

# **Management of Non-Profit Social Service Organisations in Aotearoa New Zealand**

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## **Abstract**

Non-profit social service organisations make a significant economic and social contribution to Aotearoa New Zealand societies. Despite their growing significance and reach, non-profit organisations (NPOs) have been facing significant operational challenges over the past decade as a result of the contract model of funding for service delivery that is informed by a neoliberal ideology and new public management techniques. These operational challenges are mainly related to their finance, service delivery, governance boards and human resources. Additionally, there is uncertainty around how NPOs manage their commitment to te Tiriti o Waitangi / the Treaty of Waitangi. Although these concerns have remained the same over the past decade and are still growing, there is still no research evidence available on how NPOs manage these challenges. Due to the dearth of research, it is also not clear whether these organisations face these challenges due to a lack of proper management of these organisational elements. The survival of NPOs depends on how well they are managed, and the need for competent management of NPOs has never been greater in the midst of funding uncertainties. However, how NPOs in Aotearoa New Zealand manage their board, service delivery, human resources and finance remains a mystery because of the lack of research in this area. Therefore, the overall purpose of this research is to develop an understanding of how well non-profit social service organisations manage their board, service delivery, human resources and finance, and their commitment to te Tiriti o Waitangi.

A quantitative research methodology using a cross-sectional survey design informed by positivist epistemology and objectivist ontology was adopted as the overarching research strategy for this project. Data were collected from 65 NPOs in Aotearoa New Zealand through a cross-sectional anonymous survey that assessed their management of the board, service delivery, human resources and finance. Using systems thinking as a conceptual framework,

this research also investigated the relationship between the management of organisational elements. The results indicated that the NPOs demonstrated a borderline practice in all four areas of management, resulting in the organisations carrying a medium risk. The non-Māori NPOs also struggled with maintaining their commitment to te Tiriti o Waitangi. The results also suggested that the relationship between the management of various organisational elements is a matter of comparison rather than given because of their organisational identity. The discussion shows that NPOs need to engage in assessing their management practices and being critically reflective learning organisations to improve their management practices. A non-profit management self-assessment tool was developed for NPOs to use as a potential self-assessment tool. Because the results also demonstrated that the relationship between organisational elements is a matter of comparison due to the stark differences found between Māori and non-Māori organisations, a reconceptualisation of systems thinking is necessary to consider these differences and the complex multilayered environmental context in which NPO management takes place. Accordingly, an ecosystem management model was recommended for practitioners and researchers as a conceptual framework to further the enquiries on non-profit management.

**Key Words:** non-profit management; systems thinking; board; service delivery; human resources; finance; ecosystem management; non-profit social service organisation

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## Glossary of Māori Terms

(The glossary is arranged in alphabetical order. Brief translations are given, so it should be noted that fuller and multiple meanings may be attributed to words depending on the context in which they are used.)

Aotearoa	Māori name for New Zealand
Āwhinatanga	Empathy
Hapū	Subtribe
Hui	Meeting
Iwi	Tribe/Nation
Karakia	Prayer
Kaumatua	Elder
Kaumātua	Elders
Kaupapa Māori	Māori philosophy
Kawa	Protocol
Kāwanatanga	Government
Kōhanga Reo	Māori language nest
Koha tuku rua atu	Redistribution
Mahi aroha	Volunteering/unpaid work
Mana	Status/prestige/integrity
Mātauranga Māori	Māori knowledge
Mihi whakatau	Official welcome speech
Noa	Non-sacred/unrestricted
Rangatiratanga	Leadership
Tangata whenua	People of the land
Tapu	Sacred/restricted
Tau utuutu	Reciprocity
Tautoko	Support

Tauīwi	Others who came to New Zealand after Māori
Te Ao Māori	Māori world view
Te reo Māori	Māori language
Tikanga	Customs
Tino rangatiratanga	Self-determination/autonomy
Tirohanga Māori	Māori world view
Whakahaere Māori	Māori management practices
Waiata	Song
Whakapapa	Genealogy
Whānau	Extended family
Whanaungatanga	Relationship/kinship
Whenua	Land

## **List of Abbreviations**

ANGOA	Association of Non-Governmental Organisations of Aotearoa
ANOVA	Analysis of variance
ANZASW	Aotearoa New Zealand Association of Social Workers
CBO	Community-based organisations
CEO	Chief executive officer
DIA	Department of Internal Affairs
FTE	Full-time equivalent
GDP	Gross domestic product
GRO	Grass roots organisations
ICNPO	International Classification of Nonprofit Organisations
IFSW	International Federation of Social Work
MSD	Ministry of Social Development
NFPO	Not-for-profit organisation
NGO	Non-governmental organisation
NPM	New public management
NPO	Non-profit organisation
NPSSO	Non-profit social service organisation
NZSCNPO	New Zealand Standard Classification of Non-Profit Organisations
OCVS	Office for the Community and Voluntary Sector
RBA	Results-based accountability
RMF	Results Measurement Framework
SO	Support organisation
SOGI	Statement of Government Intentions for an Improved Community-Government Relationship
SPSS	Statistical Package for Social Sciences
UN	United Nations

## Preface

This research is an outcome of the fourfold aspects of my social work career as an educator, researcher, trainer and consultant. Throughout my professional experience as a social worker, I have been involved with non-profit organisations (NPOs) in many different ways. My interest in NPOs was sparked when I was a master's student (2003–2005) in social work in India.<sup>1</sup> I initially learned about the role of NPOs in social work practice as one of the essential organisational contexts in which social workers practice. I then learned more about the nature, purposes and role of NPOs through the courses I attended, the field visits to various non-profit social work organisations and the mandatory social work field practicums in these organisations. Through these exposures, I came to know about the value of the vast array of services these organisations were providing to individuals, families, groups and communities amidst all the challenges they had to face as alternative social welfare and social action agents to government organisations. This interest in NPOs was reignited when I started working as a lecturer in a social work school in India. My research interest in NPOs widened when I started teaching social welfare management to social work students as a secondary method of social work practice in India. I soon realised that NPOs are different from government and commercial organisations and their management needs are different from those of other organisations. I then started working with some NPOs in India on a voluntary basis, offering training for their staff on management of their organisations. This also led to offering some consultancy services on NPO management. I did not see the processes of teaching, research, training and consultancy as different; instead, I considered them to be complementing activities in developing my knowledge about NPOs.

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<sup>1</sup> India is my home country, where I was born, studied and worked until I started my PhD in Social Work at the University of Canterbury, Christchurch, Aotearoa New Zealand.

During my teaching and association with the NPOs in India, I observed both social work students and NPO professionals cringing when they heard the term *management*. I also found that professionally trained NPO staff such as social workers tried to avoid becoming competent in management out of fear that they might somehow be turning their backs on their clients or losing their identity as professional helpers if they were to be involved in the management of NPOs. This tempted me to do further research on the management of NPOs as I always viewed and still view management of NPOs as a function, process and method essential to professional social work practice. Anecdotal evidence suggests that most NPOs are managed by professionally qualified social workers, and becoming a manager of a non-profit social service organisation is a typical career prospect for many professional social workers. As non-profit organisations are one of the major organisational contexts where social workers practice, the ways NPOs are being managed have a significant influence on social work profession. However, in my experience as a social work educator, I have observed that non-profit management does not receive enough attention in social work education and research. At the same time, NPO management has become a discipline in its own right and has received considerable attention in other disciplines such as management and human services. This lack of attention to NPO management in social work education and research motivated me to undertake a doctoral study in this area.

I decided to undertake my doctoral study on NPO management among the non-profit social service organisations in Aotearoa New Zealand<sup>2</sup> as it is viewed as the social laboratory of the world in many respects due to its small size, bicultural foundation and development and growth of the non-profit sector. Because of the subject of this research and my status as a

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<sup>2</sup> Aotearoa is the most widely used Māori name for New Zealand and the most popular and authoritative meaning usually given is “the land of long white cloud” (*An Encyclopaedia of Aotearoa New Zealand*, edited by A. H. McLintock, 1966). In this research, the term Aotearoa New Zealand is used instead of New Zealand to acknowledge the bicultural foundation of Aotearoa New Zealand and the indigenous people (Māori) of Aotearoa New Zealand. I acknowledge the bicultural nature of Aotearoa New Zealand as laid out in its founding document, te Tiriti O Waitangi (the Treaty of Waitangi), which was signed between Māori and the British Crown on 6 February 1840.

registered social worker and social work academic, undertaking this study in the discipline of social work became a natural choice. Two professionally qualified and registered social workers supervised this project. While this thesis is intended to make a knowledge contribution to social work, I also hope that it will make a knowledge contribution to the wider non-profit sector studies.

## Acknowledgements

### **Ehara taku toa, he takitahi, he toa takitini**

*My success should not be bestowed onto me alone, as it was not individual success but success of a collective* [Māori Proverb]

As the above proverb states, completion of this thesis was not just a work of mine, but of many. This thesis has been a journey of resilience as it has faced some significant challenges during its journey. This thesis has survived major earthquakes, significant health issues, loss of a baby, unexpected loss of dear friends and the pressures of a full-time academic job. I also became a father for the first time during this journey. It was not at all an easy journey, but I made it to the finish line with the immense support of many who wanted me to cross it.

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I also would like to thank the people from the 65 wonderful non-profit organisations who participated in this study by taking a few hours of their valuable time to reflect on their organisational management and answering the survey. Your interest in my research is much appreciated.

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Special thanks to my father-in-law George, who supported me in this journey financially and emotionally. Also, thanks to my extended family in India for their encouragement to be the first person in the family with a PhD.

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## **CHAPTER 1: INTRODUCTION**

### **1.1 Overview of the Chapter**

This research sought to develop an understanding of how non-profit social service organisations (NPSSOs) in Aotearoa New Zealand manage their board, service delivery, human resources and finance. It was anticipated that the knowledge generated from this enquiry will afford new insights and so inform the management of NPSSOs. As the study was undertaken within the subject discipline of social work and the research is focused on the management of social service organisations, this chapter begins with a brief discussion on the relevance of management to social work. This is followed by an overview of the context of non-profit organisations (NPOs) that frames the study. The context specifically addresses the non-profit sector in general and social service organisations in particular in Aotearoa New Zealand to set the stage for the study. Following this is the problem statement, the statement of purpose and accompanying research questions, and definitions of key terms. Also included in this chapter is a discussion on the significance and scope of the study. The chapter concludes with an overview of how the thesis is organised.

### **1.2 Social Work and Management**

Social work is a profession primarily practised in the confines of an organisation, and almost all social workers are organisation-based practitioners. What social workers do on a day-to-day basis is bound by the organisations that employ them. Social workers are accountable for the work they do administratively and professionally, and they are always part of the management process (Coulshed, Mullender, Jones, & Thompson, 2006). Social workers' career progression typically involves moving on from frontline positions to management roles that include supervising and managing teams and organisations as a whole (Coulshed et al., 2006; Sewpaul & Jones, 2005). However, social workers do not always receive appropriate

training or support when they move from a frontline position to a management position (Coulshed et al., 2006). Furthermore, social workers tend to hold negative attitudes towards administrative and managerial aspects of their organisations and often argue that these are distractions from the real work of social workers (Coulshed et al., 2006). It is also argued that experienced social workers may not make the automatic transition to managers because the specific tasks of management are varied (Coulshed et al., 2006). As a result, organisational skills and understanding of the internal functioning of the workplace is a critical aspect of social service management (Sewpaul & Jones, 2005). Reinforcing the importance of management to social work, Coulshed et al. (2006) argued that all social workers are managers because they manage themselves, others and the systems. Moreover, Hughes and Wearing (2013) proposed that although not always apparent, organisational management always play an essential role in social work practice and it is necessary to be an effective organisational operator if the social worker wants to be an effective practitioner.

Much of social work practice is organisational in nature, making the organisations vital to achieving social work's virtues and ideals as a profession (Chenoweth & McAuliffe, 2017; Hughes & Wearing, 2013). Social work promotes social change, social development, social cohesion and the empowerment and liberation of people through practices of human rights, social justice, collective responsibility and respect for diversities (International Federation of Social Work [IFSW], 2014). The extent to which social workers carry out these core mandates of their profession depends on the nature and values of the organisations they work with, and it is vital to effective professional practice that they understand the organisational context (Beddoe & Maidment, 2009; Gardner, 2016; Hughes & Wearing, 2013). Management could liberate social work to pursue values such as equality, justice and the highest standards of services for the marginalised groups in society (Coulshed et al., 2006). The importance of the organisational context and its management to social work practice was formally

recognised when the IFSW designated management as one of social work's 13 "core purposes" in 2004 (Sewpaul & Jones, 2005). According to the IFSW, the core purpose of management is to plan, organise, administer and manage programmes and organisations dedicated to any of the other 12 purposes, such as facilitating the inclusion of marginalised, socially excluded, disposed, vulnerable and at-risk groups of people (Sewpaul & Jones, 2005, p. 229). Social workers have an ethical responsibility to challenge organisational management practices that violate social work values with their identity, values and knowledge. The practice of management in social service organisations should be ethical within a broader anti-oppressive agenda for the promotion of human rights and social justice to ensure the well-being of individuals and communities (Coulshed et al., 2006). The non-profit sector has re-emerged as the main site for social service delivery and a vehicle for social work practice in recent times (Hughes & Wearing, 2013), and understanding the management of NPOs is critical for social workers in realising their goals of social justice, human rights and the well-being of individuals and communities. The following section sets this context of NPOs.

### **1.3 Context of the Study**

The past three decades have seen a significant growth in the numbers and scope of a set of organisations that are different from commercial and government organisations around the globe. Various known as non-profit organisations (NPOs), not-for-profit organisations (NFPOs), the voluntary sector, civil society, the third sector, the social economy, non-governmental organisations (NGOs) and the charitable sector, they participate in a "global associational revolution" (Salamon, Sokolowski, & List, 2003, p. 1) along with the state and the market in public policy formulation and service delivery. The existence of these organisations is by no means a new phenomenon. Salamon et al. (1999) explained that they have a long history, characterised by religious ideologies, social movements and the global crisis of the state, and they have become increasingly visible since the Second World War.

Salamon et al. (2003) argued that the failure of the state and the market to represent the wide variety of human needs has resulted in fears about a decline, or general insufficiency, and has triggered an interest in these organisations as a way to find a solution for this failure.

Increased knowledge in information technology, a high level of literacy among the population, increased interest in human rights, and environmental and gender consciousness have also contributed to the recognition of these organisations (Anheier, 2005; Lewis, 2006b; Rahman, 2003; Salamon et al., 2003).

NPOs<sup>3</sup> are now a growing feature of societies all over the world and have an increasing profile because societies are increasingly dependent on them for delivery of various services irrespective of their function, for example, as service providers or promoters of values or public concerns (Lewis, 2006b; Salamon et al., 2003; Stansfield, 2001). These organisations are mainly involved in either *service* functions, which involve the delivery of direct services such as education, health, housing, community development, social services and the like, or *expressive* functions, which involve activities that provide avenues for the expression of cultural, religious, professional or policy values and interests (Salamon et al., 2003, p. 22; Sanders, O'Brien, Tennant, Sokolowski, & Salamon, 2008, p. 7). While some NPOs may engage in both, the International Classification of Nonprofit Organizations (ICNPO) has classified them into 12 categories<sup>4</sup> based on their primary activities, demonstrating the vast array of activities NPOs undertake in our societies (Salamon & Anheier, 1996; Salamon et al., 2003). Despite the differences in their primary activity, all NPOs share a set of common characteristics, such as organised, private, not-for-profit distributing, self-governing and

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<sup>3</sup> The term *non-profit organisations* (NPOs) is used in this study because of its wider recognition in the international and national official statistics such as the Statistics New Zealand satellite account. The International Classification of Nonprofit Organizations (ICNPO) and national classification systems (New Zealand Standard Classification of Non-Profit Organisations [NZSCNPO]) use this term to officially recognise and estimate their contribution to national economies. They are commonly known as NPOs as they do not distribute or return profits to the owners of the organisation (Salamon et al., 2003).

<sup>4</sup> The 12 categories are culture and recreation; education and research; health; social services; environment, development and housing; law, advocacy and politics; philanthropic intermediaries and volunteerism promotion; international, religion; business and professional associations, unions; and not elsewhere classified.

voluntary (Salamon & Anheier, 1996; Salamon & Anheier, 1997; Sanders et al., 2008), that make them different from government and commercial organisations (Ahmed, 2013).

