

Implementing corporate governance in the Not-for-Profit Sector

MICHAEL CAHILL

Group Manager
Industry Development
Sport and Recreation Victoria

michael.cahill@dsrd.vic.gov.au

ANONA ARMSTRONG

Business Ethics Research Unit
School of Management
Victoria University
Melbourne

anona.armstrong@vu.edu.au

HADDON STOREY

Public Sector Research Unit
School of Management
Victoria University
Melbourne

haddon.storey@vu.edu.au

Abstract

From the 1980s onward the concept of corporate governance has developed and expanded until today it is the subject of serious discussion and research into how boards and committees of management in not-for-profit organisations should operate. This development has seen a significant re-evaluation of the work of not-for-profit boards and the skills of board members in undertaking their governance roles. This paper reports the results of a study of the corporate governance practices within the sporting organisations funded by the Department of State and Regional Development in Victoria. The research proposes a theoretical framework for assessing performance against an enabling model of governance that supports social capital formation, and as a consequence of the study recommends new governance practices for the sector.

Key Words

Not-for-profit, Governance, Social Capital, Sport, Public Sector.

1 Introduction

Awareness of the importance of organisation governance, both in the corporate and not for profit sectors, has grown over recent years. In the corporate sector the OECD has produced its *Principles of Corporate Governance* which in many ways follows on from the work of the Cadbury Commission in the UK [insert reference] and the Treadway Commission [insert reference] in the U.S. (see Vinten 1998, and Tomasic 2000)

In the Australian context interest in issues of corporate governance were brought to the fore 'by the corporate greed of the 1980s.' (Francis 2000:10) and the various corporate collapses that were associated with that time. The recent collapse of HIH has refocused public attention on the role of directors in corporate governance and the role of government regulators in protecting the public's interest. Vinten (1998:419) notes that issues of corporate governance are not new, stating that 'It 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) notes that 'contemporary developments' that have heightened a focus on issues of governance. This paper considers two of these developments:

- That 'the redistribution of tasks between the public and private sectors (especially, but not only through privatisation) and between the public and the charitable sector of the economy requires full public confidence in the way companies are run...' and
- That 'abuse and fraud, ...have led to greater awareness of the inadequacies of governance, and demand for reform.

These two developments have had a significant effect on the not-for-profit sector. Smith and Lipsky (1993:96) state unambiguously that: 'Contracting with government to provide services has abetted significant changes in the governance of nonprofit organisations.'

In relation to fraud, 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 not-for-profit sector.

In more recent times work undertaken by the Centre for Australian Community Organisations and Management at the University of Technology Sydney has identified links between the governance of not-for-profit organisations and formation of social capital. This build on work undertaken by Putman (1993, 1995) who highlighted the important roles that not-for-profit organisations play by providing opportunities to individuals and communities to come together through voluntary association.

This paper accepts that government contracting and privatisation and related reforms governmentspursing accountability by third party providers, have influenced governance reform in the not-for-profit sector, particularly in organisations that receive substantial government funding. The recent focus on fostering social capital to progress the civil society that is part of 'Third Way' politics (Giddens 2000, Scanlon 2000) introduces a new role for not-for-profit governance that is beyond

managerialist and financial accountability and includes those community functions important in social capital formation.

This paper presents the concept of ‘an enabling governance for social capital formation’ which encompasses both the key aspects of corporate governance and social capital functions of not-for-profit organisations. The paper then outlines a study that tested the level of satisfaction of government funded sporting organisations with the broad range of factors that encompass this concept.

2 Public sector reform, governance and social capital formation

In the introduction to this paper it was identified that public sector reform associated with contracting and privatisation has impacted on the governance practices of not-for-profit organisations. Smith (1996) examined the contracting of social services in New Zealand. She observed 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).’

