Introduction

Australian Not-For-Profit (NFP) organisations have operated for charitable and social activities since the early days of European settlement, bringing the English long history of charitable works to the new society.

The legal structures for these have evolved over the years so that, in a 2011 Consultation Paper, the Treasury was to say:

“The current governance arrangements for NFPs in Australia are complex, ad hoc, and can lack transparency. Existing arrangements can also be duplicative, often resulting in high and unnecessary compliance costs.” page 9.

While there are many explanations of governance, the Treasury Consultation Paper makes this summary (taken from a Chartered Secretaries Australia paper):

“For NFPs, governance is focussed on how they deliver their mission in the most appropriate way, with due regard for legal requirements, accountability, stakeholder expectations and even ethical considerations.”

This Review will cover several approaches to ‘governance models’ as the term is used with many meanings. Here the review will cover:

1. Australian legal structures,
2. Governance operation models,
3. Representation models,

in Australian NFPs. Some reference to models in other countries will be made.

---

1 Review of not-for-profit governance arrangements. Consultation Paper. The Australian Government, the Treasury. 8 December 2011
Australian NFP Legal Models

The best summary of Australian models of the legal framework authorising NFPs is in the Treasury Consultation Paper noted above (see Footnote 1).

The paper notes the following frameworks used:

1. Companies Limited by Guarantee
2. Corporations under the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI Act)
3. Incorporated Associations
4. Charitable Trusts
5. Unincorporated Associations
6. Joint Ventures (or Partnerships)
7. Co-operatives (including Mutual and Member-Owned firms)
8. Special and specific statutes
9. Royal Charters
10. Local operations of an overseas NFP

Some details of these types are in the following table.
<table>
<thead>
<tr>
<th>Type</th>
<th>Act</th>
<th>Regulator</th>
<th>Governance rules</th>
<th>Governance Model</th>
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</thead>
</table>
| Companies Limited by Guarantee| Corporations Act (2001) Cwlth and Australian Charities and Not-for-profits Commission Act 2012 (Cth) | ACNC (or ASIC)                         | ACNC Governance Standards:  
Standard 1: Purposes and not-for-profit nature  
Charities must be not-for-profit and work towards their charitable purpose. They must be able to demonstrate this and provide information about their purposes to the public.  
Standard 2: Accountability to members  
Charities that have members must take reasonable steps to be accountable to their members and provide them with adequate opportunity to raise concerns about how the charity is governed.  
Standard 3: Compliance with Australian laws  
Charities must not commit a serious offence (such as fraud) under any Australian law or breach a law that may result in a penalty of 60 penalty units (currently $10 200) or more.  
Standard 4: Suitability of responsible persons  
Charities must take reasonable steps to:  
- be satisfied that its responsible persons (such as board or committee members or trustees) are not disqualified from managing a corporation under the Corporations Act 2001 (Cth) or disqualified from being a responsible person of a registered charity by the ACNC Commissioner, and | ACNC provides guides and a Template Constitution |

Refer to:  
https://www.acnc.gov.au  
<table>
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<tr>
<th>Type</th>
<th>Act</th>
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<th>Governance rules</th>
<th>Governance Model</th>
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</table>
| Corporations under the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI Act) | Corporations (Aboriginal and Torres Strait Islander) Act 2006 (Cth) | Office of the Registrar for Indigenous Corporations (ORIC)                | • remove any responsible person who does not meet these requirements.  
  
  Standard 5: Duties of responsible persons  
  Charities must take reasonable steps to make sure that responsible persons are subject to, understand and carry out the duties set out in this standard.  
  
  Yes:  
  An Aboriginal and Torres Strait Islander corporation must have a written constitution, which at a minimum:  
  • sets out the corporation’s name and objectives  
  • sets out a dispute resolution mechanism for disputes internal to the corporation. The constitution may also:  
  • modify or replace some or all of the ‘replaceable rules’, and/or  
  • add other rules, provided they are workable and consistent with the Act  
  • change the way some of the set laws work for the corporation.  
  
