TRUE TO LABEL?



Measuring value in the non-profit sector in Aotearoa New Zealand

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JUNE 2018

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THE RESEARCH QUESTION

What are the ways and means that non-profit organisations account for time and money in Aotearoa New Zealand?

PREFACE

This research focuses on what is observable across the 55 organisations considered. In some cases there is undoubtedly more material that demonstrates a focused assessment of their impact. However, I have deliberately looked only at what is in the public domain or was provided after two requests. The ease of access for someone examining the use of public money is of interest in itself.

Equally important is the assumption that these organisations and the people working within them, often in a voluntary capacity, have the intent of doing good – usually while thin on resources, strapped for time and, for many, dealing with complex problems in difficult circumstances.

This is not intended as a critique of intent or performance. It is a discussion of accountability: why, how much, of what kind and to whom. This is set in the context of an evolving 'for-value' environment.

The analysis section of the report considers organisations with annual operating expenditure of more than $2 million. This excludes 95% of the non-profit world. The majority of organisations in Aotearoa New Zealand are small to very small, turning over a few thousand, even a few hundred dollars. There is some discussion that our legal and reporting structures are already too onerous for them and this report does not suggest that their accountability should be more than very basic. Those that do not take public money or are small membership organisations need only a simple framework.

However, those that receive significant public funds and are blessed with the 'gift of time' from their volunteers have a broad range of obligations. They are in an environment of increasing competition within a rapidly changing world, where traditional revenue streams are static at best.

This report seeks to be constructive and ultimately helpful to organisations that want to tell their story better. For that reason, it concludes with a good practice section.

Much of this is not easy and there is ultimately no one right answer. I hope this report stimulates discussion and helps both organisations and their stakeholders to focus on what they want to achieve and to tell their stories in a more compelling way.

Finally, my thanks to the very many people who have given generously of their time and wisdom along the way.

John Page

June 2018

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JOHN PAGE

For the past 13 years John has led the Sport New Zealand governance programme. That work stands as the benchmark in non-profit governance. Its resources, notably the *Nine Steps to Effective Governance*, are in use across New Zealand and offshore. The Governance Mark accreditation system recently created for the sport and recreation sector is a world first for the sector. It has been broadly embraced, with over 30 organisations already working through the associated development process.



Before crossing to the sport world, John had a long career in the arts, as a manager, consultant and freelance producer. He has worked across most performing arts disciplines and for six years was General Manager of the Royal New Zealand Ballet.

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TERMINOLOGY

DIRECTORS

The term 'directors' is used throughout to describe those who serve on boards or committees of non-profit entities. While this might seem more relevant to the for-profit world, in reality the accountability is not, and should not be, any less. With no specific relevant legislation, the courts have tended to look to the Companies Act 1993 for guidance on duties and accountability in the non-profit world.

NON-PROFIT/CHARITIES/FOR-VALUE/FOR-PURPOSE

These terms are used within the literature and the sector itself rather loosely and interchangeably. For the sake of clarity, other than in direct quotation or reference this paper tries to adhere to the following meanings:

Non-profit – the broad category of organisations, formally incorporated or otherwise, that do not distribute financial gain to members or stakeholders but retain it within the organisation

Public benefit entities (PBEs) – largely as above but with a more technical definition: reporting entities whose primary objective is to provide goods or services for community or social benefit and where any equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders[1]

Charities – registered or otherwise; a subset of PBEs that align with charitable purposes under the Charities Act 2005

Incorporated societies – a subset of PBEs; membership organisations incorporated under the Incorporated Societies Act 1908

For-value – a broader description that includes all categories above but picks up the new forms of entity, e.g. social enterprise

For-purpose – another, and possibly better, way of describing a non-profit, correctly focusing on the mission of the organisation rather than the seemingly illogical purpose of not turning a profit. The phrase is also adopted by some commercial organisations who use the focus on purpose in a strategic sense.

SPORT NEW ZEALAND

This research has been made possible through the generous gift of time and resource from Sport New Zealand. While it addresses the sport and recreation sector, it is deliberately broader in its consideration. I hope that it is therefore of value to all types of non-profit organisations.

DISCLAIMER

The views in this report are those of the author and the individuals cited. It is not a Sport New Zealand publication; nor does it convey a sanctioned point of view.

[1] Terminology used by the Treasury and the External Reporting Board.

FOREWORD

What John has done here is much needed and long overdue. This is an insightful study on a really challenging and important area of governance. It cuts to the core of organisations – namely why do they exist? What is their point and purpose, and how are they focusing on that and communicating to their stakeholders?

This document is essential reading for anyone in a governance or senior management capacity in the not-for-profit or public benefit entity sector in Aotearoa New Zealand. It's a rigorous and objective study approached in a thoughtful, insightful and very practical manner. It's thought-provoking. There is a lot in here. But then I also know from the process undertaken that John has waded through many a large pile of dirt to identify the nuggets of gold that have ended up in this report.

I am going to make this mandatory reading for the boards I am involved in, such are the value, power and clarity of some of the messages in here – because, quite frankly, if members of governing bodies and senior management are not clear why their organisations exist and are achieving, then they are simply wasting oxygen. We only have a limited time on this planet, so if we are to make a positive difference we need to use this time as effectively as possible.

There are some great insights from this study. It also poses some challenges for what's next. My hope is that it will be read widely and will help inform more, and better quality, discussions on the ways and means that non-profit organisations account for time and money.

Some say that reporting is just an output; however, to report well requires clarity and focus. New Zealand is in a unique position to be a leader in this area. We are already world leaders in some of our innovations, like requiring service performance reporting for registered charities. We may have some wicked social, environmental and economic problems to address, but we are also resourceful, small and, I believe, brave enough to learn and lead and make positive change.

Craig Fisher
Audit Partner,
Chairman
RSM Hayes Audit



My hope is that it will be read widely and will help inform more, and better quality, discussions on the ways and means that non-profit organisations account for time and money.



WHY IS THIS IMPORTANT?

This stuff can be dull! It is often fed down the food chain in an organisation until it strikes the first person who can't say no. And it can be tedious, no doubt. Multiple funders often require different forms of reporting, some asking for vast detail down to the micro output level. Faced with this, people and organisations often respond defensively, explaining how very busy they have been.

But it is important, and it can be a lot simpler.

A MATTER OF ETHICS

This is other people's time and money being used by organisations that stand in the public arena with the intent of creating public value.

"Once an organisation receives donations, government grants or tax advantage then the rules change. They should genuinely explain why they exist and the impact that they are having."

Warren Allen
Chief Executive, External Reporting Board

The scale is considerable. In Aotearoa New Zealand, non-profit organisations contributed $6 billion (2.7% of the total) to our gross domestic product for the year ended March 2013, as well as $3.5 billion of volunteer labour.[2]

Every tax-paying citizen is a stakeholder. Tax credits and tax foregone, combined with government investment in the sector, produce a rough estimate of $2,000 for every taxpayer before any conscious giving is added.[3]

IT'S A COMPETITIVE WORLD

Organisations are competing for a limited pool of resources. Those that can tell their story better and demonstrate impact are more likely to flourish.

"The long term is in question for a sector crammed with goodwill and good intentions, competing for limited resources."

Maria Robertson
Deputy Chief Executive, Department of Internal Affairs

[2] Statistics NZ, non-profit institutions, satellite account, 2013.

[3] Extrapolated from conversation with and a presentation by Stewart Donaldson, Inland Revenue, and from Treasury 2017 Budget information.

IT'S A CHANGING WORLD

The simple clarity of a black and white non-profit/for-profit world is gone.

"The basic business model of the non-profit world is a broken one. We will see a massive shaking out in the next five years."

Chris Clarke
Executive Director, Global Local

New forms of for-value enterprises are emerging that are driven with great energy. The next generation is increasingly bypassing traditional structures.

HOW DO YOU KNOW? THE GOVERNANCE CHALLENGE

Are you effective, or just busy? Without clear frameworks for planning and accountability, it is not possible to have the most important governance conversations.

"Impact assessment has always been hard, reporting busyness is far easier."

Tony Paine
Chief Executive, Philanthropy New Zealand



Without clear frameworks of planning and accountability, it is not possible to have the most important governance conversations.

EXECUTIVE SUMMARY

How much is that kilo of public good worth? The question is a nonsense and has no answer, yet we invest billions in our public benefit entities without the clarity that defines the traditional commercial transaction.

A café that offers tasteless coffee at $6 a cup in gloomy surroundings will suffer swift judgement from its dwindling customer base. A listed company in dire times will see its share value tumble as investors depart. These are linear, direct relationships between two parties. We do not yet have a broadly agreed methodology for making similar judgements in the non-profit sector. In this world the recipient of the service or benefit, the provider of the service and the provider of the resource are usually separate parties and the trail of accountability becomes muddied.

This research looks at 55 organisations in Aotearoa New Zealand with operating expenditure of more than $2 million. It considers only publicly available information and uses it to understand how time and money have been used and to what effect.

A pleasing number of organisations framed their ambition in outcome terms (65%), fewer had associated measures (51%) and only 27% annualised the measures. Where such measures did exist, generally the annual reporting was not set in this context, making it difficult to see whether the year's performance was good, bad or indifferent (with some notable exceptions). Consequently, there is a strong sense of busyness, and less of reflection around performance. There appears to be a real hesitancy to report the not so good, a nervousness that is probably fear of funder driven.

No organisation gets it right all the time. Innovation, failure and learning are something the sector needs to rapidly embrace.

There is a higher level of 'story telling' present. Seventy-one percent of organisations discussed the challenges they are facing in the world and 69% demonstrated a link between those challenges and the strategies being deployed. Fifty-five percent had a discussion of efficacy in their annual reports and 64% included stories directly from beneficiaries.

Only a minority of organisations (24%) attempted to align resources with outcomes in their financial reporting.



A café that offers tasteless coffee at $6 a cup in gloomy surroundings will suffer swift judgement from its dwindling customer base.

We do not yet have a broadly agreed methodology for making similar judgements in the non-profit sector.

In terms of the board's understanding of its role and accountability for its performance, there was little attempt to report to stakeholders. Only 7% of organisations had more than a very basic statement and 67% had nothing at all. The board is the steward of public funds and represents the beneficiaries of its activities in the broadest sense. It has a clear and distinct role separate from that of management, which it needs to report on. Most organisations reviewed have voluntary boards, but a number are paid. Even those often lacked a basic outward governance accountability.

In the for-profit world, the trend towards reporting beyond just the numbers (integrated reporting) is gathering pace. The for-value world should also report on the impact of its activities within the community in the broader sense. It is no longer adequate to assume that doing 'one good' is enough. For example, environmental, supply chain, diversity and human rights considerations are all things that need some thought. Seventy-four percent of organisations had no reporting in this area and those that did were largely in the environmental/energy/carbon neutral areas.

Why is all this important? Firstly, it's a simple ethical issue. These are, in general, public funds and warrant a level of transparency. Anyone who has debt, equity or investment of any kind is keenly aware of, and tracks, cost and returns. We should expect our public benefit entities to provide comparable information.

We operate in a world of instant digital feedback and the ideas of accountability to the community we operate in, as expressed neatly in social licence theory, are already at play.

Secondly, it's a competitive and changing world. Traditional sources of revenue are drying up, and new forms of value-creating enterprise are arising and challenging the traditional non-profit world. Aotearoa New Zealand will strike a budget in 2019 based on the Treasury's Living Standards Framework, an approach which has non-financial measurement at its heart. This is unprecedented at the nation state level.

Lastly, without clarity of purpose and measurement, the governance conversation cannot occur. With no map or compass and no ability to judge position on the journey, most boards descend into operational busyness.

None of this is easy and this paper does not propose any definitive answers. For many organisations the challenges are long term and highly complex. The contributing factors are numerous, systemic and intertwined and the goal may be a generation away. For example, no one group can be accountable for ending child poverty. For other organisations, problem and solution are more linear: restoring a building, replanting a hillside are defined and bounded challenges.

In either case the organisation needs to be clear about what it is going to do, show evidence that its strategies are connected to, and will contribute to, the higher goal, work out how to measure the journey, be accountable for the progress, and openly report both the good and bad, demonstrating learning along the way.

For organisations in this study and those of a similar size, these practices are about to become legal requirements under the new PBE Service Performance Reporting Standard (from 2021). So, it is probably time to start practising. Those that cannot tell a good evidence-based story may not prosper in the medium term.

DATA ANALYSIS

ORGANISATIONS

Fifty-five organisations were selected across four general areas of the Aotearoa New Zealand non-profit sector:

- Arts, culture and heritage
- Sport and recreation
- Social services and disability
- Conservation and environment.

Organisations are evenly spread across three general bands of revenue:

$2-$5 million, $5-$10 million, and $10 million plus.

Some form of online presence was a pre-requisite for inclusion, simply for ease of information access.

