AN EMPIRICAL STUDY OF GOVERNANCE IN LEISURE TRUST SOCIAL ENTERPRISES.

By

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ABSTRACT

A great deal has been written about the theories of governance particularly agency, stewardship, stakeholder, resource dependency and managerial hegemony theories. More recently, scholars have reflected on the opportunities and benefits that a multi-theoretical approach may bring to framing corporate governance, including the governance of non-profit social enterprises.

The work of Cornforth (2001, 2003, 2004, 2007, 2009, 2012) has been notably influential in this regard. Cornforth argues that the main theoretical perspectives on corporate governance when taken individually only illuminate discrete aspects of the Board's role and are rather one dimensional. He goes on to argue that a paradox perspective which draws on multiple theoretical standpoints offers a more realistic and pragmatic approach to understanding the governance of non-profit organisations.

This approach has been further developed by Professor Naomi Chambers and colleagues and tested through an empirical study in the hospice sector (2010), the outcome of which has been the development of engagement theory (2012). This extends and advances Cornforth's multi-theoretical standpoint, comprising a triadic position of high engagement, high trust and high challenge and drawing together the applicable parts of more established theories.

Despite these advances in the field a gap still exists in understanding the governance practices of Leisure Trust social enterprises and whether they

recognise and adopt a multi-theoretical approach to governance practices. The aim of this research is therefore to draw upon and expand the work of Cornforth, reflecting also on Chambers' study, in order to test the application of a multi-theoretical approach for Leisure Trust social enterprises, an under-researched sector of the social enterprise domain. The research applies a pragmatic research philosophy and an abductive approach to theory development.

The evidence from this study is that the theories identified by Cornforth, when taken individually, do only illuminate one aspect of a social enterprise Board's role and are rather one dimensional. This research has also confirmed Cornforth's proposition that a multi-theoretical perspective offers a more realistic approach to social enterprise governance, albeit that this is paradoxical.

The research findings suggest that governance practices appear to be largely static and reactive without any formal protocols for review. Furthermore, it was noted that an external stimulus, including a crisis or impending crisis, often provided the catalyst for any governance review. Finally, it became clear that the strategic planning undertaken by the case study Trusts did not include a review of their governance systems. As such, links are not made between the organisations' future strategic and tactical plans and the governance oversight.

A key contribution from the research is that governance practices in Leisure Trusts should be more dynamic, embracing paradoxes and explicitly linked to the organisation's strategic planning and forward focus. A contribution to

practice is that a good practice guide be developed to provide Leisure Trust boards and their senior management teams (and social enterprise organisations more widely) with a methodology to become familiar with, and distinguish, the key elements of individual governance theories, together with the potential to connect these theories into a blended multi-theoretical approach within a strategic framework.

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Finally, huge thanks must go to my wife, Maggie, and my children, Harry, Lily and Molly. A study of this nature requires serious dedication, particularly when the requirements of a full-time job must be met too, and they have all encouraged and supported me (giving me a gentle push when required) to keep focused and to complete the task.

Declaration

This thesis contains no material which has been accepted for the award of any other degree or diploma, except where due reference is made in the text of the thesis.

To the best of my knowledge this thesis contains no material previously published or written by another person except where due reference is made in the text of the thesis.

Signed

Dated: 23rd March 2020

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Abbreviations Used

CBS	Community Benefit Society
CIC	Community Interest Company
CLG	Company Limited by Guarantee
CLUK	Community Leisure UK
CSR	Corporate Social Responsibility
GP	General Practitioner
LGA	Local Government Association
NCVO	National Council for Voluntary Organisations
PCT	Primary Care Trust

CHAPTER 1: INTRODUCTION

Governance of Social Enterprises, Co-operatives and Mutuals has seen some intense interest from scholars over the last decade, (Cornforth 2003, 2004, 2012), Low (2006), Spear Cornforth and Aiken (2007, 2009), Renz (2010), Huybrechts (2010), Diochon (2010), Ridley-Duff (2010), Yu (2013), and Chambers *et al.* (2012, 2013, 2015, 2017) amongst others. Alongside this interest has been an increasing recognition that the field remains theoretically and empirically underdeveloped and whilst there have been a number of contributions seeking to better understand this organisational model (Cornforth 2001, Reid 2003, Simmons 2004, Low 2006, Diochon 2010, Huybrechts 2010, King 2014) further research and understanding is needed.

The third and non-profit sectors have grown in both significance and size in recent decades, stimulated in part by the public sector drive to outsource services where social enterprises are seen as a model for service delivery. In 2018 100,000 UK social enterprise businesses contributed an estimated £60bn to the UK economy, employing 2 million people (Social Enterprise UK, 2018).

The sector has been subject to many years of the governmental austerity regime and budget cuts (Community Leisure UK, 2016) which has impacted significantly on its ability to effectively meet ‘the double bottom line’ of being able to trade competitively in the marketplace and deliver on its social ethos and values. The political context in which third sector organisations, including social enterprises, operate has also changed considerably. The ‘partnership’

conception of relationships between the state and the third sector, characterised by the new Labour Governments at the beginning of the century, was then followed by the Conservative-led coalition government with its focus upon the 'Big Society', involving opening up public services to alternative providers, encouraging third sector organisations to become more enterprising, business-like and competitive in order to demonstrate their impact (Macmillan *et al.* 2013). This places enormous challenges on the capability of the not-for-profit social enterprise sector to retain its core ethos and distinguishing competencies of trading for a social purpose whilst also having to trade through times of considerable turbulence.

Against this backdrop, the sector's grasp of the importance of good and engaged governance, together with its ability to apply a dynamic and strategically based approach to governance, is under researched (Cornforth 2001, Low 2006). Moreover, although it is recognised that this is becoming an increasingly important and popular topic of third sector research (Cornforth 2012, Chambers 2012, 2013, 2015) there remains scope to further research the governance challenges of social enterprises (Cornforth 2009).

Leisure Trusts too have received more interest from scholars over recent years (Reid 2003, Benson and Henderson 2005, Simmons 2008, Cornforth 2012, King 2014) recognising that this not-for-profit, social enterprise business model has grown considerably as a means to deliver leisure and cultural public services since the beginning of the century and acknowledging that Leisure Trusts operate in a fluid, dynamic and challenging environment.

Nevertheless, despite the fact that social enterprises are in the ascendency in relation to the delivery of public services and that Leisure Trusts have been delivering services for several decades now, little is known about how they work and less still about their governance structures. There is therefore a need to review governance practices within Leisure Trusts. Consequently, this research provides an opportunity to further extend academic knowledge and make a positive contribution to the governance practices of Leisure Trust social enterprises at an important stage in the sector's growth.

The researcher has worked in the sports and leisure sector for over 30 years in a variety of diverse roles including casual lifeguard, management roles and Chief Executive. He is currently the National Partnership Director (and a member of the senior leadership team) for a large Leisure Trust. In 2011 whilst working as a Leisure Trust Chief Executive, the researcher (together with the Trust's Board) was managing through the delayed financial impact of the 2008 banking crash, particularly the disproportionate reduction in subsidy provided to discretionary services including Leisure Trusts. A key focus in managing this emerging crisis related to governance with the apparent likely response to the crisis in governance terms being an over reliance on finance and commercial activity with community and stakeholder relations being relegated or even overlooked.

Recognising this, the researcher began to read relevant literature on the subject of social enterprise and Leisure Trust governance including Cornforth's posited multi-theoretical perspective (2001, 2003, 2004) which helped to make sense of

what was happening on the ground and offered a potential solution to the governance challenges faced by the Trust. This sparked an interest and became the subject of this DBA with a desire to understand how different forms of governance and potentially a multi-theoretical governance paradigm could benefit the researcher's Trust and the wider sector.

Potential beneficiaries from this research include the Leisure Trust sector, the wider social enterprise movement and Local Authorities or Health Trusts who commission Trusts to deliver services and who would rely on proactive and competent governance being in place.

Cornforth is a noted scholar in this subject area and his work underpins this research, Cornforth (2004), Cornforth (2007) and Cornforth, Spear and Aiken (2009). Cornforth asserts that the more widely recognised governance theories focusing upon agency, stewardship, stakeholder, resource dependency, democratic and managerial hegemony when taken individually only illuminate one aspect of the Board's role and are rather one dimensional (Cornforth, 2001). Referring to Hung (1998) and Tricker (2000) Cornforth further contends that this one-dimensional focus has led to a call for a new conceptual framework that can help to integrate the different theories.

Cornforth also reasons that a paradox perspective offers a promising approach to providing a new framework for social enterprises by integrating the theories into a multi-theoretical framework and thereby highlighting some of the important ambiguities, tensions and paradoxes that non-profit boards face.

The aim of this thesis is therefore to review the governance practices of Leisure Trust social enterprises and to understand the extent to which they adopt Cornforth's recognised governance theories and apply them in practice either individually or within a multi-theoretical paradigm, considering also the paradoxes that this implies.

The thesis includes a broad and critical review of the literature identifying gaps which will be addressed by the research questions and the subsequent collection of data through semi-structured interviews with key Board members and Chief Executives in a selection of Community Leisure UK Leisure Trusts (Collis and Hussey 2009, Robson and McCartan 2016). The thesis compares and contrasts the findings derived from each case.

The researcher applied a scoping study approach to the literature review examining the extent, range and nature of research activity and thus providing a narrative or descriptive account of available literature (Arksey and O'Malley, 2005). This assisted in mapping relevant literature in the field of interest with the aim of identifying background landscapes and context, underlying governance theories, and the paradoxes and tensions which this implies. Key search terms were identified which included social enterprise, social enterprise governance, social entrepreneurship, Leisure Trusts and paradoxes of governance. The researcher also set dates for the search between 2000 and 2020 on the basis that this covered the time period when the majority of the most relevant subject matter had been written. Only academic peer reviewed journal articles and

other academic texts were included and only those in the English language for practical reasons.

Academic databases were used to access the relevant literature including ProQuest, Elsevier and Google Scholar. Further literature was accessed by reviewing the bibliographies of the articles read and searching the articles which had cited this material. This process continued until a saturation point was reached and the researcher was consistently being referred back to articles already read.

A system to log and store literature was established at the beginning of the research project. This included sectioning the literature in to subject areas and recording the title, author(s), an outline of the subject area and observations on the key points of the journal article or book together with critical reflections.

To keep up to date with new research the author signed up to the Zetoc monitoring and search service for global research publications, having identified key journals and publications of interest. Regular searches were also completed through Google Scholar on key subject areas to ensure the literature review remained up to date.

The research questions were set based on the gaps identified in the literature. In overview these gaps were recognised to be: a) that whilst scholars have shown an increasing interest in social enterprise, there has been limited recent research undertaken in to Leisure Trusts and less still focusing on governance

in this sector; b) the literature is lacking regarding Leisure Trust's governance experiences and the application of recognised governance theories individually and in a blended multi-theoretical paradigm; and, c) the paradox perspective which is central to Cornforth's proposition has not been researched widely in social enterprise governance and not at all in the leisure trust sub-sector of the social enterprise domain.

The research will apply a pragmatic research philosophy and an abductive approach utilising the methods employed by Chambers *et al.* in their study into Hospice governance in 2009/2010. The data will be analysed thematically searching for patterns and themes and coding the data accordingly (Boyatzis, 1998) with the aim of linking Cornforth's theoretical position with Chambers *et al*.'s prior study to develop a framework to research Leisure Trust social enterprises. In this way the research will extend theory by applying it in a new context.

The thesis is divided in to seven further substantive chapters. Chapter two begins by examining the broad field of social enterprises before focusing in particularly on Leisure Trust social enterprises. This chapter includes a review of the existing literature relating both to social enterprises and Leisure Trusts. Subsequently, in chapter three, the literature on the governance theories acknowledged by Cornforth is reviewed before considering how these theories have been developed further in the literature. Having studied the core elements of Cornforth's governance theories, chapter four turns to Cornforth's discussion of paradoxes.

Chapter five then discusses the methodology and methods throughout the thesis. Subsequently, chapter six considers the research findings using a case study analysis before returning in chapter seven to exploring these findings in relation to the paradoxes identified in chapter four. Finally, chapter eight provides a conclusion and identifies the implications for practice and further opportunities for research in the subject area.

CHAPTER 2: SOCIAL ENTERPRISES AND LEISURE TRUSTS

Introduction

The purpose of chapter two is to provide background and context to the study and review the social enterprise and Leisure Trust literature together with research undertaken over previous years in to the macro political environment and public policy reforms within which the sector operates. The chapter also presents an introduction to, and overview of, the Leisure Trust sub-set of the sector and Community Leisure UK, the association which oversees the Leisure Trusts, establishing the context within which Leisure Trusts operate. The chapter concludes by commenting on the gaps within the related literature and by reconfirming the research rationale.

Defining Social Enterprise

Social enterprises form a distinct sector in their own right and tend to be categorised as a sub-set of the non-profit sector (Pearce 2003, Dunn and Riley 2004, Low 2006). Cornforth (2001, 2003, 2004) sees social enterprises as the more business-like part of the third sector where 50% or more of the organisation's income comes from trading. However, social enterprises whilst broad and disparate in their business activity, size, scope and remit, do share characteristics in relation to their business model and corporate governance. The Objects of the organisation and the Memorandum and Articles of Association, or Rules for Community Benefit Societies, are paramount in determining the company's purpose.

‘Voluntaristic, prosocial and civic’ are terms which Dart (2004) uses to characterise non-profit organisations. However, as social enterprises also display these characteristics these terms do not really distinguish social enterprises as being different from the not-for-profit sector. Low (2006) reflects on Dart’s contention that non-profit organisations are distinct from business organisations and he comments that this is in sharp contrast to social enterprises which go to great lengths to present themselves as not being distinct from business; rather, they are businesses, but businesses that trade for social purposes, not the creation of shareholder wealth. This is helpful as it begins to differentiate the social enterprise model from non-profit organisations.

There is no doubt that tensions exist between the core elements of commercial, surplus-driven practice and meeting social responsibility targets, where the intended primary outcome is increased social impact. Dart (2004) goes some way to identifying this tension when he says that ‘social enterprises blur the boundaries between non-profit and profit in part through the use of corporate planning and business design tools’ (Dart 2004: 415). However, this does not really capture the tension on the ground in practice.

Common definitions of social enterprise include:

- Businesses that have a clear social and/or environmental mission set out within their governing documents. They generate most of their income through trade, reinvest the majority of their profits and are autonomous of

the state. Social enterprises are majority controlled in the interests of their social mission and are accountable and transparent (Social Enterprise UK).

- Businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners (UK Department of Trade and Industry, 2002).

- ‘An organisational form with primarily social drivers that undertakes innovative business operations in order to be auto sustainable and guarantees the creation, sustainment, distribution and/or dissemination of social or environmental value. Therefore, economic drivers are a means to a social end, not the end in itself.’ (Granados, Hlupic, Coakes and Mohamed, 2011: 199).

The last definition would appear to need further refinement in relation to being auto sustainable, as many social enterprises, including Leisure Trusts, are dependent on grants or management fees from commissioning partners to deliver their services.

Scholars have recognised that the absence of definitional consensus surrounding the term social enterprise has presented a major stumbling block to the conceptual development required to better understand the practice, the success and the potential of social enterprise (Chell 2007, Diochon 2010) and refer to this ‘definitional melee’ characterising the literature as being a rather

recent phenomenon. The absence of clearly articulated, and perhaps more importantly, consistently understood differentiators to the business model inhibits and limits an understanding of the practice. However, this is not necessarily a recent phenomenon. Whilst the model has a degree of longevity and has undoubtedly been labelled in different ways, the literature indicates that there has been a lack of understanding for many years regarding distinctiveness and purpose.

Diochon (2010) notes also that a number of dimensions emerge when determining the term social enterprise's meaning, including profit and social purpose. Referring to the Salvation Army as an example – an organisation which makes a profit but is not renowned for being entrepreneurial or innovative in doing so – she defines social enterprise as 'a financially self-sustaining organisational entity that exercises entrepreneurship in the pursuit of social purpose' (2010: 95).

The Social Enterprise Movement

Having considered the definitions of social enterprise it is helpful to briefly consider the social enterprise movement. Community enterprise and the social enterprise model has its roots within civil society. This may include organisations which operate independently of the private or public sector. These organisations are often noted as being entities which act in the public interest. Pierce (2003), and Tracey, Phillips and Haugh (2005) recognise that at the same time, community enterprise, which includes social firms, co-operatives

and Mutuals, is part of a wider social enterprise movement concerned with trading with a social purpose.

The social enterprise business model has increasingly been seen as a suitable and legitimate vehicle to deliver public services, most particularly as the UK grapples with the financial and political challenges of the modern era. This is despite the undeniable fact that there is not agreement across the community as to how the terms social enterprise and social entrepreneur should be used (Thomson, 2011).This substantiates the need for the social enterprise model to better articulate its credentials and distinguishing competencies if it is to optimise the opportunities which the model can provide.

Many see social enterprises as stakeholder organisations. They may be asset-owning, but if so, these assets are held by the organisation on behalf of the community and there can be no direct claim on them except when insolvency occurs. In the case of charitable social enterprises, the assets must, at a time of insolvency, be distributed to other charitable enterprises.

Literature Review of Governance in Social Enterprises

Turning then to the literature relating to the governance of social enterprises, whilst there has been a drive for some commercial organisations to place an extra focus on corporate social responsibility (CSR), social enterprises inhabit a space where, within a theoretical analysis, non-profit or social enterprise boards offer an alternative view of governance to that of the private sector; a much more participatory view of governance. As Low (2006) notes, this contrasting

view is related to the tension between shareholder and stakeholder perspectives on the corporation.

Suchman (1995) adds to the debate by referring to organisational legitimacy. This view sees the external environment as the most significant force on an organisation and suggests that people who are outside of the organisation are able to provide a degree of approval on the actions of the organisation which is at odds with the stewardship model as it opens up the prospect that organisations can be judged not only from above by its shareholders but also from below by stakeholders at large (Abzug and Galaskiewicz, 2001). In many social enterprise and community organisations Board members are elected based on who they represent (stakeholder and democratic theoretical perspectives) and not, as in the private sector, based on expertise and the ability to manage assets. The literature identifies that this is a fundamental difference in corporate governance and potentially on the organisation's ability to manage the strategic and policy driven elements of the governance role to secure sustainability and success. Low summarises the differences in these governance models in Table 1 below.

Table 1: Governance models by category (Low 2006: 379).

Category of Organisation	**Ownership**	**Governance model**	**Dominant perspective**
For-profit	Shareholders have claim on assets	Stewardship	Shareholder
Non-profit	Assets locked in	Democratic	Stakeholder

In his paper '*A framework for the governance of social enterprise'* Low recognises that governance has received much attention in recent years. Referring to Monks and Minow, (1995), he defines governance as 'the relationship among various participants in determining the direction and performance of corporations' (2006: 376.) However, whilst issues of wider corporate governance have been comprehensively researched it is also accepted that research into the governance structures and effectiveness (or otherwise) of social enterprises, including features such as social mission and citizen involvement, is limited (Low 2006, Diochon 2010, Huybrechts, 2010).

More recently, paralleling other sectors and following on from the high profile 1992 Cadbury Report on corporate governance in the private sector, third sector governance has come under a spotlight and is attracting increased interest from theorists and academics. When exploring and reviewing this issue, Cornforth (2012) recognises that the main focus has been on boards

themselves and, referring to Ostrower and Stone (2006) remarks that the main topics have been the composition of boards, the relationships between boards and managers or staff, board roles and responsibilities and board effectiveness.

Cornforth (2012) notes that, whilst this has made an important contribution to understanding certain characteristics of boards and their behaviour, it also has certain limitations. He reflects on three interrelated criticisms:

1. ‘Implicitly equating governance with what boards do has led to an overly narrow conceptualisation (Renz, 2006 and Ostrower and Stone, 2007) that largely ignores the influence of the wider governance system including external factors (regulators, inspection bodies) and internal impacts (staff, managers, advisory groups) .
2. Most research has focused on the boards of unitary organisations, missing the governance of organisations that have more complex governance structures (this may well include Leisure Trusts).
3. The dominant methodologies and research designs are limited in that they tend to be positivist and cross-sectional in orientation and therefore pay insufficient attention to governance processes, the heterogenous nature of the third sector and how governance structures and practices change over time’ (Cornforth 2012: 1117).

A categorisation of the types of social enterprise is presented in Table 2 (Spear, Cornforth and Aiken, 2009). Leisure Trusts are specifically mentioned with the public sector spin-off category.

Table 2: Social enterprises by type and origin (Spear, Cornforth and Aiken 2009: 266).

Types of social enterprise	**Origins**	**Examples**
Mutuals	Formed to meet the needs of a particular group of members through trading activities	Consumer co-operatives Credit Unions
Trading charities	Commercial activities established to meet the charity's primary mission, or as a secondary activity to raise funds	Educational or other charities that charge for services Charities with trading subsidiaries e.g. charity shops
Public sector spin-offs	Social enterprises that have taken over the running or services previously provided by public authorities	Leisure Trusts Some health and social care social enterprises
New-start social enterprises	Enterprises set up as new businesses by social entrepreneurs	Some fair trade and 'green' enterprises

The Macro Political Landscape

The political landscape and ideology has also changed dramatically and this has impacted the social enterprise sector. When David Cameron was Prime Minister, he first used the rhetorical term ‘Big Society’ in his Hugo Young lecture of November 2009:

> ‘The size, scope and role of government in Britain has reached a point where it is inhibiting, not advancing the progressive aims of reducing poverty, fighting inequality and increasing general well-being.... We need a thoughtful re-imagination of the role, as a well as the size of the state...actively helping to create the big society: directly agitating for, catalysing and galvanising social renewal.’

Whilst accepting that all new administrations endeavour to implement innovative policy initiatives, the Big Society initiative was, however, less well defined and its reception was mixed at best. A more critical view put forward by the Trades Unions and opposing political factions to the Conservatives was that Big Society was in reality a cover for the Conservative administration to reduce the size of the state. It certainly did not cement the Conservative/Liberal Democrat Coalition Government’s credentials as a government which had a balanced approach to managing the economy whilst protecting those most in need, and there were criticisms about balancing rhetoric and delivery from Baroness Randerson amongst others, (Lords Hansard: vol 730. col 1299-1302, 6 October 2011).

However, at the time of the most significant cuts in public service since the Second World War, the Coalition Government sought to support and protect public service delivery through empowering localities and engaging communities, including greater involvement from social enterprises and the third and voluntary sector. For example, Lord Wei suggested in 2011 that social enterprises can facilitate all three parts of a Government's programme of sharing greater responsibility for tackling social problems with citizens: social action, community empowerment and public service reform being examples (Lords Hansard: vol 730. col 1299-1302 6 October 2011).

In addition, the Public Services (Social Value) Act, which was granted Royal Assent in March 2012 and was implemented on 31 January 2013, required public bodies to consider how the services they commission and procure might improve the economic, social and environmental wellbeing of the area. History will show whether this was actually delivered as the subsequent age of austerity drove commissioners to focus much more on financial criteria, generally the lowest costs, as opposed to a more balanced approach which also delivered on the broader community social agendas.

Public sector reform has also played an important part in the development of the social enterprise sector. Whilst the last few decades of reform have been a response to financial pressures, it may also be seen as a period of 'adaptive capacity reform' (Toonen and Raadschelders, 1997). As referred to above, the Conservative/Liberal Democrat Coalition ideology which focused on localism and the Big Society could also be seen as an element of this reform whereby

there has (and continues to be) a quite significant reduction in the direct provision of public services by public bodies, including local authorities. More services are delivered by the market and the private sector; an example of the principal/agent approach noted by agency theorists; what Clarke and Newman (1997) see as a rise in ‘agencification’.

Interestingly, this was not new. Indeed, the previous Labour administration, through the Office of the Deputy Prime Minister’s Strategic Partnering Taskforce, recognised that partnering arrangements could help to secure beneficial culture changes for service delivery, leading to improved services to the community and a greater focus on service users.

The creation at that time of the Office of the Third Sector within the Cabinet Office demonstrated the then Labour Government’s interest in involving the Third Sector in public service provision, captured in the Government White Paper: *Strong and Prosperous Communities* which recognised that local government would need to work in partnership with the third sector to harness the sector’s knowledge and expertise in supporting place-shaping agendas (Department of Communities and Local Government, 2006; Vol 2).

The former Prime Minister, Tony Blair, emphasised his support for the sector when he said in the foreword of the Office of the Third Sector’s publication *Partnership in Public Services: An Action Plan for Third Sector Involvement* (2006):

> ‘We know that, throughout the country, there are programmes being delivered by social enterprises that work brilliantly. It is groups like these at the front line of delivery who know about what works and what doesn’t. Their creativity, their innovation, their energy and their capacity to build trust are helping us to meet the tough challenges ahead and to drive improvements, to extend choice and to give a voice to the public’, (2006: 3).

The focus on public service delivery through partnering with social enterprise was not, therefore, new thinking. However, the DTI noted that the use of social enterprises to deliver public services has not always been straight forward and trouble-free. This uncertainty had largely centred on three factors: the survival and performance of the service; the ethos of the organisation and its cultural fit; and factors relating to accountability and partnership (DTI: 2003b)

In this vein, Simmons (2008) recognises that there may be uncertainty about the ongoing viability of a social enterprise due to risks of performance failure, contract dependency and ‘its ability to generate a flow of suitable alternative business to balance public sector contract activity’ (2008: 282).

The ability to raise finance is also a contributory factor in relation to risks around survival and performance, particularly when contracts often require large amounts of investment capital, something that Leisure Trusts find hard to come by and their competitors in the private sector generally do not, as this can be sourced more easily through venture capital investors or larger corporate firms.

Reflecting on the DTI uncertainty relating to ethos and cultural fit referred to earlier, Simmons (2008) notes that cultural fit and the potential for misalignment of objectives and agreement on action, may lead to the loss of public sector orientation and that for some observers it was unclear whether partnerships with the social enterprise sector would provide synergies.

Accountability and partnership factors bring an interesting governance insight in that, Simmons (2008) posits that concerns relate to the democratic deficit that is often said to apply in local agencies whereby democratic accountability is weakened (i.e. control is not held exclusively by democratically elected representatives), even if managerial accountability is ostensibly made more robust. This would appear to suggest that concerns are raised if a democratic governance theory is not only present but paramount.

The increase in the commissioning of outcomes from public service providers, as opposed to the historical approach of the specify-and-deliver of contracting, and the deliberate intent to provide greater clarity on ‘make and buy’ decisions from senior Politicians and officers at national, regional and local government levels, also provides both opportunities and challenges to the social enterprise model where there is still an emerging understanding of the niche that the model inhabits. Clear performance measures are needed if the sector is to justify its existence (Connolly and Kelly, 2011).

In relation to the Public Services (Social Value) Act critics may now conclude that adherence to the Act by commissioners may be judged to have been

tentative and this may explain why, in June 2018, the Minister for the Cabinet Office, David Lidington, committed to extending the Act saying:

> ‘We want to see public services delivered with values at their heart, where the social benefits matter and are recognised. That means government doing more to create and nurture vibrant, healthy, innovative, competitive and diverse marketplaces of suppliers that include and encourage small businesses, Mutuals, charities, cooperatives and social enterprises – and therefore harness the finest talent from across the public, private and voluntary sectors’ (Third Sector: June 2018).

Third Sector also comment that the changes to the Act, specifically the requirement to explicitly evaluate social value when awarding contracts, would ensure that contracts were awarded on the basis of more than just value for money – but also a company’s values too, so that their actions in society are rightly recognised and rewarded. This does, however, only apply to central government contracts and not contracts commissioned by local government or other public sector commissioners and, as such, has limited relevance or value to Leisure Trusts.

The impact of several decades of ‘austerity Britain’ has also limited the social enterprise movement’s ability to optimise on its distinguishing competency, or double bottom line as, in order to survive, social enterprises which deliver public services, including Leisure Trusts, must demonstrate that they offer the best financial offer and risk transfer to commissioners. Social value may be seen as ‘nice to have’ and not ‘need to have’.

Social Entrepreneurship

Social enterprises are broadly defined above, but prior to exploring the governance element of these organisations it is helpful to consider social entrepreneurship itself.

Social entrepreneurship is the activity that people or groups engage in to create social or environmental value through enterprising or commercial actions (Granados, 2011). However, social entrepreneurs do not pursue either purely commercial or purely social goals. They are neither purely profit driven nor solely socially orientated. Williams and Nadin (2011) suggest that social entrepreneurs are different to other forms of entrepreneurship in that they demonstrate a higher priority for social value as opposed to purely economic value.

This may be true in some instances but not all. It could be seen as potentially unrealistic and viewed as quite simplistic, as modern day requirements for social enterprise organisations delivering public services (and those in the supply chain for these organisations) are increasingly being required to prioritise financial and commercial drivers at least as favourably as community and social enhancement. The ‘triple bottom line’ (economic, social and environmental) referred to by Moore *et al*. (2010) is becoming blurred and more difficult to substantiate. A further question to consider is whether this dichotomy exists uniformly across the country and the services sector or does entrepreneurship and its prevalence exist socio spatially?

Williams and Nadin (2011) argue based on 865 face-to-face interviews in urban and rurally deprived areas that those living in deprived populations and rural populations are more socially orientated, whilst relatively affluent and urban populations are comparatively more commercially driven. They question therefore whether it can be assumed that social entrepreneurship in deprived populations is conducted out of a lack of choice rather than a matter of choice. Williams and Nadin further suggest that a review of public policy needs to provide greater opportunities for commercial activities amongst hard to reach communities or, if entrepreneurial activity is prevalent in marginalised populations, public policy making should support this rather than parachute in a foreign culture of profit driven entrepreneurship.

This again could be viewed as a simplistic perspective which fails to recognise how social enterprises come into being and then remain sustainable. In terms of public service provision, larger social enterprises are set up across county areas which serve both urban and rural populations. Indeed, the benefits of a model which uses commercial principles to deliver social responsibilities is often able to apply a more commercial approach to revenue generation in wealthier areas which, in turn, supports those who are financially or socially excluded in more deprived areas. Therefore, in order to provide a high quality, generic service across a variety of population profiles without favour to wealth or geography, larger social enterprises must operate and deliver services to multiple socio-economic profiles.

The day-to-day operation and tenability of the social enterprise model does of course rely on both a value driven ethos and strong financial and commercial abilities and competence. This may present challenges in balancing the two drivers, particularly when public funding is reduced. Referring to Welsh Water, a large and successful social enterprise, Baroness Randerson noted that Political support would be required from the Government if social entrepreneurs and the social enterprise model was to be replicated given the challenges of balancing financial and commercial principles with social ethos and philosophy within a business (Baroness Randerson, Hansard: vol 730. col 1299-1302, 6 October 2011).

Short term funding support for those social enterprises, including Leisure Trusts, who deliver public services is becoming more normal and provides social enterprises with difficulties when they consider long-term strategic planning. Financial subsidy and support is hard to access, and long-term commitment harder still, particularly in the modern era of Austerity. This exposes the major disconnect between aspiration and verbal support for the sector and the state's apparent unwillingness to remove this funding barrier which constrains the sector. Writing at the time Jesse Norman, Conservative MP and Minister, noted that if Political leadership is to develop the concept of Big Society from 'a so far largely instinctual attempt to tap into and release [this] latent energy' (Norman 2010: 8), we must accept greater risk as it is likely that our present reliance on the state will prove unsustainable over time. Baroness Randerson also commented on the need to move from ideology to action saying

‘it is important that we move on from supportive rhetoric’ (Hansard: vol 730. col 1299-1302, 6 October 2011). This is explored further in the next section in relation to Leisure Trusts, a subsector of the social enterprise model.

Introduction to Leisure Trusts

Developments within the Leisure Trust sector have mirrored these wider debates in public sector service provision. Whilst Leisure Trusts have operated leisure services and a small number of leisure centres for many years the model proliferated across the UK in the late 1990’s and early 2000’s largely as a response to the macro-political agendas of Compulsory Competitive Tendering (CCT) and Best Value as the Leisure Trust model provides an alternative to in-house public sector delivery and outsourcing to the commercial private sector. This provides a balance whereby the delivery model has the freedoms of the private sector and the ethos of the public sector.

