

What is the Future for NGO Governance?

RESEARCH REPORT
August 2019

Foreword

When I was writing the **Diverse Thinking Capability Audit of New Zealand Boardrooms 2018**, I realised there might be differences in diverse thinking capabilities, issues and challenges, depending on whether it was a private-sector, public-sector or not-for-profit (NFP) board. But those board members I interviewed mainly sat on or chaired private-sector boards, although most also served on a few government and NFP boards.

Caren Rangi and other NFP Chairs and directors had discussed with me the need to do a separate audit of NFP boards, which they thought would be different. Thus, when I had completed the 2018 audit I approached the Centre for Social Impact, to see if we could collaborate on a Diverse Thinking Report for the New Zealand non-government-organisation (NGO) sector. This report is the result. We both felt that the NGO sector in New Zealand was so important that a diverse thinking capability audit was essential as a tool to help NFP boards enhance their performance.

I am grateful to the Centre for Social Impact for leveraging off the 2018 audit to provide unique learnings for NFP boards. I think the findings are important and signal, as in the original 2018 audit of New Zealand boards in general, the need to do more if we are to truly benefit from diverse thinking in our boardrooms.

This report has made clear the differences in behaviour and challenges between for profit and NFP boards, provided better information about NFP boards in New Zealand, identified emerging trends and thought about what NFRP governance will be like in the future. It has leveraged off diverse thinking as a critical part of board performance to identify a wider range of opportunities and challenges for NGO board members. In doing so, it outlines a strategy for investing in governance in the community sector.

What is at stake is NFPs' ability to effectively and impactfully serve their communities and missions. That is why this report is an important must read.

Mai Chen

Chair, Superdiversity Institute for Law, Policy and Business

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Executive summary

114,000 non-government organisations (NGOs) operate in New Zealand, generating an estimated \$20 billion in annual income. Not only do NGOs represent a sizeable part of our economy and workforce, the services they provide underpin many aspects of our lives. Many of us contribute to NGO boards through helping to develop strategies and secure funding. Few of us have had any training and many of us receive limited support in these roles.

NGO boards are facing a range of opportunities and challenges now and into the future. This report outlines the critical ones. Recruiting, inducting and retaining members with the diverse skills and experience needed at the board table is a challenge. Ensuring that board cultures are inclusive is another. The role of the Chair was identified as pivotal.

Barriers to good governance include the behaviour of individual board members, poor processes around decision-making, and the complexity of the NGO context. The low value and low profile of NGO governance is a further barrier. Increasingly, high-performing NGO boards are investing in more strategic thinking, collaboration with other NGOs and across sectors, building whanaungatanga within their organisations, adopting technology and building stronger connections with the communities they serve.

NGO boards in the future will need to be alert to the opportunities and challenges arising from digital disruption, the changing nature and expectations of their communities, changing patterns of giving and volunteering and the impacts of external, global forces on their services. Effective boards will seek to collaborate, be diverse and inclusive, and be strategic, connected and agile.

In order for them to do so, there will need to be considerable investment in NGO governance capabilities. This will include supporting board members to understand the basics of governance, building a cohort and community of excellent governors, providing practical support for Chairs, and connecting boards with tools (such as board self-appraisal and stakeholding mapping tools) to enhance their performance.

Acknowledgements

This report would not have been possible without the generous support of the 15 experts who gave freely of their time and knowledge to be interviewed. Foundation North generously provided the funding, and the vision and leadership of Alison Taylor ensured that the project came to fruition. The interviews were expertly organised and supported by Aggie Makuati-Afitu, Judy Whiteman and Monica Briggs at the Centre for Social Impact. Insightful peer reviews were provided by Caren Rangi, Francesca Ephraim (Charities Services) and Felicity Caird (Institute of Directors in New Zealand). Last, but in no way least, the tireless work of the hundreds of thousands of board members of community groups must be acknowledged, for without such dedication and generosity our lives would be all the poorer.

Jo Cribb

www.jocribb.co.nz

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Introduction

Watching your child's sport, walking along a clean beach, calling an ambulance, enjoying kapa haka: all these activities would not be possible without community organisations. Non-government organisations (NGOs) and not-for-profit (NFP) organisations underpin many of the activities we enjoy and the services we need.

Many NGOs in New Zealand provide services such as education, counselling, care of animals and religious services. Others provide facilities and organise activities such as sports and arts performances.

There are around 114,000 NGOs operating in New Zealand, which generate an estimated \$20 billion in annual income. NGOs employ more than 100,000 people (nearly 5 percent of the workforce) and contribute nearly 3 percent to GDP, and if the work of volunteers is included the contribution to GDP rises to 6 percent each year.¹ There is a wide range of organisations that sit under the umbrella term 'NGO and community organisations', from small, informal committees to incorporated societies, charitable trusts, social enterprises and social purpose businesses.

A subset of NGOs is the 27,000 registered charities. These charities employ 93,000 full-time and 90,000 part-time staff, although nearly three-quarters have no staff. Charities are supported by 230,000 regular volunteers.²

Many of these volunteers are members of NGO boards or committees. JBWere calculates that if each NGO in New Zealand had four board members (allowing for some people to sit on more than one board), one in 40 New Zealanders would be a member of an NGO board.³

NGO boards play a critical role in the performance and success of their organisations. Their role is to determine the purposes of the NGOs and develop clear strategies to ensure that the NGOs are successful in those purposes. Boards also ensure that the NGOs are financially viable and sustainable and operating in legal and correct ways.

Given the importance of governance to an organisation, and good governance, the Centre for Social Impact, in partnership with the Superdiversity Institute for Law, Policy and Business, wanted to understand what the emerging trends around best practice are, what future barriers exist to good governance and what we can do to strengthen and diversify NGO governance. The Superdiversity Institute was keen to build on its 2018 report *Diverse Thinking Capability Audit of New Zealand Boardrooms*, which examined diverse thinking in New Zealand boardrooms in general and considered what specific conditions are necessary for diverse thinking to thrive in NGO boardrooms.

The aim of this report is to collate and share a body of good and emerging practice in NGO governance. It is also to support and celebrate the amazing work that happens every day around the board tables of NGOs across the country, much of which goes unseen and under-valued.

¹ JBWere (2017) *The New Zealand Cause Report: Shape of the Charity Sector*
<https://www.jbwere.co.nz/assets/Uploads/JBWereNZ-CauseReport-March2017-DigitalVersion.pdf>

² Department of Internal Affairs (2019) *Modernising the Charities Act 2005: Discussion Document*, Wellington

³ JBWere (2017) *The New Zealand Cause Report: Shape of the Charity Sector*
<https://www.jbwere.co.nz/assets/Uploads/JBWereNZ-CauseReport-March2017-DigitalVersion.pdf>

NGO governance in Aotearoa

Most (an estimated 61 percent of) NGOs in New Zealand are small, informal and volunteer committees. A further 20 percent are incorporated under the Incorporated Societies Act 1908 (20 percent) or are trusts under the Charitable Trusts Act 1957 (15 percent).

Little, however, is known about what happens around the board tables of New Zealand NGOs.

Most NGO and community board members volunteer their time or receive small stipends or cover for their expenses. However, for those that do receive payment, data from the 2018 New Zealand Institute of Directors Fees Survey shows that NGO board members are paid substantially less than directors in other sectors. According to the survey the median NFP director fee was \$18,000 per annum, with the median non-executive Chair payment being \$30,000 (compared with the median director fee for all boards of \$45,000 and the median fee for Chairs of \$56,500). NGO directors reported spending about 104 hours per year governing their NGOs (compared with 127 for all directors).⁴

Charities Services recently undertook a survey of the governance issues of the charities registered with them. They found that 15 percent of board members of the nearly 200 NGOs that responded did not know much or anything at all about their governance roles and responsibilities. Even more (18 percent) felt they did not have oversight of the financial performance of their charities. The top challenges boards faced were obtaining funding, strategic planning, complying with government regulations, managing risk and recruiting staff and volunteers. Many charities relied on the knowledge of their members or did limited training and development for their roles.⁵

A limited number of academic or significant studies have been undertaken of NGO governance in New Zealand, either in its current form or exploring alternative or new forms of community governance. The most recent and closest-to-home studies of NGO governance are reports from the Australian Institute of Company Directors. The 2016 *The NFP Governance and Performance Study* report concluded that the task of the NGO governor was complex due to the need to achieve both mission success and financial sustainability in an environment that was becoming increasingly difficult to survive.