Sport and Recreation

Aktive Auckland

Athletics New Zealand

Auckland Netball Centre

Netball New Zealand

New Zealand Cricket

New Zealand Golf

New Zealand Rugby Union

Paralympics New Zealand

Sport Bay of Plenty

Sport Northland

Sport Wellington

Sport Southland

Tennis Auckland

Tennis New Zealand

YMCA Auckland

Arts, Culture and Heritage

Auckland Festival

Auckland Museum

Auckland Philharmonia Orchestra

Chamber Music New Zealand

Christchurch Symphony Orchestra

Court Theatre

MOTAT

New Zealand Festival

New Zealand Film Festival

New Zealand Maritime Museum

New Zealand Opera

Ngā Taonga Sound and Vision

Otago Museum

Royal New Zealand Ballet

Taranaki Arts Festival

Social Services and Disability

Age Concern

Anglican Trust for Women and Children

Auckland City Mission

Barnardos

Blind Foundation

Cholmondeley Children's Home

Deaf Aotearoa New Zealand

Great Potentials Foundation

IHC

KidsCan

Pasifika Futures

Problem Gambling Foundation

Stand Children's Services

Youth Horizons Trust

Conservation and Environment

Antarctic Heritage Trust

Forest & Bird

Greenpeace New Zealand

Lake Taupo Protection Trust

Otago Peninsula Trust

Project Janszoon Trust

QEII National Trust

Sustainability Trust

Wellington Zoo

World Wildlife Fund

Zealandia

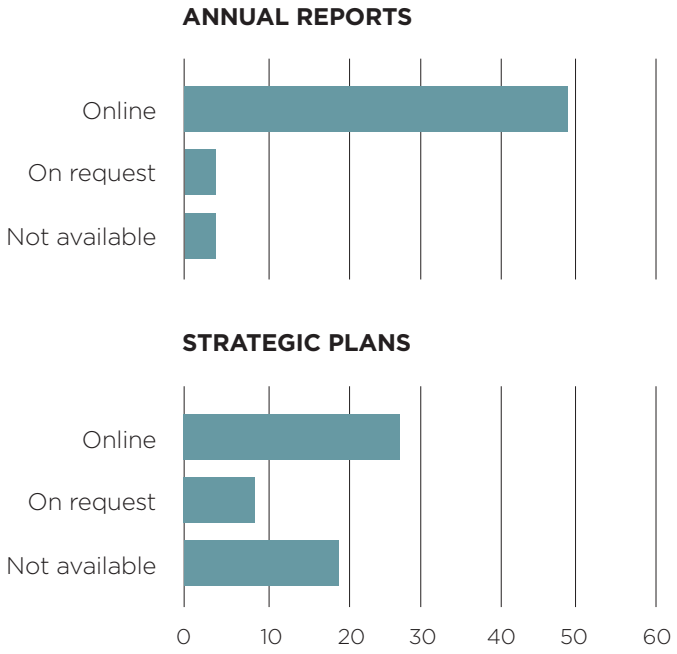
METHODOLOGY

The research examined the strategic plans and annual reports, or equivalent documents, of these 55 organisations against a set framework as outlined in the checklist on page 10.

AVAILABILITY OF DOCUMENTS

If not available online, the documents were requested first by email and then by formal letter, with a supporting statement from the reference panel and Creative New Zealand in the case of the arts sector. All but three of the organisations provided annual reports but only 36 strategic plans were forthcoming. In one or two cases they were withheld because the organisation considered them commercially sensitive. In other cases, one hopes they exist but why they are not publicly available is unclear.

INFORMATION AVAILABILITY



Nearly **90% of annual reports** were online but **under 50% of strategic plans.**

ANALYSIS OF DOCUMENTS

The plans and reports were considered against a range of areas that a stakeholder may have interest in. It is a long list and not all are relevant for all organisations, but the central ones of strategic intent and measures of success are valid in all cases.

This report does not consider financial statements in any detail. Financial reporting has long been subject to clear guidelines and audit processes. Some specifics were searched for, notably resource allocation by outcome or strategy group, the cost of governance and any industry benchmarking on cost efficacy.

A useful rubric for governance is ensuring the “right benefits for the right people at the right cost”. The utility of cost efficacy assessment varies by sector but for many comparison with industry standards could be considered. Funders should also be asking for this as part of the wider information suite used for decision making. Generally across the material examined the question of “right cost” was not addressed.

CHECKLIST

All 55 organisations were measured against the checklist below. One purpose of this research was to gauge the public availability of information. If a strategic plan was not sighted, then outcomes and high-level measures generally could not be found. In some cases, however, summaries were available in annual reports.

OUTCOMES

36/55 (65%)



Inquiry: Are there externally facing outcomes at the head of the plan?[4]

The outcome states the benefit to be delivered and to whom.

MEASURES

28/55 (51%)



Inquiry: Do the outcomes have measures that the organisation can be accountable for?

Only half the organisations provided a high-level measurement framework.

ANNUALISED

15/55 (27%)



Inquiry: Are these measures broken down and annualised?

Progress needs to be tracked more regularly than the span of a strategic plan.

LEAD MEASURES

7/55 (13%)



Inquiry: Are there any other lead indicators built in?[5] Often there is a time lag to achievement and key inputs need to be measured.

CHALLENGES

39/55 (71%)



Inquiry: Does the plan talk about challenges faced?

Often these are not in the plan but are in the annual report.

STRATEGIES

38/55 (69%)



Inquiry: Do strategies respond to challenges?

Strategy is problem solving and necessarily responds to known challenges.

EFFICACY

30/55 (55%)



Inquiry: Is there any discussion or evidence on the efficacy of current strategies?

This is the core governance function of any organisation.

STORIES

35/55 (64%)



Inquiry: Are there people stories in the annual report?

These are generally beneficiaries of the organisation's activities telling their stories.

ALIGNED RESOURCE

13/55 (24%)



Inquiry: Is there any reporting that shows how resource is allocated to strategy or outcome areas?

Correct alignment of financial and human capital is essential to success.

[4] I have taken a fairly liberal view here. Many outcomes as stated would not pass a strict good practice test but these organisations all attempted to describe a desired external benefit.

[5] Lead measures are essential for boards in tracking progress against long-term outcomes. A simple description of a lead measure is found in dieting: weight loss is the outcome, and lead measures are calories consumed (food) and calories expended (activity and exercise).

GOVERNANCE

0 – 37/55 (67%)



1 – 14/55 (26%)



2 – 1/55 (2%)

3 – 3/55 (5%)



4 & 5 – 0

Inquiry: Is there a governance section in the annual report (scale 0-5)?

Zero is nothing. From there the scoring is a subjective assessment that looks for: list of directors with biographies, conflicts declared, board and subcommittee attendance, cost of governance, board work plan for the year ahead, achievements against the prior year's plan, appointments process, evidence of board development, availability of board policies, links to subsidiary organisations, statement about key stakeholders and the board's framework for risk management.

EXTENDED REPORTING

0 – 41/55 (74%)



1 – 7/55 (13%)



2 – 1/55 (2%)

3 - 6/55 (11%)



4 & 5 – 0

Inquiry: Is there any evidence of extended or integrated reporting (subjective 0-5)?

Zero is nothing. From there scoring is a subjective assessment looking at whether the organisation has a broader focus than its stated purpose extending into areas such as: environment, people, supply chain, stakeholder and community relations, investment policies, etc.

TIKANGA

22/55 (40%)



Inquiry: Is there any evidence that the organisation embraces a cultural perspective, with either a formal mention of the Treaty or reference to the community within which the organisation works?

QUALITATIVE ASSESSMENT

HOW IS ACHIEVEMENT AGAINST THE PLAN DEMONSTRATED?

With some exceptions, which will be covered in the good practice section, most organisations miss one or more key elements in the planning performance continuum. Outcomes are absent (35%) or high-level measures are not set (49%), and where they do exist they are often not reported against. Often reporting mixes the means and ends measures together. There is a strong sense of busyness. Many annual reports include great stories about positive impact being created, but a lack of context hinders most organisations from making a genuine performance assessment. Clarity about what the organisation is to be accountable for and how to measure it is required at the outset. There is no doubt that this is often not easy to do,[6] but without it our non-profit organisations will be challenged in a changing world to secure ongoing stakeholder support.

[6] For a fuller discussion, see page 16 – What to measure?

SECTOR OBSERVATIONS

ARTS, CULTURE AND HERITAGE

Interestingly, this is a sector that has limited publicly available plans, with less than 50% accessible online. There is very good practice in certain areas and some excellent annual reports.

The question 'what is public good?' in this sector is a complex one. The value cultural organisations add to society is broad and often difficult to measure. Contribution to national identity, social cohesion, public discourse and benefit at an individual level are all valid but it's almost impossible for one organisation to be accountable for all of these. Nonetheless, measurement at some level is required. There should also be discussion about whether these particular activities will contribute to the broader cultural outcomes.

Outcomes will vary depending on the nature of the organisation. Large festivals will contribute to a city's 'brand', seek to present new and exciting work to challenge audiences, develop practitioners and make an 'economic' contribution. Small contemporary performing companies will often be about new work, emerging artists and audience development. Museums have a long-term perspective, looking to bring people into contact with collections in ways that serve contemporary audiences.

MOTAT, for example, has a goal of 'inspiring innovation in the next generation', but this is very hard to measure as the outcome is likely to be years in the future and direct cause and effect is all but impossible to prove.

"There is a lot of debate around what is meant by socioeconomic value and how you measure the outcomes. Everyone is struggling with this concept."

Michael Frawley
Chief Executive Officer, MOTAT

Many of the sector's plans suffer from hyperbole or overactive verbs. World-class, exceptional, creative excellence at all levels and artistic leadership in the community are necessary values that underpin artistic endeavour. However, given the difficulty and subjective nature of measurement they are not especially helpful planning statements. The factors (inputs) that contribute to achieving statements of aspiration can be quantified but they are not laid out in any systematic way.

Consequently, with some exceptions, much of the reporting is around activity, audience, number of performances and the financial outcome for the year. Often this lacks context as no targets are evident. It is very hard to ascertain whether any given year is successful or not, other than in terms of profitability and raw audience data.

"Organisations often articulate their artistic aspirations qualitatively (world-class, cutting-edge, etc) but it is generally not clear how they satisfy themselves as to progress against those aspirations – perhaps because they fear people won't understand them."

Stephen Wainwright
Chief Executive, Creative New Zealand

Within this group there were some good plans and reports: the Royal New Zealand Ballet's annual report won a recent award; the New Zealand Festival's impact report is detailed, as is MOTAT's annual report; and the Otago Museum has an excellent strategy screen (feasibility analysis) used to assess decision making. The larger statutory organisations tend to have good planning and detailed reporting. This is often, but not always, associated with strong funder and legislative requirements. Other than the museums, reference to tikanga was in general oddly absent for cultural bodies.

This sector is a good example of varied reporting needs. All stakeholders will be interested in the public standing or brand of a particular organisation, but a sponsor may be be more focused on audience numbers or the nature of hosting opportunities. The local authority is interested in economic impact from major festivals. In addition to the broad public accountability, all organisations should clearly understand what information specific stakeholder segments may require.



CONSERVATION AND ENVIRONMENT

Some of these organisations have a very long-term horizon (Zealandia), some are campaign based (Greenpeace) and some more activity based (Sustainability Trust). Outcomes and associated measures are reasonably common, but the reporting is generally activity based. That is understandable as many of the high-level outcomes are beyond the reach of a single organisation. Others are working in more 'bounded' areas: Zealandia is focused on its protected environment and Lake Taupo Trust has a singular purpose.

The challenge for those working to long-term change is how to measure progress and what to be accountable for in the medium term. Conservation organisations have good input measures at hand and report on these but often not in the context of any plan. Interestingly, extended reporting against environmental measures is less common than might be expected.

SPORT AND RECREATION

The sector posts both plans and reports with little exception. There is some good reporting (e.g. New Zealand Rugby Union) but overwhelmingly the sense is one of busyness, with measurement lacking a context that indicates good, bad or indifferent performance.

Sport and recreation, like the arts, is problematic in terms of outcomes, especially for those organisations that are registered charities. Sport is not a charitable purpose. Charitable outcomes may be achieved through sport but for most organisations defining and being accountable for these somewhat more intangible impacts is seemingly difficult. Those benefits are well known – health, wellbeing, education, social cohesion, self-discipline, team environments, etc. For the individual organisations, these are beyond their direct accountability and capacity to measure.

That does not mean the narrative shouldn't be told. Some of the organisations scanned attempt to do this, notably through individual experiences. Sport Southland has good stories from beneficiaries and staff going about their work. For this sector the challenge is defining outcomes at the highest possible level that the organisation can be accountable for and demonstrating that these will lead in turn to the high-level change they are trying to create.

The recently released Sport New Zealand document *The Value of Sport*[7] neatly outlines the main areas of public value: happier, healthy people, better connected communities, and national identity. While the health benefits are measurable and significant, the other two outcomes are hard to quantify.



The quality of strategic plans varies and outcomes are often ill defined. Where numbers are used in annual reports, they are often activity based or lack context, so it is hard to tell if these statistics are good, bad or indifferent. Generally, this is because plans do not have annualised measures associated with outcomes or 'lead indicators' that allow the organisation to see if they are 'on track'. Some of the national sports organisations are reporting against a broad 'whole of sport' plan without clear accountability for the national body's own performance.

"It's hard to make qualitative judgements about health outcomes from just participation numbers. Impact on wellbeing varies hugely."

Robyn Wong, Sport New Zealand

There is an almost complete lack of extended reporting across the 15 sport and recreation organisations examined. The bigger organisations, Rugby and Cricket, have supply chain issues to take heed of. Perhaps they do consider these matters, but it is not reported. Governance reporting in the sample group was somewhat patchy.

There are few considered discussions of the challenges being faced (New Zealand Golf is a notable exception) and therefore almost no evidence of analysis of strategic choice.

[7] Sport New Zealand, 2017.

SOCIAL SERVICES AND DISABILITY

This sector, more than any other, contracts directly with government for service delivery and many organisations derive 70-80% of their revenue from this source. Consequently, much of the reporting appears to be funder-required accountability which is summarised and presented graphically. This is largely outputs and often lacks context to determine a good or poor performance for the year.

