



GOOD GOVERNANCE

'It's Your Business' Learning and
Development Strategy

RESEARCH REPORT

Bradfield Nyland Group

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1. INTRODUCTION

1.1 An evidence base for the 'Good Governance' Program

National Disability Services (NDS) New South Wales has been contracted by the NSW Department of Ageing, Disability and Home Care (DADHC) to coordinate the design and delivery of a learning and development strategy to support the implementation of the Department's *'It's Your Business'* governance resource manual. This strategy is now known as the 'Good Governance Program'.

The Good Governance Program will aim to enhance the governance of small to medium sized non government organisations (NGOs) funded by DADHC, focussing on organisations with an annual turnover of less than \$5 million.

This research project was commissioned by NDS to inform the design and delivery methods of the Good Governance Program and to provide an evidence base for the approach to be taken in the Program.

Previous research into the learning and development needs of NGOs has provided a significant body of academic work (refer to References at the end of this report). Much of this work is from overseas and usually based on larger organisations and/or investigating theoretical models with limited applicability to smaller NGOs in an Australian setting.

Australian researchers have provided a body of fairly practical and applied research, including results from pilot governance development programs, learning and development needs research, and practical resources for effective governance.

Over the past decade, the environment and expectations of boards have changed significantly, as governance has become a more accepted focus for skill development and as board members themselves increasingly accept that governance requires particular standards of practice.

Recent Australian research (Bradfield, Nyland et al, 2008, and Nicholson, Newton et al, 2008) has provided some insight into the types of skill development needs of small to medium NGOs and of the types of activities that attract participation and support improvements in governance.

The research project for the Good Governance Program confirms that NSW DADHC funded NGOs follow patterns identified elsewhere and provides more detailed insight into the governance development needs of this group.

1.2 Methodology

The research involved the following:

| | |
|--|---|
| Online survey for DADHC funded NGOs <i>(copy of survey Attachment 1)</i> | Total 121 respondents - 108 respondent organisations with annual income up to \$5 million |
| Interviews with Managers/CEOs of DADHC funded NGOs <i>(copy of interview questions Attachment 2)</i> | 47 CEOs, with 18 being matched with interviews of board members from the same organisation |
| Interviews with board members of DADHC funded NGOs <i>(copy of interview questions Attachment 2)</i> | 22 board members from 18 organisations |
| Focus group <i>(copy of focus group questions Attachment 2)</i> | 19 participants from 16 organisations (16 CEOs, 2 board members and 1 staff member) participated in Sydney workshop |
| Interviews with peak bodies <i>(copy of interview questions Attachment 3)</i> | Full interviews conducted with 4 peak bodies; current governance development work of 6 HACC peak bodies reviewed |

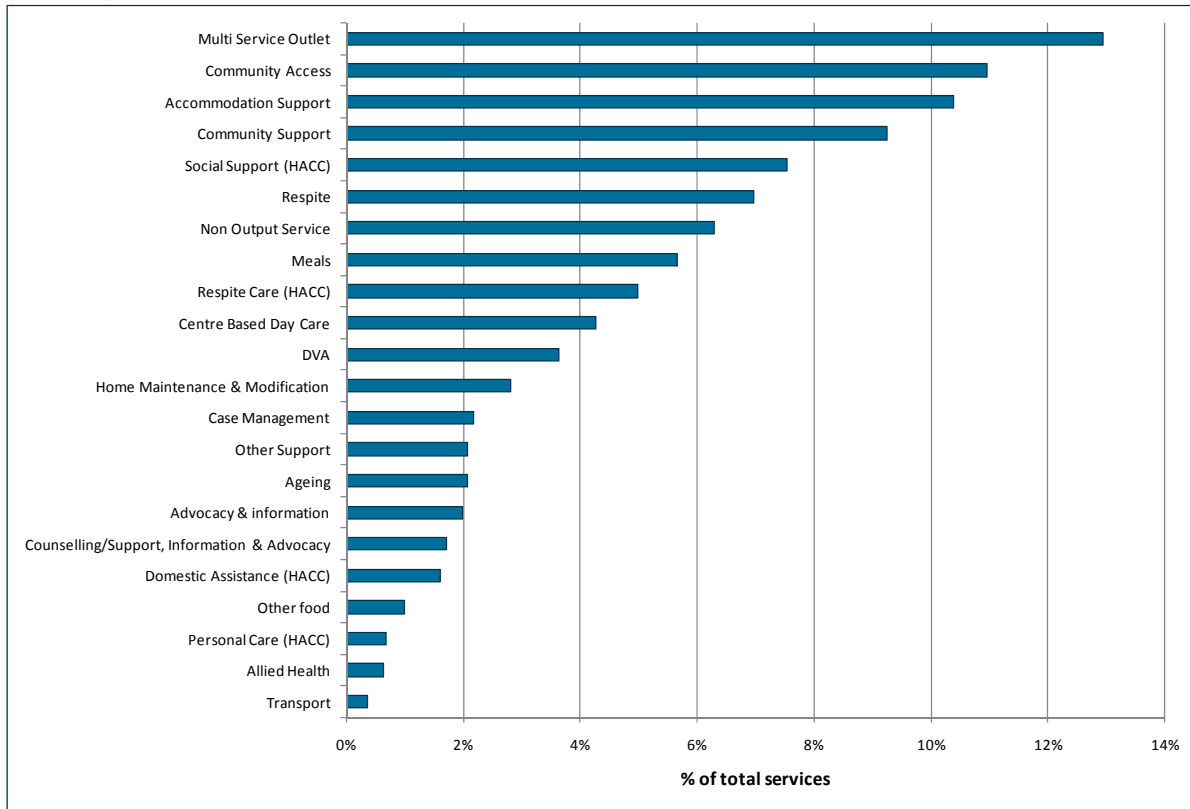
1.3 The DADHC funded NGO sector

The NSW Department of Ageing, Disability and Home Care (DADHC) contracts with around 770 non government organisations (NGOs) for the delivery of Home and Community Care (HACC) and Disability Services Program services. A total of over 1,900 separate services are funded via these NGOs.

The following chart shows the numbers of services funded in each service type as a percentage of the total number of services funded (service type categories are those used by DADHC in its funding allocation for the 2007/08 year).

Chart 1: Services funded by service type

(f= 1,924)



Source: DADCH Annual Report, 2007/08

The DADHC annual report (2007/08) indicates that there were 774 NGOs in receipt of funding, and the following table shows the distribution of these NGOs by DADHC Region, and by broad organisational type (broad organisational types are those used in reporting by DADHC Regions).

Table 1: Number of NGOs funded by region and type

| Organisation type | Metro North | Metro South | Hunter | Northern | Southern | Western | Total |
|--|-------------|-------------|------------|------------|-----------|------------|------------|
| Residential centres | 10 | 3 | 3 | 0 | 1 | 2 | 19 |
| Community living (group homes) | 32 | 27 | 18 | 23 | 14 | 19 | 133 |
| Community living (other) | 26 | 16 | 21 | 33 | 11 | 13 | 120 |
| Respite organisations | 22 | 25 | 14 | 31 | 15 | 24 | 131 |
| Community engagement program organisations | 45 | 44 | 24 | 42 | 22 | 37 | 214 |
| Therapy and prevention organisations | 28 | 36 | 20 | 33 | 19 | 21 | 157 |
| | 163 | 151 | 100 | 162 | 82 | 116 | 774 |

Source: DADCH Annual Report, 2007/08

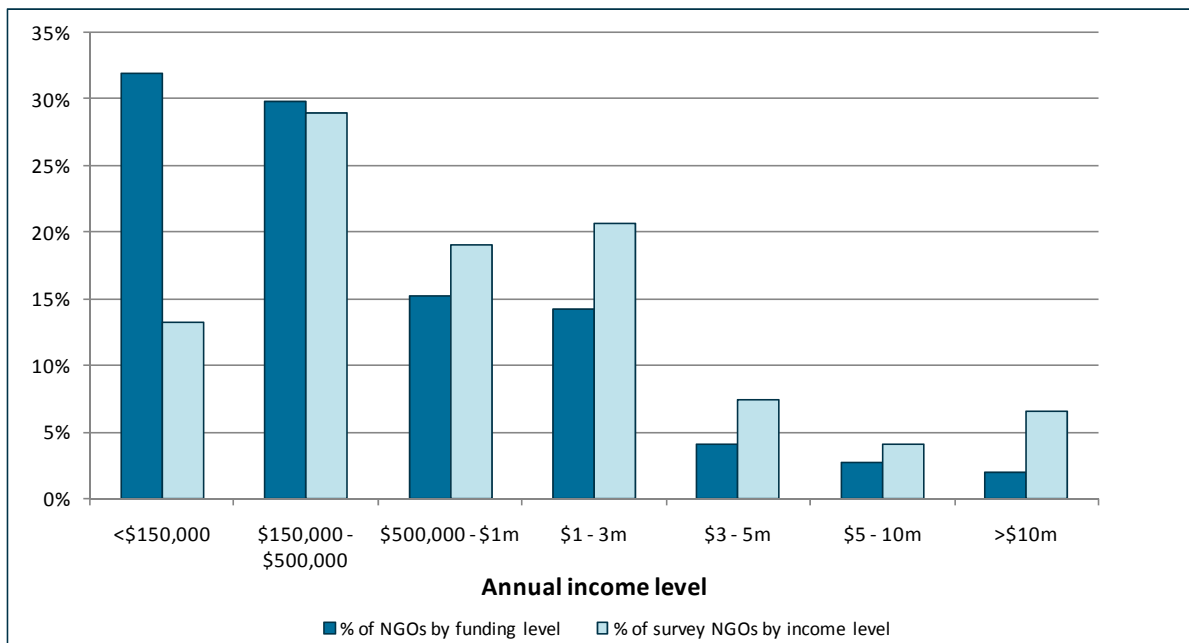
From the Regional reporting it appears that approximately 41% of DADHC funded NGOs are located in the Sydney metropolitan area.

