

BOARD COMPOSITION

WHAT'S BOARD COMPOSITION?

Board composition looks at the essential factors that foster a healthy and effective board. It includes the number of individuals, board diversity (for example, gender, ethnicity, race, age), how long board members can serve (tenure), and board member turnover (often called refreshment).

In for-profit and not-for-profit organizations, board members are organizational guardians. They act on behalf of (have fiduciary duty to) the organization, and they're responsible for its long-term interests. The board must ensure management (staff) conforms to board directives. Meanwhile the board seeks to enhance organizational performance by setting policy and strategic directions.

To do so, the right people must be at the table because board composition has a direct effect on organizational performance. That is, it's critical to have individuals with the skills and attributes for addressing organizational needs and allowing proper organizational oversight. This is the realm of board composition.

Board composition has a direct effect on organizational performance.

BOARD COMPOSITION CHALLENGES

Some key challenges boards face related to their composition include:

► PERSONAL AGENDAS

When boards have representatives who are appointed due to their position in another organization, the representatives can have personal agendas that result in turf wars or



cliques. Personal agendas can also lead to decisions that benefit the representatives or their original organization rather than the board's organization. They may even damage the board's organization or put it at a disadvantage. For instance, this can happen with parents or guardians who are board members of their child's local sport club, because they make decisions to benefit their child first and not the club as a whole.

► GROUPTHINK



Call it groupthink, yes-people, or board homogeneity. We see some dysfunctional boards that are composed of people with similar backgrounds or skills, people who have been on the board for a long time, or people selected as a reward for their years of service in the sport. Such board compositions can lead to similar ways of thinking, not challenging decisions, or not wanting to make waves. Ultimately, the organization suffers because it underperforms.

► TENURE LENGTH



There can be a tendency to have people stay on the board for a long time for various reasons. For example, members don't want to leave or no one wants to step up. Being on a board for too long can lead to bias, complacency, favouritism, a lack of independence, or an inability to challenge management.

► BOARD SIZE



Large boards are often viewed as bad for communication, member participation, collaboration, and reaching consensus. There are more chances of conflict, too. Yet, not-for-profit organizations tend to have larger boards than for-profit boards. Typically, not-for-profit boards are larger because they either have representative-based nominations (for example, provincial or territorial representation instead of elections) or they need the members to access external resources.

BEST PRACTICES AND RECOMMENDATIONS FOR BOARD COMPOSITION

Board composition isn't a one-size-fits-all.

► PROVIDE ROLE CLARITY

Ensure each board member is clear on their role within the board. Each member should also be aware of the board's roles and responsibilities toward the organization and in relation to management staff (the CEO or Executive Director and other staff).

► CHOOSE REQUIRED BACKGROUNDS AND QUALIFICATIONS

Have an elected, skills-based board to address the organization's specific needs. Undertake a skillset audit for the board before board nominations are made and elections are held. Ensure key stakeholder voices are included (for example, athletes and participants).

► DIVERSIFY THE BOARD

Have a gender-balanced and ethnically-balanced board. Balanced means between 40% and 60% of representation. Women's interpersonal skills are also an advantage: women consistently outperform men in leadership roles when it comes to earning trust and reducing the potential negative effects associated with major crisis situations, such as the COVID-19 pandemic. Beyond gender and ethnicity, board diversity also means considering board members from a mix of age ranges.

► BUILD IN INDEPENDENCE

Include a number of independent board members who have the proper industry expertise, who can ask tough questions, and who can challenge the CEO, management and staff. Externally appointed or elected members may also broaden the board's skill base and diversity.

► VARY TENURE LENGTH

Set different tenure lengths (new-term, medium-term and longer-term board tenures) to blend new ideas as well as maintain some institutional memory and critical questioning (challenging) of management. This blend can also help avoid complacency and minimize groupthink. For-profit organizations tend to limit tenure to 10 to 15 years maximum. Often, they also have a mandatory age limit. In Canadian for-profit organizations specifically, the optimal average tenure length is 12.56 years for top returns on assets.