  ORIC publishes suggested Rules and Good Governance guides.                                                                 |-------------------------------------------------------------------------------------------------------|
<p>| Incorporated associations                        | Associations Incorporation Act 1991 (ACT)                           | Office for Regulatory Services (ACT)                                       | Yes                                                                                                                                   | Each Regulator provides guidelines or explanatory material                                            |</p>
<table>
<thead>
<tr>
<th>Type</th>
<th>Act</th>
<th>Regulator</th>
<th>Governance rules</th>
<th>Governance Model</th>
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<tbody>
<tr>
<td>1981 (Qld)</td>
<td>Associations Incorporation Act 1985 (SA)</td>
<td>Office for Fair Trading (Qld)</td>
<td>Varies by each Act.</td>
<td>ATO provides a template “Private ancillary fund model trust deed”</td>
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<td></td>
<td>Associations Incorporation Act 1964 (TAS)</td>
<td>Consumer and Business Services (SA)</td>
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<td></td>
<td>Associations Incorporation Reform Act 2012 (VIC)</td>
<td>Office of Consumer Affairs and Fair Trading (Tas)</td>
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<td></td>
<td>Associations Incorporation Act 2015 (WA) [to apply from 1 July 2016]</td>
<td>Consumer Affairs Victoria</td>
<td></td>
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<td></td>
<td></td>
<td>Department of Commerce (WA)</td>
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<tr>
<td>Charitable trusts</td>
<td>New South Wales:</td>
<td>Various Ministers with responsibilities under the Acts.</td>
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<tr>
<td></td>
<td>• Trustee Act 1898,</td>
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<td></td>
<td>• Trustee Act 1925,</td>
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<td></td>
<td>• Trustee Companies Act 1964</td>
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<td>Northern Territory</td>
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<td>• Trustee Act 2007</td>
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<td></td>
<td>Queensland</td>
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<tr>
<td></td>
<td>• Charitable Funds Act 1958</td>
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<td></td>
<td>• Trusts Act 1973</td>
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Charitable trusts

- New South Wales:
  - Charitable Trusts Act 1993,
  - Trustee Act 1898,
  - Trustee Act 1925,
  - Trustee Companies Act 1964

- Northern Territory
  - Trustee Act 2007

- Queensland
  - Charitable Funds Act 1958
  - Trusts Act 1973

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<th>Governance rules</th>
<th>Governance Model</th>
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<td>• Trustee Companies Act 1968</td>
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<tr>
<td></td>
<td>• Trustee Companies Regulation 1996</td>
<td></td>
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<tr>
<td>South Australia</td>
<td>• Public Charities Funds Act 1935</td>
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<td></td>
<td>• Trustee Act 1936</td>
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<td>• Trustee Companies Act 1988</td>
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<td>Tasmania</td>
<td>• Public Trustee Act 1930</td>
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<td></td>
<td>• Public Trustee Regulations 1999</td>
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<td>• Public Trusts Act 1882</td>
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<td>Victoria</td>
<td>• Charities Act 1978</td>
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<td></td>
<td>• Trustee Act 1958</td>
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<td></td>
<td>• Trustee Companies Act 1984</td>
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<tr>
<td>Western Australia</td>
<td>• Charitable Trusts Act 1962</td>
<td></td>
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<td></td>
<td>• Public Trustee Act 1941</td>
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<td>• Trustee Companies Act 1987</td>
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<td>• Trustees Act 1962</td>
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<th>Governance rules</th>
<th>Governance Model</th>
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<tr>
<td>Unincorporated associations</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Joint venture</td>
<td>General commercial law</td>
<td>N/a</td>
<td>N/a</td>
<td>N/a</td>
</tr>
<tr>
<td>Co-operatives (including Mutual and Member-Owned firms)</td>
<td>State's Co-operatives Laws – being harmonised to common 'Co-operatives National Law'.  Mutuals and financial cooperatives are covered by the Commonwealth Corporations Act.</td>
<td>State Business and Commerce Departments ASIC, APRA, ACNC, ATO</td>
<td>Yes, within the Acts</td>
<td>Model Rules and templates provided by State Governments</td>
</tr>
<tr>
<td>Special and specific Acts</td>
<td>Specific Act</td>
<td>Various State Ministers responsible for relevant Act</td>
<td>Yes, within the Act</td>
<td>N/a</td>
</tr>
<tr>
<td>Royal Charters</td>
<td>Authorisation by the Governor-General. No new Charters being established</td>
<td></td>
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<tr>
<td>Local operations of an overseas NFP</td>
<td>Corporations Act 2001</td>
<td>ASIC</td>
<td>Yes, within the Act</td>
<td>Reporting requirements only</td>
</tr>
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</table>

