The new world of governance evaluation

Governance is the system of rules, practices and processes that direct and control an organisation. The quality of governance is critical to the success of any organisation and in turn any city and country.

The issue with governance is - how to ensure that those doing it understand what it is, how it differs from management, and how to know the board is doing it adequately and well.

While there is a raft of legal requirements to be ticked off, the real business of the board is to take a strategic oversight and ensure the organisation's direction of travel supports the strategy.

Evaluating performance has typically been arbitrary, most often involving board members undertaking a constructive but critical review of their own performance, identifying strengths, and weaknesses and then implementing plans for further professional development.

> Many boards simply hold annual review discussions which might cover:
> - Does the board have the right mix of skills and experience to meet the needs of the organisation?
> - Does the board have a clear purpose and role?
> - Does the board make good use of its meeting time ensuring it spends more time looking forward than looking backward?
> - Does the board have an annual board work plan to ensure it covers the full range of essential governance topics such as strategic planning, risk management and the review of the chief executive's performance?
> - Does the board have a well-designed and documented process to select new directors and induct them into their roles?

Self-evaluation can help the board better understand its performance in critical areas, and assist in its professional development. It can also provide a basis for recognising excellent director performance or help deal with performance issues and board succession planning

But while evaluation has moved online, and governance models are frequently refined and updated, fundamentally self-evaluation has remained the same for some years.

But that's now changed, with the advent of a Governance Mark from Sport New Zealand.

Sport New Zealand, the crown entity charged with developing a world-leading system from grassroots through to elite sport, has long seen the value of fostering sound governance in the sector.

Most recently it has supplemented a highly-regarded suite of online governance tools with a Governance Mark, awarding the first to regional sports trust Sport Wellington in May this year.

It was the culmination of a journey which started with Sport New Zealand's recognition that self-evaluations by boards have real limitations.   Most boards rate themselves highly because they have few points of reference for performance comparison. They may also have very different interpretations of topics such as sound risk management, where views might vary widely. These can be from a short discussion once a year to a fully developed independent and objective view of risk and the development of a plan with detailed assessments and mitigation plans.

Using information from a detailed study of governance progress in the sector over ten years Sport New Zealand first designed a one-page Governance Framework. It focusses on key issues relevant to all forms of enterprise; the need for good planning, clarity on the board's role, and the use and understanding of governance policy.

It discussed the Framework and a revised evaluation process widely with partners and leading governance practitioners, leading to the concept of a Governance Mark accreditation process.

Using the accreditation system, a board evaluates its performance against the Framework criteria. An independent facilitator then reviews the results as well as a range of documentation and reports on alignment with the Framework.

For example, a board may state it has a strategic plan because it devotes a large portion of one board meeting a year to reviewing progress and looking forward to the next year's activities. The facilitator might, however, point out that a strategic plan should make clear what is the organisation's purpose and describe the benefits it is creating and for whom. This forms the basis for effective monitoring and evaluation, and as the basis for measuring organisational and chief executive effectiveness. Based this feedback the board might then decide on a focused away-day to develop and document an outcomes-based long-term written strategic plan.

When Sport New Zealand and the organisation involved reach a certain progress point they can undertake a reassessment. This reinforces progress made and lessons learned.

In awarding the first Mark to Sport Wellington in May, Sport and Recreation Minister Jonathan Coleman noted that it wasn't a simple tick box exercise but rather required processes for director recruitment, clarity on roles, well-structured meetings and a culture of external accountability.

"Good governance of sport is important," he said, "The Mark ensures that boards are functioning well to attract money, members and commercial opportunities. The Mark also assures governing boards and the communities that they serve are following good practice. These organisations also have a key role in addressing issues that challenge the integrity of sport, so it is important that we now have a process to provide evidence of capability around the board table."

More than 20 sport and recreation sector bodies are currently working towards gaining the Mark, which Sport New Zealand capability consultant John Page describes as a powerful tool for assisting boards, providing an objective, direct and helpful approach to improvement.

"It is a large step from the simple self-evaluation process. I am confident we will see a significant growth in this approach to governance evaluation."

Further information on the Sport New Zealand governance programmes can be found at www.sportnz.org.nz/governance

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