LEAD | CENTRE FOR NOT FOR PROFIT GOVERNANCE & LEADERSHIP

Non-profit and Community Governance: Mana whakahaere o ngā uepū utu-kore me ngā uepū ā-hapori

The Context:

Non-profits[1] are crucial to the Aotearoa New Zealand economy and social well-being, in almost all areas of life from supporting parents with newborns through to palliative care, training for work or regulating professions, undertaking sports and recreation, participating in the arts or politics, or building stronger and safer neighbourhoods. Many are small (in terms of financial turnover), and 90% of them have no paid staff.

Over the past three years, the LEAD team has worked with in excess of 250 boards. As well as general capacity-building, we have also been involved to improve strategic intent, to be clearer about impact and to increase diversity and reduce barriers for engagement of under-represented groups, including, people with 'lived experience' (consumers), Pasifika engagement, and youth on boards.

[1] **A word about words**. In this report we use "non-profits" to refer to not-for-profit or community & voluntary organisations that meet the five criteria of the structural-operational definition of the *Johns Hopkins International Comparative Nonprofit Project* (Tennant et al., 2006), namely, organised, private (non-government), nonprofit-distributing, self-governing, and non-compulsory (voluntary). We use the term "board" to refer those organisation's governing body, whatever it may actually be called (board, committee, trustees, management committee etc.)

With 116,000 non-profits in this country (Statistics NZ 2018), even a modest estimation of 6-7 members on each board, results in a projected governance workforce of over three-quarters of a million people. And this is an unusual workforce; the over-whelming majority are volunteers (even though they carry the ultimate legal responsibility and directional mandate for the organisations they govern, which in turn have a combined annual income of more than $18 billion and growing – up 29% on the previous 5 years). While one survey (Grant Thornton 2016:15) estimates that 22% of non-profits provide some remuneration to their board members; we suspect, from our own experience, that this is a significant over-estimate at least for small and medium-sized organisations. For example, an extensive US survey (BoardSource 2017) found only 2% of organisation remunerated their board members (honoraria or fees), while 19% did reimburse expenses such as travel costs.

Unpaid, however, does not necessarily mean unskilled. Several surveys consistently suggest that the non-profit governance workforce is well-educated (50-72% tertiary educated) and disproportionately from a business or professional background (Hough & Nowland-Foreman, 2018: 100). Though these surveys again tend to under-represent smaller non-profits. One very small scale and non-representative study, for example, found while men from professional and business backgrounds dominated more on larger non-profits, women from community backgrounds were overwhelmingly represented in the boards of the smallest, community-based non-profits, (Haigh 2008).

Another small scale and non-representative study found board members likely to be long-serving and thus experienced – with 60% having served on their current board more than seven years (Erakovic & McMorland 2009).

While there is a wide range of functioning among the boards with which we have worked, our over-whelming observation is that even for many of the most well-functioning boards they (and their managers) experience a degree of dissatisfaction with their work as board members. And this is certainly the case for those boards facing greater difficulties. Managers appear to report this concern to us at an even higher rate. (This is consistent with findings of large scale sector surveys in the United States, for example BoardSource 2017). There is a vague feeling that something is wrong, that 'it's all a bit too hard' or that board members are not quite doing something right, but it's not always clear what that is. This ennui seems to occur even for boards ostensibly following many of the onerous "governance best practice" prescriptions. Some of these heroic prescriptions (Cornforth 2001) are not possible or at least not sustainable for smaller organisations – especially the 90% without any paid staff. The ever-increasing list of matters to be accountable for (fraud and misappropriation, conflicts of interest, protection of children, health & safety, risk management, cyber security, etc.,) adds to a 'crowded curriculum' of tasks and demands (Hough & Nowland-Foreman 2018: 99), but it doesn't necessarily make the job any more satisfying or purposeful.

Much of the limited New Zealand research includes significant components bemoaning the inadequacy of non-profit boards, noting how many cannot tick off all the latest version of the governance 'good practice' shopping list of sanctioned tasks (for example, Grant Thornton 2014 & 2016, and Cribb 2017). This has been accompanied by calls for more and more training in "governance best practices" and especially on the governance role (versus management). As a training organisation, this could be in our interests. However, if people are *continuing* to report the same unsatisfactory outcomes, despite all this emphasis on training, it doesn't make sense to just doing more of the same –harder, further and faster. An implied judgement is that board members are ignorant or unskilled, but our observation is that this judgement may not necessarily be soundly based and, in any case, little is achieved by blaming the victims.

Our Approach

We set out to find lessons for good governance for non-profit and community organisations in Aotearoa New Zealand, by focusing on the strengths and capacities, especially of the especially well-regarded boards. This is more consistent with the 'appreciative' philosophy and 'build on strengths' framework that we bring to our capacity-building work.

The research was undertaken in two stages. Commencing February 2021 we sent out, as Stage 1, survey links to 3,000 plus non-profit organisations on our mailing list, also inviting recipients to pass the survey link on to their contacts. In total 313 valid responses were received in the time allowed. As outlined below, we compared these with demographics of more representative populations of non-profit organisations, especially the 116,000 organisations identified by Statistics NZ for the *Non Profit Institutions Satellite Accounts* (2004, 2013 & 2018). Where some comparisons are not available – such as geographic distribution – we have compared our sample with the specific (and smaller) sample of 28,0000 Registered Charities.

As a part of our Stage 1 email survey, we asked respondents as a final question to identify any other community or not for profit organisations they knew as "particularly well governed". They were able to name as many as they wanted. In total, 315 nominations were offered by the survey respondents – 24 of which received multiple nominations. Within this group of multiple-nominated organisations, we selected a range of different types of organisations, located in a range of different areas, and including the most-mentioned organisations. This generated seven organisations who all agreed to at least two people from the organisation being interviewed in person in more depth for Stage 2 of the research. This always included at least one board member (usually the chair) and, where relevant, the manager. Several stages of the research were delayed by the impact of the Covid pandemic, especially the in-depth interviews (which took place between June and) and the data collection occurred against this significant background.