“Incorporation of nonprofit organisations can also be obtained by a special Act of Parliament and by royal charter. Incorporation by royal charter involves the use of royal prerogatives to incorporate a body usually by letter patent. An example of this is the Institute of Chartered Accountants. The Prime Minister's Office, which is responsible for such matters, will no longer process such applications.” McGregor-Lowndes. “Template for Comparative Country Studies on Laws and Regulations Governing Charitable Organizations” for “International Charity Law: Comparative Seminar”, Beijing China October 12-14, 2004
Governance Operating Models

Writing about governance operating models have increased since the 1970s, in line with increases in the amount of literature produced for business operating models. The key development over this time has been the desire for NFP governance to mimic as closely as possible the governance models of for-profit organisations. This trend continues:

“The convergence of governance of not-for-profit boards towards the modes of governance more typically seen in for-profit boards continues to gather pace as part of a broader, although not entirely consistent, pattern of convergence of corporate governance globally.”

One driving factor was the view that NFP governance was generally ineffective. In setting the scene for their NFP governance model in 2001 John and Miriam Carver summarised the position as:

“We do not intend to demean the intent, energy, and commitment of board members. There are today many large and well known organizations that exist only because a dedicated group of activists served as both board and staff when the organization was a "kitchen table" enterprise. Board members are usually intelligent and experienced persons as individuals. Yet boards, as groups, are mediocre. “Effective governance by a board of trustees is a relatively rare and unnatural act … trustees are often little more than high powered, well intentioned people engaged in low level activities” (Chait, Holland, and Taylor, 1996, p. 1). "There is one thing all boards have in common … They do not function” (Drucker, 1974, p. 628). "Ninety five percent (of boards) are not fully doing what they are legally, morally, and ethically supposed to do” (Geneen, 1984, p.28). "Boards have been largely irrelevant throughout most of the twentieth century’ (Gillies, 1992, p. 3). Boards tend to be, in fact, incompetent groups of competent individuals.”

The Carvers then develop their model based around this concept:

“The Policy Governance model conceives of the governing board as being the on site voice of that ownership. Just as the corporate board exists to speak for the shareholders, the nonprofit board exists to represent and speak for the interests of the owners.” (Carver 2001)

But the common theme through literature through to the present is that NFPs and for-profits are different – for example in a discussion on school governance in Queensland:

“A second point remains, namely, that for-profit companies and NFPs ultimately have divergent purposes. The principal purpose or aim of for-profit entities is profit-seeking. On the other hand, NFPs’ ultimate purpose is to ‘achieve a community, altruistic or philanthropic purpose’.”

__________________________
However Lessing et al observed that: “Although board governance is much researched (modern discourse on corporate governance dates back to the 1930s), Hough, McGregor-Lowndes and Ryan (2005) note that there is much less scholarship devoted to the governance of NFP boards.” (Lessing et al 2012)

A key part of these models developed particularly after Drucker is the separation of the Board (or other-named governing body) and the paid management. This separation remains strong with it the key in models and advice given, for example in:


- “Governance and management are different concepts, although in small organisations it may be hard to keep them separate.” Nonprofit Governance, Framework for Governance Improvement. Australian Centre for Philanthropy and Nonprofit Studies [https://wiki.qut.edu.au/display/CPNS/Nonprofit+Governance](https://wiki.qut.edu.au/display/CPNS/Nonprofit+Governance) accessed 29 March 2016Governance