Funding information on individual services provided by DADHC for this research project has been collated to provide data on the total funding being received from DADHC by each NGO. This showed that a significant proportion (32%) receive less than \$150,000 a year in DADHC funding with a further 30% receiving between \$150,000 and \$500,000.

Organisations surveyed for this research project were asked to indicate their total annual income, the proportion of total income received from DADHC, and whether they received funds from any other government sources. The income profile of organisations responding to the survey showed a much lower proportion in the very small grouping (income under \$150,000 per year), and slightly higher proportions in the groups with incomes greater than \$500,000 a year.

Chart 2: Comparison of income profiles: DADHC funding and surveyed NGOs reported income levels

(DADHC funding data: f = 767; Surveyed NGOs: f = 121)



Around 38% of the HACC funded NGOs and 43% of the Disability Services Program funded NGOs in the survey group were receiving funding from other sources so it is likely that the actual income profile of the DADHC funded NGO sector is closer to the profile in the survey sample and that the proportion of very small organisations is closer to 20%.

2. SURVEY & INTERVIEW RESPONDENT PROFILES

2.1 Survey respondents

A total of 121 surveys were completed and of these 13 respondents (10.7%) were NGOs with an annual turnover of more than \$5 million. These organisations have been removed from the data unless otherwise specified in the reports below, leaving a total of 108 respondents with annual income of less than \$5 million.

The person completing the survey in most cases was the most senior staff person (74%) or a board member (15%). People completing the survey had been provided with the core questions for the survey and asked to either discuss these with longer standing board members or (if possible) with the entire board.

Table 2: % of respondents that completed pre-survey consultation with board members

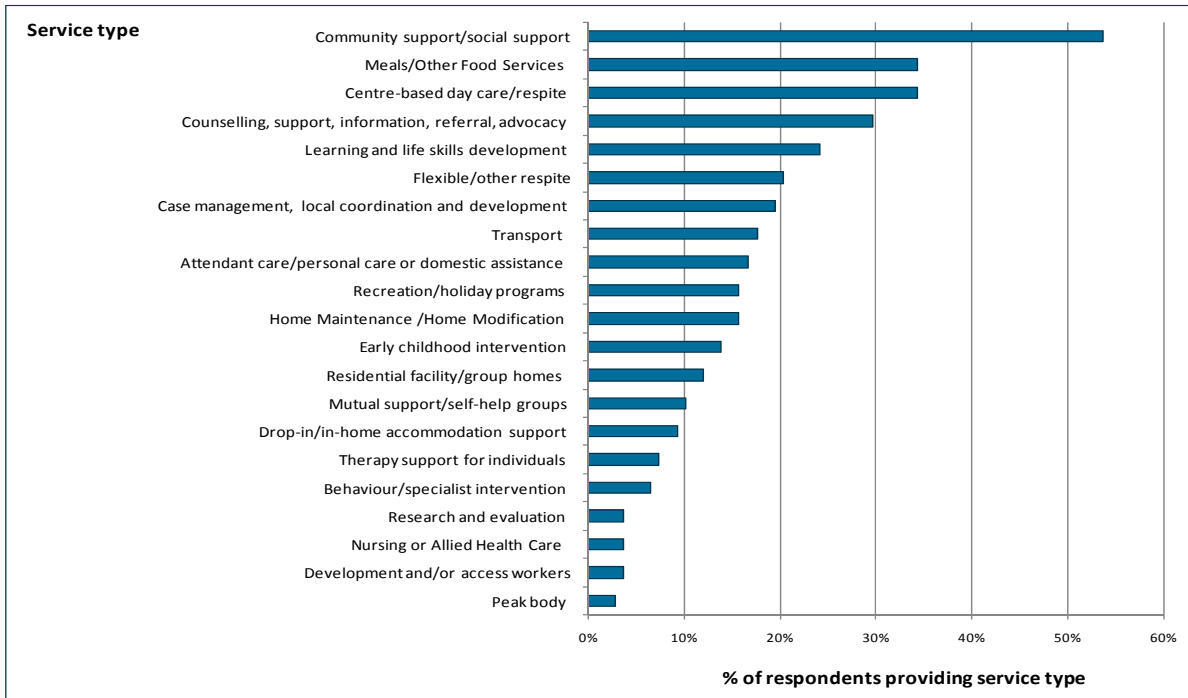
(f=104)

| Method | % that were staff respondents | % that were board member respondents | % of total respondents |
|--|-------------------------------|--------------------------------------|------------------------|
| Discussed with full board | 29.8 | 1.9 | 31.7 |
| Discussed with 2 or more board members | 18.2 | 4.8 | 23.1 |
| Discussed with 1 board member | 12.5 | 1.9 | 14.4 |
| Not discussed with any board members | 26 | 4.8 | 30.8 |
| Total | | | 100 |

The pre-survey consultation was designed to collect information from board members on their development needs, preferences for delivery mode and willingness to participate in additional board development activity. About 70% of the sample is therefore included in any data reported for responses based on board consultations rather than just the survey respondent's view.

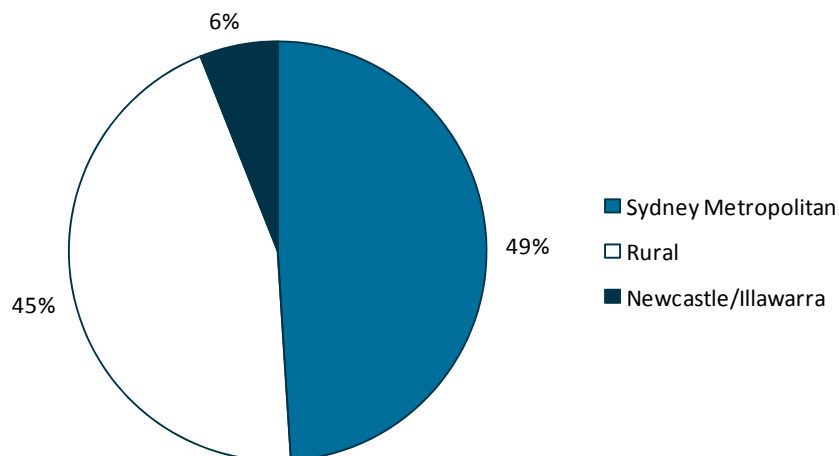
The chart on the following page provides an overview of the service types provided by organisations surveyed.

Chart 3: Service type
(multiple answers)



All service types were represented, although there appeared to be a slight over representation of food services (38% of respondents) and of respite services (40% of respondents) when compared to the profile of service types funded by DADHC.

Chart 4: Geographic location
(f= 108)

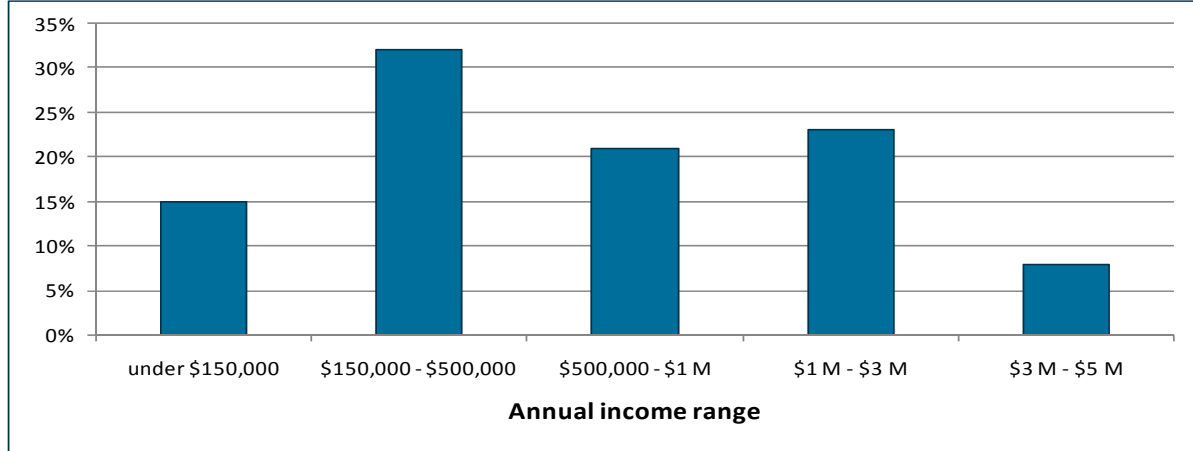


Sydney Metropolitan based NGOs were slightly overrepresented (49% in the survey group compared to 41% in the actual population of DADHC funded NGOs).

Organisations were predominantly generalist in terms of the population groups they serviced, with only 1 Aboriginal identified organisation and 8 ethno-specific organisations responding to the survey.

