

Governance in a not-for-profit: the 'Am Calon' case

Principles of governance evolve as organisations grow, say Judith McMorland and Ljiljana Erakovic, who chart the changes in a New Zealand not-for-profit. They argue that having a conceptual framework can give organisations insights into the process.

Interest in various facets of corporate governance has increased significantly in recent years. Many people believe that its reduction to a mere fiduciary duty and control function has led to the destruction of a creative, strategic role for governors. The term governance is not easy to define, as it can be used differently in different contexts. Its meaning has also changed over time to reflect a shift in the purpose and roles of for-profit and not-for-profit organisations in modern society. We adopt Lynn McGregor's definition of governance as "the process whereby people in power direct, monitor and lead [enterprises], and thereby either create, modify or destroy the structures and systems under which they operate".¹ Thus, governors are both change agents with vision and guardians of existing mission.

The quality of governance/management relationships is an ongoing issue for organisations regardless of the industrial, institutional or national settings. Both governors and managers are responsible for the wellbeing of an organisation. The main question is how do they strike a balance for sharing these responsibilities? Some proponents of 'new governance' emphasize the importance of the dynamic balance between control and collaboration approaches, conformance and performance roles of the board, and stewardship and democratic perspectives² in governance/management relationships. Acceptance, understanding, and management of these tensions promote organisational learning and improve organisational governance.

Our research into not-for-profit (NFP) organisations has shown that there is no one prescription, no single template to guide practices of governance: they evolve as organisations grow. One organisation exemplifies this very well and we use their story to discuss critical issues of organisational development that challenge principles and practices of governance. We discuss our findings within a framework called Levels of Work.³ This framework presents an integrated set of principles linking developmental stages of organisational structure (ie, levels of work complexity) to the growth of individual, group and organisational capabilities (ie, leadership capability, accountability, knowledge, and competency).

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The story we tell documents the eighteen-year journey of one child-centred health organisation,⁴ set up through the energy and passion of a small group of people in response to their own needs for information and support, which has now grown into a national body. A review of some relevant literature sets our study into the wider context of NFP governance research.

Boards in NFPs: evolutionary studies

A number of authors who discuss issues of corporate governance in a business context emphasise the importance of evolutionary theory in understanding governance challenges and discuss how governance, as a dynamic system, evolves throughout the organisational life cycle.⁵ Each stage is characterised by different sets of resources, 'dominant' organisational actors and specific internal and external relationships, which may influence the evolution of

both management and governance structures. For example, transition from a stage in which the organisation has a simple set of resources (eg, local parental help), to a stage which demands more heterogeneous resources (such as fund-raising and political lobbying), may require different structures for the exercise of accountability, allocation of responsibilities and internal co-ordination. In the first stage, board members may be directly involved in the organisation's everyday activities and their accountability may be internally (mission) established. In later stages, the governance structure will be more complex, as board members are required to play strategic, advisory, monitoring and resource roles. Formal patterns of accountability may be required by various external stakeholders (for example the Charities Commission, or Government funding agencies).

Organisational life cycle literature suggests that effective governance structures need to adapt to the various contingencies⁶ of different stages. Within the NFP sector, however, there is still little literature on governance which takes this perspective. The purpose of our exploration, here, is to redress this lack and to suggest ways in which greater understanding of typical 'life-stages' in NFP organisations may help NFP board members or trustees⁷ develop structures and practices appropriate to the developmental stage of their organisations.

One relevant overseas study addressed these issues through discussion of a changing focus of attention in organisational control.⁸ This longitudinal study of an American NFP in the mental health sector showed how changes in funding sources and types of relationships with external stakeholders (from individual donations to governmental contracts) changed the focus from control of resources and programmes to predominantly fiscal control. More importantly for our research, the board's involvement in setting strategic direction changed gradually from direct project participation to project evaluation, and the active role of the board in various community and national networks declined.

