



February 2005

theBoardbuilder

Inspiring and informing better Boards & better Board members.
Exclusively for members of not-for-profit Committees and Boards.

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the Boardroom table*
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An opening message

Welcome to the first edition of **The Board Builder** – a newsletter designed to inspire and inform the creation of better Boards and better Board members.

I am sure that many of the hard-working people who comprise the Boards and Committees of Australia's marvellous, diverse not-for-profit organisations and community groups will welcome this newsletter as a new tool to help them meet the many governance challenges of the 21st century.

As all experienced Board and Committee members would know, those challenges are considerable. Where once community group Board and Committee members were admired for their voluntary contribution and forgiven (almost) all sins, these days they are subject to the same demands for efficiency, legal compliance, and accountability as directors in the for-profit governance world.

And it can sometimes be a precarious balancing act. Community knowledge and passion are certainly important and extremely valuable – but they alone are not enough. Governance skills are also imperative. The good news is that many of these skills can be learned, and the resulting knowledge and confidence can help save you – and your Board – from over balancing.

Building the capacity of Boards and Committees is also of vital importance to the community groups they govern. The Board is the heartbeat of every community group. It expresses the dynamism and the soul of the organisation. All of the important work being done to strengthen the capacity of our community groups – whether in the area of fundraising, marketing or community development – will not work in a transformative way unless governance structures are also fixed. Boards and Committees must be at the centre of any reform agenda.

The Board Builder represents an important step along that path. It has been developed

in an effort to help build the knowledge of not-for-profit Board members and to offer solutions to a range of issues that they face in their governance role. We have assembled an exciting array of articles for this first edition, spanning topics including Board self-assessment, Board effectiveness, meeting dysfunction, recruitment and succession, diversity, Board-staff relations, and accountability.

Of particular interest are the highly informative and practical articles from our two "Board Scribes", Catherine Brown and Peter Duncan. Catherine, an in-demand Board development consultant, looks at how not-for-profit Boards can get their heads around the complex issue of compliance, stepping Board members through the issue and offering a practical way to assess your performance in this area. Meanwhile, Peter draws on his vast experience in the commercial and not-for-profit governance worlds, beginning a fascinating discussion about the lessons that can be drawn from the former and applied to the latter. We thank both Catherine and Peter for helping us to kick off the newsletter in such fine style.

This first edition also brings the first installment in our Board Doctor column, where experienced and insightful Board members Father Peter Norden, Frank Page and Samantha Jenkinson provide some practical advice on the issue of dealing with absentee Board members. Again, we thank our three "doctors" for their fantastic contribution.

We are also excited to unveil our other regular features, which include The Toolbox (this edition offering some step-by-step instructions to help guide you through your recruitment process), Utopia (where we reveal the ideal Board meeting) and The Good Oil – all the tips and hints from this edition in an easy to digest summary.

For Boards looking to become more diverse and to bring more young people into their leadership circle – and most should

be – we also have an interview with 2004 Young Australian of the Year and OakTree Foundation founder and director Hugh Evans.

Plus there is a range of news and resources articles that will help keep you up to date with the events and trends in the world of not-for-profit governance, jargon busters, words of wisdom, and much more.

I hope you enjoy **The Board Builder** and I look forward to hearing from you about your own governance issues and experiences.



RHONDA GALBALLY AO
Chief Executive Officer
www.ourcommunity.com.au

Self-Assessment: Is your Board Compliant?

“Corporate governance refers to that blend of law, regulation and appropriate voluntary private-sector practices which enables the corporation [or foundation] to attract and retain financial and human capital, perform efficiently, and thereby perpetuate itself by generating long term economic value for [the community], while respecting the interests of stakeholders and the community as a whole.”

Ira M Millstein, Principal Advisor on corporate governance to the OECD and World Bank

Many people join Boards of not-for-profit organisations because they support the work the organisation does and they want to make a difference to their community. However, joining a Board of a community or philanthropic organisation brings with it very similar governance responsibilities to joining a Board of a profit-making venture. This article considers some initial questions potential Board members should ask themselves and then presents the first step in a process for regular self-assessment of Board effectiveness.

Do I know enough?

At the time of joining the Board of a not-for-profit organisation, there are a number of key questions a potential Board member should ask:

- 01. What sort of legal entity is the organisation?** For example, is it a public company limited by guarantee governed by the Corporations Act; or is it an incorporated association governed by state or territory legislation; or is it incorporated by an Act of Parliament; or is it a trust, or is it in fact an arm of government?
- 02. Do I know what the organisation actually does?** For example, does it provide services to people and what type of services? Is it involved with community education or training? Does it produce arts pieces or run large events? Does it make grants and, if so, to whom and for what projects? And finally, do these activities really interest me?

- 03. Do I know the tax status of the organisation** and what this means in terms of endorsement by the Australian Tax Office as an income tax exempt charity and deductible gift recipient and the organisation's eligibility for state or territory tax exemptions or rebates?
- 04. Do I understand the environment that the organisation operates within?** For example, is it largely funded by a state, territory or federal government; by philanthropic bodies, or by large or small-scale budget fundraising – or a mixture of all or some of these? Does it provide services for a fee? Does it carry out many of its activities in partnership with other not-for-profit organisations or others? Does it have any commercial operations that support its activities?
- 05. Do I feel confident about the funding support for the organisation?** Do I know where most of the funds come from, i.e. government, philanthropy, community-business partnerships, membership fees, service fees etc? How secure are these sources? Is the organisation represented on the appropriate peak bodies or government advisory committees?
- 06. Has the organisation provided me with useful background information that answers the above questions?** Do I feel confident about management's ability to run the organisation on a day-to-day basis?
- 07. How hands-on will my role be?** Is the organisation a start-up venture or very

small and relying solely on volunteers to carry out its work? If yes, do I have the time to give to the organisation that will be needed?

- 08. What benefits will this Board position give to me?** For example, personal satisfaction; opportunities to learn new skills or about a new industry; new networks; Board sitting fees (in some cases), etc?

If you can't answer these questions fairly, readily or with a modest amount of research, you should stop and reconsider. To quote ASIC's brochure for new directors, "Avoid any company where someone offers to make you a director or secretary on the promise that 'you won't have to do anything' and 'just sign here!'"¹ You could be exposing yourself to many legal liabilities.

Reviewing the compliance role

The Board's role includes compliance (meeting legal and financial requirements), monitoring and supervision of staff and contractors, strategy formulation and policymaking. Boards of community organisations are often involved in communicating with stakeholders, such as current and prospective donors, service users, potential grant recipients, government and the local media.

Board effectiveness can be enhanced if the Board:

01. Develops strategies to ensure that all of its roles are carried out, and

¹ *Your Company and the Law*, Australian Securities and Investments Commission, p1



Self Assessment: Is your Board Compliant? (continued from previous page)

BoardScribes
By Catherine Brown*

02. Reviews its performance, preferably on an annual basis.

In considering compliance, it is important to have answers to the above questions so that you have a good understanding of the potential compliance issues. The concept of regular evaluation of Board effectiveness, including the development of an evaluation process, will help you and the rest of your Board meet – and even exceed – your legal obligations, and also monitor your performance. If necessary, new strategies can be adopted to improve any weak areas.

Each Board member may view matters a little differently because of their previous experience and professional qualifications but this can be the basis of worthwhile discussion.

Most Boards consider the responses to a full self-assessment questionnaire as a major item at a Board Meeting. The full evaluation should cover all six areas:

- Compliance;
- Monitoring and supervision;

- Strategy formulation;
- Policymaking;
- Communicating with stakeholders; and
- Board composition and relations.

Below is the first step of a Board Effectiveness Questionnaire. This is generic and will need to be adapted to your particular organisation.

Board Effectiveness Questionnaire

1. Compliance

Objective/Requirement	Yes	Partially	No	Don't know
<i>Appropriate tax endorsements as ITEC (and DGR) achieved and then maintained.</i>				
<i>Annual return to ASIC or state agency, as applicable, lodged.</i>				
<i>Minutes of Board Meetings maintained. Action items are monitored.</i>				
<i>ASIC advised of changes to Board, registered address etc.</i>				
<i>Financial records maintained as required by ATO and funding agencies.</i>				
<i>BAS returns completed on time.</i>				
<i>Annual audit completed on time.</i>				
<i>Annual meeting held on time.</i>				
<i>Information about Board members' duties provided to all Board members as part of induction.</i>				
<i>Information about tax status is provided to all Board members as part of induction.</i>				
<i>Adequate insurance is maintained: public liability, Workcover, office, directors and officers, professional indemnity, etc.</i>				
<i>The relevant fundraising permit is obtained and renewed as required.</i>				
<i>Board sub-committees, especially that with responsibility for finance and audit, meet regularly.</i>				
<i>[Add as appropriate to your organisation]²</i>				

Overall Rating: (please circle) Excellent / Good / Satisfactory / Poor



² Based on a questionnaire developed for a session on *Board Effectiveness* at the annual Community Foundation Forum in March 2004, hosted by FRRR and Philanthropy Australia.

Self Assessment: Is your Board Compliant? (continued from previous page)

BoardScribes
By Catherine Brown*

Board Effectiveness Questionnaire (continued from previous page)

Please identify areas that require further attention:

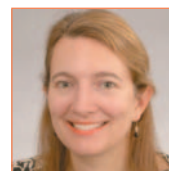
Issue	Recommended Strategy

Please Return to [Secretary] for confidential compilation & preparation of a collated report.

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Participants should treat this as a self-education process. No organisation is static and different skills and knowledge may be required at different stages of the community group's evolution.

This is the first article in a series about Board Effectiveness developed for *The Board Builder* by Catherine Brown. **Next edition: Board Composition and Relations.**



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Catherine is a lawyer and management consultant with extensive experience in the development of innovative community and philanthropic organisations, including three years as CEO of the Brain Foundation. Catherine Brown & Associates specialises in managing and researching innovative projects for the philanthropic sector, as well as providing consulting services in the areas of Board development, not-for-profit strategic planning and community business relationships. Catherine is the author and editor of The Community Foundation Kit for Australian Communities, a member of the Increasing Philanthropy initiative of the Prime Minister's Community Business Partnership, Deputy Chair of the Royal Victorian Eye and Ear Hospital and a Fellow of the Australian Institute of Company Directors.

Seven Steps to an Effective Recruitment Strategy

The Toolbox

It is a challenge that remains one of the biggest barriers to the smooth running of a community group Board: how to bring in new members without breaking stride. It is impossible to change the make-up of a Board without some disruption (new members will always need to be updated and given time to settle in) but it is possible to minimise that disruption.

The key is to have in place an effective recruitment strategy.

A recruitment strategy will help to ensure that your Board is representative, responsive and consistently effective and that it includes the right mix of skills and expertise to allow the group to be steered smoothly towards its goals.

Step One – Identifying the gaps

The first step in the search for new Board members is to think about what your organisation wants to achieve in the next one to three years – and the skills that will be needed to achieve those goals. For example, if the organisation is planning to undertake a major building program, then someone on the Board with expertise and experience in the building industry or major project management would be desirable. If an enhanced internet presence is a key

objective, then someone with a technology background may be appropriate.

You will then need to assess what skills are already present on the Board, and where the gaps are.

Step Two – Assessing the Existing Board

Once you have worked out what skills your Board needs, you need to think about some other aspects of your existing Board and how well it is currently serving your community group.