Chart 5: Annual income

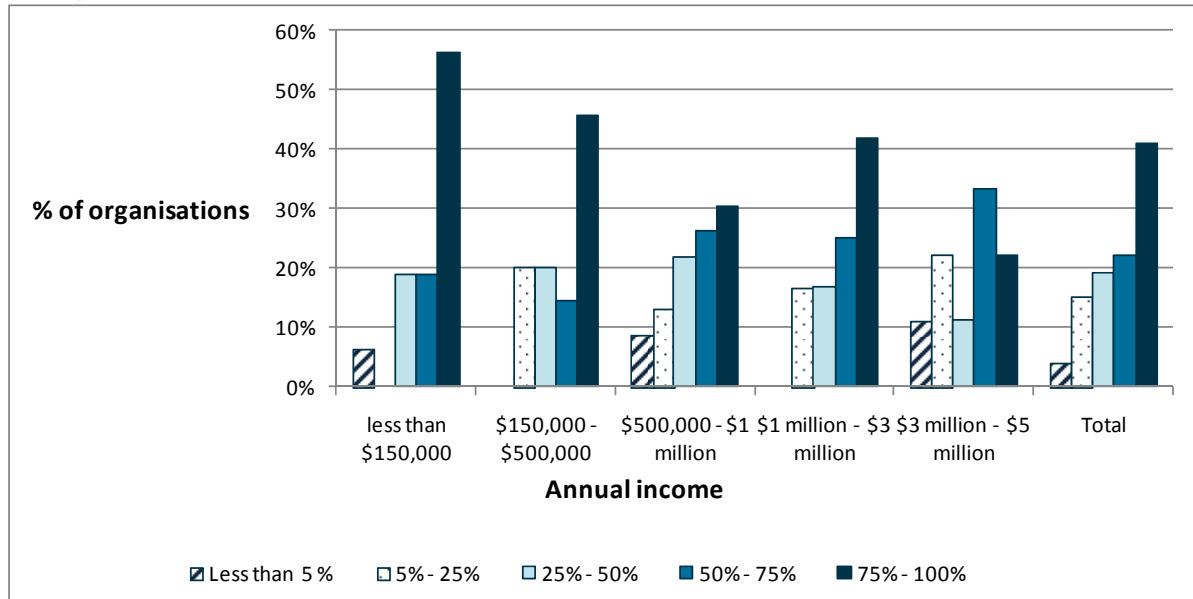
(f= 108)



The survey group contained a lower proportion of organisations in the lowest income range (under \$150,000 a year) than is most likely the case in the actual population (see earlier discussion in Section 1.3 of this report). A slightly higher proportion of these small organisations were in rural locations.

Chart 6: Proportion of overall income from DADHC funding

(f=107)



Very small organisations surveyed (less than \$150,000 annual income) are more likely to have less diversified funding bases and be more reliant on their funding from DADHC than larger organisations.

The NSW Department of Community Services and Federal Government programs were the most common sources of other funding income.

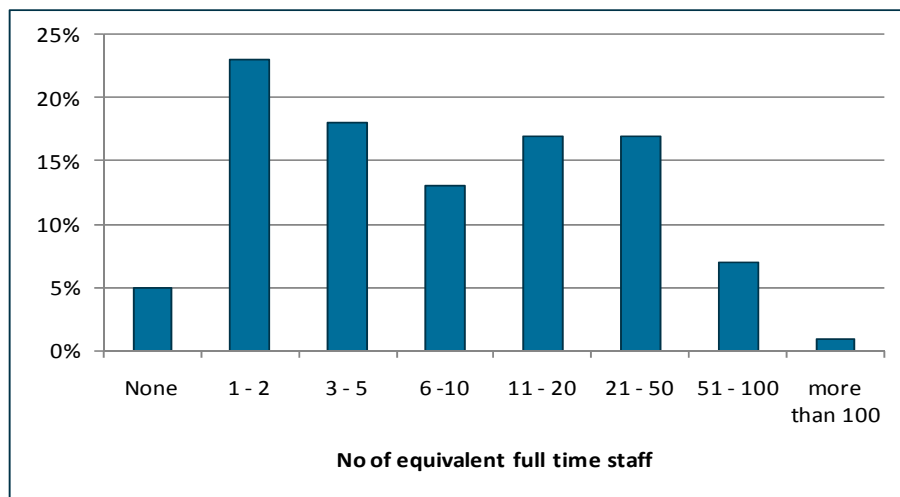
Table 3: Other funding sources

(f=108)

| Source | % of respondents |
|--------------------------------------|------------------|
| NSW Department of Community Services | 22 |
| Other NSW State Government | 17 |
| Federal Government | 35 |
| Local Government | 16 |
| Some other source | 22 |

Chart 7: Number of equivalent full time staff

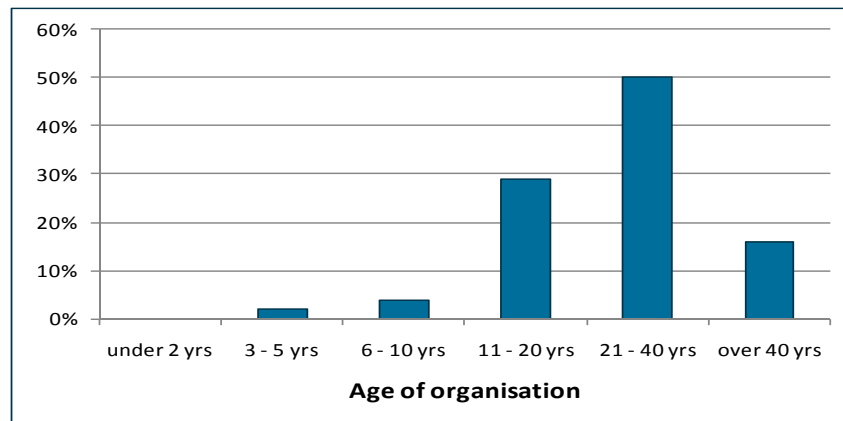
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The chart shows that 23% of organisations had only 1 or 2 equivalent full time staff. Along with annual income level, the number of equivalent full time staff is an indicator of size so approximately one quarter of the organisations in the survey group could be considered to be very small.

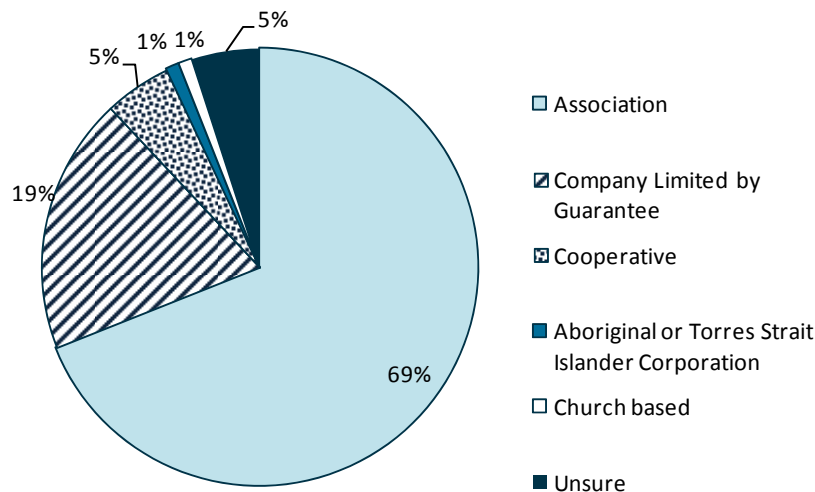
Chart 8: Age of organisation

(f=108)



Over 90% of the organisations were more than 10 years old, indicating that the industry generally has been consolidating over the last decade rather than growing in terms of new organisations being established. It is important to note that age does not necessarily mean a growth in size for an organisation. Although the majority of very large organisations (over \$10 million annual income) were over 40 years old, there were significant numbers of very small organisations that were long standing (63% of those in the under \$150,000 annual income group were over 20 years old).

Chart 9: Form of incorporation



The majority of organisations were incorporated as Associations (69%), with higher proportions of small organisations being Associations (81% of those with an annual income under \$150,000). However, significant proportions of medium and larger organisations were also Associations (ranging from 70% in the \$500,000 - \$1 million group to 44% in the \$3 - \$5 million group).

2.1.1 Size and composition of boards

Table 4: Size of boards

(f=108)

| Board numbers | % of respondents |
|----------------------|------------------|
| 5 or fewer members | 10 |
| 6 - 10 members | 76 |
| 11 - 15 members | 13 |
| More than 15 members | 1 |
| Total | 100 |

Table 5: Vacant positions on the board

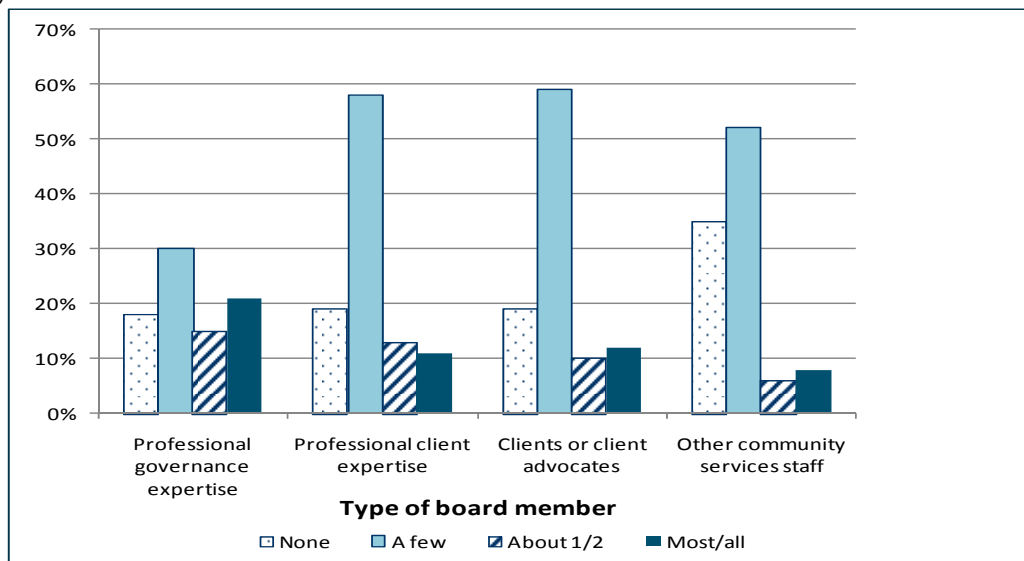
(f=108)

| Board vacancies | % of respondents |
|-----------------|------------------|
| None | 58 |
| 1 or 2 | 31 |
| 3 – 5 | 8 |
| More than 5 | 2 |
| Total | 100 |

Organisations with significant numbers of vacant board positions (3 or more) did not fall into any particular groupings related to size or geographic location.