Our Findings

We compared our 313 Stage 1 respondents with data on the 28,000 Registered Charities and the 116,000 non-profit institutions (NPIs) estimated by Statistics NZ. In comparison, while our respondents covered a wide range of size and types of non-profits, they greatly over-represent Registered Charities (86% of our sample, compared to around a quarter of all non-profits) and many of their characteristics – namely they were more likely to employ at least one person than non-profits overall, and they were more concentrated in the fields of health, social services and other human services.

While not the same as Registered Charity status (which is primarily a tax status), the Charitable Trust legal structure is also over-represented, and that of Incorporated Society consequently under-represented. Other legal forms are too small to be of statistical significance. While our survey sample covered a good range of small to medium-sized organisations, it under-represented micro-organisations (especially those with no paid staff). It also under-represented religious organisations (places of worship or religious education, but *not* faith-based social services) compared to both Charities and all non-profits, and under-represented arts, culture, sports and recreation organisations, compared to all non-profits. While under-representing some less populated regions, a wide spread of respondents across all regions of Aotearoa New Zealand was achieved.

Table 1: Activity Areas or Focus

NPI Primary Activity	*Non Profit Institutions (%)*	*Charity Main Sector equivalent*	*Registered Charities (%)*	*LEAD Research (%)*
Culture, sport & recreation	45	Arts/Culture/Heritage, Sport/ Recreation	17	14
Education & research	7	Education/training/ research	23	12
Health	3	Health	8	21
Social services	12	People with Disabilities, Emergency/disaster relief, Employment, Social Services	13	29
Environment	2	Environment/Conservation, Care/ protection animals	5	4
Development & housing (incl Tangata Whenua gov)	8	Accommodation/housing, Community Development, Economic Development, Marae	12	6
Law, advocacy & politics	3	n/a	0	4
Grants, fundraising, capacity building & volunteerism	1	Fund-raising, Promotion of volunteering,	4	7
International	1	International activities	~	~

Religion	9	Religious activities	19	3
Business, unions & professional associations	3	n/a	0	~

52 *Other* LEAD respondents were reclassified on basis of their described Activities; 6.5% of NPI's are *Not Elsewhere Classified* ; ~ = less than 1%

Table 2: Legal Structure

Legal structures	*Project Periscope (%) 2015**	*Registered Charities (%)*	*LEAD Research (%)*
Unincorporated Kaporeihana-kore	57	48	1
Incorporated Society Kapareihana Whakauru	21	13	27
Charitable Trust Rōpū Kaitiaki Ohaoha	20	32	56
Māori Land Trust Rōpū Kaitiaki Whenua Māori	~	0	1
Not for Profit or Charitable Company Umanga utu-kore Ohaoha	2	7	10
Industrial and Provident Society Porihanga Ahumahi, Ahumua Hoki	~	0	0
Don't know or other	!	~	5

* https://periscope.net.nz/the+size+of+the+charity+sector+in+new+zealand

Table 3: Size of Organisations by Paid Employees/Contractors

Number of paid employees/contractors	*Non Profit Institutions (%)*	*LEAD research (%)*
0 paid staff	90	11
1-5 paid staff	7	35
6-19 paid staff	2	27
20-99 paid staff	1	21
100 paid staff	~	6

Table 4: Size of Organisations by Volunteers

Number of volunteers (excl board)	*Volunteer NZ survey (%)*	*LEAD research (%)*
0-5 volunteers	6	41
6-20 volunteers	28	23
21-50 volunteers	26	2
51-100 volunteers	1	8
Over 100 volunteers	38	9
Not clear		1

Table 5: Size of Organisations by Annual Expenditure

Annual expenditure	*Registered Charities (%)*	*LEAD research (%)*
Under $125,000	57	30

Between $125,000 and $2 million	36	45
Between $2 million and $30 million	6	15
Over $30 million	1	2
Don't know	~	8

Table 6: Regional Distribution

Table 1: Regional Spread	*Registered Charities (%)*	*LEAD Research (%)*
Northland Te Tai Tokerau	6	3
Auckland Tāmaki-makau-rau	19	23
Waikato	9	5
Bay of Plenty Te Moana-a-Toi	8	4
Gisborne Te Tai Rāwhiti	2	2
Hawke's Bay Te Matau-a-Māui	5	3
Taranaki Manawatū-Whanganui	9	6
Wellington Te Tai-o-Aorere	10	16
Tasman Te Tai-o_Aorere/Nelson Whakatū/Marlborough Te Tauhihu-o-te- /West Coast Te Tai Poutini	7	9
Canterbury Waitaha	13	22
Otago Ōtākou	7	5
Southland Murihiku	4	1

Of the seven (7) organisations interviewed as a part of Stage 2, four could be identified as predominantly Pakeha or 'mainstream' governance (though at least two of these had made specific efforts to engage or have strong relationships with Māori or Tangata Whenua); two were Tangata Whenua organisations governed by Tangata Whenua; and one was a pan-Pasefika governed organisation. The organisations are based on both North (5) and South (2) Islands: in Auckland, South Auckland, Waikato, Wairarapa, Stokes Valley, Nelson and North Canterbury. They included: a health and social service; a volunteer centre, a mental health and addictions service; an iwi-based social service, a marae, a community garden, a training & capacity building organisation. One of these was also explicitly a faith-based service. To some extent (and perhaps unsurprisingly) they thus appear to mirror the 'demographics' of the survey respondents who nominated them. We aimed to include a range of different organisations, but the (very small) sample size of Stage 2 means it makes no claim to be a representative sample.

