

PERCEPTIONS OF 'GOOD GOVERNANCE' IN NEW ZEALAND NON-PROFIT ORGANISATIONS¹

Dr Ljiljana Erakovic, Department of Management and International Business, The University of Auckland Business School, and Dr Judith McMorland, Department of Management and International Business, The University of Auckland Business School, and Director of CO-LEARNZ Ltd

ABSTRACT

This study seeks to ground our understanding of governance issues in the context of New Zealand non-profit organisations (NPOs). In the first stage of the research, we distributed questionnaires to 200 NPOs with governance bodies. The main purpose of the survey was to find out how NPOs themselves define 'good governance', and what views their boards of trustees use to determine their roles, responsibilities, work and accountabilities. In the second stage of the study, we conducted case-study research of a number of self-selected NPOs in order to obtain in-depth insights into the significant issues identified in the survey. This paper reports the survey results and discusses some insights from the case studies.

KEYWORDS: non-profit organisations; good governance; board of trustees; New Zealand

INTRODUCTION

Non-profit/non-government organisations (NPOs) make significant contributions to many spheres of New Zealand society and economy. These organisations provide important services to various sectors such as health and education, and employ and engage a considerable number of people in their activities. Many of them play major advocacy roles in a variety of societal and environmental issues, and many attract extensive funding from philanthropic institutions, individuals and governmental agencies. Their effectiveness and efficiency largely depends on the people who are directly involved in guarding their mission, setting organisational policies, monitoring their operations, engaging in their mission activities and 'opening doors' for new funders; that is, their governors/trustees. However, there is a lack of in-depth New Zealand studies on governance in this sector. Apart from a number of surveys of New Zealand NPOs that provide a more or less general description, there has been no detailed empirical evidence on the state of governance in the sector.

Given the Charities Commission's mandate to promulgate 'good governance' and 'effective and efficient organisation' within the non-profit sector (Charities Commission 2006), and the lack of *good governance* descriptors or guidelines in the Commission's documents, our interest in this research was to find out how NPOs *themselves* would define 'good governance' and what views their boards of trustees¹ would use to determine their roles, responsibilities, work and accountabilities. Our empirical research, thus, takes an interpretative perspective (Denzin 1994). This approach looks into NPO members' interpretations of their past and present experiences, and their construction of their reality

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about governance (Bradshaw et al. 1998). As such, this research and this paper seek to address the gap in knowledge of governance issues in New Zealand NPOs.

In the first section of the paper we portray the major characteristics of the non-profit sector in New Zealand. This section is entirely based on information generated from surveys conducted by various governmental and non-governmental organisations in the last couple of years. The second section describes the research design of our own study. In the third section we discuss our findings. Here, we provide evidence based on survey data and several completed case studies. This section has three major parts. In the first part we provide a governance profile of surveyed organisations; in the second we discuss the motivation and skills of board members in these organisations; and in the third we talk about board functioning as seen by our participants. In the final section we present our findings on perceptions of good governance from the perspective of managers and trustees in NPOs.

THE CONTEXT

Non-profit organisations proliferate in New Zealand. The Department of Internal Affairs estimates that ‘over 23,000 incorporated societies, 10,000 charitable trusts and thousands more unregistered organisations exist’ (Department of Internal Affairs 2005; Tennant et al. 2006), whereas Statistics New Zealand (2007) provides a number of 97,000 NPOs identified in October 2005. Up to the end of May 2009, the Charities Commission had registered more than 21,000 charities. As to their legal status in 2005, 61% of the NPOs were unincorporated societies, 22% were incorporated societies and 15% were charitable trusts (Statistics New Zealand 2007).

A large number of organisations (45%) are involved in arts, cultural and sporting activities. In 2004, the non-profit sector contributed NZ\$3.64 billion to New Zealand’s GDP (or 2.6%) and over a million volunteers gave more than 270 million hours to non-profit organisations (Statistics New Zealand 2007). If the value of the volunteers’ labour contribution is added to the overall figure, then the contribution of the non-profit sector increases to NZ\$6.95 billion (4.9% of the national GDP), which is greater than the individual contribution of several industries, among them transportation and communication services. Social-services organisations, which make up 16% of NPOs, are the biggest contributors to the GDP (26% of all NPOs). Although small organisations (84%) dominate the non-profit sector, large organisations (16%) make 97% of the NPOs’ contribution to the GDP (Statistics New Zealand 2007).

The total number of employees in the non-profit sector is around 100,000 people. The health group is the largest employer (more than 33%) of paid staff in the sector. However, 90% of NPOs do not employ any paid staff. Social-services, educational and research organisations account for almost the half of the number of employed staff in the NFP sector (Sanders et al. 2008).

Statistics New Zealand (2007) reports that around 61% of the revenue in NFPs in 2004 came from organisational commercial activities (that is, from sale of products and services), whereas only 9.4% came from government grants.² NPOs that are heavily involved in

commercial activities (70% of revenue) belong to health, social-services and professional associations. Government grants are an important source of revenue (38%) for educational and research institutions. Such categorisation, however, does not provide an accurate picture of sources of revenue in New Zealand non-profit sector. For example, most health and social-service payments are made through government contracts classified as ‘sale of services’ (Statistics New Zealand 2007). Philanthropic contributions, although the smallest source of revenue for New Zealand NPOs, reached over NZ\$1.6 billion in 2004 (Sanders et al. 2008).

