



Australian Canoeing

Behavioural Governance Review

Summary Report

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Executive Overview

The review of Australian Canoeing found an organisation that has made significant improvements to its governance and management. With the assistance of government and other agencies, the present board and executive have rescued Australian Canoeing from disaster. Through careful governance and management, the board and executive have brought about the return of control for their high-performance programme to Australian Canoeing. They have every right to be proud of these accomplishments and are to be congratulated.

Having made these significant advances, Australian Canoeing is now at a crossroads in its development. The organisation must take the next step, building on its current successes both on and off the water. The next improvement in performance is often the hardest; it requires the board and executive to collaborate in an environment that engenders synergy, trust and confidence in each other and their plans.

The review identified six areas in which important improvements can be made: meeting management, reporting, succession planning, strategy, directors, and the third team. Implementing the recommendations outlined below will assist Australian Canoeing to take that next step in performance.

Meeting management

- Plan more face-to-face meetings
- Implement a yearly meeting plan for the board
- Reduce and strategically focus agendas
- Draft a board policy that stipulates the minimum time directors must receive all papers before a meeting:
 - Stipulate the format for papers (hard copy, soft copy or both)
 - Adjust meeting dates, if necessary, to give the parties reporting (finance) time to prepare their reports
- Improve management of face-to-face meetings (e.g. discussion); this is the Chair's responsibility
 - Programme board-only time (30-45 minutes) at the beginning of each face-to-face meeting (5-10 minutes for teleconferences).

Reporting

- Ensure the board's yearly plan details major items of discussion (e.g. strategy, CEO review, AGM)
- Develop and implement a board reporting structure for all executives:
 - Require written reports from the CEO, CFO, HP executive or other executives. Verbal reporting by executives should not be accepted
 - Ensure the board's yearly plan stipulates two specific times when executives, other than the CEO, provide a written debrief (half- and full-year) of the achievements and failures (against the strategic plan) and receive feedback from the board regarding the areas they manage.
- Include in the board's yearly plan a description of the key steps in the development, review and authorising of the strategic plan.

Succession planning

- Develop a procedure (policy) for completing the CEO review, including:
 - Who is involved (managing feedback)
 - Who controls the process
 - The timelines for feedback, discussion and decisions
 - Board-only time to enable open and frank discussions
 - Programmed half-yearly discussion (board-only time) to discuss issues and concerns
- Develop a board skills and requirements matrix
- Put in place a structured process of director reviews.

Strategy

- Implement a plan that outlines the development and review of the strategic plan
- In the board's yearly plan, describe the key steps in the development, review and authorising of the strategic plan
- Develop a clear and tightly worded core purpose – what we do, why we do it and who we do it to
- Align the strategic with a resource plan and budget.

Directors

- Question the benefit of having an athlete representative if they don't attend meetings or participate in any meaningful way (the current rep is on a leave of absence)
- Implement a formal induction process that includes a letter of commitment signed by directors. It is the responsibility of the Chair, not the CEO, to lead the induction process
Formalise the policies and procedures of the board (e.g. director induction/review).

Third team (board and executive)

- Structure meetings to allow the time/opportunity for open discussions about issues facing the organisation. Executives should be encouraged to discuss issues, especially at the half- and full-year debrief sessions (as recommended above)
 - The culture of the third team plays a significant part in executive knowledge gathering. They need to be able to trust and have confidence in the directors that, while they may discuss and seek ideas, directors will not take that as permission to dive into the detail
- Encourage the board and executive to have a conversation explicitly about the networks directors have and how these can be utilised. This would occur concurrently with the development of the board skills matrix
- Explicitly discuss the organisation's values, norms and beliefs:
 - What are they?
 - Are they aligned?
 - Do they match the purpose?
 - Are they aligned with states' and individual members' own values, norms and beliefs?
 - What are the expectations for director performance?

