

Topic 2.10 Lecture 5

Nonprofit Governance



Welcome to lecture 5 of Topic 2.10. In this lecture we are going to focus on the governance of nonprofit organisations.



Governance

- Four common uses of the term:
 - **Corporate governance**
 - Good governance in the public sector
 - A change in the nature of government
 - Community governance

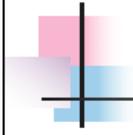


In Topic 1.6 ‘Governance and Place’ we noted that the term governance is confusing as it is used in a variety of settings. In Topic 1.6 we focused on the concept of community governance. In this topic we will focus on the concept of nonprofit governance and its implications for nonprofit organisations.

In Topic 1.6 we used the Australian National Audit Office (1999) definition to define the term corporate governance:

‘generally the processes, by which organisations are directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation.’

As with corporations, nonprofit organisations that are incorporated are required to have a board or committee that manages the affairs; governs the nonprofit organisation. Whilst individual committee or board members are elected onto the committee or board, it is the collective members as a single voice that makes committee or board decisions.



Governance of Nonprofits

- Involves:
 - Setting the strategic directions
 - Management of the assets and liabilities
 - Management of paid and unpaid staff, and
 - If there are no paid staff, the carrying out of a range of administrative functions

Reynolds, 1999, p. 10



The governance of a nonprofit organisation primarily involves:

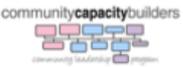
- Setting the strategic directions
- Management of the *assets* and *liabilities*
- Management of paid and unpaid staff, and
- If there are no paid staff, the carrying out of a range of administrative functions



Nonprofit Governance

- Responsible governance requires:
 - A clear purpose (Mission Statement)
 - Goals which benefit the whole organisation
 - Policies which provide clear guidance for decision making
 - A vision of how the organisation can develop and grow in either size or effectiveness or both (Vision Statement)
 - Clearly identified gaps between where it is now and where it wants to be in the future
 - An agreed upon plan which describes the necessary steps to achieve the organisation's vision (Strategic Plan)
 - Strong links with like-minded organisations
 - Committed board members who will work within the philosophy of the organisation
 - Skilled board members who will work as a team under the leadership of a respected **chairperson** to achieve both short and long term goals

Many of these tasks are the same as those that are required for strategic planning



communitycapacitybuilders

Reynolds, 1999, p. 10

Many of the concepts, tools and techniques we have covered throughout the Community Leadership Program relate to good governance. Responsible governance for nonprofits requires:

- A clear purpose (Mission Statement)
- Goals which benefit the whole organisation
- Policies which provide clear guidance for decision making
- A vision of how the organisation can develop and grow – in either size or effectiveness or both (Vision Statement)
- Clearly identified gaps between where it is now and where it wants to be in the future
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- Strong links with like-minded organisations
- Committed board members who will work within the philosophy of the organisation
- Skilled board members who will work as a team under the leadership of a respected chairperson to achieve both short and long term goals



Role of Chairperson

- The Chairperson of a nonprofit organisation:
 - Should have the qualities of a facilitative leader
 - Topic 10

 - ‘The Chairperson should be focussed on the process of the meeting, not the content.....Chairing a meeting shouldn’t be about power, it should be about facilitating (making easier) discussion and decision making in the best interests of the organisation.’

Reynolds, 1999, p. 50



The chairperson of a nonprofit organisation should have the qualities of a facilitative leader that we highlighted in the introduction to this program.

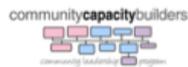
As role of the chairperson is highlighted in this quote:

‘The Chairperson should be focussed on the process of the meeting, not the content.....Chairing a meeting shouldn’t be about power, it should be about facilitating (making easier) discussion and decision making in the best interests of the organisation.’

Nonprofit Governance

- Responsible governance requires:
 - A clear purpose (Mission Statement)
 - Goals which benefit the whole organisation
 - **Policies** which provide clear guidance for decision making
 - A vision of how the organisation can develop and grow in either size or effectiveness or both (Vision Statement)
 - Clearly identified gaps between where it is now and where it wants to be in the future
 - An agreed upon plan which describes the necessary steps to achieve the organisation's vision (Strategic Plan)
 - Strong links with like-minded organisations
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Reynolds, 1999, p. 10

One of the key function of good governance is the endorsement of organisational policies. Policies that provide clear guidance for decision making.



