Topic 2.10   Lecture 5

Nonprofit Governance

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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

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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.
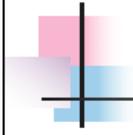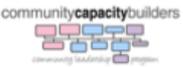
Governance of Nonprofits

- 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

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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

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

- 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

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

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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
  - 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

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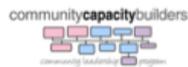
Reynolds, 1999, p. 10

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

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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.
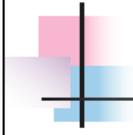
Government Policy

- Two meanings:
  - A Governments stated approach to an issue
  - The process which establishes the Governments stated approach to an issue

Briggs, 2007

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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 governments 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.
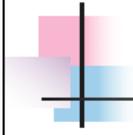
Nonprofit Policies

- 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

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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
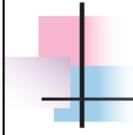
Nonprofit Policies

- 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

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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

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

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 change and customised to meet the needs of a specific organisation.
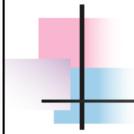
References

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- Reynolds, K. (1999), *Just A Tick: A Best Practice Guide for Committees and Boards of Management*, Volunteering SA, Adelaide

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