- “Cyril Houle, a governance expert and author often cited in board governance resources, defines the board's role and responsibilities based on three different activities of organizations:
  1. Governance: The board develops policies that give overall direction to the agency.
  2. Management: The board takes actions and makes decisions to ensure that there are sufficient and appropriate human and financial resources for the organization to accomplish its work.
  3. Operations: These are the activities related to the delivery of services or programs of the organization. (The degree to which this occurs depends on the board governance structure.)” Board Governance Resource Guide. Cindy Davidson. Community Literacy of Ontario. 2014.: [www.communityliteracyofontario.ca/resources/publications/](http://www.communityliteracyofontario.ca/resources/publications/)

**Governance Principles**

Many organisations provide guidance to NFPs on 'good governance' principles. The following are some examples:

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<tr>
<th>Title and Publisher</th>
<th>Principles</th>
<th>Location</th>
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</table>
| Good Governance Principles And Guidance For Not-For-Profit Organisations | 1 Roles and responsibilities  
There should be clarity regarding individual director responsibilities, organisational expectations of directors and the role of the board. 2 Board composition  
A board needs to have the right group of people, having particular regard to each individual's background, skills and experience, and how the addition of an individual builds the collective capability and effective functioning of the board. 3 Purpose and strategy  
The board plays an important role in setting the vision, purpose and strategies of the organisation, helping the organisation understand these and adapting the direction or plans as appropriate. 4 Risk – recognition and management  
By putting in place an appropriate system of risk oversight and internal controls, boards can help increase the likelihood that their organisation will deliver on its purpose. 5 Organisational performance  
The degree to which an organisation is delivering on its purpose can be difficult to assess, but this can be aided by the board determining and assessing appropriate performance categories and indicators for the organisation. 6 Board effectiveness  
A board’s effectiveness may be greatly enhanced through: careful forward planning of board-related activities; board meetings being run in an efficient manner; regular assessments of board performance; having a board succession plan; and the effective use of sub-committees, where appropriate. 7 Integrity and accountability  
It is important that the board have in place a system whereby: there is a flow of information to the board that aids decision-making; there is transparency and accountability to external stakeholders; and the integrity of financial statements and other key information is safeguarded. 8 Organisation building  
The board has a role to play in enhancing the capacity and capabilities of the organisation | http://www.companydirectors.com.au/~/media/resources/director-resource-centre/nfp/nfp-principles-and-guidance-131015.ashx |
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<td><strong>they serve.</strong> 9 Culture and ethics The board sets the tone for ethical and responsible decision-making throughout the organisation. 10 Engagement The board helps an organisation to engage effectively with stakeholders.</td>
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<tr>
<td>Good Governance: A Code for the Voluntary and Community Sector. The Code Founding Group (UK) 2010</td>
<td>An effective board will provide good governance and leadership by: 1. understanding their role 2. ensuring delivery of organisational purpose 3. working effectively both as individuals and a team 4. exercising effective control 5. behaving with integrity 6. being open and accountable.</td>
<td><a href="http://www.governancecode.org/">http://www.governancecode.org/</a></td>
</tr>
<tr>
<td>Corporate Governance Handbook for Company Directors and Committee Members: A Reference Guide to Understanding the Serious Commitment of being a Company Director or Committee Member Second edition June 2010 Australian Government Department of Families, Housing, Community Services and Indigenous Affairs</td>
<td>The four core categories of good governance features – Strategy, Performance, Compliance and Accountability – is characterised by ongoing monitoring and evaluation and should be central to the corporate governance framework of an organisation and integrated into key governance related organisational documentation which may include, for instance:  • Strategic and business plans;  • Risk Management plans;  • Marketing and business development plans;  • Stakeholder management plans;  • Board governance manual or charter and Code of Conduct;  • Operational policy and procedure manuals, and an organisational Code of Conduct; and  • Quality Assurance manuals.</td>
<td><a href="https://www.dss.gov.au/sites/default/files/documents/05_2012/gov_handbook_2010.pdf">https://www.dss.gov.au/sites/default/files/documents/05_2012/gov_handbook_2010.pdf</a></td>
</tr>
<tr>
<td>The Policy Governance Model: A critical examination. Working Paper No. CPNS 6 Carver writes that there are ten basic principles on which his model is built (Carver &amp; Carver 1996a). First, the board governs on behalf of people who are not at the board table. As trusteeship</td>
<td></td>
<td><a href="http://eprints.qut.edu.au/12029/">http://eprints.qut.edu.au/12029/</a></td>
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</table>
### Principles

forms the foundation of governance, the board must establish, maintain, clarify and protect the relationship of trust with the legal and moral owners of the organisation.