Size of boards

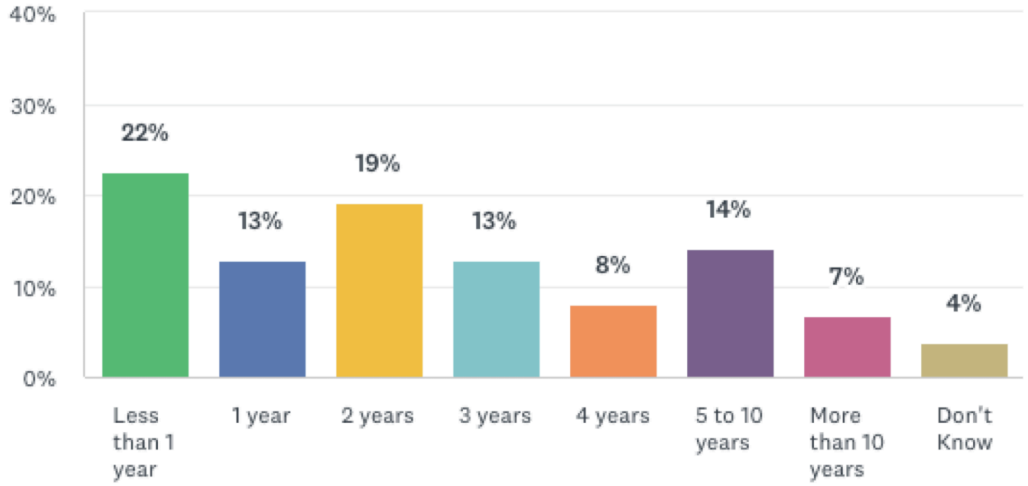
In the wider Stage 1 survey, the smallest size board comprised just 2 members, ranging up to 21 board members in the largest gvernance structure (if you include both bodies of one organisation that a two-tier governance structure) or otherwise a maximum of 14 members in any single governance body. Overall, the average size of a board was just under 7 members.

Several Australian and Aotearoa New Zealand studies suggest an average board size of no more than 10, with some indications this may recently have been declining (Hough & Nowland-Foreman 2018). Interestingly, his compares with a US average of 15 board members (BoardSource 2017: 17), having dropped from an average of 19 less than 20 years earlier.

Turnover of chairs

There appears to be a reasonably high turnover, at least among Chairs or organisations responding to the Stage 1 survey; 23% held their position for less than a year, 55% for 2 years or less, and only 21% were longstanding chairs with their organisation, holding the position for 5 years or more. This is consistent with a median of two years service as Chair in the US (BoardSource 2017: 62).

Chart 1: Current Chair's Length of Service



While there is much in what might be called the 'heroic' nonprofit governance literature on *how* to improve the commitment and performance of board members, there is little research on actual lengths of service – especially in Aotearoa New Zealand. As noted above one small-scale and non-representative study found board members (not just chairs) likely to be long-serving and thus experienced – with 60% having served on their current board more than seven years (Erakovic & McMorland 2009). In the US at least, on average board members serve on two boards (BoardSource 2017) thus adding to the experience they might bring to any individual board.

Diversity of boards

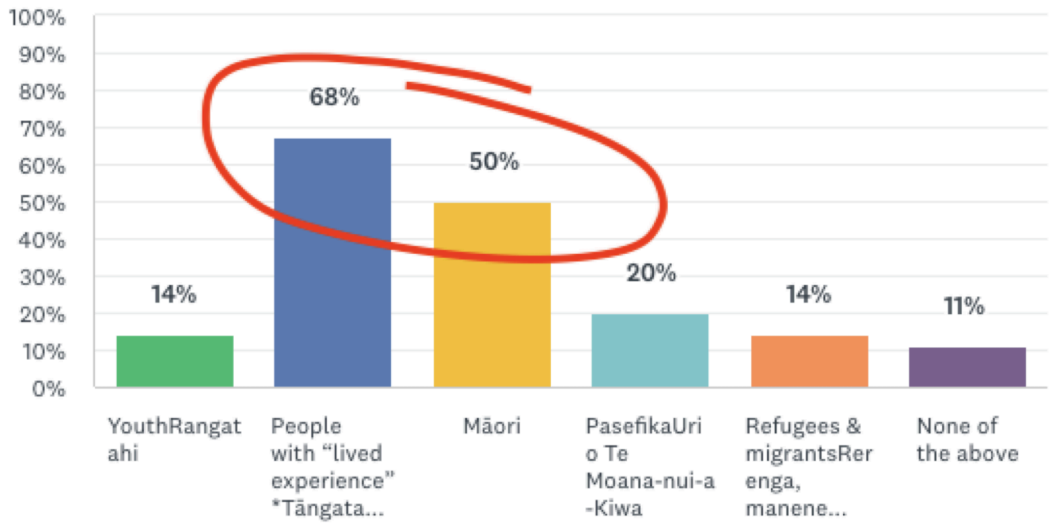
Messages on board diversity are mixed, with the following share of boards in the Stage 1 survey with at least one member having the following characteristics:

- youth rangatahi (15%)
- people with "lived experience" tāngata "wheako ora" (68%) (defined as people who have had personal experience in their life of the issues with which the organisation deals, for example, mental health, disability, parenting, etc)
- Māori (50%)
- Pasefika Uri o Te Moana-nui-a-Kiwa (20%)

- refugees & migrants rerenga, manene rānei (15%)

Given the very low threshold, these results are not especially impressive. Only two of the identified groups (people with "lived experience" and Māori) have at least one member on a significant proportion of the boards surveyed. And on 11% of boards surveyed do not include even one person from *any* of these identified groups.

