

Evaluating Sport Club Board Performance: A Customer Perspective

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Abstract

Customers are overlooked often as a stakeholder group when it comes to assessing board performance. To gain insight into the factors that affect customer perceptions of non-profit board performance, over 20,000 members from 14 different professional, non-profit sporting clubs were surveyed. The results suggest that sporting club boards are evaluated primarily in line with perceptions specifically related to their administrative effectiveness, although the on-field performance of the team is a contributing and correlated factor. Board performance and on-field performance perceptions were both direct contributors to overall member satisfaction, with board performance being the stronger. Perceptions of board performance are clearly worth managing in a holistic manner.

Introduction: Assessing Board Performance

The idea that there is a positive relationship between board performance and organisational performance has remained virtually uncontested, however there is very little evidence to support this contention in the research literature (Hoye and Cuskelly, 2006). Amongst the four key stakeholder groups common to most organizations (shareholders, employees, communities and customers) it is customers who have been the subject of the least amount of board-related research (Huse and Rindova 2001). We could assume the perceptions held by sporting club members regarding board performance are also likely to be influenced by performance. Certainly, sports journalists make the assertion frequently that member disquiet with club boards is almost entirely driven by below expected on-field results and funds raised (Healy, 2007).

In the past 12 months we have seen the club board removed at one Australian League Football (AFL) club, with a three others either formally reviewed or suffering leadership challenges. Researchers in past work, however, (Brown, 2005; Long, 2006) have noted that prior attempts to establish a link between board and organisational performance, have been complicated, making precise understanding of these concepts difficult. Many studies of corporate governance attempt to link board performance with the financial performance of the organisation, however important non-financial performance measures are not well established in the research literature. For many organisations operating within the sport industry, an industry which is rapidly growing in size and economic importance, it is the on-field performance which is deemed most valuable. This research develops a model that investigates the relationship between the perceptions of the Board and member satisfaction for professional sport clubs, including both financial and non-financial measures of performance.

Sport Governance

Governance of sport organisations has been the focus of considerable study within sport management academia, (Ferkins, Shilbury, and McDonald, 2005; Hoye and Auld, 2001; Hoye

and Cuskelly, 2006; Hoye and Inglis, 2003; Schulz and Auld, 2006), but in practice measurement of board effectiveness is rarely done in a detailed manner. Evaluation of board performance, without specific consideration of the evaluation of board performance by stakeholders such as club members or season ticket holders, for example, is considered to be a weakness of many sport organisations (Ferkins, Shilbury and McDonald 2005).

Recent research examining the assessment of board performance in general (Brown, 2005; Kiel and Nicholson, 2005; Kiel, Nicholson, and Barclay, 2005), has highlighting that the process of evaluating the performance of individual directors brings into question the relevance of evaluation criteria, evaluation methods and who conducts the evaluation. For many organisations, in the corporate and non-profit sectors, there are both increasing demands for organisational performance, and subsequently increasing performance pressures on boards of directors (Kiel and Nicholson 2005). These community expectations may well be amplified in the context of a non-profit, high-profile AFL club, where the emotional investment of the members could influence their perceptions of both board and organisational performance. In practice, sporting club boards seem far more turbulent than their private sector counterparts.

It is acknowledged that organisational effectiveness is an elusive concept, and in the non-profit sector, it is recognised to be even more problematic (Bradshaw, Murray, and Wolpin, 1992). In a thorough review of non-profit board organisational effectiveness studies over two decades, Forbes (1998) noted the difficulty of undertaking organisational effectiveness studies in non-profit organisations, primarily because non-profit organisations often have goals that are 1) indistinct and 2) offer services that are intangible.

Although the many sporting clubs may have an annual turnover similar to that of a small-to-medium sized business, the significant majority of these clubs operate as non-profit, membership based entities. Directors hold voluntary positions on the board of the club and in many instances are directly elected to the board by the membership. Assessment or evaluation of the performance of these directors is complicated, largely due to the “inherent difficulties of conducting performance evaluations of individuals who are acting in a voluntary capacity” (Hoye and Cuskelly, 2006: 161). For a non-profit membership organisation, such as the AFL clubs, the assessment of the performance of the board by the members requires consideration.