A study of the New Zealand non-profit sector (Sanders et al. 2008), based on The John Hopkins Nonprofit Sector Project, has shown that New Zealand has a significant non-profit sector workforce (9.6% of the economically active population), larger than that of the United States (8.9%) or Australia (7.6%). Furthermore, the number of people involved in some kind of volunteer work in New Zealand NPOs (31% of the population) is higher than in United States (27%) and Canada (27%). The study also revealed that the share of New Zealand non-profit sector revenue coming from private philanthropy (20%) is significantly higher than in Australia (10%), United States (15%) or United Kingdom (11%) (Sanders et al. 2008: 20).

The increasing sophistication of agencies, and the size of their workforce and budgets, has meant that many non-profit organisations are now large business enterprises in their own right, with professional management. There are heightened expectations amongst government, service-users and the public at large about performance standards and transparent accountability (Cordery & Morley 2005; Charities Commission 2006).

METHOD AND SAMPLE

Methodologically, our research combined two methods of data collection: survey and case study. We conducted a survey with the main purpose of getting a picture of governance functioning and identifying the major governance issues in New Zealand NPOs. Thus, the survey did not represent an end in itself. The survey data was intended to give us major ideas and indicators of what needed to be investigated within the organisations through in-depth studies.

Survey

In the first step, we distributed a survey to a wide spectrum of NPOs with governance bodies. We were targeting about 17 types of NFPs.³ We designed two versions of a ten-page questionnaire. One was sent to managers/executive officers and consisted of three sections. The first section included questions about the organisation. The second section was concerned with managers’ perceptions of organisational governance. The third section sought information about working relationships within the governance structure (i.e. governance processes). The questionnaire that we designed for board members comprised four sets of questions. The first set examined organisational governance in general. The second set was concerned with board members’ experience and perceptions of their own work. The third set included questions about working relationships within the governance structure. The final set sought information about board training and development.

A set of three copies of questionnaires (one for managers/CEOs and two for board members) was mailed to 200 CEOs of NPOs. We asked each CEO to distribute two questionnaires to board members, one to the chair of the board and the other to a randomly selected board member. The survey was conducted over a four-month period between July and October 2008.

We received back 152 completed questionnaires, a 25.3% response rate. The response rate from managers was 31.0% and from board members 22.5%.

Case studies

The second phase of the research involved in-depth case-study analysis. A number of surveyed organisations expressed their willingness to participate in a more intensive analysis of their governance practices. We selected 15 organisations, aiming for a representative sample. This paper provides some evidence from six organisations: two organisations were in health education and one each in the following categories: health-services provision, meeting the needs of a specific age group, community development, and social action and advocacy.

The data was collected in two steps. In the first step, we conducted a joint session with members of each board and executive team in order to learn about the organisation's history. This was also a way for board members to reflect on their past experiences and discuss issues that the organisation had throughout its history. Moreover, it was a good opportunity for new board members to learn about these issues. The second step involved individual interviews with the general manager and selected members of the board. In this stage, we also collected and analysed organisational documents (e.g. minutes from the annual general meetings) that managers made available to us.

FINDINGS

About responding organisations

Most responding organisations were national bodies (77%), and another 19% were autonomous local community groups. Typically, these latter organisations were much smaller in scale. Responses to our survey were skewed to larger organisations: 59% of our respondent organisations had revenues greater than NZ\$1M (of these, 22% had over NZ\$5M); 33% of the organisations had revenues below NZ\$500,000. Forty-four per cent of respondents accessed funding from five or more sources, whereas only 15% were funded by a single source. Preliminary survey results suggested that our respondents were highly dependent on three major sources of income: government grants, community trusts and lotteries, and membership fees. The largest organisations (those with revenue between NZ\$1 million and NZ\$5 million) were tapping in to more sources of income. Almost half of the responding organisations (46%) had no or fewer than five full-time employees, and 34% had more than 15 employees. Table 1 presents a summary of key characteristics of organisations represented in the study, and Table 2 demonstrates sources of revenue in relationship with organisational size.

Table 1. **Organisation characteristics**

	No. (%)
Organisation type*	
Health/education service provider	10
Community support	4
Community recreation	5
Sport club	4
Arts and crafts	3
Mutual benefit organisation	4
Self-help group	3
Advocacy group	4
Environmental protection	4
Community development	7
Cultural group	1
Educational interest group	3
Age-related group	7
Church group	8
Revenue NZ\$	
\$0 - \$50,000	5(8.5)
\$51,000 - \$100,000	2(3)
\$101,000 - \$500,000	13(22)
\$500,001 - \$1m	5(8.5)
\$1m - \$5m	21(36)
\$5m +	13(22)
Age (Organisation established)	
Pre 1950	15 (25.5)
1950-1969	6 (10)
1970-1989	15 (25.5)
1990-1999	14 (24)
2000 -	9 (15)
Sources of revenue*	
Government grants	35 (57)
Philanthropic trusts	29 (48)
Public fund rising	19 (31)
Community trusts/lotteries	35 (57)
Corporate sponsorships	26 (43)
Individual donors	26 (43)
Membership fees	34 (56)
Other	19 (31)
Full-time staff	
No full-time staff	7 (12)
Less than 5	20 (34)
6-10	9 (15)
11-15	3 (5)
More than 15	20 (34)
Volunteers	
Yes	46 (78)
No	13 (22)