Chart 2: Representation of Identified Populations on Boards

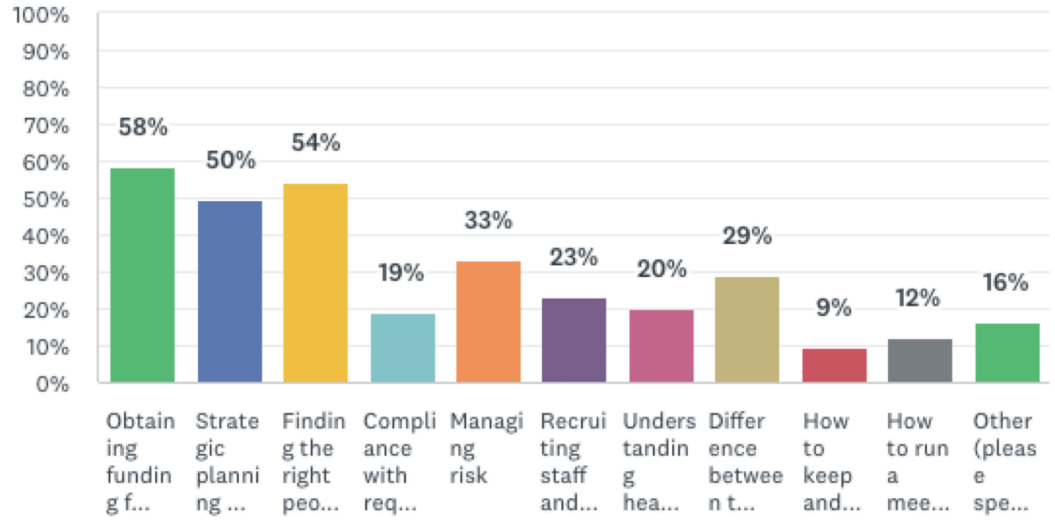


Challenges for boards

The most "significant challenges" for boards identified by the respondents to the Stage 1 survey were:

- Obtaining funding for your organisation (58%)
- Finding the right people to come on board (54%)
- Strategic planning for the future of the organisation(50%)

Chart 3: Significant Challenges for Boards



Interestingly at least two of these are organisation-wide issues, not *exclusively* governance issues – although boards are expected to play a significant role in ensuring both adequate funding and strategic planning for the future of the organisation are in place. Respondents were able to identify as many issues they wanted that were significant challenges for their board. So, it is perhaps a little surprising that the *Difference between the board's role and management/ volunteers* is only an issue for 29% of the boards surveyed – given how often this is *assumed* to be a problem or significant challenge for boards. Some of the other technical responsibilities also only feature as second or third tier concerns: *Managing risk* (33%); *Recruiting staff & volunteers* (23%); *Understanding health & safety obligations* (20%); and *Compliance with requirements from government* (19%).

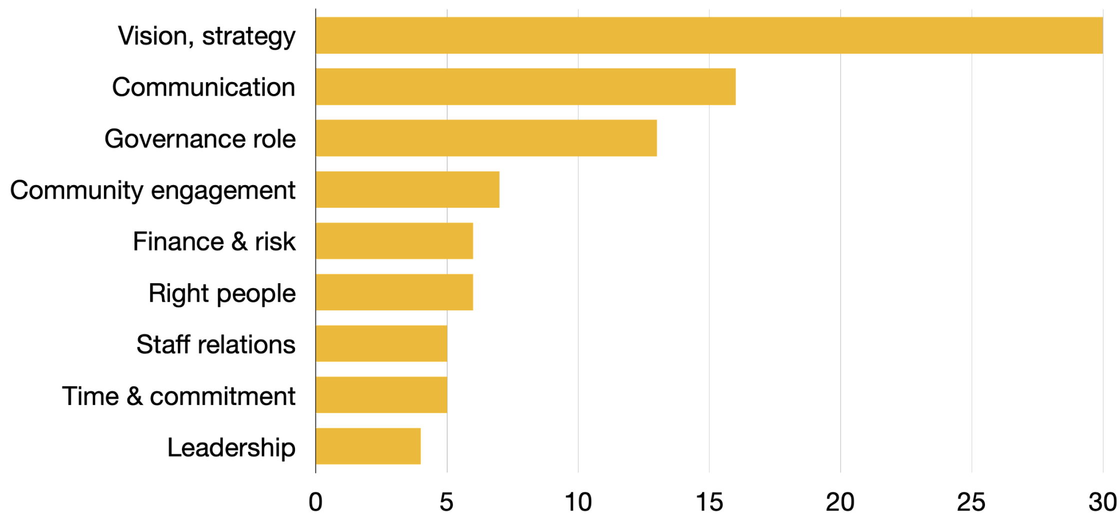
Governance Performance:
Overall respondents to the Stage 1 survey consider, at least in their own self-assessment, that they were well governed. Only a small number thought the board carries out its governance role *Poorly* (5%) or *Very Poorly* (2%). In contrast 35% thought they carry out their role *Very Well* (35%), *Pretty Well* (34%), or *OK* (23%).

These same board members were asked what were the most important elements for good governance in an organisation like theirs. Up to three elements were allowed from each respondent. In total 889 elements for success were identified, with 92% of respondents contributing the maximum three elements of success.

These are crudely summarised in the 'word cloud' below. As this is only a literal summary of the frequency of the words used, we also categorisied respondent's phrases or words into nine themes (based on our analysis and clustering of the responses), with only less than 3% left over as one-off *Other* phrases.

Chart 4: Most Important Elements for Good Governance (Word Cloud)

Chart 5: Most Important Elements for Good Governance (Thematic analysis)



It is especially noteworthy the extent to which a board has a *Clear and Agreed Vision and/or Strategy* is seen as important for good governance (featuring in 30% of responses) – clearly above and beyond all other factors. The other most frequently mentioned elements behind good governance were *Good Communication* (16%) and *Focusing on and/or Clear About the Governance Role*

(13%). Other elements were clustered reasonably closely together as a third tier of significance (with around plus or minus 5% of responses).

Confessions of Especially Effective Boards:
The qualitative data from the interviews in Stage II reinforce many of these elements but also add some significant nuance to the meaning of what has been found. Many of these in-depth conversations eventually included one or both of two confessions from those identified as being particularly well-governed organisations. The first frequent confession of these especially effective boards is "we don't always follow the rules". They would assume, "we are not like other boards" or "we don't always do things by the book/like you are supposed to do." This most frequently involved not always keeping arms-length from the operations of the organisation. In any case it was very clear that not one set of 'rules for proper boards' would fit all. There is no single 'holy grail' of the proper role description that all effective boards use – though sometimes their failure to do so is seen as their 'dirty little secret'. On several occasions, it appears this was more embarrassing or even shameful for the managers of these organisations – perhaps because they felt they needed to be more 'professional'.