Think about:

- **Is your Board the right size?** As community groups change, so too do the requirements of the Board. Start-up groups may need only a handful of Board members, while expanding groups may need a good deal more.
- **How balanced is the Board?** Is there a good mix of skills and interests? Is there a gender balance? If not, the recruitment process is the best time to address any shortcomings.
- **How representative is your Board?** Does your Board include a range of different voices? Does it have members drawn from the groups the organisation is set up to serve – e.g. if it is a disability group does the Board include people with disabilities, or if the membership includes people from a variety of age groups, or people from particular ethnic backgrounds, does your Board represent this diversity?

Do this...

Make a list under the following headings:

1. What are the key objectives for the group over the next one to three years?
2. What skills are needed to assist the staff/volunteers/group to achieve these objectives?
3. What are the key objectives for the group over the next one to three years?
4. What skills are needed to assist the staff/volunteers/group to achieve these objectives?
5. Where are the gaps?

Do this...

1. Decide if Board is the right size, or whether it needs to be expanded or contracted
2. Make a list of the types of people your Board could benefit from the service of, taking into account the existing members' skills, interests and gender balance.
3. Add to the list any voices your Board is lacking, taking into account the individuals or it serves.

Step Three – Determine what other qualities are required

Once you have identified the sorts of skills and experience your Board requires, you will need to take into account other



Seven Steps to an Effective Recruitment Strategy

(continued from previous page)

desirable qualities that will help to build a harmonious and productive Board.

Board membership requires a significant contribution of time, creativity and patience. Other desirable qualities can include:

- **An ability to work cooperatively.** Although diversity of viewpoints should be actively encouraged on Boards, it is important to know how to work cooperatively and reach consensus. Solo flyers may not function well in this setting.
- **A personal commitment to the organisation's mission.** Board members must be committed to the group's mission and be prepared to work at achieving its objectives.
- **A sense of humour.** Voluntary service is important but it should also be fun. The ability to laugh and use humour appropriately, especially in meetings, can help defuse tense situations and bring members closer together.
- **An ability and willingness to donate (money/time/expertise/contacts/influence)** In America it is assumed that anybody elected to a Board will also be at the top of the list of financial donors. In Australia, a financial contribution may not be so important but Board members must be willing to provide their time, expertise, contacts and influence.

Do this...

1. Make a list of the personal qualities you think are essential for all new Board members.

Step Four – Make a “Master List”

You are now ready to make a “master list,” which will form the spine of your group's recruitment strategy.

Do this...

1. Using the personal qualities identified in Step Three, make a list under the heading “Required Qualities.”
2. Using the skills gaps identified in Step One, make a list under the heading “Desirable Qualities.”
3. Using the assessment made in Step Two of your Board's current balance, diversity and representation, make a list under the heading “Desirable Voices.”

Step Five – Identifying Potential Candidates

The next step is to develop a pool of potential candidates, who will fit in as closely as possible with your “master list.” Potential candidates can come from a huge variety of places – including, but definitely not restricted to, existing members' contact books. Other places where candidates may be found include:

- Members of professional and trade associations related to your organisation
- Boards of similar groups or organisations
- Donors
- Local business owners
- Volunteers

- Community leaders, including young leaders
- Staff or associates of local education providers
- Members of multicultural organisations
- Members of local religious institutions
- Interesting people who appear in the media or association journals
- Indigenous leaders
- People who have benefited from the organisation's work
- Professionals with in-demand skills, including accountants, lawyers, marketers, event managers, etc.

Do this...

1. Hold a brainstorming session to identify “potentials.”
2. Run through the ideas mentioned above, adding names where potentials emerge.
3. Check the Women's Registers that are held by several government agencies in Australia.
4. Consider whether you can get potential candidates to come to you by advertising the fact that you are looking for potential new Board members.

Step Six – Building a Prospect List

Once potential new Board members have been identified, you need to formulate a “prospect list” to ensure candidates' details are on hand whenever they are needed. You should also start trying to get them involved in the group (if they are not already), even if you do not have a current Board vacancy.



Seven Steps to an Effective Recruitment Strategy

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Do this...

1. Create a file for each prospect, outlining their contact details and specific skills.
2. Telephone each prospect and ask them whether they would be interested in knowing more about your group – explain that there may not be a suitable Board position right away but you would like to explore the potential of a future relationship. Remove from your prospect list those with no interest in your group.
3. Send interested prospects brochures, newsletters and annual reports. Invite them to observe the group at work. Ask them along to special events.

Step Seven – Maintenance

You have now done all the hard work – but to ensure you don't have to do it all again, your recruitment strategy needs to be regularly reviewed and updated.

Do this...

4. Assign at least one Board member the task of regularly (say, every six months) updating your prospect list to ensure all relevant information is on hand when a Board vacancy arises.
5. Review your entire recruitment strategy at regular intervals – and at least whenever the group's strategic plan is reviewed – to take into account the changing needs of your group and its Board.

CHECKLIST

Have you:

- Decided whether or not your Board needs to be expanded or contracted?
- Identified the skills gaps in your Board, taking into account your community group's goals, the skills needed to achieve those goals and what skills are lacking?
- Identified the required qualities, desirable qualities and desirable voices your Board aims to attract?
- Held a brainstorming session to identify potential Board candidates, thinking broadly about from where likely candidates could be drawn?
- Conducted an internet search, including on the various women's registers for potential candidates?
- Created a file for each prospect, including contact details and skills?
- Made contact with prospects to sound out their interest in possibly joining your Board?
- Made plans to include prospects in your group's activities and events?
- Put procedures in place to ensure the prospect list is regularly updated?
- Put procedures in place to ensure your recruitment strategy is regularly reviewed?

■ **Related: New Tool for Recruitment**
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What in the World?

The US Federal Bureau of Investigation is investigating a not-too-smart scout group in Alabama over claims it inflated its membership list to help win grants.

The investigation was sparked when a scout master noticed that 20 boys listed as members of the Greater Alabama Boy Scouts had the surname of "Doe".

There are also claims that whole "ghost" scout troops have appeared in official documentation.

A message on the organisation's web-page says the group is facing "some difficult challenges" and is cooperating fully with law enforcement authorities.

"We have also begun an internal audit of the membership numbers and the verification process we use at the time of registration and re-chartering," it says.

Raising the Bar: Tsunami prompts greater call for non-profit accountability

NewsFeature

Australians reacted immediately and generously to the Boxing Day tsunami disaster, with tens of millions of dollars pouring into aid agencies for rescue, relief and rebuilding efforts. But as the agencies moved from fundraising into a response, questions began to surface about how the public funds would be spent. It has become a predictable pattern: disaster, donation, demand for accountability.

The jury is still out on whether the generous response to the tsunami will translate into a win or a loss for local fundraising groups. What does seem to be clear is that Australia – like other developed countries – is edging closer and closer to a showdown over not-for-profit accountability. As KATHY RICHARDSON reports, the message for the Boards and Committees of Australia’s not-for-profit organisations is clear – reform yourselves now before someone does it for you.

On January 17, 2005, just 22 days after the tsunami engulfed coastlines around Asia, Australia’s four main aid organisations issued a pledge.

“What we can promise Australians is that we will be open, transparent and accountable to our stakeholders in all aspects of our work responding to this tragedy,” said the joint statement from Oxfam Community Aid Abroad, the Australian Red Cross, World Vision Australia and CARE Australia.

The organisations said they would do their best to maximise the impact of the funds in saving and improving the lives of those affected by the tragedy, and to be accountable to those people they were helping.

“Our third pledge is to be accountable to all our donors, whether they be individuals, community groups, corporations or governments,” the statement said.

The fact that a statement like this was released at all is an indication of a new mood in Australia, where rightly or wrongly, not-for-profit organisations are under increasing pressure not just to do good, but to be good.

And Australia is not alone.

In Singapore, a new Council on Governance has been set up to ensure that charities become more transparent and better governed.

In New Zealand, a new Charities Commission (see breakout box) is expected to start work before the middle of the year, with the aim of boosting public trust and confidence in the charitable sector by increasing accountability, transparency and public disclosure.

In the United States, myriad efforts are under way to put in place ethics and accountability standards, with many attempting to “peer around the corner” and ease the way to what most believe will be the brave new world of not-for-profit accountability.

Perhaps the most significant US initiative is the newly established *Panel on the Non-profit Sector*.

The Panel, which comprises representatives of 600 not-for-profit organisations, has been set up to advise US Congress on how it can improve oversight and governance of charitable organisations.

A project of the Independent Sector, a membership-based organisation that works to lead, strengthen and mobilise not-

for-profit organisations in the US, the Panel has released a list of recommendations regarding actions to strengthen governance, ethical conduct and accountability within the sector.

The recommendations, which will be reviewed before being presented to the Senate Finance Committee in March, look at how the sector can improve transparency and financial management, government oversight and governance and self-regulation.

The UK

Similar moves are under way in Britain, where the Charity Commission is facing increasing calls to “get tough on governance”.

The UK’s Association of Chief Executives of Voluntary Organisations (ACEVO) is the latest to add its voice to the call, asking the regulator to take a lead role in promoting best practice in governance.

ACEVO says that while the regulator should have an “enabling” approach to giving advice on reform, it should use a “hard-edged effort” to improve performance in the sector, focusing on the largest charities.



Raising the Bar: Tsunami prompts greater call for non-profit accountability

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NewsFeature

Meanwhile, a Charities Bill currently being considered by the Blair Government is designed to provide a modern and effective legal framework for charities, to clarify the legal definition of a charity and to enhance public trust and confidence in the concept of charity and the organisations themselves.

It is hoped that the Bill will complete its passage through Parliament before a general election is called.

The umbrella body for the voluntary sector

in England, the National Council for Voluntary Organisations (NCVO), has also waded into the debate, releasing a report exploring exactly what is meant by accountability and transparency – and what is needed to achieve it.

NCVO chief executive Stuart Etherington says the draft Charities Bill will go some way towards promoting confidence in the sector, but there is more that organisations themselves can do.

“Public trust and confidence in all social institutions is declining,” he says.

“Although this has not yet reached critical levels in the voluntary and community sector, it certainly could be higher than it is.

“And there are a number of reasons why we should be concerned for the future: many people are critical of the sector becoming too professional; the media appears readier to challenge or criticise voluntary and community organisations for the use of particular fundraising methods or campaigning activities; and VCOs (voluntary and community organisations) are increasingly in the spotlight as they take on a more mainstream role in delivering public services.”

At home

The calls for improved not-for-profit regulation are also getting louder in Australia, with last year seeing at least two serious attempts been initiated to accelerate the reform agenda.

In a seminal report released by the University of Melbourne in February, researchers Susan Woodward and Shelley Marshall said the legal structure underpinning the Australian not-for-profit sector was riddled with inconsistencies and must be reformed.

“The relevant laws and regulatory bodies need to be fair, consistent and clear in order to promote not-for-profits that are transparent, accountable and credible,” Ms Woodward said.

“If these fundamentals are ‘right’, then growth and innovation are more likely to occur.”

The wide-ranging report, *A Better Framework: reforming not-for-profit regulation*, is based on surveys of more than 1700 Australian not-for-profit organisations.

It recommends the formation of a single Commonwealth regulatory regime, saying the legal structures in the not-for-profit sector are more varied and complex than in the business sector.

Other recommendations include:

- That the Australian Securities and Investments Commission (ASIC) becomes the new regulator for all incorporated not-for-profit associations and companies, at least until any sector-specific regulator is introduced;
- That a specialist not-for-profit unit be established within ASIC;
- That a plain language guide and replaceable rules be developed for not-for-profit organisations; and
- That an independent not-for-profit advisory body be established to provide help to organisations with a range of legal, taxation, training and dispute resolution issues.

The report says that the myriad structures under which not-for-profit organisations operate has resulted in inconsistencies and “significantly disparate disclosure obligations”.

