

James Cook Hotel Grand Chancellor, 147 The Terrace, Wellington Central, 10.30am



[General introductory remarks]



The genesis of this presentation is a growing concern that not-for-profit community sport organisations are under increasing stress arising from what could be described as a “perfect storm” of unavoidable circumstances, which is affecting their short and long-term viability.

Among other measures, evidence of this can be seen in the rate of voluntary and involuntary incorporated society dissolutions periodically gazetted by the Registrar of Incorporated Societies. Year to date, 185 incorporated community sport organisations have been dissolved, at the rate of around 20 a month. For the 24-month period from 1 January 2022 to 31 December 2023, the number was over 900.

There are many causes for dissolution, including governance failure, organisation mergers (or reconstitutions), or a deliberate decision to cease operations permanently. Irrespective of the cause, given the important role that incorporated not-for-profit community sport organisations play in binding New Zealand communities together, the decrease in their number should be a “canary in the coal mine” warning to Government and social agencies of the potential loss of important social capital in our communities.

Among the factors contributing to this unstable and highly charged atmosphere are: legislative and regulatory reforms, (relating to both incorporated societies and charities); changing social preferences for participating in sport, (where, for example, fewer pay for traditional club memberships); reduced sources of community (or grant) funding; ballooning non-tradeable inflation costs, (affecting rates, property insurances and utilities) which are drastically increasing the operational overheads of local community clubs; and a weak economy, (where Statistics New Zealand data shows gross domestic product, adjusted for inflation and population growth, being flat or in decline for seven consecutive quarters, an economic phenomenon which was last seen during the Global Financial Crisis).

Individually, these factors are increasing compliance and operational headaches (or perhaps more accurately, inducing severe migraines!) for sport administrators and their teams of community volunteers. More specifically, the combination of these factors has resulted in less cash (in nominal or real terms) for discretionary household consumption, (including for sporting activities), which is in turn creating financial stress for clubs delivering sport to local communities, who are increasingly reliant (in many cases) on a diminishing pool of volunteers (to fill essential governance and administrative roles), and fewer financial members (who are necessary to keep the lights on).

Today's presentation does not intend to solve the existential problems now facing these very important community entities, but it does intend to shine a light on factors which I believe should be front-and-centre for every not-for-profit community organisation operating in the sporting sector, or in other sectors where the organisational objective is to nurture and grow community social capital.

I hope that at the conclusion of this presentation (in which I will use the terms “amateur”, “community” and “not-for-profit” interchangeably), you are equipped with “a new mental model” which will assist you in considering and measuring organisational health, ensuring that the social capital you are responsible for in your community, which is essential for a healthy, well-functioning society, continues to grow.



To begin, I would like to share a little information with you about the history and purpose of the New Zealand Amateur Sport Association Incorporated, which was formed in April 2017.

I should initially point out that 2017 is not the first time that an Association for amateur sport has existed in Australasia, as a century ago amateurism and professionalism in sport had a remarkably adversarial relationship.

In 1908, the Australian Amateur Sporting Federation was formed on the basis of separating athletes into two specific non-associated groups, with an “amateur” defined as “one who never competed for money, whether in the form of a prize, stake, bet, or declared wager, or knowingly competed against a professional, or taught, pursued, assisted, or practised any athletic exercise as a means of livelihood, or for pecuniary gain.”

The New Zealand Amateur Sports Federation was subsequently formed in 1913, observing that “the difference between a professional and an amateur was that one entered into sport for the pleasure of the game, and the other was there to get what he could get out of it.”

The formation of the New Zealand Amateur Sport Association as an incorporated society seven and half years ago has not renewed that historical debate, given that amateurism and professionalism now co-exist across a large number of sporting codes enjoyed by New Zealanders. Rather, in the current era, the concept of an association to represent the interests of amateur sports people has become increasingly important, with a number of organisations globally, now specifically championing amateur interests.

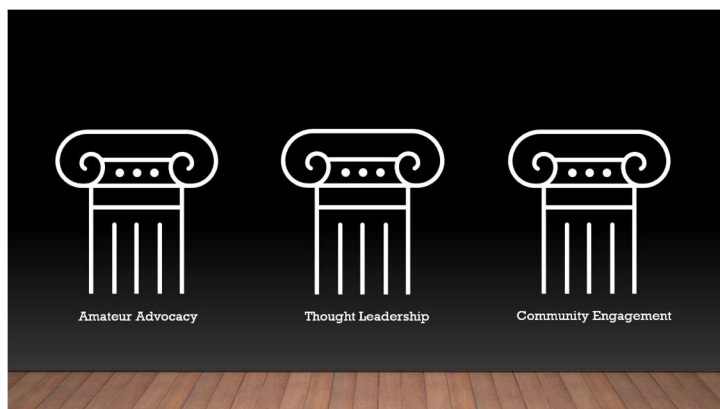
In part, the contemporary co-existence of amateur and professional sport is supported by a collaborative view that amateurs and professionals in any sport are mutually dependant and receive reciprocal benefits, with the grassroots being watered by the financial success of a professional sporting franchise’s profits, while amateur clubs serve as a conveyor-belt to securing new professional talent, which in turn feeds professional franchise profitability.

