionnaire did not satisfactorily address all variables included in the concept of an enabling governance for social capital formation incorporated in the theoretical framework for this study. The variables not appropriately addressed were:

- Ethical standards;
- Stakeholder relations;
- Member rights and representation;
- Volunteer involvement and retention;

- Representation;
- Community Inclusion.

To ensure that all variables were addressed in the questionnaire the following action was taken:

- A specific question was formulated to address whether the organisation was satisfied it had a code of ethics that specifically addresses the conflict of interest issue (Question 58). In addition to this questions relating to a number of processes were modified to test satisfaction with the openness and fairness of those processes.
- Questions relating to 'the organisation's public image' 'relationships with affiliated organisations or members' and 'relationship between the board and service volunteers' (Slesinger (1995: 19,23,24) were adapted for the survey to test satisfaction levels with variables relating to stakeholder relations, member's rights and Volunteer involvement and retention. Course materials from the Volunteer Management Program (VMP) (Australian Sports Commission 2000) were used to adapt the questions to a sporting environment.
- A possible role for sub committees in providing representation for members while acting as a mechanism for distancing sectional interests from the work of the board was discussed in the previous governance study undertaken for SRV (1999:37). Therefore questions that addressed the level of satisfaction with sub committees were formulated. (At the same time as this survey was being developed the consultant undertook the SRV study was further developing this concept and presented models of representative governance that involves the board and subcommittees (see O'Donnell, 2000).)

- No questions on community inclusiveness were developed for the survey as SRV has funded these organisations specifically to undertake projects that support and promote community inclusiveness. Furthermore, these organisations must comply with a range of anti-discrimination legislation that supports community inclusiveness. Similarly, questions in regard to democratic processes were included only to the extent that they did not test compliance with legislation, in particular, the requirements of the Victorian Associations Incorporation Act 1981.

The Survey instrument asked respondents to provide five pieces of organisational data and then rate their level of satisfaction with 61 organisational variables. The questions were grouped into five groups:

- General information about your organisation and your role – five questions;
- The role and performance of the board – 24 questions;
- The role and performance of the CEO/ED – 8 questions;
- General organisational governance issues – 17 questions;
- Overall organisational performance – 12 questions.

The questionnaire also provided for open comment in relation to perceived training needs and any other matter relating to the study. With the exception of the section on general information the sections were the same as used in the 1999 SRV study (Sport and Recreation Victoria 1999). The questions used in the 1999 study were, as best as possible, continued in this study to maintain comparability. The inclusion of questions to cover the additional variables associated with the concept of an enabling governance for social capital formation meant that where there were 37 questions posed in the 1999 study; 61 were used in this study.



The scale used was a modified five point Likert scale. Points 1 – 4 ranged from Very Dissatisfied to Very Satisfied and 5 being Not sure/Don't Know. This scale is used in *Self Assessment for Nonprofit Governing Boards* (Slesinger 1995). This scale was considered appropriate as a motivation for SRV in sponsoring the study was to promote the notion of governance self assessment within the sector. The Slesinger (1995) tool had been identified as a relatively comprehensive, easy to administer tool, that was reasonably priced and readily accessible. A significant number of questions had been adapted from this tool for this studies questionnaire. Slesinger (1995:32, 33) had modified the Likert scale to simplify tabulation of results from a board self assessment. It was hoped that familiarity with the process would encourage boards to undertake self assessment more readily.

The questionnaire was trialed with the support of the study reference group. The trial indicated that there could be some confusion with terms used in the questionnaire. A glossary of terms used in the survey was constructed using definitions developed from the literature, a Dictionary of Business Terms (Cross 1999) and from VMP course material.

#### **8.4 Data Coding and Management**

The data were entered onto a computer and analysed using Microsoft Excel and SPSS. To eliminate errors in data entry the questionnaire was designed to allow entry of data by scanning. All returns were processed by a scanning service

Section A of the questionnaire sought general information in regard to:

- the size of the organisation,
- whether the organisation was a sport organisation, a recreation organisation or both a sport and recreation organisation, and

- the respondents place in the governance structure as either Chair, non executive board member or CEO.

Sections B-E collected interval data in relation to 61 items. Each response was scored:

- very dissatisfied =1
- dissatisfied =2
- satisfied =3
- very satisfied =4
- don't know and blank responses =0

The coding allowed mean scores to be derived for each data item with these scores providing the basis for analysis.

The data was analysed by frequency, cross tabulation, Oneway ANOVA and Multiple Comparisons Oneway ANOVA. A significance level of 0.05 was accepted for the study for as Kinnear and Gray (2000:148) state this is 'Traditionally, the significance level' used to reject or accept hypotheses. Further to this, though, some variations beyond the 0.01 level were also recorded.

9      **Analysis of Respondents**

9.1    **Return Rate**

Questionnaires were sent to 115 organisation and a total of 345 questionnaires distributed to individuals in the governance structure. Table 1 provides details of the survey response rate

**Table 1 Survey Responses**

	Individual respondents	Organisations providing 1 or more responses
%of population	47.8	67.8
(n)	165	78

All questionnaires were accompanied with a return slip that allowed the tracing or organisations returns without compromising the confidentiality of the survey. Details of the respondents are provided in appendix 1. The return rate was sufficient to allow accurate analysis and draw general conclusions in regard to sport and recreation organisations for as Oppenheim (1996:195) argues ‘probably 100 respondents would suffice for most purposes...’ when using Likert type scales such as the simple satisfaction scale used in this study. Possible bias in the sample stemming from the profile of the respondents is discussed in the next section

9.2    **Profile of the Respondent Organisations**

Section A of the questionnaire sought information on the type and size of the organisation and the position held in the organisation by the respondent. Table 2 provides a profile of the respondent organisations.

**Table 2 Profile of the respondent organisations**

<b>Q. Is your sporting organisation involved in:</b>	<b>Percentage</b>	<b>Number</b>
<b>Sport</b>	<b>40</b>	<b>66</b>
<b>Recreation</b>	<b>4</b>	<b>7</b>
<b>Both</b>	<b>56</b>	<b>19</b>
<b>Total</b>	<b>100</b>	<b>164</b>

<b>Q. The number of members in your organisation is:</b>	<b>Percentage</b>	<b>Number</b>
<b>More than 10,000</b>	<b>36</b>	<b>59</b>
<b>1,000-10,000</b>	<b>22</b>	<b>36</b>
<b>100-1,000</b>	<b>11</b>	<b>18</b>
<b>less than 100</b>	<b>31</b>	<b>50</b>
<b>Total</b>	<b>100</b>	<b>163</b>

<b>Q. The turnover in finances of the organisation is:</b>	<b>Percentage</b>	<b>Number</b>
<b>More than \$1m</b>	<b>46</b>	<b>76</b>
<b>\$100,000 to \$1m</b>	<b>19</b>	<b>31</b>
<b>\$50,000 to \$100,000</b>	<b>14</b>	<b>24</b>
<b>Less than \$50,000</b>	<b>21</b>	<b>34</b>
<b>Total</b>	<b>100</b>	<b>165</b>

<b>Q. The number of staff in the organisation is :</b>	<b>Percentage</b>	<b>Number</b>
<b>More than 5</b>	<b>34</b>	<b>56</b>
<b>Less than 5</b>	<b>64</b>	<b>105</b>
<b>Blank Response</b>	<b>2</b>	<b>4</b>
	<b>100</b>	<b>165</b>

A concern with the sample after returns was the resultant bias towards large and very large organisations with 46% of all returns being from organisations with annual turnover of \$1m. An examination of the organisations that did not respond to the questionnaire indicates that these were predominantly from smaller organisations supporting sport and recreation pursuits such as trugo, darts and ice skating. Professional advice provided by SRV was that a number of these very small organisations have very little governance and management capability and their offices do not operate on a full time basis. It should be noted however that there is no data readily available to establish the financial turnover of the total population of funded sport and recreation organisations. Therefore, given the size and spread, as measured by turnover,

of the respondents it is reasonable to argue that the sample is representative of the total population of funded sport and recreation organisation.

Table 3 shows the positions within organisations held by the respondents.

**Table 3 Distribution of responses by role in the organisation**

My role in the organisation is:	Percentage	Number
Chief Executive Officer/Executive Director	29	47
Chairperson/President of the Board	31	51
Non Executive Board Member	40	65
Total	100	163

There was a more even distribution of returns from individuals in the governance structure. The high return rate from non executive board members was not expected by the researcher. This higher return rate may be explained by the fact that non executive board members are not often recipients of questionnaires on their organisations and therefore do not suffer the same survey fatigue as may do the Chair and CEO.