NPOs now receive high recognition as a significant social and economic force at the local, national and international levels, and are an emerging middle way sector between the market and the state (Anheier, 2005). Based on data from 35 countries, Salamon et al. (2003) estimated that the NPO sector is the world's seventh largest economy if the NPO sector in these countries combined were considered a separate national economy. More recently, based on the data available from the 15 countries who have implemented the United Nations (UN) *Handbook on Nonprofit Institutions in the System of National Accounts*,<sup>5</sup> Salamon, Sokolowski, Haddock and Tice (2012) argued that the non-profit sector is a significant economic force accounting for 4.5% of the gross domestic product (GDP) of these countries, including the value of the volunteer work in NPOs. This contribution to the GDP is approximately equivalent to the construction industry in these countries. According to Salamon et al. (2012), the non-profit workforce made up 7.4% of the total workforce on average, including paid staff and volunteers. Employee compensation made up the largest share (84%) of the non-profit sector's contribution to GDP. The vast majority of non-profit value (75%) to GDP was generated through service activities such as social services, health and education, as opposed to expressive activities such as sports and recreation, arts and culture, and advocacy. On average, NPOs received 43% of their income from the fees they charged for their services, 32% from government sources (contracts and grants) and 23% from philanthropic giving. The NPO sector is growing internationally: the NPO sector's contribution to GDP grew at an average rate of 5.8% per year compared with 5.2% of the

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<sup>5</sup> Developed by the Johns Hopkins Center for Civil Society Studies in cooperation with the United Nations (UN) Statistics Division and an international technical experts group, issued by the UN in 2003, this handbook calls on national statistical offices to produce regular "satellite accounts" on non-profit institutions and volunteering for the first time, and provides detailed guidance on how to do so. The countries include Australia, Belgium, Brazil, Canada, the Czech Republic, France, Israel, Japan, Kyrgyzstan, Mexico, Aotearoa New Zealand, Norway, Portugal, Thailand and the United States (Salamon et al., 2012, p. 1).

economies as a whole. While the NPO sector is a significant social and economic force in a range of countries, there are huge variations among the countries, and the average obscures this variation (Salamon et al., 2012). Table 1-1. Value of the non-profit sector shows this variation in a group of countries that Anheier (2014) referred to as liberal welfare countries, where there is a high level of service commodification. This table shows some significant differences in their contribution to GDP, income, asset base and the percentage of paid and volunteer workforce in each country. While the number of NPOs in each country is available in the table, they are not a reliable measure of the impact of NPOs because it is “a notoriously imprecise measure” (Salamon et al., 2003, p. 10) due to the variation in data collection procedures used in each country.

*Table 1-1. Value of the non-profit sector*

<b>Dimensions</b>	<b>New Zealand</b>	<b>Australia</b>	<b>United States</b>	<b>United Kingdom</b>	<b>Canada</b>
<b>Number of organisations</b>	114,110	56,894	955,000	167,443	85,600
Contribution to GDP including volunteer labour (%)	5.3	4.9	6.6	Not available	8.1
Income (in billion)	NZ\$13.28	A\$107.5	US\$2,160	£74.43	C\$168B
Assets	NZ\$40B	A\$176B	US\$4,840B	£235B	Not available
% of workforce (paid)	4.4	8.5	7.7	3.1	8.5
% of workforce (volunteers)	6.2	3.0	2.5	Not available	Not available

(Source: Australian Bureau of Statistics, 2015; Charities Commission for England and Wales, 2017; McLeod, 2017; Salamon et al., 2012; Statistics New Zealand, 2016).

This study is located in Aotearoa New Zealand, where the non-profit sector makes a significant contribution to the country’s social and economic fabric. Since a significant number of Aotearoa New Zealanders are either participating in NPOs as members and volunteers or receiving services provided by them, McLeod (2017) argued that “the sector is the glue which holds much of New Zealand society together and allows it to function and prosper” (p. 7). According to the Aotearoa New Zealand Non-Profit Institutions Satellite

Account<sup>6</sup> based on database year 2013, there were 114,110 NPOs in 2013, compared with 97,000 in 2005 (Statistics New Zealand, 2016). However, 61% of the NPOs were small unincorporated organisations functioning with the assistance of volunteers (McLeod, 2017). Moreover, only 27,188 NPOs were registered as charities under the Charities Act 2005 to receive tax exemptions in 2013 (Charities Services, 2017). However, McLeod (2017) estimated that there was a charitable NPO for nearly every 170 people in Aotearoa New Zealand and one in every 40 Aotearoa New Zealanders would be on a charitable NPO board if each organisation had four board members. According to the satellite account data, 90% of NPOs did not employ any staff, and 6.8% had only one to five employees (Statistics New Zealand, 2016). Only 0.2% of the NPOs had more than 100 employees. Although 90% of the NPOs did not employ any paid staff, they received a significant level of support from volunteers since approximately 1.2 million volunteers donated their time to NPOs (Statistics New Zealand, 2016). While a volunteer did three hours of unpaid work per week on average, the hours of unpaid work they contributed reduced from 270 million hours in 2004 to 157 million hours in 2013 (Statistics New Zealand, 2016).

According to the satellite data (Statistics New Zealand, 2016), the non-profit sector contributed NZ\$5.96 billion to GDP (2.7% of Aotearoa New Zealand's total GDP) in 2013, up from \$3.64 billion (2.5% of GDP) in 2004. When the value of voluntary labour (\$3.46 billion) was added to the traditional measure of GDP, the contribution of the NPO sector to GDP significantly increased to 5.3% from 2.7%, compared with 4.9% in 2004. This makes the total contribution of NPOs to the Aotearoa New Zealand GDP \$9.42 billion in 2013. The

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<sup>6</sup> Satellite accounts reorganise existing information in the national accounts to analyse a particular area of economic or social importance such as NPOs more closely and are linked to central national accounting frameworks such as the New Zealand System of National Accounts (Statistics New Zealand, 2016). Non-profit institutions' satellite accounts are recognised internationally to organise information about NPOs and are guided by the *Handbook on Nonprofit Institutions in the System of National Accounts* (UN, 2003). The Non-Profit Institutions Satellite Account maintained by Statistics New Zealand is the most comprehensive data source available in Aotearoa New Zealand about the NPOs because it has used a variety of data sources to develop an accurate picture of the dimensions of Aotearoa New Zealand's non-profit sector. The first satellite account, based on 2004 data, became available in 2007, and it was updated in 2016 based on 2013 data.



satellite account data also demonstrated that the NPO sector generated \$13.28 billion in revenues through grants, donations and membership fees from households, philanthropic institutions, \$2.66 billion from other private sources, and \$1.44 billion from grants from central and local governments, and government contracts accounted for \$2.66 billion. The total expenditure was estimated to be \$12.03 billion, leaving an overall surplus of \$1.25 billion. The compensation of employees accounted for \$4.52 billion, and the increase in this expenditure was underpinned by a 30% increase in paid employees between 2004 and 2013. This means that although there were no data available, NPOs contributed back to government income in the form of income taxes from employees and other levies while receiving a significant portion of their income from the government. However, using the charitable NPOs data set, McLeod (2017) argued that a limited number of organisations dominated the sector since the largest 15% of the organisations controlled 85% of assets and 11% of organisations controlled 89% of the income of the non-profit sector in Aotearoa New Zealand. The largest organisations dominating the sector remained the same over the years and almost 80% of the 40 largest charitable NPOs had existed for over 20 years (McLeod, 2017).

NPSSOs make a significant contribution to the socio-economic life of Aotearoa New Zealand and are a significant aspect of the non-profit sector in Aotearoa New Zealand. Social service organisations vary from small local initiatives established to address one or a small number of quite specific issues or needs, to large, national organisations providing a diverse range of services throughout the country (Tennant, Sanders, O'Brien, & Castle, 2006). The social service organisations include service providers such as emergency and relief services, institutions providing income support and maintenance, services for the disabled, parents, young people, different migrant groups and the elderly, food banks, women's refuges, addiction services, mental health services, child welfare, youth services, family services, self-help and other personal social services (Statistics New Zealand, 2016; Tennant et al., 2006).

Many of the traditional social services are provided by religious organisations—sometimes as stand-alone entities and sometimes as part of the ecclesiastical structure or as an informal activity undertaken through a locally based religious place of worship (Tennant et al., 2006). Iwi (tribal) social services and other pan-Māori service providers that either work exclusively with Māori<sup>7</sup> or work from a kaupapa Māori (Māori philosophy) base are also an essential part of social service NPOs (Statistics New Zealand, 2007). However, some social service organisations may fall under other activity groups such as health as well.

According to Statistics New Zealand (2016), social service organisations contributed the most to NPOs' GDP contribution, estimated to be \$1.42 billion, or 24% of the total NPO GDP contribution of the 12 major activity groups. Social services were the second largest activity group in the Aotearoa New Zealand NPO sector, comprising 14,810 organisations (13%) in 2013 (Statistics New Zealand, 2016). However, the charitable register identified only 2,014 (7% of all registered charities) social service organisations in the year ending 2013 (Charities Services, 2017). Despite their small size compared with other NPOs, NPSSOs were the biggest employers among all the activity groups and paid the highest amount of compensation of employees (\$1.36 billion). The Statistics New Zealand data show that only 1,563 organisations (10.5%) employed paid staff out of 14,810 social service NPOs, accounting for a total of 38,830 employees, averaging approximately 25 paid staff in these organisations (Statistics New Zealand, 2016). This is well above the NPO sector average of 12, but not as high as that of health (an average of 39 employees). Although the average staff size was 25, nearly 55% of the social service organisations that employed paid staff had only between one and five paid staff. Only 4% of the organisations employed more than 100 paid staff. The major source of income for social service organisations was government contracts (identified

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<sup>7</sup> Māori are the indigenous people of Aotearoa/Aotearoa New Zealand. As per the 2013 population census, 14.9% (598,605 people) of the total population of Aotearoa New Zealand identified as being Māori (Statistics New Zealand, 2013).

as sales income) and government grants. In 2013, government contract payments to social service providers were estimated to be \$557 million. Compensation of employees increased from \$759 million in 2004 to reach \$1,355 million in 2013. This reflects the growing number of paid employees and indicates that a significant amount of funding was spent on employing staff to deliver services (Statistics New Zealand, 2007, 2016). A wide variety of organisations now operate in the NPO sector in Aotearoa New Zealand and the majority of them rely on volunteers for their functioning. Among these diverse organisations, social service organisations play a significant role because they employ the majority of the paid staff in the sector and contribute the most to the NPOs' contribution to GDP.

Despite their growing social presence and the significant economic value to the national economy, NPOs have been facing significant challenges as they have entered an era of fierce competition for dwindling resources from both the public and private sectors. The competition for resources has resulted from broader political and economic changes that have happened (Gardner, 2016). The economic crisis and the rising fiscal debt in the early 1990s forced governments to reconsider the size and the functions of the state (Cribb, 2006). As a result, a conservative, neoliberal approach underpinned by free market practices to reduce public spending on social welfare and the role of government emerged (Alessandrini, 2002; Cribb, 2006; Gardner, 2016; Kenny & Connors, 2017). The neoliberal approach was influenced by the philosophy of Friedrich Hayek and the economic theory of Milton Friedman, which emphasised the primacy of individual responsibility rather than state provision and “maintained that a government’s role was to support the market and to get out of people’s lives” (Ife, 2016, p. 20). Also known as economic rationalism or neoclassical economics, neoliberalism considers the free market the answer to reducing welfare spending and an ineffective use of scarce resources, and emphasises that individuals are responsible for their welfare (Gardner, 2016; Healy, 2014; Kenny & Connors, 2017). The neoliberal ideology that

introduced the controlled markets with public agencies as funders opened up new opportunities for NPOs to be involved in a “mixed economy of welfare” (Lewis, 2014, p. 46) and led to the “introduction of purchaser/provider split” and the beginning of a competitive “contract culture” (Lewis, 2014, p. 48) in public service provision. As a result, the competitive tendering process to deliver services became the norm and outsourcing and contractualism gained momentum (Alessandrini, 2002). In this model, the government became the purchasers from NPOs rather than the primary providers, which resulted in competition among NPOs for contracts (Healy, 2014; Ife, 2016). Although the government purchased the services, they were not the end users of the services, thus creating a quasi-market of NPSSOs (Healy, 2014; Ife, 2016). While neoliberal discourses advocated for choice, the service users were not able to choose the services; instead, the services were delivered to them in this contracting environment (Healy, 2014). In this contracting regime, state agencies defined the service they purchased, stipulated the price and even nominated the clients according to particular categories, resulting in delivering services in silos (Alessandrini, 2002; Gardner, 2016). For the efficient implementation of neoliberal policies to reduce the role of the state and outsourcing the services through a contracting regime, governments also adopted a business approach widely known as new public management (NPM). NPM favoured reorganisation of the public sector into corporate units and using business management techniques such as privatisation, discipline in financial management, greater use of performance measures, development of management information systems and an emphasis on outputs rather than inputs (Anheier, 2005; Kenny & Connors, 2017).

NPM focused on evidence-based decision making and measuring outputs and outcomes defined by the government rather than by those involved in services, resulting in an audit culture (Healy, 2014). A drive to increase transparency and accountability was an essential aspect of NPM, and it took the form of formal reporting against specific measures (Reichard,

2010). This resulted in less participation from service users and service providers in the creation of policy and social services as “service delivery was seen as the output of the policy rather than social policy in action” (Fawcett et al., 2010, as cited in Healy, 2014, p. 55). NPM also commercialised the relationships between NPOs and the government through competitive contracts that introduced efficiency-oriented concepts into the internal management of NPOs (Reichard, 2010). As the government used free market practices to guide contracting out the services, NPM relied on business management practices to steer NPOs, a practice known as managerialism (Hughes & Wearing, 2013). This resulted in the view that management is content free, encouraging people with business management experience to manage NPOs (Kenny & Connors, 2017). NPM ideas brought forward many ideas to NPO management, such as concerns about outcomes over inputs, efficiency versus effectiveness, accountability and performance management (Anheier, 2014). NPM also influenced contracting procedures, resource development, organisational structure and governance, creating significant organisational challenges for NPOs.

Contracting as the preferred method of funding has had a significant impact on NPOs in New Zealand. The contracting model has turned many aspects of social service and other community activity into “commodities or commercial transactions” (Ministry of Social Policy, 2001, p. 91). The contract culture has also placed pressure on NPOs to demonstrate professionalism and mirror the management and organisational practices dictated by the state funder to optimise opportunities for securing contracts and meeting reporting requirements (O’Brien, Sanders, & Tennant, 2009; Tennant, 2007). New NPOs have emerged to capitalise on the opportunity in the new market, and existing organisations have had to professionalise and adopt the managerialist culture to attract contracts (Aimers & Walker, 2016). Aimers and Walker (2016) also noted that NPOs that were able to align themselves with the government policies to receive contracts were able to flourish under neoliberalism. The replacement of

voluntarism with corporate management structures and professionalism (Tennant, 2007) has resulted in two types of NPO groups competing for contracts from the government: “corporate NPOs” that behave more like businesses and “small NPOs” that “rely more on individual passion and commitment, and being well connected to the local community” (Treasury, 2013, p. 8). The competition for contracts has also led to a divide between large, nationally organised organisations with semi-corporate structures as non-profits and small, local organisations as community organisations (Cribb, 2005; Tennant, 2007). Because the large corporate NPOs have resource advantages over small community organisations to meet funder requirements for contracts, the smaller NPOs are forced to collaborate to attain the capacity that the corporate NPOs possess to successfully bid for contracts (Aimers & Walker, 2016). This push for corporatisation has led to a widening gap between larger NPOs providing government-contracted social services and those smaller independent NPOs that are not part of this partnering process (Aimers & Walker, 2016; Tennant, O’Brien, & Sanders, 2008). Therefore, the centralisation of social service provision and the competitive tendering has negatively affected NPOs’ relationships with each other and has been reported as leading to the pitching of larger organisations against smaller ones (ComVoices, 2014). NPOs that traditionally worked in collaboration and cooperation with each other have been forced into entering into competitive relationships with each other and this has negatively affected their ability to work together to address complex social issues (Humpage & Craig, 2008; Tennant, 2007). Also, recent government procurement guidelines have focused almost exclusively on processes for achieving “value for money”, and this has resulted in national and international corporates bidding for service delivery contracts in areas traditionally the reserve of the NPO sector (Neilson, Sedgwick, & Grey, 2015). This competition for funding makes the NPOs vulnerable and poses significant operational challenges while the demand for services is increasing from their communities (Neilson et al., 2015).

Sanders et al. (2008) identified some funding issues confronting NPOs in New Zealand, including inadequate funding: partial, short-term and project related; increased competition for resources; linkage of government funding to extensive government goals rather than organisational goals; and unpredictable shifts in government priorities and policies. Stansfield (2001) also noted that the changes in funding arrangements, such as the purchase of service contracting, has redefined the relationship between the government and NPOs and resulted in greater competition between NPOs. This competition has been accompanied by an emphasis on accountability to the public, funding sources and regulatory bodies, and to the consumers of services. Sanders et al. (2008) further observed that these financial problems have had a substantial indirect impact on the efficiency of NPOs to hire and maintain highly skilled professionals. For the individual manager, this translates into pressure to establish the effectiveness of social service programmes. Since this has become a reality, NPOs are being forced to reorient their management practices to survive in the sector.

Non-profit activities encouraged into existence only by the prospect of contracts are caught in what Nowland-Foreman called the bear hug of government funding (Nowland-Foreman, 1997). The loss of ability to autonomously decide the directions, values and philosophy under contracting are also leading to less innovation, diversity and responsiveness to community needs and funder capture (O'Brien et al., 2009). The dependency of NPOs on the government for funding poses significant strategic challenges to NPOs concerning their identity, distinctiveness and organisational purposes. NPOs have had to change their values, structures and approaches to adopt a more professional approach to deliver services from what they can obtain funds for (O'Brien et al., 2009; Wilson, 2001). The current contracting environment characterised by uniformity, standardisation and bureaucracy (Wilson, 2001) has raised questions about the extent to which NPOs are meeting government goals rather than pursuing their missions (O'Brien et al., 2009; Sanders et al., 2008). The shift in NPOs undertaking to

supply specific services on behalf of the government through service contracts has fundamentally changed the way NPOs operate because their agendas are increasingly shaped by state requirements rather than by their visions/missions. Since the NPOs have been shaping their work by funding criteria rather than by their organisational missions, there are concerns about the extent of mission drift among non-profits (Cribb, 2005; O'Brien et al., 2009; Tennant et al., 2006). This mission drift to adopt the mantle of the state service provider blurs the boundaries between NPOs and the government and has led to NPOs being referred to as convenient conduits for public services (Nowland-Foreman, 1997) and the pseudo-state (Walker, 2004).