However, there are also less collaborative views that the deeper reach of professionalism into the amateur game is reducing community participation, as some community participants sense that “the Corinthian spirit” (described as “the highest standard of sportsmanship”), has been all but exorcised from sport.

Bearing the above in mind, the New Zealand Amateur Sport Association was formed:

- to advocate, promote and support the role of amateur sporting clubs in fostering the growth of vibrant New Zealand communities;

- to ensure the status, rights and well-being of youth considering professional sporting careers are well considered and represented; and
- to encourage all professional sporting codes to maintain appropriate and distinct development pathways, incentives, and recognition for their amateur participants.



Today, the activity of the Association is based around three strategic pillars, being: firstly, “amateur advocacy”, (i.e., being an independent voice for amateur participants); secondly, “thought leadership” (i.e., bringing new ideas and insights concerning the role of amateur participants to the attention of sport’s national stakeholders); and thirdly, “community engagement”, (i.e., working alongside amateur participants to support their key role in creating social capital).

In terms of the first pillar, (by way of example), since 2019 the Association has been an active lobbyist with Government for the easing of the regulatory obligations applying to volunteer-led community not-for-profit sport organisations, to ensure that the law and associated regulations are fit-for-purpose.

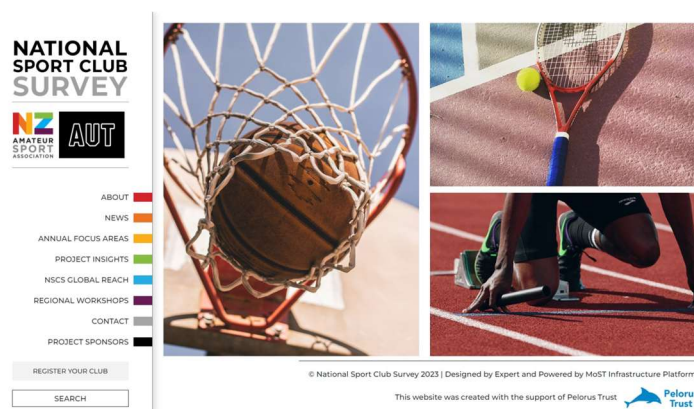
What we have found is that legislation created from a top-down perspective (which is suitable for the well-resourced “big end of town”) can have unintended consequences for less well-resourced grassroots organisations, where the compliance burden is more keenly felt, (and less expertly managed).

This advocacy activity has developed into a specific focus on simplifying the compliance requirements for “small societies” under the Incorporated Societies Act 2022 and Incorporated Societies Regulations 2023, and we are hopeful of some legislative and regulatory reform in coming months. At present, the Association is preparing a submission on Part 20 of the Statutes Amendment Bill to Parliament’s Governance and Administrative Committee, recommending 22 further amendments to the Act.

Also recently, our focus has turned to the draft Code of Integrity for Sport and Recreation, which is being created under the Integrity Sport and Recreation Act 2023, and the potential unintended consequences its adoption by grassroots sport organisations may create.

We have made a submission on the exposure draft recently circulated by the Sport Integrity Commission, recommending four in-principle amendments to the draft Code and one amendment to the Integrity Sport and Recreation Act.

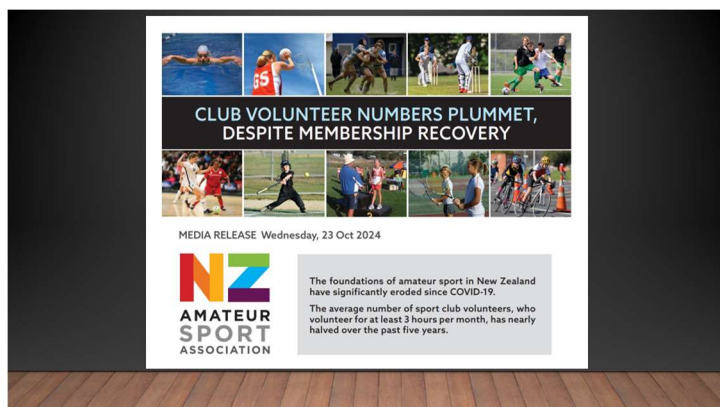
If you would like further information concerning the Association's submissions on these important legislative and regulatory elements, please contact office@asa.org.nz.



In terms of the second pillar, the Association (in close partnership with the School of Sport and Recreation at AUT in Auckland), created the National Sport Club Survey in 2018. The survey is unique in the global landscape of sport sector insights, in so far as it is annual, at a national level, and not sport specific. We are aware of only two other similar surveys which are being conducted globally.

2024 was the seventh year of the National Sport Club Survey, which canvasses around 7,000 community sport organisations, across New Zealand's 16 regions, with around 900 clubs participating in this year's survey, representing (based on average club size) 180,000 people involved in the delivery of sport to local communities. Five years on from the onset of COVID-19, this year's survey provided a timely and highly insightful snapshot of how well community sport clubs have rebounded from the challenges New Zealanders faced in that era, compared to pre-pandemic times in 2019.

