



Challenges Facing Non-Profit Boards of Management

The not-for-profit (NFP) sector in Australia is a crucial, vibrant and innovative part of the human services delivery system in Australia. The effective governance of these organisations relies on the voluntary participation of citizens interested in making a contribution to civil society. This altruistic motivation brings many advantages to these organisations – including passion, commitment and advocacy for marginalized people. However, this structure also contains the seeds of many challenges currently facing NFP Boards.

Recruitment

Many community organisations face serious problems in recruiting Board members. It is an oft-repeated scenario at Annual General Meetings, during which Board members are elected by members, that a number of key positions are at best uncontested, at worst, unfilled. This leaves many vacancies which existing Board members try to fill by drafting (sometimes reluctant) people to the roles at a later date.

There are a number of key factors that may hamper successful recruitment:

- The changing social and economic structures mean that more people are in employment. In addition, the high cost of living means that people often work longer hours, sometimes on two jobs, just to pay the rent/mortgage and other essential bills. As a result they are simply not available for voluntary endeavours.
- The complexity of the regulatory environment has discouraged some potential Board members who are committed to a cause, but have little interest in the minutiae of corporate governance.
- Allied to this are the legal liabilities of Directors of organisations. Although many NFP community service organisations carry Directors' insurance, Board members cannot protect themselves entirely from the risk of litigation (e.g. Occupational Health and Safety legislation).
- The proliferation of NFP organisations means that there is increasing competition between organisations for Board members – often skilled individuals sit on two or more Boards. This issue is exacerbated for small NGOs in regional, rural and remote areas of the country where there are fewer suitable people available.

Membership

Allied to the issue of Board recruitment is that of membership of the organisation – nominees for Board positions have to be members of the organisation. In many organisations, the membership is small, and even when the numbers are greater, members may be disengaged. This can lead to fewer people attending Annual General Meetings and taking part in the election of Directors. This can lead to stagnation.

Board composition

While there is some evidence that Board membership in the voluntary sector is more diverse than in the private sector (more women,¹ more people from CALD backgrounds), Board membership still largely remains the preserve of the relatively affluent middle class. Some Boards draw heavily on people who are not in paid employment or who are retired – again leading to a skewed membership. This means that the assumption that Boards represent their communities can be contestable.

Fulfilling governance responsibilities

Boards currently have to operate in a very complex regulatory environment,² with exacting governance expectations. The demands of first understanding and then complying with these requirements often distracts Board members from the primary objective of the organisation they serve and undermines their initial motivation for joining the Board – to meet the needs of a community in relation to a chosen cause. It can also undermine their enjoyment of active participation. Nobody joins a Board because they love red tape! Further, as they are volunteers, the necessary hours may have to be squeezed from very busy schedules.

Ensuring the Board has the necessary skills

While in its ideal form Board members are chosen on the basis of their skills (as well as interest and commitment), in reality many Board members may lack the skills/background required of their positions. This is particularly true for the executive roles of President, Treasurer and Secretary. Each of these positions requires substantive specialist knowledge and skills, which are hard to come by.

Setting the organisations strategic direction

Theoretically, the Board sets the organisations strategic directions while management ensures they are implemented. In many instances, senior management are delegated responsibility for this important task, and the policy directions are simply affirmed or rejected by the Board.

¹ Women on Boards: <http://www.womenonboards.org.au/news/media080501.htm> accessed 9th September

² NCOSS Submission to the Senate Enquiry into disclosure regimes for charities and other non-profit organisations, <http://www.ncoss.org.au/content/view/1225/155/>, August 2008

How can these challenges be addressed?

There are no quick fixes to these complex issues, but there are a number of factors that can help to ensure that a Board of a NFP organisation is able to fulfil the requirements of this model of governance.

Clarity of vision

In order to attract skilled applicants, the organisation requires clarity of vision: what it stands for; who it serves; how outcomes will be achieved. It is this mission that will attract potential Directors.

Excellence in service provision

Vision has to be translated into action. Quality Board members want to be associated with an NGO that has value and integrity and achieves real outcomes; they want to take pride in the work of the organisation. Even the smallest organisation can possess this quality – and often provide a boutique service to a sub-section of a particular client group that larger services cannot offer (such as a particular cultural or language group; a specific type of tailored service).

Quality relationships between the Board and CEO

The capacity to provide an excellent service hinges on the appointment of a quality CEO or Manager. This is a Board responsibility and recruitment needs to be values driven, targeted and professional. In order to attract high calibre executives in an environment where both resources and skilled personnel are scarce, the Board needs to be innovative in marketing what it can offer – such as flexible working arrangements, additional leave entitlements and a relaxed, informal workplace. Once the CEO is appointed, effective communication, strong strategic support and respect for the respective and complimentary roles of the CEO and Board is essential.

Commitment to a vibrant membership

Membership cannot be allowed to become moribund. No matter the size of the membership, it is important to ensure they are involved and active participants in the life of the organisation. Members need to be informed (through newsletters or information days); involved (invited to participate in various forums/projects; consulted on the organisations performance/future priorities) and valued (through letters, membership discounts).

Energy to recruit an active and diverse Board

The Board itself needs to make an assessment of its strengths and weaknesses and then actively recruit at the time of the AGM on the basis of what is required – for example expertise in finances, fundraising, legal issues or cultural expertise.

Sound governance policies and procedures

In order to enable Board members to be secure in their roles, clear governance policies and procedures are needed. These governance requirements include operating policies for the Board; induction and orientation processes for new members; ongoing training, based on a Board self-assessment process and a compliance checklist that enables Board members to easily understand their responsibilities.

Fun!

If being part of the Board is not a fun and supportive experience, it will be hard to retain members. It is therefore important that Board processes are not so arduous that they wear down the enthusiasm of the Directors.

The above strategies are not exhaustive nor will they guarantee that a Board will govern a NFP organisation effectively. However, with an understanding of the issues they face and a commitment to making the model work, Boards have a chance to enable their organisation to fulfil the potential of voluntary governance.

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