Trusts operate across the UK from the Shetland Islands to Cornwall and, together, provide over 30% of the public leisure service managing over 1600 facilities, employing over 50,000 staff and having a combined annual turnover in excess of £1billion (Community Leisure UK: 2016). Trusts operate under several legal models including (and the most prevalent) Companies Limited by Guarantee, Community Benefit Societies (previously Industrial and Provident Societies) and Mutuals. Many are charitable.

Leisure Trust board members, irrespective of the legal model, are all volunteers and are only repaid their legitimate expenses. This literature review and the

subsequent data collection confirms that they are mainly drawn from the local community and are sometimes, but not always, recruited based on a skills matrix which partly reflects the governance theories referred to by Cornforth (2001, 2003, 2004). For example, Trustees may be accountants recruited to support the compliance function of agency theory, or they may be Local Authority Councillors providing the partnering and relational benefits of resource dependency theory. With regard to Community Benefit Societies, board members are elected from and by those members of the workforce who are in the Company Society, Trust A in this research being an example. The Chief Executive Officers are normally board members in an ex-officio capacity.

The key principle is that Leisure Trusts are not-for-profit organisations, which is not to say that they do not seek to create profits or surpluses, they do, but all surplus is reinvested back into the service and not distributed as shareholder dividends. An overview of the main company structures can be seen below in Table 3.

Table 3: An overview of the main company structures applied in the sector.

Company Structure	**Legal Framework**	**Constitution**	**Regulator**
Charitable company limited by guarantee	Companies Act 2006 plus associated regulations Charities Act 2011 Company law Limited liability	Articles of Association Directors of the company and Trustees of the Charity which can be the same individuals fulfilling both roles	Companies House and Charity Commission
Charitable incorporated organisation	Charities Act 2006	Charity Commission model forms	Charity Commission
Co-operatives and community benefit societies	Created by the Co-Operative and Community Benefit Societies Act 2014	Company Rules Governed by society members elected by their peers	The Financial Conduct Authority
Community interest company	Company Law Companies Act 2004	Articles of Association	Companies House and CIC Regulator

A major benefit of forming a Trust is that councils can make savings on national non-domestic rates as charitable Trusts generally receive 80% relief from national government and the local council can offer the additional 20% saving too. This creates a very tax efficient model and, when combined with the not-for-profit status, allows additional resources to be applied in the delivery of the service. Some Trusts are diversifying, using the social enterprise business model to deliver other related public services including libraries and children's services. Opportunities to align leisure services to the broader social agendas including health, social care and community safety are also being developed.

But whilst the majority of assessments on the Leisure Trusts are positive demonstrating increases in participation, improved financial performance and increased consumer satisfaction (Community Leisure UK: 2018), not all reviews of the Leisure Trust model have been positive. For example, the Audit Commission reported in 2007 that there was limited evidence to demonstrate that quality and long-term cost savings were apparent, and the European Services Strategy Unit concluded in 2008 that Leisure Trust performance showed:

> '…a large credibility gap between promotional rhetoric surrounding Trusts and operational reality; the Trust's budgets are just as vulnerable to constraints and cuts in public funding; and, transferring services to more arm's length companies will make the horizontal and vertical integration of services more difficult and lengthy' (The Case Against Leisure Trusts: 2008).

Early Leisure Trusts typically had long leases from their partner local authorities based on the 1954 Landlord/Tenant Act whereby the councils retained responsibility for major building and plant replacement as landlord, and the Trust maintained the facilities and delivered the services in a manner and at a cost as agreed with their councils. More recently this has developed with Trusts accepting full repairing and insuring leases for the assets under their care.

Simmons (2008) states that the Trust's heritage lies in the 'creative defence' of leisure services against two forms of attack. He comments on the discretionary non-mandatory nature of the service and the financial risk that this puts council services, such as leisure, under. Simmons recognises that Trusts can obtain business rate relief and they also benefit from vat savings which provide councils with attractive options to contain or reduce net costs whilst maintaining services.

Simmons' second defence refers to Curson (1996) and relates to an attempt to preserve a social welfare orientation in the face of what many considered to be an inexorable shift towards commercialisation of leisure services. Together, and recognising the need to demonstrate 'Best Value' in procurement, Simmons reflects that setting up Leisure Trusts has commonly been seen as the lesser of two evils in comparison with outsourcing to the private sector.

Simmons appears to miss the fact however that there are positive benefits to setting up Leisure Trusts and that this is not merely about constructing a 'creative defence'. As social enterprises, Trusts can demonstrate social

orientation and ownership, together with innovation and a commercial bias, attributes which are attractive to those seeking value and localism from their local public services.

Nevertheless, despite the fact that social enterprises are in the ascendency in relation to the delivery of public services and that Leisure Trusts have been delivering services for several decades now, little is known about how they work and less still about their governance structures. This research will, therefore, help to address this gap by examining the experiences of governing Leisure Trust organisations together with the extent to which they apply recognised governance theories individually and in a multi-theoretical manner.

Literature Review of Leisure Trusts

Background and Context

The literature specifically relating to Leisure Trusts is relatively sparse, albeit growing as the social enterprise sector in general and the Leisure Trust sub-section within it attracts more interest from academics. The existing literature does however include contributions from Simmons (2001, 2004, 2008), Reid (2003) Benson and Henderson (2005) and King (2014) amongst others. In addition, the Leisure Trust model has been recognised elsewhere when reviewing the governance challenges of social enterprises. Spear *et al.* (2009) confirm that Leisure Trusts have been spun out of the public sector to run what were previously the local authority leisure services and are part of a typology of social enterprises which sit within the more business-like part of the third sector,

‘where the third sector is seen as those organisations that are not part of the public and private sectors’ (2009: 252-253). Reid (2003) recognises that they have become an increasingly popular model for leisure services and more recently a wider cultural portfolio.

The non-profit distributing nature, a key differentiator between this model and the private sector, is also recognised by Simmons who comments that most were set up as Industrial and Provident Societies (Community Benefit Societies since 2014) or as Companies Limited by Guarantee. Local Authorities retain ownership of the buildings leasing them to Leisure Trusts whilst also providing a subsidy to bridge the Trust’s income and expenditure gap (Simmons, 2008). The reality now is that given the more recent challenging financial climate Local Authority annual grants or management fees have been removed in the vast majority of cases.

As referred to previously Simmons (2008) uses the term ‘creative defence’ to capture the heritage of Trusts; a defence against two perceived forms of attack. He summarises these to be the impact of local government funding cuts on a discretionary service and an attempt to preserve a social welfare orientation in the face of what many considered to be an inexorable shift towards the commercialisation of leisure services.

In assessing the position of Trusts Simmons appears to take a negative stance describing service transfers to a Leisure Trust (as opposed to a private sector company) as ‘the lesser of two evils.’ This misses the point that many local

authorities set out quality and service requirements in their tender specifications and award evaluation points to those organisations who are able to demonstrate that social values and community outcomes are a priority for them and a core part of their philosophy. Partnering with a Leisure Trust is in many cases therefore a positive choice and not the lesser of two evils.

Whilst the Leisure Trust model has been an accepted model for running sports and leisure centres for many years the charitable model has grown considerably in popularity from around the beginning of this century. The literature suggests that there are a number of explanations for this, but two reasons are most apparent. Firstly, a political and policy driven agenda. The reform of public services in the late 20th and early 21st centuries was notable by the significant reductions in the level and scope of services delivered directly by local authorities through divestment and the opening of services to private sector competition including most notably compulsory competitive tendering under the Conservative government and the shift to Best Value under the Labour party.

Simmons (2008) recognises the macro political shift towards partnering as a means to deliver public services under new Labour's pragmatic policy reform of 'what matters is what works' and that this had driven the collaboration of local authorities and other agencies within the locality to deliver services through contracts or partnering arrangements. The then Office of the Deputy Prime Minister and Strategic Partnering Taskforce 2003 asserted that partnering arrangements can help to secure beneficial cultural changes which lead to

improved services for communities and a sharper focus on service delivery (Simmons, 2008).

More recently a swing towards local councils becoming enabling authorities whereby their primary purpose moves from being a deliverer of services to a purchaser of services under a commissioning model, similarly, changes the political and managerial focus for those involved in local government (King 2014).

Benson and Henderson (2005) also identify a political dimension as the rationale for change in service delivery models in the sport and leisure sector. They suggest that culture and leisure is unlikely to be given political priority by local authorities given its discretionary nature, and pressure or special interest groups are unlikely to champion its cause. Events since 2005 may provide a different perspective on whether the sport and leisure sector affords any political priority as, through local authority budget pressures, the closure or potential closure of swimming pools and leisure centres has been found to be a significant political ‘hot potato’.

Benson and Henderson (2005) further note that legislative changes have led to local authorities withdrawing from direct management of services in favour of private businesses and also Leisure Trusts that operate as quasi-private sector firms. However, those who govern and manage Leisure Trusts may take exception to this description as the social enterprise business model is distinct and different from the private sector, albeit that the lines have blurred over the

last decade as commercial entities set up social enterprise models to provide subsidiary delivery vehicles.

The second reason for the growth in this model refers, as previously identified, to the increasingly challenging public sector funding position. Resources began to be shifted from non-core local authority services such as leisure to meet statutory service requirements including social care, education and highways. In his research Reid (2003) notes that together with other budgetary pressures this led to one interviewee describing leisure's 'spiral of decline' which not only saw a reduction in revenue support but also curtailed capital investment in the built facilities and wider service. This spiral of decline, he suggested, seriously threatened the ability of local authorities to continue providing discretionary services and, unless alternative, more efficient delivery models could be found, the closure of leisure facilities would be inevitable given the size, scale and speed of the required cuts (Reid, 2003).

Simmons also comments on a fiscal perspective specifically in relation to the funding cuts referring to the Centre for Public Services (1998) report which acknowledged that the business rate relief and VAT benefits which Trusts are able to secure provided local authorities with options when faced with the hard choices between budget cuts, facility closures and staff redundancies

The longer-term financial benefits also extend to supporting reinvestment in the service and the ability to plough operating surpluses back into the service without seeing financial overperformance being taken back to support the

council's general fund. The ability to reinvest any surplus that a Trust generates back into the service is the cornerstone of the success that Trusts have as the Trust can act and react like a private company whilst returning all surpluses back in to the business. As the investment increases so does the return with the additional benefit in improved staff morale (Sesnan, 2001).

Simmons (2008) recognises this too observing that this reinvestment also has the additional benefit of being a real incentive in the eyes of the Trust's staff and an ability to progress their community and social objectives. 'This commonly held commitment to achieving social goals gives a good indication that the public service ethos continues to operate in Leisure Trusts' (2008: 286).

A further frequently recognised benefit and driver for establishing Leisure Trusts is the application of a more commercial approach to the delivery of public services free from the constraints of the council bureaucracy (Reid 2003, Simmons 2004, Benson and Henderson 2005, Spear *et al.* 2009, King 2014). This can perhaps be described as the application of a service delivery model which sits at the intersection of business practice and social responsibility. This is attractive to local authorities adopting a commissioning approach to services (King 2014) who want to see a business-like approach to the management of the service but are reluctant to see any overperformance leach out to private sector investors through dividends.

Implications for Leisure Trust Governance

Scholars also recognise a number of other impacts and benefits which have become drivers for establishing Leisure Trusts, in addition to the policy and financial/commercial drivers. Sesnan (2001) refers to the anticipation and actuality of increased empowerment, enthusiasm and ownership amongst staff leading to improved commitment to delivering a quality service. Improved staff morale and motivation was also noted by the Sports Council (1994) who observed that the entrepreneurial nature of Leisure Trusts enabled the staff to have more opportunity, flexibility and refreshed enthusiasm, and a more responsive style of management.

There is also an expectation that Leisure Trusts can provide faster, more flexible decision making, better marketing and programming and greater, more meaningful engagement with consumers. This appears to be supported by Simmons' research where, in Leisure Trusts sampled, the overall impression of improved performance was supported when they looked at key indicators such as usage, income and expenditure; all appeared to be performing well.

A further example can be seen in a research project undertaken by Reid in 2003 which found that an enhanced leisure focus provided by the Trust which combined a business-like approach with an overarching public service ethos produced a reduction in subsidy to service, reduced staff absenteeism and delivered a beneficial culture change generating greater ownership and improved customer service (Reid, 2003).

The importance of relationships with partner local authorities at both Member and officer levels is also a significant factor. Maintaining open, transparent and valued partnerships are essential. Reid (2003) noted that Trust practitioners observed that the close working between the local authorities did not always continue after the service had transferred out and this may be due to the absence of a strategic forum to discuss strategic plans, progress and any items of concern. It was also observed that the local authority Members and officers who planned, 'owned' and delivered the service transfer may subsequently move on. Those who take over do not necessarily have the knowledge or commitment of their predecessors, giving the potential for the local authority and Trust to diverge.

This relates to governance too and in the case study presented by Reid there was clearly an effort to make the board representative politically but also through key business skills and experience skills – a blending of stakeholder and resource dependency theories. Positive comments were made by, for example, the Board Chairman who reflected on the business representatives' greatest contribution being when a financial package was being developed to upgrade one of the Trust's facilities. Recognising that commercial acumen was not a skill which Elected Members and some senior staff had, the Board relied on the 'serious business people' who had been recruited to the Board to provide assurance that a solid business case sat behind a proposed £2m investment and that without this assurance the project would not have gone ahead.

Conflicts of interest, or the potential for such, due to the varied nature of the representative stakeholders, were also observed. Reid remarked on the council employee who sat on the board who may at times have to recommend decisions which, whilst in the best interests of the Trust, were not always in tune with Councillors. This was described as ‘perhaps not the best career move’!

Conflicts also existed with Trades Unions representatives on the board who found themselves conflicted on pay and representation versus their duty as Trustees and Directors to do what was in the best interests of the Trust. But the most acute conflict of interest was observed by Councillors who could find themselves in a triadic conflict between supporting their local political party, their constituents and the Trust. The legal requirement of Trustees is that they must act in the best interest of the Trust and Reid noted that some participants felt that, to avoid such a conflict, Councillors chose to attend particular board meetings and not others. This clearly casts some doubt of the benefits of stakeholder governance in this case study.

In conclusion, the most prolific author on Leisure Trusts, Simmons, argues that Leisure Trust social enterprises can provide a good synergy from a combination of entrepreneurialism (in greatly improved input/output ratios) and social performance (strong commitment and action to meeting social objectives). The evidence shows that a partnership between local government and Leisure Trusts can provide benefits through delivering enterprise, competitiveness and innovation (Simmons, 2008).

This helps to set the scene for future research into Leisure Trusts and their governance, particularly as the literature and research is somewhat dated and the sector has moved forward significantly. As Simmons suggests, whilst Trusts may initially enjoy a degree of political commitment and support stemming from their ability to both retain key social objectives and save money, such support may be short-lived if commercial competitors are able to offer an ostensibly similar service at an even lower cost.

An Emerging Sector Paradigm Shift

The role which Leisure Trusts play as leading deliverers of social outcomes is recognised by partner local authorities and wider commissioning stakeholders (Reid 2003, King 2014, Community Leisure UK 2016). The Trusts' public benefit objectives, ability to work as social enterprises, re-investment of surpluses, cross-subsidy according to need, range of service provisions, capability to work outside facilities and with other public purpose bodies in their communities all fit well with the public policy objectives for which the facilities and programmes are increasingly recognised as being vital (Community Leisure UK, 2016).

However, there are serious challenges (Simmons 2004, 2008). The public and not for profit sector is severely pressured by the need not just to maintain infrastructure but also to re-design facilities and services in a different way from past approaches which do not work for many parts of the population. In addition, at the same time that national strategies are seeking a transformation towards greater participation in sport and leisure activities and improved social outcomes (Sport England, 2018) there are threats also to public service

provision, driven especially by the considerable reduction in local public resources.

Whilst the marketplace has been divided equally between local authority operators, Trusts and the private sector, we are now seeing a loss or re-shaping of the local authority and Trust/not for profit provision and an increase in more commercial and standardised operation of public facilities (LGA, 2018). Community Leisure UK (2016) asserts that, in England, public assets and services are being commoditised and being led into price bidding competitions which are producing a ‘race to the bottom’.

The UK leisure market continues to change significantly due to reductions in government funding, felt particularly and disproportionately in discretionary service areas including leisure and culture. This is inevitably leading to a rapid consolidation of the market. This paradigm shift has been further heightened by:

- austerity impact and the consequential reduction in subsidies
- many smaller Trust contracts coming to an end
- the increasing prominence of finance driven private sector companies
- the market shift towards low cost options including budget gyms
- increases in fixed costs including the national minimum wage and utilities
- the inevitability of market lifecycles.

Through their Objects, Trusts are committed to delivering many of the more innovative approaches which are needed to reach priority groups. These groups

are often the least able and most resistant, and it therefore takes more commitment and energy, and costs more, to get them active. The kind of programmes which work best are now well-evidenced. Features include: the ability to work outside built facilities directly in communities and the creation of partnerships with other local public service bodies, attracting people through new forms of involvement and activity – often connected with other services and offering a social element (Sport England, 2016). Ironically, it is these features which are at risk of being cut first, being marginalised, or not recognised at all in local decision making.

Other factors in current public processes are adding to the challenges. Some public policies, regulations and advisories have created additional burdens and hurdles including excessive procurement requirements, tendering for transfer of property risk by local authorities, perceived unprofessional conduct of leisure reviews and apparent tolerance of private sector trading structures and tactics, including ‘gaming’ of VAT and business rate concessions (Community Leisure UK, 2016). These trends appear to be especially strong in England, evidenced by the reports of organisational stress in some Leisure Trusts or even some company failures. In Scotland, there appears to be a deeper commitment to recognise sport, leisure and cultural activity as a fundamental part of the services which local government should provide with a consequent proportional increase in funding support (Community Leisure UK, 2016).

Furthermore, Community Leisure UK (2016) suggest that there is a pronounced change in direction which, it says could see accessible and affordable public

provision deteriorate whilst the privately managed fitness, leisure and entertainment industries continue to flourish leading to a more pronounced activity divide which will do little to improve health inequalities.

Small and medium sized Leisure Trusts are likely to feel the impact most. Evidence suggests that Trusts which have a turnover of less than c£30m and/or 4 contracts find substantial change within a compressed timescale very challenging (perhaps almost impossible to manage), particularly if they are to continue to deliver on their core purpose and aims of trading for a social purpose (Community Leisure UK, 2016).

An inevitable consequence of tightening council purses is the requirement to confidently transfer risk to a service provider during an outsourcing process. This means that growth for smaller organisations is limited as they are unable to meet the ever more onerous requirements of Pre-qualification Questionnaire evaluation, even as a delivery partner within a consortium. It is also widely accepted that councils also want immediate cash savings which may require significant working capital to cover losses in the early years to contracts. Again, smaller organisations are often unable to meet this requirement, further limiting their ability to grow.

Re-establishing the Research Rationale

In this chapter, it can therefore be seen that the social enterprise sector seeks to differentiate itself from other types of business through offering a business model which trades both for social purpose (Dart 2006, Diochon 2010) and

profit; profit (or surplus) which is then reinvested in delivering on the core purpose and Objects. This model is championed by social entrepreneurs and is generally aligned to political aspirations and has broad cross-party political support.

However, the financial pressures brought about through macro political austerity measures including reducing subsidies and the requirement for greater risk transfer may be inhibiting the sector's distinguishing competencies and potential for growth. In order to maintain their market position during a period of ongoing turbulence, and to seek out opportunities as well as manage threats, there is a need for corporate competence in strategic awareness capability together with strong and proficient governance. This emphasises the benefits and value in researching governance within the Leisure Trust subdivision of the social enterprise sector.

A review of the existing literature indicates that whilst scholars have shown an increasing interest in social enterprise, there has been limited recent research undertaken in to Leisure Trusts and less still focusing on governance in this sector. The reductions in subsidy to Leisure Trusts over recent years and the impact that this has had on governance practices is a significant consideration and this is missing from the literature. This research will therefore look to understand the current experiences that Leisure Trusts have in governing their organisations which is captured in the research questions.

The next chapter will review the literature on the governance theories referred to by Cornforth and also reflect on a number of other governance frameworks before considering how Cornforth's theories have subsequently been developed further in the literature. This includes moving towards a multi-theoretical paradigm and Chambers' *et al.*'s posited engagement theory.

CHAPTER 3: TAKING A MULTI-THEORETICAL APPROACH TO SOCIAL ENTERPRISE GOVERNANCE

Introduction

The purpose of chapter three is to identify the six governance theories that Cornforth recognises (2001, 2003, 2004, 2012) and comment on each, relating each theory to the Leisure Trust sector. The chapter will then move on to discuss a multi-theoretical synthesis of the theories and the notable additional contributions to governance perspectives and theory (Chait, Ryan and Taylor 2005, Morrell 2006, Garratt 2010, Chambers *et al*. 2013) amongst others. The chapter concludes by summarising the literature and any apparent gaps, and discerning related paradoxes which are reviewed and commented on more widely in chapter four.

In his seminal book *The Fish Rots from the Head*, Garratt notes that the origin of the concept of governance evolved around 3,500 years ago from the Greek term *kubernetes*: the person giving steerage or direction to a ship.

> ‘The notion that organisations need a person or a small group to be competent at seeing the way ahead and thus directing their slim resources effectively and efficiently to achieve a distant goal derives from this and has stood the test of time’ (2010: 4).

Garratt confirms also that a more contemporary root to *Kubernetes,* which appears in modern English, is cybernetics, the science of control and information systems. He combines the two meanings of governance as a

counter to a solely hegemonic position to form the basis of ‘a learning model’. This model has at its centre the challenge that Directors have in both driving the organisation forward whilst also maintaining necessary controls which Garratt refers to as ‘an unresolvable dilemma’. Balancing and rebalancing this dilemma utilising the sufficiently diverse experiences and skills of the directors is, Garratt, suggests, the reason why boards were invented (Garratt, 2010).

Scholars note that there is a variation in how governance is conceptualised in different disciplines; socio-economics, development studies, organisation studies, globalisation and international relations, political science, public administration and the study of social policy and policy implementation (Morell, 2006). Additionally, governance is linked closely to strategy which requires that an organisation has the competence to capture purpose, define vision and mission and mobilise stakeholders in the pursuit and delivery of an agreed plan to gain competitive advantage, as well as guiding resource utilisation, (Schermerhorn and Wright, 2008).

This helps to establish the governance context. The next section in this chapter will consider the existing literature relating to the governance theories identified by Cornforth before reflecting on a multi-theoretical paradigm.

Theories of Governance

Cornforth (2001, 2003, 2004) identifies six theories through which governance can be examined but, in addition, argues that, when considering the six theories individually ‘the different theoretical perspectives are rather one dimensional,

only illuminating a particular aspect of the Board's role' (2001: 1). Referring to Hung (1998) and Tricker (2000) he contends that this one-dimensional focus has led to a call for a new conceptual framework that can help to integrate the different perspectives. Cornforth (2001) reasons that a paradox perspective offers a promising approach to providing a new framework, combining the theories together into a multi-theoretical framework and thereby 'highlighting some of the important ambiguities, tensions and paradoxes that non-profit boards face' (2001:1).

This chapter initially explores the various governance theories identified by Cornforth to expose these paradoxes that are then examined in more detail in chapter four, which considers the existing literature and, in chapter seven, which presents the research findings. Each of the key theories is considered and summarised below followed by an overview of a multi-theoretical perspective.

i) *Agency Theory: A Compliance Model.*

This theory contends that the primary function of governance is to assert control; control over management and for compliance in the interests of shareholders. Principal-agent theory deals with a situation where one person, the principal, wishes another, the agent, to undertake work or tasks that is in the principal's interest but not necessarily the agents. This is achieved either through persuasion to the cause or the provision of incentives (Heath and Norman, 2004).

The literature on agency theory and its relationship to corporate governance is plentiful with a key focus being on the separation of ownership of an organisation from its management, specifically, on how to effectively align the interest of managers and owners. The influential economist Adam Smith raised this issue as early as 1776 when he argued that the separation of ownership and control created poor incentives for managers to operate the firm effectively and that managers could not be expected to look after other people's money in the same way that they would their own. 'Negligence and profusion must always prevail more or less in the management of the affairs of such a company' (Jenson and Meckling, 1976).

In developing their theory of a firm under agency arrangements Jensen and Meckling (1976) also show that the principals (shareholders) can assure themselves that the agent will make the optimal decisions only if the agent is monitored closely and appropriate incentives are given. Bonazzi and Islam (2007) take the economics-based argument further, referring to Herbert Simon's seminal theory on behavioural economics and the concept of bounded rationality. This advocates that managers may be 'satisficers' rather than 'maximisers', in other words, they may play it safe and be more interested in their own position and benefits rather than maximising the value of the firm for its shareholders irrespective of the fact that the shareholders expect the CEO and his/her management team to work in their (the shareholders) best interests.

Huybrechts (2010) makes an interesting point when arguing that agency theory is difficult to apply in some non-investor owned forms of company or

organisation (including charities) due to an ambiguity as to who exactly are the owners. However, in any organisational form, when considering the governance structures to be guardians of the mission and values, an agency perspective may be useful in controlling managers effectively in pursuit of the mission. This is a key board role and function, and the greater the level of the board's monitoring of management and thereby evaluation of success, the greater the level of enhanced financial performance and organisational attainment (Bonazzi and Islam, 2007).

Relating agency theory to governance, scholars have emphasized that the governance literature focuses on two factors (Daily, et *al*., 1972). First, it is a simple theory involving two participants – managers and stakeholders. Second, economists consider humans to be naturally self-interested and unlikely to put the interests of others above their own. However, Jensen and Meckling (1976) have developed this proposition further advocating that public corporations could survive and prosper despite the self-interest of managers and Clarke (2005) comments that more recent research in to governance suggests that governance mechanisms have been developed as deterrents to self-interest (Clarke, 2005).

Whilst Clarke (2005) asserts that seeing governance through an agency theory lens establishes that the purpose of governance is to provide shareholders with reassurance that managers will work in their interests Chambers, Benson, Boyd and Girling (2012) take a different view, noting that agency theory diminishes the role of the board in setting the mission and values for the organisation. This

could also suggest that the board's main role is in detecting neglect or malfeasance on the part of management.

Chambers, Harvey, Mannion, Bond and Marshall (2013: 17) summarise the implications of agency theory for board governance as follows:

- Boards have a responsibility to mitigate the risks inherent in the separation of ownership from management.

- Managers may not always act in the interests of the organisation either as a result of self-seeking behaviour or because of incompetence.

- There may be damaging asymmetry between the knowledge held by the management and the knowledge that is available to the representatives of the owners on the board.

- The main role of the board is to obtain the necessary information to monitor the performance of the company and to hold the managers to account.

In overview, despite different interpretations over time, the key tenets of agency theory which include the separation between the board and management and the importance of the board having control, effective monitoring and being able to critically evaluate performance have significant relevance in governing social

enterprise organisations, as a standalone theory and within a blended theoretical standpoint.

ii) *A Stakeholder Perspective.*

Cornforth (2003, 2004) also refers to stakeholder theory, a theory that has a longer and more substantial lineage than agency theory although it has had less impact on corporate governance theory in recent times Clarke (2005).

Scholars who have made notable contributions to this theory include Freeman (1984), Clarkson (1995), Donaldson and Preston (1995) and Clarke and Clegg (2000). Freeman defines stakeholders as any group or individual who can affect, or are affected by, the achievement of a corporation's purpose. In essence, this recognises that, through the complexity of strategy, a company is not only about producing products or services. Instead, there is an appreciation that companies create value through a complex interrelationship of networks including management, employees, the Board, suppliers, customers and local communities to name a few. The inclusion of a range of stakeholders drives inclusion too as a wide range of different stakeholders provides balance and avoids control by any one group (Chambers, Harvey and Mannion, 2017).

This is developed further by Clarke (2005) who categorises company relationships through internal and external groupings. Internal stakeholders, who are staff, managers and owners, have a relationship defined by formal and informal rules which have been developed over the history of the relationship. 'Whilst management may receive finance from shareholders, they depend on

employees to fulfil strategic intentions' (2005: 11). Clarke notes that external stakeholders such as customers, suppliers, competitors and other groups, are also constrained by rules.

Further depth is provided by Freeman, Harrison, Wicks, Parmar and De Colle who, in their book, *Stakeholder Theory: the State of the Art* (2010), preface their work by noting that, for the past 30 years a group of scholars have been developing this theory and that there are groups and individuals who have a stake in the success or failure of a business. They conclude that stakeholders have legitimacy because they can affect the direction of the company and hence it is appropriate for management to spend time and attention on them.

Freeman, Harrison, Wicks, Parmar and De Colle (2010) further argue that the basic mechanics of stakeholder theory helps to solve the problems of value creation and trade, ethics of capitalism, and managerial mind set through 'seeing it as a new way of understanding business, to a more sophisticated way of understanding corporate social responsibility, requiring an integration of these two perspectives' (Freeman *et al.*: xvi).

Heath and Norman (2004) take this principle further by reflecting on which aspects of stakeholder theory are relevant to the analysis of corporate governance. Writing about corporate social responsibility (CSR) and stakeholder theory and reflecting on the spate of corporate scandals which rocked the world in the early 2000's (including Enron), they note that the underlying root cause was a problem of moral hazard. They observe that whilst

there is no common reason for the failures, a breakdown of relationships between the shareholders, board and senior management is a common factor. They also observe that stakeholder theory and CSR oppose a more classical understanding of management whereby shareholders are the pre-eminent stakeholders and the only social responsibility that businesses have is to maximise profits (Heath and Norman, 2004).

In order to get a clearer picture of both stakeholder theory and its classical alternatives, Heath and Norman (2004) develop nine interrelated stakeholder theories, including a governance theory, all of which have relevance here. They suggest that there is a debate in the literature about whether there is one unified theory or, in reality, a number of theoretical subsets coming in to play. Briefly, the nine theories that they identify are (Heath and Norman 2004: 249):

1. Ontological: a theory about the fundamental nature and purpose of the corporation.

2. Explanatory: how corporations and their managers actually behave suggesting that managing stakeholder relationships rather than inputs and outputs may offer insight on what people actually do.

3. Strategic: this suggests that profitable outcomes for the corporation will come from devoting resources and managerial attention to stakeholder relations.

4. Branding and corporate culture: a subset of strategic stakeholder theory noting how a commitment to pay attention to the interests of

particular stakeholder groups, customers especially, can be fundamental to the firm's branding.

5. Deontic: a theory that determines the interests and rights of stakeholders and uses these as a way of understanding duties both corporate and managerial.

6. Managerial: a management catch-all theory recognising that stakeholder management requires simultaneous attention to the legitimate interests of all stakeholders.

7. Governance: how specific stakeholder groups exercise control over the organisation and its management.

8. Regulatory: whereby rights and interests of stakeholder groups are protected by government regulation of business activity.

9. Corporate law: a theory about how corporate law should be amended to reflect the other eight theories in order, amongst other things, to support managers who favour non-profit strategies from those stakeholders who would wish to see profit maximisation.

The salient point here is that there is debate in the literature over whether it makes sense to talk about a unified stakeholder theory or whether these nine (albeit related) theories suggest that a multi-theoretical paradigm actually makes more sense.

Interestingly, the reforms following on from the Enron scandal and other corporate failures have principally aimed to strengthen the accountability of

corporate executives to their boards and their shareholders through increased audit and control, not to develop stakeholder engagement, as the breakdown of governance was at heart a failure of the firm and its shareholders to protect themselves against agency problems.

However, there are differing views on stakeholder theory and not everyone agrees that Freeman's opinion outlined above is a panacea for organisational effectiveness. For example, Strieb argues that stakeholder theory either changes too much or nothing important at all as the legal, ethical and economic arguments put forward by Freeman are invalid (Strieb, 2009).