The analytical design tests whether the independent variables, size of the organisation and role in the organisation impact on the level of satisfaction with the organisation’s governance performance. Two questions relating to size of the organisations were included in the survey. These questions measured size by membership and size by annual turnover. Staff from SRV raised a concern that the term “member” may have been misunderstood with some organisations counting affiliated bodies as one member while others may have counted the entire membership as members in responding to the survey. Therefore annual turnover was used in analysis regarding the affect of organisation size on satisfaction levels. Annual

turnover was deemed a more reliable measure of the size of the organisation as it did not include any interpretation of affiliates.

In regard to the number of paid staff, it should be noted that only 56 of the respondent organisations employed more than five staff even though 76 of the organisations were large with annual turnovers greater than \$1million. This could indicate that even in large organisations volunteers contribute to the running of the organisation thus reducing the need for paid staff. Technological changes\* or managerial reform initiatives may also have influenced the level of staffing in these organisations but it is beyond the aim of this thesis to examine these variables.

### **9.3 Perceptions of Satisfaction**

Porter and Tanner (1998 ch:7&8) provide a detailed examination organisational self assessment frameworks that are used internationally for the purposes of accreditation, benchmarking and the awarding of “best practice” recognition, including analysis of strengths and weaknesses of self assessment. The systems generally involve a point scoring scale, which include weighting for specific areas of organisational performance and mechanisms for differential analysis. It would appear from Porter and Tanner’s analysis that a score of equivalent to 60% satisfaction with organisational performance is considered to reflect good organisational performance and the equivalent of 70% high level or “gold medal” performance.

Slesinger (1995:33) states that in regard to calculating mean scores of board satisfaction ‘if 30% of the board is not satisfied’ it ‘would be wise to focus on the issue.’

The above suggests a 70% satisfaction score would be an appropriate reference point for analysis in this study.

Therefore, for the purpose of analysing responses point mean scores were calculated for each item of data collected and for the four data groups and converted to percentages. This process allowed direct comparison of responses with the 70% reference point adopted for this study.

10     Analysis

This section of the thesis presents the results of analysis of:

- Aggregate satisfaction with governance performance
- Governance practices that received the highest satisfaction ratings.
- Perceptions of governance performance by CEOs Chairs and non executive Board members.
- Variation in the level of satisfaction according to the size of the organisation.
- Governance practices that received the lowest satisfaction ratings.

10.1     Aggregate satisfaction with governance performance

The analysis of the data showed little dissatisfaction amongst organisations with their boards governance performance. Table 4 provides the mean percentage scores for each of the four groupings used in the questionnaire for all respondents.

**Table 4 Mean level of satisfaction with key governance measures**

Satisfaction With Key Measures Percentage	
The Role and Performance of the Board	70%
The Role and Performance of the CEO/ED	74%
General Organisational Governance Issues	73%
Overall Organisational Performance	72%
Total Survey Score	72%

As can be seen in Table 4 all areas of the survey returned satisfaction ratings of 70% or higher.



**10.2 Governance practices which received the highest satisfaction ratings.**

There were nine statements that received scores indicating high satisfaction. Table 5 contains statements that received a high satisfaction rating.

**Table 5 Distribution of responses where a high satisfaction rating was recorded.**

<b>Statements that received very high (&gt;80%) satisfaction ratings</b>	
• The Board ensures that proper financial management systems are in place.	86%
• The Board takes responsibility for determining the organisation’s mission and purpose.	85%
• The organisation understands the role and contribution of volunteers.	85%
• The organisation has an up to date, easily accessible and relevant constitution.	81%
• Board members understand they are accountable for the outcomes of the organisation.	80%
• The organisation’s constitution explains appropriately the conditions relating to Board members terms of appointment.	80%
• The CEO/ED keeps the Board well informed about competitive pressures that may impact on the organisations strategic direction.	80%
• The organisation’s constitution is current and supports the organisation’s current operations.	80%
• The Board has access to high quality annual budgeting and financial reporting.	80%

These findings indicate a general level of satisfaction with organisation governance performance with high levels of satisfaction in areas relating to the development of organisations mission and goals, organisation constitution issues and financial management.

From Table 5 it can be seen that there is a high level of satisfaction in a number of statements that could be assessing elements of traditional corporate governance. In particular these areas

are: the constitution, financial management, strategic planning and policy development. Boards were also highly satisfied that they understood the role and contribution of volunteers.

**10.3 Perceptions of governance performance by CEO, Chair and non executive board member**

The level of individual satisfaction with governance practice varied according to the position the person holds in the governance structure.

Table 6 below examines the responses of office bearers holding the positions of chair, CEO/ED and non executive member.

**Table 6 Cross tabulation of the percentage level of satisfaction by the position of respondent**

Level of Satisfaction analysed by Position			
	CEO	Chair	Member
The Role and Performance of the Board	70%	74%	66%
The Role and Performance of the CEO/ED	73%	71%	73%
General Organisational Governance Issues	70%	76%	71%
Overall Organisational Performance	78%	83%	75%
Total Survey Score	70%	75%	69%

It can be seen from the table that the level of satisfaction meets or is above the 70% reference point in all areas apart from non executive board members satisfaction with the role and performance of the board. In all categories apart from the role of the CEO/ED the Chair has the highest level of satisfaction. It should be noted though that the difference in the level of satisfaction with CEO/ED performance was only 2% across the three positions.

The significance of the difference between the satisfaction level of chairs, CEOs and non executive board members was tested using ANOVA. (see Table 7 below)

**Table 7 Multiple comparison one way ANOVA: Significance of variation between individuals holding different positions on the board**

**Role and Performance of the Board**

Position on the Board		Mean Difference	Std. Error	Sig.
CEO	Chair	-0.1806	0.1196	0.122
	Member	0.1499	0.1133	0.187
Chair	CEO	0.186	0.1196	0.122
	Member	.3359(*)	0.1107	0.003
Member	CEO	-0.1499	0.1133	0.187
	Chair	-.3359(*)	0.1107	0.003

**Role and Performance of the CEO/ED**

Position on the Board		Mean Difference	Std Error	Sig.
CEO	Chair	-9.46E-02	1.63E-01	0.56
	Member	-5.49E-02	1.52E-01	0.71
Chair	CEO	9.46E-02	1.63E-01	0.56
	Member	3.96E-02	1.52E-01	0.79
Member	CEO	5.94E-02	1.52E-01	0.72
	Chair	-3.97E-02	1.52E-01	0.79

**General Organisational Governance Issues**

Position on the Board		Mean Difference	Std Error	Sig.
CEO	Chair	-0.31(*)	0.133	0.02
	Member	-5.29E-02	1.27E-01	0.67
Chair	CEO	0.31(*)	0.133	0.02
	Member	0.25(*)	0.124	0.04
Member	CEO	5.29E-02	1.27E-01	0.67
	Chair	-'0.25(*)'	0.124	0.04

**Overall Organisational Performance**

Position on the Board		Mean Difference	Std Error	Sig.
CEO	Chair	-0.24	0.126	0.06
	Member	3.15E-02	1.19E-01	0.79
Chair	CEO	0.24	0.125	0.06
	Member	0.27(*)	0.116	0.02
Member	CEO	-3.15E-02	1.19E-01	0.79
	Chair	-0.27(*)	0.117	0.02

(\*) The mean difference is significant at the 0.05 level

By undertaking Multiple Comparisons One way ANOVA it can be seen that there was no significant variation in satisfaction levels in regard to the “role and performance of the CEO”.

In relation to all other variables there was a significant variation in the satisfaction levels recorded by chairs and non executive board members. In regard to “general organisation governance issues” there was significant variation between the satisfaction levels recorded by chairs and CEOs. There was no significant variation in satisfaction levels between CEOs and non executive board members for any factor.

In relation to the “role and performance of the board” the significance in satisfaction between the Chairs and the non executive board members was beyond the 0.01 level.

**10.4 Variations in the level of satisfaction according to the size of the organisation.**

The level of organisational satisfaction with governance performance varied according to the size of the organisation.