An extensive study of board trusteeship in over 300 American NFP organisations, conducted by Abzug and Simonoff⁹ and colleagues¹⁰ in the early 1990s, provided a stratified picture of how boards evolve over time. The authors found board evolution to be induced by three major environmental factors. First, the rise in government financial support forced boards to change from being 'community leaders' to being representatives of different constituencies in the later stages of the organisational life cycle.¹¹ Second, increasing complexity of the institutional environment (e.g., regulation, donors, foundations, public interest, and interest groups) increased the complexity of the board operations in NFP organisations. Over time, boards are supposed to accommodate additional interest and representation of various groups from the institutional field. Finally, the task environment of NFP organisations was seen to change dramatically. The demand for a more functional/skilful board increased as the critical organisational functions became more diverse and complex, and more similar to those in the for-profit sector.¹² Hence, there was a need for professionals (ie, lawyers, accountants and fund-raisers) rather than traditional trustees on boards.

The study findings suggest that there is no uniform governance

structure in NFP organisations. Boards evolve in response to increasing complexity in the life cycle of their organisations, and that evolution is historically and culturally dependent.

The Am Calon case

Early beginnings – the quest for information 1982-84

Am Calon started in 1982 when two mothers found themselves in horrendous conditions within the hospital system trying to breastfeed their very sick babies. Unable to find either a simple clinical explanation of the condition or practical information to help them navigate the severe trauma of disability, they set about researching the condition and published a guide for parents explaining the practical realities of living and caring for their children. The Auckland mothers' support group became an Auckland committee in 1983 and the organisation was incorporated in 1984.

Regional and local developments 1984-91

Parent support groups were established, under their own constitutions, in other regions of New Zealand. Money was raised for paediatric liaison centred in Auckland, but most of the activity in the early years was regionally or locally based, with community groups remaining small and informal over the first nine years. During this phase, close informal associations were forged with other health and bereavement organisations. In Auckland, rudimentary resources were shared with other community groups, centred at Green Lane Hospital (the predecessor to Starship). A grant was received from another health NGO to help fund voluntary workers supporting families away from home.

Extensive health reforms were introduced in 1989 following the introduction of new public management practices. Ideologically and financially these had a severe impact on health provision and the services parents and community groups were able to access on their own, precipitating major change.

Forging a national identity 1991-96

The Health Reforms of the late 1980s introduced Crown Health Enterprises (CHEs) and User Pays policies. Concentration of specialist services in Auckland's Green Lane Hospital meant that Am Calon children had to be brought to Auckland for treatment, often within days or weeks of birth and for prolonged periods. Though there was effective, world-class surgical expertise in New Zealand for adults, the state of paediatric knowledge of the condition in children remained rudimentary. Hospital and pharmaceutical practices and protocols for specialised paediatric care had not been developed. Adult and children's funding was not differentiated at this time. As the numbers of surviving children requiring specialist services grew, so too did the need for advocacy on a national level.

A hui of parents was called in 1991 bringing together people from different regional organisations for the first time. Exchange of information between the groups was much valued and participants decided that a national body would be more effective than local or regional groups in dealing with the health service and in pressing for dedicated paediatric services. Following this hui, local groups were asked to relinquish their

independent status and join a national body, under a single Constitution. This marked the first major developmental shift for the organisation – from locally based initiatives supporting known families within specific communities to a national organisation focussed on accomplishing fundamental change in governmental policy and practice.

If there was any doubt about the need for national advocacy within the context of these health reforms, the parlous state of resources within Green Lane hospital at this time gave immediate stimulus for direct action. One mother from the South Island graphically described the situation she endured:

“...they introduced user pays in hospitals which was \$50 a night hospital stay. ...There was no accommodation for parents; there was nowhere to stay on the ward. (My daughter) was in an incubator in the isolation unit. We had a chair pushed up outside the room in the corridor. That was it for the two of us. There were no meals, nothing provided for breastfeeding mothers... The hospital had major cuts. They'd cancelled all cleaning contracts. They could only afford to fumigate the place, I think they said every six months, so the place was just riddled with cockroaches everywhere...I thought I'd gone to a Third World country....then I got sick. I got an infection from the bath....”