In 2024, we can report that the size of New Zealand's sport clubs has recovered to slightly surpass pre-pandemic levels, with the average membership of clubs now over 200, compared to 190 in 2019. While the average size of bowls clubs is about the same, there are fewer members (on average) of swimming clubs today compared to five years ago, while the average membership of golf clubs has grown.



Despite a more upbeat membership metric in this year's survey, the proportion of clubs reporting they are now losing money compared to 2019 has nearly doubled, clearly reflecting New Zealand's post-pandemic economic environment, with fewer clubs reporting a surplus in 2024 and around the same number of clubs reporting that they are managing to break even.

Of more specific concern, the average number of club volunteers, who volunteer for at least 3 hours per month, has nearly halved from 31 to 18 over the past five years, representing one of the biggest changes in sport club operating metrics. Sport codes particularly negatively affected include athletics, football and rugby union.

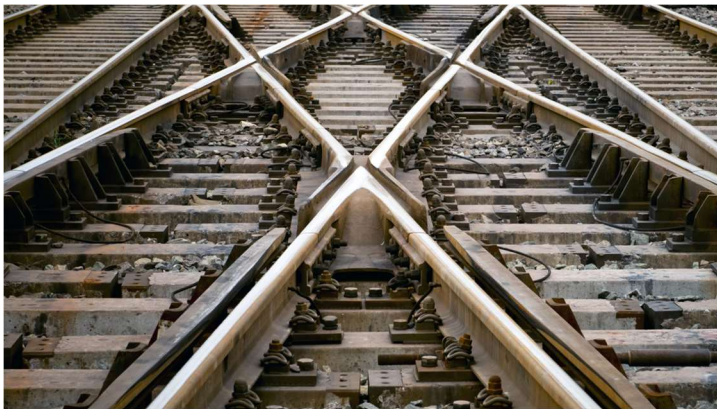
This is major and disturbing trend. Our national sport infrastructure, which relies on the delivery of sport through not-for-profit community clubs, cannot survive without volunteers, who are coaches, managers and administrators. Contributing causes to the decline will include increased unavailability of volunteers owing to employment and other economic pressures, the deterrent effect of not-fit-for-purpose compliance and regulation and the disengagement of older volunteers over the COVID lockdowns. We believe Government, employers and NSOs have a collective responsibility to arrest and reverse this trend.

More information about the survey can be found at www.nscs.org.nz.



In terms of the third pillar, the Association continues to have a specific focus on ensuring that local authority sport facilities remain accessible and affordable to everyone in the community, as well as providing pro bono support for clubs, on an ongoing basis, to assist them in understanding their regulatory obligations, (including for income tax, organisational liability, and statutory registrations).

And so, with all of that background in mind, I would now like to turn to the focus of this presentation which is, “Why ROI Matters for NFPs.”



The intersection between business and sport is well understood by most people, particularly where sport has a specific commercial objective, (or objectives).

In the world of amateur sport, many business concepts also have a degree of relevant application, particularly when considering how to ensure a not-for-profit community sport organisation remains attractive to prospective and existing members, financially viable and legally compliant. A well-run not-for-profit sport organisation will naturally embrace good business practices as part of its overall goals and day-to-day operations.

So, what I would like to share with you today is a new way of thinking about those goals and objectives, using the traditional business rubric of “ROI,” in a completely different way.

The concept of “return on investment” (or ROI) is one which is often heard in the business world. In the world of professional sport, the term carries its traditional meaning which is that if a sport franchise wants to invest money into a project or product, then by doing so it should generate income, or reduce costs, with the objective of financially benefiting the franchise (and specifically the owners of that franchise) over time.

While a challenge in New Zealand for various reasons, owners of professional with-profit sport franchises expect their business operations to generate a profit.



For those not familiar with the business concept of ROI, it was created when a young electrical engineering graduate from the United States of America by the name of Frank Donaldson Brown joined DuPont (the multi-national chemicals company) in 1908 as a sales representative in the “Explosives Department”.

Brown is said to have had “a bright mind and good instincts,” which enabled him to complete his college degree at the age of 17. Following graduate work at Cornell University, he went into electric motor sales for General Electric until his cousin helped him to get a job at DuPont, selling explosives.

In 1914, he authored a report on the performance and accomplishments of several DuPont organisational departments that impressed Coleman duPont, the company’s president. In particular, as the Assistant Treasurer of the company, Brown developed a formula for monitoring business performance that combined earnings, working capital, and investment in plant and property into a single measure that he termed “return on investment.”

It later became known in academic and financial circles as “the DuPont Method” (or Model) for Return on Investment, or “ROI.” This new measure became widely taught in business schools and adopted by many companies as a means of benchmarking the financial health of their products and businesses.