While some non-profits have had to trade a loss of independence against the (relative) security of state funding, others have limited their activity to retain control over their goals and priorities (Tennant et al., 2008). Many organisations have been active in seeking funding from businesses and trusts, and have utilised the language of partnership as much in relation to the business sector as to government (Tennant, 2009). While they actively seek new and innovating funding opportunities, NPOs report that finding those opportunities is increasingly difficult, especially if the NPO is not well known (ComVoices, 2016; Grant Thornton, 2016). As a result, the NPOs are considering options such as collaborating or merging with other organisations, setting up trading organisations or social enterprises (ComVoices, 2016; Grant Thornton, 2013, 2016). However, the majority of the NPOs still need to rely on funding from the government to deliver services in the community. The uncertain nature of this funding environment continues to create significant operational challenges for NPOs.

#### **1.4 Statement of the Problem**

Research indicates that NPOs in Aotearoa New Zealand have been operating in a competitive contracting environment informed by the neoliberal approach to social services delivery



(Aimers & Walker, 2016; O'Brien et al., 2009; Tennant, 2007, 2009). While the competitive contracting environment, along with its focus on outcomes and business-oriented processes, has helped some large NPOs to be the dominant service providers, the experience of small-scale agencies has not been different. Many of the NPOs have struggled to maintain their mission focus and receive adequate funding to support their services (O'Brien et al., 2009). Although very limited, the available evidence suggests that funding and financing the activities of the organisation have remained a primary concern for NPOs consistently over the past few years (ComVoices, 2014, 2016; Grant Thornton, 2008, 2009, 2011, 2013, 2016). The other significant operational challenges NPOs have faced are related to service delivery, human resources, including staff and volunteers, and governance and board functioning (ComVoices, 2014, 2016; Cribb, 2017; Grant Thornton, 2009, 2011, 2013, 2016) (see Chapter 3 for a discussion on these challenges). Additionally, NPOs have struggled with maintaining their commitment to te Tiriti o Waitangi<sup>8</sup> (Sanders et al., 2008). While there is limited evidence available on the operational challenges faced by NPOs, there is no research evidence available on how NPOs in New Zealand manage these organisational challenges. Due to the dearth of research, it is also not clear whether NPOs are facing these issues due to a lack of proper management of these organisational elements. How NPOs in New Zealand manage their internal organisational elements such as the board, service delivery, human resources and finance remains a mystery. At the same time, more people are relying on the services provided by these NPOs, as society becomes complex and the need for social services are drastically rising, and NPOs are currently overdelivering their services in a resource constraint environment (ComVoices, 2014, 2016). The survival of NPOs and their

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<sup>8</sup> A treaty signed at Waitangi on 6 February 1840 (and in other parts of the country subsequently) by British Crown representatives and different Māori chiefs. This established a British governor in Aotearoa New Zealand and recognised Māori rights to their land and other properties and gave Māori the rights of British subjects. Although the Treaty is generally considered the founding document of Aotearoa New Zealand as a nation; the English and Māori language versions of the Treaty differ significantly, so the British and the Māori interpretations of the Treaty also differ (Sanders et al., 2008, p. 3). Despite this, te Tiriti o Waitangi is the foundation for bicultural practice and NPOs are expected to demonstrate their commitment to the Treaty.

programmes depends on how well they are managed. The management of NPOs is a concern not only for the board and the chief executive officer (CEO) and managers, but also for people who receive their services and for the funders who support the services. There are more of these organisations being formed every day (McLeod, 2017), and they are increasingly involved in complex and costly operations and influencing the lives and livelihoods of people. As a result, the need for intelligent and competent management of NPOs has never been greater. In the absence of research that provides evidence on the management of NPOs in New Zealand, this research tries to address the significant research gap on the management of NPOs in Aotearoa New Zealand. In particular, the research focuses on the management of the board, service delivery, human resources and finance and the relationship between the management of these organisational elements.

## **1.5 Statement of Purpose and Research Questions**

The overall purpose of this cross-sectional survey study is to develop an understanding of how NPSSOs in Aotearoa New Zealand manage their board, service delivery, human resources and finance. To fulfil this purpose, the following research questions are addressed:

- How well do the non-profit social service organisations in Aotearoa New Zealand manage their board, service delivery, human resources and finance? Is there any difference between Māori and non-Māori non-profit organisations in their management?
- Are there any significant relationships between the management of the board, service delivery, human resources and finance in the non-profit social service organisations in Aotearoa New Zealand? Do these relationships vary between Māori and non-Māori non-profit organisations?

- How do the non-profit organisations demonstrate their commitment to te Tiriti o Waitangi / The Treaty of Waitangi?

## **1.6 Significance of Study**

As the political dialogue mainly focused on a “two-sector model” of the market and the state in the past (Salamon & Anheier, 2000, p. 278), the non-profit sector did not receive enough attention and has been largely invisible due to a lack of sufficient research in the sector (Office for the Community and Voluntary Sector [OCVS], 2006). There is very little reported research on the management of the non-profit sector in Aotearoa New Zealand. While the sector surveys conducted by private consulting firms such as Grant Thornton (2003, 2005, 2008, 2009, 2011, 2013, 2016) and non-profit networking associations such as ComVoices (2014, 2016) have provided good insight into the challenges faced by the NPO sector in general, they did not investigate how NPOs manage their internal functioning. These surveys were generic in nature as they involved all types of NPOs, and they did not specifically address the issues faced by social service organisations. A perusal of the major databases and bibliographic information such as Google Scholar, INFOTRAC and ProQuest shows an absence of empirical research conducted on the management of NPSSOs in Aotearoa New Zealand.

The rationale for this study emanated from the researcher’s desire to develop an understanding of the management of NPOs in the absence of research in this area. It was anticipated that, through a better understanding of the management practices and the relationship between the dimensions of management, NPOs will be able to make more informed decisions about how they manage their organisation. This research has the potential to contribute to theory, practice, policy and education. One intended outcome of the study, on a theoretical level, was to identify the relationships between the management of internal

organisational elements—the board, service delivery, human resources and finance—by using a systems thinking conceptual framework. A model of NPO management was conceptualised based on these relationships. Additionally, the research intended to identify the difference in the management of the board, service delivery, human resources and finance between Māori and non-Māori NPOs. This understanding will also contribute to the research and literature.

On a practical level, a second intended outcome of the study was to develop an understanding of how well NPOs manage their board, service delivery, human resources and finance. This analysis based on the management practices has identified the strengths and weakness in the management of NPOs and will be useful for NPOs to understand their management practices.

Further, a third intended outcome contributes to the policy discussion on the management capacities of the NPOs to deliver services and the NPOs commitment to te Tiriti o Waitangi / the Treaty of Waitangi. As most of the NPOs receive their funding from the government, it will be of interest to the government to assess the capabilities of the service providers and put in place mechanisms and resources to improve their management capacities to deliver services for the public. Ministries and government departments that contract out their services have a responsibility to ensure the capacity of their contractors to deliver the outcomes.

Another intended outcome was the development of a management assessment tool that can assist the NPOs to critically reflect on their management practices and use their learning for better management practice to achieve their organisational mission. This management assessment tool will also be useful for future researchers who might want to have access to valid and reliable instruments to study the management of NPOs. As this study was expected to develop an understanding of the management of NPOs, a final intended outcome was the utilisation of this understanding in the education of non-profit management. It was expected that the findings of this study will be useful in teaching and training on non-profit

management. Because of the distinct nature of the research, several organisations and people have been identified as the potential beneficiaries of this research. They are:

- academicians and researchers in the NPO sector
- NPO managers
- NPO boards
- students of social work, human services and non-profit management
- social service NPOs
- other NPOs
- the government, particularly the Ministry of Social Development (MSD), Ministry of Health and any other government departments that engage in contractual relations with NPOs
- donors of NPOs
- the Charities Services
- any other parties interested in the non-profit sector.

## **1.7 Scope of Study**

This research is located in Aotearoa New Zealand and focuses on the management of NPSSOs only in Aotearoa New Zealand. This research is interested in the process of management in NPOs rather than the organisational challenges they face such as funding.

This research examines only four dimensions of NPO management: the board, service delivery, human resources and finance. These dimensions were selected because of the prevalence of the challenges associated with them among the NPOs in Aotearoa New Zealand. NPSSOs were selected to participate in this study based on a number of inclusion and exclusion criteria (see Chapter 4: Research Methodology for details) and only organisations that met these criteria are considered the population of this study. These

limitations were put in place to carry out this research within the constraints of an academic degree.

## **1.8 Overview of the Thesis**

This thesis consists of six further chapters. In Chapter 2: Non-Profit Management, a review of literature focusing on building an understanding of the idea of non-profit management is presented. This includes a review of the literature related to the sectoral differentiation, terminologies and the definitional aspects of NPOs, and the distinct nature of NPO management. A conceptual framework based on systems thinking was also formulated to guide this enquiry. Chapter 3: The Non-Profit Sector in Aotearoa New Zealand maps the historical development of the non-profit sector in Aotearoa New Zealand until 2017 to give an overview of its developments in New Zealand. This chapter also discusses the empirical research on the current organisational challenges for NPOs. Chapter 4: Research Methodology explains the methodology adopted for this study. It discusses the philosophical and methodological assumptions taken into consideration to decide the research design. This chapter also explains the sampling frame, sampling technique, data collection instrument and ethical considerations. Chapter 5: Results presents the results of the study and Chapter 6: Discussion discusses the results of the study in relation to the research questions and the limitations of the study. The final chapter, Chapter 7: Conclusion, provides a summary of the enquiry by discussing the implications of the findings and recommendations for future research. The chapter finishes with a final reflection on the research journey.

## **1.9 Summary of the Chapter**

This chapter introduced the research project by setting the context of the study. This context provided an overview of the non-profit sector in Aotearoa New Zealand in terms of its economic significance and also gave an overview of the NPSSOs in Aotearoa New Zealand.

The contextual discussion identified that the NPO sector makes a significant contribution to Aotearoa New Zealand's economy and social fabric. Despite their contribution and relevance, they face significant challenges in their operations. However, there is no literature available on how they manage their operations. The statement of the problem identified the management of NPOs as the focus of the study due to the dearth of literature on this.

Following the problem statement, a statement of the purpose of research enquiry and the questions it sought to answer was provided. This chapter also identified the significance and scope of the study to set the parameters of this research enquiry. The next chapter examines the literature on the concept of non-profit management to develop a conceptual understanding of the topic. To develop this understanding, the next chapter looks at the debates on NPOs before moving onto the management of NPOs. It also presents a conceptual framework at the end as an outcome of the discussion.

## **CHAPTER 2: NON-PROFIT MANAGEMENT: A CONCEPTUAL REVIEW**

### **2.1 Overview of the Chapter**

The overall purpose of this cross-sectional survey study is to develop an understanding of how the NPSSOs in Aotearoa New Zealand manage their board, service delivery, human resources and finance. The previous chapter, Introduction, discussed the context of this research and explained the research problem, purpose and questions, and the significance and scope of this study. Since the first chapter introduced the context of this research and the research problem, the purpose of this chapter is to develop an understanding of the concept of the management of NPOs. This chapter essentially argues that non-profit management cannot be understood without first developing an understanding of what NPOs are. A conceptual understanding of the phenomenon of NPOs is developed in this chapter by looking at the debates on the three sectors in society, the terminological issues related to the concept of NPOs, the theories that explain the existence of NPOs, and the definitional issues related to the concept of NPOs. Based on the understanding of the concept of NPOs, this chapter then discusses the management of NPOs and the distinctive nature of non-profit management. The need for a comprehensive view on NPO management is discussed, and the chapter concludes with a systems thinking conceptual framework to guide the enquiry.

### **2.2 Three Sectors of Society**

Organisations are an inevitable facet of human life. In traditional societies, most activities were organised around primary relations predominant in family, clan, tribe, ethnic group and community. Human beings tended to live in these informal groups in society because it was the collective that protected their socio-economic and political interests even before any forms of government existed (Rahman, 2003). On the other hand, formal organisations are an



integral part of modern societies; people and activities are organised around secondary relations that contribute to specific values and goals in society. Life in modern globalised societies is increasingly reliant on various organisational settings as we associate with them in sickness and in health, at work and at play and as places of worship. Haralambos and Heald (1980) argued that organisations are an inseparable part of our lives: we are born in hospitals, educated in schools, employed in profit, non-profit and government agencies and even laid to rest in churches or funeral homes. According to the influential American sociologist Amitai Etzioni (1969), organisations are “social units (or human groupings) deliberately constructed and reconstructed to seek specific goals” (p. 3). As social units, organisations are characterised by the complex mesh of human relationships and interactions that encompass them (Hughes & Wearing, 2007). Robbins and Barnwell (2006) defined organisations as a “consciously coordinated social entity, with a relatively identifiable boundary, which function on a relatively continuous basis to achieve a common goal or set of goals” (p. 6). More recently, Chenoweth and McAuliffe (2012) explained that “an organisation consists of individuals and groups of people who come together to pursue particular goals and objectives” (p. 203). While these definitions argue that organisations are necessarily a group of people with common goals and identifiable boundaries regardless of their purpose, they are fundamentally different from each other.

Debates over the classification of societal structures persist in academic, social and government circles. Organisational theorists have developed approaches based on specific criteria, hence generating different classifications. An earlier analysis of complex organisations by Westrum and Samaha (1984) employed the practices related to the nature of membership and notion of profit to differentiate various organisational forms. They argued that organisations constituted by full-time members are different from organisations with part-time members, and organisations whose central concern is profit are different from

organisations with a non-profit motive. Based on these two assumptions, Westrum and Samaha (1984) classified organisations into three main types: bureaucracy, enterprises and voluntary organisations. According to them, bureaucracy is a full-time organisation formed to carry out a specific mission such as running the affairs of the state, providing full-time employment to various incumbents and functioning according to the laws laid out by the state. The funds that support a state bureaucracy are collected from the public in the form of taxes and fees. The second type of enterprise is a full-time organisation set up to earn profit by producing goods or services or by making profitable investments in other organisations. The primary beneficiaries of these organisations are the owners of the organisation and the organisational structure is geared towards maximising operational efficiency in a competitive environment. The last type, voluntary organisations, are part-time service-oriented organisations with a non-profit motive. Westrum and Samaha (1984) argued that in an ideal voluntary organisation the members make unpaid contributions in terms of labour, time, professional expertise and vision to the organisation. Similarly, Nerfin (1986) used the metaphors of the prince, the merchant and the citizen to differentiate the three sectors of society. The prince represents the first sector—the government—and by using command as the resource mobilisation mechanism, the government allocates national resources to address the needs of the country and sets rules that control the behaviour of the people. The merchant represents the business organisations. Being the second sector, the businesses produce goods and services to meet the resource needs and make a profit. The citizen represents the third sector, which mobilises resources through voluntary action. Similarly, Brown and Korten (1989) differentiated the various institutional structures in society as government, commercial and voluntary sectors because they have distinctive characteristics based on conceptual meanings. They mainly defined and differentiated the three sectors based on the coordination mechanism available to organisations to mobilise the resources on which their function

depends. Brown and Korten (1989) argued that government organisations mobilise their resources through authority and coercion, such as the power to tax, for their primary concern of preserving social order and social control. Commercial organisations use the mechanism of negotiated exchange for their primary concern of producing goods and services. In contrast, voluntary organisations use the mechanisms of shared values and expectations to actualise social vision. Brown and Korten (1989) concluded that “voluntary organisations represent a distinct class of organisations that depend on energy and resources given freely by their members and supporters, because they believe in organisational missions, not because of political imperatives or economic incentives” (p. 5). More recently, Chenoweth and McAuliffe (2012) classified organisations as government or public agency, third sector organisations and private for-profit organisations based on their auspice or authority base. According to them, “an organisation’s auspice refers to how it is mandated and often underpins the kind of funding it attracts” (Chenoweth & McAuliffe, 2012, p. 208). According to their classification, government organisations are authorised, established and operated through statute or law. Private for-profit organisations are legal entities authorised through legal charter or partnership agreement or articles of association. Third sector organisations are under the authority of an incorporated body with legal jurisdiction in the country where they operate (Chenoweth & McAuliffe, 2012). These discussions provide a useful classification of organisations based on their structure, purpose and operating mechanism and are summarised in Table 2-1. Three sectors of society.

*Table 2-1. Three sectors of society*

<b>Classification</b>	<b>Sector</b>	<b>Nature</b>	<b>Purpose</b>	<b>Resource mobilisation</b>	<b>Auspice/ Authority</b>	<b>Examples</b>
First (Prince)	Government (Public)	Public benefit	Maintain social order	Authority & Command	Statute or law	Police
Second (Merchant)	Business (Private)	For-profit	Produce goods and services	Trade and exchange	Legal charter, partnership or articles of association	Corporations
Third (Citizen)	Voluntary	Not-for- profit	Actualises social vision	Shared values and consultation	Incorporation	Faith-based organisations

In contrast to the perspectives discussed above regarding the three sectors of society, Uphoff (1995) argued that characterisation of society as three sectors and voluntary organisations as the third sector is misleading. He argued that the real third sector is located somewhere between the public and the private sectors and comprises people's associations and membership organisations rather than voluntary organisations. To Uphoff (1995), the voluntary sector is a subsector of the private sector, and although its constituents are service organisations undertaking voluntary collective action and self-help, they operate much like private businesses. He thus considered them a subsector of the private sector and used the synonym private voluntary organisations. While this view has some acceptability among management academics, it has very limited acceptability among people working in NPOs (Rahman, 2003). It has also been argued that there is a fourth sector consisting of an informal or household sector (Alessandrini, 2010, as cited in Kenny, 2013). However, this term is yet to gain acceptance because the fourth sector is also often used to describe the hybrid social entrepreneurial sector, which combines aspects of market and community sectors (Billis, 2010).