*some organisations belong to more than one category

Table 2 – Source of revenue in relationship to organisational size

Source of Revenue Size (Revenue in NZ\$)/	Governme nt grants/ contracts	Philanthr- opic trusts	Public fund raising	Communi ty Trusts/ Lotteries	Corporate sponsor- ships	Individual donors	Member. Fees	Other*
0-50,000 (5 orgs = 8%)	0	0	1 1.7%	2 3.4%	1 1.7%	2 3.4%	4 6.8%	1 1.7%
51,000-100,000 (2 orgs=3%)	0	0	0	1 1.7%	1 1.7%	0	1 1.7%	1 1.7%
101,000-500,000 (13 orgs=21%)	8 13.6%	7 11.9%	4 6.8%	7 11.9%	6 10.2%	3 5.1%	6 10.2%	2 3.4%
501,000-1M (5 orgs=8%)	5 8.5%	2 3.4%	3 5.1%	3 5.1%	1 1.7%	3 5.1%	2 3.4%	1 1.7%
1M-5M (21orgs=34%)	13 22.1%	11 18.7%	7 11.9%	13 22.1%	12 20.4%	10 17.0%	10 17.0%	7 11.9%
5M- (13orgs=21%)	9 15.3%	7 11.9%	3 5.1%	8 13.6%	4 6.8%	5 8.5%	3 5.1%	7 11.9%

*Other: commercial activities, returns on investments, endowment interests, sale of assets, rent income etc.

Governance profile

This governance profile provides a portrait of the size, composition and selection methods of boards in our sample.

The predominant size of boards in our survey was between six and nine members. Less than 5% of the boards have less than five members and 32% have 10 or more members. The major way people were elected onto these board was through elections by members and affiliates (49%). This, along with a high figure for co-opted membership (32%), suggests that finding adequate numbers of candidates to serve on a board can be problematic. Responses show heavy reliance on informal patterns of networking to recruit potential board members. This has the potential to create boards that may perpetuate particular perspectives and ways of working, with the danger, given the longevity of board tenure we discovered, of creating a static hegemony. The chairperson of a large advocacy group explained the process of selecting people onto the board:

Well, we ask the chief executive and the board members to identify appropriate people, and then I – preferably in concert with at least one other board member – interview them and make recommendations to the board. And the person concerned comes to the board meeting, and the board makes a decision. They normally accept my recommendation. [emphasis added]

Fifty-four per cent of the organisations had no known limits on board tenure (see Figure 1). This may suggest that organisations do not have proper rules/protocols for the recruitment, selection and tenure of board members, to accommodate the need for an appropriate balance of continuity and renewal.

The majority of board members (61%) had served on the board of their participating organisations for more than seven years; 23% had served between three and six years, and 16% fewer than three years. Most of our board member respondents (89%) had served on more than one board, with 33% serving on four to six other boards and 12% on more than seven boards (but not simultaneously). In addition, most had long governance experience: 40% had served 16 or more years on different governing bodies.

The majority of responding board members (80%) were between 40 and 69 years of age, and 12% belonged to an older age group (70–79 years old). The study revealed that NPO board members are well educated: 72% had tertiary education, of whom 41% had postgraduate degrees or diplomas.

The governance profile in our study shows some differences from other surveys conducted in different countries. For example, the average size of the New Zealand NPO boards is smaller than those in an Australian study of 118 NPOs (12.5%) (Steane & Christie 2001), in a survey of 400 NPOs in New York City (16) (Hevesi & Millstein 2001), and in an Israeli study of 161 NPOs (12) (Iecovich 2005). In respect to age and education, our findings showed high similarities with the Israeli study, in which the most represented age group on the board was found to be those aged 41–60, and in which more than 60% of board members were found to have a tertiary degree (Iecovich 2005).

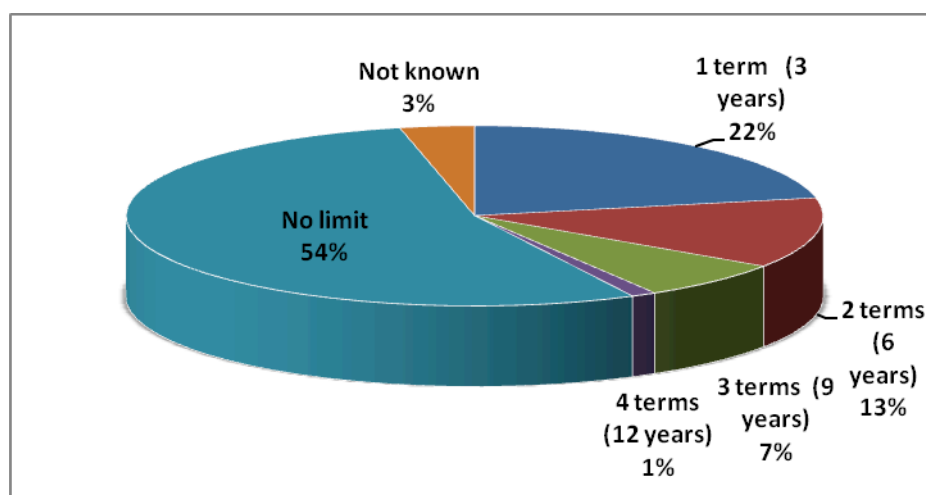


Figure 1 – Board tenure

Board member motivations and skills

In this section, we inquired into board members' commitment to their respective organisations. More specifically, we were interested to understand their motivation to join, and the satisfaction they gained by working in their respective NPOs. We were also interested in the personal skills and knowledge they believed they brought to the organisation, and how they felt about their major responsibilities as board members. We purposefully did not offer any structured answers to these questions. Instead, we offered open-ended alternatives, providing our respondents with the opportunity to describe their motivations, skills,