Findings

The key attributes and characteristics that were included in this review are outlined below. These determine if the board and executive work well as a team. The findings also highlight behavioural characteristics and attributes that ultimately determine the environment and level of synergy, trust and confidence within and between the members of the combined and separate teams.

Intellectual Capital

For a board to be effective in carrying out its four core functions – controlling the organisation, providing advice, strategising, and providing access to resources – it must possess within its ranks a mix of attributes, characteristics and skill sets. These are the board’s collective intellectual capital. These attributes, characteristics and skill sets can be categorised into four key groupings: human, social, structural and cultural capital. In combination, these individual attributes and characteristics form a pattern of behaviour. This behaviour influences how the board performs its roles, which in turn influences the executive and, through them, organisational performance.

Directors’ Human Capital (HC)

A director’s human capital is an important source of innovation and strategic renewal. Good practice guides suggest that the mix of directors’ skills within a board has a significant influence on the ultimate performance of the organisation. However, director capabilities are only a starting point; as action shapes relationships with others, these relationships become dynamic rather than just adding one to the other. The board of Australian Canoeing can either be greater or lesser than the sum of its parts; this depends on the development of synergy, trust and confidence within and between the members of the third team (board and executive).

Currently Australian Canoeing places significant importance on the organisation-specific and sport-specific knowledge and experience of its directors alongside their functional abilities. This contrasts with high-performing organisations that prefer their directors to possess wider business and board experience rather than sporting-specific experience. This lack of depth in director skills and experience leaves Australian Canoeing exposed to narrow, sport-specific thinking. While the difficulty of recruiting directors from outside of sport is understood, this needs to be a focus for vacant director positions in the future.

The development, implementation and monitoring of strategy are the three areas impacted by lack of diversity in the board’s skills and external corporate knowledge. These are the skills that good directors with a strong commercial background possess.

A review of the reporting, supported by commentary from those interviewed, identified that the board reporting is *not* strategically focused and the output from the forum is not necessarily developed and discussed further by the board. There is also no opportunity for the board to discuss (with the executive) and agree the strategic direction, outcomes, and key areas of focus for the sport. More face-to-face meetings would help develop and enhance the board’s strategy development and monitoring.

Social Capital

Social capital is the mix of implicit and tangible resources that are available through the various social relationships of individual directors and the board as a team. The environments in which social capital is used, developed and flourishes are both internal and external. Internally, social capital influences and facilitates ties and relationships within the organisation. These contribute to the development of trust, collaboration and team work, and, importantly, influence director recruitment and selection decisions. External social capital facilitates ties and relationships to outside organisations and networks, while also providing bridges to external information and co-option benefits.

Internal

Internal social capital relies on the relationships developed between and with the board and directors. The review identified two key areas of concern: there is no defined expectation about the effort and/or preparation required of Australian Canoeing directors (which is exacerbated by the lack of any formal induction process that would outline the expectations); and it is accepted that some of the directors do not read the papers before they come to meetings.

The board's view is that discussions on issues or topics tend to be dominated by one or two people, who are often not the most knowledgeable. Comments and observation suggested that others at the table would have a significant contribution to make, if they were given the opportunity. The topics discussed appeared to be largely predetermined; that is, the decision was already made, and the board was having it explained to them.

A mitigating factor may be the over-reliance on teleconferences, which by their very nature require a highly structured, managed process. Unfortunately, this same tightly managed (no debate) meeting structure could be observed in the face-to-face meetings.

Verbal reports are not acceptable at board level. They make it hard for directors to prepare for meetings, giving them no time to research, seek clarification or prepare questions. More importantly, verbal reports can't be verified and people can't be held accountable for them in the future.

External

External social capital is the mix of outside networks that directors possess. The Australian Canoeing board is strongly connected to the paddling community. This in itself is a good thing, but the lack of balance (external knowledge and skills) makes it harder for the board to think laterally or be innovative about opportunities or threats.