The report identified that strategy was critical to the success of NGOs. The nearly 2000 directors who were surveyed reported that they focused too much on short-term or operational issues. Directors and chief executives (CEOs) said that their highest priority was adjusting to changes in their operating environments, diversifying income streams and developing and implementing strategic plans. Yet more than one-third said they could do better at developing their plans and implementing them.

Many directors saw weaknesses in their boards and organisations as there was minimal long-term thinking and no clear strategies or resilience in their organisations. Governance, and in particular the role of board members in leading the development of strategy, is critical for an NGO in a rapidly changing environment.⁶

A smaller-scale 2017 study of social service NGOs in New Zealand had similar findings, including that smaller NGOs were finding it a challenge to attract skilled board members. For some of these organisations the governing bodies operated like 'management committees' that worked to support the

⁴ Institute of Directors in New Zealand (2018) Fees Survey, Wellington

⁵ Charities Services (2019) Governance Survey, Wellington

⁶ Australian Institute of Company Directors (2016) *The NFP Governance and Performance Study*
<https://aicd.companydirectors.com.au/-/media/cd2/resources/advocacy/research/pdf/05365-nfp-governance-and-performance-study-2016-web-v2.ashx>

CEOs, fundraise and even help in the delivery of services. For these organisations, the strategy and planning functions associated with governance may not have been occurring.

Investments in training and developing board members were limited. Board appraisals were rare. Constitutional structures, such as elected and representative structures, could also have been creating barriers for many NGOs to getting effective and diverse governing boards with the necessary mix of skills and experience.⁷

This research

Given the importance of good governance to the performance of an NGO and the limited knowledge of what currently happens around the board table, this report builds on the approach of the *Diverse Thinking Capability Audit of New Zealand Boardrooms 2018* and translates them through an NGO lense. It seeks to:

- Share and celebrate the valuable work that currently happens around NGO board tables in Aotearoa
- Gather and share good and emerging governance practices in NGOs
- Identify any needs for new future practices or interventions that could support NGO boards and directors.

The methodology involved expert interviews with 15 NGO leaders. The interviewees were selected based on their personal experiences of NGO governance and for the diverse views they would bring. Together they represented hundreds of years of knowledge and experience of governance in the NGO sector. [Appendix 1](#) contains a list of those who contributed.

Semi-structured interviews were conducted in May 2019, using the interview schedule attached in [Appendix 2](#). The interviews were recorded and analysed and the data tested for 'sense' with a range of peer reviewers.

While this is small-scale qualitative research, the expert interviews yielded deep knowledge. It is, however, limited by its size and does not purport to be representative of governance across the NGO sector. The NGO sector would benefit from future, larger-scale research exploring governance practices in New Zealand NGOs.

This report

This report is structured around a series of key questions about NGO governance:

- **Who sits around NGO board tables?** How boards are constituted is critical to their performance. This section outlines what diversity is and how it can be achieved for NGO boards. Ensuring that all board members contribute and that all perspectives are valued is also critical. As such, this section also considers how NGO boards can be inclusive, high-performing teams.
- **How is NGO governance viewed?** Issues around the value and perceptions of NGO governance are discussed in this section.
- **What do good boards do?** This section captures good governance practice: how boards can add value and measure success, what gets in the way of good governance and what good practices are emerging.

⁷ Cribb Jo (2017) *Governing for Good: The Governance Capability of Social Service NGOs* <http://www.jocribb.co.nz/research>

- **How will boards govern in the future?** This section considers the future – future priorities for boards, trends and predictions.
- **What will work to increase the capability of NGO governance for the future?** Ideas about where and how to invest in building NGO governance capability are presented.
- **What does this mean?** Conclusions and next steps are outlined.

Who sits around NGO board tables?

As was highlighted in the *Diverse Thinking Capability Audit of New Zealand Boardrooms 2018*, the composition of any board has been identified as critical to its performance. Who sits around the table is critical. How board members interact and work together is also critical.

Members who bring diverse perspectives in terms of their experience, knowledge and networks through having different gender, ethnic, age and community views are critical to board performance. Creating a board culture where all voices are respected and all views are sought is equally important.

Our experts shared their knowledge about what diversity means in an NGO context, what value diversity brings and how to create an inclusive board culture.

Diversity around the board table

Having a board comprising people with a diverse range of experiences, personalities, perspectives and backgrounds brings a wealth of collective wisdom, a depth of conversation. Diversity for all interviewed was more than ensuring there was at least one woman on the board; it was ensuring that the board had the ability to solve its problems drawing on many angles. Age, ethnicity and experience all need to be considered, as well as gender.

By the time we are about 30 we are grooved in our thinking and it is very difficult to think any other way. We are patterned by our upbringing and our communities and our friends and every experience we have in our lives. So there is only really one way to ensure that we do not generate group think. It is important to avoid having all people around the table with similar backgrounds and instead create a board with true diversity, and the individual respect for each other to be able to truly listen and build collective understanding and wisdom. That to me is why you have diversity. You need to ask, have we got the different perspectives we need to be able to generate good thinking?

So if I think about the Taitokerau Education Trust, we set the board up and we had a lens on what would benefit the trust. We wanted the characteristics and experience of good governance and the cultural perspective because we are largely dealing with Māori schools, then we wanted a whānau perspective because we are dealing with very poor communities and we needed to be able to see through their eyes and see their perspectives. We needed to fundraise so we needed 'who's-who people' who could connect with people, and we needed educational and school perspectives but people who were able to listen to other perspectives.

Jo Brosnahan, Board Chair, Taitokerau Education Trust

Young people on boards, for example, were seen to be able to bring fresh ideas, new skills, different experiences and the ability to connect with young audiences, clients and community members. Young people often brought a willingness to learn, agility and a questioning mindset to boards, all of which are important for a high-performing board.

Diversity at the board table should be considered as just the tip of the pyramid in an organisation. Board members set the tone and expectations for the rest of the organisation.

Board diversity is the tip of the pyramid. What happens at the board then filters down to the organisation.

Angela Lim, co-founder and CEO of Clearhead
(an AI platform for mental wellbeing);
Chair of several NGO boards

Diversity should be seen as a protection against group think, including singular, linear thinking. Having board members who have received NGO services or who are part of the communities that an NGO serves can ensure that the services are as effective as possible. Board membership needs to align with the kaupapa of the NGO and should include board members who bring client and stakeholder views.

As NGOs change and evolve, their governance needs to as well. Effective boards evaluate the skills they need around the board table currently and in the future and ensure that their governance aligns with what they are trying to achieve.

On the board at the time we started were people with lived experience and families that had loved ones (with mental health issues) who had not been well served. There was also a pharmacist, who would make sure that people got their medication even if they couldn't afford to pay for it, so someone who actually believed in supporting people from a community pharmacy point of view. There were also others who were in positions where they were trying to get change. We also had a strong commitment from Māori. There were a few people who were disappointed because they thought professionals should be on the board. In order to set the organisation up we needed to have people that had rich backgrounds and experiences to set the right culture and belief to influence the direction. To get the right values you need the right people.

We then started to evolve and develop as an organisation. We needed different skills. Some people supported the organisation while they weren't around the board table, like a senior partner from KPMG, who assisted with the finances. Then he went onto the board and now chairs the board.