The Joseph Rowntree Foundation has funded a number of studies that have investigated the impact of government reforms on the management and governance of not-for-profit organisations and the subsequent impact on volunteers and voluntarism in the United Kingdom (Russell and Scott, 1997; Kumar 1997; Gaskin and Dobson, 1997.) The studies ‘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). Specific findings of the reports 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 limit broad based participation.
- Contracting has precipitated small – and medium – sized organisations into a managerial culture in which voluntarism is becoming less relevant.
- An increase in the bureaucratisation of the voluntary sector.

Smith and Lipsky (1993:97) 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 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 needs to be noted here that in their paper Anheier et al (1997) present a number of arguments against a general thesis of state dependency in the not-for-profit sector. Furthermore, it needs to be noted that not all aspects of the reforms of not-for-profit sector governance that have stemmed from public sector reform are negative. Either explain or leave out]

There is a broad acceptance that not-for-profit organisations need to improve their governance practices in line with accepted norms of good corporate governance. The Harvard Business Review has published an excellent series of papers on the benefits of not-for-profit governance reform (Dees, 1998; Ryan 1999; Taylor et al 1996). In the Australian context the MS Society released its compendium of articles aimed at improving not-for-profit governance titled *Knowing the Ropes: The essential guide to business issues for non profit organisations*. (MS Society of Victoria 1998) Most of the interest in improving not-for-profit organisation governance has concentrated on what can be termed traditional aspects of corporate governance, that is: board procedures, financial management, risk management, strategic planning and more recently, policy development and stakeholder relations.

The work of Putman (1993 and 1995) and others that have subsequently examined the issue of social capital (Cox 1995, Greiner 1995, Bullen and Onyx 1998 Lyons 1996 and 1997, Fukuyama 1999) have highlighted the role of not-for-profit organisations in what has been termed the ‘civil society.’ In relation to governance Lyons (1997:9) argues that some types of not-for-profit organisations can ‘build social capital in the very way they are governed.’

Most recently the emergence of ‘third way’ (Giddens 2000, Scanlon 2000, Passey 2000) political reforms have been heavily influenced by social capital theorists. 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). 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 be beset with contradictions. (Scanlon 2000:72)

For Scanlon this reconciliation is between ‘market community and polity (p.73).’

Returning to the focus on not-for-profit governance it can be seen from the discussion above that government contracting practices during the 1980s and 1990s have shaped governance thinking and governance reform in not-for-profit organisations that receive government funding for the delivery of services. The impact has been particularly focussed in the areas of accountability to government, financial reporting, board procedures, risk management and other areas of what can be termed traditional corporate governance. It appears that this may have also impacted on not-for-profit organisations’ ability to attract volunteers, a key element of their role in supporting social capital formation. This 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)

Therefore, in an attempt to untangle this conundrum, the study discussed below, establishes a concept of governance that embraces not only the traditional aspects of corporate governance but also key social capital functions and seeks to measure governance performance against all these criteria through a self assessment questionnaire.

3 A new concept of governance

The concept brings together key aspects of traditional corporate governance that are applicable to the not-for-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)