A more in-depth review of the stakeholder theory literature appears, then, to represent a departure from the more mainstream agency theory that suggests a business is solely a vehicle to maximise the returns to the business owners and create shareholder wealth. The firm and its managers have obligations which go beyond that of solely creating increased shareholder value and wealth, and beyond those required by law. Where these interests conflict, the demands of some stakeholders, including shareholders, may need to be moderated or even sacrificed to fulfil the obligations to other stakeholders (Heath and Norman 2004).

Social enterprise organisations have a responsibility towards various stakeholders and their governance structures can be a way for stakeholders to be represented and have influence (Huybrechts, 2010). Incorporating different stakeholders on boards can enable organisations to address a wider variety of

interests which requires boards to negotiate and resolve differing views and interests when setting and monitoring corporate strategy (Cornforth, 2003). As stakeholder theory is evident in the social enterprise model and social enterprises already recognise the diversity of the various stakeholder groups, this helps to enable a variety of viewpoints to be heard on the board, irrespective of the relative importance of the stakeholder (Mason, 2009).

Chambers *et al*. (2013: 20) summarise the implications of stakeholder theory for board governance as follows:

- The role of the board is to ensure the longer-term survival and value creation for the organisation and is dependent on the commitment of key stakeholders not just shareholders.

- The role of board members is to understand and better represent the views of all those with a stake in the organisation.

- The board may have to manage complex trade-offs between the interests of shareholders and those of stakeholders.

Considering the composition of Leisure Trust boards stakeholder theory too has a clear resonance and relevance in relation to social enterprise governance as the Trusts engage with multiple stakeholders. Representation on the Trust's boards from these partners can also help to demonstrate legitimacy.

iii) *Stewardship Theory: A Partnership Model.*

In this theory it is suggested that managers are stewards of the organisation's resources and that the Board and managers are therefore partners in delivering the organisation's mission and aims. The Board has a strategic function in implementing the mission which is often to increase organisational performance and its members should therefore be selected on the basis of their expertise.

Stewardship theory is grounded in a human relations perspective and it starts from opposite assumptions to agency theory, the key difference being that those governing managers do not need to be solely focused on compliance and control (Cornforth, 2004). Rather, managers of the organisation actually want to do a good job, share the aspirations of shareholders (or in Mutuals and social enterprises, the Members of the organisation), and seek to improve organisational performance. In this sense, the main function of the Board is primarily strategic, to work with management to improve strategy and add value to top level decisions when considered through the lens of stewardship theory (Cornforth 2004). This is clearly at odds with and divergent to agency theory.

Christopher (2010) points out that stewardship theory has its roots in psychology and sociology and that the essential point is that the interests of management are consistent with those of the shareholders. Stewardship theory, he posits, augments agency theory as it gives the flexibility to reduce costs whilst also balancing monitoring processes with a more empowering and collaborative culture between shareholders and executives. Furthermore, he argues that as stewardship theory complements agency, stakeholder and

resource dependency theories it needs to be incorporated within any governance model to provide a more holistic view of governance.

This theme is also recognised by Davis, Schoorman and Donaldson (1997). Managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals. There is an assumption therein that a strong relationship exists between the success of the organisation and the principal's satisfaction as a steward believes that their interests are aligned with those of the company and its owners. In this way the steward's pursuits and efforts are directed to benefit the organisation, not the individual (Davis, Schoorman and Donaldson, 1997).

A further contribution is made by Block (1998) who advocates a partnering model between the CEO and Board: cojoint-directorships, which contrasts with the more traditional model of the board, whereby senior officers and the CEO are, in a hierarchical sense, subordinate to the Boards which they report to and serve. Value is generated from having the CEO as a colleague and member of the team. Many Leisure Trust Chairmen and CEO's would concur with this partnering model.

With a slightly different nuance, Xiaomin Yu (2013), who examined the governance structures and models adopted by diverse types of social enterprises in China, a perhaps surprisingly burgeoning social enterprise marketplace, sees the stewardship model as implying that management is the most powerful player in the governance/management process with a suggestion

that the role of the Board is to work with management to improve strategy and add value to top level decisions.

However, reflecting on stewardship theory and evaluating it through the lens of social enterprises and Mutuals, there may prove challenges because there is no guarantee that those elected to the Board will bring the appropriate skill set. Those elected to social enterprise boards are very often solid, earnest people with good judgment, but without the necessary background to make strategic decisions in the business world. Consequently, instead of bringing support and criticism to the Chief Executive, they act as ‘passive receivers of information’ (Sivetsen, 1996). Chambers *et al*. (2013: 18) capture the implications of stewardship theory for board governance in the following manner:

- Managers on the whole direct their efforts to the well-being of the organisation that they are serving.
- Managers and owner representatives (outside directors, non-executive directors, lay members or governors) on boards work together to develop strategy and to monitor performance.
- The value of directors lies in using their knowledge to advise their executive colleagues on the board.

Leisure Trust Boards and senior management teams will recognise the benefits of a model which includes shared vision, collaboration and partnership between the Board and the senior management team when brought to a social enterprise

in its governance practices, with the intended outcome being excellence in performance.

iv) *Resource Dependency Theory: A Co-optation Model.*

Cornforth (2003) refers also to resource dependency theory. In this theory managerial strategy starts with an organisation understanding its dependence on the environment (Malatesta and Smith 2014). Those undertaking the governance role would be selected on the basis that through links and membership with other organisations they would be able to access crucial resources; finance, experience, networks and knowledge. As the financial landscape continues to challenge the public and non-for-profit sectors and managers in these sectors face a new fiscal reality, resource dependency theory therefore has merit for managers and organisations who may wish to consider the reasons and potential benefits related to partnering with likeminded stakeholders.

The literature includes what Hillman, Withers and Collins (2009) referred to as ‘Pfeffer and Salancik’s seminal work on resource dependency theory’, although they also note that over thirty years have passed since this work was written. During this time resource dependency theory has been applied broadly across the research domain to explain how organisations reduce environmental interdependence and uncertainty as ‘uncertainty clouds the organisation’s control of resources and choice of strategies and impedes simple day-to-day functioning’ (Hillman, Withers and Collins, 2009: 1404).

A clear focus throughout the literature is that resource dependency theory recognises that external factors impact on an organisation. Here, Hillman *et al*. (2009) note Pfeffer's (Pfeffer 1978: 26-27) contention that:

> 'The basic argument of resource dependence and interorganisational relations is:
>
> 1. The fundamental units for understanding intercorporate relations and society are organisations
>
> 2. These organisations are not autonomous but rather are constrained by a network of interdependencies with other organisations
>
> 3. Interdependence when coupled with uncertainty about what the actions will be of those with which the organisations interdependent, leads to a situation in which survival and continued success are uncertain; therefore
>
> 4. Organisations take actions to manage external interdependencies
>
> 5. These patterns of dependence produce interorganisational as well as intraorganisational power.'

They also assert that, in relation to boards:

> '…although resource dependency theory is less commonly used to study boards than agency theory, empirical evidence to date suggests that it is a more successful lens for understanding boards' (Hillman *et al.,* 2009: 1408).

There is also an acceptance that firms which are able to attract and co-opt powerful members of the community on to their boards can acquire critical resources from the environment (Provan 1980). This clearly has the potential to offer benefits which Pfeffer and Salancik (1978) suggest include information in the form of advice and counsel, access to channels of information between the firm and environmental contingencies, and preferential access to resources and legitimacy. Furthermore, boards can reduce uncertainty by creating links with other stakeholders and organisations (Huybrechts, 2010).Resources and power are recognised to be important elements of developing corporate strategy. Questions in strategy formulation such as: what resources does my organisation need, to what extent is reliance on other organisations necessary to achieve corporate goals, how scarce are resources and, how might links with other organisations provide access to necessary resources, all contribute to the debate and capture resource dependency theory in a strategic and practical sense (Malatesta and Smith, 2014).

However, there are also critics of this theory. For example, Casciaro and Piskorski (2005) criticize resource dependency theory for:

> ‘(a) a lack of discrimination between power imbalance and mutual dependence (b) confounding normative prescriptions and theoretical prescriptions; (c) ambiguities around its boundary conditions; and (d) most empirical work focusing on dependence of one actor on another rather than on reciprocal interdependence’ (2005: 168).

The relationship between organisational interdependence and power is recognised in relationships that Leisure Trusts have with partners and potential partners, but it is framed in a different context because commissioners of public services, including local authorities and the health sector, pay for services to be delivered and the Trusts (the service providers) require financial subsidy and support to survive. This can create synergies and genuine partnerships based around skill sets and outcomes, but also power imbalances where there is no clear set of agreed outcomes from/for commissioned services. Casciaro and Pisorski's criticism is therefore recognised in a practical way in the relationship between Trusts and their commissioning/contracting partners. The research outcomes also recognise the power imbalance between the commissioners of services and the Leisure Trusts which deliver the programmes.

The literature further notes that there are a number of different strategies for obtaining resources, including merging, forming an alliance and co-opting (Maltesta and Smith, 2014). Mergers and establishing group structures with parent and subsidiary relationships are becoming more common in the not-for-profit sector including leisure, and resource dependency theory is one of the dominant theories for explaining why mergers occur (Yin and Shanley, 2008).

Mergers may provide environmental independence as they offer opportunities to reduce symbiotic or competitive interdependence and to diversify avoiding previous interdependencies (Pfeffer, 1972). The Leisure Trust sector may also add a further dynamic; to support like-minded organisations within a 'family', who share values and ethos. Forming such alliances requires an agreement

between the parties to follow joint objectives through sharing knowledge and resources (Scott and Davis, 2007). This form of ‘hybrid governance’ can cover a range of formal or informal governance solutions including group structures which allow greater autonomy for the partners. This may be seen as attractive when compared with the more formal and finite merger option.

Co-opting also offers a softer approach to resource dependency theory providing the benefit of having individuals or groups who are appointed to committees or policy making groups and are thus able to influence boards and provide knowledge, skills and experience (Pfeffer and Salancik, 1978).

In practice a strategic response being deployed by some Leisure Trusts involves positioning and aligning the service outcomes to broader social agendas including health, social care and community wellbeing/safety. This could add great value and opportunity as boards become ‘boundary-spanners’ that secure necessary resources such as knowledge, capital and venture partnering arrangements for the Trusts and the communities which they serve (Ruigork, Peck and Tacheva, 2007). However, the evidence is inconclusive as to whether this is a deliberate and intentional strategy by managers and boards. This will be explored further in the research.

In summary, resource dependence theorists characterise the links among organisations as a set of power relations based on the exchange of resources, (Ulrich and Barney 1984). Strong agreement to, and support for, the necessity to leverage resources and maintain good relationships is clear as are the

benefits, even necessity, of managers thinking and acting in this way. Through enhancing board capital and combining human capital (expertise, experience and reputation) and relational capital (networks and links to external constituencies), governance may be strengthened and corporate risks mitigated. Chambers *et al.* (2013: 19) capture this well summarising the implications of resource dependency theory for board governance below:

- Organisations depend on others for survival.
- Board members add value because of their background, skills and contacts.
- The main role of the board is leveraging and managing external relationships.
- Board members may belong to a network of other powerful people who exercise control over the direction of public life in a series of board interlocks.

v) *A Democratic Perspective.*

The democratic governance theory appears to be less well theorised and reported on in the literature. However, democratic ideas and practices have influenced the thinking and approach to governance in many types of organisations and democratic governance is a central institution in Western societies including open elections on the basis of one person one vote, accountability to the electorate, pluralism and the separation of elected members from the management hierarchy (Cornforth, 2004).

Many social enterprises or Mutuals are established on democratic principles and this is enshrined in the memorandum and articles of association and constitution, confirming that the governing body must be elected from its constituent membership.

The primary motivation for this theoretical standpoint is to ensure that governance practices and protocols represent the interest of its members and the role of the Board is, therefore, to set overall policy and direction for the organisation after hearing and choosing between the interests of its constituent parts, recognising and deliberating between divergence when and if required.

Given this role, it may be desirable, but is not a requirement, that the Board is made up with any particular skill set or experience and anyone who meets the elected member criteria is eligible to put themselves forward for election.

vi) ***Managerial Hegemony Theory – a 'Rubber Stamp Model'.***

The final theory referred to by Cornforth (2004) is managerial hegemony, a theory that can be related back to the work of Berle and Means (1932). Theorists believe that, although shareholders may legally own and control large corporations, they no longer really control them in practice because control has been ceded to a new professional managerial class (Cornforth 2004). Boards should act as control mechanisms between shareholders and the actions of management, but Boards can fail to fulfil this role owing to the power of CEO's, poor board practices and inadequate information (Styles and Taylor, 2002). Recognising contributions from Galbraith (1967), Mace (1971), Herman (1981),

Vance (1983) and Wolfson (1984), Kosnick (1987) goes further noting that this theory depicts the Board as ‘a legal fiction’ as despite its power over management the management team are dominant and the Board are unable to alleviate conflicts between management and shareholders.

The rise in power of Chief Executives in the mid twentieth century demonstrates a sea change in the governance protocols of larger organisations, particularly in the United States. Chief Executives became almost all powerful with the ability to select board members, set corporate strategy and monitor and manage the performance information which boards received, as well as setting the salary and wider benefits packages for senior executives (Clarke, 2005).

Clarke (2005) also notes that as Boards became trivialised:

> ‘Directors were ornaments on the corporate Christmas tree,’ {and that} ‘the managerialist thesis implies passive boards with little input into the corporate decision making, and little influence over the Chief Executive, therefore with little capacity to represent the interests of the shareholders’ (2005: 8).

Similarly, Pfeffer (1972) argues that it became an established practice that, as board members are selected by management, in many practical respects management is therefore in control of the board.

The assertion here is that managers have considerable power and assumed skills and experience which Board members may not have (perhaps due to

election through a democratic model), therefore control really rests with the management team as opposed to the Board. It can also occur when the Board has limited access to information and/or time to consider and give direction or judgement. The Board fulfils a role of ‘rubber stamping’ managerial recommendations; its function is essentially symbolic to give legitimacy to managerial practices and decision making.

However, given the quite complex and technical nature of the services run by social enterprises in some cases, including Leisure Trusts, and the voluntary and perhaps time-limited nature of the board members, there is a requirement for a strong professional management. Board members will rely on the management’s skills, knowledge and capacity in order to deliver their responsibilities and a strong executive lead is therefore an essential requirement for a successful organisation.

Conversely, it should also be said that there are considerable risks and weaknesses in hegemonic governance structures. This comes not only because the expected levels of managerial competence, control and governance may not be in place (and for this not to be recognised until it’s too late and failures have occurred), but also because those who ‘invest’ in the organisation, and its remit, are doing so partly on the basis that they expect the Board to be competent, and the organisation is considerably (and potentially irrevocably) damaged should this be found not to be the case. This is likely to limit further support - human capital or resource funding - from those who engage through resource dependency.

The literature relating to this theory distinguishes between the role of boards during both normal times and crises and concludes that during normal times power usually remains with the Chief Executive (Mace, 1971), (Lorsch, McIver 1989), (Cornforth, 2004). This suggests that consideration may also be given to the proactive, dynamic nature of governance within organisations and the links to a company's strategic planning in order to maintain a stable position.

The hegemonic theory also has the potential for complications in employee-run companies such as some Community Benefit Societies including Leisure Trusts where employee boards must be able to define and commit to actions which may be against the senior management team's wishes or interests. This balance between managerial hegemony and stewardship theory will be an important consideration to be tested and assessed in the research.

Cornforth (2004) captures the main features of each theoretical perspective, comparing them in terms of the assumptions they make about interested parties, who should be board members and the role of the board: (see table 4). Each theory implies a very different model of how boards work which moves us more towards a multi-theoretical approach. This idea has been developed further by scholars and will be considered in more depth in the next section.

Table 4: Cornforth's comparison of theoretical perspectives on organisational governance (2004: 19-20).

Theory	**Interests**	**Board Members**	**Board Role**	**Model**
Agency theory	'Owners/ members' and managers have different interests	'Owner/ members' representatives	Conformance: - safeguard owner's interests - oversee management - check compliance	Compliance model
Stewardship theory	'Owners/ members' and managers share interests	Experts	Improve performance: - add value to top decisions/strategy partner support/ management	Partnership model
Democratic perspective	Members/the public contain different interests	'Lay/member' representatives	Political: - represent member interests - make policy - control executive	Democratic model
Stakeholder theory	Stakeholders have different interests	Stakeholder representatives	Political: - balance stakeholder needs - make policy - control management	Stakeholder model
Resource dependency theory	Stakeholder and organisation have different interests	Chosen for influence with key stakeholders	Boundary spanning: - secure resources - stakeholder relations - external perspective	Co-optation model
Managerial hegemony theory	'Owners/ members' and managers have different interests	'Owners/ members' representatives	Symbolic: - ratify decisions - give legitimacy (managers have the real power)	'Rubber stamp' model

Moving Towards a Synthesis: A Multi-theoretical Approach

The review of the governance literature above confirms that most existing theories of corporate governance use a single, and therefore limited, theoretical and analytical lens. This does not adequately explain the changing and complex phenomena in question and the application of a range of theoretical critiques is required if the dilemmas involved are to be fully understood (Clarke 2005).

Scholars note that the many mechanisms and structures that could enhance governance require a multi-theoretical approach (Cornforth 2003, Chambers *et al*., 2012). Also, that whilst agency theory is appropriate for conceptualising control and compliance over management, the board's resource, service and strategic obligations require additional and perhaps contrasting theoretical perspectives (Daily *et al*., 2003).

Additionally, the literature confirms that there are clear differences between each theoretical standpoint and in an operational and practical sense there are clearly overlaps and alignments between theories too; an interesting juxtaposition. For example, Kosnick (1987) reflects on the similar focus shared by managerial hegemony and agency theories both of which concentrate on the Board's relationship with management and shareholders. Both theories assume a corporate control problem which creates a conflict of interest and both are complimentary in identifying structural contingencies.

Of course, it can be argued that agency theory is a requirement of good governance given the need to demonstrate control over assets and

management and business rigour. In contrast, the democratic and stakeholder perspectives are concerned with the community ethos of social enterprise service delivery and management. This combination of different theories is useful to highlight paradoxes and tensions in governance. For instance, a typical source of tension lies between representative (democracy, stakeholder based) and professional (stewardship, agency) governance (Huybrechts, 2010).

Christopher (2010) recognises the benefits of a multi-theoretical approach looking through a slightly different lens. Although he makes no mention of democratic or managerial hegemony theories, he purports that the recognisable determinants of good governance can be achieved if a balance is drawn between stewardship, stakeholder and resource dependency theories (management based theories) and the economically led agency theory. However, Christopher's (2010) analysis and modelling may be too one dimensional. Whilst he recognises the 'interrelations and complementary effect' of combining the theories he misses the opportunity (perhaps a necessity) to flex these theoretical stand points on an ongoing basis dependent on the influences and impacts felt by the organisation over time and to explicitly link proactive governance reviews to strategic awareness capability and business planning processes.

Sundaramurthy and Lewis (2003) offer a contradictory position to Christopher through their model of 'cycles of collaboration' which recognises the value of adopting a dynamic approach to flexing governance principles and practices. They advocate an approach where the complexities of governance theory and

practice are embraced in governing an organisation in a modern-day environment, (Sundaramurthy and Lewis, 2003).

Further Examples of Governance Theories and Perspectives

The literature recognises a number of additional frameworks which integrate the insights of a multi-theoretical approach and those of particular interest are briefly described below.

Chait, Ryan and Taylor (2005) contend that there has been a tendency in governance literature for the conversation to be centred around a list of do's and don'ts rather than competing or compelling governance concepts. They propose a hierarchy consisting of three essential components, or types, of governance; fiduciary, strategic and generative.

Type one, the fiduciary mode, is where boards are concerned primarily with the stewardship of tangible assets. They contend that this is the cornerstone of good governance, where boards demonstrate that they are accountable for performance and compliant with regulations and law whilst also being focused on corporate mission (*Chait et al*., 2005). Type two, the strategic mode, is where trustees create the strategic partnership and plans that are needed for boards and management to deploy resources in pursuit of the organisation's plans. Without this component, governance would have little power or influence and a board neglects strategy at its peril. Type three, the generative mode, is where boards provide a less recognised but critical source of leadership for the organisation. Sense-making and applying reflective practices with boards and

management working in a stewardship and collaborative way is at the heart of generative thinking and governance.

Whilst types one and two are important forms of governance, Chait *et al*. (2005) assert that boards which only oversee assets and monitor strategy do work that is necessary but not sufficient to maximise the value of governance (generally) and the value of trustees (more particularly). They argue that all three types are equally important.

Garratt reasons that the Board has two main functions or dimensions, conformance and performance (see Cornforth and Chambers, 2010 and Chambers 2012, 2013). Conformance involves two main Board functions:

- external accountability including compliance with legal and regulatory requirements and accountability to shareholders or other stakeholders; and

- supervision of management through monitoring of performance, making sure that controls are adequate and oversight more generally and widely.

In contrast, the performance dynamic is focused more on driving organisational performance to better achieve its mission and goals. It also has two main functions:

- policy formulation including setting mission and values and ensuring appropriate policies and systems are in place

- strategic thinking which recognises the need for business planning, resource decisions and long-term planning.

A further contribution is made by Chambers *et al.* (2013) who also consider the performance dynamic noting that the performance dimension is in keeping with stewardship theory and that boards should be concerned with both performance and conformance when governing their organisations. Chambers *et al*. (2013) capture this in table 5 below which explains the main functions of boards.

Table 5: The main functions of boards: Chambers *et al*. (2013)

	Short-term focus on conformance	**Long-term focus on performance**
External focus	*Accountability* • Ensuring external accountabilities are met, e.g. to stakeholders, funders, regulators • Meeting audit, inspection and reporting requirements	*Policy formulation* • Setting and safeguarding the organisation's mission and values • Deciding long-term goals • Ensuring appropriate policies and systems are in place
Internal focus	*Supervision* • Appointing and rewarding senior management • Overseeing management performance • Monitoring key performance indicators • Monitoring key financial and budgetary controls • Managing risks	*Strategic thinking* • Agreeing strategic direction • Shaping and agreeing long-term plans • Reviewing and deciding major resource decisions and investments

The external and internal focus has also been studied by Turbide and Laurin (2014), who present an interesting additional viewpoint when considering the position of governance in not-for-profit arts and culture organisations in Quebec, Canada. They wanted to examine how organisations in this sector incorporate internal and external dimensions into their governance practices which they undertook through completing a large research project in 2006.

Whilst recognising that governance is defined in the neoclassical economic literature primarily as a means of protecting investors (Schleifer and Vishny 1997, Bushman and Smith 2001, La Porta, Lopez-de-Silanes, Shleifer, Vishny 2000), Turbide and Laurin used an approach that focuses more on a stakeholders' perspective, considering governance to be 'the set of mechanisms designed to define the powers and influence the decisions of leaders', as, using this approach, 'governance is not limited to protecting shareholders and earning profits' (2014: 415). They felt this was important as governance can then be adapted to the realities of the not-for-profit sector which has accountabilities to a wider stakeholder group.

Taking the internal aspects first, and recognising the important governance dimensions of stakeholder representation, roles and responsibilities, functionality and good relationships, they noted particularly that managerial hegemony, stewardship and agency theories were clearly evident. When considering external aspects, resource dependency theory must also be recognised, and this becomes especially important in times of economic downturn given the sector's reliance on external funding sources (Turbide and Laurin, 2014) which, as commented on earlier, are now much reduced.

However, whilst Turbide and Laurin (2014) focus on the financial resources which this theoretical perspective may bring they make no direct mention of the human capital and relational benefits more commonly associated with this theory (Pfeffer and Salancik, 1978). Stakeholder theory is also acknowledged within the external aspect and it is accepted that there must be a good sense of

the nature of the relation with stakeholders. The only main theory which is not referenced by Turbide and Laurin is the democratic theory. They conclude that governance is still viewed as a narrow concept within the not-for-profit sector with board members taking a passive role rubber stamping management decisions for the benefit of the organisation's external funders (Turbide and Laurin, 2014).

Useem's (2006) research into how well-run boards make decisions identified a series of formal processes that can help companies improve their decision making. This includes confirming meeting dates, drafting charters and heads of terms for the decisions which boards and sub-committees are responsible for and dividing up responsibilities and protocols for boards and executives. Providing this level of rigour through forward planning meetings as well as agreeing protocols and parameters for decision making is a good way to keep boards focused on their remit (Chambers *et al*., 2013).

Informal processes are also considered to be important including regular dialogue between the Chairman and CEO together with Trustees challenging assumptions before making decisions and then checking that agreed decisions are fully implemented (Useem, 2006). Useem's views align clearly to a number of theory types including agency and stewardship theories.

Regarding board processes, Maharaj (2009) reflects on the informal system which he sees as a crucial element to demonstrate how the more formal

systems (rules, regulations and internal control systems) are embedded and translated within and throughout an organisation.

> ‘The informal system goes beyond the superficial adherence to the formal system and looks at three major characteristics:
>
> - The actual depth and breadth of knowledge of the directors
> - The motivation, level of engagement and questioning of board members; and,
> - Board members’ ability to interact or the transmission channels of board members’ (Maharaj, 2009: 238).

Maharaj argues that effective corporate governance requires more than following a checklist approach to rules and regulations. Diligently translating values and philosophies throughout the organisation and the calibre and knowledge base of directors together with their competence, awareness and ability to effectively interact, are what counts. Chambers *et al*. (2013) add to the debate suggesting ‘that this, is arguably, more about dynamics, which is the realisation or enactment of process, than about process, per se’ (2013: 238).

A focus on long-term strategic planning and leadership are also cited as being important elements of a strategically focused board. Too much time can be spent on agency related tasks including compliance at the expense of the board spending time on strategic decision making, stewardship and performance related practices (Lorsch and Clark 2008, Chambers *et al.,* 2013).

Consideration should also be given to financial oversight and control (an agency-based protocol) which Styles and Taylor (2001) suggest is more formalised than strategic oversight aided by 'the universal existence of the audit committee which scrutinises draft financial and control statements' (Chambers *et al.* 2013: 27).

A further contribution is made by Pye and Pettigrew (2005) who recognise the power asymmetries that boards endure and exhort organisations to 'press forward with the endeavour to dismantle the fortress of agency theory' (2005: 35). They suggest that board members working together is what adds value to the organisation and that this is achieved through board members' ability to clearly articulate their capability and their conceptual awareness, together with relationships characterised by respect, trust and integrity. This theorising is some distance away from the particular assumptions of agency theory.

One further observation of merit is that of McNulty *et al.* (2003) who, writing in support of the Higg's review (2003) on the role of non-executive directors in the UK characterise the effective non-executive director as:

- Engaged but non-executive
- Challenging but supportive
- Independent but involved

These dyadic couplets correlate with Sundaramurthy and Lewis' (2003) contention that boards should practice both partnering and controlling

behaviours (stewardship and agency theories) which provides a means of creating a constructive tension (Chambers *et al*., 2013).

Coombes *et al*. (2010) reviewed Board behaviour specifically (and of relevance) the behaviours of non-profit boards. Through a study into arts and cultural organisations which integrated resource-based theory and entrepreneurial orientation research, they examined how the boards in not-for-profit organisations worked as a strategic resource to shape the organisation's performance and assessed the dynamics and behaviours in this sector. They conclude that a board's behavioural orientation can provide an important source of value creation (2010). Referencing other scholars (Daily and Dalton, 1994, 1997; Golden and Zajac, 2001; Vafeas, 1999; Brown, 2005; Zahra, 1996) Coombes *et al*. further note that behavioural dimensions include the extent to which the board is strategic/operational, cohesive/factionalised, active/passive or progressive/ conservative (2010). These behavioural dimensions help to shed light on elements of the board's group dynamics.

Chambers Theory of Governance*.*

Chambers is a prolific researcher and author who has, with a number of other scholars, undertaken and published research on the subject of governance theory and practice particularly, but not exclusively, in a health care setting (2010, 2012, 2013, 2015, 2017, 2019). Chambers *et al*. assert that there does not appear to be a straightforward connection between the main governance theories relating to board structures, focus and behaviours (Chambers *et al*., 2013). Consequently, they have helpfully mapped the likelihood of expected

different board practices against the main theories (see table 6) and thus extended Cornforth's comparison of theoretical perspectives on organisational governance shown in table 5. This helps to support the case for the adoption of a multi-theoretical perspective as suggested by Cornforth (2003). It also begins to demonstrate the need for a dynamic, proactive and flexible approach to governance.

Table 6: Conjunction of main board theories and practices: Chambers *et al*. (2013)

THEORY	**PRACTICES** **Composition**	**Focus**	**Dynamics**
Agency: control of management; managers and owners have different views	• Representatives of owners • Tendency to homogeneity • Tendency to small boards	• Supervision of management • More focus on compliance • Monitoring of performance against targets and objectives • Conformance as a board task • Type 1 fiduciary governance	• High challenge • Controlling • Critical style to achieve goals
Stewardship: joint endeavour with management; managers and owners and stakeholders have same interests	• Unitary, tendency to homogeneity • Tendency to smaller boards	• Strategic thinking as board task • Type 2 strategic governance • More focus on improvements in performance • Use of resources	• Appreciative style to achieve goals • Collaborative • Well-functioning board committees
Resource dependency: leveraging of external expertise as influence as organisation success dependent on fit with external environment	• Experts, boundary spanners, balance between homo and heterogeneity • Board size varies	• Policy formulation as board task • Type 3 generative governance	• Predominantly external focus
Stakeholder: mirroring community and society to ensure that the organisation serves its mission and purpose	• Representatives • Tendency to heterogeneity • Tendency to large boards	• Supervision of management • Focus on compliance • Monitoring of performance against targets and objectives • Conformance as a board task • Type 1 Fiduciary governance	• Predominantly external focus • Tendency to be active in relation to political interests

Chambers *et al*. have also further developed the theoretical hypotheses of Cornforth (2003, 2004), Garratt (2010), Chait, Ryan and Taylor (2005) principally, but also Stiles and Taylor (2001), Carver (2006), Lorsch and McIver (1989), Mace (1971) and many other established and highly regarded academics and considered their assertions in public, non-profit and third sector settings. Key to their premise is the view that Garratt's (2010) and Chait *et al*.'s (2005) approaches focus mainly on the importance of task and process with a relative neglect of questions of composition and dynamics. Their contention is that pursuing insight in to the composition focus and dynamics of Boards may 'unlock the black box of board theories and effective practice' and that this may point to a new theory, engagement theory (Chambers et al., 2013). These three elements of board composition, board focus and board dynamics will now be considered individually in more depth.

Board Composition

In the early part of the twentieth century boards were mainly comprised of senior executives. This was remarked on by Berle and Means (1932), eminent scholars of the time, who wrote about the control that executives had over corporations. Managerial hegemony was the dominant theoretical position. Since then, board composition has changed and there has been an increase in the number of non-executive directors who now sit on boards representing the interests of shareholders and owners in the private sector and communities, groups or constituencies in the not-for-profit sector.

There has also been a move to split the roles of Chairman and Chief Executive, partly to address the problems outlined in agency theory. Furthermore, referring to Perry and Shivadasani (2005) Chambers *et al.* (2013) remark that boards with a majority of outside (non-executive) directors are more likely to proceed proactively during crises by, for example, initiating restructures and layoffs thereby securing subsequent improvement in operational performance and thus they conclude that board composition at the time of a crisis has a material impact on board performance.

Board diversity is also examined. Chambers *et al.* (2013) cite Sealy, Doldor and Vinnicombe (2009) who make the case for increasing the number of women on boards. This offers the opportunity to access the widest possible talent pool, increases board diversity and consequently gives a better understanding of stakeholders, prevents 'groupthink' and, they suggest, recognises that firm performance is improved through having women on the board (Chambers *et al*. 2013).

Leisure Trusts may therefore need to consider strategies relating to their board composition, recognising that structures and composition are context specific and that what works in one situation may not necessarily work in others.

Board Focus

Referring to Garratt (2010), Ostrower and Stone (2005) and Useem (2006) Chambers *et al.* (2013) confirm that boards which concentrate on strategy, resource identification and use and talent management are higher performing

boards and that the focus applied by boards is important. All of the authors referred to also stress the importance of understanding the prevailing internal and external factors when setting out board tasks. These behaviours and practices are consciously applied, proactive and deliberate in high performing organisations.