satisfactions and responsibilities. Later, we analysed all the answers and grouped them inductively into distinctive categories.

The study was concerned with the practice of ‘good governance’ in the non-profit sector. One of the indicators of good governance is board members’ motivation to join such organisations. A big majority (85.7%) of the respondents stated they were attracted to join their board because of the match between the organisation’s mission and their own personal interest. Thus, for NPOs, clarity of mission is an important attractant for board members. A board member from one case organisation explains her motivation:

We were formed as a parent-run organisation. We were passionate about retaining our ownership of our organisation. The first board was established in 1994. I was an inaugural board member, and – for my sins! – I’m still on the board. It looks like a lifetime commitment. Well, it’s my son’s lifetime! People say to you, “Oh aren’t you good!” I’m not at all. I’m a mother! That’s what motivates me – getting a better service for my child.

Over-identification with mission, as cited above, may lead to a lack of crucial capability and may require the injection of specific professional skills to maintain objectivity in the expenditure of capital, or to overcome the unrealistic pledging of support for projects that do not have strong public (sustainable financial) support. Professionals lending their skills to a ‘good cause’ that does not directly affect them personally have a different level of attachment to mission. In this latter case, board members run into the danger of focusing on the organisational process with which they are familiar from other work contacts, which may be antithetical to mission values. Overzealous application of ‘professional’ skills, to the detriment of strategic debate, can create a strategic hiatus simply because board members do not have sufficient intimate knowledge of their organisation’s ‘work’. Without substantial understanding of the context of the organisation and its place in a system of service-provision, board members can (and do) make inappropriate judgements on performance and organisational sustainability.

One-third of the respondents (31.8%) also indicated that engagement with people of similar interest on the board was an important factor in their service to the organisation. Interestingly, fundraising opportunities and the financial health of the organisation played no part in recruitment of people to boards. The Australian study (Steane & Christie 2001), mentioned above, points out similar behaviour. The authors argue that if the individuals are interested in advocacy, then their motivations to join the board of an NPO will stem from their desire to build support based on trust and legitimacy rather than financial success.

A large number of board members in our study (81%) believed that they brought leadership skills to the governing body of their organisation (see Figure 2). This response requires further investigation, as it will be interesting to ascertain what board members understand by ‘leadership’. We can assume that the high emphasis on leadership within governance of NPOs reflects the respondents’ desire to thoughtfully and actively transfer their expertise and experience from different contexts and to the practice of the NPO. Or, to employ the words of

Taylor-Scott (2000: 37), this can be understood as an ability ‘to articulate a vision that captures our imagination about what can be and provide practices and the discipline to achieve it’. Such answers can be interpreted as indicative of board members’ willingness and belief in their capability to bring changes not only to the organisation but, more importantly, to the community that it serves.