“Accountability relies on relevant, accurate and up-to-date disclosure. If the not-for-profit sector is not seen as accountable, public confidence will be jeopardised and donations put at risk.”



Boardbox

How transparent is the not-for-profit sector?

The May 2003 *Review of Not-for-Profit Financial and Annual Reporting*, prepared by the Institute of Chartered Accountants, sets out the results of a review of financial and annual reports issued by a sample of not-for-profit organisations. It found:

- an acceptable level of compliance with relevant legislation and accounting standards governing financial reporting, but opportunities for enhancement.
- a need for improvement in the clarity and content of Annual Reports, particularly the focus on reporting developments and achievements and significant changes in activities, and reporting how objectives have been met.
- a need for a not-for-profit financial reporting framework, including the inclusion of key performance indicators.

Raising the Bar: Tsunami prompts greater call for non-profit accountability

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NewsFeature

The report also says that the current disclosure obligations required by the Corporations Act, particularly the requirement for audited accounts by all not-for-profit organisations limited by guarantee, do not achieve the right balance between the legitimate need for disclosure and the relative cost to the organisation.

"A sliding scale of disclosure requirements based on size should be developed for not-for-profit organisations, and be tailored specifically to the needs of stakeholders," the report says.

Minimum disclosure standards for not-for-profit organisations, regardless of size, should include:

- Summary or concise financial statements, based on a specific not-for-profit accounting standard;
- A description of activities carried out, and how they meet the organisation's objects; and
- Disclosure of whether or not directors have received remuneration.

For larger organisations, further information should be supplied and could include:

- Audited accounts; and
- Disclosure of the amount (and possibly sources) of public funding.

"Even member-serving organisations that do not receive direct government funding typically get income tax exemption, and therefore have the benefit of public funds through tax foregone," Ms Woodward said.

"The corresponding responsibility needs to be a minimum level of public disclosure."

Ms Woodward warned that if reforms were to take place, the sector itself would need to lobby for change – as it was the sector itself that had the most to gain.



BoardBox

Across the Tasman: New Commission proposed for New Zealand

The demand for greater not-for-profit accountability has taken root across the Tasman with the New Zealand Parliament poised to set up a new system for registering, reporting and monitoring charities.

A Charities Bill, which provides for the creation of a Charities Commission to administer the registration of charities, is being considered by the NZ Parliament.

The Government says the Bill is intended to:

- Foster public trust and confidence in the charitable sector;
- Increase the sector's accountability, transparency and degree of public disclosure;
- Enable the Commission to provide the government with information on the sector, including who benefits, and how, from the tax assistance the Government gives; and
- Enable the Commission to aid the Government with social policy development.

Despite opposition in some quarters to the new Bill, it is expected that the Commission will start work in mid-2005 and registrations are likely to be invited late in the year or early next year.

Under the provisions of the proposed Bill, organisations that fail to register with the new Commission will forfeit their right to tax exemptions. Registered charities will be required to file an annual return form with the Commission, allowing it to monitor individual charities and the sector as a whole, promote good corporate governance practices, and improve the accountability and transparency of the charitable sector.

NZ Commerce Minister Margaret Wilson said the Commission would ensure information on charities was more accessible to the public.

"We are fortunate that the sector in New Zealand is a reputable one. However, opening it up to greater scrutiny will ensure that the public's confidence and trust in charities is maintained," she said.

More information about the proposed New Zealand Bill is available online at www.charities.govt.nz.

Raising the Bar: Tsunami prompts greater call for non-profit accountability

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NewsFeature

“By getting the underlying regulatory framework right, accountability and confidence in the sector generally will be improved, leaving not-for-profit organisations more time to concentrate on the important services they provide to the community,” Ms Woodward said.

Putting it into practice

Twelve months on since the release of her report, Ms Woodward says that while there have been no official moves to take up her recommendations, there has been some interest from both levels of government.

But the strongest support has come from the sector itself.

“I think generally speaking the sector, or at least the desirable parts thereof, see the need to keep the confidence of the public. The point is, there is no clear way to do that,” Ms Woodward says.

“They don’t want more regulation, they want a better framework.”

Strong support has also been offered by the National Nonprofit Roundtable, which comprises representatives of a range of national peak organisations.

Echoing the report’s recommendations, in May last year the Roundtable called for reform of the legal and regulatory environment surrounding not-for-profit organisations “as an urgent national priority”.

Chair Robert Fitzgerald said serious inconsistencies existed in three major areas – incorporation, fundraising and taxation – and developing a regulatory framework “to replace a shaky scaffold” would make a major contribution to achieving Australia’s economic and social goals.

“Australia must have a regulatory environment that promotes nonprofit enterprise, integrity and funder confidence,” he said.

Implications for the Board

As indicated by the overseas and domestic trends and experiences, responding to the accountability call may require a two-pronged effort from not-for-profit organisations – joining the push for legislative reform on the one hand and engaging in self-regulation and improvement on the other.

So what does this all mean for Boards and Committees?

Firstly, they need to be on the front foot.

As the NCVO report, *Accountability and Transparency*, says, the work of not-for-profit organisations relies on “public support, on people’s willingness to give time and money to causes they care about, as well as their tacit goodwill towards the sector as a whole”.

“In the face of evidence suggesting that people are more likely to question, and less likely to take on trust, an organisation’s claims for itself, VCOs (Voluntary and Community Organisations) need to convince donors and supporters that their cause is worthy and that they can be trusted to make a difference,” the report says.

“Therefore, they need to engage with the public in ways that will maintain and enhance people’s trust and confidence and to recognise this is a key aspect of their accountability.

“And they will need to take account of public concerns about the sector and how it operates. As other sectors have learned to their cost, once public trust and confidence have been lost, it is very difficult to regain.”

Key issues identified in the report include concerns about how money is raised (e.g. the use of costly fundraising practices), and questions about how it is spent (e.g. how much goes on administration costs, “plush” offices or “fat cat” salaries).

But it says many of the negative assumptions about not-for-profit efficiency and accountability are false, and organisations need to take on an educative role in revealing to the public the true costs of what they do.

“As is the case at present these debates will take place whether the sector engages with them or not; it is therefore in our own interest to take the lead, not least so as to create reasonable expectations of costs and benefits,” the NCVO report says.

The report recommends not-for-profit organisations:

- Give a greater priority to communicating with their stakeholders (including the media), educating them about the benefits of building organisational capacity and about the value of what they do.
- Face negative perceptions head on, changing things that need to be changed and challenging those that don’t.
- Create confidence in the sector by engaging in self-regulation, as well as complying with (and, where possible, exceeding) legal reporting requirements.

Mirroring the position of the not-for-profit sector in Australia, the NCVO says that greater transparency does not need to mean more reports.

“We do not want to increase the burden of reporting,” the report says.

“Rather we believe that VCOs should produce more honest reports, drawing attention to strengths and weaknesses, both in terms of the organisations themselves and the environment in which they operate.

“Reporting is not simply a matter of



Raising the Bar: Tsunami prompts greater call for non-profit accountability

(continued from previous page)

NewsFeature

presenting financial accounts, nor is it a public relations exercise; it is a means of engaging with the public and securing their support and consent.”

Other steps a Board can take to set its organisation on the path to becoming more accountable and transparent include:

- Commissioning an independent financial audit once a year, and making the results readily available;
- Compiling and publishing a comprehensive annual report, including details of past and future activities and financial statements;
- Adopting and observing clear policies and procedures, including a complaints or feedback procedure, and a strong conflict of interest policy;
- Establishing a communications strategy to ensure that Board decisions are explained and widely known;
- Regularly sending funders and other stakeholders updates on funded projects;
- Putting in place a diversity strategy to ensure the views of all stakeholders are adequately represented;
- Carrying out an annual survey of stakeholders to find out how they think the organisation is performing in key areas – and publishing the results.

BoardBuilderTip

For a comprehensive help sheet on the practical steps your Board can make to become more accountable, transparent and consultative, go to www.ourcommunity.com.au/Boards/helpsheets/part3. To read the University of Melbourne report, *A Better Framework: reforming not-for-profit regulation*, go to cclsr.law.unimelb.edu.au/activities/not-for-profit/finalreport/Final%20PDFs/PRELIM%20+%20CONTENTS.pdf.

To view the US Panel on Nonprofit Sector recommendations on strengthening governance, ethical conduct and accountability, go to <http://nonprofitpanel.org>. To read the NCVO report, *Accountability and Transparency*, go to www.ncvo-vol.org.uk.

Words of Wisdom

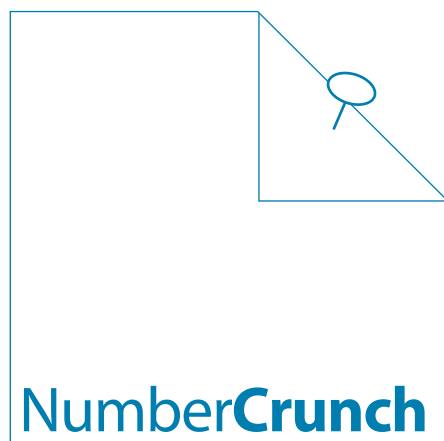
“The voluntary sector, in all of its diversity, has in common both some distinctive forms of governance and a set of values which are not determined by the financial bottom line or by an electoral mandate. These values include not just what you do, but how you do it.”

UK Commission of the Future of the Voluntary Sector, 1996

Top 10 features of the ideal Board meeting: How does your Board measure up?

Utopia

1. Everyone arrives five minutes early and the meeting starts on time.
2. Everyone has made a thorough reading of the meeting agenda and has already clarified any technical points they don't understand.
3. The agenda is well structured and perfectly balanced with just enough information to make it informative but not so much that it takes a long time to read or is hard to follow. Items are presented in logical order.
4. The chair is well acquainted with meeting rules and politely ensures all members abide by them, ensuring the meeting bubbles along smoothly.
5. Other members are similarly well acquainted with the rules and are respectful of the chair's authority.
6. All members make a contribution and no one person dominates the debate. Debates are conducted courteously.
7. Members speak only about issues to which they have something to contribute. They refrain from bringing in irrelevant information or repeating ideas already raised by others. Their contributions are well-considered and concise.
8. Members are satisfied that their views have been heard and are happy to accept all decisions – even those they have voted against.
9. All members are clear what their responsibilities will be and what actions they need to carry out before the next meeting.
10. The meeting finishes on time (or early!).



20% ...of charity staff in the UK feel that innovation is important to their organisation. 60% of UK charity chief executives believe the same thing.

(nfpSynergy report, *Innovation Rules! A roadmap to creativity and innovation for not-for-profit organisations*, October 2004)

20% ... of Australian not-for-profit Boards have members who have been appointed to represent the interests of particular stakeholders.

(University of Melbourne report, *A Better Framework: reforming not-for-profit regulation*, 2004)

96% ... of US not-for-profit organisations expect to either maintain or add to executive/ management staff levels in 2005.

(Blackbaud survey, *State of the Nonprofit Industry*, September, 2004)

77% ... of UK charity chiefs lie awake at night worrying about communication with their organisations' Board of Trustees.

(National Council for Voluntary Organisations research report, *A Polished Performance*, August 2004)

65% ... of Australian not-for-profit organisations think that the Board should carry out fundraising.

(University of Melbourne report, *A Better Framework: reforming not-for-profit regulation*, 2004)

Lessons from the Corporate World: The Management and the Board

BoardScribes
By Peter Duncan*

Just as a building will collapse without adequate foundations, any organisation is likely to get into trouble unless it ensures the right behaviour among all of its members, writes PETER DUNCAN. Whether working for the profits of shareholders, or for the interests of not-for-profit stakeholders, a key task for all Board members is to ensure that integrity is present as a fundamental ingredient of the organisation, he writes.