If I think about the journey over 30 years and the governing that has happened, we have seen much more regulation, and more risks that now expose organisations in a way that many years ago you weren't necessarily as worried about. There are personal liability and legal frameworks that change roles and responsibilities around governance. We now come from a lens of risk rather than a lens of opportunity.

Julie Nelson, NGO board Chair and CEO

The value of diversity

Interviewees shared examples of how having diverse perspectives around the NGO board table created much more value for their NGOs. These included challenging the status quo and long-standing assumptions so that discussions could focus on identifying more appropriate solutions.

The 'customer' at the board table for one meant the NGO board's strategy was more effective and the services delivered more effective. Having community members at the board table opened doors to new connections and increased membership for another.

So what I have seen is different levels of value of diversity in different organisations. I am thinking of a sporting organisation on the North Shore in Auckland which invited a Chinese native speaker and a Korean onto their board. That was really challenging when they first did that because English was their second language. But they are now five years on and I look at that organisation now and it has such a lovely reach into those communities which has become an important part of the organisation and its growth.

Craig Fisher, consultant and chartered accountant specialising in the NFP/charity sector
with a passion for good governance

It also meant another NGO felt more comfortable taking risks because it had confidence in the fact that it had considered its options from all angles.

A small group of us started the Manaia Kalani Education Trust with the principal of Pt England School in 2011. Now we have raised \$26 million in eight years and we are now in over 90 schools around the country and it is really advancing the educational interests of Māori and Pasifika by using digital teaching methods. Our board is deliberately made up of more than half local people from out of Tāmaki and the rest, people like me, who have come into the process with different skills, commercial and strategic. We have had a successful journey but we have taken big risks. In the early days we would often commit to a budget that was 50 percent more than the money we had confirmed. It takes guts to do that and our trustees backed the kaupapa. My job as Chair has been to go out and get the dough. It is really tricky to do but because people have faith in the kaupapa and the way things are done, we take these kinds of risks and have made the progress we have. We would have never made this under a Crown arrangement because they would have never taken the risk.

Diversity is highly context specific. If you are intending to work in areas where your board and your operations are not representative of the people they serve, it is quite likely you will be out of step. You have to align the governance competencies with the kaupapa of the organisation and the people it seeks to serve. The reason we have more than half the board out of the local area is because they are parents and teachers who actually understand what will work and what can be afforded by those we serve. They have a deep understanding of the life stories of those we support and they know what will and won't work. This community understanding is priceless. It enables people to talk about issues that are often too sensitive to raise in other contexts, like institutional racism and religious differences.

Another skill set I have found powerful is a good grasp of financial stuff. So often the best ideas dissipate because there is no financial structure around how to actually make things work. What the commercial disciplines do is require you to at

least consider these things before you push the go button. You can still take risks and push the boat out but you are fully aware of consequences in case you need to change direction.

The best people to be in an NGO governance process are those committed to shared outcomes who bring their set of skills to the table with the generous intention of building success in the shared kaupapa. In my experience of nearly 40 years of governance I have seen success and failure in NGO boards and boards of directors in commercial enterprises. In all cases it is the quality of the collective leadership that counts and the skills of a Chair working with the CEO that make a great deal of difference in success or failure.

One note of caution. Don't join a board if you are not prepared to commit your best self to its success. You will be found out quick enough and your fellow governors will not appreciate it.

Pat Snedden, NGO Chair and board member

Having a diverse range of voices around a board table does not come without challenges. Diverse members bring diverse expectations that might 'clash' and need to be worked through. Attitudes to working with family and friends may be acceptable to some members, but can be viewed as nepotism by others, for example.

The experts shared instances of board members focusing on a 'single issue' or seeing their roles as representing their communities or perspectives. When this occurs, it can be difficult for the board to function as a collective, and find consensus.

The experts also shared experiences where board members were appointed solely because of their diverse views and may not have had any governance experience or the basic skills needed to contribute to board discussions. Tokenism of this sort was seen as a poor unintended consequence of board diversity.

Creating an inclusive board

The role of the Chair, board culture, board processes and training and development were the four areas the experts focused on as critical to ensuring that a board is inclusive; that is, all perspectives are valued, respected and expressed. This was similar to the major findings of the corporate boards surveyed in the Diverse Thinking Capability Audit of New Zealand Boardrooms 2018.

The Chair

All experts pointed to the critical role of the Chair in creating an inclusive board. The Chair sets the tone and expectations for all board members. It is their role to ensure that the board functions effectively and all board members succeed in their roles. They need to ensure that the board members respect each other, and encourage board members to share their views honestly. They seek to ensure that discussion is open and important and hard issues are tackled.

There are many techniques a Chair can adopt to do this, including:

- Meeting regularly with new board members as part of their induction to understand what they want to achieve from their appointments and what their interests and strengths are, and to determine any areas for development

- Coaching and supporting board members to grow their knowledge in areas where they may need development
- Setting out expectations for board behaviour – respectful, honest, open – and modelling this behaviour in all interactions
- Acknowledging that there may need to be a series of decisions made (that reflect and best utilise diverse views) rather than a drive towards a single, overarching consensus
- Realising that not all board members are confident in speaking out and all board members have different characteristics (introvert, extrovert or culturally different). In doing so, the Chair will create space for all to contribute
- Setting the expectation that they will ask each board member what they think on specific issues. They will actively elicit all board members' views. This will help ensure that all views are regularly shared
- Providing opportunities for individual board members to lead on specific issues, where appropriate, to acknowledge their specific expertise and opportunities for equal contributions
- Encouraging new or less confident board members to ask a number of questions per board meeting and checking in after the meeting about how it worked
- Managing unconstructive behaviour or bombastic board members so that others can share their views. This can be done outside the board meeting on the first occasion, moving to public calling out of inappropriate behaviours during board meetings if the behaviour does not improve.

Board culture

The experts interviewed for this report concluded that it is the Chair's responsibility to set the tone and culture of the board. It is the responsibility of board members to respect this and operate accordingly. The most powerful way for a board to be inclusive and respectful of all members' perspectives is for it to self-regulate its behaviour. This involves calling out each other's inappropriate behaviours and openly talking about respect and trust.

Board processes

Five key board processes were identified by the experts as critical to creating an inclusive board culture:

- **Induction.** New board members need to be supported to ensure that they can get up to speed and succeed and build the confidence to participate fully. New board members should be encouraged to provide feedback on their impressions, and given opportunities to challenge and 'reset' board processes and culture.
- **Board reporting.** Inclusive boards ensure that their board papers are easily understood by all board members. Acronyms and technical language, for example, are kept to a minimum. There is also ample time for board members to seek clarity on board reports and these queries are welcomed by the board and management.
- **Board discussions.** Board agendas need to be set to create time for hard conversations. This will ensure that there is time for all to share their viewpoints, air and address tensions, and move into real debate (and beyond polite discussion).

- **Whanaungatanga.** To build respect and connection between board members, boards must invest in time to socialise and get to know each other outside the boardroom. This will build relationships and understanding, which are vital to the success of a board.
- **Training and development.** Inclusive boards invest in their own skills. This may include building facilitation skills to support the ability of boards to have the hard, courageous conversations they need to. It may include cultural competency training as boards start to embrace the need for diversity. It may include specific tools such as StrengthsFinder, which help board members to better understand the strengths and skills of fellow board members.

Future of diversity and inclusion

The experts predict that as our communities become more diverse, diversity in NGO boards will become an even greater imperative. Mismatches between board members and the communities they serve will run the risk of boards losing credibility.

With the significant aging and 'browning' of the New Zealand population, the future population will be very Māori, Asian and Pacific. That is Auckland now. Yet the current governance of Auckland-based organisations is not Māori or Pacific or Asian, but that is the population that most of these organisations serve. If this continues we will get a greater mismatch between the mostly palagi governance and leadership power base and the rest of the community, and so some real issues arising. I think governance has to 'get with the programme'.

