



Review of Bike New Zealand

Final Report

September 2013

MARTIN[!]JENKINS

Preface

This report has been prepared for Bike New Zealand and Sport New Zealand by Nick Hill from MartinJenkins (Martin, Jenkins & Associates Limited).

Our goal is to improve the effectiveness and efficiency of the organisations we work with. We do this by providing strategic advice and operational support in the following areas:

- Strategy, Transformation & Performance
- Policy & Economics
- Evaluation & Research

MartinJenkins was established in 1993 and is 100% New Zealand owned. It is governed by executive directors Doug Martin, Kevin Jenkins, Michael Mills, Nick Davis and Nick Hill, plus independent directors Peter Taylor (Chair) and Sir John Wells.

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Glossary

CD	Cycling Development
HP	High Performance
HOC	Home of Cycling
MO	Membership Organisation
NSO	National Sports Organisation
NZTA	New Zealand Transport Authority
ODT	Organisation Development Tool
RST	Road Safety Trust

Executive Summary

- Bike NZ has existed for 10 years as an NSO for all bike disciplines. It has a broad mandate supporting the achievement of high performance, competitive cycling and everyday cycling outcomes. While the number of formal members is small compared to other NSOs, the number of unaffiliated cyclists in New Zealand is very large. Because of this level of interest in cycling, Sport NZ and others have consistently viewed Bike NZ as having the potential to grow and impact high performance results and levels of participation in a meaningful way.
- However, today Bike NZ is in crisis:
 - It will become insolvent early next year with no reasonable expectation on current policy of becoming financially viable in the foreseeable future.
 - The organisation's capability is severely depleted
 - It's key stakeholders have lost trust and confidence in the organisation
 - It is facing immediate operational challenges
- There are three principal reasons for this:
 - the strategy it pursued was very ambitious but poorly executed
 - the institutional structure blurred accountabilities
 - there was a failure of leadership
- The way to fix Bike NZ is to take the following critical actions:
 - Adopt the approach recommended and agreed in 2008 for Bike NZ to work with and through its MOs and share responsibilities for cycling development
 - Develop a structure based on 3 profit centres:
 - High performance
 - Cycling development
 - Education and Advocacy
 - Address the serious governance problems
 - Introduce greater knowledge and expertise into the governance oversight of high performance and education and advocacy by forming two Board advisory committees.

- Change the way Sport NZ funds Bike NZ by moving to a 3 year bulk-funded contract with better performance specification, reporting and contract management practices.
- Thought was given to narrowing down Bike NZ's focus to just high performance and competitive cycling so as to improve its clarity of purpose. However, this was rejected on the grounds that the narrower mandate would mean a likely significant drop in development support for cycling, the increasing interest in funding wider Bike NZ activities from new government and commercial funding sources, and the causes of the Bike NZ crisis can be fixed largely by addressing other organisational failings.
- Bike NZ will require significant support from Sport NZ to make the necessary changes. A structured implementation process is recommended, with a series of sequential steps. The oversight of the change process should be overseen by a Steering Group chaired by the Chief Executive of Sport NZ and include the Chair of Bike NZ. Meanwhile, Bike NZ should not make any decisions that conflict with or compromise the successful implementation of the Review recommendations.
- In addition, Bike NZ will need transitional financial support from Sport NZ to change its business model and cost structure to address the projected \$350,000 annual operating loss.

Introduction

- 1 Bike NZ is an important partner of Sport NZ and High Performance Sport NZ. It contributes to important national outcomes through its success in pinnacle events, through the sporting pathways it provides and the potential value it offers to participation in community sport with an estimated 745,000 recreational riders.
- 2 Bike NZ is currently facing a number of challenges, which it is seeking to address with assistance from Sport NZ.
- 3 MartinJenkins was retained by a Steering Group comprising the Chair of Bike NZ, Chief Executive and General Manager Sector Capability of Sport NZ to undertake a review of Bike NZ to establish:
 - Where Bike NZ has come from
 - Where Bike NZ is now and what contributed to its current position
 - What a sustainable Bike NZ could look like in the future
 - What the impediments are to moving from current state to future state, and the recommendations to address them.
- 4 A copy of the full Terms of Reference is attached as Appendix 1.
- 5 The Review has involved the following steps:
 - A review of relevant documents
 - Interviews with key stakeholders
 - Involvement with the Sport NZ facilitated Organisation Development Tool (ODT) exercise)
 - Development of draft recommendations that were tested with the Review Steering Group and the Bike NZ board
 - Providing final recommendations to the Steering Group.
- 6 In the interests of providing timely advice that offers a path forwards, a degree of judgement has been exercised in maintaining a high level focus. In practice this has meant:
 - The recommendations are focused on providing direction on the more contentious issues
 - Places where further work is required are highlighted
 - Some areas explicitly identified in the Terms of Reference have not been addressed directly, such as HP and potential international models

- The findings of the ODT are not repeated in any detail in this report, but should be read as a companion document.

7 Finally, it should be noted that the Board and management of Bike NZ have been very open and frank in sharing information and their views during this review. Everybody recognises that the organisation is in crisis. Notwithstanding the uncertainty and stress many are under, there is a collective desire to move forward and fix Bike NZ.

The “Bike NZ Journey”

Formation

8 Bike NZ was established on 1 July 2003 as a new umbrella National Sports Organisation for cycling organisations BMX NZ, Cycling NZ, Mountain Bike NZ, NZ Schools Cycling Association, Cycling Advocates Network and Bicycle Industry Association of NZ with the vision of “A nation embracing cycling”.

9 Bike NZ’s Mission was broadly defined:

“By 2008, Bike NZ will be world leading in our approach to all facets of day to day, recreational and competitive cycling, measured by having:

- Partnerships and strategies achieving sustainable growth
- Athletes consistently winning medals at targeted world-class events
- an extensive range of saleable and marketable properties and services
- The most effective and sustainable infrastructure and systems”¹

10 Implementation was supported with financial and in-kind support from SPARC (later Sport NZ) as part of its “Revitalisation Sport” programme aimed at bike, athletics and swimming. These were traditional sports that at the time were struggling financially and in terms of performance, but enjoyed proud traditions of success and participation, and were important in the development of fundamental skills.

2008 Review

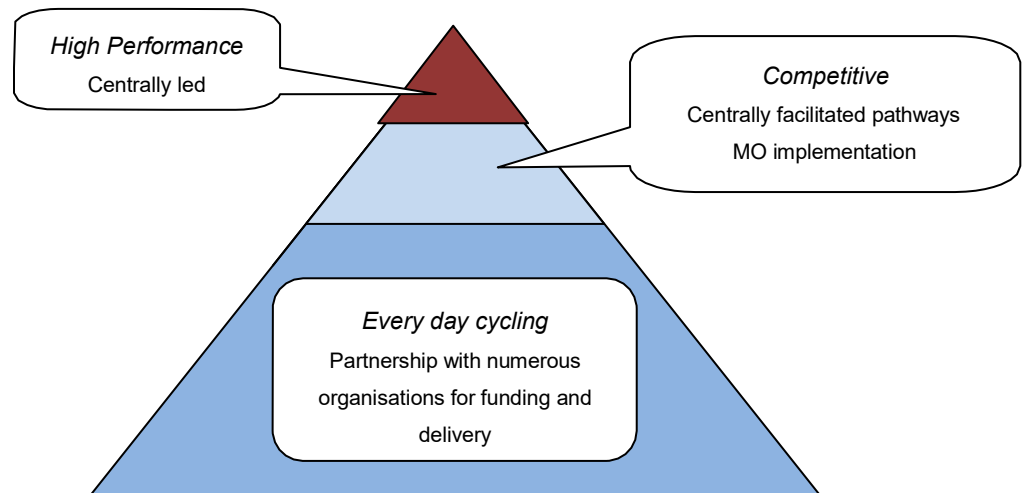
11 In October 2007 the Board of Bike NZ decided to review its business model to determine whether changes to the governance structure and systems would result in more effective delivery of its Strategic Plan.