Following the drafting of a single national constitution the first national board was established in 1994. Care was taken to retain links to the regions and the Constitution provided for regional representation along Area Health Board lines. Despite having power to co-opt two further members if particular skills were needed, the Board's capability was dependent on already burdened parents willing to take on advocacy and action.

Common experience of lack of services spurred parents on to address the conditions they found and Am Calon achieved a significant profile in this early phase, developing as a national body and advocating for change. A lack of specifically designated paediatric services and funding meant that children were dying whilst on a waiting list for surgery. The management committee organised a march in Auckland and sent a petition to Parliament appealing for the separation of paediatric services and pharmaceuticals from adult funding.

The identity of board members as parents caring for their sick children was paramount in sustaining the energy and passion of the organisation in its most formative period:

“...that was one of the fundamental things I think for our organisation, the degree of passion and personal battles that every board member was going through. It couldn't have achieved it without that... We all acknowledged there was no handbook for forming an organisation... We were essentially writing [it] as we went.”

On the other hand, such personal identification with the cause was also seen to be a difficulty in achieving wider recognition. Despite their professional lives and experience, some women Board members were told:

“You'll never be seen as anything other than mums having a cup of coffee and chatting to each other... I'd worked in the banking industry since 1980 so I had quite a strong in-depth skills base and corporate education you might call it.

So I did understand their world and where they were coming from, but at that stage I was pegged as the mum of a sick child ...externally you had to play the game and that was the game.”

Provision of accommodation for families was an early high priority. Through extensive networking, sponsorship from a significant financial institution, and massive effort from board members, Am Calon raised \$1m over an eighteen-month period to buy two adjacent town houses in close proximity to Green Lane hospital. Ronald McDonald House made a no-interest loan for the \$200k shortfall and, because they were experienced community hoteliers, managed the Am Calon accommodation under contract.

Integration of regional and local groups into a single national organisation, along with the acquisition of property, increased the complexity of the organisation considerably but also made possible the provision of a greater range of services. Key people on the committee had relevant professional skills, but the task of creating a national body with limited human resources was not easy. Recognising the need for further organisational expertise, one member of the committee devoted considerable time and effort in up-skilling herself through volunteering with another organisation from which she could learn. She recalled:

“I said ‘I want to volunteer to help you’ and I was very upfront with them, ‘and in return I want you to teach me how to fund raise, I want you to teach me how this not-for-profit sector works’ ...I learnt how we need to look after our volunteers, or culture our volunteers. I learnt about fund raising, I learnt about database management, direct mail campaigns, the whole side of that marketing for a non-profit organisation. I worked out how their governance worked within a non-profit organisation... I didn't need to know what they did, but how they did it, so I met some of the senior managers when they'd visit our area and I would get talking to them. They ended up giving me a paid job...”

Increasing complexity 1997-2001

The increased survival rate of children created a need for new services for families and their children. In response, the Am Calon House was opened in 1997 and specialist camps were set up for Calon Kids. A national conference of parents and children was held in 1999 and by 2000 services had increased considerably, necessitating more appropriate staffing but adding to costs. Staffing increased to two part-time workers – one concentrating on administration and support services, the second on fund-raising, communications, event management and public relations. Money tied up in the House distorted the picture of money available for services, so a separate Trust was established to hold the assets of the organisation. Finding money for day-to-day administration and service development was difficult, as neither government nor philanthropic organisations typically support infrastructure development or operational costs. In the early days the personal cost to board members was high. A board member explained:

“...while we had good funding for the house, getting funding for running ourselves was horrendous. We cut costs everywhere we could. Board meetings were held out at Karaka, South Auckland --\$10 a night for a room that was shared between two – not the best. We did our own cleaning.

We saved two dollars a night because we cleaned at the end. ... We were all stretched financially personally.”

