



not for profit | NGB board composition

team



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Over the last 10 years, most NGBs have shown a substantial increase in their activities, income and asset base. This ultimately leads to a requirement for greater public accountability to members, funding bodies and sponsors.

Whilst most NGBs are companies limited by guarantee, and therefore have to comply with company law, they vary considerably in terms of the make up of their Boards. Below are examples of the Boards of 3 different NGBs:

NGB X

- Turnover in excess of £10m, assets £2m.
- Board consists of 2 executive members of staff, plus 3 non-executives who are "skills" based. All directors are remunerated.

NGB Y

- Turnover between £500k, assets £100k.
- Board consists of 9 directors, 1 from each region, all unpaid and effectively non-executives. Directors are largely "sport" based.

NGB Z

- Turnover in excess of £1m, assets £200k.
- Chairman is paid and 5 other directors are representatives of the Home Counties and are unpaid. Chairman and other directors are all non-executives.

First of all, it is important to be clear about some of the terms used above.

"*sport*" based director is someone who is on the Board because of their knowledge of the sport in general or a specific discipline or skill, for example coaching or refereeing.

"*skills*" based director is someone who is on the Board because of their specific business skill, for example legal, marketing, financial, or general business acumen.

“executive” director is someone who works full time for the organisation, and is probably, though not necessarily, remunerated as a full time employee.

“non-executive” director is someone who is part time, and whilst having the same level of responsibility as an *“executive”* director in law, in practice does not have the same level of knowledge or information about the organisation, and often plays a different role.

As can be seen from the 3 examples above, the Board composition of NGBs can be very different. There is no right or wrong model - what works for one organisation may not work for another. However, there are some basic requirements with regard to the make up of an NGB's Board in the current sporting and economic climate.

1. *how many directors should there be?*

Although size does not matter; from a practical point of view, a larger Board may become unworkable. Also, in reality, decisions are often taken by a much smaller group of directors, although the whole Board takes responsibility.

2. *should the Board be “skills” based or “sport” based?*

The ideal position is a mix. The majority of NGB Boards are still largely *“sport”* based, with perhaps a treasurer as the only real *“skills”* based appointment. Key skills to be addressed at Board level may include communications, marketing, legal, IT, and property.

3. *should the Board be “executive” or “non-executive”?*

This is the fundamental flaw with most NGBs and their Board composition. Most are made up solely (or very nearly) of non-executive directors. This is an anomaly when comparing NGBs to any reasonably sized commercial business. Typically, a commercial enterprise may have a Board made up of a CEO, Finance Director, Sales Director and perhaps two non-executive directors.

Whilst many NGBs would point out that at least their CEO and maybe their Finance Director attend all or part of the Board meetings, and are instrumental in decision making, this merely points to them acting as *“shadow”* directors. Thus they may in any event be drawn into an unpleasant situation should an action be brought against the Board. Similarly, where would a solely *“non-executive”* Board stand if they had to defend a position as to why the organisation had no *“executive”* directors?

The arguments for an appropriate mix of *“executive”* directors and *“non-executive”* directors are compelling from both sides. Firstly, for the non-executives, if you are largely following the recommendations of the CEO and relying on information provided by them, then you would want them to be part of the Board that is formally taking the decisions.

For the senior management team, principally the CEO, a position on the Board is key. If the CEO is making decisions - which would imply they are acting as a "shadow" director - then without director status they will be acting outside their authority. The argument is stronger in larger organisations where perhaps two or three of the senior management team should be on the Board.

So, one size doesn't fit all. However, in the current environment a mix of executive/non-executive, sports / skills-based directors is essential. Whether or not they are paid is largely unimportant (though executive directors would normally be remunerated) provided you have the right individuals with the right level of commitment and accountability.

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