Board Dynamics

Whilst it could be argued that most board research has examined composition and function there have, more recently, been increasing calls for a focus on behavioural perspectives (Chambers *et al.,* 2013). For example, Finkelstein and Mooney's (2003) contention that going beyond the four 'usual suspects' which drive board research (proportion of outside directors, size of boards, CEO/Chairman duality and directors share ownership) is to be encouraged and that board effectiveness actually depends on the quality of the directors together with their ability to get things done. This clearly aligns with performance, stewardship and a collaborative paradigm, and encourages research into how to develop effective team and group dynamics.

The literature in this field suggests that high levels of engagement within a board along with a climate of high trust and high challenge demonstrates positive board dynamics which can be connected to a theoretical governance model which combines elements of agency, stewardship and resource dependency – engagement theory (Chambers *et al*., 2013).

Engagement theory was operationalised and tested by Chambers and colleagues in 2009/2010 in a non-profit environment through a survey of UK hospices. This was a critical study underpinning this thesis. The key elements of the mixed methods research comprised a survey questionnaire and a series of tape-recorded focus groups and interviews. The research questions and methods were designed to test engagement theory, relating this to the main theories of board governance.

Questions were grouped into clusters, as shown below.

- **Cluster 1 General**: what does good governance look like and what are the perceived strengths and weaknesses of trustees?
- **Cluster 2 Board composition**: what is the governance architecture? What are the processes for recruitment and succession management of board trustees?
- **Cluster 3 Board focus**: what functions and tasks does the board focus on? Which topic areas are prioritised? What information is reported to and used by the board?
- **Cluster 4 Board dynamics**: what is the nature of relationships on the board and with managers? What are the opportunities for board review, and for training and development?

The reported conclusions from the survey were that all of the main theories were observed in how the hospice boards understand their purpose and how

they operate. Also, that their proposition of an additional theory, engagement theory, appears to be supported from evidence drawn in the survey.

The methodology to Chambers *et al.*'s study has largely been replicated for this DBA but with a different target group to assess the generalisability of its findings and as this may also provide a sound basis in the development and refinement of theories (Robson, 2011).

Conclusions

A review of the literature confirms that when reflecting on the space that social enterprises inhabit, and noting the apparent theoretical alignments and overlaps, standing alone, the different theories referred to by Cornforth could be seen as one dimensional. They may also only illustrate one element of the board's focus and work. There can also be polarities such as contrasting agency and stewardship theories which suggests that boards may experience pressures to both control and support/partner senior management. It may also be the case that in practice, whilst the governance of social enterprises often evokes the stewardship and stakeholder models, there is an increasing need and requirement to demonstrate both impacts and outcomes and harder more measurable outputs which are more aligned to resource dependency and agency theoretical standpoints.

Developing this narrative and referring to the accepted agency, stakeholder, stewardship, resource dependency, democratic and managerial hegemony theories, when taken together the various theoretical perspectives highlight

important ambiguities, tensions and paradoxes in social enterprise governance and the challenges which boards face (Cornforth, 2004). Theories when taken individually may not match the complexity and realities of the situations that boards face and this calls for a multi-theoretical approach to better understand reality to confront and manage contradiction and paradox rather than pretend they do not exist (Morgan, 1986).

The literature also establishes that Chambers *et al*. (2012, 2013) have developed this further, synthesising the literature and testing the posited engagement theory in the field through research in to hospices, drawing the conclusion that their new engagement theory appears to be supported.

In inviting a multi-theoretical approach this suggests that by blending theories, an organisation can get a more insightful and more realistic understanding in to comprehending its governance protocols and practices. It can therefore be argued based on the literature that a multi-theoretical approach to governance structure and practice has been recognised to be beneficial and valid.

The literature is however lacking regarding Leisure Trust's governance experiences and the application of the recognised theories individually and in a blended multi-theoretical paradigm. The research questions in this DBA help to address this gap in knowledge.

Adopting a multi-theoretical approach does however generate a number of challenges and paradoxes. Managing paradox, Cornforth (2003) asserts,

means exploring and embracing tensions and differences rather than choosing between them and he outlines three particular paradoxes in relation to social enterprise governance:

- The tension between board members acting as representatives for particular stakeholder groups and experts charged with driving the performance of the organisation forward.

- The tension between the board roles of driving organisational performance and ensuring conformance such that the organisation behaves in an accountable and prudent manner.

- The tension between the contrasting board roles of controlling and supporting management.

In chapter four the research will therefore examine the existing literature relating to the background and theory of these paradoxes and also briefly consider other fields of organisational tensions related to governance including ambidexterity, identity and institutional theories.

CHAPTER 4: THE PARADOXES AND TENSIONS OF SOCIAL ENTERPRISE GOVERNANCE – BACKGROUND AND THEORY

Introduction

> 'Paradoxes…seem to smile ironically at our nicely constructed theories with their clear-cut distinctions, and point at an unthought of possibility, a blind spot in oppositional thinking.' (Ybema 1996: 40)

The purpose of chapter four is to consider the literature relating to governance paradoxes in more detail, particularly those paradoxes identified by Cornforth (2003). The chapter also notes other fields relating to organisational tensions including ambidexterity, identity theory and institutional theory. In so doing this chapter will uncover in more detail the theoretical conflicts and tensions which are inherent in Cornforth's multi-theoretical proposition. The chapter will summarise the literature, identifying gaps for further exploration within the case study organisations and conclude this and the two previous literature review chapters by confirming the research questions for this DBA.

A key tenet of Cornforth's proposition is that, when taken individually, the theories referred to in chapter three offer a one dimensional view of social enterprise governance and do not reflect the reality that a multi-theoretical paradigm presents in social enterprise governance. Cornforth recognises the paradoxes in this multi-theoretical standpoint and as this is a key element of the proposition it will be explored in more detail here in chapter four from a

theoretical perspective and also in chapter seven where the fieldwork outcomes will be commented upon.

The existing literature identifies how a paradox perspective offers a promising lens through which to better understand the competing tensions which Boards face in their governance practices. In terms of definition, scholars define paradox in a number of ways but Smith and Lewis (2011) define it as:

> ‘Contradictory yet interrelated elements that exist simultaneously and persist over time. This definition highlights two components of paradox: (1) underlying tensions, that is, elements that seem logical individually but inconsistent and even absurd when juxtaposed and (2) responses that embrace tensions simultaneously’ (2011: 382).

Furthermore, they also note that whilst selecting between competing tensions might be beneficial in the short-term, long-term sustainability requires ongoing and proactive efforts to meet multiple, divergent demands (Smith and Lewis, 2011).

This progressive stance to meeting long-term sustainability recognises the benefits in managing paradox, ‘capturing its enlightening potential’ (Lewis 2000: 763), ‘developing understandings and practices that accept and accommodate tensions’ (Sundaramurthy and Lewis 2003: 397), or ‘exploring and embracing tensions and differences rather than choosing between them’ (Cornforth 2003: 11).

As context and background to this study, and to introduce governance theories and behaviours to the paradox perspective and this research in particular, it can be observed that governmental policy over recent decades has been to establish quangos and alternative service delivery models to the previously more accepted models of in-house delivery or externalisation to the private sector. Government has also sought to shape how these alternative models are governed through, for example, specifying board size and composition, with a view to making boards more effective (Cornforth 2003).

In addition, the contracting out of public services, including sport and leisure, through Compulsory Competitive Tendering legislation and its successor, Best Value, has created a more challenging environment for boards as they grapple with strategic, commercial and relational practices. This has generated opportunities for not-for-profit organisations to recruit people to their boards with differing experiences and expertise, including people from the commercial and private sectors.

The Board characteristics and behaviours in relation to the governance of not-for-profits including social enterprise Leisure Trusts and the related theories of governance are discussed in chapter three. In chapter three it is also made clear that Cornforth (2003, 2004) argues these theories reflect the skills, knowledge, experiences and focus that an effective board needs in the modern era. However, Cornforth goes on to argue that a multi-theoretical perspective which combines elements of all main theory types offers a more realistic and useful approach to governance for this sector, albeit that this is paradoxical

given the contradictory nature and features of the individual theoretical perspectives.

Given the significance of the tensions and paradoxes relating to the research questions these tensions will be examined in this chapter through a review of the existing literature. We will then return to discuss these paradoxes when reflecting on the findings of the case studies in chapter seven.

Paradoxes of Governance

In relation to governance, scholars (Demb and Neubauer 1992, Lewis 2000, Sundaramurthy and Lewis 2003, Smith and Lewis 2011) have argued that board structures and practices have evolved to respond to a basic instability resulting from structural tensions or paradoxes (Demb and Neubauer, 1992). In so doing they observe the potential for paradox studies to offer an alternative approach to tensions providing a way for organisations to address what appear to be competing demands simultaneously.

The focus of this DBA is on the governance of Leisure Trusts and particular reference has been made to the work of Cornforth (2001, 2003, 2004) and Chambers *et al*., (2010, 2012, 2013, 2015). Cornforth asserts that governance theories when taken individually are one dimensional and that a multi-theoretical framework offers a more realistic approach to social enterprise governance albeit that this creates tensions and is, by nature, paradoxical.

The paradox and tension which Cornforth (2001, 2003, 2004) refers to specifically is that it is difficult to understand how the different governance theories can co-exist and work together positively for the organisation as there appear to be opposite characteristics and they combine contradictory features. Cornforth's contention is that in the not-for-profit and social enterprise model, governance theories are required to co-exist if governance is to be effective. A multi-theoretical perspective which highlights some of the important ambiguities, tensions and governance paradoxes is, therefore, appropriate for this sector and understanding these paradoxical tensions is important in answering the research questions.

Tensions Facing Boards

For years scholars have recognised the challenges and tensions that boards face in governing, (Berle and Means 1932, Demb and Neubauer 1992, Cornforth 2003, Heath and Norman 2004, Christopher 2010, Malatesta and Smith 2014) amongst others.

The roles that boards play has been considered through a theoretical lens too, particularly how the different theoretical perspectives have captured the functions and responsibilities that boards have and, in so doing, exposed the tensions that individual board members and the boards themselves face. Smith and Lewis (2011) help to expose the multiplicity of these tensions through a synthesis of the literature and pinpoint the following as examples: collaboration/control, individual/collective, flexibility/efficiency, exploration/exploitation, and profit/social responsibility, amongst others. Intra-

role tensions and conflict may also be evident; what Golden-Biddle and Rao (1997) identify as ‘conflicts of commitment’ arising when board members ‘are besieged by conflicting aspects of the organisation’s identity’ (1997: 593).

These tensions fundamentally stem from opposing theoretical approaches to governance and, as they are apparently contradictory, the paradox is exposed in this way. For example, the contrasting standpoints between agency and stewardship theories, conformance versus performance, can be seen through the Board tension between the compliance and control role juxtaposed with the supportive and strategic role, a tension that Boards are likely to face. Cornforth’s paradoxes (2003, 2004, 2012) are described below.

Who Governs? The tension between representative and professional boards.

Observations from the Literature

It is common practice for not-for-profit boards including Leisure Trusts to have representation from local communities and wider stakeholder groups. Appointment to boards could be achieved through direct election from a defined constituency or through giving key stakeholders the right to appoint members to the board (Cornforth 2003). The former is clearly aligned to a democratic theory; the latter is aligned more to stakeholder theory. The resource dependency theory posited by Pfeffer and Salancik (1978) is also worthy of consideration and recognition in this tension or paradox as it focuses on the importance of external power and resource providers, (financial and human capital) and how these dependencies are managed and applied by the board. The board’s

mediation role in power differentials between resource providers for the best interests of the organisation (Reid and Turbide 2012) also requires recognition.

There has been a shift in emphasis over the last few decades towards a more managerial and business-like approach to governance with a focus on efficiency and effectiveness and for board members to be able to competently and confidently fulfil this role (Cornforth, 2003). This highlights an important tension: should board members be chosen because of their competence and expertise, or as representatives of particular groups? The ambiguity is, therefore, that board members are required to act both as representatives for designated stakeholder groups or as democratically elected representatives and also as experts charged with driving the performance of the organisation forward, fulfilling the responsibilities of company directors and charity trustees. This may bring conflicts: are Board members expected to represent particular stakeholders or to give expert advice which may be contrary to their stakeholder standpoint?

Whilst these two different roles may not be obviously aligned it is argued that both are required for a social enterprise board to deliver on its responsibilities and accountabilities to its wider stakeholders and in meeting its Objects.

The Board's Role: tensions between 'conformance and performance'.

Observations from the Literature

This second paradox may perhaps be seen primarily as the balance and contradiction between agency and stewardship theories. The paradox is that good governance suggests that boards must undertake and apply the conformance and compliance functions of an agency approach whilst also adopting the partnering and strategic functions of stewardship. Attention to detail and monitoring, evaluation and reporting skills are required to execute the compliance or conformance role. The performance role on the other hand requires board members to apply strategic thinking, vision, an acceptance of risk and proactivity (Cornforth, 2003).

Sundaramurthy and Lewis take a different perspective by applying agency and stewardship theories 'to detail contrasting yet potentially complementary approaches to governance' (2003: 398). They encourage a balancing of a control approach which stresses discipline, and a collaborative approach which, in contrast, stresses service. But in relation to tensions of control and collaboration they juxtapose assumptions and prescriptions of each approach as shown in Figure 1.

Figure 1: Contrasting Approaches to Corporate Governance (Sundaramurthy and Lewis, 2003).

Control ⟷		Collaboration
Agency Theory (economics and finance)	**Theoretical basis**	Stewardship theory (sociology and psychology)
	Assumptions	
Individualist Opportunism	**Human tendencies**	Collectivist Cooperation
Extrinsic	**Motivation**	Intrinsic
Goal conflict (risk differential) Distrust	**Management/owner relations**	Goal alignment (firm identification) Trust
	Prescriptions	
Discipline and monitor	**Board's primary role**	Service and advise
Outsiders Nonduality	**Board structure**	Insiders, social ties CEO duality
Reduces goal conflict, avoids increasing risk differential	**Executive stock ownership**	Fosters firm identification and long-term relations
Constrains self-serving behaviour	**Market for corporate control**	Curbs psychological commitment

Various studies including Harrow and Palmer (2003) argue that this paradox is likely to be shaped by contextual factors including increased financial regulations for charities and the more active role played by the Charity Commission, and that this may make boards more risk averse giving precedent to the conformance role (Cornforth, 2003). A contrasting contribution however is made by Otto (2003) who suggests that the involvement that Chairs of voluntary organisations have with management is actually less, as it is a result of trying to avoid conflict with chief executives and having less time themselves due to the voluntary nature of the role and constraints on their time.

Ashburner takes a differing view again in her review of NHS governance structures (2003) and suggests that boards are actually too involved in performance at the expense of conformance and the close involvement of non-executives in strategy formulation may compromise their ability to scrutinise the service and business because they lack the necessary independence. Boards may also find it difficult to challenge or reject management's proposals except in exceptional circumstances (Cornforth, 2003). A counter argument to this assertion is, however, that if boards are involved in developing the thinking behind the proposals as well as debating and approving them (or not) they will have a better understanding of the context and alternative options thus providing better decision making.

Chambers *et al.* (2012) also recognise agency theory in this paradox and its emphasis:

> '…that managers and owners have different interests. The board practice has a tendency towards homogeneity in its composition and a high challenge dynamic. Stewardship {on the other hand} whilst also having a tendency towards homogeneity, focuses on strategic thinking and a dynamic which recognises an appreciative style to achieving goals' (Chambers 2012: 88).

In their research in to assessing governance theory and practice in health care organisations, hospices specifically, Chambers *et al.* (2012) relate theories to board practices and, in relation to agency and stewardship theories note the following:

	Composition	**Focus**	**Dynamics**
Agency:	Tendency to small boards	Supervision of management	High challenge
	Tendency to homogeneity	Focus on compliance Monitoring of performance	Controlling
Stewardship:	Tendency to small boards	Strategic thinking	Collaborative
	Unitary Tendency to homogeneity	Use of resources	Good committees

Chambers' *et al*.'s (2012) conceptualisation of stronger governance in health trusts has led to the development of engagement theory which, as noted previously, emphasises a triadic proposition which, within a commitment to high levels of engagement, reconciles the tension and paradox through combining a climate of high trust (drawn from stewardship theory) and high challenge (drawn from agency theory).

Garratt (2010) adds to the debate reflecting on 'the annual rhythm of the board' and advocates a cycle of meetings to separate the differing areas of focus and assist in better planning the remit of the board. The adoption of this cycle, Garratt observes, will place boards in a better position to become both a performing and conforming board (Garratt, 2010).

Relations with Management: tensions between controlling and partnering.

This tension or paradox describes the role conflict and potential friction which board members will have between the contrasting board roles of controlling management whilst also supporting and partnering the management team. The paradox can be seen in that different attitudes and behaviours will be required in various circumstances and that a simple dichotomy between boards controlling or partnering management and an 'either/or' assessment is therefore too simplistic and crude (Cornforth 2003).

Observations from the Literature

Demb and Neubauer (1992) identify and frame this through the lens of power – responsibility, control and influence. Whilst the Board has various legal responsibilities the CEO and management team have the resources (time, technical knowledge, and staff infrastructure) to manage the business, and it is the management team that tends to exercise power. They submit that the paradox and tension is how both parties can maintain control without diminishing the motivation of the other. This causes friction and considerable loss of energy (Demb and Neubauer, 1992).

Interestingly Demb and Neubauer recognise a fluid situation. This flexibility or fluidity acknowledges a benefit in flexing the balance between the board controlling and partnering management. They refer to a 'pendulum of influence' noting that the pendulum will swing at differing times between the board and management. This 'pendulum swing' acknowledges that different forms of behaviour will be appropriate at different times in the relationship suggesting that the relationship is constantly shifting between consensus, difference and dissensus depending on the issues being faced, and that the question is more one of balance and how to manage the inevitable tensions that can arise in such complex relationships (Cornforth, 2003).

A further contribution regarding power relationships comes from Chambers *et al*. (2013) who refer to the implications of board power in understanding board governance as follows:

- The holding and exercise of power on the board changes over time and power distance between members on the board can also vary

- Power on boards often rests with managers not with outside non-executive directors, lay members or governors

- Board members add value by understanding the circumstances in which managerial hegemony is beneficial to the organisation and the circumstances in which it is not.

Chambers *et al*. (2013: 22)

In relation to NHS Boards it may be seen that a prevalence exists for a more comfortable, less challenging stewardship approach, Ashburner (2003). A contrary position is however taken by Harrow and Palmer (2003) who frame the relationship through a greater emphasis on the agency behaviours of compliance and control driven in part through the additional regulation applied to and by the charity sector.

Further analysis on the subject by Cornforth (2003) refers to the works of Bieber (2003) and Otto (2003). He noted that Bieber reviewed the relationship between boards and chief executives in independent museums, a not dissimilar sector to leisure being within the umbrella of cultural services, and found that the management used their professional status to largely control board meetings with the outcome that there were very few board agenda items that were deferred, amended or rejected. Most items were supported and that this could

be seen as a ‘rubber stamp’ or hegemonic line. Interestingly Bieber’s research also unearthed a role for the Chairman in mediating between a passive Board and the chief executive (2003).

The Chairman of a social enterprise or voluntary organisation may however have a more limited involvement in the running of the organisation, potentially based on the voluntary nature of their role and time commitments which may, in turn, make them less proactive than their counterparts in the private sector and less conflictual than the Chairmen in the public sector (Otto 2003).

A noteworthy perspective on Board and staff relationships is taken by Reid and Turbide (2012) who consider the relationship through a longitudinal study of four not-for-profit organisations in the cultural sector. The study noted that financial problems occurred as a result of significant growth to their physical facilities and increased programming, and they assessed the impact of this on the behaviours of the board and staff through the lens of a crisis. The potential for organisational crises to impact on governance is an interesting factor for consideration in this study.

They concluded that the dynamic moved from CEO pre-eminence and dominance to board-led control, and, subsequently, to collaboration within a paradoxical trust-distrust relationship. They determined that three lessons are important:

> ‘First, no single mode of CEO or board predominance was sustainable; internal and external dynamics played together, which generated either long-term latency or sudden and overt change when the crisis occurred. Second, board behaviour can be contradictory and can change over time. Third, the dynamics of trust and distrust appear to explain how relationships change from one phase to another in these crisis scenarios. Furthermore, they concluded that ‘these lessons provide some insight into how boards and managers might consider developing their relationships to better control the disruptive effects of a crisis’ (2012: 96).

A reframing of this paradoxical tension can also be seen through a further contribution by Reid and Turbide (2014) to the book *Non-profit Governance: Innovative Perspectives and Approaches*, which describes this as a ‘dilemma’ in not for profit governance and reflects on the balance between trust and control noting that discussions of corporate governance describe trust as a valuable counter to control and distrust.

They identify a ‘trust-control nexus’ and debate whether they can exist together. In so doing they refer to Madhok (1995) who argues that trust and control benefit each other, and both may be necessary for success as trust generates horizontal relationships that enable communication, collaboration and learning but control ensures the relationships remain well structured.

A further contribution to the debate is provided by Kreutzer and Jacobs (2011) who believe that the paradox of both supporting (partnering) and controlling represents *the* key challenge for non-profit boards as it portrays the nexus between managerial and mission driven concepts of governance.

They describe the two orthogonal concepts that constitute the paradox as controlling and coaching. Control is any mechanism that board members use to motivate management to act in a desired way to meet the organisation's objectives; this may include formal control mechanisms such as policies, procedures and rules or informal mechanisms including established values and culture. They frame the collaborative behaviour of boards as coaching (as coaches are understood to help people perform tasks) whereby the direct interaction with a team is intended to encourage best use of their collective resources (Kreutzer and Jacobs, 2011).

Kreutzer and Jacobs (2011) give examples of control and coaching behaviour:

Control: Strategic planning and budgeting
Selection and review of the CEO
Overseeing financial management

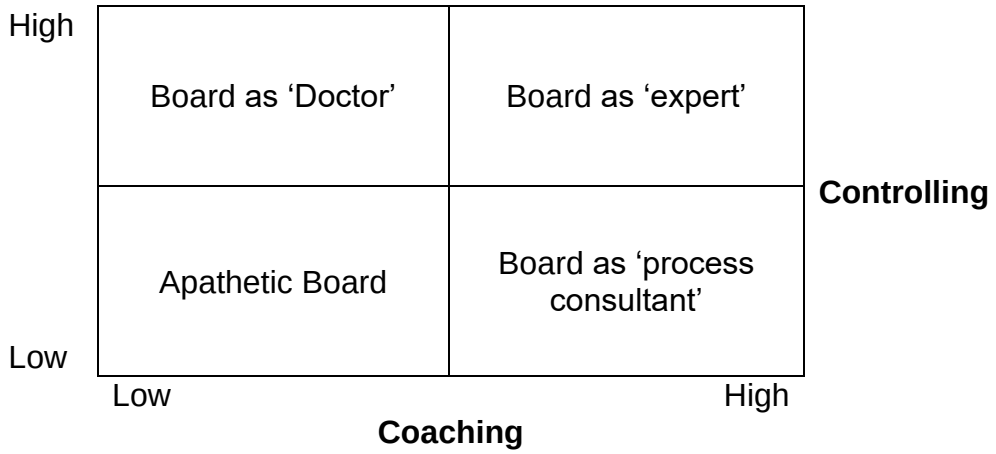
Coaching: Definition and review of mission
Representing the organisation to key constituencies
Establish working relationships board/staff

In recognition of the inherent tensions which these apparently contradictory behaviours depict, Kreutzer and Jacobs (2011) expose a number of issues and tensions that may, if not managed, lead to a cycle of decline should over emphasis be placed on either the controlling or coaching behaviours. They

argue that a separation of responsibilities between the board and management could occur if an overemphasis is placed on controlling behaviours and that managers may become defensive if they have to justify their actions. This may lead to a culture of mistrust which hinders relations and learning. A constant focus on control can also erode management's self-efficacy reinforcing defensive attitudes and impeding communication. However, in contrast an over-focus on partnering and collaboration can lead to groupthink where management strategies are not adequately scrutinized and challenged.

In acknowledging the requirement, albeit paradoxical, for both a controlling and coaching focus simultaneously Kreutzer and Jacobs portray this challenge by suggesting four ideal types of board behaviour, informed by Schein's (1999) classical theory of consultation, see Figure 2.

Figure 2: Generic theory proposition: coaching and controlling in board behaviour (Kreutzer and Jacobs, 2011).



Debates in Paradox Research

As can be seen, the existing literature explains how a paradox perspective offers a promising lens through which to better understand the competing tensions which boards face in their governance practices as it exposes the differences between the theories and encourages boards to embrace these tensions in a proactive way. However, scholars have also recognised that other fields relate to organisational tensions (and therefore by implication governance tensions) without using a paradox lens.

To briefly explore these other organisational fields, first, it can be seen that conceptual clarity is evidently lacking in the language used to describe tensions in the literature which, in addition to paradox include dilemma, dichotomy and dialectic (Smith and Lewis 2011). Ambidexterity scholars, identity theorists and institutional theorists are also recognised by Smith and Lewis (2011) to offer a lens through which to consider contradictory tensions without specifically referring to them as paradoxes.

Ambidexterity theorists, for example, encourage a simultaneous approach to exploration and exploitation. Firms which adopt an ambidextrous strategy are capable of applying contradictory processes simultaneously, exploiting current competencies and exploring new domains with equal adroitness (Andriopoulos and Lewis, 2009).

Identity theorists explore strategies for identities which may be seen as competitive to be addressed simultaneously. Fiol, Pratt and O'Connor (2009)

note that organisational conflicts are often characterised by tensions stemming from differences in how groups fundamentally define themselves and from threats to those self-definitions. They develop their intractable identity conflict resolution model 'which delineates a multiphase process by which the conflicting parties' identities shift in order to permit eventual intergroup harmony' (Fiol, Pratt and O'Connor, 2009: 32).

Institutional theorists recognise that organisations embed multiple institutional logics and they explore responses to competing logics simultaneously (Smith and Lewis, 2011). Kraatz and Block (2008) are recognised institutional theorists who researched governance (amongst other conventions) as a key element of institutional pluralism and comment that, in relation to governance:

> 'If multiple logics are active in and around an organisation then no single belief system can automatically perpetuate its dominance' and that 'if {the} organisation claims multiple, institutionally defined identities and purposes it would seem that its governance must (at least minimally) accommodate and validate these disparate identities and purposes' (Kraatz and Block 2008: 24).

Further discussion relates to an ontological perspective. Are paradoxes and tensions inbuilt as part of the system, a realist perspective, or are they constructed by those who apply them, a fundamentally subjectivist standpoint (Smith and Lewis 2011)?

In seeking to respond to these debates Smith and Lewis (2011) use a model of dynamic equilibrium about paradoxical tensions. The model (1) seeks conceptual clarity; (2) describes both the inherent and socially constructed features of organisational tensions, and (3) integrates management strategies of acceptance and resolution. They argue that:

> ‘The metaphor of dynamic equilibrium highlights the model’s key features – the persistence of conflicting forces and purposeful, cyclical responses over time that enable sustainability’ (2011: 386).

Conclusion

In conclusion, Cornforth (2003) and other scholars recognise that Board dysfunctions often occur when boards become focused on one ‘pole’ and are no longer able to maintain a balance across the competing roles and responsibilities captured within governance theories. Examples are given where boards trust and support the management teams to such an extent that they forget or are otherwise unable to scrutinise their own performance. Hard questions do not get asked. Or, conversely, they become so engrossed in compliance and control through overt performance management that they neglect the big picture and their role in strategy development and corporate management.

A review of the existing literature confirms therefore that whilst greater conceptual clarity could enable a more fruitful and provocative discussion across paradox contexts, a paradox perspective is considered to offer a

promising lens through which to better understand the competing tensions which Boards face in their governance practices. The literature also identifies that paradoxes are not the only way to frame and discuss tensions. Organisational tensions including those related to governance can be studied through other fields including ambidexterity, identity and institutional theories.

However, the literature does not sufficiently explore the extent to which the governance of Leisure Trust social enterprises exhibits a paradox perspective in managing tensions and competing priorities. This gap will be addressed in this DBA and is captured in research question three, below.

Chapters two, three and four have reviewed the existing literature relating to social enterprise organisations, Leisure Trusts, the main theories of governance and the multi-theoretical paradox perspective of social enterprise governance.

The noted gaps within the literature are that the literature on social enterprise is somewhat dated and the literature relating to leisure trusts is both limited and outdated in that it does not adequately consider the governance challenges which Trusts find themselves in including for example during a period of Austerity politics. In addition, the paradox perspective which is central to Cornforth's proposition has not been researched widely in social enterprise governance and not at all in the leisure trust sub-sector of the social enterprise domain. Consequently, this research will explore the experience of governing Leisure Trusts in different contexts; consider to what extent Trusts apply governance theory in practice; and, evaluate to what extent Trusts exhibit a

multi-theory, paradox perspective of governance. Therefore, the research questions applied to fill these gaps are:

1 What is the experience of governing Leisure Trust organisations in different contexts?

2 To what extent do Leisure Trusts recognise and apply governance theories in practice?

3 To what extent do Leisure Trusts exhibit a multi-theory, paradox perspective of governance?

CHAPTER 5: METHODS

Chapter five will explain the research philosophy, approach to theory development applied to the research and how the field work was undertaken. In addition, the chapter will explain the research's sampling methods and techniques and the ethical considerations applied. The chapter concludes by describing in overview how the data was collected, analysed and presented.

Research Philosophy and Approach to Theory Development

Ontology, Epistemology and Axiology

> 'The way we think the world is (ontology) influences what we think can be known about it (epistemology); how we think it can be investigated (methodology and research techniques); the kind of theories we think can be constructed about it; and the political and policy stances we are prepared to take.' (Fleetwood, 2005: 197).

Ontology is concerned with the nature of reality or being. Ontological decisions made by the researcher determine what research objects and phenomena you focus on and how you see and approach them (Saunders *et al*. 2019). A key point is whether entities can be considered as social constructions formulated through the actions and views of those who observe reality, an interpretivist or constructionist stance, or, whether entities have a reality external to actors which is the position taken by positivist or realists (Bryman and Bell, 2007).

Epistemology refers to assumptions about knowledge and how we communicate this to others, and the axiological assumption refers to the role of values and ethics in research projects (Collis and Hussey 2009).

Research Philosophy

Saunders *et al*. (2019) identify five major research philosophies in business and management, positivism (realism), critical realism, postmodernism, interpretivism and pragmatism. Whilst new paradigms have emerged over the years including those referred to above the two dominant 'world views' are traditionally accepted to be positivism and interpretivism (Feilzer, 2010) with interpretivism developing in critique of positivism and from a subjectivist viewpoint.

A continuum of positions exists from extreme positivists (or realists) who assume that the social world is the same as the physical world with reality depicted ontologically as a 'concrete structure' affecting everyone and lending itself to quantitative research methods such as an experiment or survey. At the other pole, interpretivism (or subjectivism) is described as a projection of human imagination. This assumes that the only social world may be that which is inside the individual's mind (Collis and Hussey, 2009).

This study will apply a pragmatic research philosophy as 'pragmatist ontology, epistemology and axiology are focused on improving practice' (Saunders *et al*. 2019: 160) and this is the primary rationale and approach for this study.

Pragmatism

Pragmatism is recognised as one of the five major research philosophies and it is increasingly being adopted by scholars and researchers. This model originated in the late nineteenth/early twentieth centuries in the work and writings of scholars and philosophers in the USA including Charles Pierce, John Dewey and William James. Scholars present this philosophy as focusing on the problem to be researched and the consequences of the research (Feilzer 2010). The pragmatic approach is outcome orientated, interested in identifying the meaning of things or focusing on the product of the research itself as an alternative to positivistic and metaphysical thinking, (Morgan 2007, Biesta 2010, Shannon-Baker 2016).