Second, the board should speak with one voice. The power of directors is not as individuals, but as a corporate entity.

Third, board decisions should predominantly be policy decisions. Even in very small organisations, it is not possible for the board to control every interaction between the organisation and the world. Policies give the board the best means to frame the organisation's interactions.

Fourth, boards should formulate policies in layers, starting from broad statements and working down in logical succession. By starting broad, Carver argues that there is never a policy vacuum.

Fifth, the board should ‘define and delegate, rather than react and ratify’ (Carver & Carver 1996a, p. 9).

Sixth, the main game is the ends to be achieved, that is, the outcomes not the process.

Seventh, the board's best control over the means used by staff is to proscribe, not prescribe. Thus the board maintains prudent control of the organisation by putting certain actions off limits, while not unduly interfering in the work of staff.

Eighth, boards should explicitly design their own products and process.

Ninth, the link between the board and the CEO must be empowering and safe. It should be empowering, in that the CEO should not be subject to second-guessing about individual decisions, provided his or her decisions are consistent with any reasonable interpretation of the board's policy (Carver 2002, pp. 347 –352). The link should be safe in that the CEO's decisions and actions must be within policy.

Tenth, CEO performance must be monitored rigorously, but only against policy criteria explicitly established by the board.

### Location

http://www.createthefuture.com/Presentations/A%20Hybrid%20Board%20Governance%20Model.doc
<table>
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<tr>
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<th>Principles</th>
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<tr>
<td>BoardSource: Twelve Principles of Governance That Power Exceptional Boards</td>
<td>d. Enhance reputation of organization</td>
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<tr>
<td>3. Monitor and improve performance</td>
<td>a. Oversee financial management and ensure appropriate risk management</td>
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<td>b. Monitor performance and ensure accountability</td>
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<td>c. Improve board performance</td>
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1. Constructive Partnership: Exceptional boards govern in constructive partnership with the chief executive, recognizing that the effectiveness of the board and chief executive are interdependent. They build this partnership through trust, candor, respect, and honest communication.
2. Mission Driven: Exceptional boards shape and uphold the mission, articulate a compelling vision, and ensure the congruence between decisions and core values. They treat questions of mission, vision, and core values not as exercises to be done once, but as statements of crucial importance to be drilled down and folded into deliberations.
3. Strategic Thinking: Exceptional boards allocate time to what matters most and continuously engage in strategic thinking to hone the organization's direction. They not only align agendas and goals with strategic priorities, but also use them for assessing the chief executive, driving meeting agendas, and shaping board recruitment.
4. Culture of Inquiry: Exceptional boards institutionalize a culture of inquiry, mutual respect, and constructive debate that leads to sound and shared decision making. They seek more information, question assumptions, and challenge conclusions so that they may advocate for solutions based on analysis.
5. Independent-Mindedness: Exceptional boards are independent-minded. They apply rigorous conflict-of-interest procedures, and their board members put the interests of the organization above all else when making decisions. They do not allow their votes to be unduly influenced by loyalty to the chief executive or by seniority, position, or reputation of fellow board members, staff, or donors.
6. Ethos of Transparency: Exceptional boards promote an ethos of transparency by ensuring that donors, stakeholders, and interested members of the public have access to appropriate and accurate information regarding finances, operations, and results. They also extend transparency internally, ensuring that every board member has equal access to relevant materials when making decisions.
7. Compliance with Integrity: Exceptional boards promote strong ethical values and disciplined compliance by establishing appropriate mechanisms for active oversight.
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<tr>
<td>Governance as Leadership: Three Modes of Governing</td>
<td>They use these mechanisms, such as independent audits, to ensure accountability and sufficient controls; to deepen their understanding of the organization; and to reduce the risk of waste, fraud, and abuse. 8. Sustaining Resources: Exceptional boards link bold visions and ambitious plans to financial support, expertise, and networks of influence. Linking budgeting to strategic planning, they approve activities that can be realistically financed with existing or attainable resources, while ensuring that the organization has the infrastructure and internal capacity it needs. 9. Results-Oriented: Exceptional boards are results-oriented. They measure the organization’s progress towards mission and evaluate the performance of major programs and services. They gauge efficiency, effectiveness, and impact, while simultaneously assessing the quality of service delivery, integrating benchmarks against peers, and calculating return on investment. 10. Intentional Board Practices: Exceptional boards purposefully structure themselves to fulfill essential governance duties and to support organizational priorities. Making governance intentional, not incidental, exceptional boards invest in structures and practices that can be thoughtfully adapted to changing circumstances. 11. Continuous Learning: Exceptional boards embrace the qualities of a continuous learning organization, evaluating their own performance and assessing the value they add to the organization. They embed learning opportunities into routine governance work and in activities outside of the boardroom. 12. Revitalization: Exceptional boards energize themselves through planned turnover, thoughtful recruitment, and inclusiveness. They see the correlation between mission, strategy, and board composition, and they understand the importance of fresh perspectives and the risks of closed groups. They revitalize themselves through diversity of experience and through continuous recruitment.</td>
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<tr>
<td>3rd Edition ASX Corporate Governance Council 2014</td>
<td>Principle 4: Safeguard integrity in financial reporting</td>
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<td>Principle 5: Make timely and balanced disclosure</td>
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<td>Principle 6: Respect the rights of security holders</td>
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<td>Principle 7: Recognise and manage risk</td>
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<td>Principle 8: Remunerate fairly and responsibly</td>
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Theoretical Models of Governance