It was identified that the board and executive have not explicitly discussed how they can make use of the directors' various external networks to connect with people who could contribute to the work of the organisation. This reinforces the earlier comments (under Human Capital) about the board's need to grow its director diversity and general board experience. Willingness to open private networks to others is also inhibited when synergy, trust and confidence have not developed fully within the third team (the board and executive).

Accessing external networks is even more important in the not-for-profit sport sector, as the executives of these organisations are often not as well connected in the corporate/business environment.

Structural Capital

Structural capital is the mix of explicit, implicit and codified knowledge that resides within the board, such as:

- Documented board policies, charters and guidelines
- Board culture
- Implicit board procedures and norms (e.g. induction, expectations, participation).

A degree of formal structure has been shown to have a positive effect on communication and sharing of information. For high-performing not-for-profit sport organisations, one of the most significant board processes identified is the level of communication and the flow of information within the board itself.

It should be noted that the board's culture has at its core "trust", reinforcing the idea that "trust" within the board and between the board and executive is essential to high performance. The policies, procedures and culture of the Australian Canoeing board are viewed negatively, and this reinforces how the culture of the board is dependent on the development of trust. Directors do not believe the board's current policies, procedures and culture build trust.

The induction process is a core component for the development of board culture. It enables directors to assimilate organisational knowledge and understand aspects of the organisation, such as its: strategy (monitoring, implementation, and success), planning and reporting timeframe, expectations, history and culture, as well as the issues the organisation is facing. Therefore, Australian Canoeing's lack of an induction process is an area of concern.

Cultural Capital

Cultural capital consists of both implicit and tangible aspects of a board's ethos. These normally manifest themselves within the norms, values and rules of individual members, as well as the dominant group within the board. Effort norms, for example, are a group construct that refers to the shared belief of the board about the work effort required of each individual. The level of effort expended is an individually manifested attribute. However, if the board has explicitly discussed the expectations and what it believes are the board's and organisation's norms, values and rules, this can often exert a strong influence on a director's behaviour – this is particularly true within boards that are interdependent.

It was identified that the Australian Canoeing board believes that their values, norms and beliefs match those of the executive. Interestingly, the interviews revealed that the board has not explicitly discussed its values, norms and beliefs. This raises the possibility that the values do not match at all; everyone is just assuming that they do. The third team (the board and executive) needs to have an open discussion about the organisation's values, norms and beliefs.

Directors' meeting preparedness and director induction were both viewed negatively by the board. The review findings have consistently identified these characteristics as areas that the Board of Australian Canoeing must address in its processes and procedures, as the negative outcomes are detrimental to the performance of the board and the organisation. Inadequate director induction and directors' lack of preparation for meetings can mean:

- Directors' unfamiliarity with the meeting content causes delays, frustration and wasted effort
- Discussion at the board level is stilted and unproductive
- Excessive time is needed for new directors to become comfortable in their knowledge and understanding of the organisation.

Failure to remedy these characteristics will result in continued frustration with directors who are under-prepared or not prepared at all and will seriously impede a new director's ability to make a useful contribution to the board and organisation. Poor performance in these areas is often the result of a failure (lack of will) to rescue, not the lack of capability of those who will do the rescue.

Leader-Member Exchange (Board-Director Relationship)

Leader-member exchange (LMX) is conceptualised as taking place between two parties (the board and executive), one of whom is generally in a supervisory/leadership role (the board). The exchanges that occur are both transactional and transformational: the interaction begins as a transactional social exchange and evolves into a transformational social exchange. The exchanges begin with individuals who are strangers, who then engage in testing processes through social transactions, possibly developing into partnerships. These partnerships experience the transformation from a focus on self-interest to a focus on the larger interest. Social interactions are inhibited by a lack of face-to-face time, trust and culture, all of which have been discussed above.

The exchanges progress through three stages: stage one, stranger (new directors or executives); stage two, acquaintance; stage three, partnership.