## **2.3 Terminological Issues**

While there is consensus in the literature on the three different sectors in society, there is no agreement on the terminology used to identify organisations that are different from

government and commercial organisations, which is evident from the terminologies researchers have used to identify the three sectors of society. The structural location of NPOs against state and market in the provision of services and goods has evoked considerable academic interest in recent times, contributing to a wide variety of terminologies. This has resulted in confusion among researchers, academicians and practitioners about the terminology that should be used to refer to these organisations. There is no consistency in the use of the terminology in the literature, and there is a need for conceptual clarity to determine what is and what is not included in the phenomenon if we undertake empirical research. This section looks at these terminological issues.

Rahman (2003) identified around 40 terms and Najam (1996, as cited in Lewis, 2001) developed a list of 48 different initialisms used by practitioners and researchers all over the globe, including TSO (third sector organisation), VO (voluntary organisation), NFPO (not-for-profit organisation), NPO (non-profit organisations), NGO (non-governmental organisation), CO (community organisation), CSO (civil society organisation) and GONGO (government organised non-governmental organisation). Kenny (2013) discussed a similar issue of using various terms interchangeably with the term *third sector*. Kenny (2013) identified four major terms in the international lexicon: “voluntary association; nonprofit or not-for-profit organisations; non-government or non-governmental organisations and civil society organisations” (p. 176). Kenny (2013) argued that while these terms refer to the same phenomenon, there are subtle differences and emphases in their meanings. Lewis (2006b) argued that labelling has important resource and policy implications and terminological issues are hence not merely a semantic problem. Lewis and Kanji (2009) proposed that each of the terms commonly used to describe organisations depict one aspect of the social reality of the sector as an alternative to government and business sectors. However, while demonstrating one aspect, each term typically overlooks other aspects (Anheier, 2005).

Lewis (2006b) observed that these organisations are called *non-governmental organisation* in one country, but are called *non-profit* or *not-for-profit* or *voluntary organisation* in other countries for no apparent reason, but they are culturally generated in specific social, economic and political contexts. In making sense of the different terms, Lewis and Kanji (2009) argued that each term is set within different traditions, narratives and locations. The term *voluntary association* has strong currency in the United Kingdom in the context of a longstanding and significant tradition of volunteering and also changes in welfare provision where they are positioned as agents of state welfare delivery (Kenny, 2013; Lewis, 2001). The terms *nonprofit* or *not-for-profit* are commonly used in the United States and are often described as an American approach to third sector organisations (Kenny, 2013). This term highlights the nature of organisations as not generating and distributing profits and has gained currency in the United States, where alternative forms of market organisations can receive financial benefits if they are non-commercial and non-profit-making entities. The third term, *non-governmental organisation* or *non-governmental developmental organisation*, is applied to organisations in the global south or developing countries such as Bangladesh, India and Nepal. Lewis and Kanji (2009) argued that they offer people-centred bottom-up approaches as an alternative to governments. In the Western world view, the terms *voluntary association* and *non-profit organisation* are reserved for organisations in the developed world, and the term *non-governmental organisation* is reserved for the developing world (Kenny, 2013). In the Aotearoa New Zealand context, Tennant et al. (2008) argued that there is no single term used; rather, a number of terms are used interchangeably to refer to NPOs. They identified the common terms as *non-profit* (or *not-for-profit*), *voluntary*, *community*, *voluntary welfare*, *non-governmental*, *third sector* (sometimes *fourth*) and *independent sector*. They also argued that some of the legally constituted NPOs have not necessarily identified themselves as part of the NPO sector; instead, they may see themselves as part of the social, cultural, sporting or

economic sectors. McLeod (2017) argued that people use various terms in Aotearoa New Zealand to define organisations by what they are not. While these terminological issues have created problems in defining the nature of these organisations (Lewis, 2001, 2010; Martens, 2002; Salamon & Anheier, 1992b; Salamon et al., 2003), there is consensus that these organisations are different from government and commercial organisations, and scholars use the terms interchangeably.

## **2.4 Theoretical Approaches to Non-Profit Organisations**

While the sectoral differentiation provides an overview of the significant differences between the various organisations in our societies, it does not explain why NPOs exist, how they behave once they are created and what impact and difference they make in society. Scholars have identified different theories to explain the situation. While the theoretical interest is relatively recent, the theories were initially generated from the realisation that non-profits have their specific dynamics and a considerable presence in the production of goods and services and generate considerable employment opportunities in society. These theories are primarily accepted as economic and sociological approaches to understanding NPOs (Ahmed, 2013; Anheier, 2005, 2014; Dollery & Wallis, 2002; Grobman, 2011) and are briefly discussed below.

### **2.4.1 Economic Approaches**

Economic approaches explain the origins, behaviour and impact of NPOs, which are complex and heterogeneous from a demand and supply perspective (Ahmed, 2013; Anheier, 2005; Dollery & Wallis, 2002). The demand perspective looks at the genesis of NPOs as a response to the failures of other sectors of society such as the government and the market and includes theories such as government failure, market failure or contract failure, and voluntary failure. The supply perspective looks at the development of NPOs as the outcome of social

entrepreneurship and includes entrepreneurship theory and stakeholder theory (Dollery & Wallis, 2002). These theories are briefly summarised below.

**Government failure:** Initially developed by Weisbrod (1975), and also known as public good theory or heterogeneity theory, this theory argues that NPOs originate due to governments' limitations in providing services due to the heterogeneity of people's demands and the structure of the democratic process, which results in "exceeding what some voters demand and falls short of what others demand" (Weisbrod, 1977, p. 55). This leaves many voters dissatisfied with the output of the government in meeting demands for public goods and they are forced to adjust with four alternatives. Firstly, voters can leave the jurisdiction of the failed government and migrate to other jurisdictions, which may provide an optimal level of public goods such as education or health services. Secondly, voters with similar demands and preferences (demand homogeneity) can form their own lower-level governments to meet the optimum levels of public goods or lack of services provided by state governments by convincing a local government to provide them with such amenities as parks and libraries. Thirdly, dissatisfied voters can purchase alternative commodities and services in private markets, such as the services of private security companies if police services are inadequate. Finally, voters can create NPOs to provide public goods when private markets do not meet the demand or until the demand increases to the extent that the government can meet the demands of the median voter (Anheier, 2005; Dollery & Wallis, 2002; Grobman, 2011; Kingma, 1997). NPOs are conceptualised as a response to the failure of the government to meet the private demands for public goods and also the subsequent failure of markets to supply the public goods because they may be economically inefficient to produce. Weisbrod's theory predicts that the NPO sector will be more prevalent in heterogeneous societies where diversity is reflected regarding ethnicity, religion, language, age, lifestyle, sexuality, income and so on (Anheier, 2005; Grobman, 2011). Despite its originality, Weisbrod's model has been subject



to criticism. This theory has been criticised for not recognising the interactions of public, private and non-profit sectors that represent a system of collective delivery of goods and services (Dollery & Wallis, 2002). It has also been criticised for its failure to explain the role of non-profits such as nursing homes whose services are not public goods. It was also observed that this theory does not explain why NPOs respond to government shortcomings rather than to those of for-profit organisations (Roberts, 1987, as cited in Dollery & Wallis, 2002). As Hansmann (1987) asks, “What is it about non-profit firms that permits them to serve as private suppliers of public goods when proprietary firms cannot or will not?” (p. 29). Henry Hansmann’s (1987) contract or market failure theory aptly deals with this question and is discussed below.

**Contract or market failure theory / Trust-based theories:** Initially developed by Hansmann (1987), and also known as trust theories (Anheier, 2005), these theories focus on the limitations of the market system to address the needs of various groups (Ahmed, 2013). The theory argues that market or contract failure arises in situations known as information asymmetry, “in which, owing either to the circumstances under which a service is purchased or to the nature of the service itself, consumers feel unable to evaluate accurately the quantity or quality of the service a firm produces for them” (Hansmann, 1987, p. 29). Dollery and Wallis (2002) put this differently, as “circumstances where ordinary contractual mechanisms do not give consumers sufficient protection from unscrupulous producers and thus make ‘contract failure’ possible” (p. 12). Under these circumstances, consumers are more likely to choose NPOs because NPOs do not distribute profits to their owners and thus would not sacrifice quality for profit, whereas for-profit organisations have both incentive and opportunity to exploit consumers (Ahmed, 2013). NPOs have a comparative advantage over profit-making organisations when the inefficiency of NPOs is outweighed by the consumer protection based on the non-distributional nature of NPOs giving them a higher

trustworthiness (Anheier, 2005). Grobman (2011) argued that NPOs appear trustworthy because the NPO leaders are motivated to act in the interests of the public rather than seeking profit and power. The behaviour of NPOs is more trustworthy than that of for-profit organisations because their governing structure is more pluralistic and has been influenced by stakeholders such as donors, consumers and community leaders (Grobman, 2011). Although this theory answers some questions left by government failure theories, it has its limitations. James (1987) suggested that contract theories overestimate the trustworthiness of NPOs and overlook the incentives they have to downgrade the quality of services. James (1987) also argued that ideological groups founded many NPOs to promote social visions, and thus the stance of commitment explains the choice of NPOs rather than contract failure. Salamon (1995, as cited in Anheier, 2005) argued that market failure theories fail to take account of government because they focus on non-market solutions over market solutions. Anheier (2005) concluded that in this sense, market failure theory is complementary to government failure theory.

**Voluntary failure theory/Interdependency theory:** While the government failure and market/contract failure theories imply conflicts between NPOs and other sectors such as the government and the market, these models of utility and consumer preference underestimate the political and cultural facets of NPOs and their societal significance (Zuidervaat, 1998). Salamon (1995) criticised the government failure and contract failure theories because they considered NPOs a substitute for government in the provision of collective goods. These theories claim that the existing partnership between government and NPOs should not exist (Zuidervaat, 1998). Salmon criticised them for their failure to describe this symbiotic relationship between government and NPOs (Anheier, 2005). In contrast, voluntary failure theory, also known as the interdependency theory, proposed by Salamon (1995), argues that the non-profit sector and the government are partners rather than rivals in the provision of

goods and services, and NPOs typically precede the government in addressing social problems because of their collective action, sense of social obligation and relative quickness of their responses to community issues. Salamon (1995) also suggested that governments do not displace NPOs, and in fact, they act as a significant force that endorses the activities of NPOs with direct and non-direct monetary support in the form of grants and contracts. Such interdependence of government and NPOs is championed by the significant public funding available to NPOs in developed countries such as the United States and Aotearoa New Zealand. Salamon found a direct correlation between the growth of the NPO sector and the rapid expansion of the welfare state in the United States between 1950 and 1980 (Salamon, 1995; Zuidervaat, 1998). As a result, the government is not the typical response to market failure and NPOs are not the imitative institutions filling in for government failure. Instead, NPOs act as a primary response to market failure and governments act as imitative institutions responding to the inherent weaknesses of NPOs, such as “philanthropic insufficiency, philanthropic particularism, philanthropic paternalism and philanthropic amateurism” (Anheier, 2005, pp. 131–132). The government arises in response to the failure of NPOs to provide collective goods due to these weaknesses, and governments and non-profit sectors complement each other with their respective strengths to compensate for each other’s weaknesses, and this makes their collaboration sensible (Anheier, 2005; Salamon, 1995; Zuidervaat, 1998).

Although voluntary failure theory gives greater social significance to the non-profit sector, it is not free from criticism. Zuidervaat (1998) argued that this theory shares the fundamental assumption of market failure and government failure theories about the role of NPOs to compensate for the failure of other sectors to provide collective goods. Zuidervaat (1998) even argued that voluntary failure theory simply switches the positions of the government and the non-profit sector by changing the order from “contract failure > government response and

failure > voluntary response to contract failure > voluntary response and failure > government response” (p. 3).

**Entrepreneurship theory:** In contrast to demand perspective theories such as market failure, government failure and contract failure theories, entrepreneurship theories of NPOs attempt to explain their existence from a supply-side perspective (Anheier, 2005). The entrepreneurship theory argues that NPOs always attempt to create some form of immaterial social values and are interested in non-monetary gains such as faith and they use the provision of services such as social work to achieve some broader social goals (Anheier, 2005). James (1987) noted that non-profits make their presence in strategic areas of primary socialisation (day care and schools), critical life situations (hospitals, hospices and rest homes) and situations of particular need (disability, divorce and other life events). Anheier (2005) summarised this as “non-profit entrepreneurs seek out such opportunities and combine service delivery with religious or otherwise ideologically coloured ‘messages’ in an effort to garner adherents, believers, or recruits” (p. 128). As a result, non-distribution constraints of monetary profits are only secondary to their organisational behaviour. The motives of the entrepreneur play a significant role in this process (Anheier, 2005; James, 1987). While this theory can be considered an explanation of the existence of non-profits, it does indicate that NPOs are created by an entrepreneurial leader or group of leaders and thus end up with the behaviour of organisations.

**Stakeholder theory:** Influenced by the work of Ben-Ner and Hoomissen (1991, as cited in Anheier, 2005), stakeholder theory acknowledges that NPOs exist because of market failure from a demand side and NPOs are created by entrepreneurs from a supply side (Anheier, 2005). Ben-Ner and Van Hoomissen (1991, as cited in Anheier, 2005) called all the interested parties on the demand and supply side *stakeholders* and proposed that NPOs be built upon

“the interests and behaviours of stakeholders in the provision of trust related goods” (p. 129).

This theory argues that some interested parties can become demand and supply-side stakeholders at the same time when they are concerned about the quality of the service provided and protection from moral hazard. They then exercise control over the service delivery themselves (Anheier, 2005). Anheier (2005) cited an example of parents deciding to start a day care centre for their children to achieve greater control over the services. However, Anheier (2005) also cautioned that stakeholder control only applies predominantly to non-rival goods, as providers cannot downgrade the services provided.

The economic theories have mainly been criticised for their assumptions about the factual primacy of the capitalist market economy in which NPOs exist (Zuidervaat, 1998). The economic approaches assume that the economic role of NPOs is to compensate for the for-profit and government failures. This may not only misinterpret the underlying practices of NPOs as mission-driven organisations, but it also ignores “the ways in which the economic role of non-profit organisations changes” (Zuidervaat, 1998, p. 3). The following discussion on social theoretical approaches to NPOs discusses these concerns.

#### **2.4.2 Sociological Approaches**

Unlike the rational choice models inherent in economic approaches, sociological approaches give an entirely different treatment to notions of trust and rationality while analysing the existence of NPOs and include theories such as social origins theory, trust theory, mission theory and commons theory. These theories are briefly summarised below.

**Social origins theory:** Salamon and Anheier (1998) developed social origins theory as a response to the limitations of economic approaches and conventional welfare approaches and argued that NPOs in different countries have different historical foundations and thus different social and economic relevance. Salamon and Anheier (1998) identified four models

of NPO development and argued that these NPO development models and their policy-making style aid in estimating the cross-national differences in the scale and structure of NPOs. Firstly, in the *liberal model*, prevalent in countries such as the United States and the United Kingdom, the large size of NPOs is linked with the lower level of social welfare spending characterised by a lower level of working-class political influence. Secondly, in the social democratic model, prevalent in Scandinavian countries such as Sweden, Norway and Denmark, the relatively small size of NPOs is linked with the extensive provision of state-sponsored and state-delivered social welfare protections characterised by the effective political influence of the working class. Salamon and Anheier (1998) explained that the presence of NPOs is still not limited as most of them are involved in advocacy and personal expression, rather than service delivery. Thirdly, in the corporatist model, evident in countries such as France and Germany, states attempt to preserve the NPOs so that they can deter radical demands for social welfare provisions while retaining the support of social elites. As evident in Japan, in the final statist model, the state exercises its power by developing social policies on behalf of the business and economic elites rather than for the working class. This results in limited state-sponsored social welfare protections that are not associated with a large presence of NPOs as in the liberal model and that remain highly constrained (Salamon & Anheier, 1998). While this theory establishes a rationale for the growth of the non-profit sector in different countries, Anheier (2005) later concluded that social origin theory is difficult to test empirically compared with economic theories because of the complexity and relative bagginess of the factors it identified. Anheier (2005) also commented on the problematic nature of qualitative judgements about the power of social groups such as economic elites and the working class in the theory (Anheier, 2005). Anheier (2005) concluded that the four models identified in social origin theory are really “archetypes”, and

in reality, many cases may be “hybrids” that incorporate features from more than one model (p. 137).

**Trust theory:** Sociological approaches place significant emphasis on an individual’s ability to place explicit trust in the motivation and behaviour of fellow individuals in society and view trust as central to a social order determining social relations and transactions among individuals (Anheier & Kendall, 2000). According to Anheier and Kendall (2000), trust and voluntary action are essential attributes of NPOs, and NPOs make use of symbolic representations of pre-existing trust to gain prominence in social relation transactions and depict institutionalised enactment of trust routines. For instance, many NPOs operate under religious beliefs and values have an advantageous position to attract resources about pre-existing trust associated with those religious beliefs. Although trust may seem to be an outcome for these organisations, they are also highly fragile as trust violation could result in far-reaching consequences. The political science approach considers that trust is essential in the creation of networks of social ties and is seen as a social capital civic virtue. NPOs are viewed as incubators of values and civic attitude and valuable creators of social capital. This also establishes the cross-cultural applicability of trust (Anheier & Kendall, 2000). The nature and character of NPOs are substantially influenced by social parameters such as trust, which determine its priorities, activities and functions, the behaviour of its members and its relationship with other social structures of society such as the market and the state (Anheier, 2005).