Chart 10: Board composition

(f=108)



Most organisations had a mix of types of people on their boards, with most having 'a few' people with professional expertise with the client group and/or client representatives or client advocates. About 18% of organisations reported that they had no members with specific professional governance related expertise (such as legal, business planning etc). Most of these were smaller organisations, with 31% of organisations under \$500,000 annual income having no members with specific governance expertise. This contrasts with medium and large organisations, where less than 5% of these organisations had no members with specific governance expertise.

As one might expect, organisations with incomes of over \$10 million (not included in the above chart) are more likely to have board members selected for governance skills. 63% of these organisations have boards where over three quarters of the members have specific governance skills. This compares to just under 10% of organisations with annual incomes under \$500,000 and 32% of organisations in the \$500,000 - \$5 million annual income range.

2.2 Interview respondents

A total of 66 interviews were conducted with senior managers and board members from 47 organisations. 49% of these organisations were located outside the Sydney Metropolitan area. 7 Aboriginal organisations and 4 ethno-specific organisations were included in the sample.

In 18 organisations, both the senior manager and board members were interviewed (in separate interviews) providing 'matched sets' of board and senior manager perspectives from the same organisation.

Table 6: Profile of interviewed organisations

| | \$150,000 - \$500,000 | \$500,000 - \$1 M | \$1 M - \$3 M | \$3 M - \$5 M | \$5 M - \$10 M | >\$10 M | TOTAL |
|---------------------|-----------------------|-------------------|---------------|---------------|----------------|----------|-----------|
| Matched sets | 4 | 2 | 6 | 0 | 2 | 4 | 18 |
| Senior manager only | 7 | 3 | 8 | 4 | 4 | 3 | 29 |
| TOTAL | 11 | 5 | 14 | 4 | 6 | 7 | 47 |
| Aboriginal | 3 | 1 | 1 | 0 | 1 | 1 | 7 |
| Ethno-specific | 0 | 0 | 3 | 0 | 1 | 0 | 4 |
| Rural/Regional | 8 | 5 | 5 | 3 | 2 | 3 | 26 |

Table 7: Service type – interviewed organisations

(f = 35)

| Broad service type | % of group |
|----------------------------|-------------|
| Disability Service | 43% |
| General HACC service | 34% |
| Food services | 11% |
| Neighbourhood Centre | 6% |
| Food services + other HACC | 3% |
| Community Transport | 3% |
| TOTAL | 100% |

2.3 Profile summary

The survey group represents a sample of about 15% of DADHC funded organisations receiving less than \$5 million annually. Overall, the sample is broadly representative of DADHC funded organisations in terms of organisational size, service type and geographic location.

As such the responses of the survey group and the interview respondents provide a sound base for the design of a State wide program of governance development.

3. FINDINGS

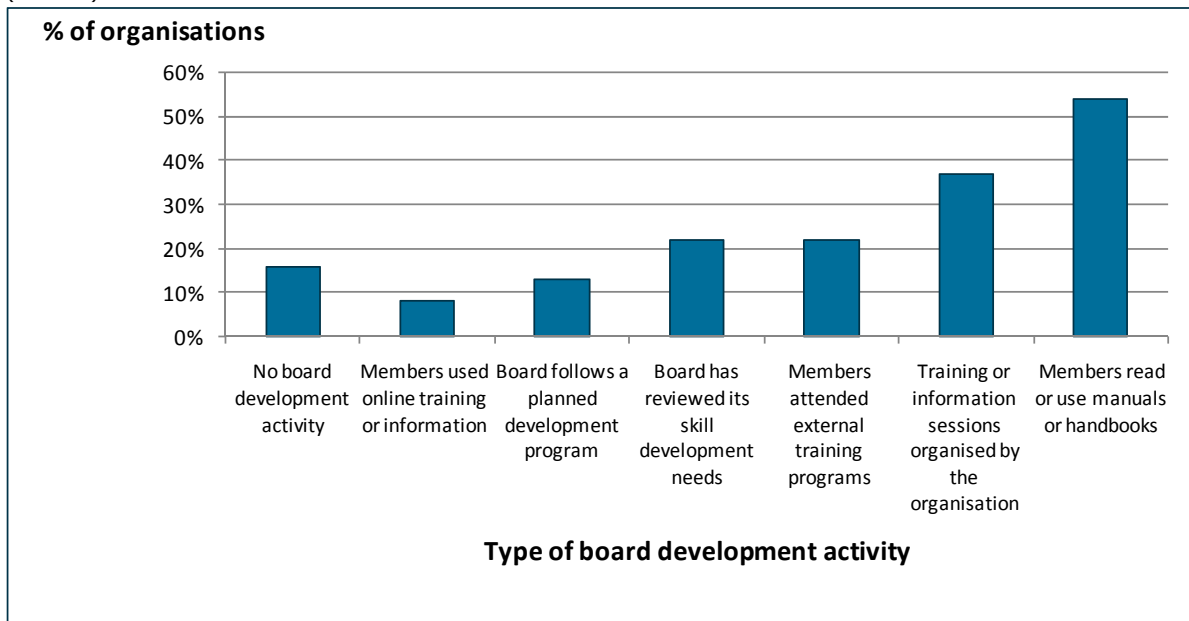
3.1 Governance development activity

A significant amount of governance development activity for boards already occurs across the DADHC funded sector. As the table below shows, only 16% of those surveyed reported no governance development activity at all. This level of non-activity was common across different sizes of organisation.

Manuals and handbooks were the most common form of development activity (including the recently distributed *'It's Your Business'* manual), with over half of organisations reporting board member participation. 37% of surveyed organisations reported that they provided some in-house development activity.

Chart 11: Current board development activity (survey respondents)

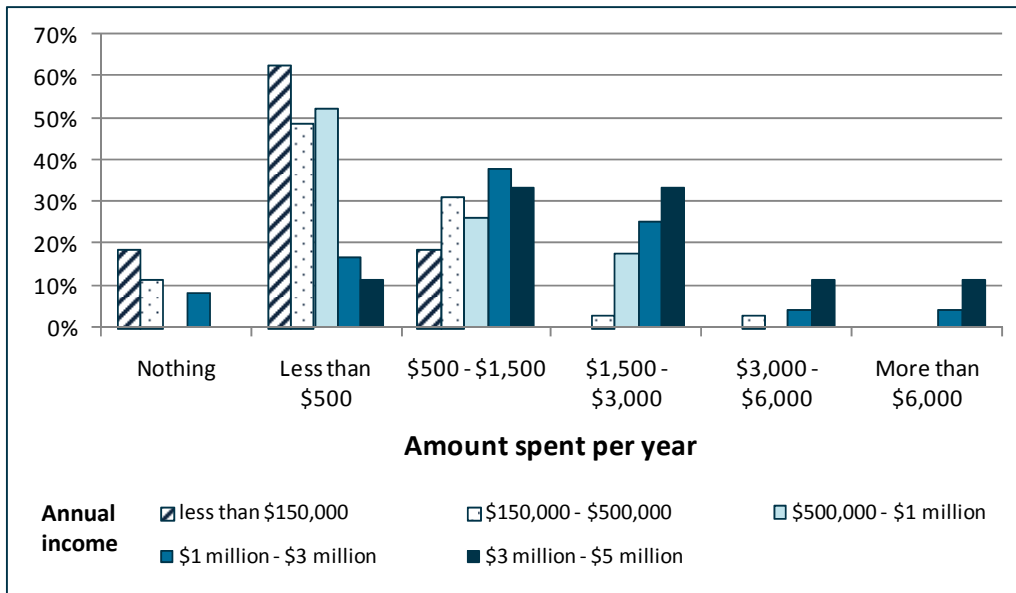
(f = 108)



Interview respondents reported that most of their organisations' boards had participated in some form of development activity. About half of the smaller organisations (under \$1 million annual income) had active orientation or other in-house programs in place, and in many larger organisations significant development work had occurred. This included full board governance training, in-house professional development using external consultants and subscriptions to board information materials.

Several organisations also reported significant change over the past 5 – 10 years in response to perceived needs to improve governance and to move from older models of governance involving the board in management level decisions to models where the board is less involved in decision making about operational matters.

Chart 12: Amount spent on board development activity per year x annual income
(f = 108)



As shown in Chart 12, only 9% of the organisations in the survey sample spent nothing on board development, with 41% spending small amounts (less than \$500 a year) and around a third spending between \$500 and \$1,500. 5% of organisations spent more than \$3,000 a year.

In addition to the work undertaken by organisations themselves, some DADHC funded peak bodies have provided resources to their sectors within the past two years:

| Agency | Activity |
|--------------------------------------|--|
| Aged and Community Services | On site training and development for individual organisations; occasional off site workshops |
| Community Transport Organisation | A one day governance training program in each region |
| Local Community Services Association | Governance development assistance to individual organisations receiving funds through Community Services Grants Program |
| National Disability Services NSW | Development and oversight of the Good Governance 'It's Your Business' project in partnership with other peak bodies |
| NSW Meals on Wheels Association | Ongoing series of annual 'board only' discussion sessions for each region. Provision to members of tailored Management Support Online portal with governance training program and resources |
| NSW Council of Social Service | Ongoing information and advice to DADHC funded services dealing with the It's Your Business (IYB) manual (unfunded). |

Other peaks such as Interchange and Community Options provide assistance to individual organisations on request, and HACC Development Officers have initiated board orientation sessions in some regions from time to time.