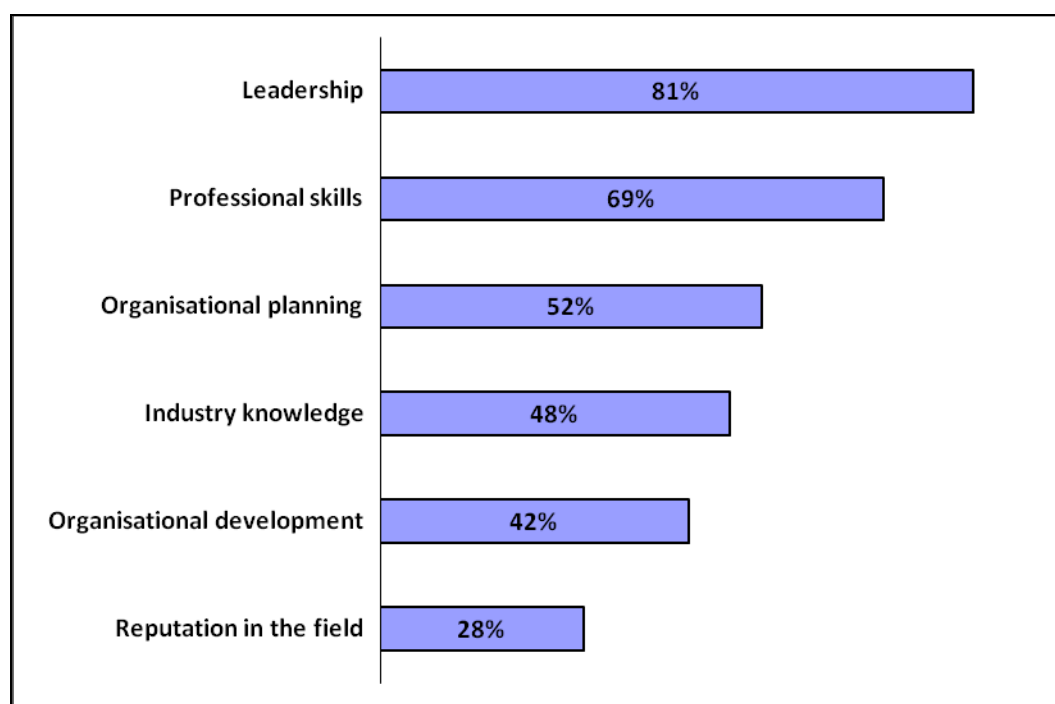


Figure 2 – Skills board members bring to the boards

Note: Numbers add to more than 100% as respondents were able to indicate more than one option

Governors’ perception of their duties is of great importance for organisational existence and development. This also concerns sharing understanding of the mission with executives and disseminating the mission throughout their organisation (Taylor-Scott 2000; Carver & Oliver 2002). We asked our respondents (trustees and managers) to nominate the major responsibilities of board members. From a number of their descriptive answers, we were able to create several categories. Encouragingly, 64% of our respondents said that the main responsibility of boards is strategy and policy-making. The second most important area of responsibility, according to 35% of our respondents, was controlling and monitoring management. The third area of great importance (34%) was responsibility for governance. However, only 24% gave ‘upholding the mission’ as a key responsibility. Accountability for financial resources and financial control and management were both nominated in only 23% of the responses. We can assume that this variety of answers is influenced by a number of factors. For example, organisational age and size will definitely influence a board’s responsibilities. It can be expected that the boards of well-established organisations (the majority, in our study) will be more concerned with a monitoring role than the boards of younger organisations.

Although board members claimed strategy as their main responsibility, our case study findings have shown that, from a managerial perspective, board members are not sufficiently involved in strategy. One CEO that we interviewed made a strong point on this issue:

Who's supposed to be focusing on the long-term future of this organisation? It can't be the management. It has to be the board, and the board structures have to change such that they do get involved in the longer-term planning which actually needs some work. Not just sitting around a room chatting four times a year saying: 'Wouldn't it be wonderful'. I would say our board spends probably a couple of hours a month on governance issues. Full stop. They read stuff I send them, comment, but that's about it. To change, for the good of this organisation, I said to the board that each February we have our strategic session, strategy setting. This year is a detail one – we don't do a detail one every year, because if you are setting strategy, you shouldn't have to do that, this February is a detailed one. I am not going to facilitate it. I've said it needs to be someone totally outside because I do feel that I influence what is going on.

Another CEO stated her criticism on the board's roles in the following way:

The major current issues facing our board are the lack of business skills, no strategic thinking, power struggle on the board and lack of fundraising networks. I would like our board members to invest more effort in and take ownership of policy-making and strategy-setting; to prioritise important work, not trying to settle old scores. I would also like them to be actively involved in fundraising and networking.

Board members were also asked about the main satisfactions they get from board work. Respondents provided a variety of answers which we put into several major categories. The majority of answers (76%) on the key satisfying factor fell into the category of 'making a contribution to organisation, community and New Zealand'; (e.g. 'serving disadvantaged sector', 'association with the organisation that supports community', 'tangible contribution to society'). Next most satisfying were 'Good team work on the board' (55%) (e.g. 'friendships with board members', 'enjoy the company of my professional colleagues', 'working with other committed people') and 'Organisational progress and achievements' (44%) (e.g. 'seeing results of decisions implemented', 'organisation achieves high quality service outcomes', 'growth of organisation').

Perceptions of boards' functioning

Board functioning is concerned with the ways in which people on the board work together and how the work for which the board is responsible gets done, but our data suggest that there is a gap between 'espoused action' and actual practice (Argyris & Schon 1978).

In the majority of the organisations in our studies, boards had regular meetings. However, according to our respondents, only one-third of board members come to meetings well

prepared. Most board respondents (above 60%) thought meetings were run effectively, and above 90% of respondents stated that all board members actively participated during meetings. This perception was less well supported by manager respondents.

In large organisations, the board typically develops various committees, which resemble those from the corporate world. The CEO of a large community development NPO illustrated how the board works in her organisation:

The board meets monthly. And then we work in a sub-committee environment. We've got a number of sub-committees running, most of which I'm on. We've got a sub-committee looking at premises. We've got a revenue sub-committee looking at sponsorship going forward. We're looking at growing revenue with new business. New business, we'd like another [business] centre. There's a sub-committee that looks after board personnel matters, like the recruitment of [regular] board members and associates, who we're trying to define. There's a sub-committee that deals with me, my personal development and annual salary review. We did have a branding sub-committee but that's gone now. They're really based around projects that are on our agenda in the coming year. We've got a sub-committee at the moment that's looking into the Auckland City governance, so we can put a submission in to that as our organisation. That will be a very short-term committee just to get that, get something together.

We were also interested to find out about the major obstacles that board members experienced while working on NPO boards. According to the responding board members, the greatest barrier to participation on boards was engagement in their own work (47%). It was interesting that the same proportion of respondents (47%) reported no barriers to their participation. A number of respondents complained that managers (and chairs) of NPOs were sometimes unrealistic about the time they expected their board members to spend on work in their trustee capacity.