Mele Wendt, NGO Chair and board member

How is NGO governance viewed?

Our experts talked about the often invisible hierarchy of importance in governance across the sectors, with NGO governance being the least valued. Understanding and valuing NGO governance is important if we are going to build governance capability across the sector.

How is NGO governance perceived?

The value that good governance brings is often not understood by board members, communities or funders. Communities often have the responsibility of electing board members without having an understanding of the complexity and skills needed for good governance. Family connections are often used as the basis for voting, leading to the election of board members who are unaware of the challenges the organisation faces and the skills needed around the board table for success.

NGO staff also often do not understand the role of boards and can see the boards as obstructive rather than understanding the respective value of governance and management.

Funders have a wide range of views on the value of investing in NGO governance capability. Some seek to invest, others regularly turn down requests.

Elitism around corporate governance was identified as a barrier to the true value of NGO governance being recognised. NGOs are often seen as training grounds for 'real' governance roles in other sectors, with little understanding of the complexity and challenges of NGO governance and that sitting on an NGO board brings the same obligations and liabilities as those of other board roles.

NGO boards should not be seen as a training ground. No boards should be. You can have a couple of seats where people are learning their craft because all of us have to continue to learn – I am trying to change the message of the view in governance that people develop a foundation or knowledge base and then come into governance to impart their knowledge. It is a craft and a profession and you have to continue to learn, all of us have to get better, that is not age or experience related. But NGOs being a training ground: No.

They have the same or greater obligations than many other board environments. They have the same or greater community expectations. They are carrying the same liabilities (with the exception of NZX listed boards and some others – but a very small proportion). They are complex and can be large. We spend so much time in our corporate environments worrying about health and safety when actually the likelihood of individual harm and damage is quite small, but if you think about the impact of community-led services, and I think about some of the boards that I am on, the potential for individual harm is very high. If we don't have the right things in place, I am more likely to be connected to individual harm with Wellington Homeless Women's Trust that I ever will be in my other work.

Kirsten Patterson, CEO Institute of Directors, NGO board Chair and member

What can be done to change perceptions?

The experts suggested some strategies for increasing the knowledge of, visibility of and value placed on NGO governance:

- **Sharing stories.** NGOs do not often share their successes, preferring instead to focus on their work. Sharing stories widely, not just of the impacts of the services that NGOs deliver, but of their leaders and the role governance has played in this success, is critical. NGO board members tend to shy away from the limelight, preferring instead for the mission to be front and centre. To raise the profile and value of NGO governance, it is critical that governance leaders are visible and that their contributions are acknowledged.
- **Paying board members.** Most NGOs do not pay their board members, but this issue is hotly debated in larger organisations. NGO boards should have this debate. At present, remuneration is how we often place a value on someone's contribution. We need to debate whether doing so for NGO board members will increase the value placed on their role.
- **Celebrate excellence in NGO governance,** through such things as awards and establishing a national body to provide resources, mentors, support and education.

What do good boards do?

Currently there are few standards for and limited discussion about what constitutes good governance in the NGO sector. So we asked our experts to consider this, including: how boards can add value to NGOs, how boards should measure their success, what gets in the way of good governance and what emerging trends of good practice they had observed.

What is good governance?

All experts had similar views about what good governance in the NGO context is. A good board provides clarity on why the NGO exists – its mission – and ensures that there is a clear strategy to achieve that mission. The mission should be based on what its community needs. The board should also ensure that the NGO operates effectively within the required legal, ethical and financial frameworks. If the NGO has staff and volunteers, the role of the board is to support them to deliver the strategy and hold them accountable for doing so.

A good board understands its role and responsibilities and has the skills around the table to undertake them and function as a respectful honest and open team.

For Māori and iwi organisations, the mission will be intergenerational, aiming for long-term success.

We are increasingly taking an intergenerational view, rather than a short-term view of the world. And so, we are not driven by short-term targets or quarterly reports. We are an organisation that has traditionally been funded as an NGO and been driven by quarterly and annual reports and three-year cycles. Developing a 10- or 20-year view is difficult in this context. Our shareholders, our owners – iwi – have a much longer-term view as well as an inter-generational view. So, we are trying to work with that tension – working with the system with its short-term cycles and then trying to deliver to a longer-term plan. Taking a longer-term view means your priorities shift. From a health perspective, most of the resourcing tends to be invested towards the final years of life. Yet, we know the greatest benefit comes from investing in the early years. So, that has naturally driven our focus.

An example of how this works in practice has been the formation of an alliance with the DHB whereby all Māori health funding goes into a local strategy. It has been an educative process, for them and us; however, there is a tendency for the funder to revert to a master-servant relationship when dealing with more complex issues. We have said if new funding is invested in support of the strategy then we should all be sitting around the table talking about where it should go. In some areas it is difficult to do because of the rigidity built in to the system.

Another way is to not rely solely on government as a source of funding. We have seven iwi in the post-settlement and one in the settlement phase. They are keenly interested in investing in future outcomes and collective impact so we are working with them to diversify our income, with iwi either as an investor, or being aligned with iwi to secure government work. That gives us diversification of revenue and puts more options on the table at any one time. I am not saying it is easy, we have to leverage our influence carefully, but we have built up this position over time.

Hayden Wano, iwi and community leader

The components of good governance in the NGO sector were seen as the same as those in other sectors. Governance in the corporate and state sectors is similar, with the role of boards to create the mission and strategy and ensure compliance.

What is different are the context and challenges, and these change over time. The role of an NGO board will change over time, particularly as the NGO grows, and the governance structures may become more formal. 'Pure' governance may be rare in NGOs as board members may do operational roles or provide specialist advice as well as doing their 'traditional' board work.

How do boards add value?

NGOs are more likely to be successful if they have a clear mission and a strategy to achieve it. Ensuring this is in place and connected to community needs is the core role of boards. Good governance is core to the performance of NGOs.

There are not many examples of organisations that progress forward without strong leadership. Where that leadership sits in their organisation structures may differ, but we have regularly seen that strong governance and good CEO leadership together matter hugely in organisations growing and making more social impact. This isn't just anecdotal evidence. We built our own governance diagnostic assessment, and after conducting dozens of these assessments with organisations, from the data we can evidence the correlation between organisations that are doing really well and the incidence of good governance, and organisations that are doing poorly and their having poor governance. This tool is hugely valuable to them as the leaders of the organisations, because through a traffic light system it points out in a very visual way the areas of governance that they can focus on improving, and how this relates to growing their organisations. So there is absolutely correlation – and I would go as far as saying causation (a cause and effect) – between governance and organisational performance.

Shay Wright, co-founded social enterprise
Te Whare Hukahuka to enable Māori community organisations
to become world-class

An effective board will ask itself after every meeting if it has added value to its mission and if its community is better off because of its actions. Every effective board member will be doing this.

Boards measure their success and impacts in a number of ways; the achievement of their strategies and whether they are financially sustainable are the most common. Others seek feedback from their communities, 'customers' and other stakeholders about their services and impacts.

The experts agreed that many boards do not stop and consider their impacts and how much value they as boards are adding to the NGOs and communities. The data to measure this is often hard to come by and is costly for an organisation, especially as funders are reluctant to fund evaluations.

What gets in the way of good governance?

Experts identified barriers to good governance coming from three areas:

- Individual board members.
- Board processes.
- NGO context.

Individual board members

Many NGO board members, especially in small-to-medium NGOs, are volunteers. This means their board commitments are made to fit around other commitments, especially paid work. Relying on a volunteer governance workforce, despite how committed the board members are, creates barriers in terms of the time members can commit and the lack of availability of potential board members with the required skills.

Board members often put themselves forward because they are passionate about an NGO's mission. Many, however, do not have the basic governance skills needed – such as the ability to think strategically and to read and understand the NGO's financial accounts, as well as having an understanding of their personal liabilities under a legislation and regulations. Board members also need the confidence to have their say, and being on a large, vocal board can be intimidating for many members.

