

## 7.1A Transition to a company structure: OV response

For the second time OA is proposing to move to a company structure. We appreciate the time and effort that OA has put into this and the apparently “harmless” nature of the strategy proposed. The paper documents four reasons

- ASC preferred option for NSOs – may have implications for funding down the track.
- More consistent with what is seen as modern corporate governance best practice.
- Only need to deal with one regulator (ASIC)
- Easier to get professional support if needed (e.g. legal and accounting), since the Corporations Act is studied by all law students, whereas associations law is a more specialised area.

We disagree with that logic and believe that none of these represent compelling reasons. The critical thing for us is that, had the ASC not proposed this, OA would not be considering it. We believe this proposal is both distracting and irrelevant to the objectives and strategies of OA. Whilst we understand that OA’s solution should have almost no impact, the fact that time and effort has been put into a solution that achieves almost nothing, is the problem. The ASC is forcing OA to consider solutions that deliver no benefits to our sport and do not help with OA’s or the ASC’s strategy. In short we believe this represents irrelevant and bureaucratic meddling by ASC that is a waste of tax payers time and money.

We would hope that we spend almost no time at this meeting on this issue. We should reject the request and move on once and for all. The AO board needs to focus on issues that make a difference to our sport. We can’t see that this will make any positive difference and meanwhile it distracts.

Taking each point in turn:

### **ASC’s preferred option**

We believe strongly that is poor governance on behalf of the ASC to be recommending a one size fits all model to all sports. Why would a model appropriate for a high profile professional sport be appropriate for a sport mostly run by volunteers such as ours? We think we should make it up to the ASC to demonstrate what value the solution delivers for us. However, our objection to the ASC’s position is stronger than that. There is nothing sacred or compelling about corporate structures. We think many sports are badly run as a result of them. We observe many where the corporate structure seems to have created a head that runs in a different direction to the wishes and needs of members clubs or those in the sport. We are aware, for example, that appointment of an external CEO in Orienteering Great Britain has had significant and unintended consequences. Many in GB claim that they have lost control of their sport as a result. It is clear in AFL that the corporate head office has become bloated while critical clubs lack funding. The corporate centre has so much control that the member’s clubs that created it have become powerless. In sports such as soccer and cricket there have been periods of great discontent among rank and file members with their CEO’s and corporate leaders.

Were the ASC to in any way link funding to this model we believe this should be raised to the highest possible level and that objection would be backed by the entire orienteering community. If there is some

kind of veiled threat by the ASC, then it should be attacked now. In our response to the ASC we would suggest wording such as:

“Should the ASC link funding and grants to structures in the future we would object in the strongest possible terms as we can see no compelling reason to go to the effort and expense of changing a model that isn’t broken.”

### **Modern Governance Best Practice**

Our model isn’t broken and doesn’t seem to cause any significant issues. Had the ASC not raised it, we wouldn’t have tackled it. The counter evidence against corporate structures is significant

- A growing recognition in the corporate world that corporate structures seem to serve executives more than shareholders, customers or staff
- The well documented increased multiple of senior corporate salaries to those who work at the front line.
- The increased number of “strikes” by shareholder groups against executive salaries
- A number of sports where the corporate centre seems divorced from the rank and file participants and clubs

### **Only one regulator**

That is not enough of a reason to change. The fact that the ASC is involved suggests that they are also acting as a regulator of sorts!

### **Professional support**

As we have never failed to obtain the support we need in the past, this argument carries no weight for us.

### **Conclusion**

Orienteering Victoria is opposed to this proposal.

We would like OA to reject this proposal once and for all and go back to the ASC and state

- a) We have no need or wish to change structures
- b) We can find no reason to do this that aligns with our, or their strategy
- c) That we believe it is as waste of our time and money
- d) We like the ASC to work with us on growing participation and success of our sport and look forward to their cooperation in that regard
- e) As we have considered this twice in two years we would hope that the ASC would drop this issue and instead work with us on matters that more closely align with our strategic goals