Table 8 below compares the level of satisfaction between organisations of different size. These sizes can be defined as large (>\$1m), medium (\$100k-1m) small (\$50-100k) and micro (\$50k)

**Table 8 Cross tabulation of the percentage level of satisfaction with key performance measures by size of the organisation**

	Level of Satisfaction analysed by Size			
	>\$1m	\$100k-1m	\$50-100k	<\$50k
The Role and Performance of the Board	70%	74%	63%	71%
The Role and Performance of the CEO/ED	81%	82%	47%	70%
General Organisational Governance Issues	75%	77%	62%	72%
Overall Organisational Performance	73%	76%	65%	72%
Total Survey Score	75%	77%	58%	71%

Table 8 shows that small organisations had a satisfaction level below the 70% reference point in all categories. Furthermore there was dissatisfaction with the “role and performance of CEO/ED” amongst these organisations. To test whether this was influenced by a low response rate from CEO/EDs in this category the responses to size of the organisation and position were cross-tabulated. The distribution of satisfaction for the \$50-100k category were: CEO/ED 29.2% (n=7), Chair/President 29.2% (n=7), Non executive member 33.3% (n=8) no response 8.3% (n=2). From this analysis the possibility that dissatisfaction with the performance of the CEO was due to a lack of responses for CEO/EDs in this category can be rejected. It can be seen, though, that there is a clear difference in the level of satisfaction between small and micro organisations and large and medium organisations regarding the role and performance of the CEO/ED. This may be attributable to the medium and large organisations having an ability to afford salaries that attract CEO/EDs with greater experience and capability than smaller organisations. However, it is not possible to determine this with certainty from the data.

The significance of the difference between the satisfaction level of large, medium, small and micro organisations was tested using ANOVA.(see Table 9 below)

**Table 9 Multiple comparison one way ANOVA: Significance of variation in satisfaction between organisations of different sizes**

**Role and Performance of the Board**

Organisation Size		Mean Difference	Std Error	Sig
>\$1m	\$100k-1m	0.17	0.132	0.19
	\$50-100k	0.16	0.145	0.26
	<\$50k	-1.01E-03	0.128	0.99
\$100k-1m	>\$1m	0.17	0.132	0.19
	\$50-100k	0.34(*)	0.17	0.048
	<\$50k	0.17	0.15	0.27
\$50-100k	>1m	-0.16	0.15	0.257
	\$100k-1m	-0.34(*)	0.17	0.048
	<\$50k	-0.17	0.16	0.32
<\$50k	>\$1m	1.01E-03	0.13	0.99
	\$100-1m	-0.17	0.15	0.27
	\$50-100k	0.17	0.16	0.32

**Role and Performance of the CEO**

Organisation Size		Mean Difference	Std Error	Sig
>\$1m	\$100k-1m	0.18	0.17	0.29
	\$50-100k	0.79(*)	0.2	0.001
	<\$50k	0.38(*)	0.16	0.17
\$100k-1m	>\$1m	0.17	0.17	0.29
	\$50-100k	0.97(*)	0.23	0.001
	<\$50k	0.56(*)	0.19	0.004
\$50-100k	>1m	-0.79(*)	0.2	0.001
	\$100k-1m	-0.97(*)	0.23	0.001
	<\$50k	-0.41	0.22	0.067
<\$50k	>\$1m	-0.39(*)	0.16	0.017
	\$100-1m	-0.56(*)	0.19	0.004
	\$50-100k	0.41	0.22	0.067

**General Organisation Governance Issues**

Organisation Size		Mean Difference	Std Error	Sig
>\$1m	\$100k-1m	-0.12	0.14	0.4
	\$50-100k	0.41(*)	0.16	0.01
	<\$50k	0.14	0.14	0.3
\$100k-1m	>\$1m	0.12	0.14	0.4
	\$50-100k	0.53(*)	0.14	0.004
	<\$50k	0.26	0.18	0.117
\$50-100k	>1m	-0.41(*)	0.16	0.01
	\$100k-1m	-0.53(*)	0.15	0.004
	<\$50k	-0.27	0.18	0.1
<\$50k	>\$1m	-0.14	0.14	0.3
	\$100-1m	-0.26	0.17	0.1
	\$50-100k	0.27	0.18	0.1

### Overall Organisation Performance

Organisation Size		Mean Difference	Std Error	Sig
>\$1m	\$100k-1m	-0.14	0.13	0.3
	\$50-100k	0.23	0.15	0.1
	<\$50k	6.75E-02	0.13	0.6
\$100k-1m	>\$1m	0.14	0.13	0.3
	\$50-100k	0.37(*)	0.17	0.03
	<\$50k	0.21	0.15	0.2
\$50-100k	>1m	-0.23	0.15	0.1
	\$100k-1m	-0.37(*)	0.17	0.03
	<\$50k	-0.16	0.17	0.3
<\$50k	>\$1m	-6.75E-02	0.13	0.6
	\$100-1m	-0.21	0.15	0.1
	\$50-100k	0.16	0.17	0.3

(\*) The mean difference is significant at the .05 level.

Multiple comparisons one way ANOVA for the independent variable size, as measured by turnover, revealed the following variation levels for each of the four key measures included in the survey.

- In relation to the “role and performance of the board” there was significant variance between the satisfaction levels of medium and small organisations.
- In relation to the “role and performance of the CEO” there was a significant variation in the satisfaction level between large and small and micro organisations and between medium and small and micro organisations. This significance was greater than the 0.01 level in all circumstances. There was no significant variation between large and medium organisations and between small and micro organisations.
- In relation to “general organisational governance issues” there was a significant variation, beyond the 0.01 level, in satisfaction between large and small organisations and between medium and small organisations. The variation was not significant between large, medium and micro organisations and between small and micro organisations.

- In relation to “overall organisation performance” there was a significant variation in satisfaction levels between medium and small organisations.

### 10.5 Governance practices that received the lowest satisfaction ratings.

While it is clear that there is a general level of satisfaction with organisation governance amongst the organisations, there were a number of statements that received less than 70% satisfaction rating. It would seem appropriate that support aimed at improving governance practices would address areas of lower satisfaction. Table 10 contains 24 statements that received less than 70% satisfaction rating.

**Table 10 Governance practices that received low satisfaction ratings**

Statements were there was dissatisfaction or a low satisfaction rating	
• All Board members receive regular training and information about their responsibilities.	49%
• The Board undertakes regular assessments of the Board's own performance.	53%
• The Board has a well-defined, documented and communicated volunteer management plan.	56%
• There is a regular performance assessment of the CEO/ED by the Board and staff that is fair, open and rigorous.	59%
• The Board effectively reviews the performance of its committees.	61%
• The organisation provides new Board members with a comprehensive orientation to Board responsibilities, the organisation's services and programs and administrative procedures.	61%
• The Board has an effective process to identify the qualifications and expertise that new Board members should bring to the organisation.	62%
• The organisation's plan for the future has been widely promoted and is understood by its members.	62%
• The Board contribute to its committees' productivity.	65%
• Affiliated organisations are represented on the Board and committees.	65%
• The Board understands the risks that it faces and has implemented Risk Management policies.	65%
• The skills of the Board match the direction the organisation wishes to take.	65%
• The Board spends enough time discussing the organisation's long	66%



term future directions, priorities and needs.

• Each committee in the organisation has a stated purpose and an annual plan of work.	66%
• Board members are actively involved in writing the business plan.	66%
• The organisation finds it easy to attract and keep good quality staff and volunteers.	66%
• The organisation provides opportunities for employees' professional development and training with their job skill area.	66%
• The organisation has an appropriate code of ethics to cover conflicts of interest.	67%
• The Board avoids becoming involved in detailed management issues or decisions.	67%
• The Board reviews key organisational systems (eg. Financial management, human resource management, communication, etc) yearly.	69%
• The Board reviews the performance of the CEO/ED every year.	69%
• The Board has good documentation of all key Board policies.	69%
• When the Board reviews performance, it doesn't only look at finances but covers other key performance issues, including the organisation's capacity to adapt to change.	69%
• There is an "Agreed definition" of the areas for CEO / ED discretion and authority.	70%

From the statements in Table 10 it can be seen that there are low satisfaction levels in a number of areas of board procedure, in particular, in relation to review and assessment, training and the development and maintenance of documentation. Low levels of satisfaction were also recorded in relation to volunteer management, ethics, role of committees, business and strategic planning and risk management.