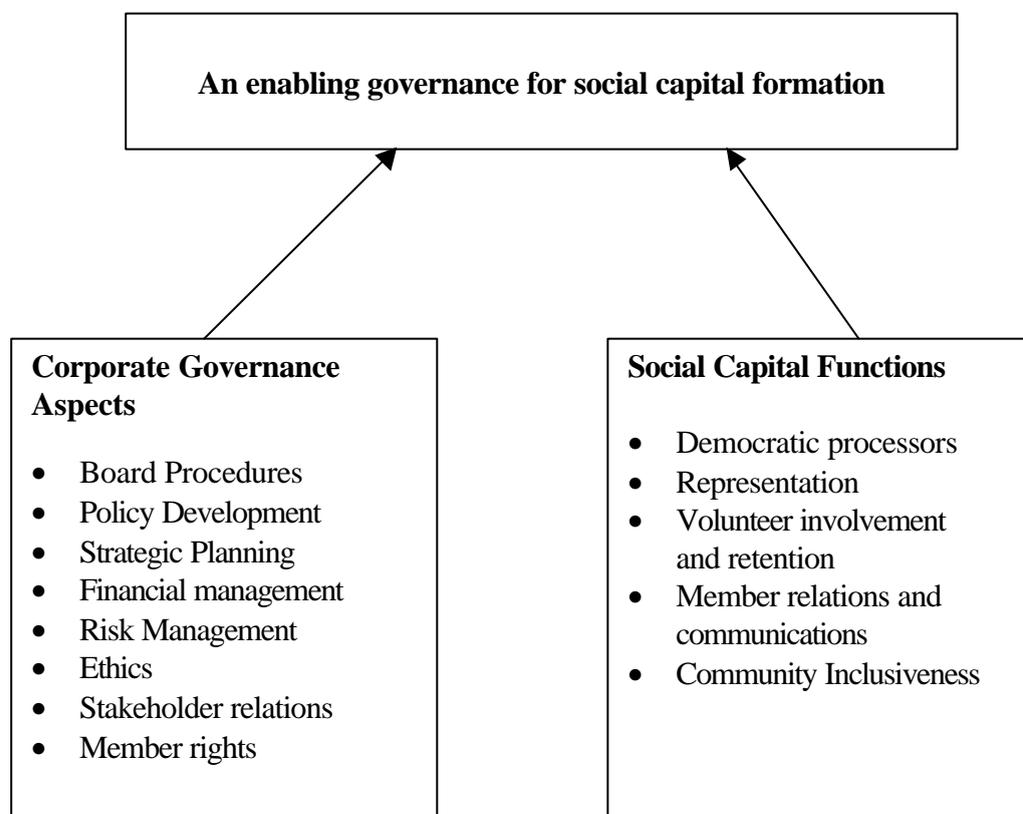


Figure 1 An enabling governance for social capital formation

As can be seen from Figure 1, this concept brings together the key elements of traditional corporate governance as applied to the not-for-profit sector by commentators such as Carver (1997), and Kilminster (1993) with aspects of not-for-profit organisation governance, which are important in social capital formation. This concept of governance does not apply to all not-for-profit organisations. It applies to organisations described by Lyons (1997) as ‘member owned/ member serving non profits’ as opposed to ‘public serving organisations.’ [] Member owned/member serving non profits include local arts organisations, employer and employee associations, some professional groups and the focus of this paper, sporting

organisations, the types of organisations that are the focus of Putman’s (1995) discussion on social capital formation.

In undertaking the study a research design was established 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 measures: the performance of the board and Chief Executive Officer/Executive Officer (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.