Another key task is in understanding the intricacies of the relationship between the Board and management – and what this means for governance.

During my 36-year career with Shell, working in many countries and in many different positions, and my experience serving on a number of commercial and not-for-profit Boards, I have learned a great deal – good and bad – about governance.

I have made mistakes and seen mistakes made by others. I have also done and seen done some good things. I've learnt a lot from all of them.

So exactly what does this strange word – governance – mean? It's a term which would have meant little to most of us a decade ago – and it means different things to different people now.

The Oxford Dictionary defines governance as "act, manner, fact, or function, of governing, sway, control". Here are two more definitions which I have taken from the Web:

"Corporate governance – which can be defined narrowly as the relationship of a company to its shareholders or, more broadly, as its relationship to society ..." (from an article in *Financial Times* [1997])

"Corporate governance is about promoting corporate fairness, transparency and accountability." (J. Wolfensohn, president of the **World Bank**, as quoted by an article in *Financial Times*, June 21, 1999)

And there are many other definitions.

As you can see, there is a tendency to put into the words what people want out of them – and of course the definitions are almost always oriented toward the corporate world.

Similarly, much of the thinking in this area has been developed for the corporate world. However, the logic applies to all organisations – commercial or not-for-profit – where the personal interests of management and the interests of the organisation's stakeholders are not inherently identical.

Drawing a line between Board and management

Corporate law in every country distinguishes between the management and the Board. In some countries executive management cannot be on the Board. In our system it can.

Some of the well-publicised abuses of recent times in this and in other countries have led people to ask questions such as, "Should executives be excluded from Board membership?" or, "Should the Board Chair and CEO be different people?" The arguments for and against are very similar for companies and for not-for-profit organisations. Key is the fact that the CEO's motivations may not be the same as the Board's. Nor, indeed, should they necessarily be so. A healthy tension between the two may be in the interests of the organisation.

This issue will be discussed further in future columns. For our purposes now, however, the key point is that the Board can be seen as a group of people who are elected by and represent the shareholders (or, in the case of not-for-profit organisations, the stakeholders) and who have a role quite separate from that of management. In fact, one might say that their role is to ensure that management behaves in a way which is in line with shareholders' (or stakeholders') interests.

To put any meaning into that phrase we need to define what those interests are. For a corporation, most people would argue that this is best defined by phrases such as "maximising long-term value". In this phrase the key words are "long-term". This is not to say that short-term profit should be ignored or that regard should not be paid to other stakeholders such as employees and the community. But these should be seen as means to ensuring the long-term interests of the enterprise and its stakeholders. In this sense enlightened self interest is entirely compatible with corporate social responsibility and indeed the one is essential to the other.

It is the long-term dimension which has the capacity to create the tension between Board and management, for there can be a clash between the relatively short incumbency of management teams and their understandable interest in maximising



Lessons from the Corporate World: The Management and the Board

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BoardScribes
Peter Duncan*

their rewards on the one hand, and the 10-year or even longer time frame which many (including me) would argue should be the basis for corporate strategy and behaviour. Furthermore, given that management has the major influence on the information upon which their rewards are based, great integrity is needed to ensure that no attempts are made to “dress up the results”. This has sometimes been lacking.

This potential clash of interests is less likely to lead to actual abuse in not-for-profits but its effect can nonetheless be insidious and damaging. Clearly the most important step any Board can take to minimise the danger is to recruit the right CEO. But the second most important thing is to minimise the risk of the CEO going off in the wrong direction. I know of one case where the (in theory full-time) CEO of a not-for-profit organisation held down a second paid job without making the Board aware of this. I know of another where the CEO expanded the work of the organisation into other regions without clearly understanding the financial consequences. The organisation is still trying to recover.

Recognising the limitations

In the ideal world the corporate Board would be there playing a role somewhere between “parent” and “coach”, ensuring that standards of integrity are maintained, that strategy is set and performance measured in a way which bears regard to the long-term interests of shareholders, and that behaviours protect the organisation’s most valuable asset, its reputation, inter alia by paying appropriate regard to the interests of other stakeholders such as employees, the community and the environment.

In the real world, Board members are part-time individuals, usually with appropriate general experience, often with little specialised knowledge of the organisation. They need to decide what they will do and – as important and more difficult – what they will not do, taking account of the limitations on their time and resources and of the fact

that it is not their role to execute (that is management’s) but rather to oversee.

At the (fortunately in most cases inapplicable) extreme, the somewhat flippant suggestion has been made that the job of a corporate Board is to periodically wake up, select the chief executive and then go back to sleep. If this was ever true it certainly is not now and corporate Boards are now typically fairly hard worked and very conscious of their roles and responsibilities. Increasingly legislation has added weight to this. This makes it all the more important that Boards be very clear to themselves and to stakeholders about what their role is. Unless they think this through explicitly they will risk allocating their resources and expertise in response to the greatest short-term pressures. We all know that to be the victim rather than the master of our diaries is a recipe for problems.

Boards also need very explicitly to ensure that they have appropriate skills and experience and where the Board as a whole lacks specialised experience, to ensure the membership balances the needs for general experience with specialised knowledge.

Drawing parallels

How does all this work for the not-for-profit? The analogy is fairly obvious. For “shareholder” read “stakeholder” and for “maximising long-term shareholder value” read “optimising the long-term performance of the organisation” and we have a reasonable first definition of what a Board is trying to do – if the corporate model is followed. A not-for-profit organisation doesn’t have to follow this model but most do and the checks and balances which it is intended to achieve seem a good way of dealing with the imperfections of human beings running organisations.

In the next edition of *The Board Builder*, I will start to look at what sort of actions will give a Board the best possible chance to be effective. Let’s assume that by “effective” we mean that a Board is able to maximise

the likelihood that management will act to optimise the long-term performance of the organisation. There are many elements here, some of which will be covered in more detail in future columns. They include:

- Defining the criteria for judging the performance of the organisation;
- Recruiting Board members;
- Improving and judging Board members’ individual performance;
- Improving the performance of the Board as a whole; and
- Fulfilling legal responsibilities.

A final word. Whatever mechanisms are in place, no system of governance will work unless the people involved act with integrity. In any system involving human beings, real behaviours are the key to long term success or failure.

This is the first article in a series developed for *The Board Builder* by Peter Duncan. **Next edition: Board Recruitment.**



*Peter Duncan

Peter Duncan worked as an executive for Shell for 36 years, serving on a number of wholly owned company subsidiaries and a major public company during that time. Since his retirement as an executive, he has taken up Board positions on a number of Australian public companies and public entities as well as being involved in a range of not-for-profit activities.

Our panelists help to cure some common Board ills

The Dilemma: “One of my Board colleagues is absent from meetings more often than she is present. She always sends an apology but I don’t think that’s enough. What’s the point in having her on the Board if she’s never there to contribute? Should we be thinking about replacing her? If so, how?”

Father Peter Norden, Policy Director, Jesuit Social Services:

First Glance – how bad is this problem?

“You need to know whether the recent failures to attend result from conflicting commitments that are time limited, or whether these conflicts might continue on a permanent basis.

“If the Board member is missing the majority of meetings, as has been indicated, it is difficult for that person to be fully engaged in the ongoing discussions on important matters, which often are progressed over a series of Board meetings, rather than during just one meeting.”

First Step – what is the most burning issue?

“Regular communication needs to take place between the Executive Director and the Chairperson of the Board in relation to the Board’s responsibilities in relation to the organisation, and the Chairperson usually is the one responsible for ensuring an assessment of the contribution of each Board member is undertaken on an annual basis. “The Chairperson needs to meet with the Board member whose attendance is infrequent and seek to clarify whether this pattern can be changed.”

Next Steps - what other steps should be taken?

“It may be helpful to ensure that the Board member undertakes some responsibilities as a member of the Board, other than the attendance at Board meetings themselves. This may involve work on a sub-committee of the Board, or undertaking a specific task in relation to the organisation as a delegate of the Board.”

Red Flags – how can we stop this happening again?

“It is sometimes helpful for the Constitution of the organisation to specify the requisite number of meetings that each Board member is expected to attend each year, in order to be eligible to continue their involvement with the organisation.

“If this is clearly established, it can be presented to new Board members upon their appointment, and at the time of their Annual Review.”

Frank Page, Chairperson, Daylesford Neighbourhood Centre; Deputy Chairperson, Fitzroy Learning Network:

First Glance – how bad is this problem?

“There will be no flexibility in maintaining a quorum for meetings if another Board member is absent. This can result in meeting cancellation and rescheduling, which can be highly disruptive to a Board’s processes given its reliance on volunteer Board members, all of whom are busy people with diverse responsibilities and demands on their time. It also creates the need for time and resource consuming ‘catch-up’ activities to keep the frequently absent Board member ‘up to speed’ and ‘in the loop.’”

First Step – what is the most burning issue?

“Establish where possible the reasons for this serial absenteeism, through dialogue and discussion. As a priority identify if there are any issues related to your organisation or Board, especially involving personalities, that are contributing to this situation. Given the Board’s volunteer status, ensure that this approach is made sensitively,

demonstrating concern and empathy with any particular circumstances revealed and offering support to the extent that this is possible. Ensure that you articulate to the Board member the various qualities, skills and contributions that you believe they bring to the organisation and therefore why their presence is missed at meetings.”

Next Steps - what other steps should be taken?

“If the issues in this matter are found to emanate from your organisation, set in train appropriate steps to address this. If the issues relate to the Board member’s personal circumstances offer any advice or support within the resources of your organisation. If no immediate solution to the absenteeism can be identified explore with the Board member some measures that might be mutually beneficial to the organisation and the Board member; e.g. taking a time-specified sabbatical from the Board (say 6 months) to allow them to address their issue, or resignation from the Board, at the same time identifying an alternative non-Board role to enable ongoing commitment and contribution to the organisation.”

Red Flags – how can we stop this happening again?

“Devote time in Board Orientation processes to emphasising the need for full commitment when taking on a Board position and the implications for the organisation when this fails to occur. Make sure that there is full disclosure of the implications of taking on a Board role when discussing Board nominations with potential Board members. Initiate supplementary activity, perhaps of a social nature, to keep people engaged. Avoid slavish myopic focus on Board busi-



Our panelists help to cure some common Board ills

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BoardDoctor

ness alone which can become tedious and a 'turn off' for some."

Samantha Jenkinson, Support & Choice Coordinator, DHS Southern Metropolitan Region; 15 years experience on not-for-profit Boards and Committees, including University Student Union, State and National Disability Advocacy organisations, disability-specific recreation and employment organisations and community choirs:

First Glance – how bad is this problem?

"This depends if the person holds a position on the committee that requires contributions at every meeting, and the size of the Board. The problem is serious as every Board needs participating members to function, but the person always sends an apology so there is an awareness of the obligation."

First Step – what is the most burning issue?

"The first issue that I think needs to be addressed is why the person is unable to attend meetings. Someone (usually the chairperson) needs to speak to the person to find out if there are barriers to her attending meetings that can be easily addressed, such as changing the meeting time or venue, attending by teleconference etc. or if the person is over-committed, in which case they need to decide what priority this Board is to them."

Next Steps - what other steps should be taken?

"After looking into the area of how to make meetings accessible to everyone, the next step should be to look at the expectations of Board members. There will always be some people who contribute more than others. What is the minimum expectation of the Board? Are there other reasons that

Board members are there (such as strategic links or specific skills), which may balance out things like meeting attendance? Does the person contribute to the Board and organisation in other ways? These sorts of questions need to be discussed openly with all Board members, including the one in question."