Others expressed this as feeling like they were supposed to be fitting the round peg of their experience and context in the square hole of "proper governance". This was most clearly and directly expressed by Tangata Whenua boards as a colonisation of indigenous structures with requirements of Western legal entities and Western concepts of power and control, with distinctly separated roles - cutting across traditional whanau hapu management (see the note of AWE Consultants on *Tangata Whenua Governance* at Appendix 1). In different ways this misfit of the imposed "ideal" with the perfectly satisfactory "reality" seems also to apply to the subtext of what was behind the confessions and reservations of a number of non-Māori respondents as well.

Certain functions are performed to meet regulatory compliance requirements, but 'good practice' is quietly ignored, among those identified as particularly well-governed, when it is not helpful or relevant to their particular context. Instead of doubling down on a narrower range of permitted roles or behaviours, they do what works for them.

Our in-depth interviewer of the Tangata Whenua organisations, in particular, expressed concerns that attempts to further tease out these traditional methods to give people a greater understanding of how this works could be counter-productive and create harm by standardising, compartmentalising and artificially differentiating the organic elements of traditional models of practice – recolonizing yet another aspect of Te Ao Māori.

As an aside, at this point, it is probably worth noting that an extensive US survey of non-profit boards (BoardSource 2017: 38-39) found that strong understanding of an organisation's programmes by board members is linked to stronger engagement, improved board performance in strategic thinking and planning, commitment, and community outreach. This points to the importance of cultivating a deep understanding of the organisation's programs and operating

environment, rather than trying to artificially separate or keep them always at 'arm's-length'. Several respondents in Stage 2 interviews reported their day-to-day involvement in the organisation fed not only their knowledge of the programmes but also their commitment to the cause and their sense of satisfaction and achievement as a board member.

Some small scale but representative Queensland research (McDonald 1993:20) also supports this contention that as a board member's active participation in daily activities of the nonprofit increases, we also see increased engagement in the governance functions. These two ways of involvement are not mutually exclusive (with one gaining at the expense of the other), but in fact complementary (both feeding each other).

The second secret confession, was that people on the highly regarded boards enjoyed themselves, even had fun on their boards. It was perhaps a guilty secret for some, as one version of the 'work ethic' is that real work is meant to be serious and thus not fun. However, all the highly regarded boards report high levels of self-satisfaction with their work. They often manage to bring meaning, purpose, satisfaction and even joy to their roles. In part, at least this aspect seems to be made possible by the first confession. Doing what works, rather than what they are "meant" to do; "going with the flow" is not only easier and more sustainable, but also more likely to enjoyable.

The Centrality of Board Culture:

Most organisations described how their boards had in place at least some of the various 'recommended best practices' (to a greater or lesser degree), such the following 25 best practices used in Herman & Renz (2000: Table 2):

- Nominating or board development committee
- Board profile used in recruiting new members
- Nominees interviewed
- Written selection criteria for board members
- Board manual
- Orientation for board members
- Written policy about attendance at board and committee meetings
- Written policy on dismissal for absenteeism
- Absenteeism policy enforced
- All board members have office or committee responsibility
- Agenda distributed prior to meetings
- Annual board retreat
- Executive committee of board
- Written policy specifying roles and powers of executive committee
- Collective board self-evaluation
- Board self-evaluation used
- Evaluation of individual board members
- Members receive feedback from individual evaluation
- [Written expectations about giving and soliciting]

- [Board meets expectations about giving and soliciting]
- Board process for CEO performance appraisal
- Limit on number of consecutive terms for members
- Recognition of retiring board members for their service
- Board uses consensus decision-making process

However, even excluding the two from this list that refer to "giving and soliciting" (reflecting the list's American origins), no board in our study mentioned having anywhere near half of all of these 'best practices'. So even where they may have undertaken them, those most closely involved did not see it as critical to highlight them as responsible for their being especially well governed. This is not to suggest that any of them are necessarily harmful or even without use. Through our own professional practice we can identify times when just about all of these elements may have been quite useful for a particular board.

So. it is significant that Herman & Renz (2000: 156) found the 10 non-profits in their research at the top of the effectiveness ratings used on average 68% of the 'recommended board practices', and the 10 non-profits at the bottom of the effectiveness ratings used an average of 56% of the recommended board practices. As they observe: "Although this is at a statistically significant level, because the subsample is nonrandom, this doesn't strictly apply, and one might have expected a starker difference between those organisations judged the top and bottom performer." (emphasis added). A majority of these recommended 'best practices' are used by highly performing boards, but a third of these recommended 'best practices' are not, and that is barely more than 10% points different from the *lowest* performing boards. While *not* necessarily suggesting there is no need to employ these technical features, they clearly do not make the difference between the vast majority of "well enough" governed non-profits (which most organisations in our Stage 1 survey consider themselves to be) and those particularly well-governed.

Similarly, Cornforth (2001), in a large-scale UK empirical study, found - in contradiction to much of the normative literature - that 'structural' variables were not important in explaining board effectiveness (neither board size, horizontal complexity, written job descriptions, nor induction programmes). Cornforth found instead that *process* variables were significantly correlated to board effectiveness: clear understanding of role and responsibilities; right mix of skills and experience and time to do job well; a shared common vision of how to go about achieving the organisation's goals; and board and management periodically reviewing how they worked together. Cornforth notes that a number of his findings are similar to those of Bradshaw et al (1992) – who also identified the importance of "reviewing and deciding strategic direction" - and a previous in-depth study of four boards (Cornforth & Edwards 1998).

Closer to home, Erakovic & McMorland (2009:12) found in their smaller Aotearoa New Zealand survey, "*No single picture of 'good governance' emerged from our survey and case studies, and we argue that no generic formulation of good governance covers the spectrum of [non-profits] 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." Erakovic & McMorland (2009: 16) go on to conclude 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*".