Many organisations have good plans with well-framed outcomes that identify the benefit to be delivered but then fail to set meaningful measures. They may exist but, if they do, the public-facing accountability is not referencing them. Many assess client satisfaction, which is a valuable and necessary part of evaluation, but again without any targets or reference to improvement or decline on the previous year.

The stated purposes of these organisations often relate to major societal change. The challenges are complex and unlikely to be resolved by one organisation. Urgent and valuable work is being done at the 'bottom of the cliff', whereas, if success against stated purpose was achieved, the organisation would cease to exist. The challenge is then to impact things that can be influenced and to monitor those. Pasifika Futures, for instance, focuses on pragmatic, achievable change as defined by their clients.

"We started with an outcomes framework essentially defined by our clients. Measurement is constant – reporting to our families and partners is the most important thing to get quick learnings and feedback."

Debbie Sorensen
Chief Executive, Pasifika Futures

This sector is good at story telling. The annual reports clearly describe the challenges being faced and often include discussion and formal evaluation of the effectiveness of their programmes. Client stories are common, but most do not report against a clear measurement framework. Some things appear to be frustratingly simple. The Blind Foundation has the excellent purpose of helping its clients achieve self-reliance and independent living, but if they do test their success against this statement, it is not reported. For $30 million a year it is probably worth checking.

"The other issue is time; big things take time and many of them are intergenerational, so you are not going to see things in the short term. Proxies for progress are needed. Getting people out of poverty is long term."

Tony Paine
Chief Executive, Philanthropy New Zealand

Two observations from Willie Cheng are relevant here: *"... the success of a charity must be judged by whether or not [its] cause has been fulfilled"* and *"by and large most charities are service providers that prefer dealing with symptoms rather than necessarily addressing root causes"* (Cheng, 2009, pp.256, 257)

The largest of our charities are found in this area, many of them long standing. There is extensive debate on the need for better relationships between government and the sector and much has been published on this. The causes of core societal issues are deep and complex, putting them beyond any one agency. It is, however, crucial that the individual organisation can articulate its own contribution.

There is strong argument that it is the role of charities to advocate for change. That remains a keenly debated topic. Greenpeace successfully took the broader case of advocacy to the Supreme Court in 2014 but the organisation itself was recently denied registration by the Charities Registration Board.

Many of the public documents had thorough material on the challenges being addressed and research on the impacts of the services provided. Many had strong evaluation programmes, but only a minority posted a strategic plan. Therefore, the detailed reporting has little context, short or long term.

"The government has been contracting for outcomes for at least 20 years and yet largely still buys outputs because it is easier."

Tony Paine
Chief Executive, Philanthropy New Zealand



A WIDER DISCUSSION

The documents read during this research highlighted the depth and breadth of the challenges the non-profit sector is addressing. What stood out was the vital importance of these organisations to our society, with their incredible variety and the great value they add.

As a piece of analysis, it presented no major surprises but did unearth some examples of good practice.

The second part of this research draws on a wider literature search and a set of interviews from people with perspectives across the sector. It is structured to show why good story telling is important in the contemporary world, but also to highlight with some urgency how quickly that world is changing and the dangers for organisations that fail to adapt.



ETHICS AND ACCOUNTABILITY

A SIMPLE ETHICAL ISSUE

The use of others' time and money needs to be accounted for in some way. Anyone who invests in a commercial enterprise does so with some clear expectation. In a listed company, shareholder funds sit in the context of considerable legislation and regulation. There is not yet a consistent comparable framework in the for-value world.

"Once an organisation receives donations, government grants, tax advantage, then the rules change and a level of transparency and accountability is required. They should genuinely explain why they exist and the impact they are having."

Warren Allen
Chief Executive, External Reporting Board

EVERY CITIZEN IS A STAKEHOLDER

A very rough estimate suggests every tax-paying citizen is contributing an average of $2,000 to the non-profit sector in Aotearoa New Zealand.

The status of our non-profit organisations permits the receipt of 'privileges', notably in the form of the state forgoing tax. Donation tax credits are $275 million, with tax forgone estimated at between $500 million and $700 million.[8] Government investment in the charitable sector is estimated at $6.73 billion.[9] Assuming there is also some investment in other entities, incorporated societies for instance, the figure of $2,000 for each of our 3.64 million tax-paying citizens[10] looks reasonable. Some would argue that this is not conscious philanthropy and therefore does not require the same feedback as specific gifting. It does, however, add to the underlying ethical imperative for accountability. There is no reason why this should have a lower threshold of transparency than any other multi-billion area of public funds.

[8] From conversation with and a presentation by Stewart Donaldson, Inland Revenue.
[9] Raw data, JBWere *New Zealand Cause Report*, 2017.
[10] Treasury Budget information, 2017.

WHAT TO MEASURE?

What to measure and how to measure it is at the centre of this discussion; most people would agree that it's not easy. Assessing the high-level outcomes of lasting change is possible but difficult, and long-term evaluation is generally under-resourced. With some exceptions, most reporting observed was activity or output based.

"We lack a taxonomy and classification for assessing performance." (Stuart, 2018)

FINANCIAL MEASURES

The research has not focused on financial reports in general. The majority of the 55 organisations are registered charities in the Tier 1 or 2 categories ($2 million plus in annual operating expenditure). Charities Services notes that all Tier 1 and 96% of Tier 2 organisations are now using some or all of the new reporting standards (Charities Services, 2017b). Some specific aspects of the financial statements have been looked for, including cost of governance; reporting by outcome; and return on equity. The value of 'charity prudence' measures, overhead, cost of fundraising, and percentage of funds to the 'front line' are discussed in the section on third-party oversight on page 19.

THE ONCE-REMOVED TRANSACTION

The long-standing arbiter of value in the for-profit world has been the direct relationship between the provider and recipient of a good or service. In the purest interpretation of a market, perceived value translates directly to sales. The health of the organisation itself at the simplest level is seen in the financial statements. At this basic level, value is relatively easy to measure. The global financial markets have to date been primarily numbers driven.

In the for-value world, the funder and recipient of the service are generally separated by an intermediary. The donor or funder makes value judgements on a different basis from the recipient. The customer is replaced by two disconnected parties.

"With this structural disconnect between revenues and expenses in charities, the market forces that might otherwise ensure equilibrium in the charity marketplace are unable to work." (Cheng, 2009, p.11)

This is sometimes referred to as 'the missing hand of Adam Smith'. It is possible then for the three parties, depending on the level of disconnect, to have different models of value perception.

Options for measurement can be defined either from the perspective of the provider of resource, the service recipient (beneficiary) or assessment of the intermediary/organisation itself, or possibly combinations of all three.

FROM THE BENEFICIARY'S VIEW – OUTCOMES MEASUREMENT

Measurement from the beneficiary's perspective is generally expressed in outcome terms.

"The concept of outcomes measurement is simple. It is the recognition that in a complex world, organisations need to develop a better understanding of how they create value for stakeholders and society at large to be able to develop a long-term, viable strategy and to keep their license to operate." (Ākina Foundation, 2017, p.26)

The concept of outcomes may be simple – what benefit, for what people, where, at what cost and by when – but they are difficult to set and measure.

"Outcomes are hard, but you need to find the right proxies that drive your accountability." (Robertson, 2017)

"It is very hard to track impacts, very hard to define and attribute them."

Stephen Wainwright
Chief Executive, Creative New Zealand

Many organisations use customer satisfaction surveys. They are valuable components of assessment, particularly where the outcome is difficult and long term, but caution is required as they generally relate to output measurement only. It is certainly possible to make customers extremely satisfied in ways that are unrelated to the achievement of outcomes.

Many organisations are working towards goals of high-level change. The problems they are addressing are complex and multi-faceted, and it is unlikely that alone they can be accountable for achieving the desired change. An organisation needs to come down to a level where it has sufficient control and influence to allow it to set proxy or intermediate outcomes.

MEASURING THE ORGANISATION

Two broad possibilities are present in respect of organisations. One is prescriptive and driven through legislation and regulation, generally focused on broad compliance and minimum standards of conduct. The other option, which is arguably more important, is the rules around transparency. If regulation is not overly stringent, then *"disclosure rules have to be mandatory and extensive... visibility has the remarkable effect of inducing compliance and discipline on the matters being disclosed"* (Cheng, 2009, p.45).

Our legal framework in Aotearoa New Zealand has no requirement related to any minimum utilisation of resource.

Simply put, there is no stated minimum for what might be best described as the for-value equivalent of return on equity. This remains a live issue for some of our larger commercial charities and is certainly a central question with the emergent for-value structures.

The relatively new public benefit entity reporting standards are a step towards greater transparency.

SERVICE REPORTING STANDARDS

From 2015 all Tier 3 and 4 registered charities in Aotearoa New Zealand have been required to present a service performance report as part of their annual reporting, generally known as a statement of service performance (SSP). Many larger organisations have voluntarily adopted the practice as well. Tier 3 and 4 charities have an annual operating expenditure of less than $2 million and represent 95% of our 27,000 charities.

REPORTING FOR LARGER ENTITIES

In November 2017 the External Reporting Board (XRB) released the new standard that will apply to Tier 1 and 2 public benefit entities. This new standard (PBE FRS 48) specifically relates to service performance reporting. It will be mandatory for reporting periods beginning on or after 1 January 2021. Because of the size of these entities, this information will have to be independently audited. These are the entities included in this study and this new standard is highly relevant.

The background commentary in the standard reinforces the ethical imperative: *"Public benefit entities have aims and objectives that relate to serving the community or society (or a section thereof). They seek to achieve these aims and objectives by using funds received from resource providers (for example, taxpayers, ratepayers, donors and grantors) to undertake activities for community or social benefit. Therefore, service performance information is an important part of their general purpose financial reports"* (PBE FRS 48, 1N1).

The standard *"provides flexibility for entities to determine how best to 'tell their story'"*. It requires sufficient *"contextual information"* to make it clear why an entity exists, what it intends to achieve over the medium to long term and how it goes about this.

The standard focuses strongly on utility from the users' perspective and the conceptual framework it sits on notes that information should have *"relevance, faithful representation, understandability, timeliness, comparability, and verifiability"* (paragraph 8). Importantly, it notes the need to report on both favourable and unfavourable aspects of the entity's service performance in an unbiased manner.

It also suggests performance over time is important and, where appropriate, reporting against planned performance or that of other entities. Paragraph 19(a) covers the difficulty of measuring high-level outcomes in the areas of social or economic wellbeing. It notes the accountability differences between the commissioning public sector entity and the service delivery organisation. The latter is likely to report on service delivery but there is dual accountability to funders and clients.

The standard is strong on governance considerations, noting that *"in general, performance measures and/or descriptions shall have an external focus"* (paragraph 23) and suggests visibility should be given to judgements used around *"the extent to which the entity's service performance information is consistent with and clearly linked to the entity's overall purpose and strategies. If it is not, users may need to understand why not"* (paragraph 46(a)). Finally, and most importantly, the information should be *"consistent with that used by the entity for internal decision making"* (paragraph 46(b)).

This last requirement is superb.

Every non-profit manager will have lamented at some point the yawning gap between information useful for internal decision making and the wide variety of detail, often of little value, required by funders.

It links to the concept of 'integrated thinking' on the path to achieving useful integrated reporting.

The standard states that the scale and complexity of reporting should vary with the size of entity.

"Under the standard we are trying to encourage entities to tell their own stories. This is our mission and vision, what success looks like and how we measure performance."

Warren Allen
Chief Executive, External Reporting Board

"The new standard was set such that it worked for a wide range of organisations without being overly prescriptive – the challenge comes at the audit phase. At present we have good principles-based concepts but no hard and fast rules."

Craig Fisher
Chair, RSM Hayes Audit

The possibility of impact over time is contemplated and would be useful to those with a long-term perspective.

"At present standards relate to a 12-month period, which is difficult for a long-term funder."

Jennifer Gill
Chief Executive, Foundation North

REPORTING AGAINST THE NEW STANDARD

The Charities Services unit at the Department of Internal Affairs released a short assessment of reporting against the new standard (Charities Services, 2017b). All charities have been required to use the financial standards. Tier 3 and 4 organisations have also been required to provide a statement of service performance.

Sixty-five percent of charities used the new standards in year 1 and the uptake is improving. Funders have been generally positive. The larger charities have been almost fully on board – 100% of Tier 1 and 96% of Tier 2 – but 44% of Tier 4 charities have yet to attempt the new standards.

However, service reporting is still a work in progress. As the paper notes, *"Tier 3 and 4 charities struggled to express the difference between their outputs – the activities they undertook, and their outcomes – the difference those activities aimed to make".*

Perhaps there is a need for further clarification to ensure common meaning across government and community:

"We may need some better words in the standards."

Francesca Ephraim
Charities Services

"Service performance reporting is at present quite loose and focused on activity reporting. It is trying for a balance between making it too hard yet not too loose. We don't want to have people spending all their time measuring stuff such that they are distracted from the important business."

Craig Fisher
Chair, RSM Hayes Audit

One of the aims is for a degree of transparency in reporting both successes and challenges. That does not seem to be occurring as yet. Experiment is a necessary part of innovation yet there appears to be a hesitancy to discuss failure.

"Some charities struggle to be honest about reporting the rough with the smooth, perhaps because they are scared of losing support from a funder."

Francesca Ephraim
Charities Services

The new service performance standard for Tier 1 and 2 organisations sets a higher expectation. One of the reasons for a lengthy lead-in period is the challenge of developing associated audit requirements for what is a largely principles-based standard. This is still a work in progress.

It would seem that time is indeed required: *"Charities Services expected that professional accountants would have been more up to date and better prepared to use the new standards"* (Charities Services, 2017b).