Looking again at the conditions of H1 it can be determined whether government support should alter to meet specific need of persons who hold different positions within the governance structure. Table 11 below provides a percentage distribution of mean satisfaction of Chairs, CEOs and non-executive board members for the 24 statements that received a satisfaction rating of less than 70%

Table 11 Governance practices that received low satisfaction ratings analysed by position

Distribution of statements that have received <70% satisfaction rating according to position			
	CEO	Chair	Member
• All Board members receive regular training and information about their responsibilities.	45%	56%	48%
• The Board undertakes regular assessments of the Board’s own performance.	51%	62%	47%
• The Board has a well-defined, documented and communicated volunteer management plan.	58%	61%	50%
• There is a regular performance assessment of the CEO/ED by the Board and staff that is fair, open and rigorous.	62%	60%	57%
• The Board effectively reviews the performance of its committees.	63%	65%	51%
• The organisation provides new Board members with a comprehensive orientation to Board responsibilities, the organisation’s services and programs and administrative procedures.	60%	66%	58%
• <b>The Board has an effective process to identify the qualifications and expertise that new Board members should bring to the organisation.</b>	<b>62%</b>	<b>75%</b>	<b>53%</b>
• The organisation’s plan for the future has been widely promoted and is understood by its members.	63%	63%	61%
• <b>The Board contribute to its committees’ productivity.</b>	<b>65%</b>	<b>74%</b>	<b>56%</b>
• Affiliated organisations are represented on the Board and committees.	62%	68%	65%
• The Board understands the risks that it faces and has implemented Risk Management policies.	62%	71%	65%
• The skills of the Board match the direction the organisation wishes to take.	67%	68%	63%
• <b>The Board spends enough time discussing the organisation’s long term future directions, priorities and needs.</b>	<b>71%</b>	<b>72%</b>	<b>56%</b>
• <b>Each committee in the organisation has a stated purpose and an annual plan of work.</b>	<b>65%</b>	<b>73%</b>	<b>60%</b>
• <b>Board members are actively involved in writing the business plan.</b>	<b>63%</b>	<b>73%</b>	<b>63%</b>
• The organisation finds it easy to attract and keep good quality staff and volunteers.	62%	73%	64%

• The organisation provides opportunities for employees' professional development and training with their job skill area.	62%	68%	69%
• The organisation has an appropriate code of ethics to cover conflicts of interest.	64%	73%	66%
• The Board avoids becoming involved in detailed management issues or decisions.	66%	66%	70%
• <b>The Board reviews key organisational systems (eg. Financial management, human resource management, communication, etc) yearly.</b>	<b>69%</b>	<b>75%</b>	<b>62%</b>
• The Board reviews the performance of the CEO/ED every year.	66%	73%	65%
• The Board has good documentation of all key Board policies.	65%	76%	66%
• There is an "Agreed definition" of the areas for CEO/ED discretion and authority.	66%	68%	72%
• When the Board reviews performance, it doesn't only look at finances but covers other key performance issues, including the organisation's capacity to adapt to change.	71%	72%	65%

From Table 11 it can be seen that the largest differences in satisfaction are between the chairs and non-executive board members. This is consistent with findings of ANOVA (see table 7) where the only significant variations in satisfaction identified were between chairs and non-executive board members. There were six statements where the level of satisfaction varied by >10% and one instance where the difference in satisfaction was >20%. Responses where there is >10% variance between the Chair and the non executive board member are shown in bold. In all these instances the Chairs have recorded a level of satisfaction above the 70% reference point while non executive board members have shown <70% satisfaction.

Turning now to the conditions of H2 it can be determined whether government support should alter according to the size of the organisation. Table 12 below provides a distribution of mean percentage ratings for large, medium, small and micro organisations for the 24 statements that received less than 70% satisfaction rating.

Table 12 Governance practices that received low satisfaction ratings analysed by size

Distribution of statements where the level of satisfaction was < 70% according to size				
	\$>1m	\$100k-1m	\$50-100k	<\$50k
• All Board members receive regular training and information about their responsibilities.	50%	51%	44%	48%
• The Board undertakes regular assessments of the Board's own performance.	53%	56%	45%	55%
• The Board has a well-defined, documented and communicated volunteer management plan.	53%	62%	60%	57%
• <b>There is a regular performance assessment of the CEO/ED by the Board and staff that is fair, open and rigorous.</b>	<b>66%</b>	<b>69%</b>	<b>33%</b>	<b>54%</b>
• The Board effectively reviews the performance of its committees.	61%	68%	53%	60%
• The organisation provides new Board members with a comprehensive orientation to Board responsibilities, the organisation's services and programs and administrative procedures.	62%	66%	50%	62%
• The Board has an effective process to identify the qualifications and expertise that new Board members should bring to the organisation.	64%	59%	57%	64%
• The organisation's plan for the future has been widely promoted and is understood by its members.	65%	64%	52%	63%
• The Board contribute to its committees' productivity.	64%	67%	63%	66%
• <b>Affiliated organisations are represented on the Board and committees.</b>	<b>66%</b>	<b>76%</b>	<b>51%</b>	<b>67%</b>
• The Board understands the risks that it faces and has implemented Risk Management policies.	66%	66%	65%	63%
• The skills of the Board match the direction the organisation wishes to take.	63%	69%	60%	70%
• The Board spends enough time discussing the organisation's long term future directions, priorities and needs.	65%	70%	55%	70%
• <b>Each committee in the organisation has a stated purpose and an annual plan of work.</b>	<b>65%</b>	<b>76%</b>	<b>56%</b>	<b>63%</b>
• <b>Board members are actively involved in writing the business plan.</b>	<b>68%</b>	<b>69%</b>	<b>49%</b>	<b>71%</b>
• <b>The organisation finds it easy to attract and keep good quality staff and volunteers.</b>	<b>70%</b>	<b>77%</b>	<b>48%</b>	<b>60%</b>
• <b>The organisation provides opportunities for employees' professional development and training with their job skill area.</b>	<b>70%</b>	<b>82%</b>	<b>42%</b>	<b>60%</b>

• <b>The organisation has an appropriate code of ethics to cover conflicts of interest.</b>	<b>68%</b>	<b>81%</b>	<b>58%</b>	<b>58%</b>
• The Board avoids becoming involved in detailed management issues or decisions.	68%	59%	60%	71%
• The Board reviews key organisational systems (eg. Financial management, human resource management, communication, etc) yearly.	70%	74%	56%	68%
• <b>The Board reviews the performance of the CEO/ED every year.</b>	<b>72%</b>	<b>79%</b>	<b>51%</b>	<b>64%</b>
• <b>The Board has good documentation of all key Board policies.</b>	<b>66%</b>	<b>82%</b>	<b>59%</b>	<b>71%</b>
• When the Board reviews performance, it doesn't only look at finances but covers other key performance issues, including the organisation's capacity to adapt to change.	72%	71%	63%	66%
• <b>There is an "Agreed definition" of the areas for CEO / ED discretion and authority.</b>	<b>74%</b>	<b>78%</b>	<b>45%</b>	<b>65%</b>

From Table 12 it can be seen that for the nine responses with the lowest satisfaction levels there is some consistency in the responses with organisations of all sizes recording levels below the 70% reference point. Variations in the recorded level of satisfaction in organisations ordered by size were as high as 40% between the highest and lowest level of satisfaction for a given statement. Statements where there was >20% variation in satisfaction level are shown in bold.

## 11 Discussion

The discussion will address specifically the research questions and the hypotheses of the study.

### 11.1 Is the level of satisfaction with governance performance of sporting organisations sufficient to assure governments that these organisations are capable of supporting government's dual aims of providing better services and building social capital?

It can be seen from Table 4 that for all key measures within the survey there is a satisfaction rating of greater than 70%. Applying Slesinger's (1995) criteria, that satisfaction scores above 70% indicate the presence of good governance processes, the results of this study should make those wishing to deal with these organisations confident that, in most respects, the organisations are well governed.

This level of satisfaction with governance performance should provide governments and other organisations with a level of confidence that these organisations have governance structures in place to support the provision of improved services and engage in related community building activities that support social capital formation.

Further to this there were nine statements where the level of satisfaction was equal to or greater than 80%, a score reflecting that the organisations were very satisfied with the specific

item covered in those statements. The statements that received very satisfied responses relate to financial management, maintenance of the organisation's constitution, understanding the competitive environment in which the organisation operates, setting the organisations mission and purpose and understanding the role and contribution of volunteers.