Given the right environmental conditions (e.g. face to face meetings – formal and social), these stages evolve quickly and tend to remain stable over time. Once established, a high-quality relationship has long-term benefits for the organisation. Conversely, a low-quality relationship has negative implications for the performance of the organisation.

The stages were classified in two ways:

1. Relationships that transitioned into partnerships characterised by close relationships were classified as having high leader-member exchange.
2. Exchanges that did not progress past the acquaintance stage and were characterised by use of formal authority were classified as having low leader-member exchange.

An important outcome for organisations resulting from the board and executive having a high LMX relationship is that knowledge (both tacit and explicit) is shared between the third team (board and executive). This results in higher performance from the executive and the organisation in general. Knowledge sourcing and its implications for the performance of the organisation are discussed later in this summary report.

High-performing sport organisations have identified that the willingness of directors to *offer* their networks, etc. (their power) to help their executive teams solve issues affecting them was essential. Furthermore, they would defend the board/executive decisions if the other party were not there to do so themselves. This shows a degree of loyalty that is critical in the development of trust and confidence within the third team.

The Australian Canoeing executive and board identified that they had confidence in each other's decisions and would defend them if the other was not present to do so. This suggests a level of

synergy between the board and executive once a decision has been made. However, this positive characteristic is influenced by the board's and executive's uncertainty about how the board can help with issues or how this help might best be offered. This leaves the board (individual directors) unsure about how they could or should use their power, influence, knowledge and contacts to help solve problems in the executive team's work.

More importantly, the executive does not believe they are receiving an appropriate level of feedback about their performance. If the board believes it is giving this feedback, then the message is being lost in translation. This result shows that not only is "trust" a key element in achieving high leader-member exchange but how each group (board and executive) within the third team perceives the working relationship is also critical. Opportunities for mutual feedback are essential to the development of the third-team culture, and trust, synergy and confidence.

These characteristics provide further support to the earlier comments on the need for Australian Canoeing to facilitate social exchanges that will allow the relationships between the board and executive to progress from being strangers (transactional) to partners (transformational).

The CEO review process left directors with too few opportunities to properly discuss the findings on performance. It should be noted that directors were slow to provide feedback and complete the survey. This poor individual performance would be partially attributable to a badly defined process; the remainder would be due to individual directors' poor attitude.

The CEO review process is critical to organisational performance as it gives the board an opportunity to formally recognise excellent performance or conversely raise issues about poor performance. It is critical that the process and the involvement of directors are well structured.

Board Effectiveness

The measurement of a board's effectiveness is often linked directly to the financial performance of organisations. While this may indeed be one of the downstream results of their effectiveness, it is inappropriate as a measure of effectiveness. There are six key attributes that determine a board's effectiveness: knowledge, information, power, opportunity, time and incentives.

The board is a separate team that forms half of the third team (board and executive). Therefore, we measure the board's effectiveness both internally (directors) and externally (executives and states), treating the board's effectiveness rating as the mediator of the board-executive performance relationship. This reinforces that it is only within the environment of the third team that a board's effectiveness – or lack of it – can influence the executive, who in turn impact organisational performance.

High-performing not-for-profit sports organisations have identified three key contributors to an effective board: succession planning, the board's ability to enhance government relations, and the directors' ability to access or build strategically important networks. When speaking with these organisations, it was clear that succession planning for the board and executive was a very high priority.

Australian Canoeing considered the effectiveness of the board in managing a crisis and enhancing government relations was critical to success. Given the organisation's history, this is entirely justified. In fact, the board and executive are to be congratulated for rescuing Australian Canoeing from the brink of disaster. Their hard work also enabled the return of control for the high-

performance programme from the Australian Institute of Sport to Australian Canoeing after many years' absence. This highlights the progress the organisation has made in the eyes of the Australian Institute of Sport and the Australian Sports Commission.

However, the negative rating given for strategic planning and monitoring and for succession planning reinforces earlier findings and discussion.