Many organisations will understand and welcome the principles-based approach to accountability, while those that are less developed in planning and governance processes may struggle. Undoubtedly this will be an area of focus as the 2021 deadline approaches.

The associated audit standard is still in development. Moving from something principles based to the specificity needed for objective independent audit is proving challenging.

THIRD-PARTY OVERSIGHT

Common elsewhere but not yet in New Zealand are third-party organisations that provide assessment on the probity and efficacy of charitable organisations. They aim to inform donors and grant makers – *"replacing the invisible hand of the market with the hand of the informed giver"* (Cheng, 2009, p.22).

Such proxy advisers of course exist in many other areas, for example investment advice or car purchase advice. But the value of such platforms in the charity world is a matter of debate.

"I think there is a place for this form of service as long as people are clear about the bases for the judgement, but it is hard to make common measure across multiple types of charity and especially where they are strongly cultural, or values based."

Tony Paine
Chief Executive, Philanthropy New Zealand

"I have concerns about CharityWatch type organisations. Looking at percentage of funds to the cause or cost of fundraising are gross oversimplifications and horribly crude."

Malcolm Sproull
Sproull & Associates

"Progress is often based on the false assumption that the more money you push out the door, the more good you do. On that basis you'd fly a plane over Africa and shove bank notes out the door."

Chris Clarke
Executive Director, Global Local

CharityWatch, GuideStar and Charity Navigator are three of the major US-based platforms. Their assessments are based on two areas:

- Accountability – obligation or willingness by a charity to explain its actions to its stakeholders
- Transparency – obligation or willingness by a charity to publish and make available critical data about the organisation.

These main platforms are focused on compliance with legislation and regulation, ratios, stability, governance, declaration of conflicts, donor policies, privacy and related issues. They can usefully highlight matters that give confidence about probity and stability. Increasingly they are moving into measurement of impact.

Of interest is the organisation Classy. Itself a social enterprise, Classy drives good practice through an awards process that requires use of a data-driven framework assisting organisations to understand and articulate the impact of their programmes. It looks for evidence of:

- Problem metrics and contributing factors
- Theory of change; strategy and evidence base
- Operations, including activities, budget, technologies and partnerships
- Results, including short-term outputs and long-term outcomes
- Learning, course correction and growth.

Charity Navigator notes that impact-related information is the next phase of accountability and transparency for public charities. Its own site now has 2,400 organisations reporting with some form of impact measure.



CODES OF ETHICS

There are several principles- or ethics-based frameworks covering the various relationships between the traditional three parties in the for-value relationship. The Sport New Zealand Governance Framework is prefaced with five principles:

- Be a layer of ownership down, not a layer of management up (represent those you seek to serve)
- Behave ethically; be accountable and transparent
- Be clear about how you intend to use others' time and money (ahead of time)
- Create the future (focus on the change you are trying to create in the world)
- Respect people's time.

The full Framework is referenced in the good practice section.

THE DONOR BILL OF RIGHTS

The Donor Bill of Rights was created by a group of American philanthropy organisations and has been broadly endorsed.

"Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the nonprofit organizations and causes they are asked to support, we declare that all donors have these rights:

1. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes
2. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities
3. To have access to the organization's most recent financial statements
4. To be assured their gifts will be used for the purposes for which they were given
5. To receive appropriate acknowledgement and recognition
6. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law
7. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature
8. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors
9. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share
10. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers."[11]

PHILANTHROPY NEW ZEALAND TRANSPARENCY GUIDELINES

The voluntary measures released and promoted by Philanthropy New Zealand cover the following areas for larger funders. With some minor modification this would make an excellent checklist for the recipients of those funds:[12]

General information

- Staff and board biographies

Governance and policies

- Code of ethics/conduct
- Conflict of interest policies
- Board appointment process
- Committee terms of reference
- Whistle-blower procedures
- Executive compensation process
- Diversity data

Grantmaking information

- Knowledge centre
- Grantee feedback mechanism
- Strategic plan
- Assessment of overall foundation performance
- Grantee surveys

Financial information

- Financial metrics
- Investment policies.

[11] https://en.wikipedia.org/wiki/Donor%27s_Bill_of_Rights
[12] www.philanthropy.org.nz/transparency-guidelines

SOCIAL LICENCE IN A DIGITAL WORLD

"Legitimacy is being withdrawn in the age of social media."

Chris Clarke
Executive Director, Global Local

Social licence theory outlines that an organisation's right to operate is drawn from the community. It is a bottom-up not top-down concept.

"The social license to operate is not a piece of paper or a document like a government license. It's a form of social acceptance or approval that companies or projects earn through consistent and trustworthy behaviour and interactions with their stakeholders. It's a socially constructed perception that your company or project has a legitimate place in that community." (Leeora Black, quoted in Morrison, 2014, p.15)

Social licence is based on the core principles of legitimacy, trust and consent. Stakeholders are self-defining and cannot be specified by the organisation itself. Social licence relates to what the organisation does as opposed to what it is. For trust to be an enabler, "*organizations should foster informed relationships rather than generic ones. Therefore, the organization needs to invest in strategies that empower stakeholders and rights-holders to be informed partners able to absorb and process knowledge and information about performance"* (Morrison, 2014, p.7).

"Social licence rhetoric in the commercial world is coming from the sustainable business movement, the United Nations principles on business and human rights, and OECD guidelines on responsible business. It is a fundamental repudiation of the Milton Friedman view that corporate governance focuses solely on shareholder value."

David Rutherford
Chief Commissioner, Human Rights Commission

And that view is changing; the British code of corporate governance has just been amended to ensure boards consider all stakeholders in the business.

"No longer is it just our shareholders, our staff and our direct customers who have expectations of a relationship and an expectation of communication. The interested bystander now plays a huge role in our social licence to operate." (Patterson, 2018)

Social licence is more commonly applied to the for-profit world and closely linked to the evolving discipline of integrated reporting. It is a far more complex idea than mere public relations: *"Social license is not a synonym for acts of philanthropy or community investment"* (Leeora Black, quoted in Morrison, 2014, p.15).

The sharp edge of social licence in the digital age has been demonstrated here recently with the Russell McVeagh intern scandal (Woolf, 2018). But it is equally relevant in the for-value world. The Oxfam scandal in Haiti has had an immediate, profound and global effect on that organisation and related entities (Bush, 2018).

In a highly connected world, the withdrawal of legitimacy can be swift and highly judgemental. That can be capricious and lacking in judgement. At a very simple level, the inevitable 2% of people, for example, that post the unhappy restaurant experience can highly colour an online presence.

"We need to be careful that social licence being expressed through social media does not become mob rule."

Jennifer Gill
Chief Executive, Foundation North

PUBLIC TRUST

A major element of credibility for the sector is that of public trust. Globally, public trust in non-government organisations (NGOs) sits at only 53% (Edelman Ltd, 2018). Although New Zealand is performing slightly better at 59%, a deeper look is not so encouraging. The local analysis undertaken by Acumen Research probes mandate and performance. Headed "NGOs have the potential to step up", it generally shows some performance-related concerns. For instance, 48% of the 1,150 respondents mandate the sector to *"ensure even the poorest have the minimum they need"* but only 27% believe they are performing well or very well in that area (Acumen Republic, 2018, p.16).

In a survey examining drivers of public trust in the charitable sector, respondents noted four main areas: funds used well and transparently (47%), personal connection (36%), knowledge of regulation (12%) and association with a famous person (5%).[13]

Discussing the imminent review of the charities legislation, the Minister for the Community and Voluntary Sector noted its purpose was to ensure the sector, *"continues to enjoy confidence and trust from the public"* (Henare, 2018).

PUBLIC VALUE

The first codification of charitable purpose was in the Charitable Uses Act 1601, commonly known as the Statute of Elizabeth. The preamble gives guidance on possible purposes:

"...the relief of aged, impotent, and poor people; the maintenance of sick and maimed soldiers and mariners, schools of learning, free schools and scholars in universities; the repair of bridges, ports, havens, causeways, churches, sea-banks, and highways; the education and preferment of orphans; the relief, stock, or maintenance of houses of correction; marriages of poor maids; support, aid, and help of young tradesmen, handicraftsmen and persons decayed; the relief or redemption of prisoners or captives; and the aid or ease of any poor inhabitants covering payments of fifteens, setting out of soldiers, and other taxes."[14]

Although our contemporary understanding of purposes has moved on in some areas, charity law is almost unique in the direct connection it has to 400-year-old legislation.

Modern law can be complex but at its heart is the simple view that a charity's purpose and all its activities must provide benefits to the public or a sufficient section of the public, not just to an individual, organisation or closed group.[15]

Although drafted in less colourful language than the Elizabethan statute, our Charities Act 2005 outlines four possible purposes:

- The relief of poverty
- The advancement of education
- The advancement of religion
- Other purposes beneficial to the community.

The final cause must meet the test of broad benefit and be consistent with case law.

CONTEMPORARY PUBLIC VALUE THEORY

A significant stream of revenue into the sector comes from central and local government (around $6.73 billion).[16] The concept of public value applies to all of government expenditure including contracting to the for-value world. It suggests that accountability lies with both parties in the relationship.

"The commissioner of public value is not just the person on the government side of the transaction, but all the people on the non-profit side too, who commission themselves to produce public value by articulating their purpose, finding support in the broader community for that purpose, and pursuing that support." (Professor Mark Moore, quoted in Ākina Foundation, 2017, p.10)

The theory suggests that non-profit entities are 'self-commissioners' of public value and as such provides a useful lens to consider accountability through. It reinforces that organisational purpose is anchored in public benefit and reporting should be in that context. As contemplated by the public benefit entity reporting standard, internal information is useful, especially around decision processes, but *"in general, performance measures and/or descriptions should have an external focus".*

[13] Stephen Reilly, Manager Regulatory for Charities Services, April 2018.

[14] See, for example, https://www.charities.govt.nz/apply-for-registration/rules-and-the-charities-act-2005/purposes-beneficial-to-the-community/

[15] Charities Services website – www.charities.govt.nz

[16] Raw data, JBWere New Zealand Cause Report, 2017.

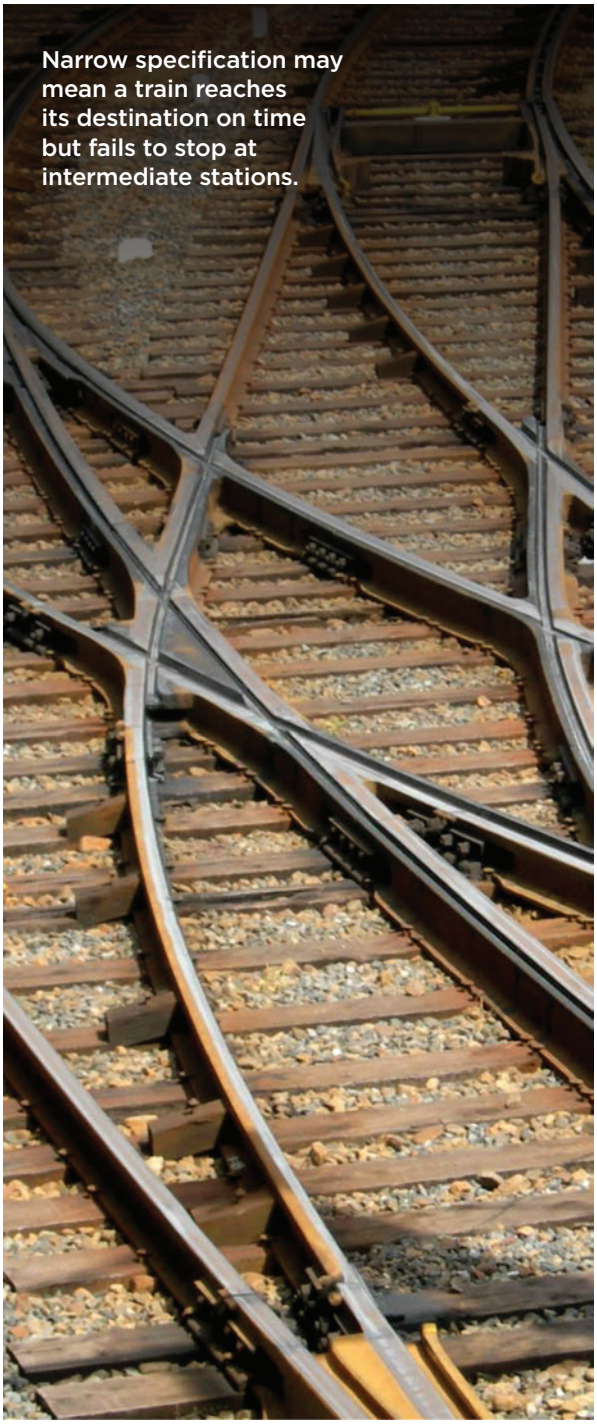
Moore suggests that the creation of public value is a collaborative process, and that all parties must recognise it, talk about it, and continuously improve service delivery outcomes to deliver it. Public value is multi-dimensional, beyond just doing good, but the theory considers whether this is a just use of resources: *"The question is not merely whether actions produce good effects, but also whether they produce just effects; not only whether the government acts efficiently and effectively, but also whether it acts fairly"* (Moore, 2017, p.5).

The creation of genuine public value similarly embraces the core ideas of social licence, legitimacy and consent and adds the idea of capacity.