12 The Review, completed in 2008, identified concerns about a lack of clarity of scope/purpose, a structure that wasn’t supporting the scope/purpose, and the need for performance improvement. It concluded that there were “...numerous activities that existing (Member Organisations) MOs undertake independent of and not necessary for Bike NZ to control... (and)...there was no gain for Bike NZ from dissolving existing MOs and forming a unitary organisation for cycling.”²

¹ Bike NZ Strategic Plan 2003/04 – 2007/08

² Organisational Structure and Capability Review – Bike NZ, June 2008, page 20.

- 13 The review recommended, inter alia, that:
- a. The scope/purpose should be broad incorporating "...all existing and potential cyclists in NZ including high performance, competitive and everyday cyclists".
 - b. Bike NZ will not control all cycling, and that it will fill gaps and/or work with partners:



- A new class of Bike NZ membership for individuals
- Greater clarity around rights and obligations of MOs
- The introduction of a formal Service Level Agreement between Bike NZ and MOs
- A coordinated process for planning between Bike NZ and its MOs
- Changes to a skills-based Board rather than a Board representative of the MOs.

2011 Strategic Plan

- 14 A new strategic plan was developed in 2011 based on the broad vision of "a nation embracing cycling"³. The plan catered to all cyclists:
- a. Ride Every Day
 - b. Recreate
 - c. Compete
 - d. Excel

³ "Let's Talk – Our Bike Plan", Bike NZ, September 2011

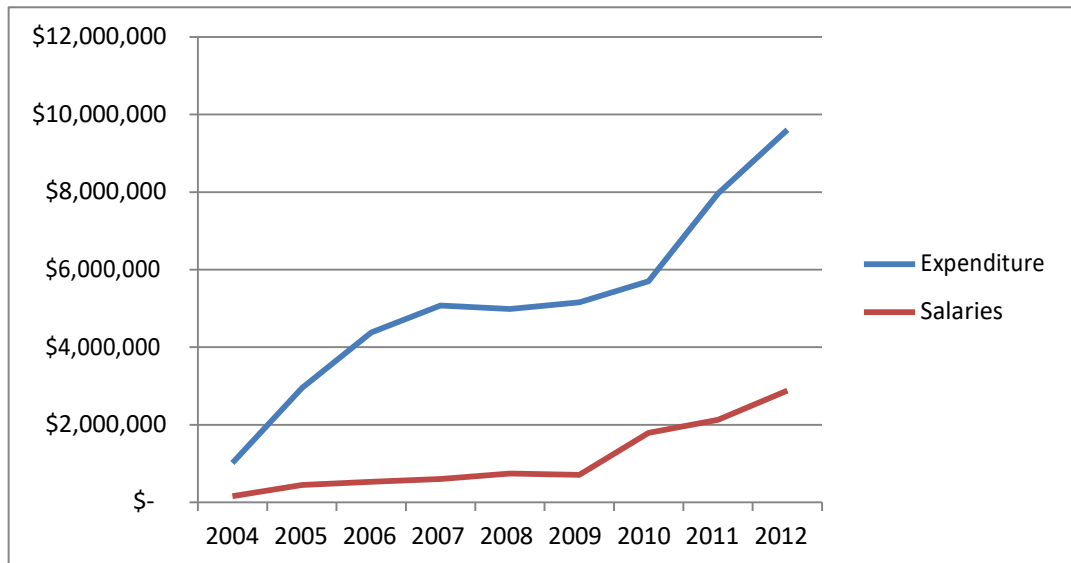
- 15 And it set stretch targets for delivery from 20,000 kids per annum in Learn to Ride to 310 trained coaches and 250 registered officials.
- 16 The plan sought to achieve growth through attracting new members. The growth in membership would lead to growth in Bike NZ's revenue base directly and assist it to develop new commercial income streams. In this way Bike NZ hoped to establish a financially sustainable business model supporting activity at much higher levels than had been possible previously.
- 17 However, the business model depended upon developing a more direct relationship with cyclists. To achieve this, Bike NZ argued the need to review its membership model ("one of the most complicated within New Zealand's sporting sector").

Recent Events

- 18 Bike NZ now faces challenges as a result of recent events:
- a. At the end of 2011, Rabobank, Bike NZ's major sponsor advised Bike NZ that it would not renew its \$██████ per annum sponsorship. As at 30 August 2013 no replacement sponsor had been found.
 - b. Following the Olympic Games in 2012 a misunderstanding between Bike NZ and High Performance Sport NZ led to an overspend of \$250,000 on the high performance programme. HPSNZ has subsequently "loaned" this sum to Bike NZ, with repayments to be made from future high performance funding.
 - c. The need to fund the cost of moving the Bike NZ organisation to Cambridge to operate out of the new "Home of Cycling".
 - d. Delays in developing and rolling out the new IT platform. This has delayed delivery of services, distracted management and creates risk around collecting member subscriptions.
 - e. Chief Executive Kieran Turner resigned in May 2013. A replacement has not been recruited until decisions are made on the future of Bike NZ.