Strategic planning is one of the board's core roles; it involves determining with the executive the direction the organisation will take and then monitoring its implementation and ensuring the desired outcomes are achieved. This is managed through a strong strategic planning process, supported by robust monitoring and reporting by the executive to the board throughout the year. The discussion of strategy includes high-performance strategy.

Succession planning is a major item that needs to be high on the board's agenda. While everyone is aware of it, it is the proverbial "elephant in the room" that no one wants to deal with. These three functional aspects of the board's role – review of performance, succession planning, strategy (development, monitoring and reporting) – are currently poorly managed in the Australian Canoeing context.

There is no formalised process to review the performance of directors as they approach their stand-down date. Essentially, the same process of review and discussion that occurs with the CEO should occur when a director is due to stand down or stand for re-election. A 360-degree review of board and executive performance should be undertaken, followed by the board Chair, and possibly the nominations committee Chair, discussing with the director their successes and failings and whether the board is going to invite them to stay or not.

However, before reaching that point, a director, especially a new independent director or interested director, should reasonably expect to receive feedback from the board Chair about their progress. This can be done at the end of the first six months and again at 18 months into their tenure. This does not currently happen at Australian Canoeing.

At present, directors who are due for re-election or selection (independent director positions) have little or no idea if their performance is excellent, satisfactory or poor. There does not appear to be any formalised input or feedback process. Observations suggest that the current method of determining if a director stays or goes is unstructured, with no feedback being given until they are told they are not needed. This is unsatisfactory as it undermines the culture of developing performance both of directors and of the board as a team.

Question 1 of the section on team effectiveness asked, "How would you rate the overall effectiveness of the board?" Twelve (80%) of the 15 responses rated the board as effective, while three (20%) rated the board as neutral. In contrast to the high-performing not-for-profit sports, the whole board of Australian Canoeing thought they were only "effective". Normally, most, if not all, directors would be expected to rank themselves as "very effective". Moreover, one-third (33%) of the directors rated their effectiveness as "neutral", a rating considered to be the same as "ineffective". This highlights the board's own understanding that it is not as effective as it could be. This belief is reinforced by the preceding comments and findings in this summary report.

Knowledge Exchange (Director to Executive)

Access to, and the use of, knowledge and information has been positively associated with organisational performance. While having access to the collective knowledge bank contained within the third team is important, the application of the knowledge to solve organisational issues or improve performance determines the worth of the knowledge.

There are three distinct change mechanisms used by individuals to apply knowledge: replication, adaptation and innovation. Replication is taking new learning and applying it directly within your own sphere of control and operation. Adaptation refers to the evolutionary development that occurs when prior knowledge is altered in some way to make it more applicable to the organisation and its environment. And innovation refers to a change so radical or substantial that no increase in efficiency or redesigns could have the same impact. Replication, adaptation and innovation are not mutually exclusive – they can, in fact, merge and occur concurrently. It is important to note that this is an executive characteristic and does not include the directors.

The notable aspect of the high-performing not-for-profit sport organisations is that, through their interactions with the directors, the executive has gained insights and reliable methods to improve their ability to fulfil their role. Furthermore, they have become more innovative in their thinking.

A prime requirement for facilitating the executive's adaptation or replication of knowledge is time and opportunity to discuss with directors issues they or the organisation are facing. An impediment to this interaction occurring is where meeting discussion or debate is stifled. For example, if mainly one person speaks, there is limited chance for those with different, or possibly better, knowledge to engage.

The third-team culture (values, norms and beliefs) is critical to the confidence the executive has in accessing and using the directors' knowledge. If confidence and trust are missing, executives may perceive a risk in seeking ideas; for example, can they trust that the director/s will not see the open discussion as an opportunity to interfere daily? Conversely, directors have to believe that their input will be valued and recognised, even if it is not used. When trust, synergy and confidence are present, relationships shift from being transactional to transformational.