Stakeholder Assessment of Board Performance

When investigating the perceptions of board performance by its customers, a stakeholder perspective is required. Herman and Renz (1997; 1998; 2000) used a social constructionist perspective and a multiple constituency model to investigate stakeholder judgements of non-profit organisational effectiveness. The multiple constituency model is particularly useful in that it “recognizes that organizations have (or comprise) multiple stakeholders or constituents who are likely to differ in the criteria they use to evaluate the effectiveness of an organization” (Herman and Renz, 1997: 187).

Forbes (1998) identified that any assessment of board performance must begin with an discussion about *whose* criteria of effectiveness are to be applied. The multiple constituency model utilised by Herman and Renz (1997; 1998; 2000) acknowledges that there is not measure of board effectiveness that all stakeholders perceive similarly, rather each group assesses board performance on the basis of criteria and impressions mostly relevant to it. In relation to sport club members perceptions of board performance, utilising the multiple

constituency model as applied by Herman and Renz (1997; 1998; 2000), indicates that the sport club members would be expected to assess board performance using criteria most relevant to them, which may include the measure of the club's on-field performance. Brown (2005) found that assessments of non-profit performance must consider the attitudes and perceptions of multiple constituents.

There has been no research to date published in the field of sport management which presents performance measures specifically for sport organisations. One of the first reported studies of board performance in sport was conducted by Papadimitriou and Taylor (2000) who found that different external constituent groups (e.g., athletes, coaches, scientific staff, funding agency staff, sponsors) used different criteria to conceptualise and judge effective board performance. This would support the contention that sport club members may be influenced by their team's on-field performance when assessing the performance of the board of directors, but we are unsure of what other factors influence their perceptions and how.

Method

The focus of this study was on understanding how season-ticket holders (members) evaluate sport organisation boards, and thus the primary method of data collection was large scale surveying of season-ticket holder lists of 14 different sport organisations. Thirteen of these organisations are professional Australian Football League (AFL) clubs, an indigenous sport that is the most heavily attended and watched in Australia. The results were then verified by conducting similar research with a professional soccer club playing in Australia's A-league. The inclusion of two different codes and clubs experiencing different degrees of success allowed more stringent examination of the impact of variable factors such as on-field success and media coverage.

In the AFL clubs under examination here, most have large membership bases (in excess of 25,000 each) and members are afforded some voting rights as to board constitution. The A-league soccer club was tracked through its first two years of operation, when it experienced both high and low numbers of wins. During that time its membership list grew from 8,000 to over 11,000, but members are not granted voting rights. Unlike the AFL clubs, the A-League club is privately owned and managed and members are not granted voting rights.

In order to understand the aspects of club management that influence season ticket holder perceptions of boards, qualitative research was undertaken. In-depth interviewing and focus groups were conducted with up to 16 members of each club, and the discussions were used to frame the questionnaire. In simple terms the discussions showed that members were uncertain about the role of boards, and equally as uncertain about how to assess them. As a result, shorthand assessments were made such as "the club is going okay, so they must be doing well". It would appear from these discussions that financial and on-field success played a large role in shaping season ticket holder perceptions. Perceptions were also influenced by how concerned the board seemed with season ticket holder rights and satisfaction, particularly about whether or not members felt valued by the club.

As a result a questionnaire that covered member perceptions of areas like communications, feelings of personal involvement, on-field performance, financial management and administration was developed and pre-tested. These perceptions were collected using a 0 – 10, "poor" to "excellent" response scale, following the practice typically employed in satisfaction

and service quality assessment studies. Additionally, data was collected regarding overall season ticket holder satisfaction with the membership package and intention to rejoin the following season.