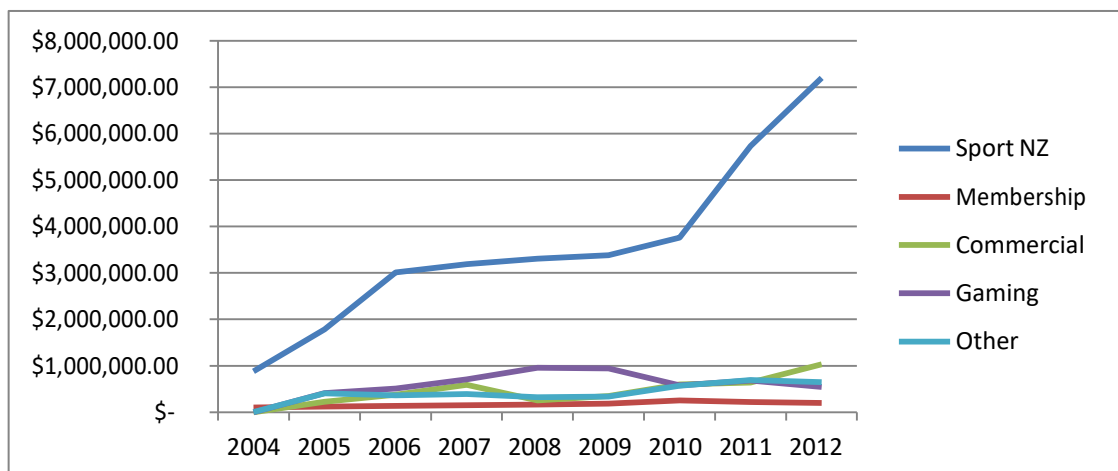
Expenditure

19 Bike NZ expenditure since 2003 has increased 850% from \$1.015M to \$9.6M in 2012⁴.



Funding

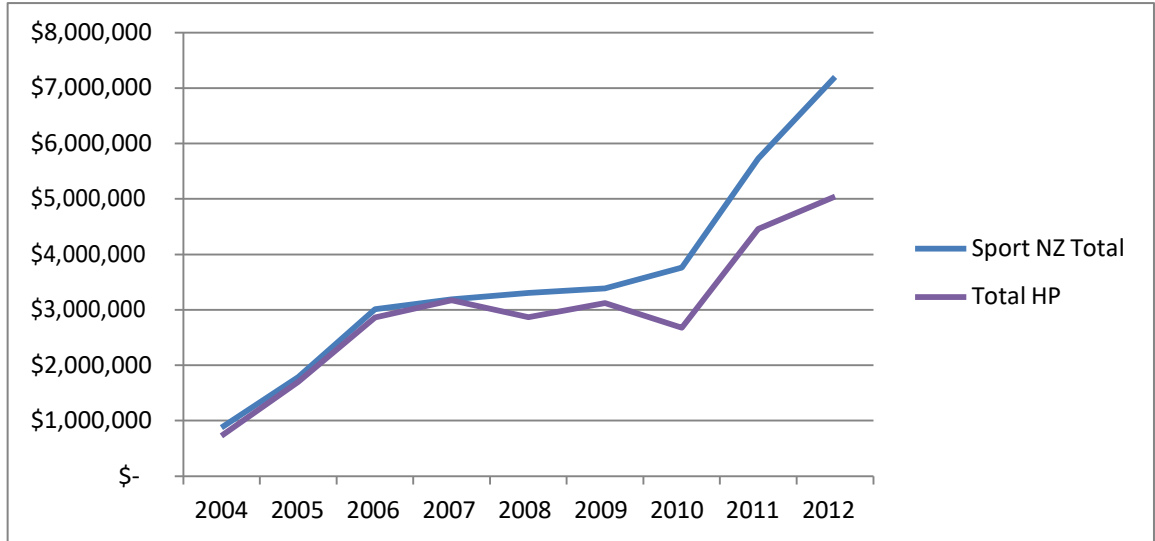
20 By 2012 75% of Bike NZ's \$9.6M annual income is provided by Sport NZ⁵. The remaining 25% (\$2.4M) of income is made up from gaming, commercial and other grants. Membership subscriptions generate around \$200,000 per annum.



⁴ Source: Sport NZ Financial Analysis of Bike NZ Annual Reports, 2013

⁵ Ibid

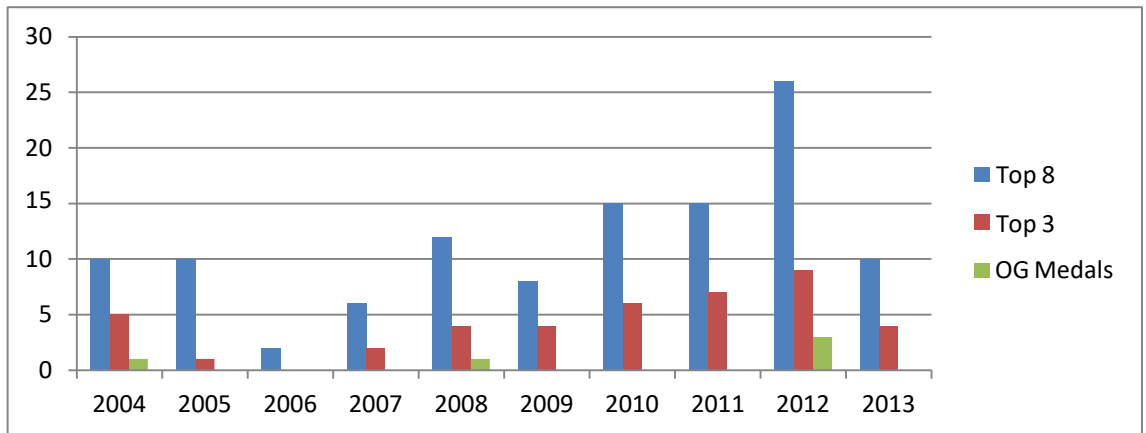
21 Sport NZ funding since 2003 has mostly been directed to high performance. However, since 2010 Sport NZ has also invested increasingly in non-HP programmes.⁶



Performance 2003 – 2012

HP Performance

22 Bike NZ’s HP goal as originally stated was for “athletes consistently winning medals at targeted world class events”. Measured by top 3 and top 8 finishes in World Championships and Olympic Games since 2003, Bike NZ has performed credibly⁷.



⁶ Ibid. Note, breakdown of funding is based on total SNZ funding with allocation between activities based on reported HP expenditure and HP grants expenditure, so graph reflects differences between SNZ funding cashflows and Bike NZ expenditure cashflows between different years.

⁷ Bike NZ data

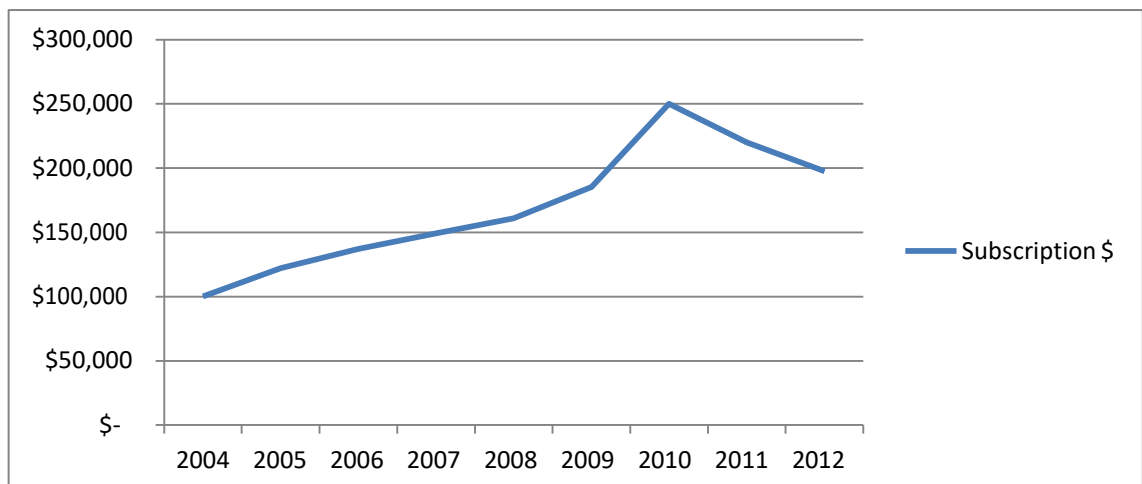
23 Looking more narrowly at Olympic Games, the conversion of World Championship results into Olympic success looks more modest on the face of it.

Non-HP Performance

24 However, Bike NZ’s non-HP performance is more difficult to measure objectively and also difficult to interpret. The organisation seeks to achieve outcomes directly for members (such as membership services and the support for development pathways) as well as seeking to achieve more indirect benefits by influencing the biking environment through education and advocacy.

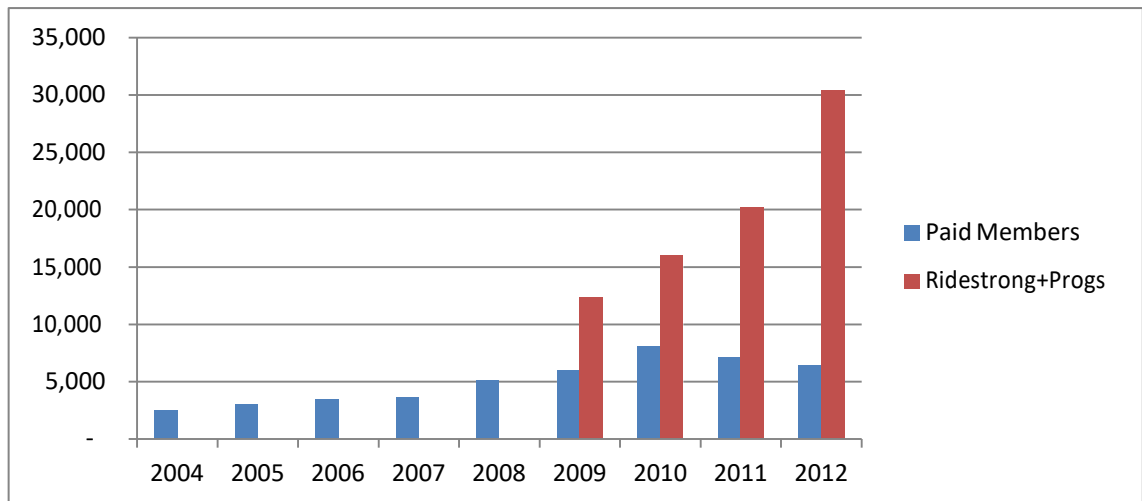
25 Membership income could be considered as a proxy for the value of services delivered by Bike NZ to those involved in the sport. (It is a particularly important measure because it involves judgements by individuals about the value of Bike NZ’s activities to them.)