The statements that scored a high level of satisfaction are not the only statements that relate to the variable financial management. The statements that received a high satisfaction rating relate specifically to having proper financial systems in place and undertaking budget planning and annual reporting. These items that received high ratings can be classified as the basic and/or mandatory levels of financial management. Computerised financial management systems are readily available and provide simple financial systems that assist in budget planning. Also annual reporting is mandatory under the Associations Incorporations Act 1981. All organisations included in this study are subject to this Act as it is a prerequisite for government funding. While boards have indicated a high level of satisfaction with financial management systems it is appropriate to note that in Table 10, that lists statements that received less than 70% satisfaction rating, boards have recorded a low satisfaction rating in relation to the review of systems including financial systems (69%).

The high satisfaction rating statements relating to setting the mission and purpose, understanding the competitive environment and maintaining the constitution reflects an acceptance of the board having a 'policy setting role' as described in Carver (1993) and other commentators on governance issues in the non-profit sector. This finding is also consistent with the findings of Inglis (1997). Inglis (1997) examined the 'Role of the Board in Amateur Sport Organisations' in Canada and her study reaffirmed 'the importance of the policy setting role' to boards in Canada. This finding appears at variance though, with the findings of SRV

(1999:15-19) which found that the organisations involved in the study were grappling with the fundamental issues of organisation governance and the need to review the organisations constitution as part of the governance process. (It needs to be noted that SRV (1999) was a qualitative and quantitative study restricted to 6 organisations.)

The high satisfaction levels recorded in the policy setting and financial management functions of the board reflect an acceptance of key functions within the area of traditional corporate governance as defined in the theoretical framework. A high level of satisfaction was also recorded in relation to their understanding of the role and function of volunteers. This statement related to the social capital aspects of governance in the theoretical framework. Despite this boards recorded low satisfaction (56%) (see Table 10) in regard to how boards plan for volunteer contribution or communicate the board's expectation of volunteers. This appears in contrast to developments in the community sector. Russel and Scott (1997:3,4.) indicate that CEOs in community health organisations in the UK have recognised that the demand of governments and the public for better services has meant that 'the role of service volunteers is becoming increasingly formalised' with 'increased supervision and performance review' and '...level of training...' being required.

## **11.2 Impact of the independent variables “position” and “size” on satisfaction.**

This section discusses the results of the tests of the two hypothesis of the study.

**H1 The level of individual satisfaction with governance performance varies according to the position the person holds in the governance structure.**



While the ANOVA revealed that in all cases apart from the role and performance of the CEO there was a significant difference (at the 0.05 level) between the satisfaction level of the Chairs and non executive board members. In relation to “the role and performance of the board” the significance was beyond the 0.01 level.

Auld (1997:39) in recommending areas for further research posed the questions:

Do presidents and committee members view the decision making process differently?  
Is the real issue one of control between the president and the professional?

Given the difference between the satisfaction levels of chairs and non executive board members outlined above the answer to the first question would appear, yes they do view the decision making process differently. The finding of significant variation in satisfaction levels between the CEO and chair for only one variable, General Organisation Governance Issues, would seem to indicate that the answer to the second question is no. However, the finding of no significant variation in satisfaction levels between the CEO and non executive board member is worthy of note. It could be concluded, though, that the differences in satisfaction ratings may be more an indication that those with most control over or responsibility for the governance processes are more likely to be satisfied with performance. However, this survey recorded differences in mean satisfaction levels between different positions in the governance hierarchy but not the motivation behind the differences. This is an area for further research.

ANOVA indicated that the hypothesis should be accepted, as the result is significant beyond the 0.05 level for three out of the four key measures. It should be noted, though, that while the variations described above are significant there was only one instance relating to one variable, “the role and performance of the board”, where the recorded satisfaction was below the reference point of 70%. In this case non executive board members recorded 66%

satisfaction rating which would indicate that this area may indicate concern with performance from members' perspective.

## **H2 The level of organisational satisfaction with organisation performance varies according to the size of the organisation.**

The analysis in variation in satisfaction levels based on size (as measured by turnover) revealed more significant results than did the analysis of variation according to position. The recorded dissatisfaction by small organisations with the role and performance of the CEO was the only recorded dissatisfaction for a variable in the study. Also, for each of the variables small organisations recorded satisfaction levels below the 70% reference point (see Table 8).

When these variations were analysed using ANOVA the results showed:

- There was not a significant variation in satisfaction between large and medium organisations and between small and micro organisations for any of the four variables
- In regard to the role and performance of the CEO there was a split in satisfaction ratings with large and medium organisations reporting significantly higher satisfaction levels than was reported for small and micro organisations.
- For all four variables the recorded satisfaction of small organisations was significantly lower than at least one other category of organisation.
- Apart from satisfaction with the role and performance of the CEO there was not a significant variation between the satisfaction levels of micro organisations and the satisfaction recorded by large and medium organisations.

In terms of the hypothesis, the results of the analysis of organisation satisfaction by size reveals that the hypothesis can be accepted beyond the 0.05 level for the key measures "role

and performance of the board” and “overall organisational performance”. For the key measures “general organisation governance issues” and “role and performance of the CEO” the hypothesis can be accepted beyond the 0.01 level. Therefore, it can be surmised that size does alter perceptions of governance performance of an organisation. The researcher notes that in much of the literature non-profit organisations are treated as a homogenous group. Certainly in the three studies into sport organisations examined in detail by this researcher (Auld 1997, Inglis 1997 and SRV 1999) no analysis by size of organisation was undertaken. Auld (1997, Appendix B Table 8) reported that the range of budgets in Australian National Sporting Organisations were from \$50,000 to \$7.5m per annum but did not delineate on the basis of size in forming conclusions and making recommendations. Similarly, in the broader area of non-profit organisations neither Russell and Scott (1997) nor Gaskin and Dobson (1997) provide analysis of the effect of size on aspects of management and governance in the community services sector in the United Kingdom. This stands in stark contrast to analysis of businesses where distinction by size is commonplace.

As small organisations recorded low satisfaction for the study consideration was given to the presence of an intervening variable. Given the dissatisfaction recorded for the role and performance of the CEO the possibility of an unrepresentative response pattern was examined. As discussed earlier in the paper this provided no explanation for the low level of satisfaction amongst these organisations. Examination of the cross tabulations revealed a concentration of organisations (71%) in these responses with memberships of <100 members. No other category showed such a concentration of responses in this low membership category. Despite the researcher’s reservations with the survey responses to the membership data it appears that membership level, in this case low membership level, was an intervening variable in the study.

### **11.3 Are there specific areas where government should concentrate its support for organisations aimed at improving governance practices?**

As stated previously, it is reasonable that governance support especially education and training support, will address areas of low satisfaction with organisational performance.

Despite each key measure recording a satisfaction level of >70% there were 24 statements (37% of the questionnaire) that recorded satisfaction levels less than the 70% satisfaction reference point. These individual statements indicated low satisfaction in the aspects of:

- Training and professional development.
- Review and performance assessment.
- Development and maintenance of documentation.
- Volunteer management and retention.
- Corporate Ethics.
- Committees and representation.
- Business and strategic planning.
- Risk management.

Relating this to the theoretical framework, in the list above seven of the 12 items of the “traditional areas of corporate governance” and the “social capital functions of governance” have satisfaction rating that based on Slesinger’s standard should cause concern and as such be areas where support could be provided.

In respect of training and professional development, these findings are consistent with findings in other studies. The Industry Commission (1995:16) and Russell and Scott (1997:3) identified training as an issue for both volunteer board members and volunteers engaged in the service delivery aspects of an organisation. Much of this is due to the changing operating environment that non-profit organisations. In Russell and Scott (1997:3) 80% of organisation CEOs 'reported that (government) contracting called for new skills on the part of management committee members.'

The Industry Commission (1995:16) also noted that the 'deployment of volunteers adds to the difficulties of management.' Issues relating to volunteer management and retention appear widespread and not specifically related to this group of organisations.

The findings in relation to review and assessment, committee productivity and representation, strategic planning and board member recruitment and succession planning confirmed the initial findings of SRV's (1999:15-19) governance pilot project.

The development of corporate codes of ethics in relation to governance is relatively new in both the corporate sector and in non-profit organisations. As Francis (2000) indicates ethical issues are not the sole province of the corporate world, but as the Industry Commission (1995:5) points out many non-profit organisations are imbued with a set of values specifically linked to voluntary contribution. This is not to suggest that codes of conduct are unnecessary for non-profit organisations but rather there are specific issues with non-profits that need to be considered in developing an ethics based code of conduct for these organisations. The National Centre for Voluntary Organisations in the United Kingdom has developed 'A model code of conduct for voluntary trustee boards' but this could not be sourced. Similarly, 'Risk

management is a relatively new process for many non-profit organisations.’ (Bennetts 1998:94). Hence, the low satisfaction rating in these items could as easily be due to organisations not yet having fully incorporated these emerging governance issues, rather than poor performance

The survey results supported to a major degree the finding of SRV (1999:14) that ‘despite differences (between the organisations) the organisations manifested some important similarities...’ in relation to governance practice.