**Mission-driven theory:** In response to the limitations of the failure theories, Zuidervart (1998) proposed a compelling theoretical argument about NPOs’ existence and their relevance in relation to their mission. According to Zuidervart (1998), many NPOs deliberately seek to be mission driven; he suggested that the purpose of NPOs is to provide

socially significant services and that the non-distribution constraint is a legal codification for self-understanding. The existence of any NPO depends upon the mission, and any strategy or policy adopted should further that mission. As solidarity is the primary rationale for resource sharing among NPOs, they should not be considered a response to market failure. They should be considered the response to the need to care for others and to participate in the community rather than the need for self-preservation and accumulation of private wealth. Government programmes also should not be considered a response to voluntary failure; rather, they should be considered a measure of social justice for the vulnerable sections of society that are marginalised and oppressed. Zuidervaart (1998) talked about social economy instead of the market economy and argued that NPOs are not designed to do business. Zuidervaart (1998) strongly criticised the biases held by economists in capitalist societies who maintain that the pursuit of private profit is the only way to do business. Zuidervaart (1998) concluded that every attempt to counter these biases by demonstrating the success of NPOs simply confirms the bias so long as the criteria for measuring the success comes from the for-profit sector. This proposition reaffirms the fact that NPOs are mission-based organisations established to protect and assist the vulnerable members in society, thus advancing the pursuit of social justice along with the government.

**Commons theory:** Lohmann (1992) proposed the theory of the commons and defined the commons as “an economic, political and social space outside the market, households, and state in which associative communities create and reproduce social worlds”, which are defined as the images, meanings and sense of reality shared by autonomous, self-defining collectivities of voluntarily associating individuals” (p. 172). Grobman (2011) observed that the commons share commonalities such as language, education and culture that surpass the markets dominated by the idea of maximising individual utility. These commons are essentially the creators of NPOs. Grobman (2011) commented that Lohmann limited his



theory of the commons to exclude NPOs engaged in “unproductive or volunteer labour” (p. 60) in contrast to all other theories on NPOs. The goods produced by the commons are more likely to benefit individuals or groups than the producer and thus are different from both private and public goods.

It is very evident from this review of theoretical approaches to NPOs that economic approaches dominate in establishing the existence of NPOs in society. NPOs are mainly conceived of as the product of state and market failure. Alternative sociological approaches consider qualitative interpretations about the parameters of NPOs’ existence such as trust and social classes. While the two theoretical approaches seem to be oppositional, they are also complementary, in this author’s view, in explaining the existence of NPOs and their behaviours. However, existing literature still needs to find the connections between these microeconomic and macrosocial approaches. Nevertheless, considering the abstract nature of social science theories, these NPO theories should be commended for their simplicity (Anheier, 2005), although in being simple abstractions, they may not be able to capture and demonstrate the richness, variety and complex nature of NPOs. While these theories explain the various perspectives on the existence of NPOs, they do not offer any definitions that explain the nature of these organisations. The following discussion looks at these definitional aspects.

## **2.5 Definitional Aspects of Non-Profit Organisations**

Despite the efforts of research in this sector, there is no agreement at an international or interdisciplinary level on a definition that can precisely analyse what constitutes an NPO (Lewis, 2001, 2009; Martens, 2002; Muukkonen, 2009). One reason cited for this disagreement is the diversity that exists within the sector and different societal contexts that make generalisation problematic (Lewis, 2010). On one level, the terminological issues are

blamed for this definitional problem because concepts are not value free and are contextualised in the cultural and disciplinary milieu (Muukkonen, 2009). Corry (2011) argued that at a disciplinary level, the economic approach to NPOs emphasises the non-distribution of the profit generated and a sociological approach to NPOs focuses on the motivation of the participant—driven by the values that exist in the particular society. Accordingly, scholars have attempted to define NPOs in such a way that makes sense to them. Different authors have classified various definitional approaches differently. An earlier attempt of Salamon and Anheier (1992a, 1992b) to define NPOs revealed that definitions are either legal (referring to the registration and status), economic (referring to the source of the resources) or functional (referring to the type of activities undertaken). Martens (2002) divided the definitional attempts into judicial and sociological approaches. Martens summarised that the judicial approaches focus on the legal status of NPOs in the national and international context, and sociological approaches emphasise the structure and functions of NPOs (2002). Lewis (2006b) shared a similar division: a legal definition that focuses on a general view of NPOs and a developmental view that focuses on NPOs' concerns with social and economic changes. Corry (2011) classified the definitions into American and European views and argued that the American view is that NPOs are “a discrete sector characterized by certain qualities such as civility” whereas the European hybrid view is that they are “mixtures of other kinds of social organization such as private and public, or hierarchic and anarchic” (p. 11). The following section offers some examples of these various approaches to defining NPOs.

### **2.5.1 Legal Definitions**

According to Anheier (2005), the most straightforward definitions of NPOs are legal definitions in any country. Legal definitions establish that NPOs are organisations that take a legal form such as a charity, society, trust or organisation that is exempted from taxes

(Salamon et al., 2003). In the Aotearoa New Zealand context, the laws of incorporation establish the legal validity of NPOs. Tennant et al. (2006) identified five forms of incorporation in Aotearoa New Zealand: incorporated societies, charitable societies or trusts, companies, friendly societies and industrial or provident societies. The most common forms of non-profit incorporation are incorporated societies under the Incorporated Societies Act 1908 and charitable societies and trusts under the Charitable Trusts Act 1957 (Tennant et al., 2006). Although the legal definitions establish the validity of NPOs and what constitutes an NPO in a particular country in accordance with the laws prevailing in that country, they could be confusing when a number of laws exist for registration for organisations with the same purpose as that in Aotearoa New Zealand. They are also irrelevant in comparative contexts, as different countries have different legal traditions (Anheier, 2005; Salamon et al., 2003).

### **2.5.2 Functional Definitions**

The focus of functional definitions is on the purpose of organisations, and they define the notion of charity, civil society and not for profit. The functional definitions commonly state that NPOs are organisations that promote the public good, and carry out activities that serve the public interest such as poverty reduction, protection of children and the aged, and promotion of public health (Anheier, 2005; Salamon et al., 2003). As an example, the Aotearoa New Zealand Charities Act 2005 No. 39, section 5, states “charitable purpose includes every charitable purpose, whether it relates to the relief of poverty, the advancement of education or religion, or any other matter beneficial to the community”. The idea of public benefit is a core notion in functional definitions and offers a clear view of the purposes. However, people may have different ideas about what constitutes a valid public purpose as distinct from the legal notions as stated in the Charities Act 2005. Salamon et al. (2003) argued that the term “pursuit of public purpose” by definition makes it impossible to disprove.

### **2.5.3 Economic Definitions**

The economic definitions emphasise the source of funding resources and differentiate the NPO sector from other sectors by arguing that NPOs are organisations that do not receive their income from the market or through government support or taxation (Anheier, 2005). They instead receive revenue from voluntary contributions of their members or from private philanthropy (Anheier, 2005; Salamon et al., 2003). For example, the 1993 economic definition of the UN (2003) System of National Accounts states that:

Nonprofit institutions are legal or social entities created for the purpose of producing goods and services whose status does not permit them to be a source of income, profit, or other financial gain for the units that establish, control or finance them. In practice, their productive activities are bound to generate either surpluses or deficits but any surpluses they happen to make cannot be appropriated by other institutional units. (p. 12)

This definition focuses on the common feature of NPOs of not distributing their profit (UN, 2003) and defines them as residual economic entities (Anheier, 2005). In a sense, they are leftover organisations after corporations, government units and household units are identified in the System of National Accounts. While economic definitions provide an understanding about the nature of NPOs as non-profit-distributing economic units, they have been criticised for their rigid focus on the financial behaviour of NPOs and their lack of attention to other important aspects such as volunteerism and social mission (Anheier, 2005; Salmon et al. 2003). The structural-operational definition of NPOs was suggested as an alternative to the limitations of legal, functional and economic definitions.

### **2.5.4 The Structural-Operational Definition**

This literature review on NPOs has revealed that the most frequently referred to definition in the research on the NPO sector is the structural-operational definition, initially conceptualised

by Salamon and Anheier (1992b) as part of the seminal Comparative Nonprofit Sector Project undertaken by the Center for Civil Society Studies at John Hopkins University, Baltimore, United States. The structural-operational definition emphasises the basic structure, common features and operation of NPOs instead of the purpose or the revenue structure focused on by functional and economic definitions. According to the structural-operational definition (Salamon et al., 1999, pp. 3–4; Salamon et al., 2003, pp. 7–8), NPOs are organisational entities with five basic features; they are:

- organisations, that is, they have an institutional presence and structure
- private, that is, they are institutionally separate from the state
- not profit distributing, that is, they do not return profits to their managers or a set of “owners”
- self-governing, that is, they are fundamentally in control of their own affairs
- voluntary, that is, membership in them is not legally required, and they attract some level of voluntary contribution of time or money.

Salamon et al. (2003) argued that the essential attributes of NPOs as identified in the structural-operational definition make it different from other definitions. For instance, they argued that the term *organisations* includes both formal (registered) and informal (non-registered) organisations and thus covers the NPOs not covered under legal definitions. The attribute of *private* essentially outlines that NPOs are structurally different from the government even if they receive support from the government. In this context, this definition is different from economic definitions because they exclude organisations from the NPO sector if they receive significant government support. The *non-profit distributing* dimension implies that they can generate profit in the course of their operations, but they need to be utilised to achieve organisational objectives instead of distributing profit to the directors. This

indicates the notion of public purpose as discussed in a functional definition, but without the trouble of specifying the meaning of public purpose (Salamon et al., 2003). The international recognition for this definition can be seen in the UN (2003) *Handbook on Nonprofit Institutions in the System of National Accounts*. It introduced a simplified version of the structural-operational definition that suggests NPOs are “(a) organizations; that (b) are not-for-profit and, by law or custom, do not distribute any surplus they may generate to those who own or control them; (c) are institutionally separate from government; (d) are self-governing; and (e) are non-compulsory” (UN, 2003, p. 17). The last criterion, “voluntary”, in a structural-operational definition is replaced with “non-compulsory” in the UN (2003) definition and means:

that membership and contributions of time and money are not required or enforced by law or otherwise made a condition of citizenship ... organisations in which membership, participation or support is required or otherwise stipulated by law or determined by birth (e.g., tribes or clans) would be excluded from the non-profit. (p. 20)

The structural-operational definition has been empirically tested and validated through an inductive approach in 35 countries through the John Hopkins Comparative Nonprofit Sector Project and thus can be claimed as the most accepted working definition of NPOs. While this definition has a global acceptance for its “cross-cultural rigour” (Lewis, 2006b, p. 47) in measuring the observable features of NPOs, it is not free from criticism. Kenny (2013) raised four issues with the ambiguity around the suggested nature and attributes of NPOs. Firstly, and this view is also shared by Lewis (2006b), the feature of *non-profit distributing* excludes key players in the social economy such as cooperatives and mutual aid societies in many countries because they generate profit. These organisations are voluntary, self-governing and

involved in social development. Secondly, there is an issue with the *notion of boundaries* because state and market sectors overlap with third sector organisations, especially when NPOs are involved in entrepreneurship activities and act as a service delivery contractor for the government. The third issue is the notion of NPOs having an *institutional presence and structure* because the NPO sector largely consists of loosely structured small-scale organisations. Finally, the meaning of the term *voluntary* raises some questions because it is not clear whether the organisation, its activities or the participants are voluntary (Kenny, 2013). However, Anheier (2005) argued that different definitions cater for different purposes and they are neither true nor false, and should be judged by their usefulness in providing a better understanding of the reality of NPOs. Anheier (2005) also argued that the UN definition would gain acceptance over and above any other definitions for its international nature and comparative advantage, whereas legal definitions make their relevance at the national level, and serve as key elements in policy debates (Anheier, 2005). This has led to the conclusion that NPOs are formal, self-governing, voluntary organisations involved in helping individuals and communities to achieve their social, economic and cultural goals. They are institutionally separate from government and commercial organisations and do not distribute profits, but are accountable to their stakeholders.

The discussion so far in this chapter has focused on developing an understanding of the concept of NPOs by looking at the different sectors in society, terminological issues associated with NPOs, theoretical approaches to NPOs and definitional aspects of NPOs. Based on this understanding, the next section looks at the management of NPOs.

## **2.6 Management**

Despite the arguments around the purpose, nature, auspice and mechanisms for resource mobilisation of the organisations, they all need to be managed to ensure effectiveness and

efficiency. In fact, “management capacity is the lifeblood of all organisations, irrespective of whether they are private entities, public agencies, not for profit or non-governmental varieties” (Udoh, 1998, p. 229).

Grint (1995, as cited in Lewis, 2014) characterised management as a mysterious concept, “as the more research that is undertaken, the less we seem to be able to understand it” (p. 43). Management is considered a subject or branch of knowledge, a profession, an objective, a process and an apex body. The understanding of the concept of management is diverse and elusive because knowledge development is informed by academic research and popular self-help books and is characterised by ongoing tensions between practitioners and theorists (Lewis, 2014). The practice approaches to management vary from highly “theoretical” to “hands-on training” (Lewis, 2006b, p. 9), leading to various definitions and interpretations of the meaning of management. However, many of the definitions are centred around the process of management, which consists of planning, organising, leading and controlling that are essential to achieving organisational goals (Anheier, 2005; Bartol, Tein, Matthews, & Sharma, 2008; Campling et al., 2008; Daft, 2008; Griffin, 2012; Samson, Catley, Cathro, & Daft, 2012). Renz (2010c) concluded that “management (whether in nonprofit or for-profit organisations) is the process of planning, organising and leading the implementation of the work of the organisation to accomplish its intended results” (p. 1,064). In general terms, *planning* refers to determining goals and objectives and identifying strategies to achieve them (Daft & Marcic, 2013; Griffin, 2012; Inkson & Kolb, 2002; Robbins & Barnwell, 2006; Samson & Daft, 2012). *Organising* means to divide the work among staff based on the structure and outlining policies and procedures. *Leading* means motivating and influencing people in the organisation to perform their tasks so that the organisational goals are achieved. *Control* refers to monitoring and evaluating the tasks undertaken and correcting them if necessary. Renz (2010c) proposed that non-profit management comprises the work of all



these processes, and while all these processes overlap with one another, they all have a discrete focus and involve a specific set of practices and activities, and each makes a unique contribution to the success and effectiveness of the overall organisation. While the central work of management is the same in all organisations, there is a strong call for acknowledging the distinctive nature of non-profit management in the literature. The following discussion establishes this distinctive nature of NPO management.

## **2.7 The Distinctive Nature of Non-Profit Management**

While there is some agreement on the process and functions of organisational management, the field of management studies has historically been concerned with commercial organisations and public organisations and has not considered alternative organisational forms such as NPOs (Anheier, 2014; Lewis, 2014; Rahman, 2007; Worth, 2014). Until the middle of the 1970s, management was not a word many people used when talking about NPOs (Drucker, 1990) and was considered a conflictual word in the NPO context, in which the concepts of voluntarism, philanthropy and concern for the public good were more important (Anheier, 2000). Management was seen to be part of the culture of commercial organisations and was not felt to be suitable in the non-profit world (Hudson, 2009). As result, the NPO management literature has been heavily influenced by ideas and concepts from business and public management (Lewis, 2014). Management practices from the commercial world have affected the NPO sector at regular intervals, such as management by objectives in the 1970s, total quality management in the 1980s and results-based management in the 1990s (Smillie & Hailey, 2011, as cited in Lewis, 2014). This has contributed concepts such as strategic planning, audit, stakeholder analysis, organisational learning, marketing and social entrepreneurship and brought consumer orientation into NPO management (Anheier, 2014; Lewis, 2014). Similarly, public management has brought concepts and concerns such as outcomes, efficiency, accountability, empowerment, capacity building, participation, equal

opportunities and performance management into NPO management and influenced organisational structures and governance (Anheier, 2014; Lewis, 2014). These practices have often come as requirements of a contract with funders who were influenced by changes in commercial sector management. These influences of commercial and public sector management practices have also prevented the development of generally accepted, comprehensive management models for NPOs that are different from those of commercial and public sector management (Anheier, 2005; Toepler & Anheier, 2004).

While the influence of business management and public management approaches on non-profit management is undeniable, the relevance of these approaches to non-profit management has been questioned. Alfirevic and Gabelica (2007) argued that the theoretical developments in the management field demonstrate the need to consider the management of various organisations differently. They reasoned that although the earlier theories of management such as Fayol's universal approach to management considered that the fundamental characteristics of management were equally applicable to all organisational forms, contemporary approaches such as contingency theory reject the universal approach to management. Hudson (2009) argued that general management theories have limited value to non-profits unless they can address the critical cultural and organisational features of NPOs. While the business and public management models offer useful insights, they do not provide a contextual and comprehensive approach to managing NPOs and do not adequately apply and are not easily transferable to the non-profit organisational context (Anheier, 2014; Lewis, 2014; Rahman, 2007). The "existing theories developed for other sectors went so far, but not far enough" (Billis & Harris, 1996, p. 6). Edwards and Fowler (2003) also cautioned that the generalisation of management is hazardous because the issues and requirements of management differ markedly between business organisations, state bureaucracies and NPOs. Moreover, the difference in cultural settings and national contexts and the diversity within the

non-profit sector make the simple generalisation impossible and make non-profit management a unique endeavour (Edwards & Fowler, 2003; John, 2004). The debate demonstrates that there is a need and considerable support for building a contextual and comprehensive NPO management approach that is different from that of business and public management (Anheier, 2014; Billis & Harris, 1996; Lewis, 2014; Rahman, 2007; Worth, 2014).