The heaviest organisational burden fell on the Chair of the Board and as service demands and complexity increased it became apparent that the level of work demanded of the board could not be sustained without properly differentiated management capability. Jane, who was the Chair at the time, recalled:

“...We got to a stage where we had about five part time staff in Auckland and I was managing it all as Chairman. The Board was still the management committee and governing body. It was very very clear that could not continue. We had got things up and running but the Board wasn't doing its core function—looking strategically at the organisation and taking time to look at what the risks were and growth – our Board meetings were so consumed [with day to day matter] and our structure wasn't quite right.it got quite critical in that I was probably working 40 hours a week managing Am Calon. Although we had a part-time fund-raising manager, I was still managing campaigns, we were starting our first Awareness Week, and trying to get our 18 ‘branches’ [parent support group] around the country working as one. I was managing our sponsorship and contract renewals. The organisation was also lobbying with the Auckland Health Board, due to the relocation of services and we were getting the camps going. It had grown hugely! Basically the Board had to let that go.”

Jane's proposal was for the appointment of a part-time general manager to work closely alongside the Chair. The board agreed and asked Jane herself to take on this role.

The shift from hands-on Chair (without any management support) to the general manager role (part-time) was not without some transitional difficulties. However, it marked a crucial stage in the elaboration of the organisation and raised important questions about principles of authority and role responsibilities. At the time of her appointment to the general manager position, Jane lived in New Plymouth. The new Board Chair was in Hawkes Bay and the focus of most of the services was in Auckland (centred on the hospital). Despite the establishment of the part time management position, the new Chair wanted hands-on control, and the Board was ineffective in controlling him. Twelve months later, with tension continuing, Jane resigned her position in favour of a proposed on-site manager. This proposition failed. A group on the Board appointed one of their own members, who was Wellington-based, to be an Executive Director. He introduced a way of working that was stressful to staff and other board members. The arrangement also failed to differentiate management and governance roles. Jane was asked to return to the Board, which she did as a regional representative. Recognising that the organisation could not be run remotely, two of the committee were tasked with appointing a full-time general manager. At the AGM two months later, Jane was re-elected Chair, a position she held for the next five years until finally retiring from the organisation in 2007.

Organisational and constitutional change 2002-09

Am Calon appointed the first full time general manager in 2002. A former businessman with overseas senior management

experience, Adrian brought a clear understanding of management responsibility and of the challenges of achieving appropriate governance when recruitment to the Board was constrained by the Constitution's requirement of parent ownership.

After seven years under Adrian's direction, Am Calon had expanded considerably. The organisation had 23 branches, 200-300 volunteers, a team of fund-raisers and designated support services managers. As part of the increasing complexity of the organisation, nearly one third of the \$2.3 million annual income was now spent on fund raising and half was spent on core services, with the remainder providing necessary infrastructure for the organisation. The early demands of general management meant that Adrian's focus was largely operational and that he held most of the organisational/institutional knowledge. As complexity increased, there was much greater need for Adrian to work strategically. He commented on this change:

“...a general manager is by definition of the title a generalist, so it was expected that I'd drive the van to the hospital, it was expected that I'd be a helper at the camps, it was expected that I would go to branch functions on a Saturday and a Sunday.... When they offered me [the title of CEO] I said, ‘Well my definition of a CEO is someone who is less of a generalist and more of a long-term strategist. And therefore if you're keen for me to be CEO I can take your money and carry on doing exactly the same job, or we have to put into place a structure where Adrian doesn't know, and isn't expected to know everything. Because that was undoubtedly the case after the first year or two of getting in there: everyone came to Adrian “Adrian, what about the budgets? Adrian, what about the expenses? Adrian, what about getting the van fixed?... Everything came to Adrian when there were only four people here. We began to expand the personnel side of things before I was offered the CEO job, but I made it clear to them at the time that there had to be a commitment from the Board to the financing of a structure that would allow me more time to think.”

The Present 2009 onwards

With the change of title and structure, Adrian has been able to bring a strategic perspective to the work – both at a management level through his own more long-term focus, and through developing the skills and capability of the board. To this end, considerable effort has gone into the development of governance policies. Evaluation Committee processes have been established to ensure much greater accountability – by the Board for effective decision-making and by board members themselves for the contribution they make. Constitutional changes now allow for skilled capability to be brought to the board.