Many scholars have adopted this philosophical position as it places the research problem and question at the centre of the research, aiming to contribute practical solutions to inform and improve future practice (Goldkuhl 2004, Pansiri 2006, Collis and Hussey 2009, Feilzer 2010, Teddlie and Tashakkori 2012, Bishop 2014, Shannon-Baker 2016, Saunders *et al*. 2019). Saunders *et al*. (2019) provide an overview of the pragmatist philosophy in Table 7 below and note that:

> ‘For a pragmatist, research starts with a problem and aims to inform future practice…. The most important determinant for your research design and strategy would be the research problem that you would try to address and your research question… There are many different ways of interpreting the world and undertaking research, that no single point of view can ever give the entire picture and that there may be multiple realities… And, {that

pragmatists} use the method or methods that enable credible, well-founded, reliable and relevant data to be collected that advance the research' (Saunders *et al*. 2019: 151).

Table 7: Pragmatism research philosophy: Saunders *et al*. (2019)

Ontology **(nature of reality or being)**	**Epistemology** **(what constitutes acceptable knowledge)**	**Axiology** **(role of values)**	**Typical Methods**
Complex, rich, external 'Reality' is the practical consequences of ideas Flux of processes, experiences and practices.	Practical meaning of knowledge in specific contexts 'True' theories and knowledge are those that enable successful action Focus on problems, practices and relevance Problem solving and informed future practice as contribution.	Value-driven research Research initiated and sustained by researcher's doubts and beliefs Researcher reflexive.	Following the research problem and research question Range of methods: mixed, multiple, qualitative, quantitative, action research Emphasis on practical solutions and outcomes.

Approach to Theory Development

The three accepted approaches to theory reasoning are deductive, inductive and abductive reasoning (Bryman and Bell 2007, Collis and Hussey 2009, Robson 2011, Robson and McCartan 2016, Saunders *et al*. 2019). They are briefly described below.

Deductive research describes a study in which a concept or theory is developed and then tested by empirical observation. In this manner particular instances are deduced from general inferences (Collis and Hussey, 2009). Deduction represents the most common view of the nature of the relationship between theory and research in the natural sciences (Bryman and Bell, 2007).

By contrast, inductive research is where the researcher develops theory from observation and, aligned to an interpretive philosophy, is likely to be concerned with the context in which events take place.

A third approach to theory development is abduction or abductive reasoning. Saunders *et al*. (2019) note that an abductive approach is most likely to be underpinned by pragmatism and takes an approach whereby the researcher moves backwards and forwards between deduction and induction in effect combining the two approaches.

Having identified gaps in the literature, this research will test Cornforth's posited theory in the Leisure Trust sector. In addition, the research questions acknowledge that the research will also consider the case study participant's

wider experiences in governing their organisations. Consequently, the methodological design adopts an abductive approach through an initial scoping review followed by semi-structured interviews with case study participants.

Data Collection

The main aim of the research is explanatory, a design which is primarily concerned with testing of developing theory (Robson and McCartan, 2016), and this has been an important consideration in developing the research strategy and methods. Consequently, in the initial stages a scoping review was used to elicit key base-line information from which more detailed issues could be explored through semi-structured interviews within case study organisations. These case studies were selected based on specified contextual variables, drawn from the outcomes of the scoping review and to meet non-probability sampling requirements, whereby the sample size should be dependent on the research question and objectives (Saunders *et al*., 2019).

Scoping Review

The scoping review was undertaken to elicit baseline information from Leisure Trusts, from which themes could be identified, and more detailed issues could be explored with a smaller select group. Leisure Trusts are diverse in many ways; geographically, the length of time that they have been in operation, size, legal structure and service scope being examples. Consequently, the scoping review was completed to obtain high level information together with the Trust's general characteristics to identify Trusts with sufficiently diverse features for inclusion within the sampling schedule for the semi-structured interviews.

Survey Monkey was used as a tool to gather this information and all Trusts in the Community Leisure UK group were approached and requested to supply headline information.

The response from the Leisure Trusts contacted in this scoping review was positive with 53 out of 114 Leisure Trusts providing information. However, the response from Trusts operating in Scotland was limited and there were very few Trusts operating in Wales at that time where the response was correspondingly low. As a result, the final study focuses on English Trusts.

The key questions asked, together with the responses are shown below.

1. What is the name of your organisation?
    a. (Responses provided by Trusts)
2. What is the company legal structure?
    a. 68% were Companies Limited by Guarantee with Charitable status
    b. 32% were Community Benefit Societies.
3. How many years has the Trust been in operation?
    a. The response varied between 2 years and 30 years
4. What is the organisation's scope: sport only or sport, culture and multi-service offer?
    a. 71% responded that their scope was sport only
    b. 29% confirmed that they delivered a sport, culture and a multi-service offer
5. In which region is your Trust located?
    a. North 23%
    b. Midlands 37%
    c. South 50%
6. How many facilities do you manage?

a. The response varied between 1 and 130

7. How many staff do you employ?
    a. < 100 = 32%
    b. 101 – 250 = 34%
    c. 251 – 500 = 18%
    d. 501 – 1000 = 11%
    e. > 1000 = 5%
8. How many Trustees do you have?
    a. Responses ranged between 6 and 12 Trustees
9. What is your annual turnover?
    a. < £1m = 11%
    b. £1m - £3m = 24%
    c. £3m - £6m = 16%
    d. £6m - £10m = 18%
    e. £10m - £15m = 13%
    f. £15m - £20m = 5%
    g. £20m - £50m = 11%
    h. £50m+ = 2%
10. Is your Trust delivering services to urban, rural or mixed urban and rural communities?
    a. Urban 32%
    b. Rural 11%
    c. Mixed urban and rural 58%

As can be seen from the responses to the questions the review provided useful information on the Trust's service scope, size and location amongst other things which assisted in identifying Trusts with sufficiently diverse characteristics to explore further through the field work. Primary data was then collected in the form of semi-structured interviews with Board members and senior managers of five Trusts selected from the research population and based on the principles of

non-probability sampling (Saunders *et al*., 2019) to explore and understand the responses in more detail and subsequently write them up as case studies.

Explanatory Case Studies

> 'The case study is a research strategy which focuses on understanding the dynamics present within single settings' (Eisenhardt, 1989: 534).

Saunders *et al*., (2019) observe that a case study strategy where a phenomenon is studied in its real-life context can generate insight and in-depth information to develop theory through rich, empirical descriptions, helping to understand what is happening and why (Collis and Hussey, 2009). Bryman and Bell (2007) argue that this form of research is becoming more familiar, particularly in business and management research.

As this research will utilise case studies to test Cornforth's theoretical proposition it will apply a cross-case, explanatory, case study method, comparing and contrasting the findings derived from each case (Stake 2005, Bryman and Bell 2007, Collis and Hussey 2009, Robson and McCartan 2016, Yin 2018). The case studies chosen for this research are all English Leisure Trusts and members of the Community Leisure UK network.

Semi-Structured Interviews

Semi-structured interviews formed the primary method of data collection for this study. This method was selected because whilst the researcher had a list of themes and questions to be explored, drawn from the existing literature and the

scoping review, it was anticipated that participant responses may need to be probed further and a degree of flexibility was therefore required (Bryman and Bell 2007).

The interview topics and schedule were derived from previous research in the field, specifically Chambers *et al.'s* research on the hospice movement (2010) and Cornforth's existing theory (2001, 2003, 2004). The researcher was also keen to surface any additional contextual information, as indicated in research question one. Consequently, data was collected using an abductive approach moving back and forth and in effect combining deduction and induction (Saunders *et al*., 2019).

The themes for the semi-structured interviews were developed to apply a more focused approach to answering the research question. The clusters applied by Chambers *et al*. in their work on hospices were used as themes in this research and supporting questions were included as sub-sets within each theme.

These themes were:

- Cluster 1 General: what does good governance look like and what are the perceived strengths and weaknesses of trustees?
- Cluster 2 Board composition: what is the governance architecture? What are the processes for recruitment and succession management of board trustees?

- Cluster 3 Board focus: what functions and tasks does the board focus on? Which topic areas are prioritised? What information is reported to and used by the board?
- Cluster 4 Board dynamics: what is the nature of relationships on the board and with managers? What are the opportunities for board review, and for training and development?

Conducting the Interviews

The researcher conducted all the interviews. Whilst the fact that the volunteer nature of Board members can make obtaining good access challenging, suitable access to the selected participants was negotiated with the sample organisations. Interviews were scheduled at the convenience of the participant and conducted in a quiet, confidential office space where the participants worked or were based.

The researcher introduced himself and the study giving an overview of the subject area and the themes that would be discussed during the interview. The time commitment for the interviews was also established and it was confirmed that the interviews would be recorded. The researcher also reconfirmed the strict confidentiality of the data and how the data would be used. An additional copy of the participant information sheet was given to each interviewee (an original having been sent with the interview confirmation details) and both the interviewee and researcher signed the consent form, a copy of which was retained by the interviewee; please refer to *Appendices 1 and 2*. Finally, the

researcher verified that the interviewee was content to continue and did not wish to withdraw from the research. All participants chose to proceed.

An interview guide was designed containing opening comments, a list of themes and questions within each theme and closing comments. The schedule also provided space for making notes which were taken by the researcher during each interview.

Interview questions included open, probing, specific and closed questions and were selected to avoid bias where possible. As previously advised the themes were based on Chambers *et al.'s* 2010 research on UK hospices and were drafted to address the research questions and identify whether participants recognised and applied the individual theories, and/or a multi-theoretical standpoint in their organisational governance practices. These clusters and questions are listed in *Appendix 3*.

The researcher took notes on a standardised template during all interviews to record any key points made and any other non-verbal cues. Detailed reflections were also written up following each interview to anchor any comments made to the themes and the wider links to both individual governance theories and Cornforth's multi-theoretical proposition (2001, 2003, 2004) and, to understand the participant's experiences in governing their organisations more widely. Each interview was recorded to ensure that participant's answers were captured in their own terms (Bryman and Bell, 2007). The recordings were saved to a confidential folder on the researcher's PC and then subsequently transcribed to

control bias and produce reliable data (Saunders *et al*., 2019). The interview schedule can be seen in *Appendix 4*.

Research Sample

It was impractical, given the time and resources, to research the entire population of English Leisure Trusts due to the number of organisations and their geographical dispersal throughout the country. It was therefore important to select a sample that adequately represented the research population and allowed the researcher to elicit appropriate data in order to answer the research questions (Saunders *et al*., 2019).

The two most frequently used sampling techniques are probability and non-probability sampling (May 2001, Bryman and Bell 2007, Robson 2011). Probability sampling was not used here as company mergers or failures are likely to mean that the sampling would not be up to date, complete or accurate, as the number of Leisure Trusts within the Community Leisure UK association regularly changes (Saunders *et al*., 2019).

Non-probability sampling was therefore selected as the best way to answer the research questions and meet the research strategy and objectives, developing a sample (and size of sample) which also met the practical considerations of undertaking the research. Allowing an element of subjective judgement in sample selection was also beneficial (Saunders *et al*., 2019), particularly given the researcher's industry knowledge of the organisation's diversity and the likely potential for good access.

Sampling Technique

A purposive (or judgemental) heterogenous sampling technique was selected as the most appropriate technique, applying judgement in selecting cases to sample. Patton (2015) notes that the logic for selecting cases for purposive sampling should be dependent on how best to answer the research questions. Utilising this technique allowed the researcher to use judgement and sector knowledge to choose participants with sufficiently diverse characteristics to provide adequate variation in data collection, thus describing the key themes (Saunders *et al*., 2019).

The existing literature recommends that to ensure maximum variation within a sample the identification of these diverse characteristics should be confirmed prior to selecting the sample (Patton 2015, Saunders *et al*. 2109). In relation to the English Community Leisure UK Leisure Trusts the scoping review indicated that following characteristics were important:

- Geographical location (North, Midlands, South)
- Rural location
- Urban location
- Community Benefit Societies/staff owned legal structure
- Company Limited by Guarantee legal structure
- < £30m annual turnover (small)
- > £30m annual turnover (large)
- Sports only (or primarily) service offer

- Sports/culture/multi-service offer.

Sample Size

The literature notes that with non-probability sampling when the selected sample is being used to illustrate or develop theory, in this case Cornforth's multi-theoretical governance approach (2001, 2003, 2004), 'the issue of sample size is ambiguous, and, unlike probability sampling, there are no rules' (Saunders *et al*., 2019: 315). As this study collects data to explore a phenomenon, Cornforth's theory (2001, 2003, 2004), the sample size should be dependent on the research question and objectives:

> '…in particular, what you need to find out, what will be useful, what will have credibility and what can be done within your available resources, {especially} when the intention is to collect data using qualitative methods including semi-structured interviews' (Saunders *et al*., 2019: 315).

In consideration of this, and reflecting the outcomes of the scoping review, five case-study Leisure Trusts were selected as follows:

- Trust A: CBS and staff owned/large/multi-service/rural and urban across all geographical areas
- Trust B: CLG/small/sports only/urban/south
- Trust C: CLG/large/multi-service/rural and urban/midlands
- Trust D: CLG/small/sports only/rural/midlands
- Trust E: CLG/small/sports only/urban/north

Where they were available the researcher gathered relevant documentary information from each Trust to support the baseline understanding of each organisation prior to completing the interviews including: Memorandum and Articles of Association or Rules; corporate strategies and business plans; senior management job descriptions; Trustee code of conduct; and, business continuity or risk management plans.

A further consideration in relation to establishing the research sample relates to the prior literature on Leisure Trust studies, which is narrow, lacking in empirical evidence or methodological sophistication, and not theoretically informed. The latter is a particular gap in this area of research, so the sample has also been selected to establish a better theoretical understanding of this subject.

When selecting the participants to interview within each Trust and to best answer the research questions, the researcher adopted the following pragmatic criteria:

- A minimum of 25% of the Board Trustees to be interviewed
- Participants to be directly involved and knowledgeable in the governance practices of the Trust
- Consistency in relation to participant's positions across all selected Trusts
- A combination of Board Members and top-level management
- Ability to obtain good access to Board members.

Consideration was also given to interviewing key partners and stakeholders of the Trusts, such as Members or Officers of the Local Authority, the PCT and health sector and the local voluntary sector, but this was ultimately not undertaken on the basis that potential participants would be unlikely to be able to offer valuable responses to the interview questions. Front line staff and lower management within each organisation were similarly discounted.

In total, 15 semi-structured interviews were completed across the five Leisure Trusts, three interviews in each Trust. The participants were the Chairman, Company Secretary and CEO or Managing Director from each Trust.

Generalisability and Validity

Scholars acknowledge that researchers must be able to have confidence in their research design, data collection and findings, what Raimond (1993) refers to as the 'how do I know?' test. Two related issues arise, generalisability and validity.

Generalisation/Transferability

Generalisation is concerned with the extent to which research findings (often based on a sample) can be extended to other cases or other things (Collis and Hussey, 2009). In this research the issue is the extent to which conclusions can be drawn from the sample of five selected Trusts for English Trusts within Community Leisure UK?

Saunders *et al.* (2019) argue that whilst there are issues about the generalisability of findings from qualitative research, three responses are appropriate in relation to:

- The nature of the case studies used and the ability to collect data from a representative sample
- The ability of qualitative research to test existing or emergent theory; and,
- The transferability of the research design.

These requirements can be demonstrated in this study in the following ways. Whilst the sample was limited to fifteen semi-structured interviews across five Leisure Trusts the judgements used in selecting the cases within a purposive heterogenous sampling technique followed accepted good practice (Patton 2015, Saunders *et al*., 2019). In addition, because this research addressed existing theory, Cornforth's multi-theoretical proposition (2001, 2003, 2004), the researcher is confident that the research can demonstrate that the findings have a broader theoretical significance than the cases which form the basis of the study (Saunders *et al.*, 2019). The third issue is met through applying Saunders *et al*.'s (2019) definition of transferability:

> '…the need to provide a full description of the research questions, design, context, findings and resulting interpretations {in this thesis}, which will allow another researcher to design a similar research project to be used in a different, although suitable, research setting' (Saunders *et al*., 2019: 451).

Viability/Credibility

> ‘An effect or test is valid if it demonstrates or measures what the researcher thinks or claims it does’ (Coolican, 1992: 35).

There are a number of ways in which the validity of research can be assessed, including face validity (Collis and Hussey, 2009) which supports Coolican’s opinion that the tests and measures actually represent and measure what was intended. Furthermore, the literature confirms that semi-structured interviews can achieve a high level of validity and credibility when conducted using a range of questions (probing, clarification) and exploring responses from a variety of perspectives and angles (Saunders *et al.*, 2019).

The research strategy utilised here included a range of open, closed, specific and probing questions, and the interviews were held in quiet, confidential and convenient locations in order to build rapport and trust, helping to demonstrate viability and credibility (Saunders *et al*., 2019). In addition, the researcher had previously presented on the research topic and strategy to the research population at conferences, tested this further with sector colleagues and discussed the research more widely at sector meetings. Interim findings and emerging conclusions were also reported to the research population at conferences and workshops. Given this, the researcher has confidence in the research design, data collection and findings.

Ethical Considerations

May (2005) defines ethics as being ‘concerned with the attempt to formulate codes and principles of moral behaviour’ (May 2001: 59). Whilst the research is considered to be non-controversial and poses limited risk to participants and others (Saunders *et al*., 2019), in constructing and deploying the research, the researcher has recognised the importance of ethical issues as an essential consideration in the process.

No individual or organisation is identified within this thesis and all interview recordings have been stored securely and confidentially until they can be erased. The University’s code of ethical practice has been complied with and participants have all received a participant information sheet and signed the necessary consent forms, examples of which can be seen at *Appendices 1 and 2*.

Data analysis

Introduction

As previously mentioned, the Trust’s Memorandum and Articles of Association or Rules, corporate strategies and business plans, senior management job descriptions, Trustee code of conduct, and business continuity or risk management plans were collected, where possible, prior to the commencement of the semi-structured interviews being held. These documents were reviewed to pick up key information on the organisation’s approach to strategy and governance, together with roles and responsibilities. This provided useful

information and background knowledge on each Trust prior to completing the interviews.

The verbal data were collected through semi-structured interviews which were recorded to provide a full and comprehensive record of each conversation and ensure that participant's answers were captured in their own terms (Bryman and Bell, 2007).

The data were subsequently transcribed which, whilst time consuming, allowed the researcher to immerse himself in the data and to become very familiar with participant's responses (Boyatzis 1998, Robson and McCartan 2016). Data was transcribed as soon as possible after the interviews took place to ensure that it was fresh in the researcher's mind allowing the researcher to visualise the interviews whilst also listening to the recordings and having the interview notes at hand. Participant and researcher initials were used to clearly identify where questions and responses started and finished.

The literature recommends a number of aids to help with data analysis, including transcript summaries which were used by the researcher to identify key points, compress long sentences, make specific comments on each participant and become more conversant with the main themes (Boyatzis 1998, Saunders *et al*. 2019).

Thematic Analysis

Thematic analysis is a recognised process for encoding qualitative information enabling researchers to understand and interpret information and observations in a systematic manner (Boyatzis 1998, Robson and McCartan 2016). Alternative approaches to data analysis including framework analysis (Ritchie and Spencer, 1994) and template analysis (King, 2012) were considered but as these frameworks depend on identifying codes from a pre-existing list (Robson and McCartan, 2016) and this research applies an abductive approach to theory development, including searching for patterns and themes within the data, thematic analysis was selected.

This analysis encompassed three main fields. First, data which related to Cornforth's identified governance theories. Second, any other patterns and themes emerging from the research data relating to the case studies' general governance experiences as the research progressed and third, in relation to Cornforth's paradoxes as described in chapter four. The data were coded accordingly (Boyatzis, 1998) as described below.

Coding and Themes

Through listening to the audio tapes and reading (and re-reading) the transcripts the researcher became extremely familiar with the data. The next phase was to code the data to provide a label for the feature of the data relating to the research questions (Braun and Clarke, 2012). With regard to Cornforth's identified theories a framework of 'a priori' codes and themes were derived from the literature and Cornforth's theoretical framework (Saunders *et al*., 2019),

specifically the evidence and occurrence of a practice, or descriptions of behaviours, which relate to the governance theories. Codes were labelled on the transcripts, identifying the code name and highlighting the text associated with it (Braun and Clarke, 2012). These codes were:

- Agency: AGE
- Stewardship: STE
- Resource dependency: RD
- Stakeholder: STA
- Managerial hegemony: MH
- Democratic: DEM
- Multi-theoretical: MT

The codes which clearly related to the governance theories were clustered and drawn together as themes. Each participant was given a unique reference based on their Trust (A-E) and individually (by letter and numeral) which allowed the researcher to record and analyse the frequency of code references whilst keeping the data source anonymous. This alignment between the data and Cornforth's reported theories assisted in answering the research questions.

The method taken to answering research question one, which seeks to understand the experience of governing Leisure Trust organisations in different contexts, was to make sense of the interview data recognising and capturing any new emerging themes. As the researcher reviewed the transcripts it became clear, either in what was said or described, that a number of themes

that were not directly linked to the participant's responses relating to the interview questions were consistently evident across all case studies. These themes were; that governance protocols and reviews appear to be largely reactive; that governance reviews were often enacted by Boards following a stimulus for change including a crisis or impending crisis; and, that governance was not included when Trusts undertook strategic planning exercises. These additional themes captured something which had not originally been expected but was considered important in answering the research questions (Braun and Clarke, 2006). This data was also analysed thematically with codes highlighted on the transcripts in the same manner as described above. These codes were:

- The extent to which governance is reactive – GIR
- Governance reviews were completed following a stimulus for change – SFC
- Governance reviews were not explicitly linked with organisational strategy development - GOS

With regard to Cornforth's identified paradoxes the approach taken by the researcher was to consider evidence and behaviours described in the case study transcripts, labelling the transcripts as before and creating codes based on the literature review:

- Who governs? - WG
- The Board's role - BR
- Relations with management – RM.

The procedure used for moving themes in to analysis was to apply a presence scoring method (Boyatzis, 1998) to record each time a code was identified within each transcript and by case study Trust. In this way it was possible to recognise which theme, theory or pattern, was referred to, by whom and how often.

The findings pertaining to the research questions which relate to Cornforth's identified theories together with the general experiences and additional emergent themes are reported below in tables 8 and 9 and described in detail in chapter six. A verbal description (Boyatzis, 1998) was applied to analyse the case study data relating to Cornforth's paradoxes and this can be seen in chapter seven.

Table 8: Presence-scored analysis of themes.

TRUST	THEORY → / PARTICIPANT	AGENCY	STEWARDSHIP	RESOURCE DEPENDENCY	STAKEHOLDER	MANAGERIAL HEGEMONY	DEMOCRATIC	MULTI-THEORETICAL
A	A1	3	2	2	0	2	3	1
	A2	4	3	2	1	4	3	0
	A3	6	4	4	1	2	2	0
	Sub-total	**13**	**9**	**8**	**2**	**8**	**8**	**1**
B	B1	1	1	4	2	0	1	0
	B2	3	0	1	1	0	1	0
	B3	3	0	2	0	1	1	0
	Sub-total	**7**	**1**	**7**	**3**	**1**	**3**	**0**
C	C1	4	5	2	4	0	0	2
	C2	4	3	3	1	1	0	0
	C3	3	3	3	2	1	0	0
	Sub-total	**11**	**11**	**8**	**7**	**2**	**0**	**2**
D	D1	4	6	3	2	2	0	0
	D2	4	2	1	1	1	0	0
	D3	1	2	0	1	0	0	0
	Sub-total	**9**	**10**	**4**	**4**	**3**	**0**	**0**
E	E1	0	0	0	0	2	0	0
	E2	1	1	2	2	0	0	0
	E3	1	2	1	0	1	0	0
	Sub-total	**2**	**3**	**3**	**2**	**3**	**0**	**0**
	TOTAL	**42**	**34**	**30**	**18**	**17**	**11**	**3**

Table 9: Presence-scored analysis of emergent themes

TRUST	EMERGENT THEME / PARTICIPANT	EXTENT TO WHICH GOVERNANCE IS REACTIVE	STIMULUS FOR CHANGE	ABSENCE OF LINK BETWEEN GOVERNANCE AND STRATEGY
A	A1	4	2	3
	A2	2	1	5
	A3	7	1	7
	Sub-total	**13**	**4**	**15**
B	B1	7	4	1
	B2	7	4	3
	B3	5	1	6
	Sub-total	**19**	**9**	**10**
C	C1	2	2	2
	C2	1	1	2
	C3	1	1	3
	Sub-total	**4**	**4**	**7**
D	D1	3	1	3
	D2	2	0	3
	D3	1	0	1
	Sub-total	**6**	**1**	**7**
E	E1	7	1	5
	E2	6	0	3
	E3	1	2	4
	Sub-total	**14**	**3**	**12**
	TOTAL	**56**	**21**	**51**

This chapter explains the philosophy and theory development applied to the research and describes how the research sample was selected and the sample size determined. In addition, it explains how the data was collected and analysed.

The next chapter will describe and present the findings from the field work and reflect on additional themes which the research surfaced that are not obviously identified within the literature.

CHAPTER 6: SOCIAL ENTERPRISE GOVERNANCE TYPES WITHIN LEISURE TRUSTS

Introduction

Chapter six will report on the findings from the field work and the qualitative semi-structured interviews carried out with the five case study Leisure Trusts in the research sample. This presents an understanding of the experience of Leisure Trusts in governing and the extent to which they apply Cornforth's governance theories and Chambers *et al*.'s (2012) insight in to the three key elements of board composition, the focus of board effort and board dynamics. In addition, the chapter describes and reflects on additional themes, surfaced by the research, that are not explicitly identified in the literature. In so doing this fieldwork and subsequent analysis is important in answering the research questions.

CASE STUDY: TRUST A

Introduction

In relation to the contextual variables applied to segment the research population Trust A is a large, mature, national operator of long standing for this sector (dating from 1993), delivering a broad range of sport and cultural services across both rural and urban communities. The fact that Trust A is staff-owned and managed through a Community Benefit Society Company structure was of particular relevance, giving as it does a distinct insight in to governance protocols through the lens of an organisation being owned and primarily

governed by its staff, all of whom are society members, whilst also being managed by the staff team. In essence, the members of the Society (who must be employees of the organisation) elect the Board from their membership. This is a good example of the application of democratic theory in practice. Spear, Cornforth and Aiken (2009) reflect on this interdependency between Boards and management and the necessary blurring between boundaries and roles.

Trust A has been operating leisure and related cultural services for over twenty-five years. It is the largest leisure company in the UK and the largest provider of public library services. The Trust manages facilities for forty-five local authority partners and employs approximately fifteen thousand staff. There are over forty million customer visits across the portfolio and the annual financial turnover is just over £300m. Trust A plans and delivers its services under four corporate pillars: better services, better communities, better people and better business. In this way it seeks to set out its social enterprise credentials.

Semi-structured interviews were undertaken with the Managing Director who is an ex-officio Board member, the Company Secretary who is not a Board member and the Chairman. The interviews provide a rich and generally consistent insight and contribution to answering the research questions.

Analysis Relating to Cornforth's Proposition

In terms of corporate structure, Trust A is aligned to democratic theory in that the majority of the Board, its 'Worker Board', are all elected by the members of the Society at the annual general meeting. Board Members sit for a period of

three years with a maximum of three terms, allowing tenure of a maximum of nine years in total. This is strictly applied. All participants noted however that the democratic structure is weakened by the fact that only 12% of the employees, approximately, are society members and therefore able to vote for, and be elected to, Board positions. Furthermore, regional representation is significantly lower as a percentage of society membership outside of London. Participants recognised that this limited the company's ability to benefit from the input and engagement of the total workforce and therefore meet the intended benefits of a democratic governance structure:

> 'We need to look at governance structures to encourage more people from around the regions to get engaged and feel a sense of belonging. We have a democratic organisation but less than 30% are society members which is an alarm call to us as, by definition, it reduces our ability to elect the wider workforce to the Board.' (Managing Director)

The same respondent said of the democratic structure:

> 'You'll never get away from the fact that people vote for their mates, not necessarily the candidates' abilities.' (Managing Director)

However, whilst democratic theory is the foundation there is evidence that managerial hegemony pervades in practice. For example, there is testimony from comments made that staff, in the context of being Board Members, are to be 'controlled' and that 'management is about the manipulation of people'. The Board were referred to as a shadow organisation, a reference point, or an independent sounding board.

> ‘The Board’s role is to make sure that the Executive is under control, doing the right thing, has a plan and is following it. Other than that, they are a shadow organisation, a reference point or an independent sounding board.’ (Managing Director)

The interviews also established that meetings are held with the independent Trustees prior to the main Board meetings and behind closed doors. This is where ‘the real business is done’ and where management drive the agenda with the main Worker Board ‘nodding things through’. Participants commented on this management-led hegemonic practice.

> ‘The organisation is really management led. Management drive the agenda, and, in some instances, you could say that the Board nods things through.’ (Company Secretary)

> ‘However, the external Trustees do challenge which is perhaps why they are taken aside in pre-Board meetings – the feeling is that decisions are really taken in those pre-meets.’ (Chairman)

The researcher noted that hegemonic practices appear to increase when challenges or crises become apparent and this was also identified by the Chairman:

> ‘When problems occur, the Board has to step up and this is where I’ve observed that the MD takes more direct control and the Board’s ability to make decisions reduces. We become much more controlled. My concern is that it continues down that path’. (Chairman)

This is framed (and clearly experienced by the participant) as a concern, however the other possibility is that the need for strong and decisive leadership from the senior leadership team increases when problems occur, a positive feature within a hegemonic style. The researcher noted some limited evidence of agency theory applying and, whilst this has been less obvious over the Trust's history, it has clearly been an increasingly important focus over the last few years. Interestingly, this appears to be the cause and effect resulting from worsening financial performance, increased commercial threats and the need to manage the organisation following a significant expansion programme across the UK – all substantial challenges for the company.

It is also apparent that the Board are now increasingly aware that the main tenets of agency theory - control over management and compliance in the interests of shareholders - are a key requirement of their role. However, there is evidence that the Board does not challenge management behaviour when it moves away from agreed strategy. This is contrary to agency protocols and is seen as a weakness by some, as is the difficulty that employees can have in challenging senior managers when attending meetings and acting in their Board roles:

> 'A weakness is that we set strategy and then divert away from it. For example, we are still seeking growth when the agreed strategy is more about consolidation, but the Board don't challenge this. The scrutiny and check and challenge isn't always strong enough.' (Company Secretary)

Another concern raised regarding the application of agency theory is that Board Members can lack the necessary skills to fully understand reports and the information presented to them, limiting their ability to provide oversight, and, if necessary, challenge the Director team and management more widely. Training for Board members includes the role of a Trustee and Board member but is limited regarding the necessary skills to fully understand the information which will be provided to them, financial reporting including balance sheet, profit and loss and cash flow projections, for example. In addition, whilst the company has a well-developed business continuity and corporate risk assessment, which is regularly reviewed by Directors under the guidance and lead of the Company Secretary (who is also the Director of Finance and Administration), this would appear to have almost no input in its development from the Board members individually or collectively.

The appointment of four independent Trustees aligns corporate governance to the principles of resource dependency theory. However, this does not appear to be deliberately planned to engage human, relational and/or resource capital and the skills and experience that comes with this. A noticeable omission is that the regular reviews of the corporate strategy does not include a proactive assessment of where and how skills, experience and resources can be sourced and applied to support the organisation's future strategy and plans.

Furthermore, there is a sense from the research that the appointment of independent Trustees may in fact be more associated with a drive towards managerial hegemony as at the time of undertaking the research 50% of those

appointed are previous employees, all are personally selected by the MD, and they may be more likely to uphold the company governance culture and the Managing Director's wishes. This was expressed to some degree by research participants.

The research therefore suggests that the benefits of resource dependency theory in relation to skill sets are acknowledged, but that this has not been recognised as adding value to the ongoing governance practices and support to the management team:

> 'I've never believed that there are people out there who may have resources that would be useful for us in steering the Board and acting for us as advocates externally. One way of making up the Board is to have a lawyer, accountant, HR etc so they can bring these skills to the Board but if I need this advice, I want to pay for it as objective, professionally and independently sourced information and support.' (Managing Director)

In addition, the independent Trustees are not involved in strategic planning sessions which are held every six months, with an annual conference convened to approve and sign off the corporate strategy and annual plan. The Worker Board are invited to these sessions but not the independent Trustees.