Passion also creates barriers. Governance is an essentially human process: a group of people coming together for collective discussion and decision-making. Strong personalities, personal agendas and vested interests can create boards that perform poorly. Good governors, one expert pointed out, are there to advance a mission, not themselves or any other interests. Board members are volunteers and elected representatives and these factors add to the complexity of NGO governance.

Board processes

Most experts pointed to poor recruitment and induction practices as a barrier to board performance. Board members can be selected for historical reasons, as defaults (no-one else volunteered) or because they are well known or have standing in their communities. However, selection criteria need to include the basic governance skills needed for a high-performing board. If new board members are not inducted well they are unlikely to understand their roles or know what good governance is and why it matters.

Poor decision-making and chairing were also identified as barriers to board performance. One key role of a Chair is to ensure that all members contribute and that board decision-making is transparent. The Chair sets expectations for the behaviour and conduct of meetings and board members. If this leadership is absent or weak, boards are unlikely to be high performing. As NGO board members often learn about governance through the experience of being on a board, the Chair's role in ensuring the board performs is critical. New board members need to see effective governance if they are to be effective governors. Many board members have observed and learnt poor governance practices and continue to replicate and embed poor practices throughout their governance careers.

The Chair also has a role in ensuring that the board performs its key function: determining mission and strategy. Many boards, however, do not take external or longer-term views. They are concerned with the present and operational detail. The experts observed that some boards have lost touch with the communities they serve. Their missions may not be relevant anymore and their strategies not effective.

The 'mindset' of the board is also critical to success. Our experts observed some boards taking a 'victim' mentality, in that they saw themselves as helpless and at the mercy of funders and government policy, rather than being proactive and creating effective strategies for their NGOs. Others viewed corporates and businesses as 'bad' and therefore narrowed their opportunities for having board members with commercial expertise, and potential partnerships with businesses.

NGO context

Attitudes towards governance by NGOs and communities were seen as a barrier. Governance can be seen as mysterious and irrelevant, and as a consequence not valued. More general attitudes towards

leadership can affect governance, with board members being seen as ‘high and mighty’ and board roles unattainable.

Such attitudes can be a barrier to attracting the next generation of young, aspiring governors. At present there is limited access to basic training and mentoring for young Pacific and Māori aspiring directors. Without this, there is no pipeline of board-ready board members.

Indeed, the experts pointed out that there is limited investment in building NGO governance capabilities for existing board members as well.

Given that board members are working in complex systems – such as the health sector where inequalities are embedded and stubbornly resistant to change – investment in a cohort of skilled, capable board members is much needed.

Many experts also pointed out that there are too many NGOs currently operating in New Zealand. There are too many small organisations that are too small to be effective. Such organisations compete for funding and are consumed with their financial sustainability. Each of these organisations needs a board and there is only a finite pool of skilled, experienced board members able to volunteer their time.

Emerging trends

The experts pointed to a number of trends they saw emerging as good practice in NGO governance:

More long-term and strategic thinking

Given the increasingly complex challenges NGOs face – and more that will emerge from global forces such as climate change and increasing inequality – more boards are investing more time and energy in blue-sky thinking. Some boards have changed their agendas to build strategic time into the beginning of each meeting (rather than just having one strategy session a year).

Māori and iwi organisations are at the forefront of this trend. In taking an intergenerational perspective, high-quality, long-term thinking is becoming embedded in their governance processes.

Many Māori and iwi organisations have built and are actively building their capabilities so they can deliver more and a wider range of services to whānau, hapū and iwi.

Increasing collaboration across NGOs and sectors

Increasingly, NGOs are working and will work across agencies and sectors. With corporates increasingly interested in integrated reporting and their social and environmental impacts, there will be more opportunities for NGO-business partnerships. These will be welcomed by many NGO boards as they increasingly seek to diversify their funding, to reduce their dependence on grants, by investigating and initiating commercial ventures. Many NGO boards are also seeking to increase their commercial savvy and are actively looking for business partnerships and board members with corporate experience.

NGO boards are becoming more collaborative and are reaching out to work with like-minded organisations. Successful mergers have created more effective NGOs and have shown the potential for leadership in collaboration. Some boards are reviewing their constitutions to ensure that they have the flexibility to enable collaboration.

Building whanaungatanga

The importance of relationships and connection is increasingly being acknowledged by NGO boards. Transactional meetings with little time for debate and discussion are being revised. Boards are spending more time socialising in order to get to know each other, to build connection and respect.

This creates a board culture where all members are valued and the hard discussions that need to be made are made, and respectfully.

Some board members are also challenging the traditional divides between management and governance, with understanding and building relationships between board members and staff seen as critical to success.

One thing I struggle with on some boards is the lack of whanaungatanga, the actual time with people. On all the boards I am on, we have really tried to spend time to know about each other's lives, even if it is only 15-20 minutes. Knowing who the person is beyond the business is so key to people feeling like they can be all of themselves in the room. We need to reframe this as wasting time or off business. Whānau is enhancing our ability to get business done. There is a lady I am working with that I just found out her brother died, and now knowing that I can be respectful and she can see that I'm being aware and being supportive, and the va is enhanced. It is a deliberate, difficult thing to do.

One of the tensions of one of the boards I am on is getting time with the staff. I have deliberately gone out of my way to be there amongst the team, otherwise the governors just fly in and fly out. So the first thing I do is arrive early and talk with every single staff member, find out how they are going, remember the previous conversations I have had with them, so I show them I am worthy of being on the board. You can't just tell them that, you have to show them by being interested in them and their families and show that their culture and spirituality matter.

Josiah Tualamali'i; a Samoan Kiwi from Ōtautahi and Ōtepoti

Adopting technology

With new tools available that allow easy and ongoing conversations to happen on-line, some boards are changing the way they do their business. Conversations can now happen where all members can be involved either at the same time or when they are free, and see what other members have contributed.

We are increasingly using these tools in our private and work lives. It is only sensible that boards adopt the tools that are becoming the 'normal' way of interacting. This may mean fewer long face-to-face meetings. Face-to-face meetings may be shorter and less frequent, with most board debates and discussions taking place on-line.

For boards working in rapidly changing environments, digital tools and new ways of operating will create agility in decision-making. Other boards have solved the need for agility by moving to more frequent, shorter meetings, away from longer meetings that happen infrequently. Decision-making can then be done in a timely way and all can contribute to decisions.

New technology will also drive new ways of funding and capital raising. Crowdfunding platforms (like PledgeMe) are an increasingly important part of the community sector and there will be more innovations in the future.

Increased connection with communities

NGO boards are increasingly valuing and finding innovative ways of connecting with their communities. Some experts pointed out how important it is for NGO boards to think about their 'social licence' to operate. Any such licence is derived from the value the communities they serve place on

them. Great boards earn legitimacy and mandate (moral and ethical) from serving their communities well and are most likely to attract support and resources for their services.

However, apart from poorly attended annual general meetings, ineffective boards are often not connected to the communities that they seek to serve. They do not have good knowledge of community needs. As formal membership drops in many organisations, NGOs will need to look for other ways to connect with those they serve.

Digital tools, especially social media, are effective ways of increasing connections to communities and will continue to enable NGOs to do this effectively and at low cost.

The importance of communicating effectively and creating real accountability to communities is highly valued by some NGO governance leaders.

There is one thing that I like to tell everyone: learn how to talk to people. When I first came onto the Ngāi Tahu board, I had the right to attend every board meeting of our subsidiaries. So I did so to educate myself. But it would be fair to say that for the first six months I drove the boards crazy with “Stop, what does that mean in English? What does that acronym mean?”