From our survey and case-study data analyses, it was obvious that boards functioned differently at different stages in their development. Early stages usually required more personal engagements from the board's side in resolving operational and strategic issues. The board usually consisted of a group of friends with similar ideas or people with common problems who needed a support group and were willing to invest their time and financial resources to help the community. They worked together 'fighting' with various issues (e.g. financial, operational, regulatory) in the best way they could, relying on their personal skills, expertise and networks. In later stages, as an organisation's operations became more formal, stable and legitimate, their functioning started to be more strategic and 'formal'. The composition of the board changed accordingly. Passion for the organisational cause was still an important motivational factor to join the board, but the organisational members' expectations regarding new trustees' expertise also changed. A long-term board member of one of the case organisations explained the situation with her board:

We have all the passion and all the will in the world, but it doesn't necessarily give us the right experience. So at times we've been very fortunate we've had board members who have been absolutely fabulous but then at other times we've had others who haven't been so fabulous, who had their own agendas. But that's the way it goes. For the majority of time I am pleased to say we have been a cohesive team who has brought this organisation from nothing to where it is now . . . We now realise that, 15 years down the track, we are strong enough, have the faith where we can start letting go and trust and actually bring in the expertise that we now need to bring in to take us to the next stage. So, the first step will be to appoint three external board members, and I am sure that it will change more as well.

Another important aspect of the board functioning in NPOs, as in corporate organisations, was related to relationship between the board and the CEO. In general, our survey showed the development of healthy relationships between governors and managers. Most board members (92%) and most managers (95%) agreed or strongly agreed that the chair of their board had a good working relationship with the manager. Although all board members and managers stated that boards have confidence in their managers, managers in 10% of the case expressed dissatisfaction with their board. Moreover, in more than one-third of the cases, managers believed (strongly agreed) that their board was not accountable to any other body than itself (raising the question of relationships with members, beneficiaries, staff or other stakeholders).

Discussion: What is 'good governance'?

The organisations in our sample rated governance practices as 'very close', or 'close' to their definition of good governance. Perceptions of what is required of boards varied considerably, as did trustees' understanding of their roles. No single picture of 'good governance' emerged from our survey and case studies, and we would argue that no generic formulation of good governance covers the spectrum of NPOs that we encountered. Rather, the concept requires us to understand better the context of non-profit work, as well as the maturity and size of each organisation. What we observed from our data, however, was that there were certain challenges that all organisations needed to confront, which affected the way in which governance was played out in different organisational arrangements. Responses to these challenges were shaped by individual and collective perceptions of governance and the value judgements accompanying them.

Asked about the key characteristics of good governance, our respondents provided a variety of descriptive answers. We grouped their responses into 11 categories. Figure 3 shows the variance in responses given by board members and managers. Whilst the answers from the two groups were similar in ranking 'Strategic/looking forward' (board members 46%, managers 40%) as the most nominated characteristic, it is interesting to note here that managers put greater emphasis on differentiating governance from operations and clarity of role separation than board members did. The general manager of a large community development organisation commented on the latter point:

I think we generally differentiate between the role of governance and management or operational quite well, not always. And that needs to be monitored quite carefully. They [board members] are a working board of trustees, they're volunteers and they make themselves available for projects. They work with the operational team quite often on projects. So they have to be very conscious when they do that, that they are wearing their governance hat. Some of them even come in and do some things in the office from time to time, and that works well under quite good supervision, I think. It hasn't always been that way, and it isn't always that way. But, I think most of the time it's quite good. We did have an incident happen late last year with a new chairman coming on board. He was very enthusiastic in his role and unfortunately started operating in a non-governing manner, and got involved with staff in communications that shouldn't have taken place.

The importance of differentiating governance from management is emphasised in a numerous publications (e.g. Carver 1990, 2002; Chait et al. 2005). One of the studies, concerning Canadian health-service organisations, identifies and examines the principles of good governance (Taylor 2000). The very first principle that author addresses is the differentiation of the roles between governors and managers.