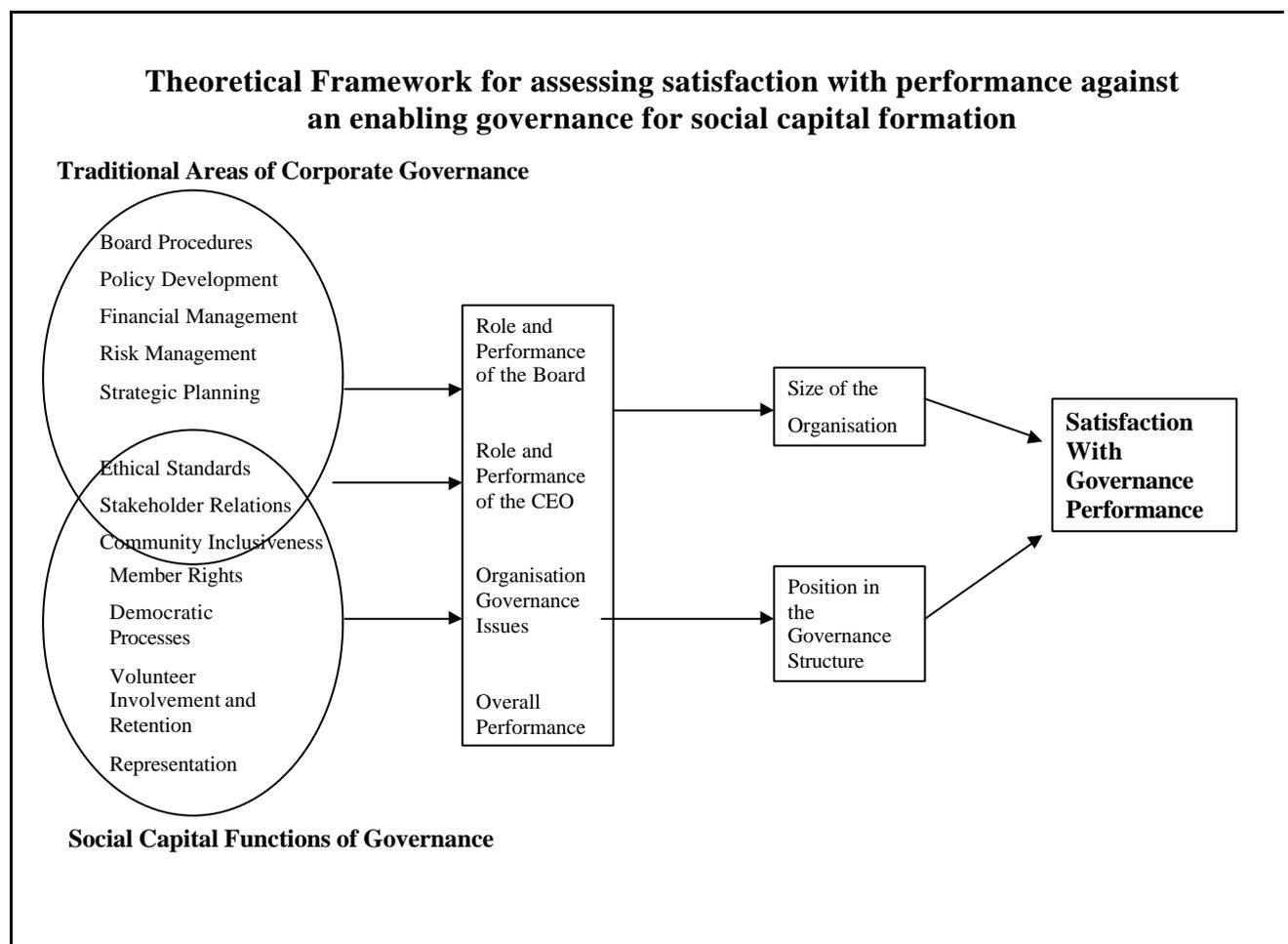


Figure 2 Theoretical framework

The research questions addressed in this study are confined to exploring the relationships between the traditional areas of governance, the size of the organisation and the position of the board member. They are:

What is the the level of satisfaction with governance performance of sporting organisations?

Are satisfaction levels influenced by the size of the organisation or the position of the board member?

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

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.

H 2 The level of organisational satisfaction with organisation performance varies according to the size of the organisation.

4. Methodology

The study was a total population survey of all sport and recreations organisations that were funded by Sport and Recreation Victoria in 1999 and whose conditions of funding was governed by a funding and service agreement. The population was 115 organisations. 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 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.

Data were collected by means of a self-administered questionnaire distributed by mail to each organisation. The questionnaire 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.

4.1 Analysis of the data

The data were collected, coded and entered onto a computer. The data were analysed using SPSS and Microsoft Excel. by frequency, cross tabulation, Oneway ANOVA and Multiple Comparisons Oneway ANOVA. A significance level of 0.05 was accepted for the study.

The data were analysed to determine:

- The aggregate level of satisfaction with governance performance amongst organisations;
- 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 highest satisfaction ratings.
- Governance practices that received the lowest satisfaction ratings.