Stakeholder theory is less evident too in this case study although three Councillors from the founding Local Authority are represented on the Board. This appears to be a legacy relating back to the time when the organisation only operated within one London Borough.

> ‘This is out of line with our core remit but they’re useful to have as they want us to succeed.’ (Company Secretary)

Local Authority officers and Members in each contract are significant stakeholders in the business and Trust A’s core remit is to deliver on their (shared) aims and outcomes. Yet, the majority of Local Authority partners are not represented in the governance framework and their input is therefore missing.

Furthermore, as referred to above, there does not appear to be an explicit link between the development of corporate strategy and the wider potential engagement of key community stakeholders including, for example, the health sector and other organisations which may add considerable value to helping the company achieve its mission. This raises an interesting issue: does Trust A not recognise or apply the benefits of stakeholder theory in this regard, or does it see the relationship with the majority of its Local Authority partners as being at arm’s length and operational or contractual, and not related to governance?

One further point of interest in relation to the application of the stakeholder lens to Trust A (and additionally resource dependency) is that the organisation has developed a strategy of related diversification in to the library sector and has been extremely successful in this as Trust A now runs more public libraries than any other company in the UK and has a positive industry profile. However, this is not reflected in the Board makeup suggesting an absence of alignment between strategy and governance. Some participants recognised this:

‘We run libraries but there is almost no influence from this sector on the Board.’ (Chairman)

The evidence gained from the field work in relation to the experience of Trust A in governing and the extent to which they apply governance theories in practice is shown below in Table 10.

Table 10: Theory Evidence for Trust A

	Trust A
Agency	Evidence of increasing Board focus on performance management Audit sub-committee in place ‘*The external Trustees do challenge things’.*
Stewardship	Evidence of partnerships through shared values alignment, vision and mission
Stakeholder	3 Local Authority Councillors from the original Council are on the Board
Democratic	Worker Board elected by Society Members *‘The knowledge of the business that staff Board members bring is a strength to our governance.’*
RDT	4 external independent Trustees with appropriate skill sets and experience
Hegemony	Strong management Management control over the Board ‘*We operate very much along the lines where the MD runs everything’.* *‘We’re really management led. Management drive the agenda.’*
Multi-theory	Whilst not as a result of a planned and deliberate focus, the research identified that Trust A is applying multiple theories in its governance practices.

Findings Relating to Chambers' Proposition

This section will describe the extent to which Trust A demonstrates the practices and behaviours identified by Chambers *et.al* (2012) along the dimensions of board composition, board focus and board dynamics.

Board Composition

As referred to earlier, Trust A is a Community Benefit Society which elects its 'Worker Board' through a democratic process from the employees who are society members. Some concerns were raised regarding representation however:

> 'We have a democratic organisation but less than 30% are society members which is an alarm call as it reduces our ability to elect the wider workforce by definition'. (Managing Director)

The Worker Board is extended by three local authority Councillors and by four external independent Trustees. This provides evidence that the Board is familiar and knowledgeable with the corporate mission and the business of the company.

Trust A has established sub-committees for audit, remuneration (which only independent Trustees sit on) and executive which deals with urgent day-to-day matters. This demonstrates that governance sub-structures have been considered and, together with the involvement of external independent Trustees with recognised experience and skills, ('boundary spanners'), helps to validate that the structure of the Board is context-specific (Chambers *et al*. 2013). There

is good evidence of intentional succession planning for Board members and officers through agreed periods of tenure.

Despite the inclusion of the four independent Trustees, there was, however, a general consensus among those interviewed that there was no need to identify any particular external skill set to support the governance function which may be a limiting factor and is likely to increase a tendency for homogeneity and reduce the advantages of resource dependency theory:

> ‘We would look to find personality and background first {in any external appointment} and professional skill sets afterwards’. (Company Secretary)

> ‘I feel that the Board as a group lacks strategic skills and experience, but we only know what we know’. (Chairman)

Board Focus

It would appear from the research that the skills and experience that independent Trustees could bring to the organisation is not proactively assessed when the organisation reviews and revises its corporate strategy and whilst the skills of the incumbents (finance, human resources, back office service support) are all valid and beneficial on an ongoing basis, a proactive link between strategic planning processes and governance competences is not made. This is also the case for risk identification and mitigation. Additionally, an opportunity to engage the independent Trustees in strategic planning is also missed as they are not included with the main corporate strategy workshops.

The research on Trust A suggests that some of the Worker Board members may lack the necessary skills to fully understand reports and the information presented to them including balance sheet, profit and loss and cash flow projections, limiting their ability to provide oversight and, if necessary, challenge the Director team and management more widely, suggesting a limitation to governance resource management and, potentially, an over reliance of the executive team. Board focus is also seen to be lacking by the reported absence of challenge to management behaviour when agreed strategy is not followed by management:

> ‘A weakness is that we set strategy and then divert away from it. For example, we are still seeking growth when the agreed strategy is more about consolidation, but the Board don’t challenge this. The scrutiny and check and challenge isn’t always strong enough.’ (Company Secretary)

The Worker Board are involved in strategic planning to some extent through away days and the annual Board conference. But this may be seen more as ‘rubber stamping’ and hegemonic in nature given the fact that the five-year strategy review and annual plans have already been set by the executive team.

Board Dynamics

When considering the Board dynamics, a number of issues are evident from the research. From a positive perspective, it is clear that the Board are now increasingly aware of the importance of adopting agency-related behaviours through management oversight and there is some evidence of this in practice, particularly from the independent Trustees.

Nevertheless, the research also identifies some adverse issues. For example, holding meetings behind closed doors with the independent Trustees only prior to Board meetings causes some employee Board members to be suspicious of the openness and transparency of Board decision making and may suggest that this is where 'the real business is done'. In addition, in relation to the dyadic couplets described by McNulty *et al.* (2003) Trust A's Board is involved but not independent, supportive but not challenging, and engaged but not non-executive. As an example, the benefits of stewardship theory in relation to Board dynamics can be challenging where management relationships tip into the Board environment, as reported by one of those interviewed:

> 'Our type of governance can lead to blurred lines between management and Board governance and it's easy to cross those lines perhaps starting a meeting to talk about governance and ending up talking about management issues. And that is really unhealthy.' (Chairman)

> 'Staff Board members are seen only as members of staff, not Directors and Trustees – it's like a staff meeting. We all need to up our game – a Board meeting should not feel like ten mates sitting around the table'. (Chairman)

This was a further example of strained managerial relationships causing friction which was carried forward into the individual's Board role. There may also be a lack of trust in some areas.

Case Study Summary

There is clear evidence from this case study that Cornforth's multi-theoretical approach has relevance and is practised. However, this does not appear to be planned and proactive; it is more sub-conscious and reactive. Furthermore, some governance theories are clearly more evident than others, hegemony in particular.

Chambers' *et al*.'s triadic position of high engagement within a climate of high trust and high challenge is only partially displayed in this case study. The high challenge provided by agency theory with its conformance (Garratt, 2010) and fiduciary focus (Chait *et al*., 2005) is not fully evident, neither is the stewardship-based theoretical standpoint or generative mode identified by Chait *et al*. with its focus on collaboration, sense making and reflection. The case study analysis also suggests that governance practices seem to be static and rooted in historical custom and perceived good practice although there is a recognition of where limitations may lie and some good examples of governance development.

One recommendation from the research is that the Board and senior leadership team may wish to consider acquiring a better understanding of the key benefits to each of the individual theories and the application of a multi-theoretical approach, and to proactively flex and align this through to future strategies and plans.

CASE STUDY: TRUST B

Introduction

In relation to the contextual variables applied to segment the research population, Trust B is a small, mature, London-only based (urban) operator of long standing for this sector (1978), delivering a single focused sports and leisure service. The building within which Trust B first began to deliver services has had a long and somewhat chequered past, finally opening as a sports centre on 30th January 1978. Today, the first floor of the building is a large space, providing 7,500 square feet of gym equipment, as well as three studios offering a variety of group exercise classes. A cafe and two treatment rooms complete the club's facilities.

The charity operates four different sports centres and gyms in London, all geared towards providing low-cost, high-use facilities for the community in delivery of their social mission including GP referral schemes, cardiac rehabilitation classes and an extensive programme of activities for all age groups. Trust B also engages in outreach work such as running children's summer sports camps, organising an annual Fun Run and providing free dance and gymnastics classes in local schools working in partnership with a range of partner organisations.

Trust B has been operating sports and leisure services for forty years running four facilities in London working with five community partners including three

local authorities. There are forty staff and over 350,000 customer visits each year. The Trust has a turnover of over £2m.

The Trust is proud of its social credentials and community ethos and demonstrates this through its social enterprise business model. However, a fraud committed by the then Finance Director which went unnoticed for several years, has significantly altered the organisation's governance protocols. Participants interviewed commented that this caused disruption, resentment, poor relationships between senior officers and senior Board members and potentially brought the company close to financial collapse.

Semi-structured interviews were undertaken with the Chief Executive, an ex-officio Board member, the Operations Director who is not a Board member and the immediate past Chairman who was included in the interview timetable as the current Chairman declined to be interviewed days before the interview was scheduled to be held. The interviews afford a helpful insight to answering the research questions.

Analysis Relating to Cornforth's Proposition

The research confirms that the Trust was established with clear stakeholder and democratic theories underpinning its operation. This is evident from the involvement of local authority Members on the Board and captured within the Trust's Memorandum and Articles of Association.

In addition, interview participants spoke about a previous positive and valued behaviour of stewardship theory:

> ‘We would work much more collaboratively. We’d have away days which were really good, and we’d come away with some clear actions.’ (Past Chairman)

> ‘The CEO and I focused on how we were going to survive – how do we get the organisation in to a state where we are confident it won’t go out of business? Also, what are we here for, what is our purpose and the values that we should hold up?’ (Past Chairman)

It is likely that a culture that balanced managerial hegemony and stewardship and which was acceptable under democratic and laissez-faire governance behaviours was also apparent.

However, the research also confirms that the stakeholder and democratic approach have not been proactively managed as can be seen following the resignation of one Councillor who was not then replaced by their representative local authority. This limits the benefits of both democratic and stakeholder theories and suggests a reactive attitude and approach to governance protocols. Furthermore, not all community partners are engaged in governance activity in support of the organisation where Trust B operates.

As noted above, whilst there is evidence of democratic theory being present through the appointment of local authority Councillors it was suggested by one participant that this could be unhelpful commenting that:

> ‘…at least two or three people shouldn’t be on the Board, but they are because of who they have known in the past or because they are Councillors. Our maximum number of Board members was eleven, but this would have been exceeded so we changed the Articles to allow a maximum of fourteen, so mates of the then current Board could join even though their organisational representation was doubtful.’ (Chief Executive)

Furthermore, the approach of focusing mainly on one centre, the centre that has the longest history, alludes to the lack of a consistent democratic theory application too.

Board member recruitment is not centred on having a planned and deliberate approach. Indeed, past history suggests that recruitment is based on new joiners to the Board being friends of current Board members, albeit often with skills which are perceived to be valuable to the Trust including health and safety management and legal expertise, although this may be considered as a blurring of Trustee and management roles. One respondent commented that being on the Board felt like being in a club or having a hobby:

> ‘The Board members have been in place for so long that they all know each other really well and this can make it feel that it’s a bit like a club or hobby of theirs.’ (Operations Director)

This suggests that resource dependency theory is recognised as a concept and understood as a potential benefit but not applied with an alignment to corporate aims.

Whilst all elements of a multi-theoretical perspective can be seen in practice, the recent history and research interviews demonstrate that this is not proactive. All participants reflected on the changes to governance over the last eighteen months following the fraud case. They may now acknowledge that the previous preponderance for a stewardship theory based focus combined with an absence of the application of agency theory may have been a contributing factor to the fraud and the significant organisational turbulence and disruption which followed.

It should be noted that an audit and risk sub-committee was in place, but members of this committee met irregularly, and the sub-committee appeared to lack focus:

> ‘The audit and risk committee should meet six times a year although it can be difficult to get committee members to attend sometimes.’ (Chief Executive)

Also, whilst the support of external auditors and regular management reports to the Board suggested that a compliance focus was in place, this was clearly not effective in protecting the organisation. A comment was made that the Board erred on the side of trusting what appeared to be a committed, skilled, experienced and positive Finance Director:

> ‘The issue with the fraud was a major problem and this must question what we did and how we did it in governance terms. One of our values is to be supportive to staff and the FD presented herself as being really

> committed and positive, and we erred on the side of trusting her. There were failures in governance here.' (Past Chairman)

The new post fraud governance paradigm indicates a complete change from practices of stewardship and democratic theory to one more aligned almost exclusively to agency behaviour resulting from a change in Chairman and a tightening of procedure. This is described by management as being very demotivating with an absence of praise and suggests an lack of trust on both sides together with a missed opportunity to work collaboratively, the antithesis of a stewardship theory focused approach:

> 'The {new} Chair definitely behaves as if she is the CEO. We've {the management team} not walked away from a Board meeting feeling motivated for a long time.' (Chief Executive)

> 'At one meeting the CEO and I were asked to leave the room whilst they {the Board} discussed strategy. I think this was mainly about the Chair trying to impose authority, but it felt like it was driving a wedge between the management and the Board.' (Operations Director)

> 'There's no teamwork, or it appears that way.' (Past Chairman)

Nevertheless, given the impact of the fraud, the application of agency-based behaviours could be seen as completely understandable from the Board's perspective given their fiduciary, strategic and generative accountabilities and focus (Chait *et al*. 2005). This is also recognised by some members of the management team:

> ‘I can see why our Board is perhaps less trusting given what we’ve been through. I understand this as the Board need to make sure that we’re doing what’s right for the charity.’ (Operations Director)

However, following the resignation of several Board members, the new Chairman and the CEO are now using a skills matrix to recruit to the vacant posts which, from discussions, offers a promising and proactive development towards encouraging the principles of resource dependency theory together with a rebalancing of governance practices more towards a multi-theoretical stance. In a wider context this also suggests that the assumption that good governance practice is in place is not sufficient; it needs to be proactively examined to ensure assurance.

Despite having an independent governance review which made a number of key suggestions, and the fact that the company had suffered a catastrophic and very damaging fraud case, the majority of the governance recommendations in the review were not taken forward. This again suggests a static approach to corporate governance:

> ‘There were 9 recommendations and they were really good, but the Board almost unanimously rejected virtually all of the recommendations. This resulted in the Chairman at that time, who was brilliant, resigning.’ (Chief Executive)

In relation to Board dynamics and as commented on above, a significant disruptor in recent years has seen the stewardship and democratic theories replaced by agency theory overnight, perhaps understandably given the trauma

that the company has been through. But what is clear is that this change has not been undertaken and managed with the support and involvement of key individuals resulting in a poor relationship between the Chairman and CEO (described as an application of power) and damaging the dynamics of a key relationship. One participant even noted that the over focus on command and control was actually hampering the organisation's ability to develop and deliver on its core purpose which could ultimately put the organisation at risk of closing down:

> 'There has been a real focus on command and control since the fraud was discovered. The new Chair now wants to know everything that is going on. This makes things much more constrictive. We don't react quickly to seize the advantage on developments and we're much less agile. This was very different from before the fraud when the then Chair was happy for the CEO and me to steer the organisation and also to focus on community outcomes.' (Operations Director)

> 'The lack of agility that I mentioned earlier is hampering us. For example, we have had a business plan in place for two years to develop the gym and the funding has been agreed too. But the Board's nervousness and constant challenge means that we haven't got the project underway. If we had, we would be making more money now.' (Operations Director)

The evidence gained from the field work in relation to the experience of Trust B in governing and the extent to which they apply governance theories in practice is shown below in Table 11.

Table 11: Theory Evidence for Trust B

	Trust B
Agency	Evidence of significant recent Board scrutiny and oversight. Audit sub-committee. *'The Board need to make sure that we're doing what's right for the charity'.*
Stewardship	Theoretical behaviours practiced for years under a prior longstanding partnership between CEO and Chairman. *'We would work much more collaboratively. We'd have away days which were really good, and we'd come away with some clear actions.'*
Stakeholder	Board membership drawn from the majority of Councils.
Democratic	Some Board members drawn from representative community groups including local Councils.
RDT	Several Board members have prized skills *'Some Board members have useful skills and experience including legal and HR skills.'*
Hegemony	Evidence from the immediate past of hegemonic practices by the CEO, this being seen positively and in balance with stewardship.
Multi-theory	Trust B is applying all of the individual theories (although not as a deliberate act). Agency theory is particularly evident.

Findings Relating to Chambers' Proposition

This section describes the extent to which Trust B demonstrates the practices and behaviours identified by Chambers *et.al* (2012) along the dimensions of board composition, board focus and board dynamics.

Board Composition

Trust B's board composition appears to be largely static in relation to the people who sit on the board and their skills. This is demonstrated through an absence of succession planning and turnover generally and comments suggesting that the board is 'a club or hobby' for the board members. It is not fully representative of the councils entitled to have a place on the board.

Comments made to the researcher stated that any recruitment to the board was based on new joiners being friends of current board members and a recommendation from an independent review of the company's governance which suggested a fixed tenure for board members was rejected.

There appears to be little evidence that the board structure relates to mission and strategy, neither does it offer the benefits of resource dependency and boundary spanning. All participants confirmed dissatisfaction with the board's composition.

Board Focus

Trust B has seen a diametric change in its focus following its financial, managerial and governance crisis. Prior to the crisis it could be argued that

governance protocols demonstrated an unhealthy preponderance for a stewardship theory based approach combined with Garratt's performance dimension and Chait *et al*.'s (2005) stewardship mode, with an unidentified absence of agency, conformance and fiduciary governance – the audit and risk sub-committee was in place but members met irregularly and there was an over-reliance on the external auditors.

Following, and as a result of the crisis, the organisation reversed its governance emphasis and now appears to have little balance in its governance and very little strategic application. The shift in focus may be entirely understandable given the Board's acceptance of the organisation's misfortunes and the need to refocus on its fiduciary duties, but this has been very demotivating for the executive team. Teamwork and talent management are not in evidence and the senior team were demoralised and demotivated when they were asked to leave the Board meeting when the Board discussed future strategy.

The more recent endeavour by the Chairman and Chief Executive to recruit to vacant posts by applying a skills matrix offers potential to rebalance the Board's focus and engage resource dependency, stewardship and stakeholder theories, and to match the weight attached to different board tasks with the prevailing internal situation and external environmental conditions (Chambers *et al*. 2012).

Board Dynamics

The dynamics between senior Board members and the executive management team appeared to be strained with an absence of trust which may make it more

difficult for the organisation to achieve its aims. The dynamic of board members working together also appears to have been lost, meaning the board as a whole is not greater than the sum of its parts (Pye and Pettigrew, 2005).

When considering Trust B's board dynamics through the lens of McNulty *et al*.'s (2003) dyadic couplets the board may be seen as independent and not involved, challenging but not supportive, not engaged but non-executive.

Case Study Summary

Trust B has clearly been through a very challenging and disruptive period. It is striking that it was the impact and outcome of a fraud case, where a senior officer was successfully prosecuted, that resulted in an immediate review and changes to governance practices, following this crisis. Although agency theory is now in evidence, stewardship, democratic, resource dependency and managerial hegemony theories are less apparent in this case study.

There is some confirmation of a rebalancing of governance process and approach, the current skills audit and assessment linked to a planned recruitment strategy for example, but the stability that would be provided through a planned and proactive multi-theoretical perspective has not supported a change programme. There is no real evidence that the developments to the Trust's governance demonstrates an intentionally dynamic approach, explicitly linked to its strategic planning.

Whilst the Board focus on task and process is evident the relative neglect of consideration for the conjoined key elements of board composition, board focus and board dynamics and the absence of a climate of high trust and high challenge within a commitment to high levels of engagement, ‘engagement theory’ (Chambers *et al*. 2012) suggests an ineffective board.

CASE STUDY: TRUST C

Introduction

Trust C is large organisation structured as a Company Limited by Guarantee. The Trust operates a multi-cultural provision across both urban and rural communities delivering sports and leisure and health and wellbeing services across the north of England and in the Midlands.

Trust C has been operating services for over fifteen years. In 2014 a fundamental review led to a change in CEO, a complete review of strategy and, subsequently, a rebrand. There are over three million customer visits to the facilities each year and the Trust has an annual turnover of over £30m. Trust C seems to now be a high performing organisation and appears to enjoy the confidence of its key stakeholders.

The charity operates in three distinct geographical areas. Of particular interest for the research is the focus on delivering wellbeing services explicitly linking sport and physical activity with wellness services. Four sub-committees support the main Board in its governance function.

Semi-structured interviews were undertaken with the Chief Executive, the Company Secretary (who is also the Administration Manager but not a member of the Board) and the Chairman.

Analysis Relating to Cornforth's Proposition

All participants interviewed recognised the individual governance theories and how they impact on the governance and running of the company. One interviewee recognised the multi-theoretical perspective:

> 'I recognise all of the types of governance referred to in our Board and how we manage the relationships'. (Chief Executive)

However, through dialogue it became clear that this knowledge had not been applied proactively and in a planned way when managing governance protocols and aligning this to corporate strategy.

Participants described how the overarching theory type that was prevalent under a previous CEO was clearly hegemonic but also highlighted how unhelpful this had been in building relationships. The impact of this style was that there was a clear worsening of the relationship externally with the organisation's key council partner as well as internally between management and the Board due to the evident lack of stakeholder and stewardship practices. In fact, the organisation was described to be almost at the point of failure:

> 'There has certainly been a real focus to build relationships {with the council} over the last few years as this was really poor under the previous CEO. In fact, it was largely the cause of the organisation failing and being unlikely to get support from the council to help.' (Chief Executive)

Since the review in 2014 the new CEO and Chairman have worked hard on developing a rapport which aligns more towards stewardship. This has encouraged a much better relationship internally and externally, achieving significantly better outcomes from key relationships:

> ‘We’ve had to work really hard to build up the relationship {with partners councils} where there was really a total lack of faith, thankfully with great results and this was really down to the change in approach that myself and the current Chair have taken. The relationship is now very strong, particularly at officer level.’ (Chief Executive)

The Board as an entity were generally described as having great integrity, passion and a shared vision associating clearly with a stewardship theory, although there were also some comments that key Board members would occasionally focus on management issues. Commenting on this open and constructive stewardship approach, the Chairman said:

> ‘We also ensure that we have Board champions working with senior management to make sure that we link the two roles of Board strategy and service delivery.’ (Chairman)

> ‘The dynamics between us are crucial. I think our relationship {between Chairman and CEO and through them Board and management} is good and constructive. We can challenge each other when we need to which is very healthy. This is very much better than things have been over the Trust’s history with previous Chairmen and CEO’s. Although we do at times need to take a stronger line, both of us. So, at times I’ll be clear on what I want, even if the CEO disagrees and at times he very definitely leads the Board and this too works well.’ (Chairman)

Business strategy had been a process led almost entirely by management, but this has changed, and board members are paired with officers to develop strategy for final sign off by the Board which is another clear sign of stewardship.

It was also notable that a focus has recently been placed on identifying key roles and responsibilities in managing relationships with stakeholders. For example, the liaison between the Trust's CEO and the lead council officer (who is the Director of Public Health) and the Trust's Chairman and council Portfolio Holder. Participants described how this clarity supported joint working and added a transparency between managerial and Political engagement. This supports both stewardship and stakeholder governance theories.

In addition, it became clear during the research that the change in governance mode had come about from a crisis which was largely caused by the previous hegemonic stance and the evident absence of stewardship and stakeholder theories. The new and current approach is much more stakeholder and stewardship focused. This means the Trust now displays a multi-theoretical structure, albeit that this was not planned. And the business is now in much better shape across all metrics.

However, recruitment of Board members is not based on developing a multi-theoretical approach and this is not consciously understood or proactively planned despite the Chairman accepting during the interview that the Board focus should be proactive and dynamic across the various theories, not static

and/or reactive to change impetus. One example given was that there would be great benefit in having a Board member who was operating at a high level in the health sector in addition to the evident officer-level links, given the organisation's strategic emphasis in the provision of wellbeing services.

The interviews suggested that stewardship is now proactively practised, and that resource dependency theory is also sub-consciously recognised in governance practices although, despite the Chairman's high profile and excellent local connections, this is still immature. For example, it was apparent that local Councillors on the board do not hold senior positions within the Authority and are less able to exert Political influence through their human capital and, despite the increasing financial contribution from winning health sector contracts which helps to rebalance the reduction in subsidy from local authorities, a Board member with connections in to the health and wellbeing sector would allow greater evidence of the application of stakeholder and resource dependency theories.

There has been a shift more towards agency theory, partly as a response to financial and risk challenges. Robust risk management and detailed reporting including a balanced scorecard approach, together with a board which is clearly willing to question and challenge performance, all points to proactive and healthy debate:

> 'Financial management and long-term sustainability is crucial, and we have beefed up our skill set at Board level to make sure that we can

> oversee this comfortably. There's a lot more scrutiny and challenge over the financial performance and other work streams now than there used to be.' (Chairman)

> 'The Board do challenge us as management. For example, they wanted to challenge a proposal put forward to spend some of the reserves on refurbishment {of fitness facilities} to combat an increase in local competition. Whilst they supported it in the end, they wanted to see cash flow projections and performance data.' (Company Secretary)

This comment was made by a senior manager with a sense of reassurance and approval. The strength of the sub-committee system, supporting the main board, adds to the evidence of an application of the agency and stewardship principles too.

The attributes of stakeholder theory are not consistently evident when recruiting Board members from all contract areas and strategic alignments and this is noted as an opportunity by those interviewed:

> 'We don't have a Board member representing {a council area} for example so this makes it more difficult to demonstrate strategic engagement in that business area.' (Chief Executive)

However, where stakeholder and resource dependency theories are brought together great value is seen:

> 'We have a very strong relationship with public health and the revenue stream from this sector is increasing as our strategic focus changes, our

rebrand rolls out, and we build confidence in commissioners.' (Chief Executive)

The evidence gained from the field work in relation to the experience of Trust C in governing and the extent to which they apply governance theories in practice is shown below in Table 12.

Table 12: Theory Evidence for Trust C

	Trust C
Agency	Open and agreed robust performance measurement and management, overseen and scrutinised by sub committees and the main Board Balanced scorecard *'Financial management and long-term sustainability is crucial. There's a lot more scrutiny and challenge over the financial performance and other work streams now than there used to be.'*
Stewardship	Chairman and CEO recognise the benefits of this theoretical standpoint and work collaboratively with significantly better outcomes *'We also ensure that we have board champions working with senior management to make sure that we link the two roles of Board strategy and service delivery'* *'The dynamics between us are crucial. I think our relationship {between Chairman and CEO and through them Board and management} is good and constructive.*
Stakeholder	Councillor representation on the Board which is a constitutional requirement Good relationship between Chairman and Portfolio Holder
Democratic	A recognition that the Board should be open to hearing the views of its membership and constituent parts, if not explicitly evident in governance systems
RDT	Trustees are selected based on human and resource capital *'We have a very strong relationship with public health and the revenue stream from this sector is increasing as our strategic focus changes, our rebrand rolls out, and we build confidence in commissioners.'*
Hegemony	CEO acts decisively and with approved authority when necessary Chairman and CEO recognise when hegemonic behaviour should be utilised
Multi-theory	Good evidence of the application of a multi-theoretical stance although not through a deliberate and planned approach

Findings Relating to Chamber's Proposition

This section will describe the extent to which Trust C demonstrates the practices and behaviours identified by Chambers *et.al* (2012) along the dimensions of board composition, board focus and board dynamics.

Board Composition

The Board composition has clearly been considered and reviewed since 2014 when a new Chief Executive and Chairman both came in to post with a conscious approach to recruiting new Board members based on skill set, ability to contribute and expected impact on the business as a whole. The Chairman's contacts and network have been utilised well within the local community and Political arena.

There is some evidence of boundary spanning and the use of human capital (Pfeffer and Salancik 1978), particularly in building relationships with key contacts in the host local authority. Participants recognised that there remain further opportunities to build stakeholder and resource dependency benefits as it is accepted that the Board does not represent the organisation's geographical footprint, nor the service focus including the increasing emphasis on health service delivery. The use of four sub-committees: finance and performance, audit, human resources and health and safety and nominations is well embedded and adds great value. This would appear to largely meet Chambers *et al*.'s condition to be context specific.

Board Focus

The research has uncovered an impressive and deliberate application from Board and senior executives to balance resource identification and management within a strategic mind-set together with the agency, conformance and fiduciary governance principles that come with this. Garratt's (2010) performance dimension demonstrating policy formulation, and strategic thinking and Chait *et al*.'s (2005) strategic and generative modes are clearly in evidence and this is deliberate and proactive.

Board Dynamics

> 'There's great integrity, passion and shared vision amongst the Board members'. (Chief Executive)

Key relationships between the Board and senior executives were described as good, strong and honest, with Board members acting as a team, utilising skill sets and experience through the board structures to add value to the organisation. The Chairman and Chief Executive both commented on how they work closely but can also have differing views which are discussed openly before a way forward is agreed.

McNulty's (2003) dyadic couplets are strongly apparent in this case study. The Board behaviours are independent and involved, challenging but supportive and engaged but non-executive.

Case Study Summary

The catalyst for change in governance protocols and practices appears to be the significant issues faced by the company in 2014 relating to financial pressures and poor high-level relationships. The outcome when assessed through the governance lens is that this has actually led to more of a multi-theoretical approach and this is clearly beneficial to the organisation.

Of particular interest is the awareness which came out during the interviews about flexing between theories as needs require, and that the Board makeup should be proactively reassessed, and its skills applied based on strategic need. This helps to reconfirm the hypothesis that a multi-theoretical approach needs to be linked to strategic awareness planning and flexed to meet future requirements.

There is an observable climate of high trust and high challenge within a commitment to high levels of engagement, suggesting a high performing Board.

CASE STUDY: TRUST D

Introduction

In relation to the contextual variables applied to segment the research population, Trust D is a small Leisure Trust, structured as a Company Limited by Guarantee, delivering sports and leisure services only in a rural community in the north of England. Importantly for this research, whilst Trust D has a few paid staff including the Chief Executive, the majority of its staff are volunteers. Additionally, the Trust does not require a subsidy from its local council or other funding institution and is self-sufficient.

Trust D has been providing services to its local community for nearly twenty-five years. As referred to above, the majority of staff are trained volunteers representing a varied age spectrum. The turnover is less than one million pounds per annum. Trust D only runs one leisure centre. Facilities at the centre include two pools, a gym, changing rooms, offices and other ancillary facilities.

Semi-structured interviews were undertaken with the Chief Executive, a member of the board ex-officio, the Chairman and a senior paid member of staff who was also the Company Secretary and an ex-officio board member.

Analysis Relating to Cornforth's Proposition

Stewardship theory is particularly evident and strong in this case study. All participants commented on the close working relationships between the Chief Executive and Chairman and the Board and staff. It is clear that there is a

shared vision and purpose, and this was seen to benefit the organisation in a number of ways:

> ‘We all understand what we’re here to do and we work well together as a Board and staff team and as a result we get things done quickly’. (Chief Executive)

And, whilst there is no formal skills matrix in place to guide Board recruitment, the Chair and CEO are confident that they know what skills are required ‘and have a good idea of the type of person who would fit in with the rest of the Board and what we’re trying to do’. Interestingly Board members will almost always be users of the centre too as the sense of ownership for the services provided together with user experience is considered to be culturally important.

The Chairman confirms that the roles and responsibilities between the Board and staff are understood:

> ‘We trust {the Chief Executive} and the team to run the pool and we recognise that the staff are best placed to do this. We understand the difference in roles between the Board and the management.’ (Chairman)

A further example of effective stewardship can be seen in the development of the business plan and corporate risk register which are drafted initially by the Chief Executive from a professional knowledge base which is then further developed by Board members using their particular skills and areas of expertise.