One example I can give you is a manager called me one day and said I am sending some staff up to your rūnanga to give your people a talk about strategic planning. So he came up with two young Ngāi Tahu graduates who had been out of university for six months and they literally gave us a three-quarter-hour lecture on strategic planning. They finished and an elder stood up and goes, “That was probably the best presentation I have ever seen in my life. You have to keep coming back and bringing us knowledge of this new business world. Now the ladies have some food on, away you go”. As soon as the door shut, he turned and said, “Righto, what the hell were they talking about?” I turned to the manager, and said you need to hear this. So I took them through a process that I called their Wishlist. I asked them as a group of elders what they would like to see the marae do for their generation, and for their children and their grandchildren. We ended up with 25 ideas on a whiteboard. So for the second part of the process, we ranked them from the most important down to the least. So I said, “There is your five-year strategic plan as marae trustees.” The next question for the strategic plan was, how do we get from point A to point B? Now the trustees’ job was to take on five of the priorities per annum and at the end of the year we have to stand up and say whether we have achieved them or not. It is simple.

I get a phone call from an 80-year-old lady. “Dear, I have been reading your numbers book [that was our annual report] and I have to say your numbers add up because I went and bought a calculator to check. I am only ringing you because I am being nosey. Who is this lady Eva? There is this lady’s name Eva in your numbers book,” she asked. It was EVA – economic value added.

What is the point of putting out into the community an annual report that talks about economic value added, weighted average cost, or amortisation when a lot of people don’t understand what they mean So I took the financial pages to our comms unit and told them for the Hui a Tau to print on the right-hand sides of the financial pages a series of cartoon boxes to explain in lay terms what each of the terms meant. I might be the laughing stock of the business world, but four years later the now 84-year-old Auntie rings me. “Dear, your WAC is out.” She knows what that means: it is the weighted average cost of capital. She says, “If you didn’t want us to know about this sort of thing, then you shouldn’t have printed the

formula and I'm telling you it is out by one percent." She was correct. It was a misprint.

It is not that your people are dumb, they are just not used to the language or the jargon. If they don't understand, they might be smiling, but inside their heads they have turned off. I have always pushed to keep everything simple and accountable.

Tā Mark Solomon

Seeking independent advice and support

Increasingly boards are seeking external support for and advice on activities such as board appraisals, succession planning and investigating and establishing commercial activities. They are also seeking to appoint or co-opt independent members to challenge and support decision-making. This is especially so for boards that are elected by their members.

Some board members have been living with the mission for so long that they think they know everything about the mission. In hockey we deliberately appointed an independent person. We sought someone who knew nothing about hockey. We wanted her because of her governance experience. Her brief was to hold us to account as directors. She sat through two meetings and in the third meeting she said, "I am not going to listen to another conversation about why the Black Sticks didn't perform. It is not relevant to the conversation that should be around this table. I don't want to know why your pick wasn't in the team. I don't care. I know you are all passionately interested because you are hockey people, but that is not the conversation we need to have." And we ended up by saying thank you, this is what we asked you to do and you are doing it well. It was very useful to have an independent person.

Pam Elgar, NGO Chair, board member and CEO

How will boards govern in the future?

Our experts were asked to consider the future of NGO governance. They shared their predictions and views about what the priorities of future boards are likely to be and how the governance functions will be delivered in the next three to five years.

Future NGO governance priorities

NGO boards are predicted to be grappling with many of the same issues identified by corporate/Government boards in the *Diverse Thinking Capability Audit of New Zealand Boardrooms 2018*, which included:

- **Digital disruption.** Increasingly boards will need to consider how they adopt new technologies, often in the context of limited capital to invest in them and little ability to take risks. They will also have to ensure that they are protected from increasingly sophisticated cyber threats, especially fraud and data theft.
- **Changing nature and expectations of communities.** The expectations and needs of the 'customers' and stakeholders of NGOs are changing. For some, the complexity of the needs of their 'customers' will keep increasing. For others, their stakeholders will expect more personalised interactions. New roles in and expectations of NGOs will develop. Devolution of services means Māori organisations and iwi providers will have more responsibilities. Communities may also look to NGOs to help create the glue to hold their increasingly disparate members together.
- **Evolving their governance and leadership models.** As relationships with 'customers', stakeholders, members, funders and partners change, so too will the models and processes with which NGOs are governed and led.
- **Growing demand for services.** Demands for NGO services will only increase. NGO boards will need to consider how to manage this, including issues of rationing and targeting or scaling their services.
- **Changing patterns of giving and volunteering.** 'Traditional' patterns of volunteering will continue to decline. NGO boards reliant on volunteers will need to create new ways of engaging with volunteering, such as adopting digital tools to drive engagement and connections with their cause.
- **Impact of external forces on their operations.** An aging population, increasing inequality, increasing challenges with mental health, global political forces, climate change, the growing complexity of intertwined social and economic issues, automation and the future of work are all external trends that NGO boards will need to consider in terms of what they mean for the communities they serve and their governance models.
- **Financial sustainability.** Financial sustainability will be an ongoing priority for NGO boards. Funding is likely to become tighter. Boards will need to find innovative ways to generate revenue while also staying focused on delivering value to their communities.
- **'Cause' competition.** NGO boards will continue to have to battle for 'airtime' with so many charities and causes competing for volunteers and donors. There will be more channels to get messages out (such as more social media platforms) but the barriers to accessing these channels will remain low so they will be crowded with 'cause' messages.

Future NGO boards

Given these challenges, and the opportunities that emerging models such as social businesses and social enterprises offer, it is apparent there will be much innovation in how boards operate in the medium term.

The NGO boards of the future are likely to be smaller than they are today but have greater reach and vision. There will be a move away from the need for representation of stakeholder views through board appointments. Such connections can be achieved in other ways. Boards, instead, will focus on the skills and experience they need around the table to advance their strategies. Increasingly, social business and enterprise-type models and NGOs with commercial ventures will seek board members with solid business experience. Board membership will also be more fluid, with experts co-opted for specific projects for their specific expertise for timebound periods. Board members will need to be consistently listening, learning and open to pivoting as the context and community needs evolve.

Boards will meet virtually as more NGOs will be cloud based, with limited or no geographic offices and virtual meeting tools become more accessible, utilised and normalised.

High-performing NGO boards in the future will have the following characteristics:

Collaborative and consolidated

Boards will seek to consolidate to drive economies of scale, impact and effectiveness. This may mean a group of NGOs will consolidate under a single strategic board or will amalgamate into one NGO. The challenge for these new consolidated boards will be to ensure that they remain connected to their communities, striking a balance between local autonomy and economies of scale and delivery. Our experts predict that small NGOs will unlikely survive alone.

If NGO boards choose to not consolidate or merge, many will seek changes to their constitutions and reframe their purposes to ensure that they are adding value to the communities they seek to serve. Mature leadership will see NGOs working together, focused on outcomes for their communities rather than preserving autonomous organisations. There will be more resource sharing and joint delivery, improving results for both communities and funders.

Diverse and inclusive

More Māori, Pacific and people from other ethnic groups will be board members. This will create opportunities for development and learning for boards and open the way to a more inclusive and diverse model of governance, unique to Aotearoa.

Connected

The definition of who is an NGO stakeholder is becoming more complex. Does liking an NGO on Facebook mean you have a stake in the NGO and should have a say in how it is governed? NGO boards will redefine what it means to be a member and a volunteer and who their stakeholders are.

Effective NGO boards will find meaningful, innovative ways to connect with their communities and are likely to be more open and transparent than others in their decision-making. Technology allows for many people to have their say quickly on important decisions.

The roles and mechanisms of fundraising will evolve. Increasingly fundraising is becoming professionalised and it is likely to be the role of a committee, rather than a board.

Agile and adaptive

Traditional concepts around the respective and separate roles of management and governance are likely to evolve. As business gets more complex, NGO boards will need more agile strategies. For some this may mean NGO board members need more in-depth knowledge about operations in order to inform strategy discussions. Management and governance could be better conceptualised as complementary zones that overlap, and at times the overlaps may be wide and at other times narrow.