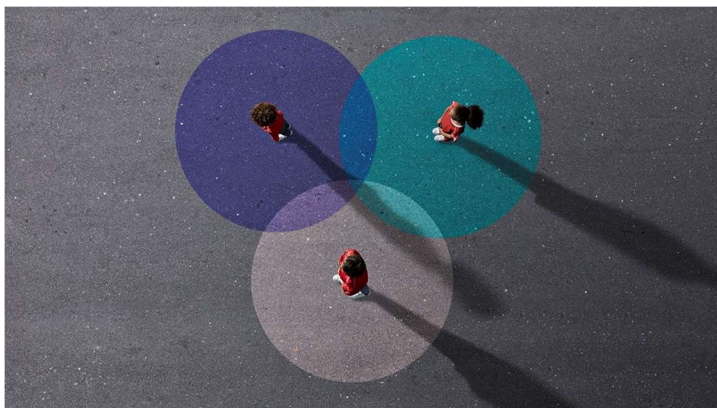
However, if we were to take the DuPont Method and apply it to a community not-for-profit organisation, it would not make much sense, in that such an organisation is not expected to generate financial returns. In fact, its status as not-for-profit would be at grave risk if it did.

Moreover, the act of investing in a community not-for-profit organisation does not typically involve significant financial capital, (although of course from time to time such an organisation may need to invest in buildings, infrastructure, or necessary equipment in support of its purposes).

Conversely, community not-for-profit organisations require significant human capital to operate effectively, while also requiring the financial support of members, sponsors, and donors to make ends meet. (In highlighting this key difference, I also acknowledge that the concept of managing scarce resources to an agreed budget is common to both “with-profit” and “non-profit” organisations).

So, if we were to refer to “ROI”, in the context of a community not-for-profit organisation, we are unlikely to be able to calculate the “return on the investment of that human capital” in the traditional way as conceived by Frank Donaldson Brown, 110 years ago.

While we would still need to measure in some way how that human capital creates value for an organisation, we would have to place less emphasis on the role of financial markets and financial instruments in the value creation process, and more emphasis on the factors which are critical for not-for-profit performance.



With this thought in mind, an alternative might be to consider “ROI” using a revised methodology, comprising three distinct factors which (in combination) directly influence the ability of a community not-for-profit organisation to prosper, namely:

- “Volunteers,” (being any person who is willing to contribute to an organisation’s purposes without financial compensation);

- “Financial members,” (being those willing to pay a subscription or fee in order to have the opportunity to participate in the activities and resources of an organisation); and
- “Active sponsors and donors,” (who are willing to contribute financially for the halo-effect of their brand being associated with the purpose of an organisation, or in the case of a philanthropist, where the inherent values of an organisation mirror their own).

In my opinion, taken together, “volunteers,” “financial members” and “active sponsors and donors” are collectively responsible for the growth, vibrancy, and ongoing viability of a not-for-profit community organisation, optimising its human capital to create organisational health, longevity, and social capital in the community.

To illustrate this more fully, I will now narrow my focus to one particular not-for-profit sector, being community (amateur) sport and begin by looking at the importance of these three factors which are crucial for optimal organisational performance.

Firstly, volunteers.



Based on its research¹, the New Zealand Amateur Sport Association estimates that the average annual value of unpaid volunteer hours to an incorporated not-for-profit community sport club is \$122,000.

With around 7,500 community sport clubs in New Zealand, representing over eighty different sporting codes, the total unpaid value of sport delivery by volunteers through clubs to local communities is therefore estimated to be nearly \$1 billion per annum.

This value estimate is based on three specific data points.

¹ <https://www.asa.org.nz/news/blog/1-billion-of-sport-service-in-jeopardy>

Firstly, in 2018, Statistics New Zealand estimated there were 139,400 volunteers contributing to the “culture, sport and recreation” sector in New Zealand², who each contributed (on average) a total of fifteen unpaid hours monthly, (or 180 hours per annum).

Secondly, using Australian Bureau of Statistics 2021 figures³, the estimated value of a volunteer hour of labour is A\$47, (or NZ\$52)⁴.

We can therefore estimate that the total value of voluntary labour in the “culture, sport and recreation sector” (based on the volunteer hours worked in New Zealand in 2018), is nearly \$1.3 billion per annum.

Thirdly, assuming most volunteers in the "culture, sport and recreation sector" provide service to entities registered as incorporated societies, the value contributed to each entity (estimated by the Companies Office to be 10,500 in total), is therefore \$122,000 annually.

Given that the work of volunteers creates tangible value in delivering sport to local communities throughout New Zealand and noting that recent research highlights that that around 20% of volunteers don't intend to volunteer long-term⁵, (and referring to the alarming results of the 2024 National Sport Club Survey), it is therefore essential that volunteer numbers are sustained (and ideally grown) over time, and that the value of their contribution is not undervalued or underestimated.



Secondly, financial members.

The National Sport Club Survey 2024 reveals that, on average, sport club membership is stable relative to five years ago, pre COVID, (having fallen 12%, during the lockdown period).

² <https://www.stats.govt.nz/>

³ <https://www.abs.gov.au/>

⁴ as at 11 October 2024

⁵ State of Volunteering in Aotearoa New Zealand Report 2022

In general, club membership fluctuates in response to underlying economic and social conditions, and the popularity (or not) of different sports in different social cycles, noting that over time there can be significant differences in the nature and type of sporting activities enjoyed by people. By way of example, if we were to look back 100 years to 1924, its interesting to see how the sporting interests of Kiwis have changed, compared to today.

The first voluntary New Zealand census of sport was undertaken under the supervision of the then Government Statistician, Malcolm Fraser in 1924 and collected the number of district or local governing bodies affiliated to national sporting organisations; the number of clubs and active club members; and the number of members belonging to school clubs or teams.