Red Flags – how can we stop this happening again?

"Many Boards have set duties and expectations of Board members in writing so the members know what is expected. Sometimes this includes things like attendance at a minimum number of meetings, and a process for replacing Board members or seconding members in times of need. Ensuring people understand the obligation and legal responsibility of being on the Board is also important at the start of a term on a Board. Also ensure at the beginning of each year that meeting times and venues are accessible to everyone, or that alternatives can be arranged to ensure attendance at meetings."

Next Edition: "Our meetings always run over time. We are all getting fed up with having to spend so much time on our Board commitments. We have tried to shorten the agenda but all of the items are important. We don't want to limit the discussion time either. What can we do?"

The Dynamic Board:

The essential traits of high-performing Boards

Resources

Getting the basics right is the most important ingredient in producing a high-performing not-for-profit Board, a report on not-for-profit governance suggests.

The highly practical and comprehensive report, produced by McKinsey's Nonprofit Practice, includes a simple, easy-to-use assessment tool that not-for-profit leaders can use to stimulate discussion on the effectiveness of their own Boards.

Three versions of the free tool – a long assessment form (expected to take around 30 minutes to complete), a standard assessment form (15 minutes) and a short assessment form (five minutes) – are available to download from McKinsey's Nonprofit Practice website.

The report, *The Dynamic Board: Lessons from High-Performing Nonprofits*, was compiled following interviews with Board directors or chairs of 32 of 100 top performing US not-for-profit organisations.

And while its findings are derived from American not-for-profit experiences, they are also transferable to the Australian situation.

The report says that a common feature of highly effective Boards is their commitment to ensuring the "small things" – decisions on Board size, structure and composition, leadership and administrative practices and processes – are done well.

"A poorly run meeting, an unfocused committee, or under-informed Board members can undermine Board effectiveness as surely as focusing on the wrong role," the report says.

"The Boards of the non-profits we spoke with all highlighted practices that enabled them to deliver on their key responsibilities. More common sense than revelation, these findings nonetheless indicate that the Boards of high-performing non-profits are committed to making sure that the small things are done well."

Main roles

The report also identifies three distinct roles that must be fulfilled by not-for-profit Boards, along with nine sets of responsibilities that the Board needs to take on in order to fulfill those roles:

1. Shaping the direction for the not-for-profit organisation through its mission, strategy and key policies

- **Shaping the mission and vision** – good Boards ensure a vibrant discussion about the mission, are willing to consider altering it when needed, but guard against "mission creep," the subtle expanding of the mission to accommodate the interests or passions of leaders, funders or outside agents. The vision should provide a perspective of where the organisation seeks to be in five or 10 years and should be quantifiable enough to allow an objective assessment of progress. Effective Boards build their common understanding of the mission and vision into most discussions.
- **Engaging actively in strategic planning and policy decisions** – good Boards "plan to plan," setting standards for the expected level of Board involvement, timing of the process and the broad framework for developing the strategic plan. The Board respects the distinction between management decisions (which should be carried out by staff) and policy decisions (Board responsibilities).

2. Ensuring that the leadership, resources and finances in place are commensurate with the vision

- **Selecting, evaluating and developing the CEO** – good Boards place a significant emphasis on the selection and development of the CEO. Evaluation should involve not only assessing performance but providing feedback aimed at improving performance.
 - **Ensuring adequate financial resources** – this responsibility has two components: ensuring that the level of resources that can be developed is consistent with the vision and strategic plan; and helping raise the necessary funds by working effectively with the organisation's development staff.
 - **Providing expertise and access for organisational needs** – individual Board members have a responsibility to provide expertise in the form of professional wisdom or talent drawn from their day jobs. They also provide access to legislative or community leaders to support advocacy by the organisation.
 - **Enhancing the reputation of the not-for-profit organisation** – championing of the organisation's cause helps to build the brand of the organisation, as well as helping Board members to gather feedback, which can be used to assess performance and modify strategies. A good Board can improve an organisation's reputation by virtue of who they are and the role they play in advocating for the organisation.
- #### 3. Monitoring performance and ensuring prompt corrective action when needed.
- **Overseeing financial performance and ensuring appropriate risk management** – for a well-run organisation, Boards have at a minimum



The Dynamic Board: The essential traits of high- performing Boards

(continued from previous page)

Resources

made sure that sound accounting and internal control procedures and annual external audits are in place to maintain the integrity of accounting reports. Any issues identified are an ongoing topic of the Finance Committee until they are resolved. In relation to risk management, Boards need to be aware of: their organisation's financial exposure; operational risks; professional liability risks; potential statutory liabilities; reputational risks.

- **Monitoring performance and ensuring accountability** – the first step in thinking about Board accountability is to put it on the table for discussion at a Board level to identify stakeholders. Then the Board must ask if it is listening to its stakeholders (and take steps to ensure it does so). Not-for-profit organisations are also becoming better at reporting their impact in annual reports and communicating their results to funders, employees and other stakeholders. Organisations must commit to improving performance measurement, with Boards playing a critical role in this process.
- **Improving Board performance** – Boards of high-performing not-for-profit organisations are self-aware and committed to continuous improvement. Self-awareness means these Boards periodically take a hard look at their own performance, identify opportunities for improvement and change practices or leaders in order to close the gap. Boards must set a tone where self-criticism is an obligation and is seen as constructive.

Becoming more dynamic

High-performing Boards also have the ability to respond energetically to changes in their internal and external environments, the report says.

“One key role for the Board is recognising when the time is right for the organisation to make a transition, and avoiding change that comes too late or in an uninformed, reactive manner,” it says.

- Strong Boards put practices in place (e.g. investing in information systems, strengthening management development) that allow them to focus on priority roles without sacrificing the standard or performance in less critical roles.
- Less effective Boards run the risk of making decisions on where to allocate their time based on the crisis of the moment or the passion of a particular Board member or CEO. More effective Boards periodically take the time to examine the organisation and its surroundings in a structured and rigorous way to ensure the Board is spending its time wisely and focusing on the areas in which the organisation requires the most support.

“While we offer guidance on many types of Board activities, we especially emphasise the need for a Board to be ‘dynamic’ – ready to shift priorities when conditions change,” the report says.

Tips contained in the report on the steps Boards might take in order to become more dynamic include:

- **Step 1: Establishing an explicit, formal process with clear accountability and leadership.** This may involve using outside consultants to lead the evaluation and provide objectivity and anonymity, or establishing ad hoc committees to serve similar functions. The common starting point is the establishment of a group of people formally tasked with the job of leading the broader group through the review process.

- **Step 2: Identifying opportunities through a diagnostic process.** A diagnostic process will help the Board assess its current performance levels and prioritise future activities. A diagnostic tool to help out in this process is available to download along with the report.
- **Step 3: Sharing and discussing the implications of the diagnostic process.** A shared understanding of the results of the diagnostic process is imperative to reaching consensus on next steps. This process usually involves sharing results among all Board members, followed by a meeting to discuss the implications of the findings.
- **Step 4: Agreeing on goals and creating an implementation plan.** Establishing a series of concrete goals, creating timelines and assigning responsibilities is a key to maintaining motivation. Many Boards set targets and agree to re-evaluate their performance periodically.

The Dynamic Board: Lessons from High-Performing Nonprofits was written by Andrea Kilpatrick, Vishy Cvsa and Paul Jansen and issued by the Nonprofit Practice at McKinsey & Company. The report and the assessment tool can be downloaded free (after registration) from http://www.mckinsey.com/practices/nonprofit/ourknowledge/compiling/pdf/Dynamic_Boards.pdf.

Paying Peanuts: Poor pay a threat to not-for-profit sector

Not-for-profit organisations face intense challenges in recruiting and retaining talented staff because of unattractive pay and benefits, according to a raft of recent reports on the not-for-profit sector.

In findings that will resound with many not-for-profit workers and Boards in Australia, several UK and Canadian reports have revealed that not-for-profit organisations may be losing the battle to meet employees' expectations for fair pay and conditions.

Findings in the UK in the past six months have included:

- The problem with staff retention in not-for-profit organisations is improving, however, more than 46 per cent still report problems retaining staff and smaller charities still suffer higher resignation rates than average. While average pay increases in the UK not-for-profit sector of 3 per cent for the year to July were in line with the Retail Price Index, they were below the increase in average earnings of 4.5 per cent.
(2004 survey by salary experts Remuneration Economics in association with the National Council for Voluntary Organisations, published November 2004)
- More than a quarter of finance departments in the UK voluntary sector struggle to keep their staff for longer than three years, while only 18 per cent report an average length of service of more than five years. About 41 per cent of organisations surveyed believe there is a shortage of candidates with relevant sector experience.
(Hays Accountancy & Finance Public Sector 2004 survey of finance departments across public services in the UK.)
- UK not-for-profit chief executive officers are working longer hours than ever,

with 80 per cent now taking work home with them on the weekend. Not-for-profit CEOs work an average of 47 hours a week – an increase from 45 hours the previous year. Some CEOs in smaller organisations report working up to 80 hours a week. The average salary for CEOs is increasing steadily (at about A\$128,000 a year) but is still lagging behind competitor organisations in the public sector. The sector's difficulties in recruiting and developing talent have continued, with three-quarters reporting difficulty in filling some vacancies.

(Association of Chief Executives of Voluntary Organisations (ACEVO) 2004/2005 Remuneration Survey, *Weekend Passions*).

An issue for the Board

Meanwhile, a Canadian report has warned not-for-profit Board members that if organisations are to compete in the "war for talent", the rewards need to go beyond the satisfaction of serving the community.

"In their stewardship role, Boards of Directors of non-profit organisations need to pay particular attention to working conditions and financial rewards in the sector in coming years.

"Otherwise, they risk seeing the future of their organisations undermined by the loss of their best people," the Canadian Policy Research Network report says.

The report, *What all Board Members of Non-profits Need to Know*, says employees in the sector have some advantages over their for-profit cousins, including more opportunities to take part in decision-making, greater flexibility and better access to procedures

for resolving workplace disputes.

But not-for-profit employees, particularly more senior or older workers, are more dissatisfied with their pay and benefits, with average pay for managers just half that for those in the "quango" (quasi-government – schools, hospitals etc.) sector.

"This points to the paradox of working in the non-profit sector," the report says.

"People like to work there for the intrinsic benefits of meaningful work, doing 'good works,' and so on. They are also attracted to the relatively flexible working arrangements, with more opportunities to play a role in the decisions that affect their work.

"But the more senior employees are making significant financial sacrifices which can be costly to them and their families over a lifetime."

The report was produced by the Canadian Policy Research Network (CPRN), a non-profit think-tank that specialises in social and economic policy research and public engagement.

It builds on the findings of four previous CPRN reports on the sector and its human resource practices. All five reports draw on new data from Statistics Canada's first *Workplace and Employee Survey*, which was released in late 2000.

The latest report says most not-for-profit organisations lack the resources to invest in recruitment and other capacity-building activities.

"Most employees in the non-profit sector are women employed in managerial, profes-



Paying Peanuts: Poor pay a threat to not-for-profit sector

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sional or technical occupations, and most have a post-secondary certificate, diploma or degree.

“Since employers in the quango sector as well as the public sector (i.e. all levels of government) tend to employ individuals with many of these same characteristics, non-profit employers are facing stiff competition in trying to attract and retain highly trained staff.”

Much less is known about the Australian sector, however anecdotal evidence and the small amount of research undertaken on the domestic setting indicate similar issues exist locally.

The Canadian report says that the targeted and often short-term nature of funding to the not-for-profit sector makes it hard for organisations to build for the future, which can turn staff commitment into disillusionment.