Strategic

New technology, such as blockchain, may provide effective solutions for monitoring compliance and performance, freeing NGO boards. As such, NGO boards may be freed from some of the more repetitive board tasks. This will allow board time for more strategic conversations and move board meetings from being mostly backward looking (considering past performance) to forward looking (developing new opportunities). Given the considerable challenges facing NGOs, a future-focused board is essential.

What will work to increase the capability of NGO governance for the future?

All our experts concluded that the capability of NGO governance was variable. Among some boards and board members, basic governance skills (such as the ability to understand financial accounts and their liabilities and obligations under the law) are missing.

A range of strategies to support NGO board members was suggested:

- **Access to basic, practical training and support for all.** Many board members need support to understand the basics of governance. These include the ability to read financial accounts, take minutes and understand board roles and responsibilities. While there are many excellent on-line tools, practical support is needed for board members to apply what they have learnt on-line to the board setting. This could take the form of coaching and ongoing practical support.
- **Opportunities for intensive leadership development for some.** Some board members are likely to sit on a number of boards at one time or have long careers as NGO board members. For these, leadership development opportunities should be offered. Not only will the board members grow their leadership expertise, they will be able to connect with other NGO board members and start to build an NGO governance community. Formal qualifications or credentials could be offered for such a programme, which would contribute to the mana of NGO governance.
- **Support for Chairs to run better meetings and create inclusive board cultures.** Given the importance of the Chair role, training and ongoing mentoring and support need to be provided for Chairs. Better meetings and better board cultures will have an important impact on the NGO sector's performance.
- **More internships and mentoring opportunities.** In order to ensure that there is a pipeline of talented, diverse NGO board members, boards should consider board internships as part of their succession planning. An apprenticeship-type approach to support new board members is proving effective in some Māori organisations.
- **Easy-to-access board appraisal services.** Board evaluations and reviews, including self-appraisals, collective appraisals and appraisals by the Chair, are effective ways of building a high-performing board.
- **Encouraging the use of tools to support good governance.** More NGO boards should make use of tools such as stakeholder mapping to increase their effectiveness. A good understanding of NGOs' stakeholders is critical to their working out their strategies and the board composition and skills needed to deliver the strategies. Performance and impact measurement tools are important for boards to adopt or develop.⁸
- **Working with funders to increase levels of investment in NGO capabilities.** More funders need to value good governance and invest in it. Funders also have the opportunity to work collectively to invest in good governance across the NGO sector and celebrate good governance by sharing stories.
- **Encouraging the NGO 'supply chain' to support better governance.** Many related organisations provide services to NGOs, and the way they do so can actively support (or undermine) good governance. These include auditors, regulators and professional bodies (such as the Institute of Directors, law societies and chartered accountants).

⁸ Free on-line governance courses are available and NZ Navigator provides an on-line self-assessment tool to help identify an organisation's strengths and weaknesses.

- **Better development and adoption of tech tools for NGO boards.** There is a range of technology tools that NGO boards can adopt to increase their efficiency, such as digital board reporting tools and tools to help measure performance. There are also market opportunities to develop bespoke apps to support NGO Chairs and board members
- **Research into current capabilities to anticipate capability gaps for the future.** There is no widespread, in-depth understanding of the current capabilities of NGO governance. A better understanding of the current capabilities will help to not only support current board members but proactively prepare them for the future.

What does this mean?

Conclusions and next steps

A number of themes about the future of NGO governance emerged from the conversations with our experts.

Harnessing the power of diversity

All experts agreed that having diverse views around the board table was important. It ensured the skills, experience and networks needed to drive the kaupapa of the organisation would be present at their board tables. Diversity was seen as core to achieving results.

This aligns with the findings of the *Diverse Thinking Capability Audit of New Zealand Boardrooms 2018*, completed by the Superdiversity Institute for Law, Policy and Business. The report states that some Chairs and directors think that getting women around the board table is all that is needed. The number of women, or people with other demographic characteristics such as ethnicity or age, is also easy to point to as a measure. But a diverse board is more than that. A diverse board is one that brings together people with many different points of view, skills and experiences to debate and discuss in order to make the best decisions possible to ensure the success of the organisation.

As the experts and the Diverse Thinking Capability Audit identified, there are barriers to achieving this. The role of the Chair is critical. If the Chair does not value diverse thinking or is simply ticking a gender/Māori/other box, the board is unlikely to be diverse and high performing. Board members need to be skilled and encouraged to share their views.

As the experts and the Audit conclude, there is a range of actions that boards can take to ensure that they are diverse and inclusive: recruit from a wide pool, recruit using a skills, experience and diversity matrix, invest in training – with all board members committing to challenging their own thinking, and undertake regular audits and reviews to ensure that they are harnessing the power of diversity.

Succession planning will be critical. NGO boards need to plan actively for future board members, be that by investing in internships or mentoring new members. Succession will need to be more actively and proactively managed. Young leaders need to be included in conversations about governance and be on boards as a matter of course.

There was general alignment with the findings identified in the *Diverse Thinking Capability Audit of New Zealand Boardrooms 2018* across the areas that this research work covered, highlighting the need for a concerted effort in raising the support for NGO governance and increasing its value amongst the general governance community. The fact that there was alignment on issues and challenges also points to the opportunity for cross fertilisation, support and new models to be developed.

Community-centred governance

NGO boards will need to consider who they are serving and the purpose for which they exist. This is important because what it means to join and belong to an NGO is becoming more unclear, as is what future support (in terms of time, resources and money) will look like. For some the answer will be clear (they may have geographic boundaries or clients with specific needs); however, for many it will not be clear and the future direction of the organisation will need significant board attention.

Having a strong connection to a community will remain, and potentially become more, important. As competition for funding and 'airtime' increases, successful NGOs will need to engage better with their communities for support and ensure that their strategies continue to meet community needs.

Innovative NGOs will find ways of doing this that may include creating opportunities for their communities to participate in decision-making and strategy development, using digital engagement tools. This will enhance their profiles and support and the quality of what they deliver.

NGO boards that remain aloof and invisible to their communities and whose composition does not connect with those they serve are likely to struggle.

Consolidated, networked governance models

As NGO boards question their purposes and how best to serve their communities and missions, some will choose to align with others. Innovative models of governance may emerge whereby boards combine to provide strategy and oversight to a coalition of NGOs, or mergers take place.

Boards may choose to remain independent but create coalitions at the governance level, whereby strategies are shared and aligned based on who is best placed to achieve impact. NGO boards also may sign agreements with others to share resources and make collaborative applications for funding.

Māori and iwi governance models

With a focus on achieving long-term, intergenerational impacts on complex social, environmental and economic issues, Māori and iwi governance is leading the way in creating value for communities. Increasingly NGO boards will adopt such approaches, as will corporates (through the growth of integrated reporting systems) and the state (through wellbeing approaches to budgeting).

The challenges for NGO boards taking a long-term strategic view will be finding board members who are skilled in thinking strategically, removing the transactional nature of many NGO board meetings, and who are capable of navigating annual or biennial funding arrangements.

Building stronger governance practice

The NGO board context is only going to get more complex and contested. At present, many board members lack basic governance skills. Innovative, relevant and effective strategies to upskill current and future board members need to be created, and quickly to ensure that the NGO sector is well prepared to continue to serve. An investment in training is critical and it will need to be a sustained and conscious strategy delivered over time, with the aim of building strong collective governance practice across the NGO sector.

Concluding thoughts

The NGO sector in Aotearoa mostly comprises many small NGOs. They are led by passionate people, usually volunteering their time to serve missions and communities, be that through social services, sports clubs or early childhood education centres. Thousands of New Zealanders donate their time each week to governing these organisations, many without the skills, knowledge and understanding of what they are committing themselves to.

Supporting these NGO board and committee members is a priority.