3.2 Issues and challenges for boards and senior managers (CEOs)

The issues most commonly identified by senior managers and board members during interviews and the focus group, and confirmed in peak body interviews were:

- ❑ **Roles and the levels of responsibility taken by boards:** Some respondents were concerned about boards that 'micromanage', becoming involved in operational detail unnecessarily, and others were concerned about boards who take too little responsibility, overly relying on the senior manager.
- ❑ **Recruitment and retention of skilled board members:** One of the most common concerns expressed by both board members and senior staff was the difficulties they experienced in attracting board members with appropriate skills.
- ❑ **Board composition:** Some respondents expressed concerns about the balance on their board between the board members with 'professional' skills and board members who are primarily client representatives or advocates (referred to by some as 'volunteers').
- ❑ **Strategic direction setting:** A number of boards appeared to have limited capacity to 'see the big picture' and senior staff in particular experienced problems with boards that were unable to think strategically or lead the organisation effectively.
- ❑ **Boundaries and conflicts of interest:** These were particular challenges for board members drawn from client or client advocate groups, who may believe it is their role to advocate for individuals they are associated with or become involved in the detail of individual client cases.
- ❑ **Supervision and monitoring for the senior staff person:** Both board members and senior staff expressed concerns about the limited capacity of some boards to provide adequate support and accountability.
- ❑ **Legal and contractual requirements:** Some respondents were concerned about what they believed are the increasing legal liability of board members and of external accountability requirements, and about the capacity of boards to stay up to date with these requirements.

3.3 Development needs

The chart on the following page shows the areas identified by survey respondents and boards as 'high' or 'very high' with regard to needing development. The data is based on respondents that had conducted pre-survey consultations with their board members, and respondents were asked to complete this part of the survey based firstly on the discussions with board members and then a second time based solely on their own view.

88% of these respondents were the senior manager or other staff member. The chart therefore illustrates the difference between the view of board members about their needs and the perception of the senior manager of the competence of board members.

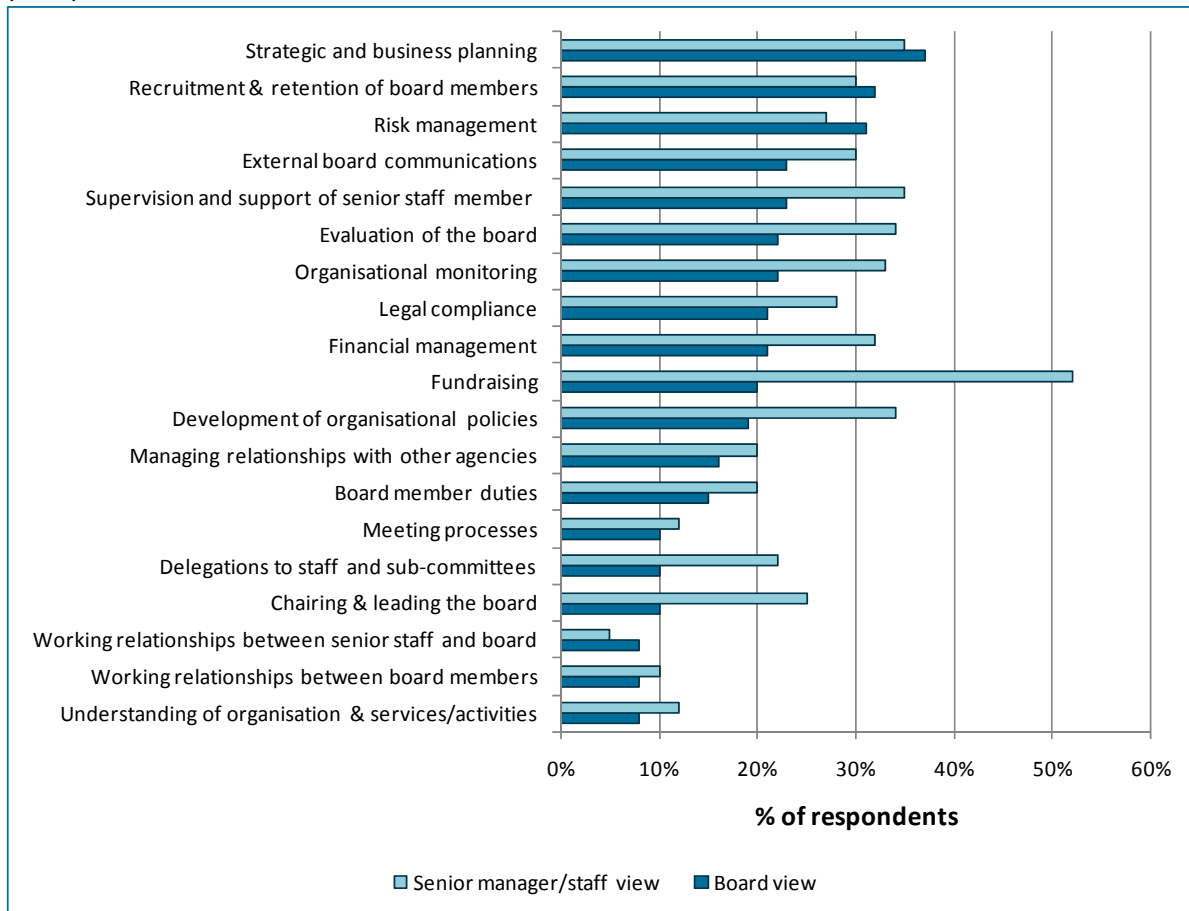
The most significant variations are in the area of fundraising – seen as a high need by 57% of senior managers compared to only 30% of their boards. This was also a particular concern for metropolitan organisations, which were twice as likely to rank 'Fundraising' as high need compared to rural organisations.

A slightly higher proportion of Sydney metropolitan based organisations than rural organisations rated some items high need ('Risk management', 'Board member duties', 'Evaluation of the board' and 'Legal compliance'). On the other hand, a higher proportion of rural organisations rated 'Strategic and business planning' high need.

The items in the following chart are ranked according to the level of need identified by board members.

Chart 13: Areas of development need

(f= 75)



In their assessments of governance development needs, board members and senior managers tend to differ in terms of:

- their priorities in terms of the ranking of areas for development - this reflects their different responsibilities and their different expectations of the role of the board.
- the extent of development need identified - with the exception of the top three priority areas identified by board members (strategic and business planning, recruitment of board members and risk management), board members display more confidence in their own abilities than do their staff.

Recent research conducted by Bradfield Nyland Group as part of the 'Governance Pilot Program' in Queensland (Bradfield et al, 2008) included a survey of 149 individual board members from NGOs funded by the Queensland Department of Health, Department of Communities and Disability Services Queensland. This survey

was a detailed examination of basic governance competence, using a series of practice indicators and capability confidence measures.

The results of this survey indicated that people tended to be confident in their own ability in a number of basic areas such as running meetings, carrying out their roles and responsibilities and representing their organisation. Confidence and practice evidence fell away in areas related to finance, legal issues and managing disputes. Participants had lowest levels of confidence in their ability to monitor performance of the organisation, monitor the performance of the senior staff person and manage assets.

The NSW 'Good Governance Program' survey was designed to investigate a number of aspects of governance development needs and delivery preferences at the organisational level rather than as a competency study of individuals. Consequently, the categories selected for use in the question on perceived development needs were based on those used in recent research by Queensland University of Technology (Nicholson et al, 2008) to enable more direct comparison with the results of that study. The QUT study was also aimed at board members of NGOs funded by the Queensland Department of Health, Department of Communities and Disability Services Queensland. It attracted a response of 565 individual board members from a set of NGOs similar in profile in terms of size, staffing levels and incorporation type to the NSW Good Governance Program research project.

The QUT project identified the following topics as those where board members rated their levels of competence as low:

- Strategy and business planning
- Recruitment and retention
- Evaluation of the board
- External board communications
- Fundraising

When asked about the importance of the items, board members also identified 'Risk management' and 'Financial management' as being of high importance (although their average confidence in their competence was higher).

With the exception of strategic direction setting and business planning (which did not feature in the high need areas in the Bradfield Nyland Group Queensland survey results), the results of all three studies concur on the importance of a set of core topic areas. The main variations between the NSW study results and the QUT study are the higher ranking of 'Supervision and support of the CEO' and a lower ranking for 'Fundraising' in the NSW study (although the QUT study makes note that its results on 'Fundraising' were highly variable).

The rating of these items by senior staff in the NSW Good Governance Program study shows that senior staff have a much higher concern about their boards' capacity to

work on funds generation ('fundraising') and are more likely to rate a number of areas as needing development than board members themselves will rate them.

The Good Governance Program study has been further informed by in-depth interviews which explored perceptions about challenges being experienced and the development needs of board members from both board member and senior staff perspectives.

The results of this part of the study confirm earlier findings by Bradfield et al in the Queensland study. In the Queensland study, in depth, on-site assessments were conducted with 29 NGOs, and governance development plans designed and implemented with them. This process identified a number of development needs that were then replicated in the results of the NSW Good Governance Program interviews and focus group.

The combined results from the NSW survey, interviews and focus group confirm that earlier study findings apply to NSW DADHC funded organisations. Several topic areas are consistently identified as priorities for governance development. In addition to their prominence in interviews and focus group discussion, these topic areas were all rated as 'high need' in at least 20% of the board perspective responses in the survey and by over 30% of senior staff completing this survey question from their perspective.