Apart from the question of what skills are to be brought in by the people elected or appointed, there is the further question of how individuals play out their understanding of governance responsibilities. The CEO explained:

‘...the Board is beginning to recognise that to be a board member ...if you want to do this properly, and we should be doing this properly, the Chairman [needs to dedicate] 5-6 hours a week. At least! Other board members, have got to be on at least a couple of committees, or somehow meet,

at least somehow talk to each other. It's very hard when you're spread all over the country, because we certainly can't afford to fly people around all the time. You've got to find ways of getting people together and making decisions, putting up proposals to the board, discussing things with the general manager/CEO discussing whether or not we can afford to go forward...'

Preparation to move away from the original constitution of governance by parents has been careful and prolonged. A skills audit of current board members was undertaken and essential missing skills identified. These were: governance experience, marketing and public relations expertise, entrepreneurship and fund-raising knowledge. A questionnaire was circulated to members canvassing opinion on the proposed changes. A constitutional lawyer was consulted, and a Special General Meeting called to give effect to changes to the composition of the Board. Instead of nine regionally based parent representatives, the new composition would be six elected parent representatives, one adult 'Am Calon child' (in recognition of the growing numbers of children now surviving into adulthood) and three members appointed by the Board. These changes have now been agreed. Four candidates were identified, interviewed and found to be eminently suitable. They will be officially endorsed at the next AGM.

This marks another major transition for the organisation. Just as the management of the organisation was professionalised by the appointment of a much-experienced business manager, so too the introduction of specialist professionals may signal the beginning of the professionalisation of the Board. As in the earlier transition phase, it will be interesting to see how quickly the new members become acculturated, how their different experience of the organisation and its history and their non-parental connection to those the organisation serves change the dynamics, capabilities and expectations of current members.

Discussion

The case we have constructed of the evolution of this organisation spans twenty-five years. It serves as a useful example of the stages of growth through which social service NFP organisations might typically progress as they change from a support service to a potentially wholly consumer-determined organisation.

Our interest is to interpret the dynamics of structural and functional change in the patterning of management and governance relationships as organisations become more complex. We attempt, in the discussion that follows, to provide a conceptual framework for identifying transition points in organisational arrangements – that is the points at which new relationships are required in order for organisations to meet the challenges of new work as complexity increases.

One theorist who offers an understanding of complexity in organisations is Elliott Jaques.¹³ He proposed a model of 'requisite organisation', identifying different levels of human capability and organisational capacity to undertake work across increasingly extended time frames. His colleague Gillian Stamp¹⁴ adapted the model by identifying key themes of work required at each level. These ideas are expressed in simplified form in Figure 1.¹⁵ The time frames in the Levels column in Figure 1 indicate the period held in intention by the people at each level: Level 1 people have an immediate focus for their work, while Level 5 people need to take a long (strategic) perspective.






Levels	Themes	Patterns of change
5 5-10 years	Direction, purpose, challenge and maximizing assets	 ROI
4 2-5 years	Innovation, change and continuity	 Building for the future
3 1-2 years	Effective work, practices, systems and productivity	 Breakthroughs
2 3-12 mths	Effective coordination, collective improvement and efficiency	 Ramped up change
1 0-3 months	Excellence of Task	 Continuous improvement

Figure 1: Levels of work with themes and patterns of change. (Adapted from McMorland and Ter Morshuizen (2001))

Stamp detailed themes of work associated with each level in a Matrix of Working Relationships.¹⁶ She showed that as an organisation elaborates its structure through each of the different levels, the work of previous levels becomes embedded in organisational arrangements and leads to important changes in focus. Using Stamp's approach we can show how increases in organisational complexity necessitate increased levels of capacity (the structures, roles, processes and systems necessary for an organisation to deliver on its challenges or purpose) and capability (individual and collective knowledge, skill, experience, inherent ability and potential) to deliver required outcomes and responses to change.¹⁷ Adapting these ideas to an NFP context,¹⁸ we have attempted to illustrate this in Figure 2 below.