To determine the aggregate level of satisfaction amongst organisations, and differences in satisfaction levels of individuals holding different positions in the governance structure and organisations of differing sizes, the analyses were undertaken for the main dependant variables of the study. To determine the governance practices that received the highest and lowest satisfaction analysis was undertaken of the individual data items derived from the questionnaire.

5 Results

5.1 Response rates

The return rates for questionnaires are set out in Table 1 below.

Table 1 Survey Response Rates

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

The response rates (48% for individual respondents and 68% of organisations) were 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.

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

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

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

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

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

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

Annual turnover was used to indicate the size of an organisation in the analysis of the affect of organisation size on satisfaction levels.

The study used a 70% satisfaction rating as the reference point for the study. Porter and Tanner (1998 ch:7&8) provide a detailed examination of 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.

Also, Slesinger (1995:33) in the user guide for his *Self-Assessment for Nonprofit Governing Boards*, states , in regard to calculating mean scores of board satisfaction, that ‘if 30% of the board is not satisfied’ it ‘would be wise to focus on the issue.’ This further suggests a 70% satisfaction score is 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 from the four data groups and converted to percentages. This process allowed direct comparison of the responses with the 70% reference point adopted for this study.

6 Analysis and Findings

6.1 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 ratings of each of the four groupings of key governance performance measures of 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.

6.2 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 held in the governance structure.

Table 5 below shows the responses of office bearers holding the positions of chair, CEO/ED and non executive member.

Table 5 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 6 below)

Table 6 Oneway ANOVA: The effect of role in the organisation on level of satisfaction with governance performance

Dependant Variable	CEO		Chair		Member		F	Sig a(p)
	Means	SD	Means	SD	Means	SD		
Role & performance of the Board	2.85	.71	3.03	.42	2.70	.61	4.61	.011
Role & performance of the CEO	3.05	.92	3.15	.87	3.10	.61	.170	.844
General Organisational Governance	2.84	.86	3.15	.47	2.90	.62	3.15	.046
Overall Organisational Performance	2.87	.75	3.11	.49	2.84	.61	3.10	.048

As can be seen from the ANOVA results a significant difference ($<.05$) between at least two of the sets of respondents was recorded for the dependent variables, role and performance of the board, general organisational governance and overall organisational performance.

Multiple comparison oneway ANOVA was then undertaken to identify specifically where the variations lay. The test revealed:

- Significant variation ($p=.003$) between the chair and the non executive member in relation to the role and performance of the board.
- Significant variation ($p=.02$) between the CEO and the Chair and between Chair and the non executive member ($p=.04$) in relation to general organisational governance issues.
- Significant variation ($.02$) between the Chair and non executive member in relation to overall organisation performance.
- No significant variation in satisfaction between the CEO and non executive for all variables.

6.3 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 7 below compares the level of satisfaction between organisations of different size. These sizes were defined as large ($> \$1m$), medium ($\$100k-1m$), small ($\$50-100k$) and micro ($\$50k$)

Table 7 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 7 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 8 below)

Table 8 Oneway ANOVA: The effect of the size of the organisation on level of satisfaction with governance performance

Dependant Variables	>\$1m		\$1m-100k		100k-50k		<50k		F	Sig (p)
	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Role & performance of the Board	2.83	.55	3.0	.47	2.66	.95	2.84	.62	1.34	.261
Role & performance of the CEO	3.22	.67	3.4	.44	2.43	1.21	2.84	.89	8.18	.000
General Organisational Governance	3.01	.55	3.13	.39	2.6	1.05	2.87	.76	3.27	.023
Overall organisational performance	2.96	.51	3.09	.49	2.73	.93	2.89	.69	2.61	.048

As can be seen from the ANOVA results significant variance (<.05) between at least two of the sets of respondents was recorded for the dependent variables, role and

performance of the CEO, general organisational governance and overall organisational performance.