The congruence of data within the NSW Good Governance Program study and with earlier study data shows that the following topics should be the priority areas for the content of the Good Governance Program:

- ❑ **Strategic and business planning**, including income generation
- ❑ **Monitoring and accountability** – combining:
 - Senior staff delegations and the governance/management role delineation
 - Organisational monitoring and senior staff reporting
 - Supervision and support of the senior staff
- ❑ **Board development – combining:**
 - Recruitment, retention and succession planning
 - Evaluation of board performance
- ❑ **Legal issues**
- ❑ **Financial management**
- ❑ **Risk management**

Focus group participants also identified a need to address the board's responsibilities in:

- forming partnerships and consortia
- quality assurance and improvement.

3.4 Delivery modes and preferences

The Queensland 'Governance Pilot Program' conducted by Bradfield Nyland Group with Spall Watters Group that followed on from the Queensland research project trialled three modes of delivery: on-site intensive development work with individual NGOs, a 2 hour 'legal issues' workshop and a day long governance 'expo' (combining several workshop sessions). The results of the program evaluation indicated that, as would be expected, on-site development work tailored to the organisation's need is highly effective in creating improvements in board member practice and confidence.

However, in self assessments by participants of the extent to which their capacity to implement good practice had increased, the 'expo' showed similar levels of improvement to the on-site development work (around 68% of participants reported a significant increase and 30% an increase). All three modes were effective in increasing knowledge and understanding, with the short workshop format being as effective as on-site development work (67% of participants reported a significant increase).

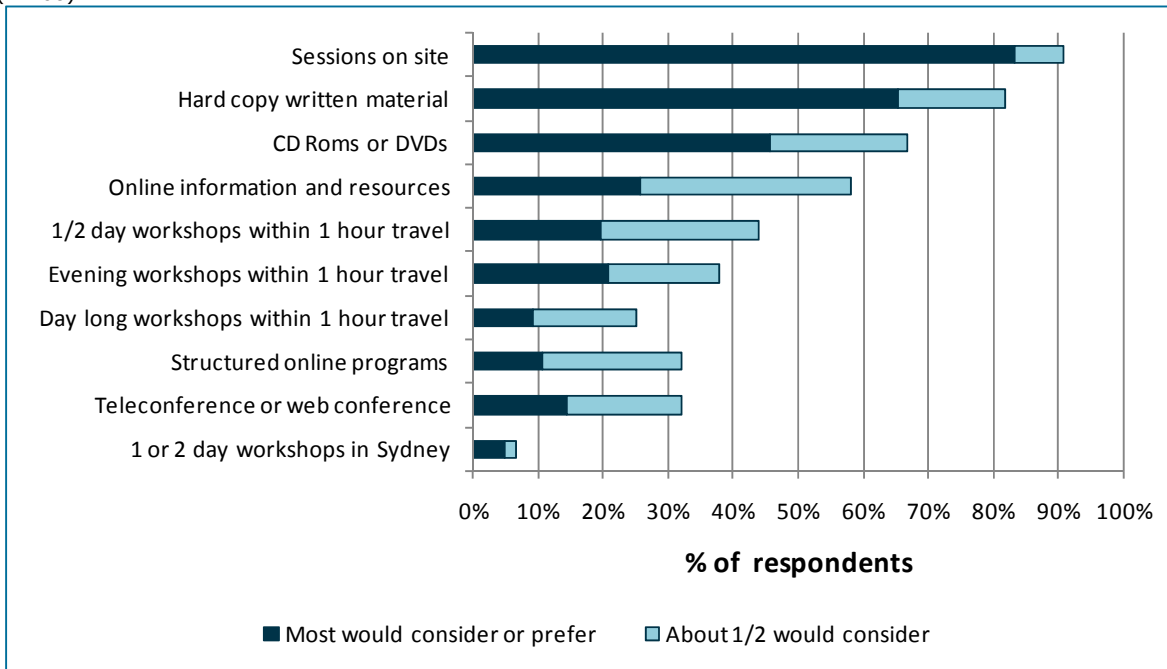
The NSW research confirms findings in both the Queensland studies that sessions held on site, preferably within the existing board meeting time frame, will attract the highest levels of participation. All three studies also indicate that passive resources (written material, CD/DVD or online resources) are also acceptable to most.

Active workshop participation is primarily constrained by the time that board members have available. Around 40% of organisations reported that half or more of their board members would consider participating in an activity that was up to a half day long and within an hour's travel, and most organisations reported that at least some of their board members would consider this option.

There was no significant difference on delivery mode preferences between respondents who had consulted with board members and those who had not, so the following chart includes the full sample of organisations.

Chart 14: Delivery mode preferences

(f=108)



About three quarters of survey respondents indicated that they thought that most of their board members would be willing to spend some additional time outside of board meetings on board development, although this dropped slightly to 66% where board members had been consulted prior to the survey. The amount of time that board members would make available ranged from an additional half day a year (about 70% of boards) to a short session every 3 months (37% of boards).

There were some minor differences between rural and Sydney metropolitan located organisations. Rural organisations were more likely to have up to half their members willing to participate in day long workshops and teleconferences than metropolitan organisations, but also more likely to have members who would not make use of online information (this may partly reflect poorer internet connection experience in rural areas).

In both the survey and interviews a number of people made mention of the *'It's Your Business'* manual. Respondents fell into three groups in terms of their response to the manual:

- Their boards were using it and finding it very useful – a number of board members have been working through the manual.
- They were chairpersons or senior staff members who thought it was a useful manual, but too complex – some of these people were introducing the manual in 'bite sized' pieces, and some commented that summary resources would be useful.
- Their boards had rejected the manual as being too complicated, too large or generally overwhelming.

3.5 Incentives and motivators

The incentives most likely to motivate board members to participate in development activities are:

- ❑ **Commitment to improving the governance of the organisation**, particularly if linked to improving service outcomes for clients or community (66% of survey respondents rated this highly after consulting with board members).
- ❑ **Compliance with service standards or external requirements** and the threat of loss of funding (seen as a strong motivator particularly by senior staff) (60% of survey respondents rated this highly after consulting with board members).
- ❑ **Reimbursement of expenses** (particularly if made as a small cash payment rather than an exact reimbursement of money paid out) (42% of survey respondents rated this highly after consulting with board members).

Recognition by employers and credit towards a qualification in governance were less attractive motivators (around 30% rated these highly).

Also mentioned was the impact of peer pressure and board members hearing 'success stories' from board members from other organisations, and of the importance of recognition by DADHC of the organisation's governance competence.

4. CONTEXTUAL ISSUES AND TRENDS

A number of issues that impact on the governance of DADHC funded NGOs were identified from interviews with senior managers and board members, and from interviews with representatives of peak bodies. The interviews with peak body representatives also specifically addressed the issue of external trends and other factors in the funding and policy environment that affect DADHC funded NGOs.

Four main factors – some of which are interrelated - were identified:

- ❑ **Increasing 'professionalisation' of NGO governance:** It is evident in the literature over the past few decades (see 'References' at the end of this report) and in the concerns expressed by respondents that there has been a gradual increase in awareness of the need for board members to have specific skills and expertise. This has been driven in part by increasing regulation of funded services and complexity of accountability requirements.

This change is impacting on:

- the composition of boards and the role played by client/client advocate representatives in particular – there are dangers inherent in 'professionalised' boards making decisions that are inadequately informed from a client perspective
- recruitment of suitably skilled board members, for whom there is now more demand
- boards with long standing members with limited governance skills, who are faced with a need to restructure the composition of their boards
- smaller organisations, as governance requirements become unnecessarily complicated.

(Note: Evidence from this study, and other research, is that NGOs have also responded positively to this challenge, with many incorporating board development, board review and change over the past few years.)

- ❑ **Increases in contractual expectations from government funding bodies:** This is a 'driver' for increased professionalisation of boards, but also a pressure itself on funded NGOs.

This change is impacting on:

- the workload of boards (particularly for organisations with multiple sources of funding)
- smaller organisations administering multiple complex requirements.

- **Changes in operating environment:** There are ongoing and constant changes in the policy and funding environment of DADHC funded NGOs that impact on:
 - the ability of boards to respond to changes in the regulatory environment. Currently this includes:
 - a new NSW Associations Act which is aligned strongly with Corporations Law and which may require many boards to review their compliance
 - specific services being brought within mainstream standards and regulations requiring some service types to review practices and make changes (e.g. Community Transport, Food Services)
 - the ability of boards to keep up with and respond to changes in funding, government policy and 'big picture' social trends.
- **Competitive tendering and industry consolidation:** Changes in government contracting have been occurring for some time, with impacts on small to medium organisations in particular. General movement toward industry consolidation and the introduction of competitive tendering have combined to put pressure on the viability of smaller organisations, particularly in competition with large and/or for profit organisations.

5. IMPLICATIONS FOR PROGRAM DESIGN

5.1 Key messages

The following key messages for the design of the Good Governance Program have been drawn from the comments and suggestions made by participants in the research:

- ❑ **Avoid a 'deficit' approach:** There is no evidence that there are any major governance deficits across DADHC funded NGOs, although some organisations may need to make improvements. Many board members are (or think they are) highly experienced and not in need of 'training'. Governance development that is aimed at improving outcomes for clients and service delivery will be more attractive to current board members than 'training' to address skills deficits.
- ❑ **Provide activities with immediate practical relevance:** Board members do not have the time or inclination to participate in anything that they do not see as immediately relevant and useful to the work they are doing. This requires that program content is tailored and responsive to the issues identified in the research as concerns for senior staff and boards, and tailored to individual organisational needs.
- ❑ **Acknowledge the contribution and constraints of voluntary board members:** Board members have limited time and energy, are unpaid and their board role is secondary or peripheral in their life. Expectations of their interest in additional development work need to be realistic and respectful of the contribution they are already making.
- ❑ **Pitch appropriately:** Content needs to be practical and applied, and language needs to be free of jargon.
- ❑ **Resource and support change agents:** Most board members have limited time and capacity to participate in activities beyond their own board work. However, individual board members and senior staff can have significant impact on board development if they are adequately supported and resourced to problem solve and lead board change.
- ❑ **Reimburse participation:** Financial reimbursement enables and encourages board members to participate in activities away from their organisation. It can stimulate participation rates generally and take the burden of payment from individual volunteers or organisations.