It says lack of funds will most likely prevent the sector from providing bigger pay packets but improving work conditions at not-for-profit organisations will help to attract and retain talented staff.

The report recommends:

1. **systemic changes to the funding of the sector**, with funders considering a mix of long-term financial support and grants designed for capacity building, as well as targeted funding.
2. **the establishment of a Human Resource Sector Council** to undertake longer range HR planning, coordinate skills development and strengthen the not-for-profit sector.
3. A move towards **more competitive pay rates and benefits** for not-for-profit employees, involving initial efforts to ensure wages, salaries and benefits are at least competitive with

other employers within the sector, and longer-term not-for-profit business plans involving proactive recruitment and retention strategies that may include higher rates of compensation for key staff.

4. **Adoption of “high performance” workplace policies and practices** to enhance the attractiveness of the sector as a place to work. Such practices should promote flexible working conditions, open communications, opportunities for skill development and involvement of staff in decision-making.
5. Using the recruitment process to **emphasise the three unique advantages not-for-profit employers can offer**: a high quality working environment, the opportunity to serve the community, and the potential to do interesting and satisfying work alongside colleagues who are committed to the same goals.

Other observations about the not-for-profit sector contained in the report include:

- Because of their small size, relatively few not-for-profit organisations have formal human resources systems and human resources officers.
- About 8 per cent of all paid employees in Canada work in the not-for-profit sector.
- The sector is predominantly female (74 per cent) and has a higher percentage of people over 45 years of age.
- Not-for-profit organisations have a higher percentage of well-educated, professional staff – 28 per cent have a university degree, compared with 15 per cent for the for-profit sector.

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- Not-for-profit organisations are more likely to offer flexible work hours and training to employees than the for-profit sector, but the quango sector performs better in this area.
- More temporary jobs exist in the not-for-profit sector than the for-profit sector, leading to higher levels of job insecurity.

The full report can be accessed online at www.cprn.org/en/doc.cfm?doc=521.

Generation Next: Bringing youth to the Boardroom table

CaseInPoint

This is the story of a small not-for-profit organisation with big aims and enormous potential. Set up just two years ago, the Melbourne-based OakTree Foundation quickly fulfilled its first goal of raising \$100,000 for a community resource centre in an impoverished area of South Africa. Last year, OakTree pulled in another \$150,000 to fund its various overseas development projects. And following its highly successful 'Wave of Support From Young People' tsunami fundraising effort earlier this month, the Foundation has now revised up its 2005 fundraising targets to even more ambitious levels.

The Board Builder spoke with OakTree Foundation co-founder and Director, and 2004 Young Australian of the Year, Hugh Evans.

The success story does not finish at fundraising – the Foundation's list of members and supporters could make most other organisations weep. A total of 2500 supporters are on its books – and that number continues to grow.

At the core of the organisation's early success is a passionate eight-member Board. And this Board comes with a twist – five of its eight members are under 25.

But the Foundation is definitely not about child's play. In fact, it could teach more long-standing adult-led Boards a thing or two about fundraising, about loading the Board with the skills you need, about tapping into the huge potential of youth, about the power of mentoring, and about how to make the very best use of members' skills and energy.

The Board Builder: Can you tell us a bit about the OakTree Foundation?

Hugh Evans: OakTree effectively is Australia's first entirely youth-run and youth-driven aid and development agency. The idea was born in February 2003. I had been living in South Africa throughout 2002 as part of a World Vision-backed project to build a \$100,000 community resource centre in the Embo Valley in Natal, and through this experience I became deeply moved by the

opportunity we have to make a huge difference in South Africa and also how that difference can be made by young people.

When I started out on the World Vision project I was straight out of high school and I naturally thought I didn't have the skills or ability to contribute greatly to the project. I guess I thought I was too limited in my capabilities. But I started to work in a facilitating-type role and through that experience the vision for the OakTree was born. I began to think: Why can't young people act as facilitators? Why can't young people act as the leaders, rather than just be used in a tokenistic way, stuffing envelopes and that sort of thing?

Young people have such incredible energy and passion and if they're given the wisdom of mentors and people who can guide them they can be incredible leaders even at a young age.

So I started recruiting young leaders from around Australia and 50 people turned up to our first meeting, where we cast the vision of the OakTree: to focus entirely on young people and sustainable education. Every single person in the room signed up to be a volunteer and we had our official launch in June, 2003.

The Board Builder: Where did you find so many potential youth leaders?

Hugh Evans: They were mostly from around Melbourne – school captains, members of local church communities, people who attended or had attended Carey Grammar (my former school) and other schools in that area.

The Board Builder: How did you move from the theoretical to the practical? How did you begin the work of the Foundation?

Hugh Evans: We set ourselves a target for the next six months to raise \$100,000 to develop a community resource centre in South Africa – and we did reach that target. Then last year we aimed for a quarter of a million dollars and we also fulfilled that goal – helped along by our hugely successful Dinners for Life fundraising event, comprising dozens of fundraising dinners held simultaneously across Australia. That event alone raised more than \$100,000.

Our current projects include a new community resource centre, a life skills training centre and an orphan care project – all in South Africa – and a computer training centre in the Philippines.



Generation Next: Bringing youth to the Boardroom table

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CaseInPoint

The Board Builder: What is the structure of your organisation?

Hugh Evans: We've now got close to 2500 supporters. We have structured the organisation so we have a schools team, a universities team, public sponsorships team, a churches team, a public speaking team, an innovations team, a press and marketing team, an IT team, and a research and project development team.

The six key teams – the schools, churches, public sponsorship, innovations, universities and public speaking teams – go out, run events and use their existing skills to really fire other people up.

The Board Builder: How is your Board structured?

Hugh Evans: We started our Board small, with just three members, then expanded it to five and now we have eight members. Five of the eight, including me, are youth members – aged under 26.

Our current youth members are Nic Mackay (OakTree's co-founder), Olivia Brian, Meg Jackson and Thom Hodson. We also have three older members – Frank Scerri, Paul Nichols and Jo Knight – which allows us to fulfill a need for mentors while maintaining a majority of young people on the Board. We did some research to work out what sort of skills we should have on the Board and then tried to find the people with those skills.

The Board Builder: Why is that youth focus so important?

Hugh Evans: We think it's important to challenge young people because in many ways they lack avenues through which to explore their leadership potential. Young people want to make a difference but it seems that so many doors are closed to them. There are some great youth programs around Australia – Amnesty International, where people are able to do things like letter-writing campaigns, and World Vision,

where they can do the 40-Hour Famine, for example – but the people ultimately doing the work are people who have degrees.

There's this societal barrier, in some senses, that says young people can't do things that ultimately are of huge value until they have a degree. That does have wisdom – degrees are important, we appreciate that. But we also think that young people are desperate to use their gifts in positive ways. If there's no positive outlet for that energy there's a danger that they're going to use it for something quite negative. We're not happy with that. We want people to be able to be leaders now, to make a change and learn in the process, even though we know that we'll make mistakes, and we know it's not always going to be perfect.

The Board Builder: What are some of the other challenges that you have encountered in setting up a youth-focused organisation?

Hugh Evans: All of our youth volunteers are under the age of 26 – even I will be ineligible for active membership eventually, I will need to move into a mentor role. That means that all of us have to start thinking about a succession plan. It also means we've got a very transient organisation.

But at the same time it's a positive because young people need to be challenged and need to be active – I think as a testament to that is the fact that in only six months we got nearly 200 volunteers. Now we have 2500 supporters registered on our database. I think there are thousands of people in Australia that have this simple ambition that they actually want to make a difference.

Another big challenge arises from the fact that young people are still at school so they have a lot of other things going on in their lives. And because it's a hugely challenging role, demanding a large amount of time and a large commitment, and because we set our goals very high, it can be very hard work. After a year or two, volunteers may

have to take a step back from the leadership role. But again, that also has positives because it shares around the responsibility.

The Board Builder: What are some of the other positives that young people can bring to an adult-led Board?

Hugh Evans: Young people are incredibly passionate and they're also very idealistic. I think if young people are passionate about the mission of the organisation they can certainly bring a lot to a Board.

I think young people also bring new perspectives to a Board; they look at things with different eyes and are willing to take up almost any challenge. Young people aren't cynical – they are often quite willing to take risks that may seem ludicrous but can also bring great rewards.

I think it's also very valuable for the older Board members to be able to mentor young people. Mentoring is such a valuable tool because it creates communities, it builds relationships. The wisdom of older people accompanied by the incredible energy of young people can be an incredibly powerful combination.

The Board Builder: Do you think there is a problem in some organisations with tokenism when it comes to including the voices of young people?

Hugh Evans: There definitely is. I think that often young people are only seen in terms of how much money they can bring in but they can offer so much more than that. Young people can sense tokenism and they shy away from it – that's why it's so important to involve young people in a real sense.

The Board Builder: What advice would you offer to other groups considering getting youth members onto their Boards?

Hugh Evans: It depends how big their



Generation Next: Bringing youth to the Boardroom table

(continued from previous page)

Board is – it's probably easier for a smaller Board to make that transition. If you had a large Board, it would be very easy for a young person's voice not to be heard.

The Board needs to think carefully about what it is doing and if it decides that it wants the voices of young people it needs to have more than one youth member – otherwise, the move will never influence the overall vision and direction of the organisation.

And I think treating the voices of young people as absolutely equal and not in any way looking down on them – that's really the key. They have to feel as though their position is real.



HUGH EVANS
The Oaktree Foundation
www.theoaktree.org

Hugh Evans, 21, is founder of the OakTree Foundation, a movement of young Australians that aims to empower and equip children and youth in the developing world. A third year Law/Science student at Monash University in Melbourne, Hugh has spent time in the slums of Manila, the Himalayan mountains of India and the rural communities of the Embo Valley in Kwa-Zulu Natal, South Africa. He has represented the United Nations Youth Movement of Australia in The Hague and was last year named Young Australian of the Year. In November, Hugh was named as one of the 10 Outstanding Young Persons of the World, a title awarded annually by Junior Chamber International, a worldwide federation of young leaders and entrepreneurs.

Do you know of an innovative, inspiring or interesting Board or Committee? Send your ideas to kathy@ourcommunity.com.au.

BoardBuilderTip

Board Builder Tip: The new Boards, Committees & Governance Centre at www.ourcommunity.com.au has a Diversity section, which includes help sheets and a range of other resources to help you make your Board more youth-friendly.

Go to
<http://www.ourcommunity.com.au/Boards>

Keeping the Books: New Guide eases the pain for community group Treasurers

Finding a safe path through the thorny world of financial oversight and accountability has been made significantly easier with the launch of a free Guide for community group Treasurers.

Westpac's *Guide for Community Treasurers* provides step-by-step instructions, no-nonsense explanations, checklists, tips and samples that will help Australian not-for-profit Treasurers keep on top of their financial duties.

The Guide was developed by Westpac in partnership with Our Community (publisher of the *Board Builder* newsletter) in recognition of the importance that Treasurers play in the lives of community groups and the influence they have in ensuring the organisation survives and thrives.

It aims to help them take on the role with greater knowledge and confidence and to help all Board members to understand what a Treasurer's job entails.

"Being Treasurer of a community organisation is an enormous honour," the Guide says.

"An active and alert Treasurer can ensure their community group is able to extend their activities, resulting in greater benefits to the wider community.

"Being Treasurer is also a big responsibility. You may be able to delegate some duties to staff and volunteers, but you can't delegate the responsibility.

"There will be challenges in managing the finances of any community group but being a successful Treasurer really comes down to a mixture of common sense, commitment and the canny ability to establish strong, transparent systems that ensure there are few financial surprises for your group."

