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## Review

## Board strategic balance: An emerging sport governance theory

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## ABSTRACT

Despite the important role governing boards play in organisational life our understanding of their strategic function is limited. This paper embarks on theory development to explain the notion of board strategic capability and to identify the factors and their relationships influencing strategic capability of sport boards. This little-used construct, we argue, can guide future governance research. In reflecting on the extant literature from the nonprofit, for-profit and sport governance domains, we derived six distinct and central factors of board strategic capability: increasing contribution of volunteer board members ('will and skill'); board operational knowledge; board integrating regional entities into the governing role; board maintaining the monitoring and control function; board co-leading strategy development; and board co-leading integration of strategy into board processes. In considering the relationships between these six factors, we propose a theory of 'board strategic balance' that explains these influences in a holistic model. We conclude that the theory of board strategic capability is encapsulated by understanding how creating and maintaining *equilibrium* in these roles and functions is managed by sport boards.

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## 1. Introduction

The strategic role of the board has been established as a critical part of what boards do (Pettigrew & McNulty, 1998; Siciliano, 2008); yet, as an emerging theme of investigation it remains an ambiguous concept (Brown & Guo, 2010; Ferkins & Shilbury, 2012; Parker, 2007). In response to assertions that we need to know more about the strategic role of the board, and that our methods of research do not do enough to understand the complex and dynamic processes involved (Huse, 2009; Leblanc, 2004; Parker, 2007; Siciliano, 2008), this paper explores the board's strategic role. It has a particular emphasis on board processes, and empirical work that has prioritised 'insider' and interpretive perspectives (Parker, 2007). Thus, we draw from key studies in the nonprofit, for-profit, and sport governance domains that have investigated the board's strategic role and function in this way.

Specifically, the purpose of this paper is to posit a theory of how boards might develop and monitor their strategic capability. As Doherty (2013) stated, "a theory is a set of concepts and the relationship among them" (p. 6). Referred to as the theory of board strategic balance, this paper formulates this theory by identifying a set of concepts and the relationships among them as factors influencing board strategic capability within the context of nonprofit national sport organisations. In

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presenting our theory, this paper elucidates further on the nature of board strategic capability and sets forth promising possibilities to pursue in further research.

Ferkins, Shilbury, and McDonald (2005) were the first to advance the notion of ‘board strategic capability’ in sport governance in a conceptual piece grounded in the nonprofit governance context. They argued that, “Understanding the factors that both constrain and enable sport boards to think and act strategically may provide an empirical basis for sports to build their strategic capabilities” (p. 219). In referring to strategic capabilities, the authors examined four generic themes of governance (performance, conformance, policy and operations), which they also expressed as governance capabilities. The idea of capabilities in organisational studies is not a new line of thinking, and has been widely used in the fields of human resource management (Maatman, Bondarouk, & Looise, 2010) and strategic management (Wheelen & Hunger, 2012). The term capability is commonly understood to have come from the Middle French word ‘capabilité’ and late Latin word ‘capabili’ (Merriam-Webster Inc, 2002), and has come to mean *implied* abilities or abilities to be developed (Merriam-Webster Inc, 2002). The phrase ‘nuclear capability’ is a dramatic example of how the notion of implied ability may or may not be realised. As it applies to human capital, capability indicates the intersection of capacity and ability with the distinction often drawn between competence (a static state) and capability (a more dynamic state signalling development potential) (Merriam-Webster Inc, 2002).

The work of Lenz (1980) brought the concept of capability into the domain of strategic management. He argued there existed a need for a more integrative concept to reference an organisation’s potential for strategic action and that a term “. . . sufficient for discussing this aspect of organization is that of *strategic capability*” [original emphasis] (Lenz, 1980, p. 226). Lenz defined the concept as, “the capability of an enterprise to successfully undertake action that is intended to affect its long term growth and development” (p. 226). Kim, Burns, and Prescott (2009), in their study on the impact of board structure on CEO and senior management action, also embedded the notion of strategic action capabilities. Finally, Ingley and van der Walt (2001) used the construct of strategic capability to examine the selection, evaluation and performance of corporate boards of directors in New Zealand. Interestingly, they concluded that strategic vision and leadership would be a key requirement in developing director capabilities. The common thread in the use of strategic capability in this literature as it applies to governance is an interest in the development of individual, board, or organisational capacity. In this way, the authors demonstrate the idea that capability represents the intersection of capacity and ability, yet to be realised.

In positioning our work within the board process literature, we too have an interest in the notion of development in a dynamic sense. As Pettigrew (1992) eloquently articulated, a “generalized concern with action, dynamism, time, development and outcomes [are included] within the intellectual domain of strategy process research” (p. 6). Thus, albeit a little-used construct to date, but not without precedent within the governance setting, we use the term strategic capability in our conceptualisation to indicate the development potential of the board to function strategically (Edwards & Cornforth, 2003; Ferkins et al., 2005). We also use the terms board strategic role and board strategic function interchangeably to describe the broader topic of this paper. We consider that one of the key contributions of this paper is to offer the construct of board strategic capability as a way to study boards’ strategic functioning that moves beyond ‘what is’ to ‘what could be’.

In drawing on Lenz (1980), Kim et al. (2009) and Ingley and van der Walt (2001), our definition of the construct of board strategic capability is therefore as follows: Board strategic capability is the ability of the board to function strategically, and recognises the development potential of the board to think and act in a strategic manner. In acknowledging established definitions of board strategic function, board strategic capability also involves processes of environmental analysis, strategic thinking and decision-making, as well as the design, enactment, and monitoring of strategic priorities (Edwards & Cornforth, 2003; Nadler, 2004).

In order to advance a theory of how boards might develop their strategic capability, we consider influences on board strategic capability within the context of nonprofit national sport organisations. The pinnacle of our contribution is a new theory of board strategic balance. In this we theorise about the relationships between six characteristics, derived from the extant literature, which we consider influence board strategic capability, and thus explain how boards might develop their strategic capability. While the present examination is of organisational governance, the governing role across organisations as well as the board’s role in governing an individual organisation, are not treated in isolation. Cornforth (2012) argued that “most research has focused on the boards of unitary organizations and has neglected the governance of organizations that have more complex governance structures” (p. 3). In this, the influence of the wider governance system has largely been ignored yet remains a fundamental governance issue particularly for the nonprofit sector (Cornforth, 2012). Following this logic, we incorporate the broader governance system in our consideration of sport board strategic capability and it is this aspect that forms the centre piece of our theory of balance detailed later in the paper.

While we consider our investigation of board strategic capability to have widespread relevance across multiple settings, this paper is focused on nonprofit sport organisations. National sport organisations (NSOs), a prominent category of nonprofit sport entities, illuminate well the issues of board strategic function because they are known to be in transition from amateur, volunteer-driven organisations to more business-like bodies. They typically have dual responsibility for elite performance and mass participation in sport, and oversee a structure where local clubs are affiliated to state/regional bodies which are, in turn, affiliated nationally (also known as a federation). All are separate legal entities, creating intriguing governance challenges, rich in tensions and paradoxes in relation to the governing function (Ferkins & Shilbury, 2010).

We begin by discussing what is known about board strategic function, drawing on literature from nonprofit, for-profit, and sport governance domains. We then examine the nonprofit sport governance literature in more depth, where the few studies that have examined board strategic capability have primarily used nonprofit NSOs. We then step back again for a

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