Due to the great number of models of governance, this section will report on various papers which have reviewed these models. References to the original models and paper are in the summary papers referred to here.

A broad overview of the history and development of business models is provided in:


A good recent summary of NFP governance models is provided by Steven T Reynolds in his DBA thesis:

*The most prevalent theories and paradigms are:

• Agency theory (Jensen & Meckling 1976) is concerned with the relationship between the principal and the agent, specifically where the principal delegates work to the agent (Eisenhardt 1989). The theory assumes that the principal and agent will have different and competing interests (Cornforth 2003). These different interests lead to a misalignment of action by the agent to the principals’ interest. The misalignments are referred to as agency problems or agency costs and they include issues such as self-interest, shirking, risk aversion and measurability of agent tasks (Cornforth & Edwards 1999; Donaldson & Davis 1991; Dulewicz & Herbert 2004; Eisenhardt 1989; Zahra & Pearce-Ill 1989). Cornforth and Edwards (1999) argue that from an agency perspective the main task of the board is to control managers. Agency theory has been the dominant theory, driving legal, economic and financial theorists, informing legislators, regulators and standard-setters of corporate governance arrangements (Cornforth 2003; Hough, McGregor-Lowndes and Ryan 2004).

• The legalistic perspective posits that by carrying out their legally mandated responsibilities, boards contribute to the performance of the organisation (Zahra & Pearce-II 1989). The agency theory definition is similar to that of the legalistic approach where the board is seen to represent the interests of the owners of the organisation, however the board role set is confined to selecting and replacing the chief executive officer, providing advice to and monitoring management and organisation performance (Zahra & Pearce-II 1989).

• Stewardship theory (Donaldson & Davis 1991) is described by Cornforth (2003) as a partnership model, and specifically a partnership between the board and the chief executive officer. Rather than requiring vigilant monitoring to stop the chief executive officer succumbing to agency problems, the chief executive officers are motivated by a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to respect authority, to have a work ethic and a need to exercise responsibility and authority, thereby gaining recognition from peers and bosses (Donaldson & Davis 1991; Letza, Sun & Kirkbride, 2004; Muth & Donaldson 1998).

• Resource Dependency theory (Donaldson & Preston 1995; Provan 1984) views organisations as interdependent with their environment. The main function of the board is to maintain good relations with external stakeholders to ensure the availability of resources and information for the organisation (Cornforth 2003; Pfeffer 1972). An allied perspective to the resource dependency approach is board
interlocking, where directors sit on allied boards, and use their influence and access to information to assist either organisation.