The Guide says Treasurers must have (or quickly learn) a basic understanding of accounting, as well as a working knowledge

of the laws governing the organisation's operations.

"This may sound daunting, but most accounting is common sense once you understand the basics – it is about money coming in, and money going out," the book says.

The Guide steps Treasurers through their duties to oversee financial administration, review financial procedures and reporting, advise the Board on financial strategy and contribute to the Board and the organisation's future.

Specific topics include:

- Understanding the organisation's finance system;
- Assessing, choosing and setting up accounting systems and methods;
- Strategic planning;
- Creating a budget that works;
- Forecasting;
- How to prepare for and handle audits;
- The whys and hows of asset registers;
- Risks, liabilities and insurance;
- Financial reporting;
- Tax facts and legal structures; and
- Putting in place a financial procedures manual.

"Being Treasurer of any community organisation will always have its challenges but with the right systems in place to identify and overcome those challenges it will make it far easier to monitor the money coming in and going out of your organisation," the Guide says.

"Almost everything that a community group does depends on a level of funding.

The better the financial management, the more money is there to do the job your group was established to do in the first place."

The guide is available free from Westpac branches and online at www.ourcommunity.com.au/treasurer.

The Gender Agenda: Governments push forward

News

Queensland Government efforts to encourage more women to take on roles as leaders and decision-makers appear to be paying off, with a leap in the number of women serving on rural statutory Boards, advisory committees and councils.

Primary Industries and Fisheries Minister Henry Palaszczuk said the percentage of women serving on rural Boards, committees and councils had risen from 2 per cent in 2001 to 12.7 per cent in 2004.

He said women accounted for 9.1 per cent of members of 40 statutory Boards and 16.5 per cent of the members of 15 non-statutory Boards such as advisory committees and councils.

“It is an improvement, but it is far from a balanced representation of the rural sector,” Mr Palaszczuk said.

Strategies employed by the Department’s Women in Rural Industries (WIRI) Unit to boost the number of women on its Boards and Committees include a Women on Boards discussion list, advertisements in the WIRI newsletter and partnerships with the Office for Women and industry groups.

Similar efforts are under way in most Australian states, with most governments operating some type of women’s or diversity register that can be consulted when Board and committee vacancies arise.

In Victoria, the Government has been conducting a free Women on Board seminar series, which is designed to inspire more women to nominate for Boards and Committees and equip them with the skills to do so.

The seminars – developed in partnership with Our Community (publisher of this newsletter) – are conducted by Our Community CEO and experienced Board member Rhonda Galbally and include a resource kit comprising 20 free help sheets.

Twelve seminars have already been held

across rural and metropolitan Victoria, attracting a large number of women with a huge range of skills and experiences.

More dates are expected to be announced soon.

Victorian Minister for Women’s Affairs Mary Delahunty said one of the main barriers women faced was presented before they even applied for a position, and activities such as these would help get women through the front door.

She said there were plenty of women with strong credentials – they just needed to be found.

The seminars complement another DVC project, the Women’s Executive Search Service, which works to identify female candidates for Board and committee positions that are traditionally difficult to fill with women, such as those on engineering or agricultural Boards.

The Victorian Government has recently reached its target of women comprising 40 per cent of all new appointments and is now reaching towards the 50 per cent mark.

More information about the seminar series, including details on how to get on the Victorian Women’s Register, are posted online at <http://www.ourcommunity.com.au/wob>.

BoardBuilderTip

Making a commitment to have more women at the Boardroom table offers the opportunity to tap into a new pool of candidates and bring new voices, experiences, skills and approaches to your Board. Go to www.ourcommunity.com.au/Boards to find out how you can make your Board more inclusive of women. Follow the links to the Diversity on Boards section.

The Human Touch: People the key to good governance

Resources

The secret to good corporate governance is a healthy Boardroom culture promoting open discussion, the opportunity to challenge and full disclosure of relevant information, an Australian governance guide suggests.

The guide, which is produced by the Australian Institute of Company Directors and the Group of 100, says Boardroom behaviour can promote or undermine good governance.

Written by leadership strategist Margot Cairnes, *Boardrooms that Work: a guide to Board dynamics*, explores the way human behavior impacts on decision-making Boards.

“What brings Boards and companies down is not tangible, visible and measurable. What brings Boards and companies down is dysfunction within their social systems,” the guide says.

“People run organisations and their processes. People oversee and program technological systems and fix them when they break down. People make all the key decisions. Even with the best quality control systems in place, major corporate fraud, accident and collapse are all possible; it all depends upon the involvement and actions of people.”

The guide acknowledges that it is hard for the people inside a group to recognise and judge dysfunction within their own group but points to some early warning signs, including:

- **A dominant personality**, including a chair or CEO who dominates Board proceedings and intimidates other Board members; members who are unduly deferential to the chair or CEO; situations where people asking questions are being ridiculed or treated dismissively, etc.
- **Hurried decisions** based on inadequate data, where Board members are asked to ratify rather than approve commitments, or are given proposals for an urgent decision at the last minute, or are given proposals containing inadequate comparative data.
- **Repeated organisational restructuring or resignations of key executives**, which could indicate systemic breakdown in the functioning of the Board or of Board and management relations.
- **A “do as I say, not as I do” culture**, where standards, values and rules are not applied consistently or openly throughout the organisation.
- **The cover up**, where breaches of procedures do not result in disciplinary action because it could adversely affect the company’s image or affect staff morale, or where efforts are made to conceal information considered damaging to a company’s reputation.
- **Interfering with the information flow**, including focusing discussion and debate on possible public reaction to a problem rather than developing sound business plans to solve the problem; changing or amending reports or data to ensure bad news is trivialised or withheld; swamping the Board with voluminous amount of material at short notice; using meeting time on trivial matters and rushing important matters; ensuring a project proceeds by deliberately withholding information prepared by an executive known to oppose the project; or ensuring key employees are away or “out of the way” when key decisions are discussed or made.
- **Favouring particular interests**, including attempts by the CEO and chief financial officer to promote an interpretation of accounting rules that favours their performance measures and benefits.
- **Defensive communications**. The most effective company communications are honest, balanced and written in plain English. Legalistic, defensive communications create a suspicion that something or someone is being protected.
- **A significant variance between forecasts and final audited accounts**, possibly indicating that transactions and events are not being recorded in a consistent and timely manner or that data is being manipulated.
- **A lack of responsibility** for recommendations or decisions, possibly indicating that responsibilities are not clearly defined, that the culture of the company punishes or humiliates individuals for mistakes or errors of judgement or that the individual concerned lacks confidence or experience.

While grounded in the corporate context, most of the lessons from the guide can be easily adapted for the purposes of not-for-profit Boards, which are increasingly facing the same scrutiny and demands for accountability as their commercial cousins.

The full guide, including advice about steps to creating an effective Board culture, is posted online at <http://www.group100.com.au/policies/Boardrooms-that-work.pdf>.

Get on the Net: New Australian online resource for not-for-profit Boards

Resources

Australian not-for-profit Boards and Committees experiencing difficulties filling vacant positions now have a new resource to aid them in their search.

Our Community, publisher of this newsletter, along with project partners, the Municipal Association of Victoria and the Department for Victorian Communities, has launched a new area of its website devoted to not-for-profit governance.

The Boards, Committees and Governance Centre includes a free Board Matching Service, which can be used by not-for-profit organisations to expand the pool of candidates they can call on to fill their vacancies.

The Matching Service allows community groups to post their vacancies online at www.ourcommunity.com.au/Board-match and specify exactly the sort of candidate they are looking for.

Individuals looking to expand their community involvement by joining a Board or Committee can search the database to find a suitable vacancy. Workplace volunteering programs looking to make a long-lasting difference to their communities by encouraging staff to join a Board are also expected to take advantage of the Matching Service.

The Service is just one part of an enormous array of governance resources and tools that has been assembled in the new Boards, Committees & Governance Centre as part of the Victorians on Board project.

Other sections of the site include:

- **The Policy Bank** – an expanding set of template policies and procedures that can be downloaded, adapted and adopted by the Board. Close to 30 policies have been contributed by the global management consulting firm, Accenture.
- **The Resource Centre** – comprising dozens of free help sheets providing practical, jargon-free information about

how people can join or improve a community group Board or Committee.

- **How-To Guides** – information about Our Community's range of easy-to-read governance handbooks.
- **Seminars & Workshops** – upcoming training for Victorian not-for-profit Boards and Committees, organised as part of the Victorian on Boards project.
- **Business on Boards** – a comprehensive resource to help guide companies wishing to engage with their communities by encouraging staff to join a community group Board.
- **Consultants' Register** – a free listing of not-for-profit Board experts – who they are and how to contact them.
- **Diversity on Boards** – comprising help sheets, links and other resources that can help your Board to meet the diversity challenge and enrich your decision-making process.

The Boards, Committees & Governance Centre, which will be officially launched in February, is the centerpiece of a landmark project of the Department for Victorian Communities, being undertaken by the Municipal Association of Victoria and Our Community.

All of the resources and tools can be accessed by logging on to www.ourcommunity.com.au/Boards.

JargonBusters

"Auspice"

The dictionary definition of "auspice", in the context of a community group Board, is "protection, patronage, care and guidance," as in: "The Good Works Community Group is under the auspices of the We Help Umbrella Group".

Basically, this means that the Good Works Community Group is being supported or guided by the We Help Umbrella Group – this relationship usually occurs when a new group is not incorporated and needs the support of a more well-established group (to apply for a grant, for example, where the grantmaking body excludes non-incorporated bodies).

Not-for-profit governance news from around the globe

BoardShorts

Communications skills sadly lacking in small not-for-profits: study

A third of those in the voluntary and community sector receive no communications skills training, despite such skills being crucial to the development of the sector, a new UK study has found.

The study, which was released in December, found that those working for smaller organisations battled with the perception among funders and Board members that communications were not important.

At the same time, those organisations' own evidence showed that professional communications underpinned the successful targeting and involvement of users, volunteers, donors, funders, stakeholders and staff.

Communicate – A Study Investigating Communications Skills Capacity Building in the Voluntary and Community Sector was produced by the Media Trust, a not-for-profit organisation that works to equip charity sector organisations with professional communication skills, resources, information and contacts.

"Everyone we spoke to saw big challenges with improving communications in their organisations," said Media Trust Chief Executive Caroline Diehl.

"Professional communications enables organisations to fundraise successfully, to recruit more volunteers, to get to hard to reach groups like ethnic minorities and younger people. Smaller organisations desperately need these vital skills."

More information about the study is available at <http://www.mediatrust.org/>.

Member referrals drive recruitment: report

Three in four US not-for-profit organisations have a business or strategic plan and most of these use the plan to drive Board recruitment, a new study has found.

Consulting firm Bridgestar conducted a study of not-for-profit Board members and executive directors to better understand Board recruitment.

It found that among groups that tie recruiting to their business plan, more than 90 per cent say they recruit new Board members by tapping personal networks, and more than half believed this was the most effective recruitment method.

However Bridgestar questions whether the networking approach to recruitment is adequate to "ensure our sector remains healthy, productive and well regarded."

The survey found that when recruiting new Board members, fundraising skills were in the highest demand, followed by program and financial oversight expertise.

Reframing Leadership

Boards should think and govern like leaders, rather than managers, a new American book argues.

Governance as Leadership: Reframing the Work of Nonprofit Boards argues that a new framework is needed if not-for-profit organisations are to be governed more effectively.

And it provides ideas, tactics and examples to help Board members along that path.

The 2005 publication was developed in collaboration with BoardSource and written

by Richard Chait, William Ryan and Barbara Taylor.