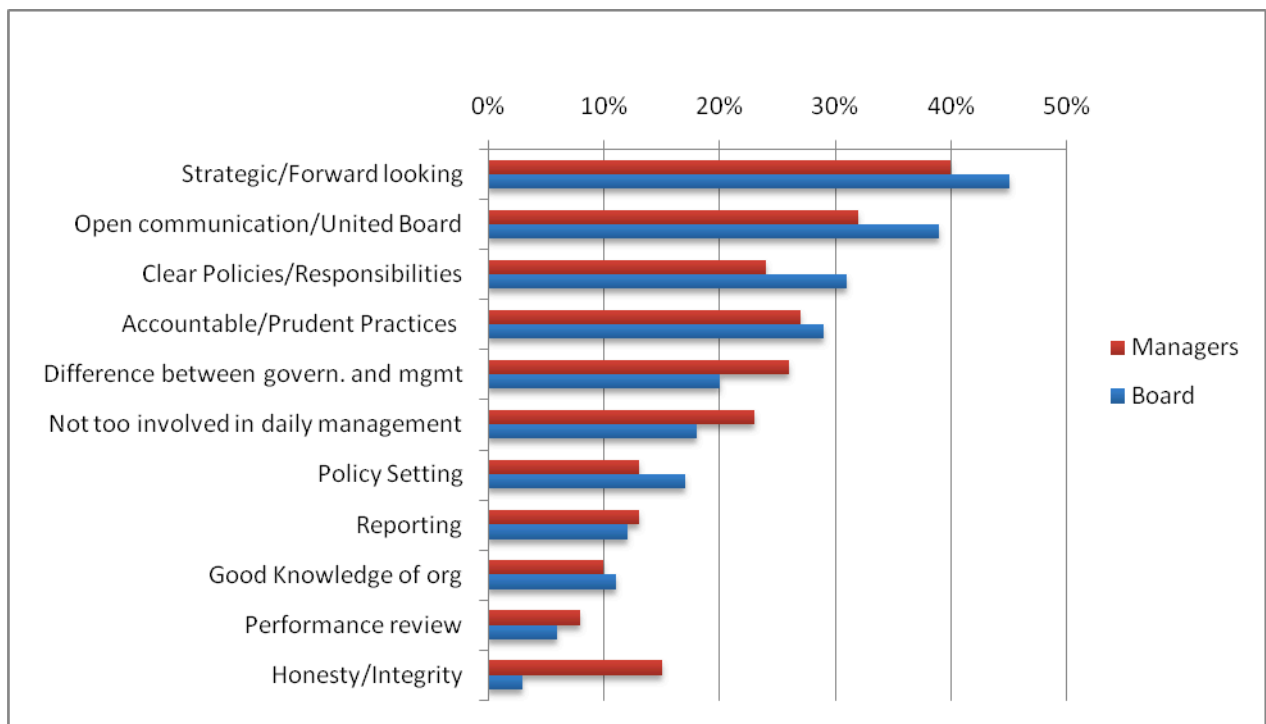


Figure 3 – Key characteristics of good governance according to responding board members and managers

We have not, in this paper, presented supporting evidence from the surveys about how managers and board members differentiated their roles, but our survey points to differences in interpretation of the work that boards and managers should be doing, and perhaps a lack of

shared understanding of what is meant by ‘strategy’ development as a component of governance. Some of the difference amongst board members’ perceptions stemmed from the level or breadth of governance experience each person brought, and differences in motivation. The maturity and size of the organisation was also a relevant factor when determining what might be defined as a ‘strategic /forward-looking’ perspective at different phases of an organisation’s development. Although the evolutionary perspective in governance research in NPOs is under-developed, there is some evidence that supports our findings. Wood (1992), for example, discuss the major features of the board cyclical behaviour and argues that board members’ interest in the organisation’s mission decreases and their concern for the board’s bureaucratic procedures increases as each cycle progresses. An earlier mentioned survey on governance practices in New York City’s NPO community (Hevesi & Millstein 2001) clearly demonstrates that board members of younger organisations are more likely to see strategic planning as their first responsibility, and that board members of small organisations are more likely to be involved in fundraising.

Start-up organisations are usually staffed by passionate people wanting to give expression to a particular mission – whether it be advocacy for a particular cause, or support for an identified need in the community. There are differences in motivation and commitment, however, between people who are themselves beneficiaries of a service (e.g. the parents of children needing specific medical and social support) and those who volunteer their time for ‘altruistic’ purposes (such as ‘contributing to the community’), but who may have an inadequate grasp of the scope and complexity of that particular NPO’s work.

The chair of one NPO provided a poignant example of her own change of perception of what was beneficial for the organisation as it evolved from a start-up to a medium-sized ‘business’:

It was very hard letting go because I’ve been on the board from right when we did it all, wrote the speeches, raised the money, cleaned the floor, yeah, we did it all. It’s certainly been a process of me letting go of the operational focus, but that’s also enabled me to focus on my dreams. While you’re busy sweeping the floor, you can’t be busy pursuing your dreams, so yes, as we have moved into a more strategic role, that’s enabled me to focus on where would I like [the organisation] to go.

Identification of the importance of a strategic perspective was not, however, strongly linked to implementation and expression of the organisational mission. Less than a quarter of our respondents (22%) nominated ‘protecting the mission’ as a key governance characteristic, and only one-third (33%) emphasised the importance of sustainability and financial stability of their organisations. Very few of the responses in the questionnaires identified a need for boards to keep abreast of environmental and contextual (economic or social) factors that might have caused them to reconsider their strategic position in the NPO arena.

Also missing from perceptions of ‘good governance’ was articulation of the conceptual basis that shapes the composition of boards, and the protocols and policies governing their practice. This was particularly demonstrated in discussion of problematic relationships between

national and regional bodies/branches (where issues of autonomy and ‘brand’ arise), and in notions of ‘representation’, where board members are drawn from constituent groups but accountability to those groups is not spelled out. In a representative model of governance (Cornforth 2003), board members are representatives of stakeholder interests – they hold management responsible for conformance to certain democratic and mission principles. Given that there are a range of stakeholders in non-profit agencies, composition of a board can become unwieldy if stakeholders have very different needs and interests. Accountability is exercised through political mechanisms of election or appointment, but only at the beginning of the term in office. Within that timeframe, representatives are free to act according to their own interpretations of interests. Accountability, which is a key theme in much of the NPO governance literature (e.g. Carver 1990; Sinclair 1995; Mulgan 2000, 2001; Onyx & Dalton 2006), is an important theme that we will need to tease out much more fully in future research.