"... in order to be an effective producer of public value, public managers have to have some idea about the value you want to create, a reasonable belief that there is legitimacy and support available for that notion of value, and some operational capacity to get the job done." (Moore, 2017, p.9)

"Government must create direct accountabilities in contracts and contract management for agreed public value based outcomes, and develop measures to report on these to the public." (Moore, paraphrased in Ākina Foundation, 2017, p.10)

Operational capacity is a key element. As discussed earlier, many funders are obsessed with money to the front line and are loath to fund the necessary operational capacity. This often results in measuring the wrong things. Narrow specification may mean a train reaches its destination on time but fails to stop at intermediate stations.



Narrow specification may mean a train reaches its destination on time but fails to stop at intermediate stations.

TELLING THE STORY IN A COMPETITIVE WORLD

"We are seeing little growth in traditional lines of revenue. Brand charity is having a tough time, especially offshore, with concerns about where funds are going to. This is more notable elsewhere but likely to extend to New Zealand."

Tony Paine,
Chief Executive, Philanthropy New Zealand

MAKING A DIFFERENCE

Many sector managers would tell you that the tough and time-consuming part of the job is finding and retaining the resource to do the job. All the current trends would suggest this is not going to get any easier. Those that can tell their story well will prosper, while those that cannot outline the benefit being created will struggle.

"The organisations that see the reporting standards as a communication tool rather than an obligation will be the most successful." (Vial, 2017)

"We have generally failed to demonstrate efficacy; international research indicates that 80% of social programmes don't result in any statistically significant impact." (Ronalds, 2017)

"Plenty of organisations are good on raising money but less effective on quantifying what has been achieved with it. Some of those we decline to fund."

Jennifer Gill
Chief Executive, Foundation North

In the contemporary world two things above all others typify the successful non-profit organisation. In the book *Forces for Good,* Leslie Crutchfield and Heather McLeod Grant look in detail at successful non-profits in the United States. They find that an obsession with results and a talent for partnerships are the defining factors.

"It is an obsession with impact that drives internal alignment not necessarily text book mission statements." (Crutchfield and McLeod Grant, 2012, p.34)

The authors note that traditional measures such as overhead ratios or budget size are relatively meaningless in identifying the most impactful organisations. Greatness has more to do with how non-profits work outside the boundaries of their organisations than how they manage their internal operations. Taking a dollar and turning it into four by working in partnership with others defines the high-impact organisation.

"... concept of leverage describes exactly what great NFP organisations do..." (Crutchfield and McLeod Grant, 2012, p.36)

MEASURING IMPACT

"There comes a point where we need to stop just pulling people out of the river. We need to go upstream and find out why they're falling in."

Desmond Tutu

Investing for impact is in the news. We now have an advisory board for impact investing here in Aotearoa New Zealand. Investors looking for both positive outcomes and financial return are seeking new models to work through.

"New Zealand is ready for Impact Investing. It's a frequent request, more and more people are asking for impact and the opportunity to invest in social or environmental outcomes." (David Woods, Deputy Chair of the National Advisory Board, quoted in Scoop Business, 2018)

The analysis in this report indicates that in Aotearoa New Zealand there is limited reporting on impacts among traditional entities.

No detailed work was found on approaches to measurement in New Zealand. Research in the United Kingdom uncovered some interesting information, notably that any efforts to measure impact were largely funder driven.

"Only 5% of charities say that wanting to improve services is a primary driver for increasing their impact measurement efforts, and only 4% say that wanting to know the difference the organisation is making is a primary driver." (Ní Ógáin, Lumley and Pritchard, 2012, p.19)

"Planning models, such as theories of change, are still rare in charities' practice, with only one in five charities and only one in ten small charities using them." (Ní Ógáin, Lumley and Pritchard, 2012, p.45)

Charities were spending only 3% on evaluation. While funders and corporates may have been enthusiastic about measurement, they were not matching that with resource. Our largest philanthropic funder, Foundation North, believes that for large, long-term projects 10-15% of the cost should be evaluation and should be built in upfront.

"The [English Charities] Commission is increasingly concerned with the issue of the impact and effectiveness of charities and the role of trustees in this respect. A recent initiative in the UK on progressive governance has gone further and suggested that improving performance, rather than compliance should be the major focus of all charity regulation." (Cheng and Mohamed, 2010, p.270)

Consistent with the findings here, planning and change models were not widely found in the report of the English organisation New Philanthropy Capital (NPC), with only one in five of the larger charities using them and only 59% of the 300 organisations surveyed reporting on outcomes.[17]

This is a significant challenge for the non-profit world and one of the reasons new forms of for-value enterprise are emerging. Both funders and organisations themselves must address this issue.

[17] In this study 51% in New Zealand had outcome-related measures.

"The competition for funding of non-profit organisations will only increase and, like the corporate world, funders will demand sophisticated levels of reporting, transparency and governance covering many different metrics. The research in the corporate world already clearly indicates those organisations embracing this approach have lower levels of cost of capital. It will be no different in the non-profit world."

Warren Allen
Chief Executive, External Reporting Board

NPC suggests that impact measurement alone is not sufficient. Impact management is the key to being a learning, agile organisation addressing the key questions:

- How do we know we are making a difference?
- How do we learn?
- How do we design and improve our processes?

But this is not easy.

"There is a significant gap between the almost universal recognition of the importance of outcomes measurement and the resource and knowledge capacity needed to implement it." (Rudge, 2018)

Taking a dollar and turning it into four by working in partnership with others defines the high-impact organisation.



RETURN ON EQUITY

Nowhere in the reports examined was there an attempt to quantify return on equity beyond any financial measure (interest received or growth in asset value). As the 2017 JBWere *New Zealand Cause Report* notes, the non-profit sector has a significant asset base of $58 billion. Of this, $24 billion is held in cash and investments and $26 billion in land and buildings. Although the sector is seeking to produce a lot of impact, it has built up a large and relatively passive asset base over many years, predominantly in financial and property investments. The report observed that *"there may be situations where these assets could either be better employed or repurposed for impact".*

The emerging forms of for-value enterprise certainly challenge this relatively low level of asset utilisation.

IT'S ALL ABOUT CHANGE

"All I ask is that people have a theory of change, that they have thought about what they are doing and why they are doing it – doesn't have to be complicated."

Tony Paine
Chief Executive, Philanthropy New Zealand

"Our Centre for Social Impact has observed that most people have not really thought through their theory of change because they are so busy doing."

Jennifer Gill
Chief Executive, Foundation North

The NPC paper on the theory of change authored by Angela Kail and Tris Lumley identifies a good change theory process:

1. Identify a realistic and definite goal – as clear and realistic as possible.
2. Work backwards from the goal to work out the intermediate outcomes.
3. Establish the links between outcomes, and their order, by working out causes and effects.
4. Work out which activities lead to which outcomes.
5. Identify what else is needed for the intervention to work – or what would completely derail the intervention.

The authors note that this is a backwards process, focusing on the end goal, not current activity. Together with examination of causal links, this produces *"a coherent framework in which different strategies can be looked at and the evidence for and against each can be weighed up"* (Kail and Lumley, 2012, p.7).

"Focusing on change brings up the discussion on the definition of charity and the issues of lobbying and advocacy. Achieving lasting change is a deep activity and immediately gets into politics and economics and the causes of things you are trying to change, attracting controversy."

Tony Paine,
Chief Executive, Philanthropy New Zealand

Change is hard, especially if you are deeply involved in urgent service delivery. Some foundations have realised this dichotomy and split their advocacy function from the delivery function.

"We actually decided to not run lots of leading public-sector contracts. In fact, we handed a whole lot back... Because we thought it was actually detracting from our organisational mission of having the highest impact on young people's lives. We could do that in a better way through not running those contracts... For us as an organisation it is about being clear about what we are trying to achieve and how to best go about doing that." (Anonymous respondent in Murray, Shea and Hoare, 2017)

THE ROLE OF THE FUNDER

"Funders are part of the problem. I suspect many of them are still reactive in their decision making, dealing with things as they hit the in-box, lacking a real evaluative framework."

Jennifer Gill
Chief Executive, Foundation North

As noted earlier, inconsistency among funders is a significant issue. The situation described in the United Kingdom feels disturbingly familiar to Aotearoa New Zealand.

"Multiple funding requirements from different funders are still a problem for most charities, with only 16% saying their funders want the same or similar information." (Ní Ógáin, Lumley and Pritchard, 2012)

Creating plans to appeal to funders is entirely the wrong way around and there is ample evidence of the dangers of mission creep as an organisation drifts from its original purpose in search of the next pot of money.

Funders are loath to support either organisational capacity or evaluation. There has been much debate and research on government contracting and it is not the intent of this paper to duplicate that. But as the major funder, government behaviour has a big impact.

Many people have observed that government purchasing has focused on the delivery of services and not the underlying and necessary organisational capacity. Capacity is one of the essential components of public value creation, but government has tended to leave that to other funders who are similarly unenthusiastic. By not factoring in capacity, this is essentially acquiring services at a discount.

"The system is characterised by greater or lesser degrees of mistrust, complicated processes of auditing and monitoring, enormous transaction costs for both funders and providers, and a lingering suspicion of malfeasance. NGOs are told one day they need to cooperate and collaborate – the next that they must submit a competitive tender, when they don't know who else is tendering, or at what price. In my region, for example, I watched the Pacific community being torn apart by these processes, setting group against group." (Glensor, 2006)

Hopefully we have moved away from this kind of assessment – but possibly not. The same author writing in *The Spinoff* 12 years later (6 April 2018) about the Middlemore Hospital scandal said:

"Health is everybody's business – it's complex and expensive, and everyone needs to play their part. It's not just about doctors and hospitals. It's about healthy families who eat well and get exercise. It's about safe communities and neighbourhoods. It's about people who get access to help early, and communities where helping agencies are respected. It's about people having their cultural identity acknowledged as a key element in their wellbeing. All the parts of the system need to be able to talk to one another and trust one another." (Glensor, 2018)

This is an excellent and workable definition of a public value approach.

It is arguable that many of our funders do not have any long-term policy imperative. Funds distributed from Class 4 gaming (non-casino pokies), for instance, are recycled quickly and meet only the test of the broad purposes outlined in regulation. Because they have no ability to build reserves and no policy imperative it is difficult to take a long-term view.

If the findings in this report are consistent across the sector, it would be difficult in most cases for funders to assess efficacy. In some cases, it is acknowledged there will be material not in the public domain, but unless this is sensitive client information it is hard to imagine why it should be withheld. One of the clear conclusions is that for many organisations it is not possible to assess whether performance in the year was good or not. There is generally no data against which to judge efficient use of funds or sound strategic choice. In a world where funders are beginning to ask those questions, it will be those organisations with answers that prosper.

JUST ONE GOOD?

There is no doubt that non-profit organisations are formed to pursue positive outcomes.

Many in the non-profit world are quick to point out the excesses or failings of corporate entities, but few report on behaviour broader than their own area of activity. It appears to be a weak spot. This study saw some environment statements (e.g. power use, carbon neutral certification) that were accompanied by measures, but wider references (e.g. supply chain, human rights) were largely absent.

"NGOs have been heavily criticised for paying lip service to governance, accountability and transparency." (Cheng and Mohamed, 2010)

Integrated reporting is becoming established in the for-profit world, with the framework well codified now by the International Integrated Reporting Council – moving beyond the nineties concept of triple bottom line (people, planet, profit) to one of six capitals, financial, manufacturing, human, social and relationship, intellectual and natural capitals. In Aotearoa New Zealand, Sanford and New Zealand Post are early and internationally recognised leaders in this.

The new PBE Service Performance Reporting Standard has a clear connection to the principles of integrated reporting: *"An integrated report has seven guiding principles: strategic focus and future orientation, connectivity of information, importance of stakeholder relationships, materiality, conciseness, reliability and completeness, and consistency and comparability"* (Gleeson-White, 2014, p.189).

The challenge for the non-profit world is that focus on just one good will not likely be adequate in the future. As with other entities, non-profits will be asked to report on their broader impact. Of course, not everyone has the capacity of Sanford, a $500 million turnover organisation, and reporting should not be overly burdensome. Depending on the size and nature of the business, there will be increasing expectations of focus on procurement policies, waste, transport options, employment matters (diversity, non-discrimination), supply chain and privacy. There has been recent significant work at the international level on human rights in sport. At the local level, issues such as protection of vulnerable participants, supply chain and diversity all need conscious thought. Any organisation working in the conservation/environment space is morally bound to be clear about its own environmental footprint.

"It seems that the accountants of the future will be as much storytellers as bean counters." (Paul Druckman, quoted in Gleeson-White, 2014)

Druckman is indicating here that those 'who account' for the use of time, money and privilege may be a very different class of people from the narrowly perceived 'bean counters' of yore.



Any organisation working in the conservation/environment space is morally bound to be clear about its own environmental footprint.

IMPLICATIONS FOR GOVERNANCE

WITHOUT A MAP ANY ROAD WILL DO

Governance in the non-profit sector in Aotearoa New Zealand is largely voluntary. It involves an enormous contribution from tens of thousands of people. There is an excellent phrase, 'the gift of time' – without that gift the sector would not function. But our organisations have grown in number and size and directors are faced with an increasingly complex world and heightened governance challenges.

"The Victorian dichotomy between amateur oversight and professional implementation... isn't working." (NPC, 2017)

As at 2013 we had 114,000 non-profit institutions.[18] Every one of them has a committee or board of some kind. An exact figure for total directors is hard to arrive at with no doubt multiple roles, but a significant percentage of the population serves on a board or committee. Most are small, but we have nearly 1,400 charities with annual operating expenditure in excess of $2 million (Charities Services, 2017c).