- The democratic perspective sees the board as responsible for representing the interests of wider constituencies which the organisation serves. Central to this perspective are premises of Western society’s democracy, such as one person one vote, that representatives may represent different interests and electorate accountability. Thus the democratic perspective infers that the role of an individual board member is to represent the interests of his or her constituency (Cornforth & Edwards 1999).

- Stakeholder theory (Freeman 1984) is premised on the notion that the corporation should be responsible to a group of wider external stakeholders interests rather than merely shareholders (Cornforth 2003; Dulewicz & Herbert 2004; Letza, Sun & Kirkbride, 2004; Thomsen 2004). This wider group may include suppliers, staff and customers for instance.

- Managerial Hegemony theory states that although shareholders may legally own and theoretically control large corporations, they no longer effectively control them, as control has been ceded to a new professional managerial class (Mace 1971).

- Institutional theory considers the environmental norms and rules that an organisation must conform to in order to achieve legitimacy, thus ensuring actors within those institutions behave in ways that conform to and reinforce norms (DiMaggio & Powell 1983).” (Reynolds page 19)

However Reynold seeks a new approach:

“Emerging and recent literature claims a holistic approach that purports to enable a wider perspective be applied. ‘Holistic’ approaches seek to incorporate factors that may impact corporate governance outcomes such as priorities, preoccupations and political inclinations as indicated by Letza, Sun and Kirkbride (2004) (see section 1.5.1).” (Reynolds, page 21)

As Reynolds is primarily aiming to develop of performance indicator of NFP Board governance activities, he focusses on the Board Intellectual Capital Framework:

“To that end, the BICF also offered by Nicholson and Kiel (2004) appears to provide a more ‘holistic’ view, and importantly, as far as this research is concerned, goes some way towards offering cause and effect relationships and links and therefore, some level of causality.” (Reynolds page 23)

Authenticity Consulting summarise some other approaches:

- Networked Governance (Exploring the Puzzle of Board Design: What’s Your Type? by David Renz, http://www.nonprofitquarterly.org/content/view/69/28/)
- System-wide Governance. (System-Wide Governance for Community Empowerment by Judy Freiwirth and Maria Elena Letona at http://www.bsbpa.umkc.edu/mwcnl/Conferences/Governance2007/Papers/Session%20A/System-Wide%20Governance%20Model%20Freiwirth.pdf )

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8 http://www.authenticityconsulting.com/pubs/BD_gdes/BD_pubs.htm
The Institute of Community Directors Australia have summarised several models:


Representation Models

Most legal structures of Australian NFPs require the organisation to have members who the organisation represents. There are several ways in which the governing group (called Board here) can be constituted to represent those members and the community which it serves by the way in which they vote for the Board.

1. Fully Elected Representation. In this model, all members are entitled to vote for the members of the Board who must also be members.

2. Segment Representation. In this model members are grouped into segments and vote for a representative for position(s) on the Board which are reserved for that segment's representative(s). Representation may be varied to allow for more or less representatives from a certain segment. Segments may be determined on any criteria but common ones are:
   a) Location Representation. Region, suburb, or State. Common in national level organisations.
   b) Activity Representation. Based on groupings of the membership into business type, active or inactive, ownership, or any other.
   c) Age Representation. Members are segmented by age – typically to segment children, or retired people.
   d) Qualification Representation. Members may be segmented based on a qualification (formal or informal), or level of training, or time served, with corresponding variations in the ability to vote for Board members.

3. Partially Elected Representation. The Board in this model has some elected members but also some Board members who may not be members of the organisation:
   a) Board appointed (commonly to allow for the addition of persons with certain skills not usually found within the membership – often legal or finance skills)
   b) Funder appointed
c) Authority appointed (commonly Government)

d) Related body appointed – a 'parent' organisation, or national body.

Combinations of the Segment Representation and Partially Elected Representation types are also common.
Other reading

David Parmenter (2012) Key Performance Indicators for Government and Non Profit Agencies


Carver, J 2001, 'Does the balanced Scorecard have governance value?', Board Leadership: Policy Governance in Action, no. 58, pp. 1,5 &7.


Glaeser, E. (ed.) 2003, The Governance of Not-For-Profit Organizations, University of Chicago Press,


