



Queensland University of Technology
The Australian Centre for Philanthropy
and Nonprofit Studies

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To bring to the community the benefits of teaching, research, technology and service relevant to the philanthropic and nonprofit communities.

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CPNS Current Issues Sheet 2008/7

Key governance issues for funded nonprofit organisations in Queensland

The Study

The past two decades has seen a rise in the expectations of governors of organisations that operate within Australia. Nonprofit organisations are not immune from these pressures and often face unique and challenging contexts when implementing good governance. As a major funder of nonprofit organisations throughout Queensland, three government departments, namely Queensland Health, the Department of Communities, and Disabilities Services Queensland, sought to better understand the challenges facing the nonprofit organisations with whom they work.

In 2007, The Australian Centre for Philanthropy and Nonprofit Studies (CPNS) conducted a governance development survey on behalf of these three Departments to identify the most common training and development needs for Boards/Management Committees (Boards/MCs) of relevant nonprofit organisations. Consultations with the Departments and a client reference group identified a series of 18 relevant governance topic areas which formed the basis of the survey items. Participants were asked to outline

1. the current competence of their Board/MC in each topic area;
2. the level of importance of each topic area; and
3. their level of interest in learning and development or materials for each topic area

The survey was sent to the Boards/MCs of 835 organisations and we received 565 useable responses from individuals within these organisations. Participants represented a diverse range of organisations and a diverse range of governance arrangements. The exception to this generalisation was the organisation's legal form - approximately 84% were Incorporated Associations. Participants were mostly female, unpaid, on no other Board/MC and consider themselves independent from management. Participants reported having relatively lower levels of expertise in the domains or disciplines of Law and Finance/Accounting than other salient domains.

Governance development issues

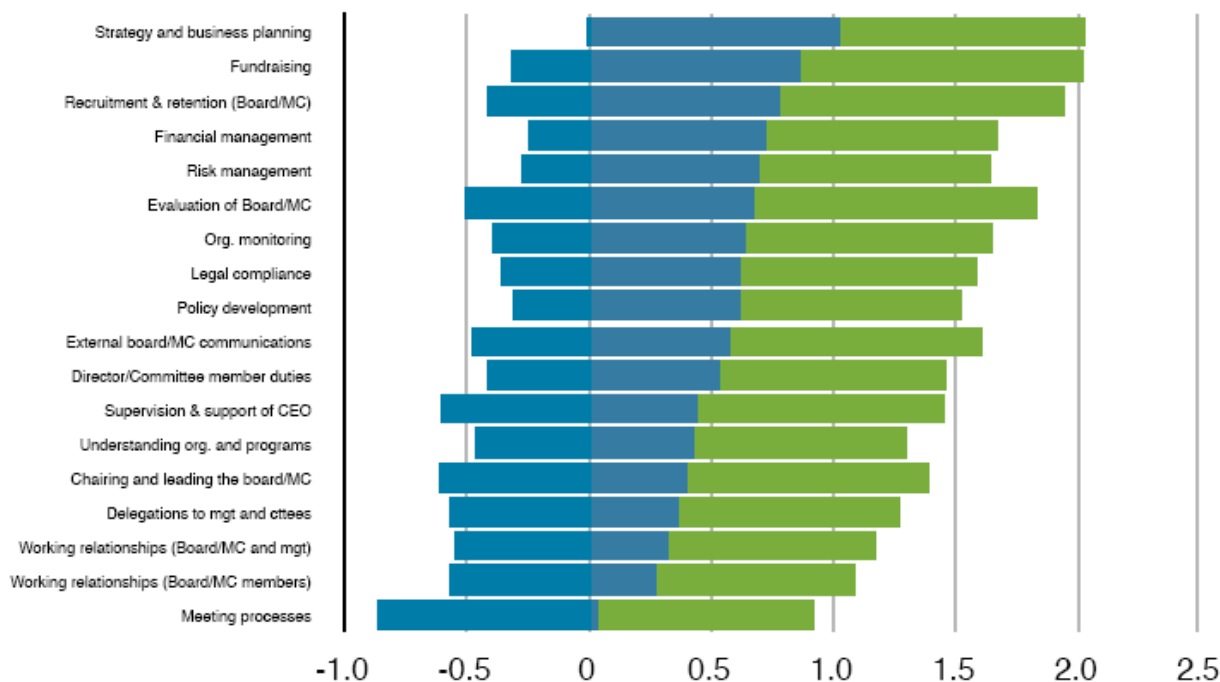
Results indicate that:

- Fundraising, Strategy and Business Planning, External Board/MC Communications, Evaluation of the Board/MC and Recruitment and Retention were rated as having the lowest level of competence by participants. What is of interest is the higher variability in the response on Fundraising, indicating people may think they have either high competence or low competence.
- Three of the top five topics are common with those identified as both important and attractive. Strategy and Business Planning, Financial Management and Risk Management again appear to be important issues for Boards/MCs where the importance is recognised but is not reflected in the ratings of competence. While

Fundraising has the second largest differential, this must be read in light of previous findings and the high variability in this item; in short it indicates that it is very important for some but not others in the sample.