Board service can be a highly satisfying experience but often it involves more stress than joy. Resource shortage is a perpetual state of mind. Demand seems overwhelming and cost increases are inexorable. That reality would suggest that clarity of purpose, sound strategic choice and efficacy are necessary disciplines to maximise existing resource. Some parts of the sector have enjoyed good revenue growth in the past 10 years. The continuing drive for further resource may be valid but only if historical efficacy can be demonstrated. Traditional revenue streams are flat lining, and funders, including government, are looking for evidence.

Murray, Shea and Hoare (2017) found that when 300 respondents were asked what is most needed to help increase impact, the leading response was still more funding. The authors, however, suggest that focusing on things that are within their control is more likely to succeed, notably a strategic focus on achieving the greatest possible impact and building strong governance.



Non-profit bodies are 'self-commissioners of public value'. What that value is and how it is achieved are at the heart of the governance function. It needs to be described, measured and reported on.

"Trustees are the 'guardians of purpose', and achieving the charity's mission must be the board's primary consideration. Purpose, impact and improvement trump all other concerns." (Joy and Murray, 2016, p.3)

"A core function of governance is ensuring that the NGO works towards its mission." (Cribb, 2017)

The term 'guardians of purpose' describes perfectly the key role of a non-profit board. Consistent with the obsession with impact findings of Crutchfield and McLeod Grant, the board needs absolute clarity on why the organisation exists and what it is trying to achieve. That allows the governance conversation to occur, as an ongoing consideration of strategic efficacy and the changing operating environment. But without a destination, a map and some signposts en route, any road will do.

[18] Statistics NZ, non-profit institution satellite account, 2013.

In the documents considered in this study, those that presented clear performance assessment were in the minority. Reviewing performance presumes some kind of measurement framework. Only 51% of organisations in this study published any form of measurement, 27% had annualised tracking and only 13% had lead indicators. Consequently, most reports noted activity but without context. Often, even when measurement existed in the plan, it was not transferred into the annual report to provide context. Everyone no doubt had a busy year, but generally it was harder to determine if it had been a good year or not. Some good practice is certainly present, and highlights are noted later. There is a hesitancy, probably driven by fear of the funder, to report the not so good. This requires change from both parties.

"Because we have a lack of clarity, boards then are having the wrong conversation."

Chris Clarke
Executive Director, Global Local

"For trustees and directors to best assess performance and make decisions about future activity, understanding impact is vital. But too often, charities are measuring outputs rather than linking activity to the impact it has made."
(Rudge, 2018)

OWNERSHIP A LAYER DOWN

Most boards behave as *"a layer of management up rather than a layer of ownership down"* (Carver, 1990). This key observation from the creator of the Policy Governance® framework applies to all sectors and is by no means limited to the for-value world. It is easy for those steeped in a particular world to drift into operational detail. Carver's view is that the board's focus, and most material that comes before it, should be set in the context of agreed outcomes, asking how it is relevant to their stated goals. Hence, the board is constantly looking from the perspective of the organisation's community, those it has 'self-commissioned' itself to benefit.

"For boards there is a paradigm shift in the world. Understanding your stakeholders and what they expect of you will drive your thinking and the way you operate. Reporting then becomes a by-product."

Warren Allen
Chief Executive, External Reporting Board

On the perceived lack of necessary accountability there is ample criticism to be found.

"... business and government leaders argue that unlike governments who are ultimately accountable to the electorate and business leaders who are accountable to their shareholders, NGO leaders are mostly "self-appointed do gooders" who are not accountable to anyone other than themselves and thus have no legitimacy."
(Cheng and Mohamed, 2010, p.330)

A local view of the sector is expressed more kindly.

"It has been driven on goodwill and the belief that we are doing good things."

Jennifer Gill
Chief Executive, Foundation North

These sentiments are consistent with the idea that both legitimacy and consent are required. In the absence of clear goals, strategy and associated measurement, a board will drift in operational matters.

THE BOARD AS A MARKET PROXY

In the non-profit world, the recipient of a good or service is receiving a healthy discount, or not paying at all. There is then no consumer judgement on value, no direct market force connecting product and price. Without the direct market test of product worth, an organisation does not know how to ascribe value. John Carver argues that therefore *"... the board must stand for that function. The board must bear this peculiar, additional burden if it is to perform responsibly"* (Carver, 1990, p.8). This places clear accountability on the board for efficient strategic choice and a clear understanding of the impact the organisation is generating.

STRATEGY AND PLANNING

Understanding of the board's role in planning and strategy in the sector varies. The work is often delegated to management and presented back for sign-off. This is a failure by the board in both understanding and duty. Yes, management will do most of the leg work, but the board needs to be clear about where its ownership lies. Logic would indicate that as 'self-commissioners' of public value, the board owns, understands and is able to articulate that value. That value is encapsulated in general in purpose, maybe in vision, and in the specificity of stated outcomes to be achieved. The board decides these. Too many planning 'consultation' processes seek advice on ends rather than the means to get there.

Determination of 'ends', purpose and high-level outcomes is the clear responsibility of the board. Consulting with stakeholders on strategic options is valid. Unless contemplating fundamental change, an organisation that canvasses stakeholders to determine 'ends' has at least one problem, but likely many.

"Meehan and Jonker track the troubles of many nonprofits back to their missions, which typically are either too vague or too broad or both... The primary danger of a poorly defined mission is mission creep, which can stretch a nonprofit until it can no longer pursue its core goals. 'There's an old saying that a fish rots from the head down,' says Meehan. 'Nonprofits usually rot from their mission down.'" (Kinni, 2017)

And a recent *McKinsey Quarterly* article states: *"Only 20 percent of respondents in the BoardSource survey [of members] said that they would give an A to their board's ability to adopt and follow a strategic plan"* (Meehan and Jonker, 2017).[19]

Planning does not need to be complicated, especially for the majority of the sector. The elite sport world, with its singular focus, asks simply, "But will it make the boat go faster?" For many organisations a few clear goals are enough. The aphorism that 'the key purpose of a plan is to make clear what you should not do' is completely valid.

The board needs to keep asking the question, "Are we creating the right results for the right people at the right cost, and how do we know?"

Obviously, those who are addressing complex problems will have a more sophisticated process, but ultimately for both the board and stakeholders a clear reporting framework is required.

This study showed a broad but positive level of evidence of connection between challenge and strategy (69%). It was generally not possible from these documents to understand the process of strategic choice. We know that just considering two options rather than one doubles the chance of success. To paraphrase Richard Rumelt, strategy that is not a response to known challenges is a wish list sprinkled with fairy dust (Rumelt, 2011).

"The vast majority (80%) of charities do not use any planning models. Only 7% use a theory of change, 6% use a planning triangle, and 5% use a logic model." (Ní Ógáin, Lumley and Pritchard, 2012, p.35)

The Otago Museum's decision matrix is a good public declaration of how it allocates resource and is cited in the good practice section. YMCA Auckland uses a nice matrix on which products or services are mapped against profitability and mission impact. This greatly assists strategic choice.

COMPASS BUT NO MAP

For those that are trying to achieve long-term change, a traditional approach to strategy may not be enough. Complex problems are *"dynamic, nonlinear, and counter-intuitive. They are the result of the interplay between multiple independent factors that influence each other in ever-changing ways"* (Kania, Kramer and Russell, 2014, p.26).



The traditional approach, where outcomes arise from a linear chain of causation and are predictable, is insufficient as no single intervention will deliver the desired results. That does not mean the approach is wholly unstructured: *"Having clear goals, thorough research, a hypothesis for how to approach the problem, and a way of learning from results all increase the odds of success"* (Kania, Kramer and Russell, 2014, p.29).

In an emergent strategy approach, the concept of mission-driven governance is highly relevant. As learning occurs and strategy is adjusted, the need for an organisation to understand and hold to its "True North" (Fisman, Khurana and Martenson, 2009) is even more important. The path may be unknown, but the goal remains clear. A compass keeps pointing North even over rough terrain.

This understanding will be necessary as the government moves to invest against the Living Standards Framework, where the outcomes sought are indeed complex. This will require a long-term view, high levels of collaboration and acceptance of failure en route. Contracting for outputs within single interventions will not drive success.

[19] BoardSource is a major US-based non-profit leadership organisation – www.boardsource.org

THE BOARD'S PERFORMANCE

"We are only volunteers" is a frequent response to the idea that the board itself should have some form of external accountability. But you rarely come across people who volunteer to do an indifferent job.

"Few board members interviewed had an answer to the question 'how does your board know if it is doing a good job?'" (Cribb, 2017)

In the organisations reviewed, 65% had no governance performance information and only 5% had more than a very basic mention. In a recent Institute of Directors' survey, only 54% of directors acknowledged regular board evaluation.

"That few NGO boards have undertaken evaluations is not positive, but it is in line with boards across all sectors." (Cribb, 2017)

There is, however, a growing trend across all sectors for comprehensive governance reporting.

This is more than biographies, declaration of conflicts, meeting attendance and remuneration.

Generally even this minimum level is absent in the organisations reviewed. A good governance report will talk about the work of the board as separate from the work of management, what it intends to focus on in the coming year and what was achieved last year – in short, how it adds value



to the organisation. This is a fundamental tenet of accountability, which appears to be largely absent.

It assumes that the board has an agreed and understood view of its role as distinct from management. If it is just acting as a supra layer of management, then it is just a monitor of activity and perhaps a reviewer of risk, but not an architect of its future. It has very little separate function to report on.

Coming back to the ideas of representation of community ownership and being self-commissioners of public value, those obligations sit at the highest level and rest with the board and not management.

"My preference is for full transparency in the board's discussion except where that may involve a confidential matter."

Michael Frawley
Chief Executive, MOTAT



APPENDICES

THE CHANGING FACE OF VALUE CREATION

Although this section is not strictly related to the research question, it is included as the themes within it came up repeatedly in conversation and reading. The need to tell an evidence-based story in the face of a changing world is a clear and urgent message that has emerged from this work.

"The only thing that is constant is change."

Heraclitus c.535 – c.475 BC

Many would argue that the pace of change in the for-value world is rapidly accelerating.

"We will see a massive shake out in the non-profit sector in the next five years."

Chris Clarke
Executive Director, Global Local

And the overlap of function is frequently noted.

"The long term is in question for a sector crammed with goodwill and good intentions, competing for limited resources." (Robertson, 2017)

GOVERNMENT'S APPROACH TO SOCIAL INVESTMENT

The government is the largest investor in the for-value sector by some margin. Its impact is major and that is likely to increase in the near term.

Under the previous National-led government, implementation of the social investment policy framework began. At its simplest level this assumed evidence-based decision making using ongoing measurement of service efficacy. Certainly, this has driven a need for greater evidence, but what is being measured remains under debate.

"The government has been contracting for outcomes for at least 20 years and yet largely they still buy outputs, because it is easier. Often the outcomes-based contracts use proxies such as customer satisfaction or feedback, which is not really about shifting the dial."

Tony Paine
Chief Executive, Philanthropy New Zealand

In her 2017 study of governance in the social service sector, *Governing for Good*, Dr Jo Cribb notes that boards felt they were *"already expected to provide more evidence of their effectiveness and this trend will continue".* The research partnerships with academic institutions were apparent in the organisations reviewed in this study.

THE LIVING STANDARDS FRAMEWORK

The recent announcement that the Labour led-government will construct its 2019 Budget based on the Living Standards Framework is potentially of major significance to some or all of the for-value sector.

"People will have to be thinking in different ways as a result of the Living Standards Framework."

Francesca Ephraim
Charities Services

By the 2019 Budget government will introduce a tool and framework to include the wellbeing of New Zealanders as a measure of our economic success.

"We want New Zealand to be the first place in the world where our budget is not presented simply under the umbrella of pure economic measures, and often inadequate ones at that, but one that demonstrates the overall wellbeing of our country and its people... It will no longer be good enough to say a policy is successful because it increases GDP, if at the same time, it also degrades the physical environment, or drives down wages or fractures a community." (Walters, 2018, quoting Prime Minister, Rt. Hon. Jacinda Ardern)

Closely related to the six capitals of the integrated reporting, the Living Standards Framework is based on four capitals (natural, social, human and physical/financial) that organise indicators of sustainable intergenerational wellbeing.

What it will finally look like is a work in progress and given its world-leading nature there is little precedent. What it clearly will need is an evidence base to gauge long-term outcomes.

"... we need indicators that are robustly evidence based so that changes in indicator values are clearly linked to changes in intergenerational wellbeing." (Ng, 2017)

Anyone receiving significant government funds will need to keep informed about the Framework as it evolves and as its impact on investment becomes apparent. As noted, success will require a very different relationship between government and the for-value sector.

FROM BLACK AND WHITE TO RATHER GREY

"In the world up until about five years ago you could have talked about for-profit and for-purpose as relatively distinct areas; now we see a merging."

Chris Clarke
Executive Director, Global Local

The 2018 Edelman Trust Barometer (p.2) notes: *"As we begin 2018, we find the world in a new phase in the loss of trust: the unwillingness to believe information, even from those closest to us."* It goes on to comment that when the study began 18 years ago the non-profit sector was trusted as a remedy for social ills left unaddressed by government. Today, *"business and NGOs are viewed equally as the institutions holding the most hope for our respondents"* (Edelman Ltd, 2018, p.12).

One of the more interesting documents to appear at the beginning of each year is BlackRock Chief Executive Larry Fink's letter to the companies they invest in. This communication from the world's largest asset manager[20] is widely read, especially in 2018.

"Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate... Today, our clients – who are your company's owners – are asking you to demonstrate the leadership and clarity that will drive not only their own investment returns, but also the prosperity and security of their fellow citizens."

This is a clear message that for the world's largest long-term investor the bottom line is now multi-faceted.