Non-profit organisations in New Zealand are evolving. They are evolving from marginal, exclusively benevolent and voluntary institutions, to become more professional and influential organisations. Their original values and mission still define their everyday activities and strategic initiatives, but their actions have wider-reaching outcomes. Their organisational members (managers and governors) actively participate in improving and changing the country’s health system, social services, education and many other areas of the social and economic system. Such developments require the evolution of governance in these organisations. Passion for the cause, a sense of caring for others and of altruistic giving are all important qualities for NPO governors. However, to address and resolve the range of complex problems that today’s NPOs face, these organisations need seriously to consider development of greater governance capabilities if boards are to take a strong leadership role (Carver 2002). For governance to be actively expressed, trustees must have levels of capability that match the complexity of the work, and the capability of the CEO (Jaques & Clement 1994). One role of the board, according to Carver (2002), is to define guidelines for the CEO; another is to challenge and engage with on-going dynamics of strategic and operational interpretation. Commenting on the evolution of governance in her organisation, one chairperson concluded:

What interests me is how much work people need to put in and how, very often, the governors don’t understand how much hard work it is and they can’t just come to meetings . . . And, that’s where we’ve been very fortunate. We’ve had a few board members where that’s all they’ve done [attended meetings] but they’ve always been the minority and they wouldn’t stay long. So we’ve been very fortunate that we’ve had some very passionate, hard-working [members of the board]. And, that’s why things could change – the hospital system could change, our children’s needs will change. We as an organisation, therefore, have to keep pace with what’s happening to an organisation that is moving towards [becoming a] professional organisation.

The value of knowledge of the sector, financial constraints and requirements of the regulatory framework push NPOs – and particularly their governing bodies – to reconsider their governance structures and processes. Movement towards professionalism, as mentioned above, although perceived as a crucial factor of survival for many NPOs, might jeopardise board dynamics and the NPO ‘mystique’ (Newman & Wallender 1987). The complex skills of multi-stakeholder communication, advocacy, politicisation of issues and so on may not be deemed necessary or even appropriate from the perspective of professionals. Tension often exists between those with ‘lived experience’ of the need for services, and those whose service to the community is altruistic but impersonal. Professionalisation of management in NPOs is well documented in the literature (e.g. Cornforth 2003; Chew & Osborne 2007) and has resulted in the limitation of the board power (Cornforth 2003). In complex organisational situations, where it is difficult to get sufficient day-to-day information to keep abreast of affairs, boards relying on management for information and knowledge provide little more than ‘rubber-stamping’ of management decisions.

CONCLUSION

With this paper we aimed to present preliminary findings from our survey on perceptions of ‘good governance’ in New Zealand NPOs. Our survey findings were enriched by the data we collected in several consequent case studies. The respondents who participated in our survey, and those who invited us into their organisations for deeper case-study investigation, presented a very optimistic assessment of their own functioning as boards of governance and claimed healthy relations between governors and managers. Our experience of NPOs suggests that this is not typical of the whole field. Even within our sample, the question of governance capability was highlighted as a major issue for recruitment and performance management. Few organisations set aside resources to provide training and development of board members, though there was a willingness to participate in such training. Our survey data suggest that, whilst there is need for some specific skills development amongst members of boards, it is the more intangible dimensions of ‘governance’ – the development of an imagination for the future, the willingness to let go of earlier identities when conditions change, the importance of relationship building and networking, of working with increasingly professionalised management – that are harder to acquire.

Although we have not aimed to ground our paper in the extensive international comparative research (e.g. Salamon & Anheier 1997; Steane 2001; Lyons & Passey 2006) on governance in the non-profit sector, we have provided some comparisons with several international empirical studies. We have employed related surveys from Australia (Steane & Christie 2001), the USA (Hevesi & Millstein 2001), Canada (Taylor 2000) and Israel (Iecovich 2005) to contextualise our research findings within a broader realm. From a comparative perspective, our study findings indicate that expectations about NPO board roles, responsibilities and member motivations, and issues around board composition, selection and capabilities, are similar across countries. This is an angle of our research that requires more attention in future discussion of these existing findings.

To date, our study has highlighted the complexity of defining ‘good governance’ devoid of organisational context. We see that our findings can be analysed in according to several different dimensions (e.g. by specific type of NPO, or by stage of organisational life-cycle). As our involvement with NPOs increases and deepens, so too does our appreciation, sparked by our analysis so far, of the value of teasing out rich descriptions of NPO perceptions of governance, and of articulating how a range of theoretical frameworks (Cornforth 2003) can be applied in practice within the wide range of NPOs to inform and strengthen governance capability and capacity.

NOTES

1. For the purposes of this paper, we use the terms ‘board of trustees’ and ‘governance boards’ interchangeably; however, not all NPOs are formal trusts, and some may be incorporated societies. Here the term is used to emphasise the trust relationship governors have for mission and integrity.
2. Government grants do not include government contracts. The latter are included under the revenue coming from the sale of products and services.
3. Organisational types were adopted from the Statistics New Zealand (2007) publication on NPOs.

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