Next steps

Many organisations and leaders are passionate about investing in NGO governance. Many work tirelessly to support their fellow board members and to provide guidance and mentoring. But what has

become clear in the course of this research is that there is a need for a *National Strategy for Community Governance*: a co-ordinated and collaborative strategy that weaves together and supports those who are working to improve community governance capabilities.

The *National Strategy for Community Governance* will need to include:

- Widespread, easily accessible support for board and committee members to learn the basics of governance
- Practical advice, coaching and mentoring for board members and boards to help them apply best practice
- Targeted investment in growing a pipeline of emerging, diverse governance leaders and future Chairs
- A co-ordinated communications strategy aimed at sharing the value and importance of NGO governance and celebrating excellence in NGO governance.

While such a strategy needs a 'backbone' to catalyse, connect and co-ordinate activities, the mahi will need to involve the input, co-design and collaboration of many.

Mā whero mā pango ka oti ai te mahi

With red and black the work will be complete

Appendix 1: List of expert interviewees

The following generously contributed their insights to this research report:

Anake Goodall	With senior executive experience, Anake is an independent consultant to public and private sector clients and an Adjunct Professor with the Ngāi Tahu Research Centre, and holds a range of governance roles in commercial, government, social enterprise and philanthropic entities.
Angela Lim	As the co-founder and CEO of Clearhead (an AI platform for mental wellbeing), Angela also chairs several NGO boards.
Craig Fisher	Craig is a consultant and chartered accountant specialising in the NFP/charity sector; he is an NGO board member and Chair with a passion for good governance.
Hayden Wano	Hayden has been at the forefront for many decades of leading growth in Māori health services. He has done this by working alongside other rangatira (leaders) in Taranaki and from across Aotearoa. He is on the Board of TSB, is an Alumni of Columbia University (USA) and is the former Chair of both the National Health Board and the Taranaki District Health Board. He was recently elected to the Taranaki Chamber of Commerce as a director. Notably, he is also the Chair of his marae at Parihaka.
Jane Huria	A director with 25 years of governance experience in the commercial and public sector, Jane's current roles include directorships with Pegasus Health (Charitable) Ltd, Fortuna Group Ltd and Union Medical Benefits Society Ltd. She is a Trustee of the Court Theatre and works with a wide range of organisations in her consultancy, HSR Governance.
Jo Brosnahan	Jo is a professional director with an extensive background in governance and leadership, and in local government. She develops and facilitates leadership and governance programmes with clients including the Institute of Management New Zealand, the Institute of Directors, the Chartered Institute of Logistics and Transport and Chartered Accountants Australia and New Zealand.
Josiah Tualamali'i	A Samoan Kiwi from Ōtautahi and Ōtepoti, Josiah draws on his own personal experience of feeling distant from his culture and community to energise his efforts to grow Pacific peoples' visibility and influence in all spaces.
Julie Nelson	Joint Chief Executive of the Wise Group, Julie is passionate about innovation in mental health services, and her extensive background in the sector illustrates her ongoing desire to really make a difference for people experiencing mental illness. Her in-depth knowledge is the result of more than 30 years' experience in public and non-government governance roles.

Kirsten Patterson	KP is the Chief Executive, Institute of Directors, an NGO board Chair, and a community board member.
Mark Solomon	Sir Mark Wiremu Solomon KNZM is a New Zealand Māori leader from the Ngāi Tahu and Ngāti Kurī iwi. He served as kaiwhakahaere of Te Rūnanga o Ngāi Tahu, the tribal council of Ngāi Tahu, for approximately 18 years, from 1998 until December 2016.
Mel Hewitson	Mel is a professional director, Chartered Member of the Institute of Directors and an Accredited Investment Fiduciary. She is Deputy Chair of Foundation North and an independent non-executive director of Simplicity, Heritage Trustee and Ngāti Whātua Ōrākei Whai Maia. Mel chairs the Nominating Committee for the Guardians of New Zealand Superannuation and the Waikato-Tainui Group Investment Committee. She is a trustee of Auckland Foundation and an Independent Member of the FINDEX Advice Services NZ Investment Committee.
Mele Wendt	Mele is Chair of the Pasifika Education Centre and the ASH (Affordable & Social Housing) Foundation, and serves on the boards of Te Kura (the Correspondence School) and the Wellington Community Trust. In January 2019 Mele was awarded a Member of the New Zealand Order of Merit (MNZM) for her services to governance, the Pacific community and women.
Pam Elgar	Pam is a global NGO board Chair and member, an expert in sports governance, and CEO of the Make-a-Wish Foundation.
Pat Snedden	Pat has been a corporate director, has had roles in public sector governance and has chaired the boards of the Housing New Zealand Corporation and the Auckland District Health Board. He was also a director of Watercare Services Ltd, a wastewater and water company for Auckland. Currently he is a director of Ports of Auckland Ltd. In 2011 he helped to establish a new educational trust devoted to accelerating improvement in Māori and Pasifika educational outcomes. The Manaiakalani Education Trust works in Tāmaki with nine schools and 2,500 children to use high-end technology to accelerate learning improvement for these children.
Shay Wright	Shay co-founded social enterprise Te Whare Hukahuka to enable Māori community organisations to become world-class. Its work involves building governance and management capability and assisting with strategy, innovation and commercialisation.

Purpose of the Report/Research

- To inform and influence the understanding of good NFP governance practices, the need for new practices and what these might look like
- To gather and share experiences of NFP leaders on NFP governance generally and in particular on diversity in governance
- To enhance the appreciation and acknowledgement of the value of NFP governance experience to the overall governance environment

Information to be gathered through interviews with a diverse range of NFP board members.

Background

Data/information to be gathered at start of each interview:

- How many (approx.) NFP boards served on in the last 10 years
- How many NFP boards currently serving on
- What type of boards (classified by turnover, staff, sector, board composition)
- What motivates you to be a NFP board member?

Diversity and inclusion

1. Describe what a diverse NFP board means to you?
2. What do you see as the value for a NFP from having a diverse board? (practical examples, themes)
3. How would you rate/describe the diversity of thinking around your current NFP board tables and in particular in the context of the Diverse Thinking Pledge (DTP)? If I attended your board meetings what would I see?
[should we get them to initially rate on a scale of 1-5/1-10?]
[mention DTP in the interview to test awareness, don't send out beforehand]
4. What unintended consequences (if any) have arisen from encouraging diversity of thinking around your NFP board tables? (positive and negative).
5. What tools and practices do you use to aid board discussions and in particular around challenging issues? (probe for examples)
 - What works well?
 - What else do you need?
6. What actions have you seen Boards take to ensure they are inclusive? All voices are heard?

Good Governance / Best Practice

7. What is good governance? How can a board add value to a NFP?

(Prompt: There are many ways in which to describe the characteristics of good NFP governance. Foundation or core practices could be summarised into:

- Risk management
- Strategic thinking
- Recruiting, selection and on-boarding of board members
- Recruitment and monitoring of Chief Executive
- Strategic stakeholder engagement
- Financial stewardship

Are there any key areas missing?)

8. If you compare *each* of these areas to good governance practices in the for-profit sector, which ones are similar, different, emergent?

How do you know?

9. How do your NFP boards measure success?

Where/how does Impact feature in your measures?

10. What do you see as emerging good governance practices in the NFP sector?

11. What are the main barriers to good governance practices in the NFP sector? How have you seen these overcome?

12. Where have you seen in the NFP sector good governance and leadership practices exemplified? What makes you say that?

Values

13. What do you think is the general perception by the wider governance community about the value of NFP governance experience?

14. What (if anything) needs to be done to acknowledge the value of NFP governance experience by the wider governance community? What makes you say that?

Future

15. What do you see as the emerging and future trends in NGO governance?

16. What do you see as the priorities for NGO governance in the future?

17. What are you doing to improve governance in your NGO? Across the sector / system?

18. What do you predict NGO governance will look like in 3 – 5 years?