However, when the centre had to close for a considerable amount of time due to the swimming pool tiles coming adrift from the pool tank, the emerging crisis precipitated a reactive review of the governance practices for the future. Of particular note was the rebalancing between a predominantly stewardship and stakeholder theory based approach to one which then focused more sharply on proactive performance monitoring, risk management and risk mitigation, utilising the skills and experience of Board members. This brought in more emphasis on agency theory and demonstrates a shift towards a multi-theoretical perspective. Participants described this in positive terms as ‘providing a healthier balance’. Additionally, the Chairman was keen to say that it’s important that Board members are willing and able to challenge and question performance:

> ‘It’s important that we have Trustees who will challenge the status quo, the management and the direction. We see this as being very important.’ (Chairman)

Similarly, a senior member of staff commented:

> ‘I feel that the Board are on top of the finances, more so now than ever.’ (Senior Manager)

The stakeholder perspective is also evident in this case study, demonstrated through Board membership of key local community stakeholders and ‘champions’ including business people and the town’s vicar. Although it should be noted that whilst this provides evidence of varying skill sets it also suggests

that Board recruitment is based largely on community profile and not a deliberate alignment to company strategy.

A participant described a situation whereby a community sports organisation operates a swimming pool very close to Trust D's facility and the frustration that there were no evident links to allow Trust D's swimming lesson waiting list to be facilitated at this pool which has much underused capacity:

> 'One thing that is frustrating is that {the football team} have a pool only three miles from here and its unused for most of the time. We have a huge waiting list for swimming lessons and could make good use of this pool and make a lot more money.' (Senior Manager)

This may suggest an opportunity to extend the stakeholders on the Board through including a representative of the community sports organisation to gain access to the pool, significantly improve Trust D's financial position and broaden the benefits of a resource dependency theory.

Resource dependency theory can be seen to relate in this case study though through the application of human capital including community profile and advocacy, and related skills. An interesting perspective on this is that participants clearly feel that Political engagement is not required. The Pool itself was built and runs without the financial support of the local council and participants commented that this was a real benefit, not having any 'Political intervention':

> ‘One important point is that the people who set the organisation up and donated the materials to build the facility were always clear that they didn’t want the local council to have any direct involvement so there are no local Councillors sitting on the Board, nor the MP or anyone from a Political background. This is seen as a real benefit by the Board as we don’t have any Political intervention.’ (Chief Executive)

This may suggest that resource dependency theory is seen as having less relevance when financial resources are not required and is much more focused and applied through human not financial capital. It does, however, miss the potential benefits of accessing financial capital. This goes some way to supporting a hypothesis that a multi-theoretical approach, whilst valuable, needs to be flexed dependent on strategic need.

The evidence gained from the field work in relation to the experience of Trust D in governing and the extent to which the Trust applies governance theories in practice is shown below in Table 13.

Table 13: Theory Evidence for Trust D

	Trust D
Agency	Mature and well-established approach to check and challenge. *'It's important that we have Trustees who will challenge the status quo, the management and the direction. We see this as being very important.'* *'I feel that the Board are on top of the finances, more so now than ever.'*
Stewardship	Chairman and CEO recognise roles and responsibilities and work well together with mutual respect. *'We trust {the Chief Executive}s and the team to run the pool and we recognise that the staff are best placed to do this. We understand the difference in roles between the Board and the management.'* *'We all understand what we're here to do and we work well together as a Board and staff team and as a result we get things done quickly'*.
Stakeholder	Board membership includes key local community stakeholders and 'champions'.
Democratic	A recognition that the Board should be open to hearing the views of its membership and constituent parts, if not explicitly evident in governance systems.
RDT	The application of human capital, including community profile and advocacy, and related skills can be seen.
Hegemony	CEO leads on drafting the business plan. Chairman recognises and values the fact that professional service delivery in the prerogative of the CEO.
Multi-theory	Some evidence of the application of a multi-theoretical approach. A refocus of governance protocols more directly towards a multi-theoretical slant following an emerging crisis was noted to be *'providing a healthier balance'.*

Findings Relating to Chamber's Proposition

Board Composition

As a small and fairly long-established organisation Trust D has been able to reaffirm its purpose and Board structure over many years. The Chairman has been in position for several years and served on the board prior to becoming Chairman.

Both the Chairman and Chief Executive are very confident that they have the right composition and structure for the Board and Board members who are the right fit and understand what they are trying to do. And the fact that most Board members are users of the leisure centre is important too, giving as it does a sense of ownership. Board composition is not based on any form of skills matrix and this was seen as an opportunity for the future as, during the interviews, it emerged that there is a need for an engineer or surveyor when considering the significant responsibilities that the Trust has for asset management, repair and renewal.

The stakeholder focus can also be seen through the local community business people and community champions (including the Vicar) who sit on the Board. The deliberate intention not to have any Political influence on the Board may however limit the advantages of boundary spanning and resource dependency assistance that could come from an extended connection to human and financial capital, local Councillors and a representative from the local community football team for example. The latter could provide access not only

to valuable swimming pool space, but the club may also have corporate social responsibility objectives which a local charitable sports provider could access. Furthermore, Trust D does not recruit and train board members to align explicitly with company strategy.

There is no succession planning for the Chairman, and this is recognised to need review.

Board Focus

The research suggests that there was a relaxed and informal approach to the fiduciary and conformance-based agency theory protocols, and this may have caused some issues. However, confirmation that Trust D's Board is a 'learning board' can be seen through the example of a refocus on performance monitoring following the pool tiles crisis:

> 'There was a shift in 2007 when we had the pool tiles issue and nearly went under, from the Board working very collaboratively with the senior team to a greater focus on monitoring performance and the company's finances.' (Chief Executive)

Chait *et al*.'s (2005) generative mode is particularly obvious in this case study through sense making, reflection and collaboration between the Board and the Chief Executive.

Participants felt that there is now a healthy balance across theoretical perspectives and that this works well.

Board Dynamics

All participants said that the Board dynamics were positive with individual Board members working well together and also with the senior team. There is a healthy balance of support and challenge within a shared vision, common purpose and trusting relationship. The Board can be seen to be sufficiently independent from day to day management but also involved in the high level running of the company. Trustees are able to challenge the executive team openly and this is an accepted and valued culture but are also supportive of their role and the company as a whole. As Trustees the Board members are non-executive but engaged in how the organisation is managed utilising their skills and experience.

Case Study Summary

There is a strong democratic ethos and significance in this organisation seen through the number of volunteers in the business at management and Board level. In this smaller organisation the Chief Executive is multi-skilled and he takes the lead on many elements of the running of the business. In more stable times the Board are content to step back and leave the Chief Executive to develop plans and run the business, offering evidence of hegemonic governance and an implicit acceptance of a working practice which begins to flex theories based on organisational need.

Although some theories are more evident than others, all governance perspectives are apparent in this case study and the organisation is able to demonstrate that it applies a multi-theoretical perspective. Moreover, there is

confirmation that this is flexed to meet need. However, this flexing does not seem to be proactive and planned, rather, it is a reactive and responsive process.

The posited engagement theory (Chambers, 2012) which combines a climate of high trust and high challenge within a commitment to high levels of engagement can be seen in Trust D which is a successful and high performing organisation financially and in terms of consumer satisfaction.

CASE STUDY: TRUST E

Introduction

Trust E is a small, long standing organisation structured as a Company Limited by Guarantee and registered charity, delivering sports and leisure services only in an urban community in the north east of England. The organisation has been providing services to its local community for nearly thirty years. A new Chairman has fairly recently taken up his role and the founding Chief Executive has also recently retired and been replaced by the Operations Director. This provided valuable insights shortly after a period of significant organisational change.

Semi-structured interviews were undertaken with the Operations Director, the Chairman and the Company Secretary. All three participants are board members.

Findings Relating to Cornforth's Proposition

The research suggests that there is clear evidence of a perception by the Board of a valuable and long-standing stewardship based approach to governance behaviour. But the research also suggests that the prevalent approach was actually largely hegemonic during the tenure of the previous Chief Executive:

> 'The previous Chief Exec just sat in the office and told them what they wanted to hear. There were serious gaps in what we were doing, not just a lack of procedures. Staff didn't have contracts, they weren't trained in using fire extinguishers, legionella risk assessments hadn't been done,

> gas boilers weren't serviced, and the Board were just oblivious to it.' (Operations Director)

It would also appear that governance has been very static. There are many long-standing Trustees which, combined with a long-standing CEO, no requirement for funding subsidy and no real threats to the business or requirement to respond to challenges, has led to a relaxed and reactive attitude:

> 'It's {the Board} a bit like a private club.' (Operations Director)

This helps to support an emerging proposition that dynamic and proactive governance is linked to the catalyst of managing through a crisis or significant challenge or change, in this case, the replacement of the Chairman and Chief Executive.

Potentially due to a lack of reliance on financial subsidy and the resource capital that this provides there was limited evidence of the application of resource dependency theory behaviours, especially outside of the organisation's immediate geographical location. It was also noted that beneficial skill sets are not always applied:

> 'We do have a lawyer on the Board, but they won't give us formal specific advice as they don't want to be challenged professionally.' (Company Secretary)

However, in addition to the twelve Trustees there are also eight ‘members’ who attend Board meetings and get involved in discussions but can’t vote. The members are informally recruited for their perceived skills and experience.

The evidence that was apparent supporting a recognition for resource dependency conventions appeared to be misdirected and of limited human or financial capital:

> ‘{A strength of the Board is} the experience of the Board Members who have a range of different skills and experiences that are helpful to us. For example, we have a dentist and an architect.’ (Company Secretary)

Stakeholder engagement in governance was likewise limited to the immediate area with all Board members being drawn from this locale. However, the Board does not feel the need or benefit to engage the local Councillors or other public service organisations such as the health sector:

> ‘I’m not convinced that {building external relationships} is something that we need to do. We have links with the library and the local churches but as we don’t need any funding from the council, we haven’t felt the need to build relationships with them or other community groups, and certainly not outside our immediate catchment area.’ (Company Secretary)

The research suggests that there is some evidence that the Board has systems in place to monitor the management function, including meetings and regular reports to Board and sub-committees. It was also noted that, more recently, a business continuity and corporate risk register has been established, and that

the Trust has appointed Trustees who are more skilled in financial analysis. However, those interviewed all recognised that the Board had not been as assiduous as it could have been in agency related protocols:

> ‘Our risk management could be much better to be honest, it’s all been a bit ‘seat of the pants’. But it’s known though and we’re working on this.’ (Chairman)

> ‘As the figures are always good the Board never really looked any further; they don’t know what they don’t know.’ (Operations Director)

This suggests the need for a greater emphasis on agency theory practices and a rebalancing from the organisation’s historical hegemonic stance.

A further observation relates to the roles and responsibilities of the Board which in many instances appears to overlap and, in some cases, replace the management function. Participants commented on how they saw Trustees and the wider governance function being a tool to support the delivery of the service including undertaking some key functions (such as financial management) and indeed some day to day operational tasks including maintenance work as referred to earlier and below. The role of governance was not seen to be directly linked to strategy and this was how the skills matrix for Board members had originally been drawn up. This suggests a link to stewardship theory, but it has perhaps been mistakenly aligned to management functions. This may also be seen as opposing an agency focus:

> ‘We do have a business plan but if you asked Board members whether they are familiar with it they may not know about it. It’s not a live plan, quite honestly.’ (Chairman)

> ‘Trustees are willing to get stuck in and do things like tiling, minor electrical works or designing posters.’ (Company Secretary)

> ‘We have a good range of skills on the Board and we apply these to assist in the running of the organisation such as building maintenance and organising events.’ (Chairman)

Following the retirement of the previous Chief Executive and in relation to Board composition a governance review has been undertaken based on Charity Commission best practice guidance. Whilst not explicit, this guidance is encouraging the Board to consider the benefits of resource dependency, agency and a wider stakeholder engagement approach to augment the company’s governance.

But interestingly, there is some resistance to the recommendations coming from the review, (which was instigated by the new senior officer and not as a result of an external challenge or crisis), particularly from the longer standing Trustees who, it is argued, are more resistant to change seeing the report from the review as ‘unhelpful in parts’, even fearing that they may need to relinquish their seats on the Board should a fixed term period for Board tenure be introduced:

> ‘We’ve introduced a policy recently of Trustees staying on the Board for a three-year period with a maximum of three terms, so nine years in total.

> But we're not going to force anyone off after nine years as they may have accumulated knowledge that is essential to us.' (Chairman)

> It's {the review} a bit of a farce really because Board Members will all vote themselves back on again. It's not ideal because it makes it difficult to bring new people on with fresh ideas. I think it's more about power; they like being able to say that they're on the Board.' (Operations Director)

> 'Many of our Trustees have been with us from the start so we've fudged it a bit {the three-year rolling tenure} by saying that this is year one and all Trustees can therefore stay for another nine years if they want to.' (Company Secretary)

Participants articulated a shift in governance which appears to demonstrate a swing from a hegemonic practice more towards stewardship, although it should be noted that the catalyst for this change appears to be due more to there being a change in Chief Executive and not as the result of a proactive and planned strategy.

The evidence gained from the field work in relation to the experience of Trust E in governing and the extent to which they apply governance theories in practice is shown below in Table 14.

Table 14: Theory Evidence for Trust E

	Trust E
Agency	A strengthening of Board oversight is evident through more focused sub-committees and more in-depth management reports. A more robust corporate risk assessment is in place. *'The Board member who looks after finance is on the money and knows where we are to budget'.*
Stewardship	The Chairman feels that the relationship between himself and the Operations Director is 'good and close'. Staff members attend Board meetings and contribute well.
Stakeholder	The Trust values the input of 'Board members or observers' who, whilst not Directors/Trustees, provide insight and support at Board meetings.
Democratic	A recognition that the Board should be open to hearing the views of its membership and constituent parts, if not explicitly evident in governance systems.
RDT	Some evidence of human capital supporting the Board. *'{A strength of the Board is} the experience of the Board Members who have a range of different skills and experiences that are helpful to us'.*
Hegemony	A clear immediate past history of hegemonic practice which was endorsed by the Board. This was not seen positively by all. '*The previous CEO just sat in the office and told them what they wanted to hear'.*
Multi-theory	Limited evidence that each theory is applied, but not in a deliberate, planned and integrated way.

Findings Relating to Chamber's Proposition

This section will describe the extent to which Trust E demonstrates the practices and behaviours identified by Chambers *et.al* (2012) along the dimensions of board composition, board focus and board dynamics.

Board Composition

The majority of those interviewed were entirely comfortable with the make-up of the Board, feeling that it represented the right structure and composition. This includes sub-committees for personnel, building, communications and finance all of which meet monthly:

> 'Trustees are local people who are committed to {Trust E} and the community.' (Chairman)

However, an analysis of the interviews may cast some doubt on the effectiveness of the structure and composition as the Board appears to be insular in its focus - 'recruitment is based on who you know' - and resistant to changing the practices or, periodically, the Board members themselves indicating limited evidence of succession planning.

The benefits of a resource dependency, boundary spanning culture is evident, but currently only in an operational way and some of the skills and experience selected as beneficial to the Board is unexpected in a Leisure Trust; a dentist and an architect for example. Interestingly though the broader social agendas have been seen as an opportunity in that the Board has identified health as a

gap with the feeling that the Board ‘could be better in tune with the local GP’s and health groups’.

Stakeholders from outside of the immediate locale are not evident on the Board, even as observers, and this may limit the organisation’s ability to fully deliver on its Objects. This appears to be due to Trust E’s relatively stable financial position. An interesting comment was made about the Board makeup being ‘a very white middle class board with no real evidence of ethnicity’.

The Board composition does not demonstrate an overt connection to planned and active strategic awareness capability.

Board Focus

Resource identification and the use of resources is planned and applied through meetings and some reporting. However, this was considered by some of those interviewed to be ineffective and they suggested that the fiduciary and conformance elements to the board focus, including business continuity and risk management, could be enhanced.

There is evidence that Chait *et al*.’s (2005) strategic mode is considered and practised:

> ‘Every two years we have a strategy day when staff and Trustees get together to develop a SWOT analysis and what our focus should be over the next couple of years. This gives the Board and staff tasks to pick up.’ (Company Secretary)

But the research also suggests that this may be lacking given comments made about the organisation's delivery following strategic and business planning:

> 'One other weakness is that we come up with lots of ideas, but it takes a very long time to get any action; things don't get done. If we give the Operations Director something to get on with he sorts it out straight away but as Trustees we don't get around to doing things quickly at all.' (Company Secretary)

Furthermore, the processes of information review and sense-making may be incomplete:

> 'We don't review the business plan aims and we could get more information on customer service.' (Chairman)

Board Dynamics

Board dynamics received a mixed response from the participants including for key relationships. One participant referred to the relationship between Chairman and the senior officer as 'good and close' whilst another suggested that it was 'hostile' with an apparent disconnect between the senior Board members and the staff team. The Board do, however, interact well between themselves at an operational level and there is a clear esprit de corps with all Board members wanting the best for Trust E, demonstrating a commitment to make this a reality.

When considering Trust E's Board dynamics through the lens of McNulty *et al*.'s (2003) dyadic couplets the evidence would suggest that the board is independent from management but involved (perhaps too involved) in

management tasks. The board is supportive of the organisation and its mission but doesn't challenge sufficiently well, primarily due to a hegemonic governance style from a previous long-standing Chief Executive. The absence of a challenging style in the relationship between the Board and senior staff noted in the health sector by Abbot *et al*. (2008) was also evident in this case study.

Case Study Summary

The researcher found positive evidence that all of the theories referred to by Cornforth are applied in this case study, some more than others, but they are clearly independent of each other. This multi-theoretical approach did not appear to be in any way joined up or strategically and knowingly planned.

Given the limitations of both the resource dependency and stakeholder theoretical positioning, this may support an emerging proposition that these particular theories are only valued when a financial subsidy is required from the local council or other funding institution, or, the organisation is under threat and may need some external advocacy and support including financial and Political support.

This also corroborates the hypothesis that in many cases governance protocols more generally may be static, reactive and not strategic or forward thinking, as, by not developing a framework which includes these theoretical perspectives, the organisation misses the opportunity to insulate against future risk as well as overlooking the opportunity to boost the company's performance through obtaining more human and financial capital.

When considering Chambers *et al*.'s posited engagement theory of high performing boards this case study does not demonstrate a climate of high trust and high challenge within a commitment to high levels of engagement.

Additional Observable Themes

In addition to the now familiar theories of governance described by Cornforth the research field work also established that other patterns and themes emerged as the study progressed. These themes captured something in the research data which had not originally been expected but is considered important in answering the research question (Braun and Clarke, 2006). These themes were:

1. Governance practices across the sample appear not to be consistently and proactively managed and could be described as reactive in many cases.
2. Governance reviews were often performed by the case study organisation following (and as a result of) an external stimulus or impact, often an organisational crisis.
3. Governance reviews were not explicitly linked to and included within organisational strategy development. Reviews do not appear to be based on a constructive and systematic process. Rather, they are enacted as a means to fix a problem or recognised weakness.

In relation to the second theme and relating this explicitly to the research it appears that a crisis has been the catalyst for changing governance paradigms for three of the five case studies, two resulting in a positive outcome and one

resulting in a negative outcome suggesting that: a) there is a lack of proactivity and dynamism in the application of governance; and b) the outcome of a reactive or unplanned change to governance is uncertain and could deliver either positive or negative impacts.

Tables 15-19 below describe the observations in support of these additional observable themes.

Table 15: Additional Observable Themes (Trust A)

Extent to which Governance is Reactive	**Stimulus for Change**	**Link Between Governance and Strategy**
Trust A appears to be reactive in relation to governance reviews. *'The Board doesn't review its skill set often enough.'* *'We haven't reviewed our governance practices to encourage more people to get involved and we should.'*	Whilst Trust A is not managing and has not recently managed through a crisis the potential for such is recognised given the toughening trading position. There is evidence from the case studies that the Board and senior team have awareness of the need to develop governance protocols and make this more robust. *'The Board is becoming much more aware of its responsibility as the business expands and the margins close.'* *'We're now more focused on critically reviewing performance and questioning things.'* There has been some strengthening of the roles and responsibilities: *'We make it very clear that their {the Board's} role is not about managing the organisation, it's about strategy.'*	There is a disconnect between strategic planning and governance reviews. *'We could do more to access support from other sectors in the community space.'* *'Independent Board members are brought in based on 'fit'.* *'Strategy is management led. We don't invite independent Trustees to our strategy days; probably should if we value their input.'* *'I feel that the Board as a group lacks strategic skills and experience but we only know what we know.'*

Table 16: Additional Observable Themes (Trust B)

Extent to which Governance is Reactive	**Stimulus for Change**	**Link Between Governance and Strategy**
The organisation's approach to reviewing governance is not pre-planned. *'The 9 recommendations from the governance review, which were really good, were almost unanimously rejected by the Board. This resulted in the then Chairman resigning.'* *'The Board are steeped in the past.'* *'The Board's main and only function over the last year has been managing the fraud and the impact on the business.'*	Fundamental governance review following the crisis of a major fraud. A significant swing from a prior preponderance towards stewardship style to agency, disrupting relationships and organisational performance. *'The Board focus has definitely changed as a result of two things, the fraud and the change in {the longstanding} Chairman.'* A negative outcome from the crisis stimulus resulting in a destabilised senior management, loss of business agility and commercial and organisational inertia.	No evidence that strategic planning includes a review of governance skills and experience. One of the partner councils is not represented on the Board and this was not picked up when the CEO rewrote the corporate strategy.

Table 17: Additional Observable Themes (Trust C)

Extent to which Governance is Reactive	**Stimulus for Change**	**Link Between Governance and Strategy**
The research has surfaced that opportunities remain to develop governance structure, behaviours and practices linked to recognised theories and to flex this proactively based on strategic need.	An impending crisis (in this case financial and relational) was the catalyst for reviewing the governance framework with the result that significant improvements have been made to governance practices. A positive outcome from the crisis stimulus, with a reported improvement in organisational performance, both financial and relational.	Board members are not consistently representative of stakeholder groups limiting stakeholder and resource dependency opportunities. *'There's a challenge for us to get someone at Board level who's working in the health sector to complement the officer partnerships.'* *'The business planning process doesn't currently take in to account a review of governance and, thinking about it, we should rectify this.'*

Table 18: Additional Observable Themes (Trust D)

Extent to which Governance is Reactive	**Stimulus for Change**	**Link Between Governance and Strategy**
The Board has not yet firmed up its corporate and business continuity risk register. This is not seen as a priority as the organisation is now in a stable position. *'We don't have any succession plan for me {the Chairman} I'm afraid which is weakness that we need to address'.* *'Our focus hasn't changed over the last few years really, you could say that we're a reactive Board.'* *'The Board doesn't often review its skill set or composition; only when a Trustee leaves.'*	The crisis of the pool tiles coming off the pool tank, requiring the centre to close for several months, brought the company close to bankruptcy but it was also the catalyst for the Trust to reconsider the skill set of its Board members. *'{The pool tiles crisis} made us focus much more on the skills that we needed on the Board. And as a result, we became much more concerned with having board members who apply skills and community links to ensure that any future problems were seen coming or avoided and Board members were recruited accordingly when others left.'* A positive outcome from the crisis stimulus.	Governance is not explicitly included within any future planning. *'We don't have a five-year plan or anything like that and we don't include Board activities within any business plan. Actually, thinking it through we could do with an engineer or someone's who's familiar with buildings and electrics as we do have some big responsibilities for the whole building'.*

Table 19: Additional Observable Themes (Trust E)

Extent to which Governance is Reactive	**Stimulus for Change**	**Link Between Governance and Strategy**
Governance appears to be largely static. *'We used to have local Councillors on the Board but this dropped away.'* *'Many of our Trustees have been with us from the start so we've fudged the move to a maximum three year and three cycle tenure recommended by the Charity Commission by saying this is year one and all Trustees can now stay on for another nine years if they want.'*	The stimulus for change in this case study relates primarily to a relatively new Chairman and a new senior officer taking up their posts. The senior officer in particular has recognised that governance should change and become more comprehensive: *'Our risk management could be much better to be honest, it's all been a bit 'seat of the pants'. But it's known though and we're working on this'.*	Business planning does not include an assessment of governance requirements. *'We do have a business plan but if you asked Board members whether they are familiar with it they may not know about it. It's not a live plan quite honestly.'* *'I'm not convinced that we need to build relationships with others.'*

Conclusions

This chapter describes the findings from the field work research undertaken within the five Leisure Trust case studies reflecting on the extent to which they exhibit structures and behaviours which correspond to Cornforth's identified theories. It has also reviewed and reported on the evidence within the case studies of Chambers' *et al.'s* (2013) proposition that the three key elements of

the composition of boards, the focus of board effort and board dynamics may offer the key to unlocking the ‘black box’ of board theories and effective board practices, identified as engagement theory. Finally, the research has identified other patterns and themes which are also important to the research. The data collected are rich and comprehensive. The extensive information provided by research participants relating to their experience in governing their organisations has been instrumental in answering the research questions.

The following chapter will reflect on the case studies’ governance experience of the paradoxes referred to by Cornforth (2003, 2004) and examined in chapter 4, in order to relate the experiences of the case study Trusts to the tensions between; representative and professional boards; conformance and performance; and, between boards controlling and partnering management.

CHAPTER 7: THE PARADOXES AND TENSIONS OF SOCIAL ENTERPRISE LEISURE TRUST GOVERNANCE – RESEARCH ANALYSIS

Introduction

The purpose of chapter seven is to analyse and report on how far the paradoxes and tensions identified by Cornforth and other scholars, which are referred to in chapter four and captured in research question three, were experienced by the Leisure Trusts included in this research in order to better understand the impact that they may be having on their governance protocols and practices. In so doing it will argue that a paradox perspective does offer a useful lens for understanding and explaining organisational governance in social enterprises because it exposes inherent underlying tensions between governance theories.

The chapter concludes by noting that, as paradoxes also appear to be inevitable, enhanced organisational governance may require that Boards accept, understand and reflect on these paradoxes to better recognise where they occur, how they impact on governance practices and how they can be positively applied to support the organisation.

The paradoxes which Cornforth identified are:

Who Governs? The tensions between representative and professional boards.

To reaffirm, the tension here is that Board members are required to act both as representatives for designated stakeholder groups or as democratically elected representatives, and also as experts charged with driving the performance of the organisation forward, fulfilling a stewardship theory based role. Satisfying the responsibilities of company directors and charity trustees may bring conflicts. Are Board members expected to represent particular stakeholder groups or to give expert advice which may be contrary to the best interests of their stakeholder accountabilities?

One particular issue highlighted in this research which helps to illuminate this tension or paradox is that the application of democratic theory is likely to lead to the appointment of people to boards who are liked and respected by the constituency but who may be less likely to be able to provide the skills and/or experience which a more managerially focused board may require, as this is not a mandatory part of the election process to the Board.

For example, as a Community Benefit Society and worker owned company, Trust A is first and foremost a democratically run organisation as its Board is elected from its society members. Benefits to this model are evident including society and Board members having a feeling of ownership in its broadest sense

and being part of a ‘family’. There is also recognition that the Board responsibilities are better discharged through having knowledge of the business itself.

Nevertheless, comments made by those interviewed identified that whilst this model elected Board members ‘as representatives of a particular group’ it did not necessarily guarantee competence and expertise. Furthermore, the research surfaced the fact that geography, time served within the company and other factors will limit the validity and ‘fairness’ of electing from a level playing field. In relation to the competence and expertise required for the Board to discharge its duties, the research highlighted that necessary technical expertise available from the internal community is not always made available. This may lead Boards and social enterprise leaders to resist a solely democratic paradigm.

However, stakeholder theory (and its links to resource dependency theory) also requires careful analysis. This Leisure Trust context supports the view that there are clear benefits to a stakeholder (and resource dependency) paradigm in that stakeholders can be appointed both to add expertise and strengthen the Board as well as to create elemental partnerships across related service areas, providing an advocacy role and enhancing the reputation of the organisation. Additionally, the research confirms that stakeholder theory was evident in the practices of the Leisure Trusts researched demonstrating the stakeholder element of the paradox.

The stakeholder perspective is evident in Trust D, demonstrated through the Board membership of key local community stakeholders and ‘champions’ including business people and the town’s Vicar. Although it should be noted that whilst this provides evidence of varying skill sets it also suggests that Board recruitment is based largely on community profile and not a deliberate alignment to company strategy. A similar position was noted in Trust E where a reported strength of the Board was that it included a dentist and an architect, skills which are not necessarily recognised to be valuable in a leisure context, but this does expose the representative component of the paradox.

Furthermore, Trust E has appointed eight members who attend Board meetings and get involved in the discussions to impart their knowledge and experience but are unable to vote on decisions, limiting their value as experts in confirming Board decisions and the application of the professional element of the paradox.

One further related comment of interest in the Trust E case study was that whilst a lawyer has been appointed to the Board the individual concerned is not prepared to provide formal specific advice as they would not wish to be challenged on this advice in the future. This is likely to limit the expertise and business competence that stakeholders can offer as well as reducing the benefits that human and relational capital could bring to the Board function. A further assertion is that this suggests a static and somewhat reactive approach to the governance function and that governance protocols for this organisation are not explicitly aligned with corporate strategy.

Trust C has recognised that both stakeholder and resource dependency practices could be of benefit at Board level in addition to officer working practices, in this case through having a partner council represented on the Board. Participants did also recognise however that this opportunity was missed in one part of their business as a representative from that part of the country was not included on the main Board. They were keen to resolve this and gain the benefits of the related governance practices.

In summary, this research suggests that an ‘either/or’ approach in relation to the adoption of a governance behaviour or practice between representative and professional boards is unhelpful and will not allow the Board and the organisation to meet its responsibilities and optimise on its core purpose, nor its mission, and it will not help seize opportunity and manage risk. It also highlights the need for inclusivity and for a range of people and interests to be present on the Board to navigate potential risks. It is therefore posited that a blended theoretical perspective which provides stakeholder representation and also adopts professional, expert practices offers a more realistic and appropriate governance model.

The Board’s Role: tensions between performance and conformance.

When considering the literature and assessing this in relation to the research it can be seen that the tension between the agency and stewardship theories are most acute when considered through the lens of a paradox as they are

diametrically opposed in many ways and this was noted and apparent in the research.

Interviews with all Trusts highlighted that agency and stewardship theories were in evidence and applied although in some instances there were clearly unhelpful and unconstructive tensions between the two theories in practice. For example, Trust A has a strong mission and value set and, in its composition, demonstrates the key elements of stewardship including reference to the implicit recognition that the role of the Board is to work with management to improve strategy and add value to top decisions (Yu, 2013).

However, when examined in more detail stewardship theory is not practised consistently and may not be so obvious when viewed through a day to day operational lens. For example, the independent Trustees are not involved in strategic planning sessions and the elected staff board members are presented with the corporate strategy and plan and have little if any involvement or engagement in its production. This is a missed opportunity to engender teamwork and to work with management to improve strategy and add value and it limits the ability for the conformance or agency behaviours to be applied.

There may also be a disconnect between the external Board members – the independent Trustees – and the staff elected Board members in relation to a stewardship mentality and approach. For example, the independent Trustees are invited to pre-meetings prior to the main Board meetings where, it was felt by some interview participants, a number of key decisions are proposed for

approval by the Managing Director. The sense is that this pre-meeting allows top management to get agreement to upcoming Board decisions from the independent Trustees and that key decisions are therefore taken outside of the main Board meetings.

Whilst case study A does go some way to demonstrating the working inter-relationship between an agency and conformance focus and the stewardship or working partnerships motivation in a strategic context at Board level, Sundaramurthy and Lewis's (2003) proposition, that applying agency and stewardship theories to detail contrasting yet potentially complementary approaches to governance does not, in this case study, provide the control and collaboration to which they refer.

Reflecting on Trust E, there appears generally to be good teamwork between the Board and management. The partnering and stewardship governance elements are evidently in place but concerns are raised as to whether this is balanced with agency/conformance which appears to be ineffective. Systems are in place to monitor management functions, but they have not been applied as effectively as they might with comments from Board members confirming that as the financial performance 'is always good' the Board has not looked any further in to the company's performance. Comments were also made regarding the accepted need to improve business continuity and risk management processes.