The Government's intention was to gain "valuable information," "as to how young people employ their leisure time in pursuing healthful sport", mirroring similar initiatives undertaken in Europe in the years following World War 1.

The results of the inaugural survey, undertaken in early 1924, revealed that the top five most popular sports in New Zealand were: rugby union with 40,000 active players and 670 clubs; followed by lawn tennis with 19,967 players and 302 clubs; horse racing (in all forms) had 193 clubs and 16,967 members; lawn bowls had 269 clubs and 13,943 members; and golf recorded 9,115 players and ninety-six clubs.

Fast forward one hundred years to today and the number of rugby union clubs has fallen by nearly a quarter, the number of lawn tennis clubs has halved (as have the number of racing clubs). However, the number of bowling clubs has flourished, (there are 196 more than 100 years ago), and the numbers playing golf have increased from 9,000 to 143,000 (which far surpasses the rate of population growth over the past century).

Having club members who contribute financially, (that is, those who are able and willing to pay an annual subscription) is crucially important to a not-for-profit community sport organisation, with subscriptions typically contributing to the fixed costs of maintaining and operating the basic infrastructure of the organisation, (for example, utilities, property maintenance, insurances and the necessary equipment to participate).

To this end, financial members (being principally those who pay to become a member of the entity, rather than pay to participate in a specific event organised by that entity), ensure that the operational heart of a local sport club continues to beat in a healthy cadence, rather than being at risk of experiencing cardiac arrest.

But for many New Zealand families (and community sport participants generally), the cost of sport participation is becoming unaffordable.

In particular, families with children who may participate in multiple sports across different seasons are feeling the financial squeeze more acutely, with some no longer able to pay, or forced to reduce their participation.

By way of example, one hundred years ago in New Zealand, the annual sport club membership fee for a boy aged under sixteen to play football was two shillings and sixpence, (or about the price of a dozen eggs today). Even allowing for inflation over a century, that membership fee would only be around one-tenth of the average membership fee being charged to the same child by a football club today.

And even though median household income in New Zealand has doubled over the same period, the relative cost of participation for children in community sport has increased exponentially, meaning that community sport participation has become less affordable.

Maintaining and growing financial members is essential for maintaining a club's infrastructure, as an enabler for volunteers to deliver sport to the community, as well ensuring that there are sufficient rainy-day funds available when needed.



Thirdly, active sponsors and donors.

The importance of active sponsors and donors to offset reducing sources of community grant funding has never been as important, as it is today. By way of example, dozens of councils around New Zealand including Porirua, Wellington, Auckland, Gisborne, and Christchurch, have adopted a “sinking lid policy” for pokie machines in licensed premises, (which distribute around 40% of their “profits” as community grants).

This policy means that the number of machines (and their association funding) will gradually decrease over time.

Many incorporated community sport organisations rely on pokie funding to make ends meet.

Since a peak in 2003 (according to statistics from the Department of Internal Affairs⁶), the number of “class 4 gambling machines”, (being the official name for “pokies”) has fallen dramatically by 41%, (meaning that there are 10,500 fewer machines in the community).

This source of community sport funding will progressively become harder to obtain with organisations needing to adapt accordingly by considering other funding sources. Moreover, current Government plans to legalise online casinos won’t include compelling their operators to make charitable grants – making it the first type of gambling in New Zealand that won’t give funds to community causes, such as amateur sport.

As one alternative, not-for-profit community sport organisations may start to seek philanthropic financial support which may be available to entities which have clear charitable purposes and where the organisation is delivering measurable social good.

It is interesting to observe that an increasing number of incorporated amateur sport organisations are now also registering as charities.

Charities Services⁷ reports that around 7,000 incorporated societies (a third of the total number of incorporated societies) are also registered as charities. By way of comparison, the 2024 National Sport Club Survey revealed that only 11% of survey respondents were registered as charities. (It will be interesting to see how this statistic changes over time).

Overall, with an increased focus on environmental, social, and good governance (or ESG) principles, funding from sources considered “socially responsible” will become increasingly important, meaning that not-for-profit community sport organisations will need to proactively adopt policies which align with the attributes of the sponsors or donors who are prepared to support them.

So, a reminder of our three key factors which feed into our revised ROI model: firstly, “volunteers;” secondly, “financial members,” and thirdly, “sponsors and donors.”

Across all three factors, as a general objective, not-for-profit community sport organisations should be seeking sustainable growth over time. With that thought in mind, I will now address each of these factors in turn by asking (and suggesting an answer to) three key questions.

1. What will bring more volunteers to a not-for-profit community organisation?

⁶ <https://www.dia.govt.nz/gambling-statistics>

⁷ <https://www.charities.govt.nz/>



Fundamentally, recognition is key.

There are three principles of effective volunteer recognition: firstly, ensuring that recognition is an ongoing and integral part of an organisation’s volunteer management process (assuming that one exists!); secondly, understanding that recognition can be formal or informal and given on more than one occasion; and thirdly, ensuring that recognition is meaningful to the person being acknowledged and is given in a timely manner.