5.2 Recommended priority program targets

The following target groups and activities are recommended for the core part of the Good Governance Program.

| Target group | Activity type | Aim |
|---|---|--|
| <ul style="list-style-type: none"> Boards below baseline competence | <ul style="list-style-type: none"> In-house development in response to identified issues | <ul style="list-style-type: none"> Support boards to achieve baseline competence or restructure composition |
| <ul style="list-style-type: none"> Boards with specific problems | <ul style="list-style-type: none"> In-house development in response to identified issues | <ul style="list-style-type: none"> Resolve problems |
| <ul style="list-style-type: none"> Active board members/senior staff (potential change agents) | <ul style="list-style-type: none"> 'CEO' forums Board member forums Support resources for IYB Manual | <ul style="list-style-type: none"> Support to lead board change and development Seed change via individual board members |
| <ul style="list-style-type: none"> Board members (general) Office bearers | <ul style="list-style-type: none"> Regional/local topic based sessions | <ul style="list-style-type: none"> Increase general knowledge and capacity on key aspects of governance Ensure office bearers understand particular areas of responsibility (board leadership, financial management, legal compliance) |

5.3 Recommended approach and delivery

5.3.1 Program components

The following components are recommended:

- A program of short workshops provided as physically close to organisations as possible.
- Tailored self directed or consultant serviced programs for individual organisations in conjunction with individual organisational assessments.
- Consultant support to individual organisations by phone or on site.
- Support resources for the *'It's Your Business'* manual in the form of short guides and information sheets.
- A CD/DVD for use by boards as discussion starter and by individuals as an orientation or general skill development in 'board basics'.
- A reimbursement fund providing direct set amount payments to board members attending off site workshops.
- Coordinated activity with HACC peak bodies and (where appropriate) assistance to them to conduct or extend governance related activities.

5.3.2 Delivery modes

The following delivery modes are recommended:

- Intensive in-house work with selected individual organisations.
- Half day or evening workshops (local) – week days with a 4.30pm or 5pm start is likely to create the highest take up for most board members. A day time alternative for non working board members with children should also be considered.
- Workshops for managers and CEOs - ideally based at a local or regional locations. Web based seminars should also be considered for this group.
- Web based seminars – these elicited a low response in the survey but they have the potential to work well if promoted.

5.3.3 Branding and promotion

Referring to the 'key messages' (section 5.1), the program should be branded as 'board development' rather than 'training' and promoted as assisting DADHC funded organisations to improve their ability to support and service their clients and communities. Key messages in promotion should emphasise:

- the value to clients and community of good governance of the organisation
- the practical and problem solving nature of the program
- that even experienced board members can benefit from board development.

5.4 Conclusion

The research identifies clear directions in terms of the scope of content, the range of delivery modes and the general approach to the design and delivery of the Good Governance Program. In summary, the Program needs to provide the following:

- A content program that addresses the working agenda and expressed needs of boards, the priority topic areas identified and the concerns and challenges expressed by senior managers.
- A range of delivery methods that provide practical and applied content within an action learning framework.
- A system and tools for organisational board assessments and governance development planning to enable the design of tailored programs for individual organisations, with links to support resources to assist the implementation of improvements in governance.

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ATTACHMENT 1: Online survey

Good Governance Program for DADHC Funded Boards

About this survey

Thank you very much for completing this survey. Each DADHC funded organisation, and their individual board members is being given the opportunity to self assess their competencies and subsequent training and development needs. The survey consists of 3 short pages, and should take about 10 minutes to complete.

You will be answering some questions on behalf of Board or Management Committee members of your organisation. If you have not already spoken with members of your Board or Management Committee about their development needs and preferences, we suggest that you do so before completing this survey.

A 'talking points' guide will have been sent to you with the invitation to complete this survey. If you cannot locate this, you can retrieve a copy from the NDS website: www.nds.org.au/nsw/governance.html

This is a confidential survey, and no information about individual organisations will be made public or provided to DADHC.

ABOUT YOUR BOARD OR MANAGEMENT COMMITTEE

1. How long has your organisation been in existence?
 - Less than 2 years
 - 3 - 5 years
 - 6 - 10 years
 - 11 - 20 years
 - 21 - 40 years
 - more than 40 years
 - Not sure
2. What form of incorporation does your organisation have?
 - Association
 - Company Limited by Guarantee
 - Aboriginal or Torres Strait Islander Corporation
 - Cooperative
 - Church based
 - Special Act of Parliament
 - Don't know
 - Other, please specify
3. In the constitution of your organisation how many people are required to be on the Board/Management Committee?
 - 5 or less
 - 6 - 10
 - 11 - 15
 - More than 15
4. How many Board/Management Committee positions are currently vacant?
 - None
 - 1 or 2
 - 3 - 5
 - more than 5

The next section is about the types of people usually on the Board/Management Committee of your organisation.

(Respondents selected from the following for each question):

- None
- 1 or 2
- About 1/4
- About 1/2
- About 3/4
- Most or all

5. How many people with specific professional governance related expertise (e.g. legal, business planning etc) are usually on the Board/Management Committee of your organisation?

6. How many people with specific professional expertise related to your clients are usually on the Board/Management Committee of your organisation?

7. How many people with disability, frail older people or parents/carers are usually on the Board/Management Committee of your organisation?

8. How many general community members are usually on the Board/Management Committee of your organisation?

9. How many representatives of other agencies or groups are usually on the Board/Management Committee of your organisation?

10. How many people who work in other community service organisations are usually on the Board/Management Committee of your organisation?

11. If there are people with disability, frail older people or parents/carers on the Board/Management Committee of your organisation, are there any particular structures, practices or processes in place to support their involvement as Board/Management Committee members.

- No/Not applicable
- Yes - Please describe the type of support provided

About completing this survey

12. As the person completing this survey on behalf of your organisation, what is your main role with this organisation?

- Most senior staff person (Executive Officer, Manager, Coordinator or similar)
- Chairperson or President of the Board/Management Committee
- Other Officer Bearer of the Board/Management Committee (Treasurer, Secretary, Public Officer)
- Ordinary Board/Management Committee member
- Other staff member
- Other, please specify

13. To what extent did you use the discussion questions from the 'talking points' guide with members of your Board/Management Committee in preparation for this survey?

- Have not discussed with any Board/Management Committee members
- Discussed issues with one Board/Management Committee member
- Discussed issues with 2-3 Board/Management Committee members
- Discussed issues with more than 3 Board/Management Committee members
- Discussed issues with whole Board/Management Committee at a meeting

ABOUT YOUR BOARD OR MANAGEMENT COMMITTEE'S DEVELOPMENT NEEDS

14. In the past 2 - 3 years have any of your Board/Management Committee members taken part in skill development activities related to their governance role? Please tick any of the following that apply.

- No
- A few members have attended training or information sessions privately
- Most members have attended training or information sessions privately
- The Board/MC has reviewed its skill development needs
- The Board/MC follows a planned development program

- Members have attended information sessions as part of the organisation's annual planning process
- Members have attended training or information sessions held as part of Board/MC meeting
- Members have attended training or information sessions organised by the organisation at other times
- Mentoring is provided by an external specialist attending and assisting in Board/MC meetings
- Members have attended external conference/s with governance related topics
- Members have attended external training programs on governance related topics
- Members have used online training or information programs on governance related topics
- Members have read or used governance related manuals or handbooks
- Other, please specify

15. Are there any particular resources or external providers of governance training or development that your members have used and would recommend? If so, please list these.

16. Have any of your Board or Management Committee undertaken a certificated governance course?

- No Yes - at least one member has commenced a course
- Yes - at least one member have completed a course
- Don't know

17. If 'yes', which course was that?

- Certificate or Diploma in Business (Governance)
- Australian Institute of Company Directors
- Other, please specify

18. To what extent does your Board or Management Committee (MC) feel a need to develop skills, knowledge or practices in each of the following areas? If you have not discussed this with any Board/MC members, or do not know how members feel about this issue, please skip this question and go to Q 19.

(Respondents rated each item on a scale of 1 (very high need) to 5 (very low need))

- Strategic and business planning
- Financial management
- Development of organisational policies
- Organisational monitoring
- Legal compliance
- Risk management
- Supervision and support of the senior staff member (EO/Manager)
- Board/MC member duties
- Meeting processes (e.g. agenda preparation, minutes, papers, board calendars)
- External Board/MC communications (e.g. public relations, organisational profile)
- Delegations to staff and Sub-committees
- Working relationships between Board/MC members
- Working relationships between senior staff and the Board/MC
- Managing relationships with other agencies (including funding bodies)
- Recruitment and retention of Board/MC members
- Chairing and leading the Board/MC
- Fundraising
- Understanding of the organisation and its services/activities
- Evaluation of the Board/MC

19. From your perspective, how capable do you think the members of your Board or Management Committee (MC) are of performing their role in each of the following areas?

(Respondents rated each item on a scale of 1 (not very capable) to 5 (very capable))

- Strategic and business planning
- Financial management
- Development of organisational policies
- Organisational monitoring
- Legal compliance
- Risk management
- Supervision and support of the senior staff member (EO/Manager)
- Board/MC member duties
- Meeting processes (e.g. agenda preparation, minutes, papers, board calendars)
- External Board/MC communications (e.g. public relations, organisational profile)
- Delegations to staff and Sub-committees
- Working relationships between Board/MC members
- Working relationships between senior staff and the Board/MC
- Managing relationships with other agencies (including funding bodies)

- Recruitment and retention of Board/MC members
- Chairing and leading the Board/MC
- Fundraising
- Understanding of the organisation and its services/activities
- Evaluation of the Board/MC

20. What proportion of your Board or Management Committee (MC) would be likely to participate in or make use of the following types of board development activities?