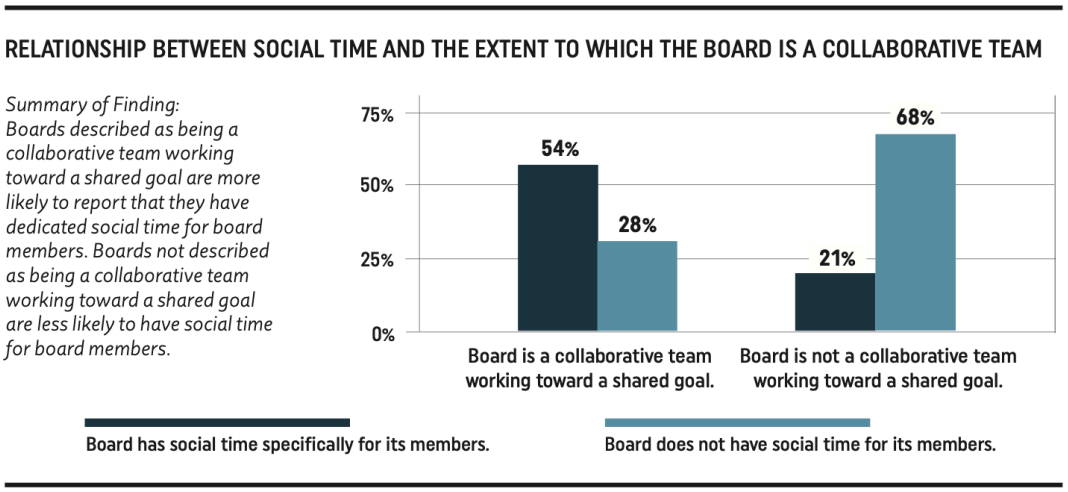
So, we are prompted to look beyond the list of 'usual suspects' of technical, prescribed board practices to find the secret of especially effective boards. The most powerful single theme coming through from the in-depth interviews was the power of a positive board *culture* as an important enabling factor, along with the associated "soft" skills. For the Tangata Whenua organisations this was expressed as the underlying factors of tika, pono, and aroha, and the organisation being kaupapa driven, as much more important and effective than separation of roles, and rules about conflict of interest, etc.

While culture most often operates in the background, it is unmistakably present in "how we do things around here". In particular culture is the building block of *group* behaviour. Cultures teach, reward (and punish), and ensure continuity. As BoardSource (2017: 20) concludes from its major survey of non-profit boards:

> *"Although the norms that constitute board culture and dynamics may be difficult to define, they significantly influence the ways board members work together. Culture — shaped by a combination of formal and informal rules, agreements, and traditions that develop over time — informs how a board interacts, deliberates, and, ultimately, performs as a collective governing body…*
>
> *"In the absence of a strong board culture, it can be challenging for a board to do its work. Deliberation, decision making, and the ability to attract and retain strong board members and executives can be derailed if the board is not managing its culture in a way that keeps it collegial, productive, and focused on mission.*
>
> *"Indeed, strong culture can be the "secret sauce" that gives boards their edge, but poor culture can keep struggling boards mired in unproductive conflict and the frustration of disruptive and disrespectful board relations."*

How is a strong culture built? It can be built with explicit intent. It can be reinforced by your recruitment and orientation, but BoardSource (2017: 5) also uncovers that positive group cultures such as 'operating as a collaborative team working towards a shared goal' is strongly associated with whether the board has social time together for its members. This value of social time in building (and reinforcing) a strong positive culture is perhaps one of the factors behind the strange phenomena that especially effective boards so frequently report enjoying time together and their work for the organisation.

Chart 6: Social Time Together and Positive Team Culture



BoardSource 2017: 5 – A National US Index of Nonprofit Board Practices based on a survey of 1,700 board chairs and 'executives' from more than 1,300 organisations.

Erakovic & McMorland (2009: 10) also found in their smaller Aotearoa New Zealand sample that the majority of answers about the main satisfiers that board members get from board work essentially related to three key areas:

- mission and vision ('*making a contribution to organisation, community and New Zealand*' 76%),
- social relationships ('*friendships, company from colleagues, and good team work on the board*' 55%), and
- achievements and results ('*organisational progress and achievements*' 44%).

It is also, of course, possible for cultures to be toxic. The distinguishing feature of these especially effective boards was their positive and enabling culture. While there may not be any single, comprehensive list of what makes up a positive governance culture, Dailey (2011) identifies five helpful cultural transitions for boards:

- from perfunctory cordiality towards *genuine trust and mutual reliance*
- from competing agendas towards *collective purpose*
- from respectful acquiescence towards *consensual decision-making*
- from dutiful attendance towards *active engagement*
- from passive monitoring towards *proactive vigilance*

In analysing the transcripts of the seven in-depth interviews in Stage 2 of our research, we observed that this power of underlying positive culture and values commonly nurtures five, mutually reinforcing, key elements associated with the especially effective boards - and, which in turn, echo a number of the 'satisfiers' highlighted above by Erakovic & McMorland (2009):

- *Commitment to the cause* – This is about the centrality of the *kaupapa*. While it is possible to grow commitment, essentially it is a recruitment issue - finding and attracting people who will be passionate about what you are trying to achieve, by demonstrating that same passion (to ensure

a virtuous spiral of positive reinforcement, and avoid a vicious spiral dragging you down)

- *Clear contribution* – Board members can see that what they do each board meeting makes a difference, is worthwhile, and achieves things. Usually this requires the board members to also be in touch with the day-to-day activities in some way. It can be reinforced by celebrating successes, especially for the *mana aroha*.

- *Confidence in each other* and the team – While never falling back into just being a rubber-stamping cheerleader for the staff or fellow board members, there is a fundamental need to have a thoughtful trust in each other, to allow things to run more smoothly and without pain. This is usually built on *whakapapa* and connections.