It has been suggested that sometimes "recognition" is confused with "appreciation." They are not necessarily the same thing, and do not always go together. “Recognition” means that volunteers will feel that their efforts make a real contribution, (for example, where their constructive feedback is adopted by the organisation in its policies and procedures).

Or, put another way, you can say “thank you” a million times, but if volunteers sense their efforts are not truly valued, their level of organisational engagement may diminish over time.

“Recognition” of volunteers therefore becomes the **“R”** of our revised ROI equation.

2. What will increase financial members, or members who are willing to pay a fee?



I believe the answer to that question is “opportunity,” which aligns with the needs of existing and potential members of the organisation.

People will generally be prepared to pay in order to receive something of value in return, which may be a tangible benefit (for example an opportunity to develop new skills, experience, and friendships), or an intangible benefit (such as emotional connection and support within a community of like-minded people).

When it comes to sport, “the love of the game” combined with the brand values associated with the organisation delivering it (and the perceived status of that organisation in the community), are most likely to attract financial members.

One study⁸ undertaken found that successful brands (in which we can include those associated with community sport), exhibit three markers of “community”: firstly, “shared consciousness;” secondly, “rituals and traditions;” and thirdly a “sense of moral responsibility.”

Successful community sport clubs are likely to exhibit these traits to prospective and existing financial members by offering membership within a community of people who share an interest in a particular sport, and who enjoy the history of the sport and the role of the club in providing that sport to their community. Importantly, membership will be positioned as being necessary to preserve these traits, highlighting the personal benefits of doing so, (such as a sense of investment in and ownership of a valuable community asset).

This is something the professional sport franchises find more challenging to provide, given their “experience of membership” is generally confined to specific gladiatorial events which are often outside a member’s immediate, physical community. In this regard, amateur club communities can be said to offer a richer experience of belonging, with clubs often providing ancillary services and activities which extend beyond the “on-field” (or “on court”) sporting experience.

Many clubs have rituals and traditions based on religious, ethnic, or geographic histories, which transcend the actual sport for which they were formed.

“Opportunities” to be part of a community with shared interests and values therefore becomes the **“O”** of our revised ROI equation.

3. What will increase active sponsors and donors?

⁸ Journal of Consumer Research, Vol. 27, No. 4 (March 2001), pp. 412-432



The United States 2022 Giving Experience Study⁹ was designed to capture the evolving expectations, “generosity motivators”, giving patterns, and future intentions of over 1,000 social donors. 59% percent of donors indicated that “trust” is the most important factor when donating, closely followed by (equally at 58%) “connection”, “ease”, and “immediacy”.

Bearing this in mind, donors will be incentivised to donate if they perceive there is a clear alignment of purpose with the donee, and if they trust that the donee organisation that receives their funds will “do the right thing,” (i.e., use the money wisely in accordance with the donee’s goals and objectives).

Sponsors are similarly incentivised to support community organisations (sporting or otherwise) where their brand association is considered to be “low-risk,” and the social dividend through that association is considered to be “high-reward.”

A recent (June 2024) survey also undertaken in the United States reveals that the percentage of consumers who said they would buy from companies sponsoring a sport or sports organisation with which they were aligned, has grown significantly from 59% to 66%¹⁰.

Demonstrating how a club positively contributes to the community and builds social equity through its activities, therefore incentivises “donors to give” and “sponsors to spend.”

“Incentives” which are based on the demonstrated positive impact to the community of a not-for-profit community sport organisation, become the **“I”** of our revised ROI equation.

“ROI” in a not-for-profit organisational framework therefore becomes “recognition,” “opportunities” and “incentives,” which if appropriately aligned and measurable can together indicate whether or not a not-for-profit, or volunteer-led community sport organisation is “flourishing,” “withering,” or simply in need of a “decent pruning.”

⁹ <https://www.onecause.com/ebook/the-2022-giving-experience-study/>

¹⁰ <https://elevent.co/willingness-to-engage-with-sponsors-a-new-measure-to-predict-effectiveness/>



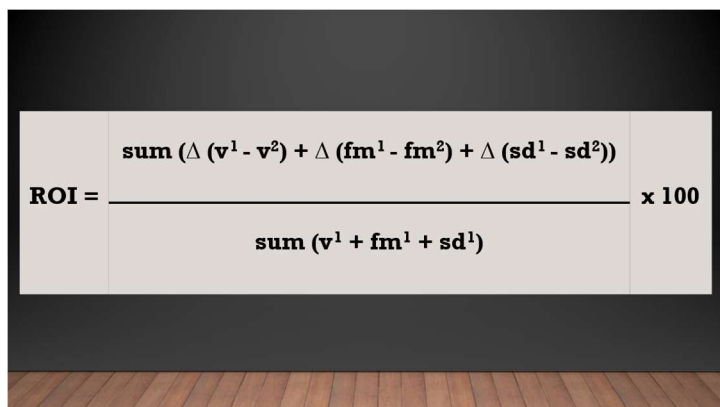
To demonstrate this novel concept of ROI, I have selected a not-for-profit community sport organisation with which I have a considerable knowledge of, interest in, and affiliation with, namely “the Wellington Rugby Referees Association Incorporated,” an incorporated society, which is also registered as a charity.