(Respondents selected from the following for each option):

- A few would consider
- About 1/2 would consider
- Most would consider
- Most would prefer
- None
- Don't know

- Sessions held at your organisation
- Evening workshops held within 1 hour travel
- 1/2 day workshops held within 1 hour travel
- Day long workshops held within 1 hour travel
- 1 or 2 day workshops held in Sydney
- Teleconference or web conference sessions with a trainer/facilitator
- Structured online (internet) programs
- Online information and resources
- CD Roms or DVDs
- Hard copy written material

21. What proportion of your Board/Management Committee would be willing to spend any additional time on board development activities?

(Respondents selected from the following for each option):

- None
- About 1/4
- About 1/2
- About 3/4
- Most
- Don't know

- Would not spend any additional time
- An additional half day per year
- 1 - 2 days per year
- 2-3 hours every 3 months
- 2-3 hours per month

22. To what extent would any of the following motivate or assist your Board/Management Committee members to participate in board development activities?

(Respondents selected from the following for each option):

- Would have no impact
- Would not have much impact
- Would motivate a few
- Would motivate some
- Would motivate most
- Don't know

- Reimbursement of expenses
- Recognition by their employer as professional development
- Credit towards a qualification in governance
- Compliance with service standards
- Commitment to improving the governance of the organisation

23. Please tell us of any other ways that your Board or Management Committee members could be encouraged and supported to participate in development activities:

ABOUT YOUR ORGANISATION

The information that you provide in this section is confidential and is for tracking survey returns and statistical purposes only.

24. Name of organisation
25. Name of parent organisation (if applicable)
26. Please indicate which of the following NSW agencies or programs provide funding to your organisation.
 - NSW Department of Ageing, Disability and Home Care
 - (DADHC) - HACC Program
 - NSW DADHC - Disability Support Program
 - NSW Department of Transport - HACC Program
 - NSW Department of Community Services
 - Other NSW State Government agency - please specify
27. Does your organisation receive funding from any other sources?
 - No
 - Federal Government agency or program
 - Local Government
 - Other, please specify
28. Which of the following types of services do you provide?
 - Attendant care/personal care or domestic assistance
 - Behaviour/specialist intervention
 - Case management, local coordination and development
 - Centre-based day care/respite
 - Community support/social support
 - Counselling, support, information, referral, advocacy
 - Development and/or access workers
 - Drop-in/in-home accommodation support
 - Early childhood intervention
 - Flexible/other respite
 - Home Maintenance /Home Modification
 - Learning and life skills development
 - Meals/Other Food Services
 - Mutual support/self-help groups
 - Nursing or Allied Health Care
 - Peak body
 - Recreation/holiday programs
 - Research and evaluation
 - Residential facility/group homes
 - Therapy support for individuals
 - Transport
 - Other, please specify
29. Are the members of your organisation and its Board/Management Committee predominantly from any of the following communities or groups:
 - No particular grouping
 - Aboriginal or Torres Strait Islander
 - From a particular non-English speaking background community
 - From several non-English speaking background communities
 - From a particular cultural or linguistically diverse group -please specify
30. How many equivalent full time paid staff are employed by your organisation?
 - None
 - 1 - 2
 - 3 - 5
 - 6 - 10
 - 11 - 20
 - 21 - 50
 - 51 - 100
 - more than 100

31. How many volunteers work for your organisation (not including Board/Management Committee members)?
- None
 - Less than 10
 - 11 - 50
 - 51 - 100
 - over 100
32. What is the approximate annual income of your organisation?
- less than \$150,000
 - \$150,000 - \$500,000
 - \$500,000 - \$1 million
 - \$1 million - \$3 million
 - \$3 million - \$5 million
 - \$5 million - \$10 million
 - Over \$10 million
33. Approximately what proportion of your total income is from DADHC or the HACC program?
- Less than 5 %
 - 5% - 25%
 - 25% - 50%
 - 50% - 75%
 - 75% - 100%
34. In total, approximately how much does the organisation usually spend a year on development activities for the Board/Management Committee?
- Nothing
 - Less than \$500 per year
 - \$500 - \$1,500 per year
 - \$1,500 - \$3,000 per year
 - \$3,000 - \$6,000 per year
 - More than \$6,000 per year
 - Other, please specify
35. Do you have any other comments you would like to make about how this project could best assist your Board/Management Committee achieve excellence in its work?

ATTACHMENT 2: NGO interview questions

1. Thinking about the role of the Board/Management Committee and the areas of work it is responsible, which areas does your Board/Management Committee find most challenging?

For example:

- Recruiting members and maintaining a viable and skilled Board/Committee
 - Setting directions for the organisation, providing leadership through planning.
 - Ensuring that the organisation is performing well by monitoring the quality and effectiveness of services and other aspects of the organisation's activities.
 - Managing risk and ensuring that the organisation complies with legal requirements and obligations
 - Financial management
 - Running meetings
 - Other:
2. Over the past year has the Board/Management Committee had any difficulty with performing its role in terms of taking decisions and ensuring that these decisions are implemented? If 'yes', what aspect in particular have the Board/Management Committee had difficulty with?
 3. How well does the Board/Management Committee work together? Are there any personalities or interpersonal dynamics that affect the overall effectiveness of the Board/Management Committee? If 'yes', can you describe these?
 4. Thinking about the level of detail that the Board/Management Committee involves itself in, how would you rate this between 1 and 5, where **1 represents involvement in none of the day to day activities** and **5 represents a lot of involvement** and discussion about day to day activities.
 5. Thinking about the level of decision making that the Board/Management Committee delegates to the senior staff, how would you rate this between 1 and 5, where **1 represents a low level of delegation** – with the Board/Management Committee making the decisions about most things - and where **5 represents a high level of delegation** with the Board/Management Committee only making high level decisions.
 6. Overall, do you feel that the Board/Management Committee has the right balance in its relationship with the senior staff person? If 'no', in what way is the relationship not well balanced?
 7. Are there any tensions or difficulties in the relationship between the Board and the manager? If so, what are these about?
 8. How does learning and skill development for the Board/Management Committee currently happen – for example:
 - It doesn't happen at all
 - Attendance at conferences
 - Manager briefs the Board/Management Committee
 - Individual Board/Management Committee members bring information to the Board/MC
 - Board/Management Committee invites guest speakers or has in-house training
 - Other
 9. Have you used any resources or providers/trainers for governance development that you would recommend?

10. Are there any aspects of the work of the Board/Management Committee where you would like to see improvements or changes?
11. Regarding any learning and development work for the Board/Management Committee, do you think that members of your Board/Management Committee would:
 - See the need?
 - Have the interest?
 - See it as part of their role as Board/MC members?
 - Make the time to participate?
12. What would help your Board/Management Committee to work better? How could this best be delivered or achieved?
13. What would be the best way to engage or interest your Board/Management Committee members in participating in a learning and development program?

At the end of the interview you will be asked for the following information for statistical purposes:

- a) What the main service type is that you offer under your DADHC funding
- b) The approximate the annual income of your organisation
- c) The approximate proportion of your total income that is from DADHC or the HACC program

The information you provide in this interview will be completely confidential and only aggregated (non identifiable) information will be reported.

ATTACHMENT 3: Focus group questions

1. As Executive Officers/Managers, what do you find most challenging about working with your Board or Management Committee.
2. Thinking about your Board/Management Committee, what aspects of their work and responsibilities do you think your Board/Management Committee members have most difficulty with?
3. Have you or your Board/Management Committee ever considered learning or development activities for the Board/Management Committee? If so:
 - What prompted this
 - What development activities did the group consider
 - Did these take place
 - What were the responses of the group to undertaking development work
 - Are there any resources or providers that you would particularly recommend
4. Generally, how do you think your Board/Management Committee members feel about learning and development activities for Board/Management Committee members?
5. As the senior staff person, what changes or improvements would you like to see in the way your Board/Management Committee does its work?
6. What would assist your Board/Management Committee to make these changes? Explore:
 - What types of development activities would work best
 - What would the Board/Management Committee members be most likely to participate in
 - What could be done to encourage or facilitate participation

ATTACHMENT 4: Peak body interviews

The following peak bodies interviewed:

- Aged and Community Services
- NSW Meals on Wheels Association
- National Disability Services NSW
- NSW Council of Social Service

Other HACC peak bodies also contacted for information about their governance related activities:

- Community Options
- Community Transport Organisation (CTO)
- Interchange
- Local Community Services Association
- Neighbour Aid and Social Support Association
- HACC Development Officers network.

Interviews Questions: Peak Bodies

1. What are the main concerns you have about the quality and effectiveness of governance within your constituent organisations?
2. What do you see as the contextual factors – 'forces and drivers' – that are impacting on DADHC funded organisations, and their boards in particular currently, or will in the near future?
3. What factors are likely to impact on participation by boards and management committees in the Good Governance Program (both positively and negatively)?
4. Are there any other factors that may impact on the overall outcomes of the program?
5. What governance development resources or activities is your organisation involved in providing to constituent organisations? Please list any activities (including dedicated sessions at conferences):
 - undertaken in the past 2 -3 years
 - currently under way
 - planned
6. From what you know to be already available, what types of governance development resources or activities do you think need to be developed, provided or promoted by the Good Governance Program? Where are the main gaps?
7. From your experience, what do you think your constituent organisations are most likely to participate in and benefit from by way of governance development activities?