Decision Making

- Decisions need to be made for two types of problems:
 - Routine problems
 - Problems that arise on a regular basis that require programmed decisions based on past experiences
 - Non-routine problems
 - Problems which are unique and new and require creative problem solving that is specifically tailored to a situation

- Decision making takes place in three types of environments:
 - Certain environments
 - Results of decisions can be predicted
 - Risk environments
 - There is an awareness of probabilities of the impact from taking a number of different courses of action
 - Uncertain environments
 - Probabilities are unable to be assigned to the outcomes of various courses of action



In Topic 2.2 ‘Community Deliberation’ we noted that there are two types of problems and three types of environments in which decision making takes place

Routine problems – problems that arise on a regular basis that require programmed decisions based on past experiences, and

Non-routine problems – problems which are unique and new and require creative problem solving that is specifically tailored to a situation

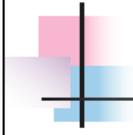
Certain environments where the results of decisions can be predicted

Risk environments where there is an awareness of probabilities of the impact from taking a number of different courses of action, and

Uncertain environments where probabilities are unable to be assigned to the outcomes of various courses of action

We also noted in Topic 2.2 that:

When problems are routine and occur in certain or risk environments they often have an obvious solution or a few possible courses of action, which enables decisions to be made quickly.



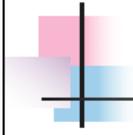
Government Policy

- Two meanings:
 - A Government's stated approach to an issue
 - The process which establishes the Government's stated approach to an issue

Briggs, 2007



In Topic 1.6 'Governance and Place' we noted that the term 'policy' in relation to government has two meanings. Policy can refer to both a government's stated approach to an issue and the process which establishes the approach (Briggs, 2007). Policies are also a tool used in corporate and nonprofit governance; they are written statements that specify the committee's or board's agreed decision concerning how they would like routine issues and opportunities handled.



Nonprofit Policies

- Key policies for most nonprofit organisations include:
 - Drugs and Alcohol Policy
 - Equal Opportunity Policy
 - Grievance Policy
 - Facilities/Hiring Policy
 - Induction Policy
 - Motor Vehicle Policy
 - Media Policy
 - Occupational Health and Safety Policy
 - Performance Review Policy
 - Purchasing Policy
 - Reimbursement Policy
 - Smoking Policy
 - Volunteers Policy

Reynolds, 1999, p. 12



The key policies recommended for most nonprofit organisations include:

Drugs and Alcohol Policy

Equal Opportunity Policy

Grievance Policy

Facilities/Hiring Policy

Induction Policy

Motor Vehicle Policy

Media Policy

Occupational Health and Safety Policy

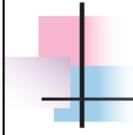
Performance Review Policy

Purchasing Policy

Reimbursement Policy

Smoking Policy

Volunteers Policy



Nonprofit Policies

- Nonprofit organisations that have paid staff usually also have the following policies:
 - Annual Leave Policy
 - Industrial Relations Policy
 - Performance Review Policy
 - Study Leave Policy
 - Staff Recruitment Policy
 - Time Off In Liu Policy

Reynolds, 1999, p. 12



Nonprofit organisations that have paid staff would usually also have these policies:

- Annual Leave Policy
- Industrial Relations Policy
- Performance Review Policy
- Study Leave Policy
- Staff Recruitment Policy
- Time Off In Liu Policy
-

The nonprofit organisation's policies should be contained within a *policy manual* and frequently updated.

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Values Policies

- Code of Ethics
- Child Safety Code of Conduct
- Child Protection Policy
- Confidentiality Policy
- Environmental Sustainability Policy
- Anti-discrimination Policy
- Access & Equity Policy
- Bullying Policy
- Sexual Harassment Policy (Updated, March 2018)
- Affirmative Action Policy
- Whistleblower Policy

Governance Policies

- Governance Policy
- Board Office-bearer Policy & Position Statements
- Board Attendance Policy
- Board Grievance Policy

How to use the policy bank

Here's the short version about how to use our policy bank, or jump straight to the details [here](#).

Step One: Look through the list of policies and procedures to locate the one/s that your board or organisation needs.

Step Two: Download the policy you want ([meeting these conditions](#)).

Step Three: Adapt the policy to suit your organisation.

Step Four: Circulate your draft policy for comment.

Step Five: Adopt the new policy at your next board meeting, and communicate that!

Step Six: Make a "deposit" with your own great policies.

Now you've got the drift, [click here](#) for more about using our policy bank.

Make a withdrawal (or deposit) now

These policies are free for any not-for-profit organisation to download and use, so long as it is for a non-commercial purpose and that the organisation is not paying a consultant to carry out this work. [Click here](#) for our full copyright guidelines.

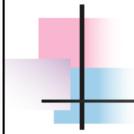
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<http://www.communitydirectors.com.au/icda/policybank/>

To assist nonprofit organisations to develop policies, the Institute of Community Directors Australia website contains a Policy Bank: a clearinghouse containing a range of policies relevant to nonprofit organisations that can be downloaded free of charge and customised to meet the needs of a specific organisation.



References

- Briggs, L (2007) *ANZSOC Executive Master in Public Administration Course: The Context and Challenges of Policy Advising*, Australian Public Service Commission, Australian Government, Canberra, viewed 11 July 2007, <<http://www.apsc.gov.au/media/briggs120607.htm>>
- Reynolds, K. (1999), *Just A Tick: A Best Practice Guide for Committees and Boards of Management*, Volunteering SA, Adelaide