Multiple comparison oneway ANOVA was then undertaken to identify specifically where the variations lay. The test revealed:

- Significant variation ($p=.000$) between large and small organisations and between large and very small organisations ($p=.017$); and significant variation ($p=.000$) between medium and small organisations and between medium and very small organisations ($p=.004$) in relation to the role and performance of the CEO.
- Significant variation ($p=.01$) between large organisations and small organisations and between medium organisations and small organisations ($p=.004$) in relation to general organisational governance issues.
- Significant variation (.03) between medium organisations and small organisations in relation to overall organisation performance.
- No significant variation in satisfaction was recorded between large and medium organisations and between small and very small organisations.

6.4 Governance practices which received the highest satisfaction ratings.

There were nine statements that received scores indicating high satisfaction. Table 9 contains statements that received a high satisfaction rating.

Table 9 Distribution of responses where a high satisfaction rating was recorded.

Statements that received very high (>80%) satisfaction ratings	
• 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 9 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.

6.5 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 The percentage distribution of respondent ratings of 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 term future directions, priorities and needs.	66%
• 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.

Table 11 below provides a distribution of mean satisfaction ratings of Chairs, CEOs and non executive board members for the 24 statements that received a satisfaction rating of less than 70%

Table 11 The percentage distribution of respondent ratings of 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%
• The Board has an effective process to identify the qualifications and expertise that new Board members should bring to the organisation.	62%	75%	53%
• The organisation's plan for the future has been widely promoted and is understood by its members.	63%	63%	61%
• The Board contribute to its committees' productivity.	65%	74%	56%
• 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%
• The Board spends enough time discussing the organisation's long term future directions, priorities and needs.	71%	72%	56%

• Each committee in the organisation has a stated purpose and an annual plan of work.	65%	73%	60%
• Board members are actively involved in writing the business plan.	63%	73%	63%
• 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%
• The Board reviews key organisational systems (eg. Financial management, human resource management, communication, etc) yearly.	69%	75%	62%
• 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 differences in satisfaction recorded for these data items are consistent with those tested in the ANOVA analysis, that is, significant differences exist between the responses of the chair and non executive 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.

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 ratings that, based on Slesinger's standard should cause concern and as such be areas where support could be provided.

7 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 Putman'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[for example, xxx] referred to previously in the discussion. Assistance to boards in establishing procedures is a role that government could play.

The most interesting result of the analysis of the results according to the position a person holds in the organisation was the level of divergence between the Chairs and non-executive members. Associated with this was the fact the CEO's responses fell between those of the Chairs and non-executive members therefore providing a representative [? What do you mean?]of the board's perception of performance.

In relation to the size of the organisation, the results of the ANOVA confirmed that there was a significant difference, 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.

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.

References

Anheir Helmut, Toeplar Stefan, and Sokolowski Wojciech. 1997 'The implications of government funding for non profit organisations: Three propositions' in International Journal of Public Sector Management vol.10, no3, pp190 – 213

Auld, Christopher. 1997. Professionalisation of Australian Sports Administration: The effects on organisational decision making Australian Sports Commission, Canberra.

Australian Institute of Company Directors. 1999. The New Director Program – Sport Australian Sports Commission, Canberra.

Australian Labor Party. 2000. Labor New Solutions: A Better Society
www.vic.alp.org.au/policy/platform/plat8_1.html

Bullen, Paul and Onyx, Jenny. 1998 Measuring Social Capital in Five Communities in NSW www.mapl.com.au/A2.htm

Carver, John. 1997 Boards that make a difference 2nd ed Josey Bass In California

Cox, Eva. 1995 A Truly Civil Society Australian Broadcasting Commission Sydney.

Dees, Gregory 1998 'Enterprising Nonprofits' in Harvard Business Review January-February 1998 pp 55 – 67.

Francis, Ronald. 2000 Ethics and Corporate Governance: An Australian handbook. University of New South Wales Press, Sydney.

Fukuyama, Francis. 1999 The Great Disruption: Human Nature and the Reconstitution of Social Order Profile Book Ltd, London

Gaskin, Katherine. and Dobson, Barbara. 1997 The Economic Equation of Volunteering; Findings. www.jrf.org.uk/social_policy/SP110.html

Giddens, Anthony 2000 The Third Way and Its Critics Polity Press. Cambridge, UK.