"Business with a purpose is the area of fastest change."

Craig Fisher
Chair, RSM Hayes Audit

[20] $5.7 trillion as of July 2017.

THE NEED TO INNOVATE

"... when the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight."[21]

The 2017 JBWere *New Zealand Cause Report* comments on change and innovation in the sector, noting ongoing domination by a relatively small number of large organisations: *"Almost 80% of the 40 largest New Zealand charities have existed for over 20 years"* (p.5). It contrasts that to the rapid change in the commercial world. Much of this is related to *"solid well trusted organisations being in a dominant position to gain Government contracts"* (p.12). The report says the sector needs to evolve more quickly: *"Something has to change to enable continued sustainability and that involves a combination of where funding comes from and how it is used"* (p.5).

Change will impact the for-value sector in very different ways. Some organisations have a degree of inflexibility; for example, a symphony orchestra requires a minimum number of players for mainstream repertoire, a museum needs to care for its collection, sport needs facilities. Social services are perhaps the area that is facing most change and where new forms of delivery are most apparent. But the arts and sport are far from immune to change. The digital world and changing patterns of consumption are very real challenges to traditional offerings in all settings.

"... my impression when I speak to some NGO leaders is that they think our sector is somehow immune [to change]... And just like Nokia, if we are not prepared to address these challenges we too will go out of business." (Ronalds, 2017, p.2)

Many of our traditional structures are challenged in a rapidly changing world. Membership models expressed through federal ownership are slow to change. Some of our trusts have an unclear line of accountability back to the communities they purport to serve; and the way some boards are constituted and refreshed needs to change.

"The other thing that is becoming apparent is that a lot of the structures that were developed in the past are no longer fit for purpose – notably federal structures."

Michael Frawley
Chief Executive, MOTAT

Those looking for a different approach may go around the more traditional structures.

"If you want to work with teenage girls, that may not necessarily be through traditional structures and certainly not the competitive ones; it will more likely be small and nimble operators."

Robyn Wong
Sport New Zealand

Change is coming from outside the mainstream organisations. The emergent forms within social enterprise and related initiatives are where most innovation is to be found.

"Innovation is not coming from the traditional parts of the non-profit sector; it is coming from the young, the entrepreneurial, and from individuals."

Tony Paine
Chief Executive, Philanthropy New Zealand

The energy and intellectual drive are coming from the new areas of the for-value world. This presents a challenge to traditional forms and that challenge will accelerate.

"It is important for NFPs to review business models and be clear about purpose and strategic direction. In a disruptive environment it's about survival of the fittest." (Hodkinson, 2016)

The key question asked in this research is equally relevant to the emerging forms of value creation: how much good and how do we know? Certainly, in Aotearoa New Zealand our legal frameworks have yet to catch up.

"These new forms don't fit into current models and current law; the question is how much good?"

Francesca Ephraim
Charities Services

[21] Jack Welch, GE Annual Report 2000, p.4.

TOO MANY MOUTHS TO FEED

"... organisations within the sector are being expected to engage in an ever more competitive market for supporters, compounded by unsustainable growth in the number of NFPs seeking financial support. A recent public report on the NFP sector cites charity saturation and the need for brand differentiation, an overall decline in public giving necessitating new fundraising initiatives, and the younger generation giving less and seeking experiential engagement." (Ākina Foundation, 2017, p.12)

As at 30 June 2017 we had 27,842 charities and an estimated 120,000 non-profit organisations overall.[22] We are the most charity saturated country in the world, with one per 168 people. There are 30 charities in Auckland dealing with breast cancer, another 30 plus addressing child poverty just in the Whangaparaoa area and 34 nationwide focused on child cancer. Nobody is saying that we should go to one cause, one organisation. Specialisation for research, advocacy and innovation are all needed but clearly the landscape is overcrowded.

"The long term is in question for a sector crammed with goodwill and good intentions, competing for limited resources." (Robertson, 2017)

"We can't support 27,000 charities. Most are undercapitalised and underscaled. A number will fall over because they will be too slow to respond."

Chris Clarke
Executive Director, Global Local

Certainly, the raw number of entities is an issue, but the efficacy of the current ones remains the primary concern. There are some charities, not many, whose goal in life is to go out of business because that means they have resolved the issue they are seeking to address. Perhaps we need more of these!



NEW FORMS OF VALUE CREATION

IMPACT INVESTING

"The world is on the brink of a revolution in how we solve society's toughest problems. The force capable of driving this revolution is 'social impact investing', which harnesses entrepreneurship, innovation and capital to power social improvement." (G8 Social Impact Investment Taskforce, 2014, p.1)

Impact investments have the intent of generating social and environmental impact alongside a financial return. Investments produce a range of possible returns from below market rate to market rate, depending on investors' strategic goals.

The idea is growing quickly and being used to address challenges as diverse as sustainable agriculture, renewable energy, conservation, housing, healthcare, and education. Impact investing is characterised by intentionality, an investor's intention to have a positive social or environmental impact through investments and an expectation of return – a financial return on capital or, at a minimum, a return of capital. Globally, a wide range of institutions are directing funds in this way: fund managers, development finance institutions, banks, private foundations, pension funds, insurance companies, individual investors and non-profit organisations.

According to the Global Impact Investing Network, 79% of investments are delivering impacts in line with expectations and 20% above expectation; 76% deliver as expected financial returns and 15% outperform expectation, while 66% deliver risk-adjusted market rate return.

Impact investing globally in 2016 was $114 billion from 208 investors, up from $77 billion in 2015.[23] Although this is a very small number in the context of the wider financial markets, the more optimistic can point to broader set of 'sustainable' and 'responsible' assets, including negatively and positively screened public equities and green bonds. That figure is $23 trillion, up 25% in two years.[24]

In Aotearoa New Zealand impact investment is very much in its infancy. The *Responsible Investment Benchmark Report* (2017) notes that broader responsible investing increased 67%, rising from $78 million to $131 million from 2015 to 2016. The same report comments that responsibly invested funds in Australia were still outperforming equivalent Australian equities and multi-sector balanced funds over three-, five- and ten-year

[22] 114,000 in 2013 – Statistics NZ.
[23] Global Impact Investing Network – https://thegiin.org/
[24] Global Sustainable Investment Alliance website – http://www.gsi-alliance.org/

horizons. The New Zealand figures are heavily influenced by negative screening within KiwiSaver funds (Responsible Investment Association Australasia, 2017).

The recently established Impact Enterprise Fund[25] is the first domestically focused impact investment fund in Aotearoa New Zealand. It will invest in local businesses that deliver societal and/or environmental returns from their operations, alongside financial returns.

SOCIAL ENTERPRISE

"Social enterprises are purpose-driven organisations that trade to deliver social and environmental impact."[26]

Social enterprise can take many forms: mainstream business that transfers profit, buy one give one (Eat My Lunch), the good asset (Whale Watch Kaikoura), disruptive provider (Simplicity KiwiSaver), subsidised service (Fairground Accounting), fair share (Trade Aid). Some of these models are not new, charity shops for instance. The long-established YMCA Auckland takes a matrix view in which profits from commercial services (gymnasiums) are transferred to subsidised social impact programmes. There is energy and enthusiasm in these areas, but some commentators share an 'emperor's new clothes' caution and note a high failure rate among small new businesses (50% across five years), raising the possibility of significant wasted energy.[27]

Four things to know about social enterprises:

"1. The social enterprise sector is growing in New Zealand and globally. There is a sense of momentum, and that their time has come.

2. They are often innovative, and some are disrupting traditional business models.

3. They are changing the way people consume products and services.

4. There are strategic opportunities to engage with and/or learn from social enterprises."

(Institute of Directors, 2017)

There is no specific legal structure for a social enterprise in Aotearoa New Zealand and they take many forms, from charitable trust to limited liability company, often both in the same business. Currently under discussion is the 'how much good' question. Consistent with the broader themes in this paper, any organisation that stands as a 'self-commissioner' of public value must account in some way. At present that lacks clarity and structure.

"We also need to ensure that consumers learn to both ask questions and ask for accountability from those who are telling their Social Enterprise story. … What should they expect to see in terms of reporting and information about non-financial returns?" (Moe, 2017b)

But how much good makes you a social enterprise?

For some entities their whole activity is focused on impact (e.g. Grameen Bank), while some run a commercial business and transfer profit (e.g. Sanitarium). In the case of the latter, should the ethical practices within that business form part of the judgement? Some have noted that our largest existing social enterprises are the iwi businesses. They are quite clear about who they exist to benefit and have very long-term horizons.

"How much of a focus on something other than profit is required before an entity becomes a social enterprise is rightly a point of ongoing debate." (Moe, 2017a)

A more robust definition of the term is required, or it risks becoming akin to 'eco-wash' or like misleading health labelling splashed on products simply to move more units.

"*In my view there are some key elements that should be present:*

- *An identifiable purpose beyond profit*
- *Mission lock entrenching the purpose – so the entity commits to the purpose and tells others*
- *Reporting on the achievement of that purpose."* (Moe, 2017a)

One of the ideas being discussed is combining charity and company law to create a new entity called a 'social enterprise company'.

"It is important to make the distinction between 'community enterprise', which has a long-term view and grows out of a community need, and 'social enterprise', which may be very short term and focusing on one business idea – if the trading company doesn't work out then something different can be tried."

Phil Squire
Chief Executive, Sustainability Trust

Despite concerns, it is clear this is not a passing trend.

[25] http://akina.org.nz/impactenterprisefund

[26] Ākina Foundation website – http://akina.org.nz/about/our-story/what-is-social-enterprise/

[27] https://www.fundera.com/blog/what-percentage-of-small-businesses-fail

B CORPS

B Corps are another social enterprise variant. These do have an international accreditation process. Benefit Corporations are for-profit companies certified by B Lab (itself a US non-profit) to meet standards of social and environmental performance, accountability, sustainability and transparency. Ben & Jerry's and Patagonia are well-known international B Corps. In New Zealand B Corps include Ethique, Peoples Coffee, GrowGood NZ, and Little Yellow Bird.

B Corp certification is a self-assessment based on a long list of questions; 10% of companies are selected for verification every year. Ethique notes on its website that it is *"committed to donating 20% of our profit (or 2% of sales) to charity every year".* Beneficiaries are listed although no quantum is provided.[28]

SOCIAL PROCUREMENT

Social procurement is the other side of the virtuous social enterprise loop. Ethical purchasing policies offer a key opportunity for the further growth and development of organisations. New Zealand industry spends spent $535 billion annually on procurement.[29]

Again, this is a quickly emerging trend. In July 2017, 150 people attended a Social Procurement Symposium in Auckland.[30]

New Zealand Post has announced that part of its purchasing will have a view to social outcomes; it is also funding an online market place, in partnership with the Ākina Foundation, connecting business and social enterprises. New Zealand Post Chief Executive David Walsh commented:

"We are very proud to support the growth in social enterprise and innovation in New Zealand. By taking these steps we hope to create even further business demand from this sector, helping it grow even further." (Walsh, 2017)

The government now produces a guide to social procurement.[31] There is an imminent social procurement market in Aotearoa New Zealand.

SOCIAL BONDS

Social bonds are a financial instrument involving several parties and aim to deliver both social impact and a financial return. They are a form of impact investing, still embryonic in New Zealand but more developed offshore to the point where a small stock exchange listing (US$8 million) has recently occurred. Focused on women in rural South East Asia, the bond has partial underwriting and is now listed on the Singapore Exchange.

"The Women's Livelihood Bond is the world's first social sustainability bond with a dual focus on social and financial returns to be listed on a stock exchange and an immense achievement for impact investing. The bond is listed on the Singapore Exchange, bringing impact investment from the margins to the mainstream." (Sahay, 2017)

In Aotearoa New Zealand social bonds have been floated as an innovative way for government to contract for social outcomes. These bonds will involve government partnering with private and non-profit organisations. If pre-agreed outcomes are achieved, government will pay the investors back their investment plus a return to an agreed maximum. They have not been without teething problems, as described in an article in the *NZ Herald*:

"A report on failures within the government's first social bonds pilot blames them on a lack of commercial expertise from the bureaucrats involved." (Rotherham, 2016)

The second attempt was launched in September 2017 and focuses on 1,000 at-risk young people in South Auckland. This six-year bond is a partnership between government, Genesis Youth Trust and a group of investors including the Wilberforce Foundation.[32]

Proponents suggest that if social bonds are successfully implemented they can achieve several desirable objectives: *"a better use of the taxpayers' money; the provision of private sector funding to complement taxpayer funding; returns to investors but only if successful outcomes were achieved; and, of most importance, superior social outcomes for those in need"* (Sir Roderick Deane, in Foreword to Jeram and Wilkinson, 2015).

[28] https://ethiquebeauty.com/who-we-support/

[29] Statistics NZ's Annual Enterprise Survey 2016.

[30] https://www.westpac.co.nz/rednews/business/creating-positive-change-through-social-procurement/

[31] https://www.procurement.govt.nz/procurement/specialised-procurement/social-services-procurement/

[32] https://www.health.govt.nz/our-work/preventative-health-wellness/social-bonds-new-zealand-pilot

The New Zealand Initiative's report notes that social bonds are not appropriate for all forms of social service provision and in Aotearoa New Zealand it has taken some time to get the pilots to the start line. There has been some scepticism about the government's intent and wariness from investors where required change is complex and long term. The challenge for the non-profit sector is to work in a far more commercial and innovative way. Intermediaries with all the requisite skills to connect the parties are in short supply. The concept is still in its development phase and far from proven, but the necessary focus on outcomes measurement and tight contracting is seen as being of value in itself.