Interestingly, Trust B, as referred to earlier, is a good example of where the paradoxical healthy constructive tension between the two theories was historically missing. It was evident that this has caused major challenges, bringing the company to a point where management and Trustees are described as not working collaboratively. A prominent governance approach which strongly favoured stewardship was evident in this case study for many years and this was perceived to be beneficial to day to day management of the company and the ongoing success of the organisation. Following the fraud investigation and subsequent internal review, and despite the control and compliance that regular management reports to Board and the visits by external auditors should have brought to the governance regime, it became clear that the Board were in fact acting as passive receivers of information (Sivetsen, 1996) without satisfying themselves that what they received was comprehensive and accurate, or, that they were delivering on their principle function; monitoring and control of the CEO's and their own performance.

Nevertheless, where the tension between stewardship and agency behaviours is recognised and managed this seems to be beneficial to the success of the organisation. For example, faced with a looming crisis and following a restructure and refocus, Trust C has placed a greater effort on compliance and check and challenge but also developed this emphasis to create links between both Trustees and senior officers including through the sub-committee structure.

The research outcomes for Trust D also highlighted the benefits of close working relationships between the Board and CEO where the behaviours

related to stewardship theory are particularly evident and strong. An example of effective stewardship behaviours can be seen in the development of the strategic company documents including the business plan and corporate risk register. These are initially developed by the CEO and senior team under the steer of the Board in relation to structure and content, and then shared with, debated, finalised, approved and signed off by the Board.

All participants in the Trust D case study commented on the close working relationships between the CEO, Chairman and the Board and staff, and it is clear that there is a shared vision and purpose. This was seen to benefit the organisation in a number of ways including team working, resilience and community profile. This case study also observed the rebalancing between a predominantly stewardship and stakeholder style to a theoretical perspective which also focused more sharply on proactive performance monitoring together with risk management and risk mitigation, demonstrating how the practices and behaviours of an agency model can work in a multi-theoretical manner. This occurred following an emerging organisational crisis and precipitated a review of the governance skills and practices to better insulate the Board in the future.

Trust D appears therefore to have struck a good balance between the paradoxically competing theories of stewardship and agency: performance and conformance. This can be seen from the explicit recognition from both Trustees and management, commented on in chapter six, that they understand the need for both to be present; they work hard to ensure this occurs collaboratively and, they see the benefits of this for the organisation. There is also evidence in Trust

D of the application of Chambers *et al*.'s (2012) posited engagement theory and its triadic position of high levels of engagement through the combination of high trust (drawn from stewardship theory) and high challenge (drawn from agency theory) reconciling the tension and paradox.

In concluding the review of this paradox, and as we have seen from the existing literature, there are a number of factors which enabled some boards to balance the performance and conformance roles. Attitudes and experience of Board members are important, and this relates strongly to Board selection, training and attitudes to and relationships with the senior teams. Board processes such as agenda planning in a way that allows the important issues to be given prominence are also important demonstrated by the approach taken in Trusts A and C to having specific strategy sessions as a single focused meeting which allows this planning and performance role to be prioritised and singled out.

The five case studies have uncovered that where there is evidence of a balance in practice between the contrasting roles of performance and conformance (Trust C and Trust D particularly) governance is more effective. Conversely where the competing theories are not in balance governance is less effective. This helps to uphold the paradox that, despite there being apparently contradictory governance attributes, this very fact can support good governance in Leisure Trusts.

Relations with Management: tensions between controlling and partnering

This describes the tension between the contrasting board roles of controlling and supporting management. The paradox is evident as different attitudes and behaviours both controlling and supporting management are required and a simple ‘either/or’ application is therefore too crude.

The balance between agency and stewardship is described in much more detail in the previous section relating to the paradox perspective of the tension between performance and conformance and this will not, therefore, be repeated in this section. Interestingly, the Trusts which appear to have the two contrasting theories more in equilibrium look to perform better in the sense that the collaborative working between the Board, Chairman and management teams achieves increased stakeholder confidence and a greater organisational stability. This includes Trusts C and D.

However, the hegemonic aspect of this paradox has also been examined through the research, as an organisation which adopts a largely hegemonic paradigm will find it more challenging to deliver the stewardship focus of a partnering model. Trust A is an organisation which demonstrates strong hegemonic practices and participants felt that this intensifies when problems occur. This was not seen as positive with the sentiment being that when issues need addressing this is the time that the board should step up and not (effectively) become more marginalised. This has an opposite effect to the uniting benefits of a stewardship and partnering model with the implication that

Reid and Turbide's (2012) trust-control nexus is not in balance in this case study.

The overall experience of Trust A, which despite its democratic structure leans heavily towards a hegemonic style in its governance in practice, certainly demonstrates that the power dynamic on the Board is heavily skewed towards the management team (and the Managing Director in particular) and not the Trustees, the Worker Board, or the independent Trustees. This does not appear to provide effective governance as the Board feel subservient, powerless even, and are not working in partnership with top management.

In the case of Trust B there is support for a viewpoint that whilst the behaviours demonstrated by the previous Chairman and Chief Executive were largely partnership based around a stewardship theory focus, the relationship between the current Chairman and the Chief Executive post the fraud has moved more towards a polarised position including a managerially hegemonic attitude. This may be driven in part by the deliberate Board practice of excluding the senior management team from part of the Board meetings. This may be quite appropriate but the way it has been presented by the Board has caused suspicion and bad feelings. Again, this demonstrates an imbalance between trust and control.

As noted in chapter four Demb and Neubauer (1992) frame this tension through the prism of power. They observe that the tension is how both parties (the Board and management) can maintain control without diminishing the

motivation of the other which causes friction and considerable loss of energy. Furthermore, they discuss the benefits in managing this paradox through flexing the balance of power between the Board controlling and partnering management, a ‘pendulum of influence,’ which assists in maintaining the power balance based on the organisation’s context and priorities.

This research provides clear evidence that board power does change but often only as a result of an external stimulus; a crisis perhaps, and this is not always positive, particularly if the pendulum remains fixed at one point. This was noted in Trust B in relation to the impact of the fraud case and subsequent change in Board composition and focus where the change in control and approach to governance has clearly diminished the motivation of the management team.

It is also noteworthy that Reid and Turbide’s (2012) conclusions regarding the changes to Board and management behaviours following a crisis can partly be seen in the crisis which unfolded for Trust B. Their assertion that the dynamic moved from CEO pre-eminence and dominance to board-led control and subsequently to collaboration within a paradoxical trust-distrust relationship has not fully materialised in Trust B as the current position clearly shows Board-led control only. The conclusions from Reid and Turbide’s research may ‘provide some insight into how boards and managers might consider developing their relationships to better control the disruptive effects of a crisis’ (2012: 96).

Kreutzer and Jacob’s (2011) two orthogonal concepts of controlling and coaching were not evident in Trusts B and E with unhelpful results. For

example, the management in Trust B felt that the controlling element was not motivating such that the ‘formal mechanisms’ particularly rules and the ‘informal mechanisms’ including the culture were not motivational. The coaching element had not established good working relationships between the Board and staff.

However, as we can see from the comments made by both Trustees and management from Trusts C and D in chapter 6, where the nexus between managerial and mission driven concepts of governance (Kreutzer and Jacobs 2011) is evident the trust that generates horizontal relationships enabling communication, collaboration and learning (Madhok 1995) provides more effective governance, as both the Board and management teams are able to explain how this collaborative, open and respectful relationship improves organisational performance. For example, Trust C’s Chairman explained that at times he makes it clear what he wants, even if the Chief Executive disagrees, and at times the Chief Executive ‘very definitely leads the Board’.

Trust C demonstrates a more positive outlook again following an emerging crisis which, if it had carried on, could have resulted in the failure of the organisation. In this example a change in Chairman and Chief Executive precipitated a much more collaborative relationship whilst also reconfirming the importance of thorough scrutiny and positive challenge. Chambers *et al*.’s (2012) assertion that high levels of engagement through the combination of high trust and high challenge is evident in this case study with the outcome being that participants confirmed the governance to be positive and effective. Following the change of Chief Executive there are some signs of this triadic

position beginning to show in Trust E too. This may also be as a result of a change in longstanding practices and relationships.

One further reflection is that, whilst Chambers notes that Board members add value by understanding the circumstances in which managerial hegemony can be beneficial to the organisation (and the circumstances in which it is not), it is clear that the opposite is also true. If the board are not consciously aware of the hegemony-based behaviours and the impact of this on the organisation, they are not able to use this positively to add value and this can be detrimental.

In relation to this point Trust C provides good evidence that a known, overt and practised application of agreed mutual agency-focused governance allows a healthy and productive relationship between Board and senior management. This was achieved through boosting the Board capacity and skills focused on scrutiny of financial performance.

Trust C has also achieved a good balance between stewardship and agency partly through the deployment of sub-committees. This approach is clearly working well allowing individual Board members with specific skill sets to work with officers in a collaborative, mature and approved manner for the good of the Trust. This also helps to make the case for the application of governance protocols in a multi-theoretical way, as asserted by Cornforth.

One outcome of this research however is that where a balance between stewardship and agency within a multi-theoretical perspective, including where

the need for this may not be understood this can be damaging. This can be seen to some degree throughout the research but particularly in Trust B. In this case study the strong, collaborative, partnering stewardship paradigm which for many years existed between the previous Chairman, Chief Executive and senior management team was perceived to be a strength. In fact, it is likely to have been a contributory factor to the difficulties that the organisation got in to as the checks, balances and controls afforded by an agency based approach were not sufficiently well recognised, developed or practised.

A further outcome of this research is to suggest that the position posited by Davis *et al.* (1997), that managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals, is a little too one-dimensional in practice. For example, an agreed mutual stewardship was not in evidence in Trust B and, without the multi-theoretical balance, particularly an element of agency behaviour, the performance of the firm was not maximised. The key issues of check and challenge, risk assessment and mitigation and control left the organisation open, apparently unknowingly, to fraud and very serious consequences.

To conclude the consideration of this paradox relating to the tensions between the Board controlling and partnering, tension and conflict seem most likely to occur when Boards and management have different expectations of their respective roles, the complexity and interdependency of which offers plenty of scope for varying interpretations (Mole, 2003). The potential for managing this

paradox may in part lie in a regular process of reviewing the relationships between the Board, Chairman and Chief Executive.

Conclusion

A paradox perspective offers a useful lens for understanding and explaining organisational governance in social enterprises because it exposes inherent underlying tensions between governance theories. As paradoxes also appear to be inevitable, enhanced organisational governance may therefore require that Boards accept, understand and reflect on these paradoxes to better recognise where they occur, how they impact on governance practices and, how they can be positively applied to support the organisation. This offers a framework for supporting and enabling social enterprise governance structures to begin to understand the differing governance roles; the benefits of applying a multi-theoretical governance perspective; and, the tensions and ambiguities that Board members face in fulfilling their accountabilities as Trustees.

The research questions explore what experience Leisure Trusts have in governing their organisations and whether Leisure Trusts recognise and apply the various governance theories reported on by Cornforth, separately or in an integrated or multi-theoretical way. A broader understanding of tensions and paradoxes assists answering the research questions as it helps to explain whether, and if so how, Boards understand and manage the competing priorities in their governance practices.

The Leisure Trust sector needs to become better informed and cognisant of the various governance theories. By applying a dynamic design to governance review and future practice, Leisure Trusts can maximise the benefits and minimise the drawbacks of adopting a uniformed or singular style of governance, albeit that this is paradoxical.

In reviewing the findings here in relation to the existing literature it is concluded that there is support not only for the benefits of adopting a paradoxical multi-theoretical governance paradigm but also that this advocates for the benefits of a proactive, regularised and dynamic emphasis for governance reviews aligned to the changing strategic priorities and imperatives of the organisation.

The final chapter will present the conclusions to the research and any implications for practice.

CHAPTER 8: CONCLUDING DISCUSSION AND IMPLICATIONS FOR PRACTICE

Introduction

Chapter eight presents the conclusions to the study and provides answers to the research questions through describing the high-level outcomes of the research; identifying the contributions to learning; recommending practical contributions for the Leisure Trust sector; and, making recommendations for further related research.

The research investigated the following research questions:

1. What is the experience of governing Leisure Trust organisations in different contexts?
2. To what extent do Leisure Trusts recognise and apply governance theories in practice?
3. To what extent do Leisure Trusts exhibit a multi-theory, paradox perspective of governance?

A great deal has been written about the underpinning theories of governance particularly agency, stewardship, stakeholder and resource dependency theories. In addition, more recently scholars have reflected on the opportunities and benefits that a multi-theoretical approach may bring to framing corporate governance. More is now known about social enterprise as academics including Cornforth and Chambers study and report on the model and its governance

protocols although this is still an under-researched sector. However, a significant gap also exists in understanding Leisure Trust social enterprises.

The purpose of this Doctorate of Business Administration thesis was to review the governance practices of Leisure Trust social enterprises (an under-researched sector of the social enterprise not-for-profit sector) and to understand the extent to which they adopt the recognised governance theories as identified by Cornforth and apply them in practice both individually and within a multi-theoretical paradigm.

The research concentrated on Cornforth's assertion that the main theoretical perspectives on corporate governance when taken individually only illuminate individual aspects of the Board's role and are rather one dimensional and that a paradox perspective which draws on multiple theoretical standpoints offers a more realistic and pragmatic approach to understanding the governance of non-profit organisations.

These paradoxical tensions fundamentally stem from opposing theoretical approaches to governance and, as they are apparently contradictory, the paradox is exposed in this way. For example, the contrasting standpoints between agency and stewardship theories, conformance versus performance, can be seen through the Board tension between the compliance and control role juxtaposed with the supportive and strategic role, a tension that Boards are likely to face. Given that Cornforth's proposition has inherent tensions and may

be paradoxical, researching the paradoxes and tensions which he identifies was important in answering the research questions.

The research has exposed the fact that tensions and paradoxes in social enterprise governance appear to be inevitable; also, that they provide a useful lens for understanding and explaining organisational governance in this sector. Better governance may therefore require that boards accept, understand and reflect on these paradoxes to recognise where they occur, how they impact on governance practices and how they can be positively applied to support the organisation. This offers a framework for supporting and enabling social enterprise governance structures to begin to understand the differing governance roles; the benefits of applying a multi-theoretical perspective; and the tensions and ambiguities that Board members face in fulfilling their accountabilities as Trustees.

The work of Chambers *et al*. is important to this study, particularly their further empirical study in the hospice sector (2010). Chambers *et al*. propose a new theory, engagement theory (2012) comprising a triadic position of high engagement, high trust and high challenge, drawing together the applicable parts of more established theories described by Cornforth. As such, Chambers *et al*. was instrumental in refocusing the research including concentrating more directly on the emerging themes of general Board governance, Board composition, Board focus and Board dynamics, as together these themes helped to understand and address the individual theories and the application, or not, of a multi-theoretical paradigm.

This research makes a theoretical contribution by extending academic understanding of social enterprise governance particularly in the Leisure Trust field. It also extends practitioner's understanding of governance in social enterprises and offers guidelines for an improved framework for the governance of Leisure Trusts. This includes the recognition of paradoxical tensions and the need for a proactive and dynamic application of governance linked explicitly to strategic planning. As such, there is the potential to make a far-reaching professional contribution to the sector.

Key Research Reflections

The research established that the Trusts included within this study employ the majority of the governance theories with the exception of the democratic theory which was only evident in Trust A, where it would be expected given the organisation's CBS legal structure, and Trust B, although this application appears to be largely sub-conscious. The thematic coding and analysis confirmed that agency theory was most often referred to, followed by stewardship, resource dependency, stakeholder and managerial hegemony.

Whilst the interview discussions indicated the potential and benefits of a multi-theoretical approach to governance it was noted that only two Trusts (A and C) demonstrated that they are applying the theories in a multi-theoretical mode and the evidence in these case studies was fairly limited. Furthermore, none of the Trusts were applying a multi-theoretical perspective in a planned way - deliberately, proactively and systematically, flexing each in a manner that brings the benefits of each theory to the fore based on corporate priorities.

The research findings also suggest that governance practices appear to be largely static and reactive without any formal protocols for review. If reviews are undertaken, they do not appear to be based on a constructive and systematic process. Rather, they are enacted as a way of fixing a problem or a recognised weakness.

It was also noted that an external stimulus, including a crisis or impending crisis, often provided the catalyst for any governance review. This had a positive outcome for two case studies and a negative outcome for a third case study. However, the learning from these episodes does not appear to have changed the case study Board's processes and behaviours by, for example, embedding regular governance reviews into their future strategic planning.

It was clear that the strategic planning undertaken by the case study Trusts does not include a review of their governance systems. As such links are not made between the organisations' future strategic and tactical plans and the governance oversight. Consequently, the opportunity to apply the typological behaviours of each theory to assist Trusts in seizing opportunities and mitigating threats is missed. The research also established that, in the case studies reviewed, resource dependency theory is not proactively implemented where financial capital is not considered to be important, Trust D being a good example.

This in-depth study of Leisure Trust governance has been illuminating for the researcher. Reading, understanding and then researching the theoretical

perspectives of social enterprise and Leisure Trust governance and exploring this within a live business context has significantly enhanced the researcher's knowledge of the subject. The research has validated what were largely uninformed feelings and opinions through theory exploration and field work research. It has also identified factors that were unanticipated including the importance of aligning corporate strategic development with governance reviews and proactively flexing governance protocols. The knowledge and experience gained will help to develop good governance practice in the workplace and help inform the Leisure Trust and social enterprise sectors more widely.

Reflections Based on the Case Studies

The study suggests that focusing on individual governance theories has significant limitations. For example, the experience from both Trust A and Trust B is that democratic theory is seen as a vehicle enabling those electing Board members to vote for their friends or people who are popular or have a high profile and not individuals who may best support the organisation's governance function. Participants in Trust A accepted that the democratic model doesn't consistently select Board members from the wider membership and that skill sets and experience do not appear to be a factor in selecting staff representatives on to the Board. The governance systems may therefore miss out on the breadth of the electable population and the key skills and experience that would be available.

The experience of Trust A also recognises that the attributes of stewardship theory may be considered as a key strength in an employee-owned organisation, bringing management and Board together as stewards of the organisation's resources and working as partners in delivering its aims, but that this is not effectively enacted in a consistent manner.

Trust B's experiences acknowledge that a regular, planned and dynamic approach to governance reviews when enacted as part of the organisation's strategic planning processes would make shifts in focus better understood and more acceptable to both the Board members and the senior management, encouraging stewardship behaviour and reducing the potential for misunderstanding and organisational stress. It may also suggest that a more robust approach to governance which embraces a multi-theoretical style is more likely to be able to flex and deal with any crises without breaking down.

Participants in Trust B highlighted that assuming that governance behaviour and systems are in place and adequate is not sufficient; this needs to be regularly checked and confirmed. The example given is the expectation that employing a professional and qualified Finance Director to manage key finance and administrative functions and engaging external auditors independently to audit the company accounts was sufficient to meet the Board's compliance and conformance responsibilities within the customs of agency theory behaviour. This assumption was proven to be incorrect with the unfortunate outcome in this instance being an unrecognised financial loss leading to fraud case which nearly bankrupted the company and caused significant reputational damage for

the Trust. The resultant significant swing in governance practice from what was fundamentally a stewardship theory based approach to one based almost exclusively on agency behaviours also demonstrates that an over focus on one theoretical standpoint has the potential to disenfranchise senior staff and distract the organisation from delivering its core purpose, almost paralysing it in to inaction through fear of negligence.

An impending financial and relational crisis was the catalyst for reviewing the governance framework in Trust C. Prior to the governance refocus, the dominant and almost exclusive governance paradigm was hegemonic which had led to a poor and worsening relationship internally between the CEO and Chairman and externally with the partnering local authority. With hindsight, the relative absence of stewardship and stakeholder theories was accepted to be a fundamental element in this challenging environment. The new approach to corporate governance has resulted in a more balanced multi-theoretical paradigm, albeit that this was not the planned intention. Since this reform Trust C has seen significant improvements not only to the governance practices but also to organisational performance.

A crisis was also noted by participants of Trust D. In this case study a structural concern required the centre to close for several months and the consequent income loss brought the company close to bankruptcy. However, it was also the catalyst for the Trust to reconsider the skill set of its Board members and to strengthen the scrutiny behaviours of an agency based approach. A further interesting factor in this case study was that a stable operation which did not

require any financial subsidy discounted the need for the company governance to include the strategic human or financial capital inherent within the resource dependency theory.

Trust E has benefited from a stable, secure and generally comfortable trading and operational position for many years. Whilst there is a divergence of opinion between the Board Member and management research participants as to the effectiveness of the Trust's governance the organisation is performing well in financial terms and has high levels of stakeholder confidence. These perceived strengths together with no requirement for financial support and the absence of the need to apply crisis management at Board level may suggest that governance remains static and potentially resistant to change.

Contribution to Learning

The outcomes of this research can make a useful additional empirical contribution to social enterprise and Leisure Trust governance theory whilst also providing a deeper understanding of governance theory more widely. Furthermore, it offers a contribution through expanding on Cornforth's theoretical proposition.

The evidence from this study is that the theories identified by Cornforth, when taken individually, do only illuminate one aspect of a social enterprise Board's role and are rather one dimensional. This research has also confirmed Cornforth's proposition that a multi-theoretical perspective offers a more realistic approach to social enterprise governance, albeit that this is paradoxical.

However, this study has also enabled a more profound understanding of social enterprise governance theory and it is suggested that Cornforth's premise and the literature more widely could be developed and extended.

The first opportunity for extension relates to the static nature of governance protocols and practices which the case study analysis in this research has surfaced. The existing literature clearly recognises and describes the particular attributes of each theory and how these theories individually and within a multi-theoretical paradigm are beneficial to board practices. But there is less evidence that good governance practice requires a proactive, dynamic application. It is suggested therefore that the individual theories when taken as part of a multi-theoretical approach should be flexed dynamically to meet the organisation's needs.

To expand on this point further, each theory provides a different facet of the governance mix and it is important that the attributes of each theory should be given more or less weight or precedent based on the needs of the organisation at any given time. A useful metaphor might be an old railway signalling box which has six levers representing each of the six governance theories. Whilst all levers are required to fulfil the Board's governance remit, the role of the Board is to push forward or pull back each lever, as required, to increase or reduce the characteristics of each theory individually and as part of a multi-theoretical application in order to meet the organisation's governance requirements at that time. This proactive and dynamic theory application is not currently made explicit in the literature.

A further and associated contribution is that it is not obvious within the literature that governance practices in social enterprises should be explicitly linked to the organisation's strategic planning processes and this is evident in the research outcomes. The research here suggests that when social enterprises review and update core strategic plans, this should also include a review of the Board structure, core competencies and practices. In this way, governance practices will be explicitly linked to the organisation's strategic planning, rather than being disconnected from it. Given the business and commercial focus of the social enterprise model this is a critically important factor.

In conclusion the literature appears to under value the importance of applying a proactive and dynamic multi-theoretical approach to the governance of social enterprise organisations including Leisure Trusts, explicitly linked and aligned to corporate strategy and contextual circumstance.

Practical Contributions

The Leisure Trust sector is under significant pressure and change particularly from the continuing impact of Austerity Politics and the consequential reduction in subsidies, especially and disproportionately in discretionary service areas, including leisure and culture. The increasing prominence of finance driven private sector companies; the market shift towards low cost options including budget gyms; and increases in fixed costs, including the employee costs and utilities, are also important. Given these pressures, good governance is recognised as a key factor in managing through change if Leisure Trusts are to continue to deliver their Objects and remain sustainable.

This in-depth study of governance focusing on Leisure Trust social enterprises can also provide a number of practical contributions to this sector and social enterprise more widely. In addition, given the sector's business focus, it is suggested that social enterprise leaders can better understand and improve their governance through adopting a more proactive and informed set of practices and behaviours.

A key contribution to learning referred to above, that governance practices in Leisure Trusts should be more dynamic and explicitly linked to the organisation's strategic planning and forward focus, also has relevance in relation to opportunities for identifying practical contributions.

It is proposed that a good practice guide be developed to provide Leisure Trust Boards and their senior management teams (and social enterprise organisations more widely) with a methodology to become familiar with, and distinguish, the key elements of the individual governance theories, together with the potential to link the individual theories into a blended multi-theoretical approach within a strategic framework. This framework would include an initial process of self-assessment undertaken by the Board and senior team to an agreed format which initially assesses whether (and if so how) the organisational governance practices embrace the individual theories. Self-assessment would also identify whether explicit links are made between corporate strategic planning and the governance theory behaviours in a proactive, systematic and regularised manner.

Following self-assessment, the guidance framework should identify a plan to capture further actions and objectives for the organisation's governance practice to be included within the strategic and tactical plans, allowing explicit integration between governance and strategy and providing a tool for future measurement and evaluation. This process may usefully be supported by peer organisations and/or through external support.

A further practical contribution relates to the potential to include the theoretical underpinning within Board training and development. Whilst social enterprise sector support organisations already provide a plethora of training and development support (the Charity Commission and NCVO for example), this support does not effectively cover the potential to engage with the theories recognised by Cornforth and the multi-theoretical approach to good governance. This could help Board members better understand their role, the Board's strengths and weaknesses, and the necessity to integrate Board governance with strategic planning.

Limitations of the Study

The study was undertaken during a period of significant change within the sector and the interviews themselves were conducted in the Spring of 2018. Therefore, some of the details may be outdated, although the findings are still relevant.

A further limitation relates to the methods associated with completing the literature review as whilst a scoping study maps the relevant literature in the

field of interest it does not offer any clear means of synthesizing findings from different kinds of study design (Arksey and O'Malley, 2005).

As referred to in chapter five, key partners and stakeholders of the Trusts, such as Local Authority Members and Officers, the PCT and other health sector representatives, and the local voluntary sector were not included within the research; nor were staff within each Trust, as potential participants would be unlikely to be able to offer valuable responses to the interview questions. It would be useful in any future research to involve these groups.

Further Research

As with many other studies of a theory building nature this study contributes to the understanding of a phenomenon, Cornforth's theory about not-for-profit governance. The not-for-profit sector and Leisure Trust subdivision is dynamic and fast moving and there remains an opportunity to extend theory through research in to Leisure Trusts in Scotland, Wales and Northern Ireland as the sector grows in these countries. The potential also exists to extend this research into the wider Social Enterprise sector. Considering the significant changes within the sector, a longitudinal study would also be of value, mapping governance practices and behaviours over a longer period.

APPENDICES

Appendix 1: Participant information sheet

Appendix 2: Participant consent form

Appendix 3: Semi-structured interview clusters and questions

Appendix 4: Interview schedule

Appendix 1

UNIVERSITY OF BIRMINGHAM

Participant Information Sheet

Research in to the Governance Practices of Leisure Trust Social Enterprises

You are being invited to take part in a research study. Before you decide it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Ask me if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part.

Thank you for reading this.

What is the purpose of the study?

I am a postgraduate student at the University of Birmingham carrying out research in to the governance practices of Leisure Trusts as part of my Doctorate of Business Administration thesis in to this subject area. The study will consider how governance is applied and relate this to emerging theories about governance practices for not-for-profit organisations more widely.

Why have I been chosen?

You have been chosen based on your current position, knowledge and experience. I feel that you could provide an important contribution to the research in this area of Leisure Trust governance and management. Your contribution will provide an important input in making evidence-informed recommendations for policy and practice.

I would also like you to participate in this research because your Trust contributed to an earlier study on the subject area and I'm keen to follow up the responses in a more targeted and informed way. In order to get a wide-ranging response several Trusts were identified for this, the second stage of the research, and your Trust is one.

Do I have to take part?

No. It is up to you to decide whether or not to take part. If you do decide to take part, you will be given this information sheet to keep and be asked to sign a consent form. You will be given a copy of the consent form to keep. If you decide to take part, you are still free to withdraw at any time and without giving a reason.

What does the research entail?

I would like to interview you and others in your Trust about your experience of governance systems and practices within the Trust. The study will undertake face-to-face interviews. It is expected that each interview will last no longer than one hour.

The interviews will be undertaken by myself and will most likely be undertaken at a Trust facility.

Will my taking part in this study be kept confidential?

The interview data will be kept confidential. However, it is anticipated that the results will be presented as case studies, so please be aware that you and the organisation that you work for may be identifiable. Just to confirm, you are free to withdraw from the research process at any time.

The interviews will be recorded and transcribed. The digital recordings will be securely stored until the end of the study, when they will be deleted. In line with the University of Birmingham's code of conduct for research, the interview transcripts will be destroyed ten years after publication of the study's findings. The transcripts will not identify the interviewees by name.

You are allowed up to four weeks to withdraw data from the study.

What will happen to the results of the research study?

The research will become an essential element of my thesis whilst also providing Trusts with timely, formative feedback on my findings

Who has reviewed the study?

This study is currently being reviewed by the University of Birmingham's Business School and the Ethics Committee.

How can I get further information?

Please contact myself, Jon Argent, on [redacted] or email [redacted] if you have any questions or would like more information about this invitation

Thank you for your help.

[redacted]

Appendix 2

UNIVERSITY OF BIRMINGHAM

CONSENT FORM

Research in to the Governance Practices of Leisure Trust Social Enterprises.

This research project supports a DBA thesis being undertaken by Jon Argent at the University of Birmingham. The purpose of the DBA is to study governance arrangements in Leisure Trusts.

Name of Researcher: Jon Argent

1. I have read and understood the attached information sheet giving details of the project.
2. I have had the opportunity to ask the researcher any questions that I had about the project and my involvement in it and understand my role in the project.
3. My decision to consent is entirely voluntary and I understand that I am free to withdraw at any time without giving a reason.
4. I understand and accept that interviews will be recorded.
5. I understand that data gathered in this project may form the basis of a report or other form of publication or presentation.
6. I understand that my name will not be used in any report, publication or presentation and that every effort will be made to protect my confidentiality.

Participant Signature:

Participant name (in capitals):

Date:

Researcher's signature:

Attachment (Participant Information Sheet).

Appendix 3

Cluster 1 General: what does good governance look like and what are the perceived strengths and weaknesses of trustees?

1. How long has the Trust been in operation?
2. How is your Board structured?
3. What would you say are the strengths of your Board and why?
4. What are the weaknesses and why?
5. How does the organisation identify and manage risk?

Cluster 2 Board composition: what is the governance architecture? What are the processes for recruitment and succession management of board trustees?

6. How do you recruit Board Members?
7. How long do people stay on the Board?
8. Do you have a skill/experience matrix for Board Members?
9. Has more tactical /relationship building increased and is governance therefore flexing to its environment?
10. Has the Trust secured more or less external funding?
11. Has funding been secured from new sources?

Cluster 3 Board focus: what functions and tasks does the board focus on? Which topic areas are prioritised? What information is reported to and used by the board?

12. How does the Board develop strategy?
13. What are the current priorities for the Board?
14. Has the Board focus changed over the last 5 years? If so, how and why?
15. What information does the Board receive?
16. Can you confirm and give examples how actions are prioritised and taken forward?

Cluster 4 Board dynamics: what is the nature of relationships on the board and with managers? What are the opportunities for board review and for training and development?

17. How would you describe the relationship between the Chairman and CEO/MD?
18. How often does the Board review its skill set?
19. Do the Board members have a job description and person specification?
20. What training does the Board have?

Appendix 4

Trust	Role	Date
Trust A	Managing Director	15th March 2018
	Chairman	23rd May 2018
	Senior Manager & Company Secretary	15th March 2018
Trust B	Chief Executive	15th March 2018
	Immediate past Chairman	15th March 2018
	Senior Manager & Company Secretary	15th March 2018
Trust C	Chief Executive	28th March 2018
	Chairman	28th March 2018
	Company Secretary	28th March 2018
Trust D	Chief Executive	11th April 2018
	Chairman	11th April 2018
	Senior Manager & Company Secretary	11th April 2018
Trust E	Operations Director	12th April 2018
	Chairman	12th April 2018
	Company Secretary	3rd May 2018

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