A Referee’s Association for rugby union has operated here in the Wellington rugby province for over 130 years. I have been an active referee for thirty of those years, have refereed over one hundred premier rugby union fixtures, and I am a Past President of the Association and have served on its Executive for a number of years.



With the permission of the Association and using its Annual Reports over the past 10 years, (2013 to 2023), I’ve tabulated the year-on-year change in the number of Association volunteers, (principally referees and referee coaches), the number of financial members, (i.e., those who paid a membership subscription in each year), and the number of active sponsors and donors, (irrespective of the amount of sponsorship given or donations made).

Having established baseline figures in 2013 for each of these three variables, I have then calculated an ROI figure for each subsequent year, being the year-on-year difference in the sum of the three ROI contributing factors (i.e., “volunteers”, “financial members” and “active sponsors and donors”), expressed as a percentage of the prior year’s total.



The image shows a presentation slide with a dark background and a light-colored rectangular area containing the ROI equation. The equation is:
$$\text{ROI} = \frac{\text{sum } (\Delta (v^1 - v^2) + \Delta (fm^1 - fm^2) + \Delta (sd^1 - sd^2))}{\text{sum } (v^1 + fm^1 + sd^1)} \times 100$$

The simple ROI equation (where “v” refers to volunteers, “fm” refers to financial members and “sd” refers to sponsors and donors), is as shown on this slide:

$$\text{ROI} = \frac{\text{sum } (\Delta (v^1 - v^2) + \Delta (fm^1 - fm^2) + \Delta (sd^1 - sd^2))}{\text{sum } (v^1 + fm^1 + sd^1)} \times 100$$

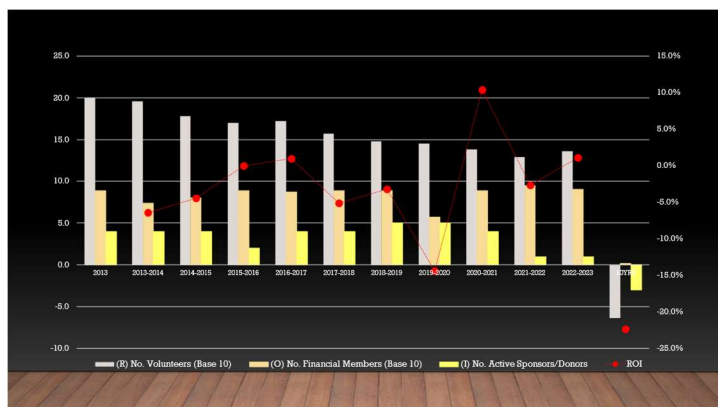
(where x^1 is the prior reporting year, and x^2 is the current reporting year)

For the purposes of my example, each of the three factors are equally weighted, that is any change in the number of volunteers, financial members and sponsors and donors is considered to be equally important to the Association.

In other words, the loss (or gain) of a volunteer is considered (for the purposes of this example) to be as equally important to the Wellington Rugby Referee’s Association, as the loss (or gain) of a financial member, or the loss (or gain) of a sponsor or donor.

Of course, some organisations might assign different weightings to each factor, (based on their perceived relative importance of each factor to the viability and operational effectiveness of their organisation as whole), while others may consider all factors to be of equal importance, (as in this example).

For the purposes of showing the output of this calculation visually on this chart, the number of volunteers and financial members is expressed in base-10 format, (i.e., the actual numbers are divided by ten to ensure the chart can be more easily interpreted, relative to the lower number of active sponsors and donors).



For the purposes of showing the output of this calculation visually on this chart, the number of volunteers and financial members is expressed in base-10 format, (i.e., the actual numbers are divided by ten to ensure the chart can be more easily interpreted, relative to the lower number of active sponsors and donors).

The principal findings from this analysis, which feed into the ROI calculation for each year, (and for the ten-year period) are as follows:

- a. firstly, the number of volunteers has fallen at a steady rate over the past decade (from 200 in 2013, to 136 in 2023), with a slight stabilisation in the 2022-2023 financial year;
- b. secondly, the number of Association financial members has remained relatively stable (from 89 in 2013, to 90 in 2023); and
- c. thirdly, the number of active sponsors has fallen by 75% over the past decade, (down 80% since a peak immediately pre-COVID).

Taken in aggregate, the calculated ROI figure for the Wellington Rugby Referees Association has fallen (relative to the prior year) in six of the 10 years measured, with no change in 2015-16, and only a slight increase in 2016-17.

As expected (owing to the community lockdowns in place at that time), there was a material drop in ROI during COVID (2019-20), and then an equivalent rebound in 2020-21.

Observing the overall trend, the data provides a catalyst for the Wellington Rugby Referees Association to consider the proximate causes underlying this trend and consider strategies to mitigate them.

On face value, the Association has struggled to retain volunteers, while being able to sustain a core of financial members, with third party sponsors and donors becoming scarcer.

This is probably not an uncommon picture for many not-for-profit sporting organisations in New Zealand in 2024, given the challenging economic conditions.