26 Total membership income shows a slow increase over the period to 2010 but has declined quite quickly since then⁸.



⁸ Source: Sport NZ Financial Analysis of Bike NZ Annual Reports, 2013

27 A shift in Bike NZ strategy around 2008 is apparent when one looks at the composition of the membership numbers more closely.⁹



28 In 2008, Bike NZ introduced the *Ridestrong* programme, where participants were registered as members but were not levied. Other programmes based on this model were subsequently introduced. Funding for these programmes has been drawn from sponsorship (*Rabobank*), other charitable funders and some user-pays (\$38,000 in 2012). Meanwhile, total membership income has dropped, as have paying member numbers.

29 Data on delivery of Bike NZ Pathway Education since 2010¹⁰ shows:

	2010	2011	2012	2013 (6mths)
Bike NZ course participants	239	5030	6515	784
Instructors trained	4	181	170	85
Level 1 coaches trained	16	48	144	32
Club development Meetings/forums		72	255	102

⁹ Note: the membership analysis is based on incomplete data taken from annual reports. Some simplifying assumptions have been used to provide a complete picture.

¹⁰ Bike NZ analysis, July 2013

- 30 In the time available, it has not been possible to go into non-HP performance more deeply and to assess the impact that Bike NZ has achieved. However, some high level qualitative observations can be made:
- a. Intervention logic and measurement for non-HP activities is not clear, and performance has not been systematically measured and evaluated over time. To the extent that it has, the data is not readily accessible.
 - b. At the same time, according to the Active NZ survey (2008), 745,000 New Zealanders had participated in cycling over a 12 month period, while Bike NZ estimates that 120,000 New Zealanders ride competitively/regularly as a sport. It is not clear what positive impact at an aggregate level Bike NZ has had on these groups if any.

Themes to Emerge

- 31 A number of themes emerge from examining the history of Bike NZ over the last decade:
- a. A consistent vision for Bike NZ has been supported over the last 10 years (through three strategic reviews) based on three roles:
 - High performance
 - Cycling development
 - Recreational biking
- But, combining the three differing roles in a single organisation has led to ongoing debate about whether Bike NZ's purpose is too vague.
- b. The ongoing confusion surrounding the role and relationship with MOs: are they unnecessary (move to a unitary structure), or are they an important network infrastructure that needs to be leveraged (the federation structure).
 - c. Increasing investment in Bike NZ from Sport NZ, particularly in HP, with some limited growth in other income sources.
 - d. The delivery of results in HP, but less apparent impact in other non-HP areas.
 - e. The change in membership composition from 2008 and the subsequent reduction in membership income.
 - f. A high level of interest in biking, suggesting membership recruitment and commercial opportunities
 - g. Limited success in generating new membership and commercial income.

Where Bike is Now

Financial

- 32 Bike NZ's finances are managed in two accounts: one for HP funding and spend and the other account called Cycling Development is for everything else.
- 33 For the current financial year (ending 31 December 2013), Bike NZ is forecasting a consolidated operating loss of \$306,960 on an accounting basis.¹¹ The loss is entirely attributable to Cycling Development, which does not generate sufficient income to cover its costs.
- 34 Bike NZ is projecting a cash balance at 31 December 2013 of \$673,333m comprising \$444,756 in Cycling Development and \$228,577 in HP.
- 35 Forecasts for 2014 and 2015 on current assumptions project losses of around \$350,000 per annum.¹²

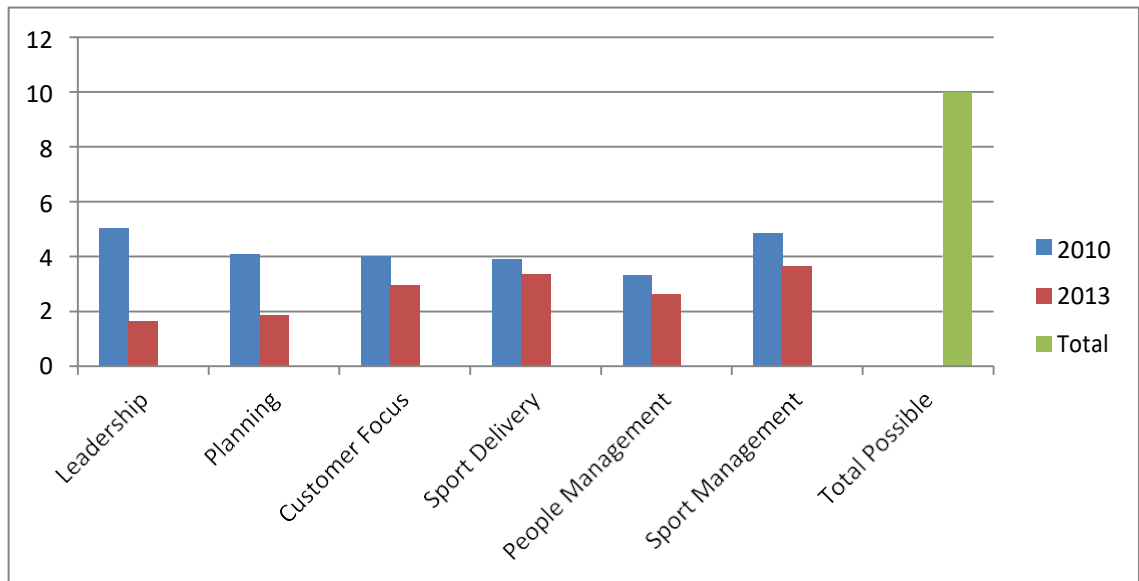
Capability

- 36 An ODT review was undertaken by Sarah Beaman and Brendan O'Connor for Sport NZ in July 2013¹³. This followed a previous ODT review in 2010.
- 37 The review shows a significant decline in capability over the three year period since the last review, while the absolute scores show an organisation at the "Initiating" level where the organisation is "... meeting less than half the expectations..." of it.

