

Standing on Solid Ground: The Key to Good Decisions

In recent years, there's been a heightened focus on corporate governance and the roles and responsibilities of directors in the business community. This focus has also increased the attention club directors must pay in general to ensure their duties are performed to appropriate industry, regulatory and community standards. A key facet of discharging a club director's responsibilities is the ability to make good decisions. The Club Director's Institute has been running a series of workshops across the state to help directors make good decisions. Greg Russell from Clubs Consulting/ Russell Corporate Advisory reports.

Every day we are faced with making dozens of decisions on personal and professional issues. We justify these decisions against our values, our perceived responsibilities, the boundaries of the situation, and the information we have on hand. Making good decisions as a club director has many of the same ingredients. However, the task carries with it particular responsibilities under the *Corporations Act*. Club directors are held accountable for their decisions against specific requirements. These include making the decision in good faith for a proper purpose; not having a material interest in the decision; ensuring they have sufficient information; and, using a methodology for arriving at the decision that is sound and reasonable.

Club directors cannot make decisions simply as part of their personal preferences. There must be rigour in their judgements or they may find themselves on the wrong side of the law. While this is of great concern, club directors should also engage in a proper decision making process to ensure the best outcomes for their club. The law is there to protect the interests of business and the community and as custodians of their club, directors will want to engage in the best possible decision-making methodology to create a positive outcome for all.

Essential Resources

Fortunately, the Club Director's Institute (CDI), through ClubsNSW, has developed resources to assist with making good decisions. These documents allow directors to reference their behaviour against industry frameworks and include the ClubsNSW Code of Practice and Best Practice Guidelines, Club Director Shared Values, and CDI Pathways, a comprehensive overview of decision-making that clearly articulates the role of club directors and their responsibilities in this process, and which includes the ACCC framework.

All of these resources are aligned with the *Corporations Act* and ensure that directors have asked themselves →



all of the relevant questions as part of the decision-making process. These questions include:

- **Appropriate:** Is this a decision the board should be making?
- **Complete:** Does the board have all of the necessary information to make the decision?
- **Compliant:** Does the decision comply with legislation, codes of practice, and individual club policies?
- **Corporate Governance:** Is the decision ethical? Have conflict of interests been declared? Has natural justice been undertaken to allow stakeholder views to be heard?

The Importance of Values

As mentioned earlier, we are all continually faced with making decisions. Our values and beliefs are an important reference point for the process. The word value is taken from the Latin verb *valere* which means “to be strong.” Shared values on what it means to be a club director gives a club’s board a strong foundation for decision making. The Club Director’s Institute has articulated these values as follows:

- **Results Driven:** You see yourself as being personally accountable for the ultimate success of your club.
- **Member Focused:** You meet member needs by supplying products and services that are “value for money” and are supported by outstanding service.
- **Community Oriented:** You have a clear understanding of the local communities in which your club operates and respond quickly to changing needs and create new opportunities when appropriate.
- **Achieve Through Teamwork:** The board works together, and in partnership with management, to improve the club’s business performance as well as the relationship with, and services to, members and the local community
- **Committed to Employees:** You ensure staff are given the opportunity to succeed and are recognised and rewarded for

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excellent performance. You encourage diversity among employees.

- **Demonstrate Stewardship:** You see yourself as a trusted custodian of the club with a desire to leave it *better* after your term of service
- **Act with Integrity:** You always act in a lawful, honest, and ethical manner

Know Your Role

Taking the first step in the decision making process should begin with a firm understanding of the club director’s role. A hazy understanding of responsibilities can involve directors in issues that are not their prime concern. The roles and responsibilities of a director are bound to strategy - these include assisting with the development and implementation of the club’s strategy; providing related direction; ensuring appropriate compliance frameworks and controls are in place; and, monitoring the performance of the club manager.

As such, directors must ask themselves whether an issue on the table concerns a strategic objective or an operational decision that should be referred to management. Historically, directors have become involved in operational decisions that use up valuable board time and diminish management’s role.

And given strategy is the main game, it follows that directors should be continually monitoring operational plans to ensure that progress is being made toward strategic goals. Any project that isn’t aligned with strategy or which may disrupt progress toward achieving strategic goals should immediately raise questions.

Avoiding Hearsay

Too often decisions are made on the basis of hearsay and second hand information. Anecdotes about what’s

worked for others are a recipe for flawed discussions. It’s important to remember that as a club director you are making decisions for *your* club - decisions that must be aligned with *your* strategic plan. You are not making decisions for a club in another location. This means searching out relevant facts, identifying key stakeholders, and finding out how a proposal might affect them. Remember, there’s a duty of care to gather solid data and canvas views.

As part of the information gathering process, directors should consider:

- Undertaking a marketing study that includes a review of available ABS statistics, competitor analysis, and customer surveys;
- Having financial projections prepared and analysed by a qualified professional;
- Identifying risks (business disruption, social and environmental); and,
- Conducting customer surveys and focus groups.

Directors should also ensure that they’re not locked into one outcome. A variety of options should be explored and evaluated so that the option under consideration truly represents the best one available. Ensure that the board has not become overconfident in its judgements. Assess knowledge levels of other members. Double check their facts. Question you own beliefs. Continually challenge assumptions.

Compliance Issues

As custodians for members of community property, directors must make decisions that are consistent with all relevant legislation, regulations, policies and rulings. The ClubsNSW Code of Practice and Best Practice Guidelines provide excellent foundation material and can

be referred to with confidence.

Decisions must also be consistent with a club’s constitution and policies. Failure to observe legal requirements cannot be mitigated by ignorance. If in doubt, seek advice from an appropriately qualified professional.

Corporate Governance

The importance of good corporate governance cannot be overstated in today’s society. It is incumbent upon a club’s board and its directors to ensure that the administration and management of the club is conducted with efficiency, fairness, and integrity for the benefit of the club’s members and the wider community. Indeed, ClubsNSW has recognised the importance of corporate governance by establishing the Outstanding Corporate Governance Award at its annual Awards For Excellence.

From a decision making point of view, there are a number of questions club directors can ask to ensure their club meets good corporate governance standards. For example, has anyone with a direct or perceived conflict of interest declared this interest and removed themselves from influencing

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the decision-making process? Is the decision “ethical”? Has natural justice been demonstrated? Have we sought out possible hidden or covert agendas behind the proposed decision? Each of these questions must be answered with a clear cut “yes” before the board makes its final judgement.

One way to make sure good corporate governance standards have been met is for directors to ask themselves whether they would be happy for the decision to be on the public record. If not, then there are clearly issues to be addressed prior to the decision being made.

The final acid test is to explore whether or not the decision would appear sensible to club members and any external stakeholders. This doesn’t mean these parties should necessarily agree with the decision. However, they should be able to acknowledge the decision was reached using logic and common sense.

Using Consultants Judiciously

A common issue faced by many club directors is when or when not to engage consultants to assist in the decision making process. There are times when engaging an external party will be a prime example of good decision making. Conversely, there will be instances when hiring a consultant will provide an illustration of bad decision making. The key is to use the ACCC framework to continually evaluate what expertise and information may be missing.

Above all else, decision making should be a proactive process that put directors on the front foot with new projects rather than having to defend their actions. ■

About the Author: Greg Russell is a chartered accountant with expertise in hospitality and gaming. His company’s services include strategic planning, financial analysis & modelling, reporting, amalgamations, social impact assessments, and restructuring.

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a little extra help can get you

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