Greiner, Nick 1995 Civic Capitalism: An agenda for social renewal Institute of Public Affairs

Hill, Nigel. 1996. Handbook of Customer Satisfaction Measurement. Gower, Hampshire. England.

Inglis, Sue. 1997. 'Roles of the Board in Amateur Sport Organisations' in Journal of Sport Management, 11, 160-176.

Kilmister. Terry 1993 Boards at Work: A new perspective on not for profit board governance nfp Press, Wellington NZ.

Kumar Sarabajaya. 1997 Accountability in a contracting state: Findings. www.jrf.org.uk/social_policy/sp112.html

Lyons, Mark. 1996. Dilemmas Facing Nonprofit Management Education: The Australian Example. CACOM Working Paper Series No 33, University of Technology, Sydney.

Lyons Mark 1997 The capacity of non profit organisations to contribute to social capital formation under market style government funding regimes CACOM working paper no 10 University of Technology, Sydney.

Moore Richard 1998 'Corporate Governance' in Knowing the Ropes: The essential guide to business issues for non profit organisations. MS Society of Victoria

MS Society of Victoria 1998 Knowing the Ropes: The essential guide to business issues for non profit organisations. MS Society of Victoria.

O'Donnell, John. 2000. Organisational Governance presentation at Management and Leadership Institute. <http://acwa.asn.au/wf2000/papers/0%27Donnell.ppt>

OECD 1999 OECD Principles of Corporate Governance OECD Paris

Oppenheim, Abraham, .N. 1996 Questionnaire Design, Interviewing and Attitude Measurement. Printer Publishers, NY.

Passey, Andrew. 2000 Civil Society in the New Millennium Presentation at the Management and Leadership Institute. <http://acwa.asn.au/wf2000/papers/passey.doc>

Porter, Les and Tanner, Steve. 1998. Assessing Business Excellence. Butterworth-Heinemann

Putman Robert, 1993 Making Democracy Work: Civic Traditions in Modern Italy. Princeton University Press. NJ.

Putman. Robert, 1995 'Bowling Alone: the decline of social capital in America' in Journal of Democracy vol 6. no 1. Pp. 65 – 78

Russel, Lynne and Scott, Duncan. 1997 The impact of the contract culture on Volunteers; Findings. www.jrf.org.uk/social_policy/sp119.html

Ryan, William. 1999 'The new landscape for non profits' in Harvard Business Review January-February pp 128 – 136.

Scanlon Chris 2000 'The network of Moral Sentiments; The Third way and community' in Arena Journal New Series No 15 pp 57 – 79

Slesinger, Larry. 1995. Self-Assessment for Nonprofit Governing Boards: User's Guide and Questionnaire. National Center for Nonprofit Boards, Washington.

Smith. Verna. 1996. 'Contracting for Social and Welfare Services: The changing relationship between government and the voluntary sector.' in Third Sector Review vol. 2 pp. 5-19.

Smith, Steven and Lipsky, Michael. 1993. Nonprofits for hire: The welfare State in the age of contracting. Harvard University Press Cambridge, Massachusetts.

Stewart – Weekes, Martin, 1999 Achieving Organisational Change Conference Paper, National Conference for Leaders in Australian Sport, Sport and Recreation Victoria.

Taylor, Barbara. Chait, Richard and Holland, Thomas. 1996 'The New Work of Nonprofit Boards' in Harvard Business Review Sept-Oct 1996 pp 36-46.\

Tomasic, Roman, 2000. Good Corporate Governance: the international challenge. Key note address to Conference on 'Ethical Governance and Management: Costs and Benefits. Victoria University, Melbourne.

Vinten, Gerald 1998 'Corporate Governance: An international state of the art' in Managerial Auditing Journal 13/7. pp. 419 – 431