Overall, the factor with the most significant impact on the ROI calculation for the Wellington Rugby Referee’s Association is the number of Association volunteers, with the fall in active sponsors (while not critical to the operation of the Association), a sign that there is less funding available for supporting not-for-profit community organisations, reflecting the current economic climate.

Recognising this, the Association has in the past 12 months instituted a new recognition programme for volunteers who are active referees, which includes new “recognition coins” for members that have been in the “Top 10” for the greatest number of appointments over the preceding two seasons, and the awarding of Association blazers after 50 (rather than 100) premier games.

These measures specifically focus on the “recognition” attribute of the overall ROI calculation and based on anecdotal member feedback; they are having a positive impact.

In addition, the Association has instituted an annual survey of members and volunteers, which proactively seeks feedback on their experiences. Earlier, the Association decided to register as a charity (becoming a donee organisation for income tax purposes), to enable cash donors (who donate \$5 or more) to claim donation tax credits, although a structured campaign to attract donors has not yet been fully formed.

So, what can volunteer-led incorporated community sport organisations, (or other not-for-profit organisations) do, to implement ROI to their governance framework?



I suggest that there are five steps to “jump-start” the ROI journey.

1. At Committee level, discuss the relevance of ROI for your organisation.

- The best way to approach this discussion is strategically, for example, as part of your organisation’s annual planning, perhaps following your Annual General Meeting.
 - Adoption of the ROI measure could be for the purposes of the Committee solely to determine how effectively it is meeting the organisation’s goals, or it could form part of the more comprehensive annual reporting framework to the wider membership.
 - A key question to consider as part of this evaluation (with reference to the next step I will refer to) is whether or not the organisation’s goals can be easily aligned with the three ROI factors.
2. Consider relevant metrics for determining ROI, based on available data.
- Generally, helpful information about your organisation will be gathered for the purposes of regulatory reporting if it is an incorporated society or registered as a charity. This is the most likely source of data, which can be captured and used for measurement purposes on an annual basis.
 - The key is to ensure that the data is consistently collected.
3. Establish a benchmark from which to measure progress going forward.
- The most appropriate benchmark is likely to be the point at which your annual ROI measurement will start, with subsequent annual updates able to show an improvement or deterioration relative to that moment in time.
 - It could be helpful, if your organisation is part of a wider group, (for example, there are thirty-eight clubs in the New Zealand Marist Rugby Federation), which (owing to a common heritage and organisational purpose) might be willing to share data to establish a regional or national benchmark, (which would enable the question “how well is our organisation doing relative to our peers?” to be answered).
4. Undertake an initial analysis of where your ROI focus should apply.
- This means individually considering each of the three ROI factors and considering where the limited resources of the organisation should be applied to achieve the greatest impact overall to the well-being of the organisation.

- As part of this process, you may consider different weightings for each ROI factor, where there is an agreed view of the relative importance of each to the overall health of the organisation.
5. Add ROI actions/plans to the organisation’s annual programme, which are SMART (specific, measurable, achievable, relevant, and time-bound).
- For example, reviewing your organisation’s current processes and procedures for acknowledging volunteers will encourage their retention and potentially attract other members of the community in support.
 - And where people can see an organisation “doing good” for the community in a way which corresponds to their personal values, they are more likely to lend a hand. Recognising that potential requires careful consideration and deliberate action.
 - When it comes to “opportunities,” how embedded is your organisation in the local community? Does it participate in community forums and events which are not specifically focused on its singular purpose?
 - Does it enable people from all parts of the community to be involved in its activities?
 - Does it acknowledge the different aspirations of members? And are there flexible ways of financially supporting the organisation, acknowledging people’s differing financial circumstances?
 - And when considering the nature of your relationships with potential sponsors and donors, is the general approach seeking a “hand out,” or offering a “hand up”?
 - What can you offer a philanthropist to warrant their support?
 - What facilities or resources do you have that might support a charitable need in exchange for financial support? And always remember that there is a key difference in approach between “seeking sponsorship” and “asking for a donation.”

In conclusion, I’d like to finish with a quote from Frank Donaldson Brown whose original thesis on the concept of “return on investment” as a means to create financial value for business owners with capital at risk, has been reconfigured for the purpose of this presentation, to focus on the social value created for communities through the existence of sustainable not-for-profit organisations.



When reflecting on the challenges of industrialisation in the 1920's, Donaldson remarked that, **“flexibility is a prime requisite, so that there may be a quick response, and thus the possibility of adjustment throughout the system to the requirements of changes of situation that are inevitable.”**¹¹

When we think of the environment in which not-for-profit community sport organisations (or other not-for-profits) operate in in the 2020's, Donaldson's words also ring true.

The environment in which amateur community sport operates today is dynamic, with increasing stresses on the principal pillars (as discussed in this presentation) which support the delivery of sport to local communities.

Through the right mix of “recognition”, “opportunities” and “incentives”, and with a focus on the importance of these factors on their long-term sustainability, not-for-profit organisations can have greater confidence that their activities (and the limited resources available to support those activities) will result in organisational longevity, which in turn results in ongoing positive contribution to the growth of social capital in their local communities.

Thank you.



¹¹ Donaldson Brown (1885-1965): The power of an individual and his ideas over time (Flesher, Previts)