It can be ordered through the BoardSource website at www.boardsource.org.

Award-winning governance overhaul

Efforts to consolidate multiple levels of governance and provide members with a new, direct method for electing a national Board have been rewarded in Canada.

The Canadian Diabetes Association has won the not-for-profit category of the Canadian 2005 National Awards in Governance in recognition of its innovative governance reforms.

Significant steps included revitalising the Board's strategic focus, reducing the size of the Board and improving its nominating framework.

The Award, presented by the Conference Board of Canada and executive search firm Spencer Stuart, was announced in mid-December. An overall winner will be announced in Toronto on February 10.

"The common thread among our winning organisations is a willingness to take risks and embrace innovation," said Conference Board President and CEO Anne Golden.

"Each organisation transformed its governance model to streamline Board structures and work more closely with diverse stakeholders. All three organisations reaped the benefit of their reforms through stronger and more sustainable financial and non-financial performances."

Read more about the awards at www.conferenceboard.ca/GCSR/awards.



Not-for-profit governance news from around the globe

(continued from previous page)

BoardShorts



Positive signs for US not-for-profit organisations

Increased budgets, more staff and a growth in donations are among the key trends identified in a US survey of the not-for-profit sector.

The 2004 *State of the Nonprofit Industry Survey* found that more than half of the organisations surveyed experienced an increase in their budgets during 2004.

Nearly all of those surveyed – 96 per cent – expected to either maintain or add to management staffing levels and more than half reported growth in donations from individuals, the Blackbaud survey found.

Exactly three-quarters indicated a rise in demand for their services.

“These results are good news for the nonprofit industry,” said Blackbaud CEO Robert Sywolski. “With more money and staff at their disposal, organisations are better equipped to deliver on their missions.”

Continuing challenges identified in the survey included fundraising, expansion of services and development of effective Boards.

More information is online at http://www.blackbaud.com/resources/8-04-NonprofitIndustrySurvey_Results_Web.pdf



From Robert to Roberta

Overly formal meetings bogged down by rigid rules and turn-of-the-century language could become a thing of the past with the publication of a new book on modern meeting rules.

The 2004 US publication, the latest attempt to modernise not-for-profit meetings,

challenges leaders to retire Robert’s Rules of Order and adopt a simpler, friendlier method for conducting meetings.

Robert’s Rules were originally created for parliamentarians and many consider them far too rigid and therefore inappropriate for modern not-for-profit use.

Roberta’s Rules of Order: Sail through Meetings for Stellar Results without Gavel is designed to help groups make the transition from procedural formality, debate and simple majority rule to informality, dialogue and other decision-making options. It is written by consultant Alice Collier.

BurningQuestions

Q: Can my group make a profit?

A: Most not-for-profit organisations choose to become “incorporated”, which is no more than a voluntary system of state or territory government registration. Being incorporated enables the organisation to be recognised as a separate entity to its members and therefore affords members some protection for losses and damages that may be incurred by the group. To be protected as an incorporated association, the organisation must not make a profit for its members. A surplus is allowed but it must be held and/or invested back into the organisation.

Do you have a burning question you would like us to answer? Email your question to kathyr@ourcommunity.com.au

All the essentials from the *Board Builder* in one bite-sized grab

BOARD EFFECTIVENESS: Getting the best out of your Board

- Dividing a Board into “teams” (innovations, public sponsorships, press and marketing, IT, research, etc.) can allow members to put specific skills to good use and hone their experience.

Generation Next: Bringing youth to the Boardroom table – Page 24

- The best not-for-profit Boards carry out three clearly understood roles: shaping directions through the organisation’s mission, strategy and key policies; ensuring leadership, resources and finances are in place; and monitoring performance and ensuring prompt corrective action when needed. Good Boards get the basics right (Board size, structure, composition, leadership and administration) and respond dynamically to changes in the internal and external environments.

The Dynamic Board: The essential traits of high-performing Boards – Page 20

- A healthy boardroom culture, promoting open discussion, the opportunity to challenge and full disclosure of relevant information, is the secret to good corporate governance. Boards are damaged by dysfunction within their social systems.

The Human Touch: people the key to good governance – Page 29

- The concept of regular evaluation of Board effectiveness, including the development of an evaluation process, will help you and the rest of your Board meet – and even exceed – your legal obligations, and also monitor your performance. If necessary, new strategies can be adopted to improve any weak areas.

Self-Assessment: Is Your Board Compliant? – Page 4

- The key role of the Board is to ensure that management behaves in a way which is in line with stakeholders’ interests. The most important step any Board can take is to recruit the right CEO. The second most important thing is to minimise the risk of the CEO going off in the wrong direction. Boards also need to ensure they have the appropriate skills and experience.

Lessons from the Corporate World: The Management and the Board – Page 16

BOARD DIVERSITY: Towards a more representative Board

- Young people represent a largely untapped source of energetic, idealistic and committed Board members. Forward-thinking Boards wishing to harness that energy and passion need to offer young people a real role and avoid tokenism – their contribution should not be confined to “Mickey Mouse” tasks such as stuffing envelopes; they must be given the opportunity to do “real” work. Their voices need to be treated as absolutely equal. Provide the opportunity for mentoring relationships and invite more than one youth member to serve on your Board.

Generation Next: Bringing youth to the Boardroom table – Page 24

- One of the main barriers women face to equal Board participation is getting through the front door. There are plenty of women with strong credentials who are suitable for Board service – they just need to be identified.

The Gender Agenda: Governments push forward– Page 28

BOARD LIFECYCLE: Finding the skills your Board needs

- Organisations looking for new members need to think about what the organisation wants to achieve, what skills it will need to achieve those goals and what skills are lacking. When recruiting new Board members, look beyond “the usual suspects” and think broadly about from where new members could be drawn. Recruitment strategies need to be regularly reviewed and updated. Assessing an existing Board should involve deciding whether or not the Board is the right size, whether it is balanced with the right mix of skills and interests and whether it includes a range of different voices.

The Toolbox: Seven steps to an effective recruitment strategy – Page 7

- Strategies to prevent absentee Board members can include: ensuring the Constitution specifies a minimum number of meetings Board members must attend; devoting time in Board Orientation processes to emphasise the need for full commitment when taking on a Board position; initiating supplementary (possibly social) activities to keep people engaged; ensuring members understand the obligation and legal responsibility of being on the Board; ensuring at the beginning of each year that meeting times and venues are accessible to everyone.

The Board Doctor – Page 18

GOOD GOVERNANCE: Ethics and accountability

- Australia appears to be edging toward a showdown over not-for-profit accountability. The lesson for not-



All the essentials from the *Board Builder* in one bite-sized grab

(continued from previous page)

TheGoodOil

for-profit Boards is that they need to reform themselves now or face punitive regulations in the future. Accountability is heavily reliant on disclosure; if the not-for-profit sector is not seen as accountable, public confidence will be jeopardised and donations put at risk. Responding to the accountability call will require a two-pronged effort – joining the push for legislative reform on the one hand and engaging in self-regulation and improvement on the other.

Raising the Bar: Tsunami prompts greater calls for non-profit accountability – Page 10

BOARD RESPONSIBILITIES: Human Resources

- Poor pay and conditions impedes the not-for-profit sector's ability to compete in the "war for talent". Not-for-profit organisations can improve their competitiveness by providing pay and benefits that are at least competitive with other employers within the sector. Longer-term business plans to improve recruitment and retention strategies and provide higher rates of pay for key staff should also be considered. Not-for-profit organisations should also review workplace conditions to provide flexible working conditions, open communications, training and opportunities for staff to be involved in decision-making – this will help to make the sector more attractive to employees. They should also emphasise the advantages of working in the sector: the high quality working environment, opportunity to serve the community and potential to do interesting and satisfying work alongside colleagues committed to the same goals.

Paying Peanuts: Poor pay a threat to not-for-profit sector – Page 22

What in the World?

It's often said that there's a committee for everything. Well, now there's a committee for nothing at all.

The NSW Shire of Boorowa lists the "No Reason at All Committee" on its website, for which it provides two council representatives. (Councillors Elisabeth Webster and Wendy Tuckerman are the current delegates, according to the Shire's website.)

The intriguingly named committee is listed on the Council's website between the Burrinjuck Family Day Care and the Australian Capital Region Leaders Forum.

Don't believe us? Check it out at

<http://www.boorowa.nsw.gov.au/yourcouncil.htm>.

Other publications from Our Community

Newsletters

EASY GRANTS NEWSLETTER & GRANTS INFORMATION SERVICE

The *Easy Grants* newsletter provides a monthly summary of all grants available in your state/territory - philanthropic, corporate, state, and federal government. Click on www.ourcommunity.com.au/newsletter/1/sample.pdf for a recent sample of an *Easy Grants* newsletter - only \$330 a year (community group price \$45) for councils and Government departments which includes year-round access to search our extensive grants database.

RAISING FUNDS

The *Raising Funds* newsletter provides a monthly resource on the latest fund-raising tools and techniques from running special events to innovative ideas to find money. A sample of the *Raising Funds* newsletter - which costs just \$45 per year (community group price) for 12 monthly issues can be found by clicking www.ourcommunity.com.au/funding/fundraising_main.jsp.

To subscribe to any of these newsletters visit http://www.ourcommunity.com.au/funding/funding_main.jsp, e-mail: service@ourcommunity.com.au or call us on (03) 9320 6800.

A growing number of grantmakers, foundations and Government departments now provide gift certificates for groups they are funding, providing them with other alternatives to funding and fundraising. To find out how your organisation can organise gift certificates, please contact Patrick Moriarty on (03) 9320 6810 or by emailing patrickm@ourcommunity.com.au.

How to Books

How To: Win a Philanthropic Grant.

A guide for grantseekers taking them through the process of applying for funding. \$36.00 for community groups (\$46.00

for others). For more information visit www.ourcommunity.com.au/management/view_help_sheet.do?articleid=56

How To: Find Money Fast - 50 Great Ideas to Raise up to \$5000.

A great guide for community groups and schools providing 50 ideas to raise money as well as dozens of tips to value-add to current fundraising efforts. Also includes a Help Sheet to assist in putting together a fundraising strategy and a 101-point Special Events checklist. For more information visit http://www.ourcommunity.com.au/management/view_help_sheet.do?articleid=220 or call (03) 9320 6800 for more details.

Other Community Information

The Our Community Centres Of Excellence Our Community has established seven major Centres of Excellence on the www.ourcommunity.com.au website that provide practical tools and resources to community groups and members of community groups - as well as individuals wishing to give to community groups.

Centres released to date are:

- **Giving Centre:** The secure place for all Australians to Give
- **Funding Centre:** Helping all Australian community groups find money
- **Community & Business Partnerships Brokerage Service:** for community groups and businesses, who want to connect, make a difference and form a partnership
- **Boards, Committees & Governance Centre:** Be a better Board, Be a better Board member, Find a Board Position
- **Leadership Centre:** Resources for Community Leaders
- **Management Centre:** The A-Z of Resources for Managing Community Organisations

- **Community Marketplace:** Providing All Community Groups with Excellent Value Products and Services
- **The Insurance Centre:** Helping Community Groups Manage Risk and Secure Insurance
- **The Financial Centre:** Tailored Financial Solutions for Community Groups
- **TechCommunity Centre:** Technology Resources and Services for Community Groups

There are several new Community Centres, that will be added to www.ourcommunity.com.au, that are currently under development with government, business and community partners. They will also meet the vision of Our Community - providing an easy, quick, safe, reliable and sustainable resource for the Australian community.

For more information on any of our products or services visit www.ourcommunity.com.au, email service@ourcommunity.com.au or call (03) 9320 6800.

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