- *Clarity and transparency* – So that there is a mutual accountability. Transparency (enabling 'accountability of a thousand eyes') is more important (and more effective and has less transaction costs) than all the risk management policies and systems in the world. Tangata whenua are also teaching us that accountability doesn't require 'separation' or hierarchical master-servant, or principle-agent divisions (which conventionally drives much of the thinking behind Western governance management hierarchical splits) if embedded in a strong culture of what is *tika* and *pono*.

- *Collaborative outlook* – This is based on a 'generosity', instead of a 'scarcity' outlook, on seeking win-win opportunities for collaboration, rather than fearing what we might lose in competition. It includes looking beyond self, and beyond organisation to who else is interested in our *kaupapa*, who else might hold this Vision and Values, how we might find connections, *whakawhenaungatanga*?

Conclusions & Possible Lessons: Getting non-profit boards working better or getting them better work?

To find the way ahead, it is often useful to step back, review where we have come from and why we are where we are.

As noted above there has, in recent decades, been a steady growth both internationally and in Aotearoa New Zealand of training programmes, consulting practices, capacity building organisations, publications/how-to resources and funding for these activities, aimed at improving the performance of non-profit boards. We should know; we have been a part of this process for at least the last two or three decades. Ryan, Chait & Taylor (2005) described this development as reflecting both hopes and doubts in non-profit boards. Even if we don't go so far as describing nonprofit governance as "widely regarded as a problematic institution", we have certainly noticed widespread unease, if not dissatisfaction. Are boards generally doing the right things? Is there something else they should

be doing? Among all the increasing demands imposed, how should they prioritise so they can feel more on top of things?

In 2004, a major research project on non-profit governance was undertaken in North America to take a fresh look at the problems and potential of non-profit boards. Chait, Ryan & Taylor (2005) identified that while an abundance of new concepts and models had emerged from a huge surge in interest in *leadership* over the past 50 years, there had been no equivalent for *governance* – where the literature was stuck in a more prescriptive mode (Cornforth, 2001), cajoling boards with a shopping list of tasks, a series of routines considered 'good practices'. Increasingly we are learning from complexity and chaos theory that effective *leaders* see organisations as they really are: complex and multi-dimensional, partly non-rational, and demanding multiples modes (for example, leader as politician, culture-builder, coach, inspirer, enforcer, bureaucrat, and so on). However, the *board* is still left with outmoded models of governance that mostly see organisations as we wish they were: simple, rational, even mechanistic and amenable to governance by task and structure Chait, Ryan & Taylor (2005).

Chait, Ryan & Taylor (2005) observe, as a result, the development of the inverted non-profit. As managers developed and matured in their use of new understandings of leadership, they ceased to be 'just' managing and became organisational leaders - increasingly able to clearly and persuasively articulate organisational vision and values, consult with stakeholders, and facilitate the shaping of an organisation's agenda.

At the same time, the pressure from funders, donors and regulators for increased 'accountability' (sometimes at the expense of 'responsibility') (Nowland-Foreman, 2009) led many non-profit boards becoming more like managers, concerned with compliance and oversight of budgets, audits, conflicts of interest, health & safety, programme outcomes, and management of risk. We believe this has been exacerbated by the concomitant growth in recruiting so-called 'skills-based' boards, with the emphasis on lawyers accountants, HR and other professionals as board members, who naturally focus on contributing their (largely operational) fields of expertise. They frequently become more enmeshed in these operational management issues.

In 1960, Cyril Houle in his classic *The Effective Board* wrote "*The widespread existence of boards means that they must possess values which are apparently essential to modern life. It will therefore be useful to assess the reasons why boards are important*." What if the central problem plaguing boards is not ignorance about important roles and responsibilities but lack of a compelling purpose in the first place? What if the biggest problem is not lack of clarity around functions, but lack of clarity on how the board is actually adding value to their organisation? Given that the times board members report highest satisfaction in their governance role is closely correlated with feeling their involvement was making a difference (Wood, 1992 & McDonald, 1993), this may be especially significant for sustainable engagement of the largely voluntary non-profit board 'workforce'.

Chait, Ryan & Taylor (2005: 17-22) suggest there are systemic reasons board members may commonly experience a malaise or dissatisfaction with their work:

- Some of the shopping list of best practice tasks (what the researchers call 'official work') is highly *episodic* (for example, hiring and firing a manager, reviewing vision, mission & values, etc.).
- Some official work is intrinsically *unsatisfying* (for example, much of the routine oversight, checking, and compliance work, etc.).
- Some important unofficial work (outside the best practice shopping lists) is undemanding (for example, legitimising roles, ceremonial work, etc.).
- Some unofficial work is rewarding but discouraged as inappropriate (for example, any hands-on involvement that might be labelled 'micro-management' or over-stepping the governance role).

What, if instead of just doubling down on blaming the victim (after the failure of much conventional training to shift the needle), we looked elsewhere for solutions at the systems and frameworks within which we expect non-profit boards to work? What, if we focussed on framing better work for boards to do, rather than just berating them for not working better at what they already do?

It is important that we liberate boards to do what works, rather than be tied to narrowly prescriptive notions of governance 'best practice'. What if we start expecting good boards to have fun and enjoy themselves, as well as having a sense of achievement that they were really making a difference? What if we gave more emphasis to the 'soft skills' needed to go alongside any technical capabilities (which can often be readily bought from software, contractors or bureaux)? What if we allow board members to spend most of their time on the satisfying work, and 'buy in', including on a pro bono basis whatever else is needed? What if we empowered board members by helping them recognise what they actually <u>do</u> know, what they already <u>have</u> to contribute, and free them to have greater confidence in what they are 'allowed' to do?