¹¹ Financial Report to Bike NZ Board (to 31 July 2013), Stephen Connell, 5 August 2013

¹² Financial Summary Overview, 13 June 2013, Stephen Connell

¹³ *Assessment Overview for Bike NZ*, 25 July 2013



Key Relationships

38 The following observations about Bike NZ’s relationships were derived from the interviews undertaken for this review:

Stakeholder	Observations
MOs	<ul style="list-style-type: none"> • Ongoing failure of Bike NZ to deliver services to MOs, particularly following raised expectations with 2011 Strategic Plan • Loss of trust and confidence in Bike NZ • In-ward management focus – not customer-centric • On balance supportive of Bike NZ model subject to making changes • Looking at de-risking relationship by increasing MO independence
Sport NZ	<ul style="list-style-type: none"> • Loss of trust and confidence in Bike NZ, but accept some responsibility • Concerned about leadership of Bike NZ and clarity of purpose • Committed to Bike NZ as a partner • Seeking sustainable model • Seeking value-proposition for education and recreational roles, and whether these should be partially or fully separated from Bike NZ

Stakeholder	Observations
HPSNZ	<ul style="list-style-type: none"> Committed to Bike HP success Concerns over leadership of Bike HP at present Seeking greater Board ownership of HP Seeking greater comfort over current state of Bike HP Don't believe the two organisations work in partnership
Sponsors	<ul style="list-style-type: none"> See commercial opportunities, particularly in Bike NZ led education and recreational activities Strong commercial properties potentially but not currently developed sufficiently Concerned about Bike NZ ability to deliver consistently Past sponsors taken for granted and not looked after Has not been customer-centric

Operational Challenges

39 Bike NZ faces a series of operational challenges right now:

Activity	Challenges
HP ¹⁴	<ul style="list-style-type: none"> Future of women's track programme
Membership	<ul style="list-style-type: none"> IT platform Collection of membership subscriptions
Events	<ul style="list-style-type: none"> Close out BMX world champs
CD Programmes	<ul style="list-style-type: none"> Unable to deliver expected training programmes Quality concerns about junior development programme
RST Contract	<ul style="list-style-type: none"> Delivery of contracted activities
Move to Cambridge	<ul style="list-style-type: none"> Detailed logistical exercise to manage Change management with significant people risk

¹⁴ The Terms of Reference explicitly invited the review to examine "...the challenges facing Bike's high performance programme". However, the more HP specific aspects of such a review should be treated as second order to resolving issues about the overall role, direction and leadership of Bike NZ.

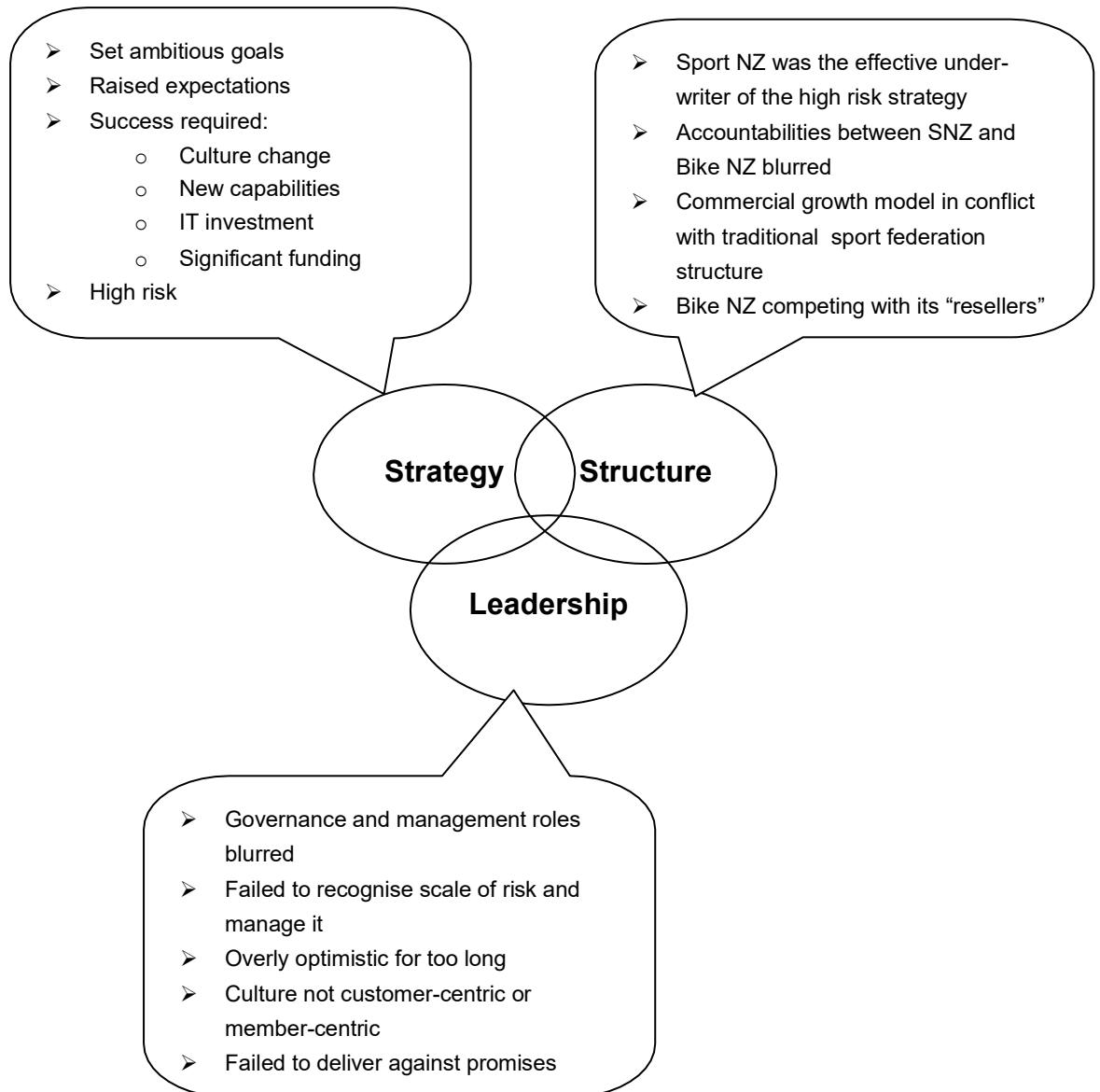
Conclusion

40 Bike NZ is in crisis:

- a. It will become insolvent early next year with no reasonable expectation on current policy of becoming financially viable in the foreseeable future.
- b. The organisation's capability is severely depleted
- c. It's key stakeholders have lost trust and confidence in Bike NZ
- d. It is facing immediate operational challenges

What Contributed to the Current State?

- 41 There are three principal reasons Bike NZ is in crisis. First, the strategy it pursued was very ambitious and poorly executed; second, the institutional structure for Bike NZ lacked clarity; and third, there was a failure of leadership.



SWOT Analysis

<p><i>Strengths</i></p> <ul style="list-style-type: none"> Core fund of goodwill towards Bike NZ model HP results Programmes and IP developed Level of interest in cycling at all levels MO networks and volunteer capacity Economies of scope 	<p><i>Weaknesses</i></p> <ul style="list-style-type: none"> Virtually insolvent Governance & management roles blurred Lack of clarity in Sport NZ (HPSNZ) relationship Dependence on Sport NZ Lack of organisational capability Partner relationships under strain Recent history of delivery failure
<p><i>Opportunities</i></p> <ul style="list-style-type: none"> Rebuild leadership role Set modest, but realistic expectations matched to resources and capability Rebalance role with MOs Refresh organisation Move to Cambridge Growing opportunity for education/advocacy activities Grow non-Sport NZ income 	<p><i>Threats</i></p> <ul style="list-style-type: none"> Uncertainty over Bike NZ future Fail to be decisive enough Partners turn away from Bike NZ Further non-delivery Public reputation damage Lack of adequate funding to make change Loss of key people

A Robust Bike NZ Model

Role and Purpose of Bike NZ

- 42 An alternative model to the Bike NZ one is to revert to NSO functions carried out by the MOs, and charge HPSNZ with responsibility for the high performance functions.
- 43 The rationale for retaining an umbrella organisation for all bike activities are:
- a. There are scale advantages in a single leadership organisation
 - b. Notwithstanding the current circumstances, Bike NZ has created programmes, services and areas of capability that would be at risk
 - c. The MOs on balance support the Bike NZ model
 - d. There would be direct and indirect costs in moving to a new model.
- 44 However, Bike NZ has a broadly defined role and purposes. A summary table of the potential roles is set out on the following page.