The impact of the independent variables position and size were applied to the items with low satisfaction ratings. The findings of the ANOVA analysis discussed earlier applied to these items. In general, there was a tendency for Chairs to record higher satisfaction scores with the members rating often significantly lower. In regard to the affect of size, at the lowest levels of recorded satisfaction there was little variation in satisfaction ratings but as the recorded level of satisfaction rose the previously discussed variation between the recorded satisfaction of large and medium organisations and small and micro organisations could be noted. ANOVA analysis was undertaken for each statement but the results for the low satisfaction statements followed the general pattern of responses.

## 12 Conclusion

In concluding, it can be seen from the results of the self assessment study that boards of government funded sport and recreation organisations perceive that their organisations are well governed. Boards are satisfied with the role and performance of the board, and the role and performance of the CEO. They are also satisfied that they are satisfactorily addressing general organisational governance issues and overall organisational performance.

Analysis of the results of the individual statements revealed a range of mean levels of satisfaction, with the lowest satisfaction rating for an item being 49% and the highest being 86%.

Items that received the highest satisfaction ratings related to policy development, financial management and maintenance of the constitution, items that are part of the “traditional areas of corporate governance” within the theoretical framework for this study. These items are well covered in the literature (Australian Institute of Company Directors (1999) Carver (1997) Kilmister (1993) Moore (1998) and Smith and Lipsky (1993) and therefore boards would be familiar with these practices. Strong performance in these items could also be linked to the tightening of legal and financial accountability requirements for government funded agencies that have emerged through government contracting.

A number of items that received low satisfaction ratings related to statements covering, emerging areas of corporate governance such as ethics and risk management and “social capital functions of governance” such as volunteer management and retention and committees

and representation. These items are not often considered in terms of governance but have been incorporated in the concept of “an enabling governance for social capital formation”. The development of ethical codes of conduct and approaches to risk management are areas where government could produce model codes of conduct or approaches to risk management that could be adapted by organisations. The issue of representation and committees and ensuring the board has access to representative views is a matter that is a matter best addressed by industry organisations rather than by government. The models being considered by O'Donnell (2000) and models of stakeholder engagement may be useful here. Volunteer involvement remains a significant issue. The need to involve volunteers in the governance of community organisations is at the core of Putnam's (1993 and 1995) social capital thesis and governments need to consider how its actions impact on this.

There was also recorded dissatisfaction with the provision of training and professional development and low satisfaction with review and performance assessment procedures. These findings of low satisfaction with basic board procedure were not expected by the researcher but are consistent with findings of other studies referred to previously in the discussion. Assistance to boards in establishing procedures is a role that government could play.

In relation to the two hypothesis of the study both can be accepted. In relation to position ANOVA revealed significant variation between the satisfaction ratings of individuals according to the position the person holds in the governance structure. The analysis indicated significant variation, generally at the 0.05 level, existed between the recorded level of satisfaction of chairs and of non executive board members. While this finding may be of



interest to other researchers the impact on this study was insignificant as the recording of satisfaction for all positions remained above the 70% satisfaction reference point.

In relation to the size of the organisation ANOVA proved that there was a significant variation, at the 0.05 and 0.01 levels, in organisation satisfaction ratings according to size. This finding was particularly significant to the survey as small organisations recorded satisfaction below the 70% reference point for all the key measures of satisfaction. Also, the subsequent analysis of statements that received <70% satisfaction indicated a divergence of satisfaction levels between large and medium organisations and small and micro organisations. This distinction will be important for those wishing to target support for non-profit organisations particularly training support. While a number of studies reviewed by the researcher contained data on size/income of the organisation only one item of analysis on the is variable was found. The Industry Commission (1995:16) while noting a lack of comparable data 'some insight may be gained (in relation to governance) by comparing the legal forms of the largest with those of the smaller organisations.' A four tier size classification system was adopted by the Industry Commission (1995:20) for analysis. The scale used in that analysis was different to that used in this study.

Finally, the study has shown a strong tendency amongst the respondents to positively rate their governance performance. In similar circumstances Hill (1996:141) recommends using 'positively biased semantic rating scales' where there may be only one negative response five or more positive ratings. The use of such a scale may allow more detailed analysis of future satisfaction studies.

## 13 Areas for Further Research

There are a number of further issues raised by research. These include:

- Scope for a better understanding importance of the size of the organisation on governance practices.
- The development of a standardised scale for collection of data on the size of organisations.
- Investigating possible relationships between traditional areas of governance and social capital functions to identify possible correlation between factors. Studies (Gaskin and Dobson (1997) and Russell and Scott (1997) have intimated that improved corporate governance driven by government contracting has had a negative affect volunteering aspects of non-profit organisations but no correlations have been reported.
- The finding of significant variation in the levels of satisfaction between chairs and non executive board members challenges the assumption in both Auld (1997) and Inglis (1997) that major variances in perception lay between the professional staff and the volunteer board members.
- A comparative study between non-profit organisations in the community welfare and sport and recreation sectors to determine differences in the extent of influence of government reforms in different sectors.

## 14 Recommendations

Based on the findings of this study the following recommendations are made:

1. Governments and other funders recognise that governance that enables social capital formation is broader and more complex than traditional corporate governance. Furthermore, it be noted that well governed non-profit sporting organisations provide valuable services to the community and provide a platform for social capital formation.
2. A procedures manual for be developed to improve board procedures which covers in particular, review and assessment, the role and operation of committees, representation and communication and ethical processes. The code of conduct for non-profit organisations identified (but not analysed) in this study may provide an alternative mechanism to a procedures manual.
3. Assistance be provided in the provision training, particularly governance training, to board members and professional staff.
4. Resources be developed to assist boards in risk management, succession planning for both the board and staff and identifying and resolving conflicts of interest and related ethical issues.
5. The current Association of Company Directors course for non-profit sporting organisations be broadened to include key aspects of business and strategic planning.
6. Training provision and resource development be customised to meet the divergent needs of larger and smaller organisation.



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**Appendices**

**Appendix 1 Surveyed Organisations and responses**

**SURVEYS  
RETURNED**

	<b>CEO</b>	<b>CHAIR PERSON</b>	<b>BOARD MEMBER</b>
Archery Victoria Inc.	x	x	
Athletics Victoria	x		x
Victorian Little Athletics Assoc. Inc.	x	x	
Badminton Victoria Inc.	x	x	x
Victorian Baseball Assoc Inc.	x	x	x
Basketball Victoria	x	x	X
Victorian Country Basketball Council	x		
Victorian Baton Twirling Association Inc.			
Aust./Vic. Biathlon Assoc. Inc.		x	x
Victorian Billiards and Snooker Assoc. Inc.			
Bocce Victoria			
International Federation of Body Builders			
Royal Victorian Bowls Assoc Inc.	x	x	x
Victorian Ladies' Bowling Association Inc.	x	x	X
Victorian Indoor Bias Bowls Association			
Victorian Amateur Boxing Association Inc.		x	X
Victorian Amateur Boxing League Inc.	x	x	x
Callisthenics Victoria Inc.	x	x	
Victorian Canoe Assoc Inc.			
Victorian Women's Cricket Assoc.	x		x
Victorian Cricket Association			
Victorian Croquet Assoc		x	

Inc.			
BMX Victoria Inc.	x		
CycleSport Victoria	x		X
Dancesport Victoria			
Victorian Darts Council			
Victorian Diving Assoc Inc.		x	x
Pool Victoria Inc	x	x	x
Equestrian Fed.of Aust.(Vic Branch) Inc.	x	x	X
Pony Club of Victoria	X	x	x
Victorian Amateur Fencing Association			
Football Victoria	x		
Women's Golf Victoria Inc.		x	
Victorian Golf Association	x	x	
Gridiron Victoria			
Victorian Gymnastic Association	x	x	x
Handball Federation of Victoria			
Victorian Hockey Association	X		
Victorian Women's Hockey Association Inc.			
Victorian Ice Hockey Association		x	
Victorian Ice Racing Association			
Victorian Ice Skating Assoc			
Victorian In Line Hockey Association	x		
InSportz Victoria	x		X
Judo Victoria Incorporated	x	x	x
Australian Karate Federation ( Vic.) Inc.			
Victorian Karting Association			
Victorian Korfball Association		x	x