Results

Surveys of members were conducted by delivering an electronic survey from via email to all members who had provided email addresses to the club. Electronic surveying allowed more cost effective surveying of a wide range of members than would have been the case using telephone or mail. Although there were some concerns that email delivery may be biased against elderly members (under 18's were not included) or non-office workers, this has not proven to be the case in past studies (McDonald and Adam 2004). Comparison of the email lists and the overall membership revealed they were similar in make-up in terms of membership type and demographics, further allaying concerns of bias. An incentive for completion was offered, by way of signed club merchandise. Response rates and levels were high. Overall, with an average response rate exceeding 35% and a total response level of 19,699, the survey represents a comprehensive measure of season ticket holder attitudes in these 14 clubs.

Overall the results showed great consistency across clubs. In presenting the data here, only a detailed examination of the model fitted to all data is shown (Figure 1), but the results of all 14 clubs were examined. This included longitudinal analysis of the A-League club across two years (only one year was included in the combined model) and the analysis of the impact of board perceptions on actual renewal behaviour in one AFL club. The overall, combined club, model fit statistics suggest a good fit to the data, especially given the number of respondents. The chi-square statistic is massive due to the large sample, and given the relative simplicity of the model, the normed chi-square is well beyond recommended levels. However, the NFI (0.94), GFI (0.96), TLI (0.91) and CFI (0.94) are all indicative of a good fit, as is the RMSEA at 0.06. Overall, then we would conclude that the fit indices suggest a good fit, given the sample size.

The model itself shows that the perceptions of the board are derived from the way funds are used, the administration of the club (day to day management), the functioning of the club at board meetings and the promotion of the club by officials. On field performance perceptions are derived from a combination of objectively measured success (e.g., games won) and perceptions of how hard the players were trying.

The relationship between the two is moderately strong (correlated here at 0.5). Board perceptions are a stronger influence on overall satisfaction than on-field performance, but together they explain little of the satisfaction of members (11%). McDonald and Shaw (2005) found that season ticket holder satisfaction typically is derived from more direct service elements like ticketing and complaint handling, and from general feelings of involvement with the club.

In one sense, it may be prudent to drop the item labelled "keep members informed". It contributes relatively little to the perceptions of the board, and due to the moderate correlation between the board and on-field performance, it actually contributes less to the board perceptions than some of the items loading directly onto on-field. Deleting it from the analysis did little to change the goodness of fit measures reported earlier. It is retained in this

model however, because analysis of the models for each of the 14 clubs examined showed that it was typically a stronger contributor in those models, and the correlation between board and on-field was typically lower. Examination of those models suggests that, on the whole, keeping members informed is a significant contributor to season ticket holder perceptions of the board.