DISINTERMEDIATION AND DIRECT GIVING

We live in a disintermediated world. Technology-enabled businesses and consumers remove layers in the supply chain with ruthless efficiency, consigning traditional models to history. The need for organisations acting 'on behalf of' is under fundamental challenge.

"The basic business model that most not-for-profits operate under is a broken one, a supporter here, a cause here and they sit in the middle as a broker clipping the ticket along the way."

Chris Clarke
Executive Director, Global Local

Under this broker model we required organisational trust in where resources were being applied. With global trust in non-government organisations at 53%[33] that model is under threat. To switch the model to one that places trust in the resource provider needs a very different skill set. In that model the question is asked, "What information do you need from us to make a sound decision knowing your money will go to the right place?"

Anyone who has been on the end of a cold call at 6.30pm two nights in a row will sense the headwinds being faced by established charities.

"Traditional fundraising is possibly a sunset industry."

Tony Paine
Chief Executive, Philanthropy New Zealand

There is rapid growth in the direct giving platforms. Many of us (39,239 to be exact) raised $2,259,923.21 and bought a beach, Awaroa Bay in the Abel Tasman National Park (O'Connell, 2017).

But these platforms have no regulation and no requirement for legitimacy around them. Givealittle reports that to date $85 million has been raised through its platform and it is currently seeking support for a broad range of individual and social causes. Some are known and credible; for example, Touch Compass Dance seeking to match a challenge donation of $175,000 is a great cause. Others have to be taken more on faith and sadly there has been some outright fraud, as seen in the fictitious case of cancer (Gillies, 2016).

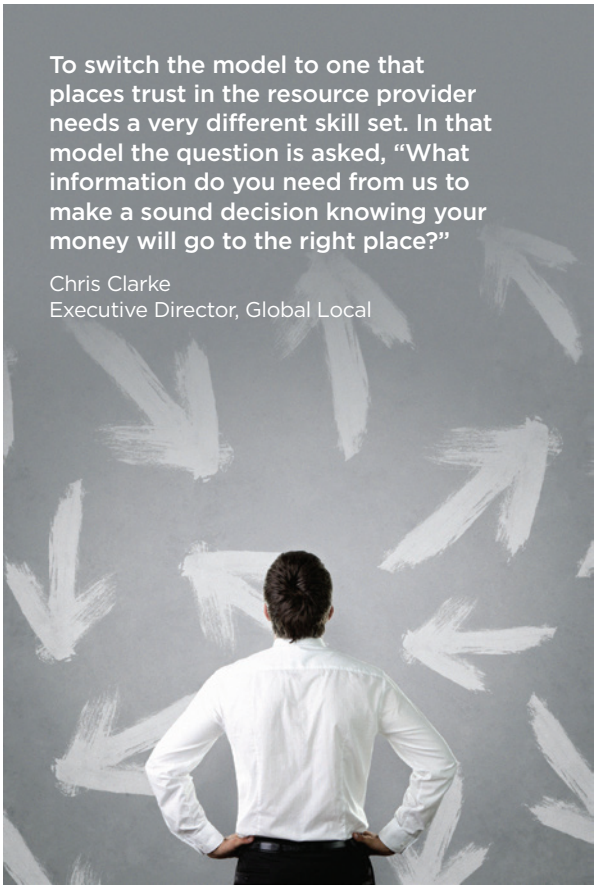
But online fundraising is likely here to stay. *"We learned from our data analysis that the amount of individual donor revenue raised from online giving grew from 17 to 24 percent in just two years. This means that about one in every four fundraising dollars from individuals is now generated online."* (Yandow, 2017)

A further example of the power and speed of these platforms was seen recently in Aotearoa New Zealand in the lead-up to the launch here of the Thankyou social enterprise. It crowdfunded the launch by selling just one chapter of a book at a pay what you want price.

"Within two hours of this launch video, we'd raised $360,000, with now over $1.9 million raised and counting. In airport bookstores it was second to only the Harry Potter book launch. And it's only the first chapter." (Radio New Zealand, 2018a)

To switch the model to one that places trust in the resource provider needs a very different skill set. In that model the question is asked, "What information do you need from us to make a sound decision knowing your money will go to the right place?"

Chris Clarke
Executive Director, Global Local



[33] Edelman Ltd, 2017.

THE NEXT GENERATION

The coming generations will be natural born disintermediators, and we already see that many today want direct connection with causes and are disinclined to go through any form of broker. They are also questioning the type of company they work for and invest in.

A BlackRock survey found that *"67% of millennials say they want investments to reflect their social and environmental values. (For women, it's 76%)"* (Ackerley, 2017).

"More than 50% of millennials say they would take a pay cut to find work that matches their values, while 90% want to use their skills for good." (Poswolsky, 2015)

There is significant wealth transferring between generations. In the US, according to consulting firm Accenture, the baby boomers are set to transfer $39 trillion to the next generation (Accenture, 2015).

There are entities emerging advising the millennial generation on social good investment. The organisation Resource Generation states that it encourages members to think beyond quick fixes, and instead concentrate on using their money to get at the structural issues causing harm.

Its website notes that it is *"the only organization in the U.S. helping young folks confront and unpack class privilege and get organized around redistribution, not charity".*[34]

Under any scenario the next generation will view social change differently and will not necessarily be guided by what has gone before. This poses a fundamental challenge to the for-value sector.

WHAT HAPPENED TO PHILANTHROPY?

In all of this we should not lose sight of the core principle of philanthropy, a gift without expectation of return. This is enshrined in our tax law, which discounts any benefits provided in return for a donation. There is a danger in all the emergent sophistication that we attempt to price things that really should not be financially codified. Some would argue that we are in danger of conditioning humans to commercial rather than philanthropic transactions.

Eminent economist Ann Pettifor seems to agree: *"It's the world's politicians who should really take responsibility for economic failure as, since the 1970s, they've allowed the 'financialisation' of everything we know – including sports, arts and property"* (Radio New Zealand, 2018b).

> "There is no real philanthropy in social enterprise. The idea that we need a modified commercial transaction in order to do good is losing the true meaning of philanthropy. There is a danger that we wash from society the purely philanthropic transaction."
>
> Malcolm Sproull
> Sproull & Associates

However, in a world where demand exceeds resource supply, some form of decision making is always going to be required. We need to account for public funds and ensure that those who commission themselves to create public value can demonstrate wise use of resource, but that does not mean we have to count everything.

Oscar Wilde famously defined the cynic as *"a man who knows the price of everything and the value of nothing".* We simply do not need to debate that some things are good and that they should be present in our societies. Parks are good, public art is good, clean rivers are good. At a more fundamental level, we subscribe as a nation to an international code of human rights in which health, housing, equality and justice are simply not up for debate.

Perhaps a bit more good, old-fashioned philanthropy is what we need?

[33] https://resourcegeneration.org/2017/11/how-supporting-rg-as-a-member-increases-funding-to-social-justice/

GOOD PRACTICE

Good practice is a moving concept and there is likely no one static example of best practice. Considering a range of examples will help an organisation decide what works in their situation. The material cited below demonstrates specific areas of good practice. Only material available online is listed.

Links to these documents are embedded in the electronic version of this report, which is found at www.sportnz.org.nz/governance/truetolabel

EXAMPLES FROM THE ORGANISATIONS REVIEWED

This is a sample only and does not necessarily reflect all the good practice within the organisations considered:

New Zealand Maritime Museum
Annual reporting against objectives, pp.15-18
Maritime Museum

Paralympics New Zealand
Rio Olympics graphic reporting, p.17
Paralympics at Rio

MOTAT
Statement of Service Performance, pp.49-57
MOTAT Annual Report

Wellington Zoo
Tracking against annual targets
Wellington Zoo Annual Report

Queen Elizabeth II National Trust
Detail of covenants and statement of service performance, pp.25-28
QEII National Trust Annual Report

Sport Southland, Stakeholder feedback
Sport Southland Stakeholder Feedback

New Zealand Rugby Union
Performance scorecard, pp.13-19
NZRU Annual-Report

Pasifika Futures
Detailed planning and reporting, pp.9-21
Pasifika Futures Annual Report

2017 CAANZ NEW ZEALAND CHARITY REPORTING AWARDS

CAANZ Awards

Note that at present only Tier 3 and 4 charities are required to present statements of service performance.

Tier 1
Over NZ$30m in annual operating expenses

Winner:
Comprehensive Care PHO
Comprehensive Care Annual Report

Highly commended:
The Electrical Training Company
ETCO Annual Report

Tier 2
Between $2m and $30m in annual operating expenses

Winner:
Royal New Zealand Ballet
RNZB Annual Report

Highly commended:
The Fred Hollows Foundation (NZ)
Fred Hollows Annual Report

Tier 3
Under $2m in annual operating expenses

Highly commended:
Toy Library Federation of NZ
Toy Library Performance Report

Tier 4
Under $125,000 in annual operating expenses

Winner:
The Waikato Society of Potters
Waikato Potters

OTHERS OF NOTE IN AOTEAROA NEW ZEALAND

Royal New Zealand Coastguard
Coastguard Annual Report

Sustainable Coastlines
Sustainable Coastlines – online material

INTERNATIONAL EXAMPLES

Third Sector Excellence Awards UK
Third Sector Excellence Awards

PWC Excellence in Reporting Awards UK
PWC Awards

This one stood out – Street League sport in the UK
Street Legal Annual Report

Pretty good too – Lifeboat Institute
Royal Lifeboat Institute

FOR-PROFIT REPORTING – LEADING EXAMPLES OF INTEGRATED REPORTING IN NEW ZEALAND

Sanford
Sanford Annual Report

New Zealand Post
NZ Post Annual Report

GOVERNANCE REPORTING

New Zealand Recreation Association, Governance report, p.22
NZRA Annual Report

New Zealand Superannuation Fund, Governance reporting, p.59
NZ Super Fund Annual Report

Sport NZ advice, Governance in the annual report
Governance in the Annual Report

IMPACT REPORTING

An excellent UK outline of principles for impact reporting

Principles of good impact reporting

INTERNATIONAL STANDARDS

Global Reporting Initiative
– range of non-financial standards
Global Reporting Initiative

International Integrated Reporting Framework
International Integrated Reporting

QUESTION SETS FOR BOARDS

Otago Museum strategy screen

Consistent with our mission we will use the following questions to determine and prioritise what we do:

- Is this activity something only we can do?
- Is it consistent with the goals and objectives of our strategic plan?
- Do we have the resources to deliver it?
- Can the activity be developed, evaluated and disseminated?
- Does it involve partnership rather than competition?
- Will the activity be valued by our stakeholders?
- Is it authentic, innovative and inspirational?
- Is the activity relevant to our collection?

Michael's five questions

- What is it you think we do? – looking for consistency of understanding
- What do we do well? – boost those things
- What do we do less well? – improve or stop
- What should we stop doing or start doing?
- Where do we want to be in five years and what should that look like?

With kind permission of Michael Frawley, Chief Executive, MOTAT

Sport New Zealand's nine quick questions

Quick set of questions checking that core governance issues are being addressed, always accompanied by the secondary question – how do we know?

- Should we stay in business?
- Is the role of the board clear?
- Have we made our expectations of management clear?
- Are we on track?
- Is the money on the business?
- Do we have a future perspective?
- Do we do good work?
- Do we have the right people around the table?
- Is our time well spent?

See also the Good Governance article 'Putting the board to the 10 minute test'.

10 minute board review

SOCIAL ENTERPRISE FORMS

Nice diagram of the continuum of enterprise from charity to commercial
What is Social Enterprise?

Good list of examples of the main types of social enterprise business models
Types of Social Enterprise

SPORT NZ GOVERNANCE RESOURCES

Governance in the New Zealand Sport and Recreation Sector – Sport New Zealand governance principles and framework, pp.4-7
Governance in sport and recreation

General Sport NZ governance resources can be found at www.sportnz.org.nz/governance

Material useful in any non-profit context

ACKNOWLEDGEMENTS

Warm thanks to all the people who gave generously of their time and wisdom. Without your contribution this work would not have been possible.

Reference panel

Graeme Nahkies	Boardworks International
Craig Fisher	Chair and Audit Partner, RSM Hayes Audit
Warren Allen	Chief Executive, External Reporting Board
Janette Brocklesby	Research Lead, Sport New Zealand

Interviewees

Thank you to the following for your invaluable insights and permission to publish direct quotations, which have added significantly to this paper:

Debbie Sorensen and Seini Jensen, Pasifika Futures

Jennifer Gill and Chloe Harwood, Foundation North

Arvid Ditchburn, YMCA, Auckland

Robyn Wong, Sport New Zealand

Stephen Wainwright, Creative New Zealand

David Rutherford, Human Rights Commission

Chris Clarke, Global Local

Phil Squire, Sustainability Trust

Malcolm Sproull, Sproull & Associates

Francesca Ephraim, Charities Services

Warren Allen, External Reporting Board

Craig Fisher, RSM Hayes Audit

Michael Frawley, MOTAT

Tony Paine, Philanthropy New Zealand

Coffee, conversation and information

Stewart Donaldson, Belinda Gorman, Elena Noyes, Josie Pagani, Julia Fletcher, Anthony Heffernan, Lindsay Corban, Wayne Tukiri, Steven Moe, Mark Stratford, Harrison Knapp, Anthea Morrison, Clive Pedley, Stephanie Clare and apologies to those I have forgotten.

Design and proofing

Thanks to Jim Davenport and Alison Lipski respectively, for excellent design and proof reading. To my wife Sarah, for an informed and diligent final read.

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ISBN 978-0-473-442415-6