Victorian Women's Lacrosse Assoc.		x	X
Lacrosse Victoria Inc.	X		
Victorian Marching Assoc Inc.	X		
Confederation of Australian Motor Sport Motorcycling Victoria			
All Australian Men's Netball Association			
Netball Victoria	x	x	X
Victorian Orienteering Association	X	x	
Vic. Amateur Modern Pentathlon Assoc Inc.	X		
Victorian Polo Association			
Polocrosse Association of Victoria Inc.			
Victorian Powersports Association Inc.			
Victorian Rogaining Assoc. Inc.		X	
Roller Sports Victoria Inc.	x	X	
Victorian Rowing Association	x	X	
Victorian Rugby League Inc.	X		
Victorian Rugby Union Inc.	X		
Victorian Amateur Pistol Assoc. Inc.	x	x	X
Victorian Clay Target Assoc Inc.			
Field and Game Australia Inc.	X		
Victorian Rifle Association	X		
Sporting Shooters' Association	X		
Skiing Australia			
Victorian Parachute Council			
Victorian Soccer Federation			
Victorian Softball	x	X	

Association			
Victorian Squash Federation	x		X
Surfing Victoria	X	x	x
Victorian Synchronised Swimming Committee			
Swimming Victoria Inc.	x	x	X
Table Tennis Victoria	X		x
Taekwondo Australia (Vic. Division)			
Tennis Victoria			X
Tenpin Bowling Assoc of Vic Inc.			
Victorian Touch Association			
Trampoline Sports Victoria		X	
Triathlon Victoria Inc.	X		
Victorian Trugo Assoc. Inc.			
Volleyball Victoria Inc.	x		X
Victorian Water Polo Inc.	X	x	
Victorian Water Ski Association		X	
Victorian Weight Lifting Assoc.	x		X
Victorian Wrestling Association			
Victorian Yachting Council	X		x
Barwon Region Sports Assembly			
Central Gippsland Sports Assembly	X		
Central Highlands Sports Assembly	x	x	X
East Gippsland Regional Sports Assembly	X		
ValleySport	x	x	X
Loddon Campaspe Sports Assembly (Sports Focus)	X	x	x
North East Regional Sports Assembly	x	x	X

Mallee Sports Assembly Inc.	X		
South West Sports Assembly	x	x	X
Wimmera Regional Sports Assembly	x	x	x
Melbourne Sports Network	x	x	X
Surf Life Saving Victoria	X	x	
The Royal Life Saving Society Australia - Victoria Branch	x		X
Victorian Aquatic Industry Council	X		
WomenSport and Recreation Victoria	x	X	
Vicsport	x		X
ORC	X	x	x
Camping Association	X		x
Wheelchair sports	x	X	
Aust Transplant Sports	x	X	
Action for Community Living			
VR Fish	X	x	
Blind Sports	x	x	X
Fed Vic Walking Clubs	x	x	x



## **Appendix 2-Questionnaire**

### **Sport and Recreation Victoria Governance Survey June 2000**

Dear Sir/Madam

I invite you to participate in a survey of board members of sport and recreation organisations in Victoria. New legislative requirements under company law mean it is now more important that board members and officers know their legal responsibilities and rights. SRV and Vicsport are concerned to ensure that board members and officers are properly trained for their tasks. To assist us in determining areas where board members might need further training or assistance, would you please complete the enclosed questionnaire. We are aiming for a high response rate to ensure a very representative result. Your response is therefore important to us.

This questionnaire should take you less than 20 minutes to complete

To respect your privacy the questionnaire does not ask for your name or organisation. It does however ask what role you play in the organisation. Your responses and the responses of your colleagues are confidential and will be collated so that no individual will be identified. The results of the survey will enable SRV and Vicsport to develop training packages to assist with educating the people in your organisation in the area of Governance.

Should you require any further information please telephone me on 9666 4240.

Your early attention to this questionnaire would be greatly appreciated. Please return the questionnaire in the enclosed envelope by 23 June 2000. We will be following up with people who have not returned the questionnaire by that date.

Michael Cahill  
Group Manager  
Industry Development

## Glossary of Terms

A list of terms and definitions used in the survey is provided below:

**Board:** The board means the peak decision making body in the organisation and encompasses other terms such as Committee of Management.

**CEO/ED (Chief Executive Officer/Executive Director):** Is the senior salaried staff member of the organisation and is responsible for informing the board on the activities of the organisation, in addition to being responsible for the day to day management of the organisation.

**Code of Ethics:** Any code or standards formulated and expressed as a statement to guide conduct and to which it is hoped that the board members subscribe.

**Committee:** A group of people established under the authority of the board to address specific issues on a continuing or *ad hoc* basis.

**Constitution:** The document that forms and sets out the rules of governance for the organisation.

**Mission Statement:** Formal statement of the broad purposes and objectives of the organisation; usually contained in one or a few sentences.

**Strategic Plan:** A long term blueprint or ideal future for the organisation, which provides objectives to be achieved in a period of around 3 to 10 years.

**Policies:** Decisions that outline actions or behaviours that are intended to be undertaken.

**Risk Management:** The facet of management responsible for overseeing and administering programs whose objective is to preserve the assets and earning power of the organisation.

**Section A: General Information About Your Organisation and Your Role.**

1. Is your sporting organisation involved in sport or recreation or both:

Sport	Recreation	Both
-------	------------	------

2. The number of members in your organisation is:

More than 10,000	100 to 1,000
1,000 to 10,000	Less than 100

3. The turnover in finances of the organisation is:

More than \$1m.	\$50,000 to \$100,000
\$100,000 to \$1m.	Less than \$50,000

4. The number of paid staff in the organisation is:

More than 5	Less than 5
-------------	-------------

5. My role in the organisation is:

Chief Executive Officer/Executive Director  
Chairperson / President of the Board  
Non Executive Board Member

Section B: The Role and Performance of the Board

Please provide your satisfaction ratings on the statements provided where 1 = 'Very Dissatisfied' and 4= 'Very Satisfied' as below:

Ratings Guide											
Very Dissatisfied	1	Dissatisfied	2	Satisfied	3	Very Satisfied	4	Not Sure/Don't Know	5		
Statements							1	2	3	4	5
6. The Board takes responsibility for determining the organisation's mission and purpose.											
7. Board members have a clear understanding of their role and responsibilities.											
8. Board members have a clear sense of distinction between the Board's and the CEO's roles.											
9. The Board has the right mix of skills and experience.											
10. Board members contribute effectively towards policy decisions.											
11. The Board makes sure people in the organisation are clear about the specific results the organisation wants to achieve.											
12. The Board maintains a clear distinction between policy and management responsibilities.											
							1	2	3	4	5

<b>Statements - Section B continued ...</b>	
13.	The Board avoids becoming involved in detailed management issues or decisions.
14.	The Board ensures that proper planning systems and processes are in place.
15.	The Board understands the risks that it faces and has implemented Risk Management policies.
16.	The Board ensures that proper financial management systems are in place.
17.	The Board ensures that proper human resource management systems are in place.
18.	The Board has a well-defined, documented and communicated volunteer management plan.
19.	The Board reviews the performance of the CEO/ED every year.
20.	The Board reviews key organisational systems (eg. Financial management, human resource management, communication, etc) yearly.
21.	The Board undertakes regular assessments of the Board's own performance.
22.	The Board spends enough time discussing the organisation's long term future directions, priorities and needs.

Statements - Section B continued ...				
23.	The Board has good documentation of all key Board policies.	1	2	3
24.	The Board has an effective system of committees that all have clear terms of reference.	4	5	
25.	The Board effectively reviews the performance of its committees.			
26.	Affiliated organisations are represented on the Board and committees.			
27.	When the Board reviews performance, it doesn't only look at finances but covers other key performance issues, including the organisation's capacity to adapt to change.			
28.	All Board members receive regular training and information about their responsibilities.			
29.	Board members promote a positive image of the organisation in the community.			
30.	All Board members understand the direction the organisation is heading.			
31.	The skills of the Board match the direction the organisation wishes to take.			
32.	Board members are aware of their responsibilities of protecting the interests of the organisation's members.			

Statements - Section B continued ...					
	1	2	3	4	5
33.	Board members understand they are accountable for the outcomes of the organisation.				
34.	Board members are actively involved in writing the business plan.				