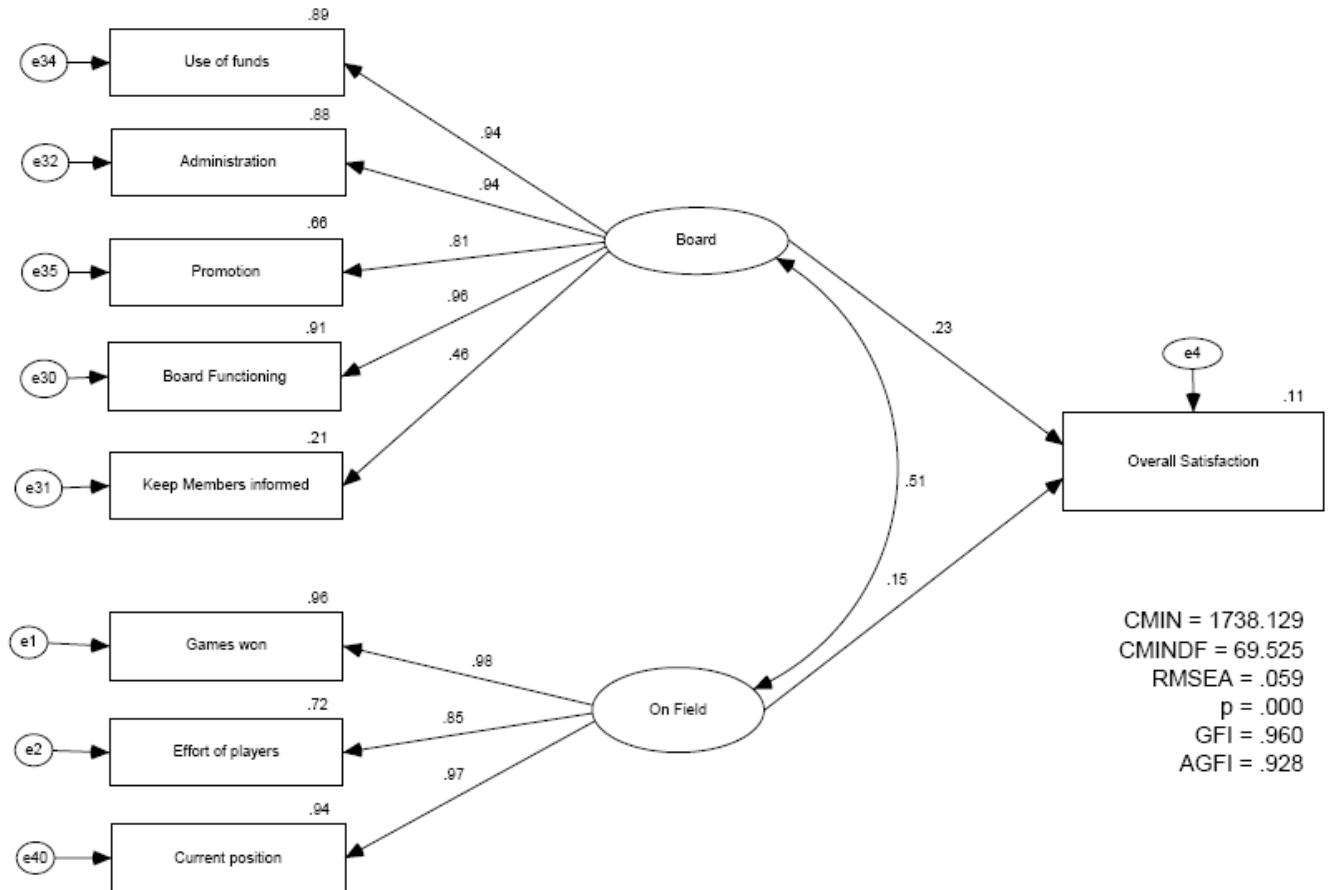


Figure 1: The Relationship Between Perceptions of the Board, On-Field Performance and Overall Satisfaction

Conclusions

It is often difficult to determine how stakeholder perceptions of boards are formed, due to the large number of variables involved and the distance between most stakeholders and board members. This attempt to understand the factors that influence members of professional sporting clubs leads us to conclude that board performance is influenced more by administrative matters than by on-field aspects. Whilst the two are linked, it is not simply the on-field results that determine the fate of the board. Their members have a sophisticated view of the board's role, holding them accountable for strong financial management as well as general stewardship of the club. The marketing implications of these findings are numerous. In the short run though, it would appear that boards need to market themselves to the members of the club they represent, taking the time and effort to explain decisions, making themselves accountable and open to scrutiny. In the absence of detailed and factual

information direct from the board, the club members will form opinions based on media reports and word of mouth, and as discussed, these often take on revolutionary tones. Whilst boards may undertake crude public relations, it would appear prudent for them to undertake a more complete marketing approach to the task – ensuring they understand what their customers want from them, and communicate their benefits back to the customers appropriately. Knowing that members look at a range of actions when assessing the board, and knowing specifically what they consider, is useful, but we do not know how these evaluations are formed. For example, how do club members determine whether the board has managed funds appropriately? Further research is therefore required.

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