The vertical axis represents increasing levels of organisational complexity and the key work themes that have to be attended to at each level. The horizontal axis indicates need for increased capacity and capability to match task requirements. We present Figure 2 as a map indicative of the step-wise progression through which organisations may be said to evolve from start up to maturity and beyond, rather than as a prescription for action. It identifies and explains points of transition in relationships within organisations as the tasks of organising, managing and governing become differentiated.

In their start up phase, most community organisations have a simple focus and intention, and require little by way of structural elaboration. In Figure 2 this is the bottom left-hand corner box. The work is hands-on and direct (Level 1), typically low in task complexity and in capacity and capability (resources and people). At the other end of the scale a large organisation such as our case study example (with a budget of around \$2m in 2007) is a highly complex organisation requiring strategic and generative governance¹⁹ to guide delivery of services to many different client groups (new babies, growing children, adults, parents and health professionals), high resource capacity (income and numbers of staff and volunteers) and commensurate high levels of capability in trustees, managers, staff and volunteers alike.

Figure 2 indicates the development of horizontal complexity (within the same task band) as capacity and capability expand. For example, co-ordination and efficiency measures in an organisation at an early stage of maturity will be very different from those required in a highly complex organisation. Front line people may well feel a loss of status when former informal links to decision-making are no longer appropriate and the actual 'work' of Level 1 is itself changed substantively.

This Figure also shows that different 'responsible bodies' fulfil the organising/ managing/governing functions at different stages

	Stage		Start Up	Early Development	Early Maturity	Full Maturity	Renewal
	Responsible Body	Work Themes	Working Committee	Organising Committee	Management Committee	Governing Board	Governing Board
Complexity ↑ High Low	5	Strategy and Value					<ul style="list-style-type: none"> Defend & extend reputation of agency Ensure integrity of vision and purpose Add value for long term future
	4	Continuity and Innovation				<ul style="list-style-type: none"> Build for future Sustain present Leave day-to-day mgt behind Build strategic capacity and capability 	<ul style="list-style-type: none"> Scan environment for challenges and opportunities Attend to strategic development
	3	Systems and Structures			<ul style="list-style-type: none"> Differentiate management from governance Manage increasing complexity Establish best practice standards Resource staff 	<ul style="list-style-type: none"> Establish operational systems and processes Institute HR systems Implement change 	<ul style="list-style-type: none"> Senior mgt take collective responsibility for operations Continuity & innovation Implement best theory and practice
	2	Co-ordination and Efficiency		<ul style="list-style-type: none"> Co-ordinate volunteers Develop resources Basic procedures Networking 	<ul style="list-style-type: none"> Lead teams Manage performance Coach and develop skills Co-ordinate standards Adapt to change 	<ul style="list-style-type: none"> Develop team capability Embed vision & values Monitor cost Improve service Gather information 	<ul style="list-style-type: none"> Build strong internal & external links Develop workforce Implement change Focus on mission
	1	Practical Excellence	<ul style="list-style-type: none"> Initiate action Recruit new members Sustain energy & effort beyond enthusiasm of start up 	<ul style="list-style-type: none"> Meet client needs Meet standards Accept direction Build capability 	<ul style="list-style-type: none"> Achieve standards set Value own work Be responsible organisational member 	<ul style="list-style-type: none"> Take responsibility for standard of work Respond to change Notice trends 	<ul style="list-style-type: none"> Continuous improvement Personal development Belonging to wider organisation
Capacity and Capability → Low High							

Figure 2. Work and responsibilities at different stages of organisational development

and that they have qualitatively different tasks to accomplish depending on the level of complexity they are addressing. Start-up agencies may not require much ‘management’ or ‘governance’ other than project administration and financial transparency. Premature ‘governance’ structures may in fact inhibit the growth of action in an organisation at this point. If there is not enough Level 1 work being done to sustain the identity of the organisation and attract new members, the organisation may not survive beyond the start up phase. Responsibility for the work of the organisation rests typically with a handful of enthusiasts who form a Working Committee. In the Am Calon case, this was the structure throughout the earliest period (1984-1991).