► MINIMIZE BOARD SIZE

Have the smallest possible board size that allows the board to cover its required skill and attribute needs. For example, Canadian national sport organizations average 9 board members (range: 4 to 15 members). When boards have more than 12 members, a core group tends to form of 7 to 9 more active members. Whatever the number, each board member should have a designated role and responsibilities.

Companies in the top quartile for gender diversity and for ethnic diversity outperform their competitors financially by 25% and 36% respectively (McKinsey & Company, 2020)

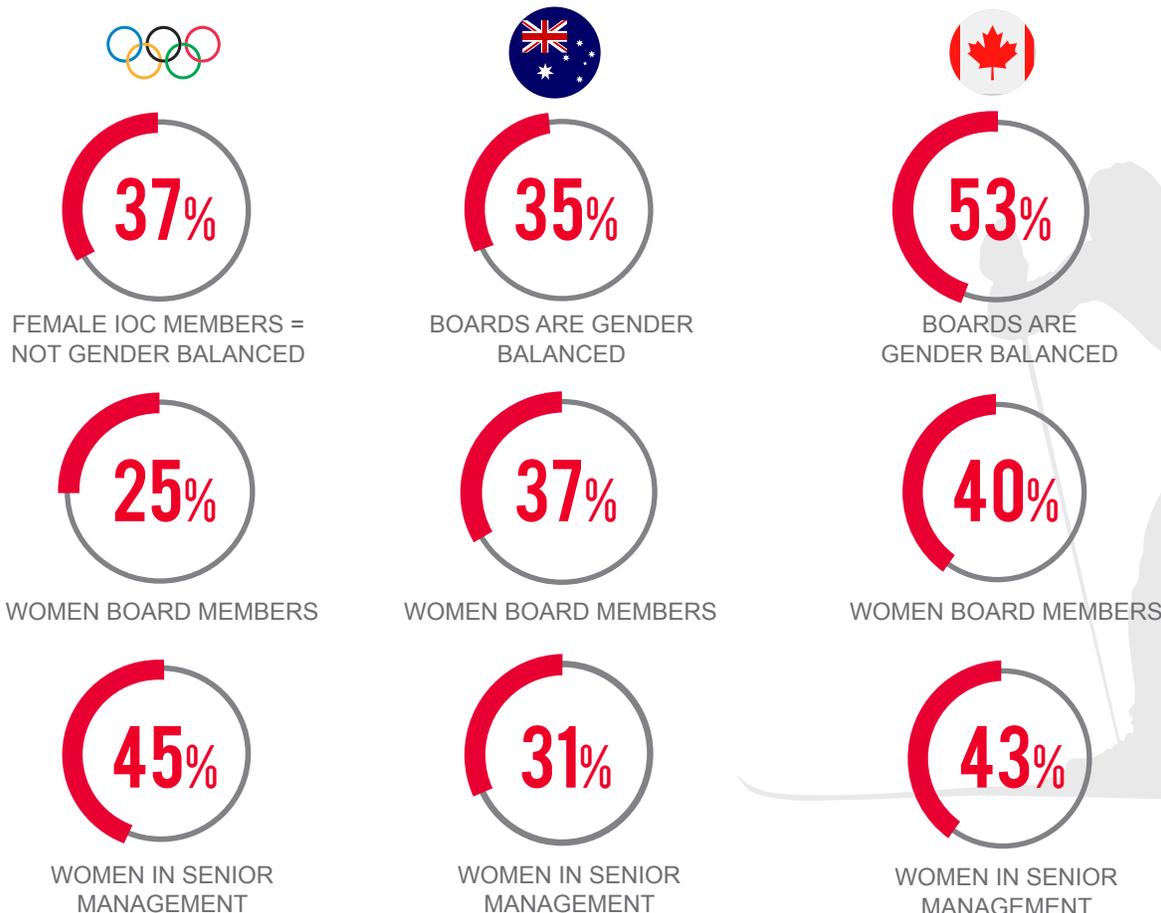


CANADIAN SPORT IS LEADING THE WAY IN BOARD COMPOSITION

In its 2020 report, McKinsey & Company found that only 21% of North American companies had women holding c-suite positions (senior executive positions, typically titles starting with “Chief”). This is surprising since 87% of North American companies have diversity as a priority. But sport, and especially Canadian sport, is performing better than other industries (see also Figure 1).