Range of Potential Roles for Bike NZ

Role	HP	Membership	Development	Events	Recreation	Education/ Advocacy
Purpose	Dominate targeted events on the world stage	Attract and retain members directly and through MOs	Develop and support bike athlete and participant pathways	Develop and support a calendar of successful competitive bike events	Support more quality recreational biking	Improve the environment for biking
Who	Athletes Coaches Technical staff	6,000 members	40 junior athletes Officials Coaches	120,000 Competitive riders	745,000+ recreational riders	745,000+ recreational riders Decision-makers
What	HP programmes Funding	Licensing Membership services	Training products & services Information	Event services Funding	Recreation services and products	Educational products and services Information
How	Develop programmes HPSNZ support HOC facility Offshore base	Regulate IT platform	Set standards Regulate Develop programmes Contract out delivery	Set standards Raise funds Contract out delivery	Secure commercial revenue Develop products and services Contract out delivery	Win public sector contracts Develop programmes Contract out delivery Develop industry input to public policy

- 45 Determining the scope of Bike NZ's role and purpose requires balancing the following considerations:
- a. A larger organisation has economies of scale which can reduce the average cost of delivering outputs, and hence can be more cost efficient. However, diseconomies can occur if the incentives to perform on the organisation are weak.
 - b. A larger organisation can also have economies of scope allowing it to take advantage of its more significant networks, resources and pipeline of opportunities. Bike NZ has the ability to develop and leverage a potentially substantial network of influence that is wide and deep throughout New Zealand.
 - c. However, larger organisations are also more complex, which can lead to loss of focus, more bureaucracy and dissipation of effort. In the case of Bike NZ, the culture of HP is very different to the culture of working with councils and recreation groups. If not managed carefully, destructive conflict can arise distracting each from its core purpose.
 - d. Design of the organisation can help to optimise the trade-offs between the benefits of scale and the costs of greater complexity.

Core Role and Purposes

- 46 Bike NZ's core role and purpose should be focused upon being first and foremost an organisation accountable to its members and operating as a traditional NSO. This would involve roles in HP, Membership Services and Development. Any other activities Bike NZ takes on should be assessed in terms of whether they contribute to the performance of these core roles.
- 47 There is evidence that Bike NZ has been effective in supporting and attracting funding for events. This is a role very close to the core development function, and on the face of it should continue, provided the role is properly defined and the risks Bike NZ seeks to take on are transparent and actively managed.

Recreation, Education and Advocacy Roles

- 48 The more challenging Bike NZ roles to resolve relate to dealing with the wider community through Recreation and Education/Advocacy. In the past Bike NZ and its partners have identified the 745,000 recreational riders and the 120,000 competitive riders as significant markets to support growth. At the same time, there is demand from government, local councils and community groups for an organisation to provide national leadership for recreational riders and to play a role in helping to shape policy. Increasingly public money is available for this work, as evidenced by the RST contract with NZTA.

- 49 It is tempting to conclude that Bike NZ should abandon a role in Recreation and Education/Advocacy so as to give it greater clarity of purpose. However, on balance a broader community-focussed Bike NZ role is supported to include Recreational and Education/Advocacy goals because:
- a. The government (beyond Sport NZ) and commercial sponsors are increasingly willing to pay for services targeted towards the recreational cyclist
 - b. Bike NZ is a logical agent to provide these services with its brand, national reach and current relationship with NZTA
 - c. Without these income streams Bike NZ will struggle to fund its current core development activities
- 50 But, the broader Bike NZ role can only be supported if:
- a. The distinct focus, capabilities and cultures required to deliver for different Bike NZ roles are recognised and addressed structurally
 - b. The Board governance capability is addressed, including bringing in specific advisory expertise to assist the Board on HP and on Education/Advocacy
 - c. There is financial transparency and separation between HP, CD and Community.

Bike NZ Role and Purpose Options

	Status Quo	Revert to MOs	Traditional NSO	Traditional NSO + Events	Broad (2008 Definition)
Beneficiaries	Elite athletes and support, Members, Competitive riders, Everyday riders	Elite athletes and support and Members	Elite athletes and support and Members	Elite athletes and support, Members and Competitive riders	Elite athletes and support, Members, Competitive riders, Everyday riders
Functions	HP, Membership, Development, Events, Recreational, Education/Advocacy	HP, Membership, Development	HP, Membership, Development	HP, Membership, Development, Events	HP, Membership, Development, Events, Recreational, Education/Advocacy
Non-HP Cost¹⁵	\$2M	\$0.7M	\$0.7M	\$1M	\$1.7M
Non-HP Funding	\$1.7M	\$0.7M	\$0.7M	\$1M	\$1.7M
Comment	Not sustainable	Not favoured by most MOs	Very limited development activity possible	Very limited development activity possible	Requires shifting more development responsibilities to MOs.

¹⁵ Financial assumptions based on Bike NZ Summary Overview June 13 2013 prepared by Stephen Connell. The numbers should be treated as indicative.

Governance and Management

- 51 Failure of governance and management has been identified as key reasons Bike NZ finds itself in crisis today.

Board

- 52 The Board adopted a strategy that was high risk, it failed to ensure the organisational capability existed to implement the strategy, and it failed to monitor the implementation effectively and take remedial action in a timely manner when it became apparent the organisation was facing financial difficulties.
- 53 As a result, today key stakeholders have lost trust and confidence in Bike NZ. The statements Bike NZ makes about what it intends to do are discounted. The Board is currently lacking the authority to lead.
- 54 The failure arose because the Board failed to operate separately from management and hold management to account. A number of practices created this situation:
- a. The quality of information being reported to the Board was poor (unreliable performance information)
 - b. The decision-making processes were inadequate (lack of business cases, Board resolutions and decisions not clearly documented, unclear which decisions were for the Board and which for management)
 - c. The Board did not believe it needed to provide governance oversight of High Performance
 - d. The Chairman and CEO operated together too closely (compromised the governance relationship, side-lined other Board members).
- 55 To address these problems it is recommended that:
- a. A review of the Board is undertaken to establish clarity on the governance role, and the policies, procedures and processes to enable the governance role to be carried out effectively
 - b. Governance over-sight of the High Performance Programme is the responsibility of the Board
 - c. The role of chairman is clearly defined as non-executive
 - d. A facilitated Board workshop is held to ensure Board members all agree and understand the role of the Bike NZ Board and how it will operate

- e. Management reporting to the Board is reviewed to ensure the scope and quality of information provided to the Board is of a standard that the Board can meet its responsibilities

56 In addition, given the breadth of the proposed purposes of Bike NZ, it is also recommended that:

- a. The desired mix of skills on the Board be reviewed to ensure there is the capability to provide oversight of the full range of Bike NZ activities (HP, Bike Development, Community) as well as the corporate functions of finance, marketing, legal, and HR
- b. New appointments to the Board are made with regard to the preferred skill mix
- c. Consideration be given to using advisory committees for specialist areas such as HP and Education and Advocacy to ensure the Board is receiving alternative streams of expert advice.

57 Finally with respect to the Board, given the loss of trust and confidence in Bike NZ, the Board needs to consider what actions it will take to re-establish its leadership authority amongst its key stakeholders. In general terms this will involve acknowledging responsibility for past failure, taking decisive action to address the problems, and communicating this actively and constructively to key stakeholders.

CEO

58 Appointing the chief executive is the most important role for any Board. In the current circumstances this represents a significant opportunity to reposition and refresh Bike NZ. The appointment of the CEO is dependent upon the role and purpose Bike NZ settles upon. The advice is that Bike NZ undertake a broader role. However, if the decision is for Bike NZ to focus only on HP, Membership Services and Development, then it is likely the senior executive role is more likely to be much more narrowly focussed and possibly at the General Manager level.