Section C The Role and Performance of the CEO/ED

Please provide your satisfaction ratings on the statements provided where 1 = 'Very Dissatisfied' and 4= 'Very Satisfied' as below:

Ratings Guide

Very Dissatisfied	1	Dissatisfied	2	Satisfied	3	Very Satisfied	4	Not Sure/Don't Know	5
-------------------	---	--------------	---	-----------	---	----------------	---	---------------------	---

Statements

35.	The CEO/ED has a "Job description" that defines the expectations of the role and performance.	1	2	3	4	5
36.	The CEO /ED has a clear sense of the distinction between his/her own role and the Board's role.					
37.	There is an "Agreed definition" of the areas for CEO / ED discretion and authority.					
38.	There is a regular performance assessment of the CEO/ED by the Board and staff that is fair, open and rigorous.					
39.	The CEO/ED maintains good working relations between the himself/herself and the Board.					
40.	The CEO /ED ensures organisational performance reporting is timely and of high quality.					
41.	The CEO/ED keeps the Board well informed about competitive pressures that may impact on the organisations strategic direction.					
42.	The CEO/ED is pro-active in reviewing, updating and promoting the organisation's business plan.					



Section D General Organisational Governance Issues

Please provide your satisfaction ratings on the statements provided where 1 = 'Very Dissatisfied' and 4= 'Very Satisfied' as below:

Ratings Guide												
Very Dissatisfied	1	Dissatisfied	2	Satisfied	3	Very Satisfied	4	Not Sure/Don't Know	5			
Statements								1	2	3	4	5
43. The organisation has an up to date, easily accessible and relevant constitution.												
44. The organisation's constitution has been reviewed in the past year.												
45. The organisation's constitution is current and supports the organisation's current operations.												
46. The organisation's constitution explains appropriately the conditions relating to Board members terms of appointment.												
47. The Board has established policies for length of Board service and rotation of Board members.												
48. The Board has an effective process to identify the qualifications and expertise that new Board members should bring to the organisation.												
49. The organisation provides new Board members with a comprehensive orientation to Board responsibilities, the organisation's services and programs and administrative procedures.												

1 2 3 4 5

<b>Statements - Section D continued ...</b>	
50.	The organisation has a well documented plan for the future development of the organisation.
51.	The organisation's plan for the future has been widely promoted and is understood by its members.
52.	Communication within the organisation and to its members and member bodies is documented and there is a process to ensure Board policies and directions are understood.
53.	The Board is able to communicate its views to its members efficiently.
54.	The Board has a process that enables it to hear the views and values of its members.
55.	The organisation has good information systems that give the Board and the CEO/ED access to information they need for strategic decisions.
56.	The Board has access to high quality annual budgeting and financial reporting.
57.	There is an expectation in the organisation that everyone - paid staff and unpaid staff - will be held accountable for their performance on an open, fair and reasonable basis.
58.	The organisation has an appropriate code of ethics to cover conflicts of interest.
59.	The Board understands the importance and difference in their relationship with paid staff and volunteers.

Section E: Overall Organisational Performance

Please provide your satisfaction ratings on the statements provided where 1 = 'Very Dissatisfied' and 4= 'Very Satisfied' as below:

Ratings Guide											
Very Dissatisfied	1	Dissatisfied	2	Satisfied	3	Very Satisfied	4	Not Sure/Don't Know	5		
Statements							1	2	3	4	5
60. The organisation is in good shape to tackle the issues facing our organisation.											
61. The current Committee structure contributes to board productivity.											
62. Each committee in the organisation has a stated purpose and an annual plan of work.											
63. The Board contribute to its committees' productivity.											
64. The Board and affiliated organisations have a clear understanding of their respective roles.											
65. The organisation provides opportunities for employees' professional development and training with their job skill area.											
66. The organisation finds it easy to attract and keep good quality staff and volunteers.											

Statements - Section E continued ...				
1	2	3	4	5
67.	The organisation understands the role and contribution of volunteers.			
68.	The organisation has a process for reviewing and responding to ideas, suggestions, comments and perceptions from volunteers and staff.			
69.	The Board has a database of all its members and knows what the trends, issues and needs are of its membership.			
70.	The Board is aware of broader market issues that will affect their membership and existence.			
71.	The Board has a process for reviewing and responding to ideas, suggestions, comments and perceptions from its members.			

**Section F: Open Ended Questions**

72. Is there any particular training assistance in regard to corporate governance that you believe would assist your organisation?

73. Are there any other comments that you would like to make?

# Appendix 3 Covering Letters

24 May 2000

Organisation

Dear <name>

## Survey of Governance understanding and awareness

Sport and Recreation Victoria (SRV) is surveying key funded organisations to ascertain the level of understanding of governance practices and procedures amongst organisations involved in sport and recreation. The survey results will provide baseline information that will inform program and project development aimed at supporting improved organisational development.

Please find enclosed one questionnaire for you to complete and return in the envelope provided. Also enclosed are two sealed envelopes one marked President, the other member. Each envelope contains an introductory letter one questionnaire and a return envelopes. Your cooperation in forwarding the questionnaires to your organisations president and one board member, who preferably holds no office, will be greatly appreciated.

To respect individual privacy, the questionnaire does not identification of either the person completing the questionnaire or the organisation, but it does ask for their role in the organisation. **It should take approximately 15 minutes to complete the questionnaire.**

At the end of this letter you will find a tear off strip please complete this and return it to SRV when you have forwarded on the president and members questionnaire. A return envelope is provided for this purpose.

We would appreciate the questionnaire being returned by 23 June 2000.

SRV thanks you for your cooperation.

If you have any questions please do not hesitate to contact me on 9666 4240.

Yours sincerely

Michael Cahill  
Group Manager  
Industry Development

---

Tear off and Return in the envelope provided

**To Alan Bull, Acting Volunteer Involvement Coordinator at Sport and Recreation Victoria.**

I have returned the questionnaire on Governance

Name of Executive Director / CEO .....

Name of Organisation .....

Signature .....

Date .....

24 May 2000

Chairperson/President

Organisation

Dear Chairperson/President

Survey of Governance understanding and awareness

Sport and Recreation Victoria (SRV) is surveying key funded organisations to ascertain the level of understanding of governance practices and procedures amongst organisations involved in sport and recreation. The survey results will provide baseline information that will inform program and project development aimed at supporting improved organisational development.

The president, one board member and executive officer of each organisation have been invited to complete questionnaires.

SRV is seeking your cooperation in participating in the survey, as the Chairperson/President of your organisation. **It should take less than 15 minutes to complete the questionnaire.**

To respect individual privacy, the questionnaire does not identification of either the person completing the questionnaire or the organisation, but it does ask for your role in the organisation.

Please answer and return the enclosed questionnaire directly to SRV in the envelope provided. At the same time, please send the “tear off slip” in the other envelope addressed to SRV. This process preserves privacy while allowing SRV to account for survey returns.

We would appreciate you returning the questionnaire by 23 June 2000.

SRV thanks you for your cooperation.

If you have any questions please do not hesitate to contact me on 9666 4240.

Yours sincerely

Michael Cahill



Group Manager  
Industry Development

-----  
Tear off and Return in the envelope provided

**To Alan Bull, Acting Volunteer Involvement Coordinator at Sport and Recreation Victoria.**

I have returned the questionnaire on Governance

Name of Chairperson/ President .....

Name of Organisation .....

Signature .....

Date .....

24 May 2000

Board Member

Organisation

Dear Board Member

Survey of Governance understanding and awareness

Sport and Recreation Victoria (SRV) is surveying all its key organisations to identify the structure of sport and recreation organisations, their systems and procedures that are in place and their training and education needs. The information will provide baseline information that will inform further program and project development aimed at supporting improved organisational development. Three people will be surveyed from each organisation.

The survey will provide SRV with valuable advice on which to plan further initiatives to support the sector in addressing this vital issue.

SRV would like to include you in the survey, as a member of the Board of your organisation. We will also be surveying the Executive Director/CEO, and the Chairperson/President of the organisation. **The questionnaire should take less than 15 minutes to complete.**

To respect your privacy, the questionnaire does not ask for your name or your organisation, but it does ask for your role in the organisation.

Please answer and return the enclosed questionnaire in the envelope provided. At the same time, please complete the “tear off slip” and return it in the other SRV addressed envelope to notify us that you have completed the questionnaire.

We would appreciate your reply by 23 June 2000.

SRV thanks you for your assistance.

If you have any questions please do not hesitate to contact me on 9666 4240.

Yours sincerely

Michael Cahill