There is a consensus in the literature that non-profit management is different from the management of commercial and government organisations. Many researchers now agree that NPOs need a distinct management approach because their vision, the nature of transactions, coordination mechanisms, resource mobilisation and auspice are different from those of business and government organisations (Brown & Korten, 1989; Daft, 2008; John, 2004; Lewis, 2006b; Lussier, 2012). The differences in the fundamental purpose of management between business organisations, government organisations and NPOs are also a contributing factor to the distinction (Lussier, 2012). For a commercial organisation, the purpose is always to generate a profit while the government organisation's management purpose is meeting government policies. In contrast, the purpose of management in NPOs is achieving social objectives in line with their mission (Lussier, 2012). The organisations' operating environment, including political stability, resource availability and cultural norms within and outside the organisation, is a crucial factor in determining the opportunities and constraints in NPO management (Lewis, 2014). Salamon et al. (1999) eloquently explained the importance of developing and maintaining a distinctive NPO management thinking:

[NPOs] need to be able to demonstrate the worth of what they do, and to operate both efficiently and effectively in the public interest. This will require something more than traditional management training, or the wholesale adoption of management techniques imported from the business or government sector. Rather, continued effort must be

made to forge a distinctive mode of non-profit management training that takes account of the unique values and ethos of this sector while ensuring the effectiveness of what it does. (p. 37)

Adding to the distinctive nature of NPO management are the particular contexts in which NPO management happens. Both internal and external contexts influence the management of NPOs (Rahman, 2003; Roy, 2003). In particular, the legal context of NPOs is very significant to their management because NPOs are legally distinct from other sectors. This legal distinction limits the nature and scope of their work to social and charitable purposes while they enjoy privileges such as tax-exempt status (Renz, 2010a). It is not possible to own an NPO because there is no stockholding and it is generally perceived that NPOs are owned by the community that they exist to serve (Renz, 2010a). Frumkin (2002) argued that they do not coerce participation and exist without a simple and clear line of ownership. Although NPOs deal with issues of public concern, such as poverty, social justice, exclusion, domestic violence, children and young people's issues, they have no statutory authority to act. They are voluntary in nature and are entrusted with the responsibility of continually justifying their presence and value in society (Edwards & Fowler, 2003). NPOs rely on their social mobilisation skills and social capital to exert power and influence because they neither have a political mandate from a government nor the financial capital as a business organisation.

NPOs often operate as an intermediary between the citizens or clients they serve and the government or other philanthropic organisations that fund their services. This intermediary nature means that they need to negotiate with multiple stakeholders to justify their existence (Edwards & Fowler, 2003; Fowler, 2003). Non-profits are valued for the social value they add to society and are constantly engaged in complex transactions with the governments, private donors and communities they serve to create this value (Renz, 2010a). The multiple

stakeholder environment of NPOs creates diverse and inconsistent accountability and performance expectations because “different stakeholder groups may have different information needs, priorities for the organisation, visions of success and definitions of legitimacy, including their boards of trustees, their donors (individual and institutional), partners, staff and external critics” (Edwards & Fowler, 2003, p. 7). Renz (2010a) supports this dilemma by arguing:

One of the most challenging tasks of non-profit management is to select a course of action that strikes a reasonable balance among the different expectations and demands of the organisations’ multiple stakeholders. This requires that management be especially politically sophisticated and sensitive to the external environment. (p. 801)

From the NPOs’ perspective, the government is often a controlling authority as well as a competitor in delivering social services. In the capacity of controlling authority, the government regulates the NPOs to have control over the sector as a whole. In addition to regulation, government funding policies are the most direct form of relationship between the government and NPOs (Toepler, 2010). The relationship between the government and NPOs can be seen in both positive and negative lights. On the positive side, it is argued that government support helps NPOs to gain their current position of prominence. On the negative side, government support adversely affects the culture, structure and behaviour of NPOs (Toepler, 2010). In addition to the direct support governments offer as grants and contracts, the indirect benefits such as tax exemptions also demand greater accountability from non-profits. Governments frequently provide similar social services to NPOs and, in this sense, may compete with the sector. NPOs tend to work with the most vulnerable people who are marginalised economically, politically and culturally. Working with this structural marginalisation often leads to distrust of NPOs because they are “allies of the poor and often

invite suspicion and control” (Edwards & Fowler, 2003, p. 4). NPOs frequently face uncertain and volatile regulatory environments in many countries in the event of a change of government, and this environment has a profound impact on how they are being managed (Lewis, 2006b).

The revenue generation in all three organisations demands different approaches in management because NPOs generate much of their income through donations, contracts and grants, commercial organisations generate revenue through sales and government organisations generate revenues through taxes and fees (Anheier, 2014; Renz, 2010a). In business organisations, managers direct activities towards increasing sales revenue and earning money for the company, whereas in NPOs, managers direct efforts towards generating some social impact (Lewis, 2006b). In NPOs, services are typically provided to non-paying clients and are supported by grants and contracts from government, public and commercial sectors (Lewis, 2006b). There is often no clear link between the funding providers and users of the service (Hudson, 2009). This funder aspect of NPOs constitutes a particular environment that is unique in the sense that no other sector depends heavily on public, government and corporates for funding. NPOs may be affected by the funder’s priorities, by the funder’s vision and mission and by the documentation demands of funders, resulting in mission drift and compromising organisational values (Edwards & Fowler, 2003; Stansfield, 2001). Also, government’s regulatory frameworks mean that there are often significant targets to meet within a procedural and accountability framework (Edwards & Fowler, 2003; Renz, 2010a; Salamon, 2010). Funders often see duplicative effort among the NPO sector in providing services and often encourage them to collaborate even if NPOs are reluctant to engage in collaboration themselves (Irvin, 2010). However, competition remains among NPOs, and NPOs compete with for-profit organisations if they produce and offer similar services (Irvin, 2010). Competition exists for clients when revenue is generated from

prices, and if the price cannot be charged for services, competition remains for donations, grants and contracts. This is essentially a reality for NPOs engaged in both advocacy work and service provision, and this fierce competition for dwindling resources will frequently demand using specialist services from fundraising professionals (Irvin, 2010). The competition also exists for non-financial resources such as paid staff and volunteers and media coverage. As a result, NPOs must focus on keeping organisational costs as low as possible while preserving quality (Edwards & Fowler, 2003; Letts, Ryan, & Grossman, 1999). This balancing act often forces them to induce “a creeping sense of self-censorship” (Edwards & Fowler, 2003, p. 8). The complex and inconsistent context of clients and markets for resource generation results in securing a steady stream of funds and makes the management context distinctive (Renz, 2010a).

The management of human resources is another point of difference because paid employees and volunteers often run NPOs, whereas public organisations and commercial organisations use only paid employees to manage their affairs. NPO managers often depend upon volunteers who cannot be supervised and controlled in the same way as a business manager deals with employees (Renz, 2010a). NPOs cannot use hierarchy and coercion or material incentives to make the staff and volunteers compliant to meeting organisational goals because they are democratic and membership is not mandatory (Anheier, 2014; Edwards & Fowler, 2003). NPOs are value-laden organisations, and staff and volunteers often join the organisation based on a shared ideology, a sense of increase in public status by being on a board and a belief in the outcome of meaningful contribution to the organisational mission (Lewis, 2006b, 2014). As a result, responding to personal values and self-motivation is key to compliance (Edwards & Fowler, 2003). Being value-laden organisations striving for social justice and change, NPOs need to pay attention to diversity, gender equity and other issues of difference (Anheier, 2014; Worth, 2014). As intermediary organisations, NPO’s external

relationships should be characterised by their values to maintain their legitimacy and identity. Managers in NPOs have fewer levers for influence than their counterparts in for-profit organisations and government organisations (Edwards & Fowler, 2003). In NPOs, the manager has multiple roles: as a *spokesperson* to sell the organisation to clients, donors, volunteers and staff; as a *leader* and a *value creator* to build a mission-driven organisation with employees; and as a *resource allocator* in adherence to the identity and rootedness of the organisation (Samson et al., 2012).

NPOs often struggle with the question of what constitutes results and effectiveness. NPOs do not have conventional bottom line measures such as profit and return on investment, and this makes the management of performance a daunting task among NPOs (Cordes & Coventry, 2010). John (2004) supports this position by arguing that in commercial organisations, the objective of maximising profit is a uniform performance indicator for success. In NPOs, the successful practices are not uniform as they deliver various human services. For the government, electoral success is often identified as a bottom line, and NPOs do not have anything similar (Edwards & Fowler, 2003). As a result, the performance indicator for NPOs is their mission achievement, and NPOs are less interested in financial performance criteria (Lussier, 2012). However, the efficiency and effectiveness of this mission achievement cannot be assessed as easily as in commercial organisations because they are expected to generate goodwill, friendship and an enhanced sense of community (Renz, 2010a). Moreover, metrics of success are often ambiguous in NPO management because there is a need to measure intangibles such as making a difference in the lives of disenfranchised people in the community and promoting social and economic justice and change. This value-based nature of NPOs complicates the nature of goals, incentives and management structures. The values nature raises the question of whether NPOs actually practise such values as participation, inclusion, anti-discrimination and empowerment in their management process (Edwards &



Fowler, 2003). Also, the diversity in the social construction of the idea of social change and the intangible nature of the means and outcomes make it harder to gauge the performance of employees and managers in the NPO sector (Renz, 2010a). It is not easy to convert the ideas of social change into monetary terms and the considerable staff time and effort required to do so is often not feasible with the limited resources available in NPOs (Cordes & Coventry, 2010).

It can be concluded from this discussion that the test of quality management is more straightforward for the business organisation since its goals are clearly defined, that is, maximising profit. The management of government organisations involves governing the affairs of the state, in which public servants have clear accountabilities directly influenced by changing socio-political conditions. In contrast, the management of NPOs is invariably conditioned by different factors, such as charismatic leadership, participation, satisfaction of members, maintenance of internal democracy, relationship with the state and other factors as outlined above. What this means is that, in line with the sectoral organisational differentiation of public sector, private sector and non-profit sector, management needs to be viewed as three separate fields, namely, public management, business management and non-profit management.

## **2.8 A Comprehensive View of Non-Profit Organisation Management**

Despite the understanding of and agreement on the distinctive nature of NPO management and the need for developing a comprehensive NPO management approach, the existing literature does not provide a clear and concise picture of what NPO management entails. Anheier (2000) argued that “the management of non-profit organisations is often ill-understood because we do not understand these organisations well, and it is frequently ill-conceived because we operate from the wrong assumptions about how non-profit

organizations function” (p. 2). One of the difficulties in developing a comprehensive approach to NPO management has been the diverse nature of the subject matter of NPO management, which precludes it from fitting precisely into the standard social science disciplines. The NPO management literature contains contributions from economists (the most numerous group), historians, management and organisational theorists, political scientists and sociologists, resulting in the emergence of a fundamentally interdisciplinary field of NPO management (Anheier, 2014). Although the initial theoretical interest in the 1980s came primarily from economics and other social sciences, intellectual bridges were quickly made (Anheier, 2014). However, none of these disciplines’ contributions has resolved all the issues associated with NPO management (Helmig, Jegers, & Lapsley, 2004). The interdisciplinary nature of NPO research probably prevented the development of a unified body of literature on NPO management.

The nature of research within the NPO sector has also contributed to this state. The NPO sector witnessed an enormous growth of research and publications from the 1990s onwards (Worth, 2014), and current research on NPO management can be found in dedicated journals such as *Third Sector Review*, *The Philanthropist*, *The China Nonprofit Review*, *The International Journal of Not-for-Profit Law*, *Journal of Civil Society*, *The Nonprofit and Voluntary Sector Quarterly (NVSQ)*, *Voluntas*, *Nonprofit Policy Forum*, *Voluntary Sector Review*, *Nonprofit Management and Leadership* and *International Journal of Nonprofit and Public Sector Marketing*. A large section of this work has depicted a positive analysis of the work NPOs are doing and was mainly written by people directly involved with, or very sympathetic to, NPO work (Lewis, 2006a, 2006b, 2014). Lewis (2006b) also observed, “even though many of these works are high quality and served to emphasise the new importance of NPO work, in retrospect, it had some important limitations in other respects” (p. 9). The literature focuses on the descriptive rather than the diagnostic and tends to centre on

individual, organisational cases rather than the broader picture (Lewis, 2014). It is imperative to note that very little of this literature is concerned with the nature and systems of management of NPOs. The majority of the academic literature focuses on what NPOs do rather than how NPOs work as organisations (Lewis, 2014). Helmig et al. (2004) argued that the internal functioning of NPOs has received less research attention than the nature of the sector. The main focus is on the different roles played by NPOs in the welfare context and service delivery process and the prospective nature of NPOs to challenge existing policy and practice (Lewis, 2014). However, relatively little attention has been given to the various ways in which these particular roles can be managed. The research on how NPOs work as organisations is currently underdeveloped and overly normative (Lewis, 2014). The literature on NPO management is often dominated by research undertaken by contract researchers or consultants who are funded by NPOs or their funders, resulting in positive findings and “a prescriptive, how to do it approach” (Worth, 2014, p. 10) rather than reflection and critical lessons (Lewis, 2014).

Lewis (2014) also argued that the lack of interest in management among NPOs has contributed to the failure to develop comprehensive management approaches and models. Lewis (2014) argued that NPOs are sometimes resistant to giving access to outside researchers, for reasons to do with prioritisation of their work and impatience with purely “academic” research aims, and their vulnerability as organisations to unfavourable publicity. NPOs are also reluctant to open themselves up to scrutiny when their positions may be fragile in relation to funding and reputation. Also, NPOs are hesitant to spend a substantial amount of time reflecting on organisational questions or purpose because such focus may hinder the primary task of “getting out there and doing something” (Lewis, 2006b, p. 20). People establish NPOs as an alternative to government and business sectors, and they view management as “a tainted ground with its strong associations with public and business

organisations” (Lewis, 2014, p. 36). NPOs’ reluctance to engage with new stakeholders due to responsibilities of efficiency, effectiveness and new systems of accountability associated with new relations has also contributed to this lack of attention to management. Lewis (2014) also inferred that the diversity within the NPO sector makes it difficult to develop any general insights into the management of NPOs. Toepler and Anheier (2004) agreed with this view, arguing that the diversity within the NPO sector regarding size and operational areas and the newness of management need has deterred the development of a coherent non-profit management science. Also, Anheier (2000) saw that the management of NPOs often meant financial management in the context of uncertainty around funding, and this emphasis on financial management based on business organisations’ standards diminishes the importance of other aspects of management, such as service to the public and management of purpose and mission among NPOs. Despite the challenges in developing a comprehensive approach to NPO management, recent research provides some insights into what is involved in NPO management.

Although NPO management is relatively young as an academic field of study and as a profession (Worth, 2014), many prominent researchers (Anheier, 2014; Lewis, 2014; Worth, 2014) have recommended that effective NPO management use a balanced and integrated approach that draws on diverse perspectives. They have also argued that effective NPO management requires a holistic conception of NPO management, as NPOs are organisations with multiple components and bottom lines. Gomez and Zimmerman (1993, as cited in Anheier, 2014) proposed that the holistic conception should highlight the relationship between the organisation and its environment because NPOs exist in highly complex environments, interacting with other for-profit organisations and public organisations to deliver services. Lewis (2014) argued that to understand their management, NPOs must be placed against their task environment consisted of political, historical, geographical and

cultural dimensions of NPOs. According to Lewis (2014), to understand the internal functioning of NPOs, it is necessary to analyse them in the given environmental context, as the environment is becoming an increasingly difficult one in terms of resource availability and government control. Rahman (2003, 2007) conceptualised this environment as an outer layer involving the politico-legal, sociocultural, economic and technological dimensions within which NPOs operate. Anheier (2014) argued that NPOs approach their environment as either an outer-directed organisation or an inner-directed organisation. As outer-directed organisations, they look primarily at other organisations, react to environmental stimuli and take models and solutions from them. Such organisations adapt to environmental changes and seek to control outside influences. By contrast, inner-directed organisations emphasise a particular view of the environment and focus on their objectives and world view. The internal organisation rather than the external environment becomes the source of solutions and strategies (Anheier, 2014). However, Lewis (2006b, 2014) deduced that the environmental context is different in each country due to the sociological, political, economic and cultural nature of the very environment and has the potential to limit the scope of generalisation and to apply the management lessons learned in one country to another (Lewis, 2006b, 2014). Nevertheless, maintaining the boundary between the organisation and its environment may be one of the main keys to working effectively (Lewis, 2006b, 2014).