- ▶ In the International Olympic Committee (IOC), women form 36.9% of IOC members and 25% of the IOC Executive Board. Within the IOC, 43% of senior management positions are held by women.
- ▶ In Australia, where there’s a push for pay equality for athletes and administrators, women form 36.7% of sport boards for national, state and professional sport organizations. And, women hold 30.5% of key management positions. In all, 35.3% of Australia’s sport boards achieve gender balance.
- ▶ Canada fares better with 52.5% of Canadian national sport organizations, multi-sport organizations and sport institutes’ boards having achieved gender balance. More precisely, 40% of board members are women and 43% of executive leadership positions are held by women.

Figure 1. Gender representation comparisons between the IOC, Australia and Canada (2020 to 2021).¹



¹ Compiled from multiple sources, including McKinsey, the IOC, and communication with the Olympic Studies Centre as of Sept. 9, 2021.

Key resources for further reading on board composition

Brown, D.A.H. (2012). The fiduciary duty of boards. Brown Governance Inc. <https://www.governancesolutions.ca/governance-solutions/publications/pdfs/Fiduciary%20Duty%20of%20Boards.pdf>

Canadian Women and Sport & E-Alliance. (2021). Women in sport leadership: 2021 snapshot. <https://womenandsport.ca/wp-content/uploads/2021/05/Leadership-Snapshot-2021-final-ENG-May-26-2021.pdf>

Deloitte. (2014). The effective not-for-profit board: A value-driving force. <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/public-sector/ca-en-public-sector-effective-npo-board.pdf>

Hoye, R., & Cuskelly, G. (2007). Sport governance. Routledge. <https://www.routledge.com/Sport-Governance/Hoye-Cuskelly/p/book/9780750669993>

Hoye, R., & Doherty, A. (2011). Nonprofit sport board performance: A review and directions for future research. *Journal of Sport Management*, 25(3), 272-285.

McIntyre, M. L., Murphy, S. A., & Mitchell, P. (2007). The top team: Examining board composition and firm performance. *Corporate Governance*, 7(5), 547-561. <https://doi.org/10.1108/14720700710827149>

McKinsey & Company. (2020, May). Diversity wins: How inclusion matters. <https://www.mckinsey.com/~media/mckinsey/featured%20insights/diversity%20and%20inclusion/diversity%20wins%20how%20inclusion%20matters/diversity-wins-how-inclusion-matters-vf.pdf?shouldIndex=false>

National Council of Nonprofits. (2022). Finding the right board members for your nonprofit. <https://www.councilofnonprofits.org/tools-resources/finding-the-right-board-members-your-nonprofit>

Parent, M. M., Taks, M., Naraine, M. L., Hoye, R., Séguin, B., Thompson, A. (2019). Canadian national sport organizations' governance landscape study. doi:10.13140/RG.2.2.23858.66242 https://www2.uottawa.ca/faculty-health-sciences/sites/g/files/bhrskd346/files/2021-12/survey_results_-_canadian_national_sport_organizations_governance_landscape_study.pdf

Parent, M. M., Taks, M., Séguin, B., Naraine, M. L., Hoye, R., Thompson, A., Lachance, E. L. (2020, May 20). 2020 Workshop report: Governance, branding, and social media in Canadian national sport organizations https://www2.uottawa.ca/faculty-health-sciences/sites/g/files/bhrskd346/files/2021-12/workshop-report_1.pdf

Price, N. (2018, May 11). The importance of board composition, diversity and refreshment. Diligent. <https://www.diligent.com/insights/board-composition/the-importance-of-board-composition-diversity-and-refreshment/>

Sport for Life Campus. (n.d.) Effective board governance. https://sportforlife-sportpourelavie.ca/catalog_detail.php?courseid=114



This report was prepared for SIRC by Milena M. Parent and Erik L. Lachance.