The themes of work at each level are qualitatively different as complexity increases (vertical progression). At an early stage of maturity, when there are multiple projects to be co-ordinated, and/or when volunteers are insufficient to carry out all of the required work and paid staff are employed, the responsible body becomes an Organising Committee and introduces a first level of team leadership or ‘management’, setting tasks and standards for Level 1.

The transition from Stage 2 to Stage 3 is marked by a proliferation of services, and the increased employment of staff with designated specialist roles. As management becomes more clearly recognisable and differentiated from Level 1 and 2 work, so the work of governance needs to be identified. It may be that many organisations retain a Board-cum-Management Committee in the early stage of maturity while operational procedures are being developed and there is still a need for practical engagement by board members. However, there is a major danger that too great an involvement in operational and financial oversight by board members will inhibit management’s work and blur lines of accountability. Separation of the functions of governance and management is a defining attribute of this stage. The concept is usually well understood in principle, but not always exercised in practice.

The major problem, as we see it, is that board members do not have an adequate understanding of the work that they, as the responsible governing body, need to be contributing. As systems and structures develop through the work of managers at Level 3, board members need to exercise the strategic overview and vision for the future typical of Level 4 activity. This requires personal and collective capability that is qualitatively different from that needed at Levels 2 or 3. In Jaques’ model, the key capability required at Level 4 is to be able to hold, in parallel intention, multiple strands of activity and to see the dynamic interaction between them. Board members need to serve the organisation by developing a deep understanding of the environment or sector in which the organisation sits. They are called upon to exercise judgement that is grounded in experience and knowledge of the organisation’s work and mission, not merely to bring their own views of the world, or their individual professional perspectives to decision-making. For example, valuable as the professional skills of accountancy and law are in governance, without deep appreciation of the mission of the organisation, there is a danger that decisions are made on pragmatic short-term financial grounds, rather than taking into account the long-term sustainability of the organisation and its mission and purpose.

Our thirty or more years’ experience of working with NFP boards and managers suggests that the frequently observed mismatch of capability between governance and management, as organisations transition from early to more full maturity, is a major issue in NFP organisations. Transition from one stage to the next is not easily accomplished from within. It requires awareness of the need for change as well as recognition of the need for new areas of knowledge, skill and relationship building. Reluctance to change can result in a disjunction between the stage of development of the organisation, and the evolution of the responsible body. Boards (particularly those of smaller organisations) can easily become complacent about, or overly comfortable with, ‘the way things have always been done around here’. Preparedness

to confront the upheaval of transition requires political will and courage on the part of all organisational members. ‘Governance’, as discussed in most of the NFP literature, mostly comes into play when an organisation reaches a sufficient level of complexity to require the qualitative separation of governance and management functions. We illustrated this in the case study by identifying key hiatus points where new relationships needed to be negotiated between the manager and the Board Chair, by showing how issues of appropriate jurisdiction of authority, and the grounds on which individual and organisational power was predicated, were resolved. Good governance requires that board members have levels of individual and collective capability that at least match, and preferably extend beyond, the capability and potential of senior management. A Board that demonstrates inadequate strategic capability (i.e. is working below Level 4) cannot provide direction and leadership to general managers/chief executives working at Level 4 and above. Such a board is, quite simply, “too small” for the work required.²⁰

End notes

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Though our example is of one social service organisation, we believe the identified issues of development are typical of many other NFP organisations. The challenge is for organisations to identify their own transition points. This is not an easy task from within and may not be one that Boards and managers can undertake without outside facilitation. Having a conceptual frame through which change can be viewed, as in the models presented here, can be a major aid to understanding. Not-for-profit organisations serve a crucial role in civil society, providing service and support, advocacy for the vulnerable, and opportunity for personal enrichment to many. If such organisations are to continue to flourish, then the quality of governance and management is important. We hope that this discussion has contributed to this cause.