To navigate through this complex task environment, researchers have also agreed that NPOs are required to deal with the everyday functioning of the organisation as part of management (Anheier, 2005; Lewis, 2014; Rahman, 2007). Known as an operative dimension (Gomez & Zimmerman, 1993, as cited in Anheier, 2005), this internal environment of NPOs has been the focus of conventional NPO management (Anheier, 2005). A review of selected books on non-profit management revealed that the internal environment is multidimensional and mainly includes governance, human resources, service delivery, finance, relationships, information

technology, strategies and marketing, among others (Ahmed, 2013; Anheier, 2014; Hudson, 2009; Lewis, 2014; Renz, 2010d; Worth, 2014). Similarly, a review of selected non-profit organisational assessment tools in the practice literature identified similar dimensions of NPO management, such as governance, service delivery, finance, human resources, relationships and strategies (Freeman & Thompson, 2005a; Levinger & Bloom, n.d.; McNamara, n.d.; Ministry of Social Development [MSD], 2013b; Minnesota Council of Nonprofits, 2005; Mueller, Rickman, & Wichman-Tau, 2006; NZ Navigator, 2014). The congruence between academic literature and practice literature demonstrates that the theory and practice of NPO management are very much intertwined. Accordingly, a holistic conception of NPO management should integrate the multidimensionality of the internal environment. Based on this discussion, it can be concluded that a comprehensive view on NPO management involves two critical aspects: the external environment in which the NPOs operate and the internal environment, which includes organisational elements such as the board, human resources, financial resources and service delivery. It appears that a systems thinking conceptual framework considers these two dimensions and offers a useful framework to understand the complexities of non-profit management. The next section discusses this conceptual framework.

## **2.9 Conceptual Framework**

To develop an understanding of the management of NPOs, it is vital to use a conceptual framework to guide the research enquiry. Perrow (1970, as cited in Jones & May, 1992) pertinently elucidated the importance of using a conceptual framework in understanding organisations:

No matter what you have to do with an organisation—whether you are going to study it, work in it, consult for it, subvert it, or use it in the interests of another

organisation—you must have some view of the nature of the beast with which you are dealing. This constitutes a perspective on organisations. (p. 32)

In formulating a conceptual framework for studying the management of NPSSOs, an enquiry informed by systems thinking provides a useful prototype. The system perspective was mainly developed by Ludwig von Bertalanffy, who perceived systems as living organisms in which “the whole is more than the sum of parts” (Bertalanffy, 1968, p. 55). He also argued that system approaches were more appropriate than causal models for dealing with complex interactions in all types of systems—biological, mechanical and social (Bertalanffy, 1968, pp. 11–12). Systems thinking in organisational studies emerged in the 1950s and 1960s, influenced by the then dominant structural functionalism and general systems theory. Accordingly, systems theory reintroduced a sociological focus to organisations (Jones & May, 1992). Systems thinking has multidisciplinary application and has influenced disciplines such as engineering, biology, psychology, sociology, management and social work (Teater, 2014). The application of systems thinking to social work is of particular relevance to this research because the research is undertaken in the discipline of social work.<sup>9</sup> Systems thinking has a significant place in social work because it offers a framework for social work practice and ways of managing the organisation (Coulshed et al., 2006). Systems thinking has been a foundation for social work practice and arguably the most popular conceptual framework for social workers (Connolly & Healy, 2009; Healy, 2005). In fact, Connolly and Healy (2009) argued that “if we were to bring together a group of social workers and asked them what theories underpin their practice, it is likely that systems theory would strike a universal chord” (p. 20). Webster, McNabb, and Darroch (2015) argued that in social work, “management

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<sup>9</sup> The thesis is undertaken to fulfil the requirements for the Degree of Doctor of Philosophy in Social Work. The researcher is a qualified and registered social worker in Aotearoa New Zealand and also is a full member of the Aotearoa New Zealand Association of Social Workers (ANZASW).

needs to be explored from the perspective of the profession's classic ecological or systems framework" (p. 44).

The literature has revealed that a comprehensive approach to NPO management should consider the internal functioning elements of NPOs, such as service delivery, the board, human resources and finance, within a task environment in which NPOs operate to fulfil their vision and mission. In general, systems thinking views organisations as open systems that interact with their environment (Coulshed et al., 2006; Jones & May, 1992; Robbins & Barnwell, 2006), representing the comprehensive approach to NPO management. Systems thinking offers a holistic view of the organisation, and rather than offering any particular organisational design, systems thinking focuses on any existing structure in organisations and the processes that happen within the structure (Coulshed et al., 2006). Systems thinking is also a widely accepted perspective in the organisational management literature (Campling et al., 2008; Griffin, 2012; Lussier, 2012; Robbins & Barnwell, 2006; Samson & Daft, 2012). Anheier (2014) argued that viewing NPOs as systems with various components is key to NPO management and embodies "a possible analytical framework to understand the various dimensions, dilemmas and structures involved in non-profit management" (p. 330).

In the application of systems thinking to this study of the management of NPSSOs, the following propositions of systems thinking were applied within the context of non-profit management and the confinement of research questions. There is a considerable agreement on these systems thinking general propositions in the organisational management literature (Campling et al., 2008; Griffin, 2012; Inkson & Kolb, 2002; Lussier, 2012; Robbins & Barnwell, 2006; Samson & Daft, 2012) and social work literature (Connolly & Harms, 2012; Coulshed et al., 2006; Gardner, 2006; Healy, 2014; Jones & May, 1992; Payne, 2014; Teater,



2014). Based on this agreement in the literature, two propositions from systems thinking were used to guide this research enquiry on the management of NPSSOs:

- Organisations (NPOs) are open systems composed of interdependent subsystems (the board, service delivery, human resources and finance) and, in turn, a part of a supersystem (broader social service/welfare system). In other words, a whole (NPO) cannot be complete without the participation and presence of each of the parts (the board, service delivery, human resources and finance), which affect at least some other parts. Accordingly, within the context of this enquiry, a systems view on the management of NPOs includes looking at the relationship between the internal organisational elements of the board, service delivery, human resources and finance.
- A system is affected by other systems in the supersystem, either directly or indirectly, as they interact with each other. In the NPO management context, NPOs should consider the influence of other systems on their management such as government and other funders or other NPOs that compete for resources and service users. For example, a policy shift brought by a change in government may end the funding for the NPO and could limit the services that are offered to the clients. This could potentially affect the organisation's growth and survival. Also, changes in the legal context such as regulation and licensing affect NPOs immensely. This supersystem contributes to the task environment of organisations, and within this view, NPO management is always affected by what is happening outside the organisation in their task environments. Consequently, within the context of this enquiry, a view on the management of NPOs should consider how the NPOs interact with the other organisational systems, such as government organisations, funding bodies and other NPOs, in addition to considering the relationship between internal organisational elements.

Based on these two critical propositions of systems thinking, the following statement represents the underlying logic for designing and conducting this study. NPOs are open systems consisting of interdependent internal parts, such as the board, service delivery, human resources and finance. NPOs constantly interact with their external environment, consisting of the government, for-profit and other NPOs, either directly or indirectly. In the context of this study, management of NPOs means investigating the management of the internal organisational elements—the board, service delivery, human resources and finance—and examining the relationships between the management of the board, service delivery, human resources, and finance within their specific operating environment.

As this study examines the management of NPOs in only four key areas—the board, service delivery, human resources and finance—the following section discusses the literature on these four areas of non-profit management to build an understanding of the management of these areas.

### **2.9.1 Board Management**

It is essential to develop a conceptual clarity about governance and management before looking at the management of the board. Many argue that governance is different from management and they are two separate functions (Anheier, 2005; Herman & Renz, 1999; Hudson, 2009). This view could be an appropriate one if we consider management as an apex body or a group of people in an organisation consisting of a CEO and senior managers, who plan and make decisions (Thomson & Ali, 1989). However, this can be misleading and problematic, and can potentially limit the scope of the concept of management if we consider management a process involving planning, organising, leading and controlling, which happens in different domains of management, such as the board, service delivery, finance and human resources. In fact, if we consider management a process rather than an apex body, then what is considered management should be considered operations undertaken by an executive

team headed by the CEO. Renz (2010b) argued that operations are different from management in that operations comprise actually doing the work, such as service delivery, and management is about making sure work gets done. This essentially means governance is the function of the board and operations is the function of the executive, and both of these functions need to be managed. Anheier (2014) argued that thinking of the board as the focal point of governance and the CEO as the focal point of operations makes this distinction clear. Sometimes the governance and operations overlap, but they need to be separated as much as possible so that both can be managed properly.<sup>10</sup> The board is responsible for governance, but the process is managed with the support of the executive director and other staff working in the organisation (Hudson, 2009).

In many countries, boards are a legal requirement for NPOs' existence. In NPOs, boards are considered the focal point of governance and thus provide strategic leadership to the NPOs (Ahmed, 2013; Anheier, 2014; Hudson, 2009; Renz, 2010b). According to Renz (2010b), "governance is an organizational function, whereas a board is a structure of the organisation that exists to govern—to perform the work of governance" (p. 126). For Anheier (2014), governance is "primarily an organisational steering function and closely related to the notion of stewardship" (p. 413). For Hudson (2009), governance of NPOs is:

About ensuring that the organisation has a clear mission and strategy, but not necessarily about developing it. It is about ensuring that stakeholders' views are heard but not about managing all communication with different stakeholder groups. It is about ensuring organisations' economic viability but not about raising all the required resources. It is about giving guidance on the overall allocation of resources, but is less

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<sup>10</sup> This research does not view management as an apex body or a group of people dealing with the operations, which is different from the governing body; instead, it views management as an overarching process with elements of planning, organising, leading and controlling. Accordingly, this research views governance as a distinct domain of NPO management that thus needs to be managed.

concerned with the precise numbers ... It is about ensuring that organisations are well managed, but not about managing them. (p. 53)

Governance is always the responsibility of the governing board, and they are the ultimate authority and decide the organisation's mission, values, goals and strategies (Berger, 2010; Hudson, 2009; Renz, 2010b). Boards set the direction, make decisions about policy and strategy, oversee the organisational performance and ensure organisational accountability to the community, the funders, the state and the clients (Renz, 2010b). Boards are supposed to focus on general, broad and core policies, rather than on operating decisions of lesser significance to the entire organisation (Berger, 2010, p. 69). The skills of the board members and their ability to appoint a competent CEO have a significant influence on organisational governance (Hudson, 2009). The primary function of the board is to ensure that the organisation carries out its mission and governance making sure that the organisational activities match its stated mission (Anheier, 2014). In doing this, the boards lead and set strategies, establish policies, secure and ensure the efficient use of resources, manage the CEO's performance, engage with multiple stakeholders, ensure accountability and ensure board effectiveness (Ahmed, 2013; Renz, 2010b). Boards also have a boundary-spanning role in which they link the organisation with the external environment by representing the organisation to the outside world and by bringing perspectives from the outside world to the organisation (Ahmed, 2013; Harris, 1996). Hudson (2009) pointed out that boards should have a clear idea about their roles and the boundaries on those roles. As boards have many functions to perform, the recruitment, selection and development of board members are of paramount importance. Herman and Renz (2008) argued that there is a correlation between organisational effectiveness and board effectiveness. Renz (2010b) added that NPOs' success depends on effective boards that are teams. Because of this, boards have to ensure that they are well managed.

For the board, governance is a demanding function to perform, involving complex tasks, and effective management is required to obtain the greatest value from governance (Hudson, 2009). According to Hudson (2009), the management of boards starts with “finding, appointing and inducting the board members who, between them, have a wide range of skills and the necessary level of governance experience to meet the organisation’s expectations” (p. 73). In this process of management, boards need to ensure diversity of members regarding gender, age, ethnicity, disability, sexual orientation and service user experience. The other aspects of board management include training, board meetings, strategic planning and CEO performance evaluation, maintaining a relationship with various stakeholders, board development and board evaluations. One of the major responsibilities of boards is to ensure that NPOs have clear strategies to give a sense of direction (Hudson, 2009). The strategy is “a pattern of purposes, policies, programmes, actions, decisions, or resource allocations that define what an organisation is, what it does and why it does it” (Bryson, 2010, p. 245). Many agree that developing the strategies from a board management perspective involves clarifying organisational vision, mission, values and objectives by examining the organisation’s internal and external environments in the context of change (Anheier, 2005; Bryson, 2010; Hudson, 2009). This then leads to identifying the strategic issues, formulating plans to manage the issues and identifying resources (Anheier, 2005; Bryson, 2010; Hudson, 2009). Based on the strategies devised, the executive (staff) is then charged with the delivery of services to achieve the organisational mission.

### **2.9.2 Service Delivery**

Service delivery is considered the most visible role NPOs play in society (Lewis, 2006b). NPOs are often the primary providers of services that the government and businesses are either unwilling or unable to provide (Anheier, 2005). NPOs also complement or supplement the service delivery. As NPOs are mission-based organisations, they need to ensure that their

services fit with their mission and flows from strategic plans (Hudson, 2009). While NPOs engage in service delivery to meet the unmet needs of the community at their will, they also enter into contracts with the government these days to deliver services, making them accountable to government. Because of the competition among NPOs to deliver services due to the current competitive tendering and purchaser-provider contracting model, it is imperative that the service delivery is managed very well (Hudson, 2009). Organisations need operational plans that reflect organisational strategies to deliver services. This involves negotiating resources, responsibilities and time-scales (Hudson, 2009). As the service user's needs are often multifaceted and NPOs need to deliver services in an integrated way, NPOs need to clearly define the services and prepare strategies for achieving them (Hudson, 2009). This requires developing and maintaining a deep understanding of the service users' needs and requires research.

Despite the importance of service delivery in NPOs, the literature does not offer any coherent view on what service delivery management entails. For instance, despite addressing the other critical dimensions of non-profit management, such as finance, governance and human resources, the books on non-profit management (Ahmed, 2013; Anheier, 2014; Renz, 2010d) do not address the domain of service delivery management. According to Hudson (2009), service delivery management involves a number of key processes, including:

- reviewing current service provision
- establishing new objectives and performance measures for the service
- developing strategies for achieving the objectives
- identifying the benefits of services to the user
- determining how the services will be financed
- forecasting income and expenditure and timetable

- identifying quality standards, performance and outcome measures and risks and mitigating factors.

While there is some literature on aspects of these service delivery management processes, such as outcome assessment and programme evaluation (Thomas, 2010), the literature underemphasises service delivery management while overemphasising the other dimensions of non-profit management such as board, human resources and finance.

### **2.9.3 Human Resource Management**

Anheier (2014) argued that NPOs are labour intensive rather than capital intensive (p. 396).

While NPOs' primary purpose is ensuring the achievement of their mission, their ability to achieve the mission depends on the skills of their people and the NPOs' engagement with them (Hudson, 2009; Watson & Abzug, 2010). The approach to human resource management in NPOs should be value driven because the organisations are value driven (Watson & Abzug, 2010). As NPOs usually offer jobs with limited opportunities for advancement and compete with commercial and government organisations for staff, non-profit employment needs to be carefully managed (Anheier, 2014). Human resource management in NPOs includes activities related to human resource planning, hiring, training, promotion, performance evaluation, retention, and support of staff and volunteers (Ahmed, 2013; Anheier, 2014).

Volunteer management is an essential aspect of human resource management, which needs a different treatment from staff management because the wage incentive is missing (Anheier, 2014). Volunteer management focuses on service volunteers who contribute to the service delivery rather than policy volunteers who serve on non-profit boards (Brudney, 2010). NPOs need to consider why they need volunteers and what assignments they can offer to volunteers before jumping into recruiting volunteers (Ahmed, 2013; Brudney, 2010). Without proper purpose and well-designed job descriptions, recruiting volunteers is counterproductive.

Matching volunteer interests and talents to organisational needs is an important management task (Brudney, 2010). NPOs need to be realistic about how much volunteers can contribute and how much control they have over them (Ahmed, 2013; Brudney, 2010). Managing and training volunteers is a way of attracting and retaining them. Volunteer motivation is non-monetary and cannot be managed along incentive lines, but more on the grounds of commitment to cause (Brudney, 2010). As staff management and volunteer management need different treatments, NPOs need a management system that specifically focuses on the recruitment, development and retention of volunteers (Brudney, 2010). This requires detailing the tasks and responsibilities associated with the respective volunteer position and inviting potential new volunteers to complete an application listing skills, experience and motivation. It also includes strategic planning focusing on volunteer services to determine the supply and demand for volunteers in particular organisational activity areas, outlining and assessing future training and development needs, and to assess potential liabilities in terms of training costs, allocation of resources and legal liabilities. Volunteer retention depends on the tasks they are given and the training they receive (Brudney, 2010). Although volunteering is intrinsic, they are also open to extrinsic rewards such as formal recognition of their contribution to organisational performance (Ahmed, 2013; Anheier, 2014). It is thus imperative to outline the scope of volunteer activities and evaluate their contributions. However, there is no one best way to manage volunteers, and management practices need to be based on a thorough understanding of not only the organisation's but also the volunteers' goals (Brudney, 2010).

#### **2.9.4 Financial Management**

While NPOs exist to pursue their mission and not to raise money (Renz, 2010b), they have to secure adequate financial resources to achieve their goals and mission (Ahmed, 2013). Kandasami (1997) argued that for mission-driven organisations such as NPOs, money is



merely a means, and not an end in itself, and NPOs need to put their mission before money. Although NPOs use their financial resources to further their mission, in contrast to profit organisations, which use them to increase revenue, NPOs are expected to manage their finances like any other organisation (Ahmed, 2013; Kandasami, 1997). However, NPOs' financial resource acquisition process is distinct from that of other organisations (Ahmed, 2013; Anheier, 2014). While commercial organisations rely on earned income from sales of services or goods, government organisations are funded through taxation and receive their income from the government budget. In contrast, NPOs' income structure includes different sources such as individual donations, philanthropic foundations, and government grants and contracts (Ahmed, 2013; Anheier, 2014). This multiple funding streams and resource acquisition process is a challenging process for NPOs because it relates to the issue of trust in NPOs (Ahmed, 2013). NPOs receive their funds from the various sources to meet the expectation to deliver services that offer public benefits (Ahmed, 2013). Lewis (2015) argued that funds are given to help service users, not NPOs. As a result, effective financial management aids NPOs to gain funder trust and public confidence while helping to avoid fraud and unethical financial practices (Ahmed, 2013). As a management tool, financial management helps to demonstrate the organisation's accountability by reporting to fiscal authorities, funders and the general public, and NPOs need to have a system to keep track of their financial aspects (Anheier, 2014). Moreover, financial management assists with planning and decision making in NPOs for performance monitoring and everyday operations (Anheier, 2014).