59 Key leadership attributes¹⁶ the chief executive will require to take the organisation forward include the ability to:

- a. Inspire a shared vision for Bike NZ and its key stakeholders around the broad purpose described above
- b. Challenge the managers of HP, CD and Education and Advocacy to set and achieve realistic targets, while working within an umbrella organisation

¹⁶ Draws on the leadership model developed by Kouzes and Posner

- c. Enable others to act through effectively sharing decision-making rights and information, and in particular enable the Board to lift it sights to operate as a governance board
 - d. Model the behaviours required in Bike NZ, particularly doing what is promised and building a commitment to action.
- 60 On top of the leadership attributes, the chief executive will require sound general management skills, commercial nous and experience and the ability to work with volunteer organisations.
- 61 Finally, the appointment is crucial in the change management process. The new chief executive needs to own decisions about the organisation and negotiate with the Board over the resources required to deliver the strategy.

Management

- 62 The current organisational design contains a number of weaknesses:
- a. The allocation of tasks across the management team is not coherent
 - b. The distributed management structure exacerbates communication and coordination problems
 - c. Over-sight of HP is inadequate.
- 63 In designing the organisation it is recommended that:
- a. Three profit centres are created:
 - i. HP
 - ii. Cycling Development (combines Membership Services, Development, Events, Recreation)
 - iii. Education and Advocacy
 - b. A Chief Executive's Office is created with responsibility for funding, finance, administration, communications and marketing, supporting the chief executive to maintain oversight of all of the organisation's activities
 - c. All staff are relocated to a single office (in Cambridge).
- 64 These design features will help to ensure each business area develops the right focus, capability and culture, while operating within the parameters, and receiving the benefits, of an umbrella organisation.

Organisation Development Tool Response

- 65 The ODT review provides a comprehensive analysis of Bike NZ's capability as at 25 July 2013. The new chief executive and the Board will need to consider the ODT

findings and take these into account in designing the new organisation based in Cambridge.

- 66 It is recommended that Bike NZ develop a capability development plan that responds to the ODT review once the new chief executive is in place.

Partner Relationships

- 67 Bike NZ is highly dependent on key partners (MOs, Sport NZ, HPSNZ, Charitable Funders, Sponsors, and Service Providers). It generates almost no income directly, and this is unlikely to change in the near to medium term. The previous strategy of seeking to grow subscription and commercial income was executed in a manner that has damaged most of Bike NZ's key relationships without achieving new revenue. Relationship were treated as "second-order".

- 68 A decisive change in philosophy and approach is required. Bike NZ needs to view (and believe) its partners are essential to its business success. Without building goodwill and aligning interests and activities, Bike NZ will not have the resources to achieve its purposes. Accordingly, a collaborative model is required where:

- a. Partners are formally identified and acknowledged as such
- b. Partners are Involved in planning processes
- c. Expectations of parties are understood and formally documented
- d. Performance is reviewed regularly
- e. Each partner relationship is actively managed at all levels of the organisation.

- 69 Bike NZ will need to take action that unambiguously demonstrates its change in philosophy and approach as it seeks to build the confidence and trust of its partners.

Membership Organisations

- 70 In particular the role and relationship between Bike NZ and the MOs needs to be clarified. It would be useful to revisit the work done in 2008¹⁷ on the structure of Bike NZ and its membership for guidance. This envisaged a more active role for MOs.

- 71 Further work on rationalising the membership structures and the constitution is likely to be desirable to address "...one of the most complicated (membership structures) within New Zealand's sporting sector". However, this work should only proceed when

¹⁷ *Design Elements for Enhanced Bike NZ Structure and Modus Operandi 2008*, 3 December 2008

Bike NZ has developed a consensus amongst its membership on the best course of action.

Sport NZ

72 The relationship between Bike NZ and Sport NZ needs to be more tightly defined and managed. It is often not clear where accountability rests at present for decision-making. Sport NZ is the most significant funder of Bike NZ and faces a number of exposures. This leads to a range of relationships, interactions and interventions that in practice blur accountabilities and responsibilities between the organisations.

73 Furthermore, Bike NZ appears unduly dependent on Sport NZ, and as a result does not actively assert its sovereignty over its sport. Instead, Bike NZ tends to passively accept Sport NZ “advice” in its day-to-day operations, but then blame Sport NZ in the event problems occur. The way the relationship works at present incentivises opportunistic behaviour by Bike NZ that is not in the long term interests of either party. There is evidence to suggest that Bike NZ operate believing that the organisation’s residual risk is carried by Sport NZ, and that in the event of failure Sport NZ will step in to fix the problem.

74 To improve the relationship it is recommended Sport NZ:

- a. clarify its prime role with Bike NZ as funder (service provider and advisor roles are secondary)
- b. Move to a multi-year bulk-funded contract with appropriate KPIs and credible incentives, and move away from project funding
- c. Introduce greater discipline in managing its contract relationship (avoid blurring accountability and promoting dependence)
- d. Consider a more effective monitoring regime.

75 It is recommended Bike NZ:

- a. Develop a robust business plan with effective KPIs supported by Sport NZ
- b. Ensure its funding rights and obligations with Sport NZ are documented, particularly where they may change from time to time
- c. Take responsibility for its business decisions and performance
- d. Build alternative sources of income to reduce dependence on Sport NZ.

HPSNZ

76 A gap has open up between Bike NZ and HPSNZ, where the two organisations are “not on the same page”. Tensions have arisen over funding, strategy and planning.

HPSNZ does not consider it fully understands the risks to the Bike NZ medal target in Rio, while Bike NZ is frustrated about funding uncertainties.

- 77 The differences have occurred primarily because the Bike NZ Board and previous Chief Executive had not been sufficiently engaged on HP, and did not provide the level of governance over-sight required. Much stronger governance understanding and ownership of HP is required.
- 78 The Board of Bike NZ needs to assume accountability for the HP programme. It is recommend that:
- a. A Board committee be established for HP and that the Committee be supplemented with an outside person with recognised HP expertise
 - b. The Board (through the Committee) work with the Bike NZ HP Director and with HPSNZ to develop a shared view on the current direction and execution of the HP programme

Funding and Financial Management

- 79 A critical challenge for Bike NZ is to manage revenue risk while seeking to live within its means. To do this it is recommended that Bike NZ:
- a. Establish HP, CD and Education and Advocacy as profit centres
 - b. Develop HP and Education and Advocacy budgets against contracted income for those services.
 - c. Budget HP and Education and Advocacy management fees to the CD profit centre, which carries corporate and governance costs and carries the residual risk.
 - d. Seek a commitment to a three year bulk funding arrangement from Sport NZ comprising three components:
 - i. Ongoing capability funding (assumed to be \$150,000 per annum)
 - ii. Funding for increasing participation levels (requires a business case to Sport NZ)
 - iii. Transition funding to cover the cost of changing the Bike NZ's business model and cost structure to address the projected \$350,000 annual operating loss (to be quantified and negotiated with Sport NZ)

80 The three year CD revenue forecast might resemble the following estimate:

Revenue Source ¹⁸	2014	2015	2016
Membership	\$ 215,000	\$ █████	\$ █████
Gaming	\$ 500,000	\$ █████	\$ █████
Commercial	\$ 150,000	\$ █████	\$ █████
Sport NZ Capability	\$ 150,000	\$ █████	\$ █████
Sport NZ Participation	TBC	TBC	TBC
Sport NZ Transition	TBC	TBC	TBC
Management Fee	\$ 250,000	\$ █████	\$ █████
Total	\$ 1,265,000	\$ █████	\$ █████

81 There are five revenue areas that need attention to support CD activity:

- a. A plan to maximise membership income (which has remained relatively static over the last 10 years)
- b. A plan to maximise commercial income. This involves reviewing Bike NZ's commercial properties.
- c. A plan to sustain gaming income
- d. Negotiating a three year bulk funding arrangement with Sport NZ
- e. Risk management through building in cost flexibility to meet budgeted revenue shortfalls and/or building up financial reserves.