- There was very little variability in the importance attributed to the topics; all topics that were surveyed, with the exception of Fundraising, had a mean between 'high' and 'very high' in the rating. There was a definite indication that issues of the Law and Finance were more commonly recognised as important. This is indicated both by the higher mean and the lower dispersion for these topics. Fundraising was again widely dispersed indicating a range of views across the participants on this topic. The five most important topics as rated by the participants were Financial Management, Legal Compliance, Working Relationships (between the Board/MC and management), Risk Management and Strategy and Business Planning. Four of the top five issues of development interest also appear in the top five issues of importance. Risk Management, Legal Compliance, Strategy and Business Planning, as well as Financial Management were common to both lists. Interestingly, Director/Management Committee Member duties were a top five development issue that appeared at the lower end of importance and mid-range in terms of current competence.

Figure 1 – Difference in score between Importance and Competence



Overall, the data indicates that the following topics would be of most benefit to participants:

- Strategy and Business Planning
- Financial Management
- Risk Management
- Legal Compliance

Delivery of Development Activities

The overall results indicate that Boards/MCs would prefer face-to-face delivery of development activities on weekdays. Sessions would be most attractive if they were between two hours and half a day in length and delivered in-house to the organisation. There is also quite good support for printed and online materials as well as regional events.

In terms of delivery tools, a large component of the sample (more than 25%) have either no access or only dial-up access to the internet. In terms of the Boards, there are a significant proportion of respondents who do not know their speed of internet access (some 24%), however approximately half appear to have cable access. There appears to be a high penetration of DVD and video facilities, but more than a third of Boards/MCs could not confirm access to a computer and data projector.

Differences in Participant Types

In addition to understanding general trends about the attractiveness for development, importance and competence levels in the topics, we also ran 324 ANOVA analyses to examine differences in responses based on the participant's:

- Position (i.e. CEO, Board/MC Member/Staff Member/President/Treasurer/Secretary/Other);

- Gender (i.e. Female/Male);
- Highest completed education (i.e. Primary/Junior/Senior/Trade/Undergraduate/Postgraduate);
- Age (20-49; 50-59; 60-69; 70<);
- Independence from Staff/Management (Yes/No); and
- Paid (Yes/No).

The general conclusions of this analysis revealed few strong trends. There was, however, some evidence that:

- CEOs generally rated their Board lower in terms of competence than did participants in other positions;
- While there was no general pattern of results based on gender, any differences for topics involved female participants rating things higher (i.e. as more important or attractive as development opportunities) than male ratings;
- Participants with more formal education were more likely to rate their Boards lower in terms of competence and those with less formal education were likely to find aspects of development more attractive than participants with more formal education;
- Younger participants appear to rate the competence of their Boards lower than older participants.

There was no general pattern of differences based on either independence status nor paid status. For full details of these analyses, please see Appendix A in CPNS Working Paper 41.

Conclusions

This report is a useful starting point for policy makers and organisations wishing to develop the governance infrastructure of the sector.

The data indicates Boards/MCs would benefit most from capacity building activities rather than governance development per se. Thus, the appeal of Strategy and Business Planning, Financial Management, Risk Management and Legal Compliance is supported in ratings across all domains. We did not include Fundraising in this conclusion due to the high degree of variability in responses; it would appeal to some but not other Boards/MCs. In terms of governance specific development needs, there were areas (e.g. Retention and Recruitment of Board/MC members) with large competence-importance gaps but lower interest levels or higher interest but lower competence-importance gaps. Thus, our conclusions are based on the consistency of responses supporting whole-of-organisation issues that were evident across several domains in the survey.

A more speculative conclusion is that the data does not appropriately reflect governance development needs due to the possible limited exposure of participants to alternative governance arrangements. Just under half of all participants served on a single Board/MC and another 25% served on only one other board (i.e. approximately 75% of participants served on 1 or 2 boards/MCs). Other responses (e.g. 6% of respondents did not know the legal structure of their organisation) would indicate a lack of knowledge of some key areas of governance.

As for delivery of development activities, there is a clear preference for face-to-face, in-house techniques lasting for no more than half a day. There was also moderate support for printed and on-line materials. Thus, it would be useful to consider combining contact-based development activities supplemented with interactive on-line materials and printed information.

The Information Sheet was issued on 25 August 2008. Events, policies and laws alter rapidly – you should take independent advice before acting on any matter raised in this publication.

Electronic copies of the complete Working Paper CPNS 41: Key governance issues for funded nonprofit organisations in Queensland by Dr Gavin Nicholson, Dr Cameron Newton and Michelle Sheldrake are available from the Publications page at www.cpnns.bus.qut.edu.au or via EPrints <http://eprints.qut.edu.au/archive/00014518/>

Further information on key governance issues for nonprofit organisations is also available on the Developing Your Board (DYB) wiki <https://wiki.qut.edu.au/display/CPNS/DYB+Home> or via the CPNS-QUT-Nonprofit Podcast <http://www.bus.qut.edu.au/research/cpnns/podcast/>

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