If we keep thinking that the problem with boards is them not knowing or not implementing what their role is, the solution is obvious. With a problem defined as 'ignorance', the solution becomes 'knowledge'. And since we already possess that in the form of the 'proper' role description, one only needs to disseminate that knowledge to unenlightened board members to cure the problem – we can train our way out of problem boards (and then set in place suitable sanctions to keep board members from deviating from the 'proper' path.) But as we have worked closely alongside boards and listened carefully we have sometimes experienced a spoken, or more often unspoken, question from thoughtful and dedicated board members: is that all there is?

At the heart of satisfaction for governance volunteers is what may be referred to as 'purpose', the organisational 'why', or what we call their powerful shared vision and values. People's eyes light up when they talk about it. It's powerfully transformative and motivating – it's the big, irresistible hook that overcomes the most chronic disengagement – and crucially it's a way of engaging, becoming more deeply and emotionally involved without necessarily getting swamped with

micromanaging. We may still have to accept the boring and intermittent roles as a (small) part of the job of governing, but it's no longer the whole picture of an elusive 'good governance'.

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Appendix 1: Tangata Whenua Governance

Nga Whāinga/Purpose
AWE Consultants were contracted by LEAD to undertake research of Māori organisations who were identified by their peers as having good governance. In examining the scope of this work, it reminded me that most Tangata Whenua community organisations govern and manage very differently from Tangata Tiriti. In addition, Tangata Whenua community organisations have been forced into becoming a legal entity. This paper will attempt to capture the journey of tangata whenua in this arena and how they have had to adapt to the Crown's imposition of their cultural structures to retain ownership of their organisations and the management thereof. I qualify this korero with many years of being involved in tangata whenua, community and voluntary sector at local level (i.e., marae, hapu, sports, local government), regional level and national level. I offer this korero to LEAD in assisting in their learning of a two-world view of this kaupapa.

Whakapapa/History
Tangata Whenua management infrastructure of whanau, hapu, their taonga (assets), whenua, moana, wai and all things relating to Te Ao Maori were under the realms of rangatiratanga. [2]Rangatiratanga has been defined by many, some of which I have included in this document to provide appropriate context.

Maria Bargh highlighted a connection with decolonisation and national independence movements on the world stage. "Tino Rangatiratanga is often understood as a translation for the term 'self-determination'", she says. "According to Māori understandings, tino rangatiratanga has particular connotations and rules attached to it, relating to mana whenua, mana moana, mana tangata and Te Tiriti.

Margaret Mutu adds that rangatiratanga is "high-order leadership, the ability to keep the people together, that is an essential quality in a Rangatira. The exercise of such leadership in order to maintain and enhance the mana of the people is rangatiratanga."

Moana Jackson points out, this leadership through weaving people together is also about power: "John Rangihau used to say that the power vested in tino rangatiratanga was people bestowed. The people could grant it, and the people could take it away in the most fundamental sense. That seems to me to be the essence of democracy defined in Maori terms."

Traditionally leadership was endowed upon the Patriarch and the Matriarch defined by whakapapa within the whanau.

Acts of Parliament/Nga ture o Paremata
The first evidence independence of Tangata Whenua to manage their own affairs was the introduction of the Native Lands Act 1862. That Act evolved into the

[2] Tino Rangatiratanga: What's it got to do with Pākehā? | Scoop News

Maori Trusts Act and then Te Ture Whenua Act. The relevance of these Acts in relation to this conversation was the establishment of the Maori Land Court. In addition, the Maori Community Development Act 1962 was passed setting up mechanisms to support Maori community development. So, these Acts of parliament have been the means under which Maori community organisations were aligned. Under each of these Acts, Maori communities have been required to meet their legal and tax obligations. Failure to do so could result in appointed Trustees being removed from office and/or the organisations being subjected to retribution under the Maori Land Court.

Funding these organisations would primarily be from their land interests (leasing of land/profits from land use etc) or through the Maori Trustees Fund. The Maori Trustee Perpetual Fund is the interest from the unclaimed monies owed to Maori owners of whenua Maori. Maori organisations were also entitled to receive government funding via the Department of Internal Affairs, Philanthropic organisations who acknowledged the legitimacy of the work being undertaken within Te Ao Maori.

With the passing of Charities Act 2005, many Maori organisations who had previously been funded under the old regime, were required to register as a Charity and were thereafter subjected to the conditions under the Act.

Kaiwhakahaere/Management

So, the traditional method of management for whanau, hapu and Maori communities was via the Patriarch and Matriarch. Decisions were made taking into consideration all the lived experience, traditional tikanga, a constant connection and relationship with our Atua and our Tupuna passed down from generation to generation. When the Acts of parliament were administered, it tested the tino rangatiratanga paradigms of Maoridom and incorporated an infiltration of colonial ways of thinking and being. With it crept an ideology of 'power' that John Rangihau spoke of. However, the taking away of that power under a colonial realm was subjected to law not lore.

The infrastructure and the methodology of those traditional realms still remains in traditional Maori organisation. The colonial way of separating the roles and responsibilities of the Patriarch and Matriarch (the governance) and the whanau (the operations) still operated under their natural ways of being. They formed whatever governance structure they needed to meet the requirements of the Crown. The separation of roles between governance and operations is determined by whatever function one is undertaking at the time i.e. It depends on what 'hat' you are wearing at the time. In a colonial environment, this would be challenged as having a conflict of interest. However, with the underlying principles of tika, pono and aroha and the organisation being kaupapa driven, the aspects of conflict do not materialise.

Korero Whakamutunga/Final Considerations

So, to summarise this korero, when having the conversation with the two organisations I spoke with, both organisations and organisations similar to them, there is no differentiation between those whanau who serve at a governance

level or an operational level. Certain functions are performed in a colonial way to meet the needs of the Crown or sometimes because the thinking of some of the participants have colonial thinking. However, the richness of the organisation is retained when the traditional methods continue to be front and centre within their organisations.

So, should further research should be undertaken to tease out these concepts and give people a greater understanding of how this works? There is a level of concern about the intellectual intelligence of these traditional methods. The anxiety is that the knowledge would be used to standardise this traditional model of practice and therefore recolonise yet another aspect of Maoridom.

Noho ora mai

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