¹⁸ Assumptions:

Membership	2013 base + 10% growth each year
Gaming	Conservative view based on average of \$600,000 over last 3 years and risk around gaming sector
Commercial	Based on Stephen Connell assumptions in Summary Overview paper of June 2013
Management fee	Current base + growth in contracted Education/Advocacy

A Six Month Plan

82 Sport NZ is proposing to under-write a six month plan for Bike NZ. The following sets out the key elements the recovery plan needs to encompass.

Key Elements

Stabilise the Organisation under Business as Usual

83 Bike NZ is subject to a number of risks:

- Staff uncertainty
- Delivery of the operating plan for 2013
- Implementation of the IT platform
- Moving the organisation to Cambridge
- Stakeholder demands.

84 An interim chief executive is required to ensure Bike NZ manages these risks until such time as a permanent chief executive is appointed.

Agree a Six Month Plan with Sport NZ

85 Sport NZ and Bike NZ agree a six month plan that includes:

- One-off funding to cover transition to a new model
- An agreed role for Sport NZ through the transition to a new model
- A series of performance-based milestones
- A three-year bulk funding arrangement for CD
- Outcome-based KPIs
- An ongoing monitoring process.

Recruit a Chief Executive

86 Appointment of a chief executive is critical to making the necessary changes to Bike NZ. This person needs to be recruited urgently to provide guidance on the design and process of change.

Address the Governance Issues

- 87 The set of recommendations on improving governance should be progressed immediately.

Develop a Business Plan for 2014

- 88 The Business Plan for 2014 needs to reflect the changes proposed for Bike NZ in terms of content and process. It is recommended that Bike NZ embark on the following process:
- Review the 2011 Strategic Plan and set some high level goals for 2014 with Sport NZ
 - Undertake the work described above on CD income and risk management
 - Develop three business unit plans for HP, CD and Community and an overall corporate business plan that together seek to deliver the high level goals for 2014
 - Run workshops with relevant partners on the business unit plans and develop agreements on expectations
 - Develop SLAs with partners
 - Sign off business unit plan, corporate business plan and SLAs by 31 December 2013.

(This timetable may need to be extended in practice)

Develop a New Organisation

- 89 The ODT exercise highlighted serious capability deficiencies. The chief executive with the Board will need to put together a plan to address the capability gaps.
- 90 More significantly, on the face of it, the current organisation structure does not align well with the proposed business structure. The new chief executive will need to consider what capabilities are required and whether to create a new management structure.
- 91 It makes sense to consider this potential set of organisational changes once Bike NZ has consolidated all its operations in Cambridge under "Business as Usual" assumptions and once the new chief executive is in place.
- 92 This approach assumes that Bike NZ has sufficient financial support to manage any changes to staffing levels arising from the 2014 Business Plan.

Engage with Partners

93 Bike NZ needs to engage its stakeholders actively in redefining its purpose and strategy, and to rebuild trust and confidence through setting and meeting expectations. Actions required include:

- Communicating the outcome of the review and the steps Bike NZ will take
- Explaining what Bike NZ is seeking from its partners in the future
- Involving partners in the planning process
- Signing SLAs with partners
- Putting in place active relationship management processes and policies.

Financial

94 Further work is required by Bike NZ with Sport NZ to define the financial transition to the new business model and cost structure. This involves reducing Bike NZ costs 17.5% or around \$350,000 per annum from the beginning of 2014 when the existing organisation relocates to Cambridge. The additional cost for the period of adjustment to a sustainable financial level will need to be funded.

Recommendations

- | | | |
|-------------------------|-----|--|
| Role and Purpose | 1.1 | Confirm Bike NZ's scope/purpose should be broad incorporating all existing and potential cyclists in NZ including high performance, competitive and everyday cyclists (the definition agreed in 2008); |
| Strategy | 2.1 | Agree that Bike NZ adopt a strategy that is based on working with and through its Member Organisations; |
| | 2.2 | Agree to develop its strategy collaboratively with its partners including Sport NZ, HPSNZ and its Member Organisations; |
| | 2.3 | Agree to set targets based on a robust risk assessment of key factors including revenue and capability. |
| | 2.4 | Agree to develop a more robust performance measurement framework; |
| Structure | 3.1 | Agree that Bike NZ's structure will include 3 separate profit centres: <ul style="list-style-type: none">➤ High Performance➤ Cycling Development➤ Education and Advocacy |
| | 3.2 | Agree to establish Board advisory committees for high performance and community with qualified outside experts appointed to them; |
| | 3.3 | Consider an organisation structure that supports clarity of purpose for the three profit centres, while providing the Chief Executive with the support to provide organisation-wide over-sight. |
| Governance | 4.1 | Agree that the role of Chairman is clearly defined as non-executive; |
| | 4.2 | Agree to undertake a review of the Bike NZ Board governance policies and processes; |
| | 4.3 | Agree to hold a facilitated Board workshop following the Board review to develop a shared understanding of how the Board will operate in the future; |
| | 4.4 | Agree to review management reporting to the Board; |
| | 4.5 | Agree that further appointments to the Bike NZ Board will be made only with the agreement of Sport NZ |

- 4.6 Communicate to *stakeholders* the steps the Board is taking to lead the change;
- Management** 5.1 Agree to recruit a Chief Executive based on a search brief agreed between Bike NZ and Sport NZ developed once both the Boards of Bike NZ and Sport NZ have formally agreed to the recommendations in this report;
- Sport NZ Funding** 6.1 Agree that HP funding will continue to be contracted on the current basis, unless Bike NZ and Sport NZ agree to do otherwise;
- 6.2 Agree that Sport NZ will provide Bike NZ with a three year bulk funding agreement for non-HP activities subject to Bike NZ meeting agreed annual targets;
- 6.3 Negotiate the quantum of non-HP funding based on three categories:
2. Capability development
 3. Increasing participation
 4. Transition
- Commercial Income** 7.1 Agree to undertake an immediate review of Bike NZ's commercial properties and opportunities;
- 7.2 Agree not to commit Bike NZ to any new commercial arrangements until the review has been completed;
- Capability Development** 8.1 Consider and adopt the ODT review;
- 8.2 Agree to develop an organisation development plan to address the issues raised in the ODT review once Chief Executive has considered the future of the organisation;
- HP Programme** 9.1 Develop a programme to bring the Board through the HP Committee up to speed with the HP programme;
- 9.2 Invite HPSNZ to work with the HP Committee

Implementation 10.1 Agree to the following sequence of steps to implement the Review decisions:

Step 0	Appoint a transition manager to deliver short term Business as Usual activities.
Step 1	Bike NZ and Sport NZ Boards receive, consider and agree all Review recommendations.
Step 2	<p>Develop and agree Chief Executive Search brief, search process and further Board member appointments</p> <p>Agree key terms of 3 year Sport NZ bulk-funding arrangement</p> <p>Undertake a review of Bike NZ's commercial properties</p> <p>Develop terms of reference for Board Advisory Committees and identify potential expert members</p> <p>Develop 2014 business planning process and timetable and key assumptions</p>
Step 3	<p>Undertake governance development work</p> <p>Develop 2014 business plan</p> <p>Appoint Chief Executive, new Board members and expert Board Committee members</p>
Step 4	Chief Executive reviews organisation

10.2 Agree that Bike NZ will not act independently from Sport NZ in implementing the Review decisions;

10.3 Agree to retain the Bike Review Steering Committee comprising Peter Miskimmin (Sport NZ, Chair), Dave Adams (Sport NZ) and Richard Leggat (Bike NZ) to over-see all implementation activity.