Despite the understanding of the importance of effective financial management in NPOs, the literature does not provide a coherent overview of what this entails. Because of the issues of survival, fundraising is often overemphasised in the literature as the heart of non-profit financial management while the other aspects of financial management are underemphasised

(Renz, 2010c). Similarly, both Kandasami (1997) and Lewis (2015) argued that accounting is overemphasised in discussions about financial management. Young (2010) even considered accounting a separate function from financial management. Despite this, both Kandasami (1997) and Lewis (2015) offered a holistic view of financial management. Kandasami (1997) conceptualised financial management as a system with several components: planning and budgeting, accounting, reporting and monitoring, financial control systems, audit and compliance of laws and rules and regulations. For Lewis (2015), financial management entails “planning, organizing, controlling and monitoring the financial resources of an organisation to achieve objectives” (p. 4). Others describe aspects of this process as financial management. For instance, Anheier (2014) identified four components of financial management: balance sheet, income and expenses statement, cash flow and budget. Ahmed (2013) identified fundraising, accounting and financial reporting as aspects of financial management. While each of the components is important in itself, it is more important that they function as a well-integrated single financial management system to realise the mission of the organisation effectively and build public and funder trust (Kandasami, 1997).

## 2.10 Operational Definitions of Key Terms

The principal focus of the study is the management of the board, service delivery, human resources and finance in the NPSSOs in Aotearoa New Zealand. Based on the literature review on non-profit management, the key terms are operationalised as below:

- **Non-profit social service organisations**—Legally valid NGOs whose primary purpose is delivering social services in the communities. In this study, these organisations are registered charities under the Charities Act 2005.
- **Māori non-profit organisations**—NPOs that offer services exclusively to Māori or organisations that operate from a kaupapa Māori philosophy, but provide services to

everyone. They can be either iwi-based organisations or pan-Māori organisations whose primary activity is social service delivery.

- **Non-Māori non-profit organisations**—NPOs that offer social services to any population group, including Māori.
- **Management**—The process of planning, organising, leading and controlling the various organisational elements that are essential to achieving the purposes of the organisation.
- **Board**—A structure with a group of people who are appointed under the constitution of organisations to carry out the organisational function of governance responsibly. NPOs need to plan, organise, lead and control the functioning of the board.
- **Service delivery**—The activities, services and programmes offered by NPOs to support the people in the community, which are the primary purpose of NPOs. NPOs often deliver services under contract with the government or offer services that are independent of government involvement. NPOs need to plan, organise, lead and control the services they are delivering.
- **Human resources**—Refers to the paid employees and volunteers who contribute to organisational activities and are involved in delivering the services. The management of human resources includes planning, hiring, training, evaluating, supporting and retaining the paid staff and volunteers.
- **Finance**—Refers to the monetary resources NPOs need to run their services. NPOs often receive them by delivering contracted services for government. NPOs also receive financial resources from philanthropic sources and individual donations. Finance management involves planning and budgeting, fundraising, accounting,

reporting and monitoring, financial controls, audit and ensuring compliance with laws.

## **2.11 Summary of the Chapter**

The purpose of this chapter was to develop a conceptual understanding of non-profit management. From the literature reviewed, it was concluded that NPOs are organisational entities that are different from business and public sector organisations because of their purpose, nature, auspice and mechanisms for resource mobilisation. As NPOs are distinct from government and business organisations, their management is also different from those organisations. NPO management is a unique field and activity because the operating contextual factors, such as legal, accountability, resource, staffing and measurement of success, are different from those of business and public organisations. The complex task environment of NPOs makes their management a multidimensional phenomenon covering interrelated domains such as the board, service delivery, human resources and finance. This dynamics of internal and external environments calls for a comprehensive approach to NPO management. As NPOs always interact with their complex task environments and are subject to contingencies all the time, they should be viewed as open systems, and their management can be understood by employing systems thinking. The systems thinking conceptual framework was presented in this chapter as a guiding framework for the study. The systems thinking framework argues that NPOs' management should be considered within their task context. The task context of NPOs in Aotearoa New Zealand is heavily influenced by the historical development of the non-profit sector. The next chapter, The Non-Profit Sector in Aotearoa New Zealand, presents a historical overview of the non-profit sector in Aotearoa New Zealand to understand the historical forces that shaped the sector and their role in the current challenges faced by NPOs. This chapter also discusses the current significant operational challenges faced by NPOs.

## **CHAPTER 3: THE NON-PROFIT SECTOR IN AOTEAROA NEW ZEALAND**

### **3.1 Overview of the Chapter**

The overall purpose of this cross-sectional survey study is to develop an understanding of how NPSSOs in Aotearoa New Zealand manage their board, service delivery, human resources and finance. This research also sought to understand how the NPOs demonstrate their commitment to the Treaty of Waitangi. The previous chapter, *Non-Profit Management: A Conceptual Overview*, discussed the concept of NPOs and the distinctive nature of non-profit management. From the discussion on a comprehensive view of non-profit management, a systems thinking conceptual framework emerged as a guiding framework for this study that proposed that the way in which NPOs interact with their task environment has a significant influence on how they operate. The task environment of NPOs is shaped by the historical context because the non-profit sector is “not an isolated phenomenon, and the development of the sector in terms of its size and volume is a result of the complex array of historical forces” (Salamon, Sokolowski, & Anheier, 2000, p. 21). This chapter discusses this historical context of the non-profit sector in Aotearoa New Zealand to understand how history has shaped the non-profit sector and contributed to the current challenges faced by the sector. The chapter explores the historical development of NPOs in Aotearoa New Zealand in five distinct periods, from the precolonial period to 2017. Following on from this historical context, this chapter discusses the current challenges faced by NPOs in Aotearoa New Zealand within the context of the purpose and the research questions of the study.

### **3.2 Historical Development of the Non-Profit Organisation Sector in Aotearoa New Zealand**

Although the NPO sector is an evolving and growing phenomenon in Aotearoa New Zealand, the existence of NPOs in Aotearoa New Zealand is by no means a new phenomenon. NPOs

have a long history in Aotearoa New Zealand, which is rooted in precolonial and colonial society. There was a strong tradition of individuals joining informal and formal organisations in Aotearoa New Zealand (Tennant et al., 2006). It is evident that the historical evolution of the NPO sector in Aotearoa New Zealand is not an accident, but rather shaped and informed by the local and global incidents and factors unique to Aotearoa New Zealand and the cultural context of Aotearoa New Zealand (Cordery, 2012; Sanders et al., 2008; Tennant, 2004, 2007, 2009; Tennant et al., 2008; Tennant et al., 2006). Sanders et al. (2008) identified three major social factors that have formed the NPO sector in Aotearoa New Zealand. The primary factor is the presence of the indigenous Māori population. The Māori population traditionally organised their own forms of social organisation based on whānau (family), hapū (subtribe) and iwi. The second factor is the legal, political and social rights that followed from the signing of te Tiriti o Waitangi between the British Crown and Māori in 1840 and the subsequent settlement of the country by Europeans of predominantly Anglo-Celtic descent. The influence of this British settlement gave birth to many of the institutional forms of evidence today. The third factor is the welfare state, which was rooted in the 1938 Social Security Act and further developed in succeeding decades. It was found that the welfare state encouraged a close relationship between key NPOs and the government and led to an increase in the focus of government on strengthening the NPO sector by allocating public resources to the sector (Sanders et al., 2008). As the tradition of corporate and sizeable philanthropic giving was less established in Aotearoa New Zealand, NPOs had to rely on the contribution of the government, resulting in NPOs being accountable to the government (Tennant et al., 2006). These influences can be established from the historical development of the non-profit sector, as discussed below. This discussion is descriptive and draws heavily on the following seminal research on the history of the non-profit sector in Aotearoa New Zealand:

- Tennant, M., Sanders, J., O'Brien, M., & Castle, C. (2006). *Defining the non-profit sector: New Zealand* (No. 45). Working Paper of the Johns Hopkins Comparative Nonprofit Sector. Baltimore, MD: The John Hopkins Center for Civil Society Studies.
- Tennant, M. (2007). *The fabric of welfare: Voluntary organisations, government, and welfare in Aotearoa New Zealand, 1840–2005*. Wellington, Aotearoa New Zealand: Bridget Williams Books.
- Tennant, M., O'Brien, M., & Sanders, J. (2008). *The history of the non-profit sector in New Zealand*. Wellington, Aotearoa New Zealand: Office for the Community and Voluntary Sector.
- Sanders, J., O'Brien, M., Tennant, M., Sokolowski, S. W., & Salamon, L. M. (2008). *The New Zealand non-profit sector in comparative perspective*. Wellington, Aotearoa New Zealand: Office for the Community and Voluntary Sector.
- O'Brien, M., Sanders, J., & Tennant, M. (2009). *The New Zealand non-profit sector and government policy*. Wellington, Aotearoa New Zealand: Office for the Community and Voluntary Sector.

A review of the above-cited seminal sources revealed that the history of the NPO sector unfolded in different distinct periods as significant events and forces marked different periods of this historical evolution. These sources cover the history from precolonial periods to 2008, and a review of other sources was conducted to cover the period from 2008 to 2017.

### **3.2.1 Period I: The Precolonial Period to the 1880s**

NPOs in Aotearoa New Zealand have their roots in precolonial and colonial society (Tennant et al., 2006). The existence of the indigenous population (Māori) brings a unique cultural dimension to the history of the non-profit sector in Aotearoa New Zealand (Sanders et al., 2008; Tennant et al., 2008; Tennant et al., 2006). Māori had their own welfare models developed around family and tribal connectedness long before the signing of te Tiriti o

Waitangi in 1840 (Nash, 2001, 2009; Nash & Miller, 2013; Sanders et al., 2008; Tennant et al., 2008). This family and tribal connectedness was formed around a three-tier descent—the basic structure of whānau, hapū and iwi (Tennant et al., 2008; Tennant et al., 2006). The whānau was instrumental in meeting social needs in line with the tikanga (customs) and kaupapa Māori. Within this social system, welfare was ensured within the context of whakapapa (genealogy) and whanaungatanga (relationship/kinship) (Nash, 2009), and people accepted their social responsibilities without having a choice about participation. While these traditional tribal associational forms had less relevance to the current notions of non-profit, Tennant et al. (2008) argued that they were dynamic and adaptive, which helped to act as a basis for hybrid associational forms after European contact.

The arrival of significant numbers of Europeans in the late eighteenth century in Aotearoa New Zealand influenced the social organisation of that time significantly (Tennant et al., 2006). Māori social organisation was centred on whānau, but the European settlers came with a new form of social organisation that went beyond the confines of traditional families. While the migration was significant, it was insufficient for sustaining an elaborate associational life for Europeans, and as a result, they were dependent upon Māori for trade and protection (Tennant, 2007; Tennant et al., 2008; Tennant et al., 2006). This exposed Māori to new forms of association, and it encouraged them to “borrow from settler organisational forms while remaining distinctively Māori” (Tennant et al., 2008, p. 7). However, the collectivist nature of Māori associational models was marginalised by the late eighteenth century, when Britons in more significant numbers began to migrate to Aotearoa New Zealand after signing the Treaty of Waitangi in 1840 (Cheyne, O’Brien, & Belgrave, 2008; Tennant et al., 2008). The cultural encounters and the dual cultural inheritances that resulted from waves of European migration became the long-term forces in the development of the non-profit sector in Aotearoa New Zealand (Tennant et al., 2008; Tennant et al., 2006). This colonisation of Aotearoa New



Zealand by Great Britain in 1840 had substantial social, political and legal consequences for the development of new forms of non-profit sector organisations that were based on Anglo patterns (Tennant et al., 2008).

Tennant et al. (2006) and Tennant et al. (2008) succinctly explained this historical development, and their accounts are summarised in the following. The initial organisational forms of Europeans were represented by missionary religious societies, such as the Anglican Church Missionary Society from 1814, the Wesleyans from 1823 and the Roman Catholic Church from 1838. Secular forms of non-profits also emerged around this time, such as temperance associations in 1836 in the Bay of Islands, the Victoria Paternal Association for the children of English fathers by Māori mothers in 1839 in Paihia and the Kororareka Association in 1838. There were also friendly societies, craft unions and benevolent societies, which came into existence in various parts of the country after 1840, such as the friendly societies in New Plymouth and Nelson over 1841–1842, the Benevolent Society of Carpenters and Joiners in Wellington in 1842, various sports clubs in Canterbury in the early 1850s and various cultural and recreational clubs around the country in the 1850s–1860s. The sports associations in particular provided “a common ground upon which settlers from various points of origin could be integrated into the fabric and values of the emerging community” (Ryan, 2004, as cited in Tennant et al., 2008, p. 8). The first long-lasting charitable association was the Auckland Ladies Benevolent Society, formed in 1857, followed by similar organisations in Dunedin in 1862, Christchurch in 1865 and Wellington in 1867. While the voluntary donation of time was an essential element of philanthropy at this time, the strong individualism and limited population numbers appear to have acted against the emergence of organised charities. The informal nature of labour exchange and communal interactions limited the ongoing growth of associational forms of non-profits. Māori remained tribal people in the nineteenth century with their three-tier social support of whānau, hapū and

iwi, and pan-tribal movements such as Kīngitanga and the Young Māori Party emerged with characteristics of European organisational and political forms (Cheyne et al., 2008). These dual Māori and European settler cultural inheritances have been the long-term influential elements in the development of the non-profit sector in Aotearoa New Zealand (Tennant et al., 2008; Tennant et al., 2006).

### **3.2.2 Period II: The Period 1880–1940s**

It has been argued that the sustainability of the NPO sector depends on several factors, such as population base, means of interaction between individuals and common identities beyond families, as a motivating force (Sanders et al., 2008; Tennant et al., 2006). These conditions were more prevalent in Aotearoa New Zealand from 1880 onwards (Tennant et al., 2008). Tennant et al. (2008) and Tennant et al. (2006) summarised this as follows. The formal ending of the Aotearoa colonial period in 1907 by dominion status limited land availability for purchase and settlement. The massive population growth between the 1860s and 1890s propelled by the state-assisted immigration from Britain and the natural increase in population was instrumental in building a sense of Aotearoa New Zealand identity that contributed to the development of non-profit activity along with the advancements in communication and transportation. The population increase also contributed to urbanisation. The dependence of Aotearoa New Zealand on Britain for economic affairs in the nineteenth century was an opportunity for the enhancement of non-profit activity, such as the growth of the Red Cross in this period. Another prominent feature of this period was the emergence of organised political parties such as the Liberal Party in the 1890s, the Reform Party in 1909 and the New Zealand Labour Party in 1916. The growth of trade unionism based on membership in this period was also quite influential in the growth of the voluntary sector in Aotearoa New Zealand. Another significant development of the NPO sector in this period was the genesis of organisations based on gender, especially women's groups around the issue of female suffrage in the 1880s.

The Women's Christian Temperance Union, started in 1885, was the first women's organisation to gain national importance with this development. The most profound impact of this organisation was that Aotearoa New Zealand became the first country to enfranchise its women, in September 1893. This political activism by women's groups then extended to women's domestic, employment and economic issues with the establishment of organisations such as the National Council of Women in 1896, the Plunket Society in 1907 and the League of Mothers in 1926. Similarly, male-specific organisations were established, such as Rotary in 1921 and the Junior Chamber of Commerce in 1932, and Rotary played an important part in the establishment of the Crippled Children's Society in 1935 (Tennant et al., 2008; Tennant et al., 2006).

Churches became more established in this period, and they started to provide more organised assistance to communities. Churches provided organisational structures for delivering social services and focused on destitute adults and youth through the city missions during the 1920s and 1930s (Tennant et al., 2008). According to Tennant et al. (2008), the Depression in the 1920s was instrumental in the establishment of more voluntary support groups and the First World War witnessed the emergence of many voluntary organisations both in support of the war and in opposition to the war, such as the Red Cross and the National Peace Council. However, the Depression also showed the limitations of voluntary religious efforts in the ability to meet large-scale welfare needs. This situation demanded more assistance from the government because there was an absence of large-scale philanthropy. It has been argued that the relationship between the state and the NPO sector started in the early stages of NPO growth in Aotearoa New Zealand (Tennant et al., 2006). The earlier relationships can be seen as enabling the legal environment for NPOs in Aotearoa New Zealand, which was influenced by the English common law, such as the 1908 Incorporated Societies Act. The government was heavily involved in providing housing and education, and support to social service

organisations in this period. Although it was feared that the expansion of the welfare state by the first 1935 Labour government under the 1938 Social Security Act would override the voluntary activities of NPOs, it became apparent that the Labour government acknowledged the value of the non-profit sector as complementary to the role of the state in providing welfare services. In fact, people were referred between the two sectors for counselling and material aid (Tennant, 2004). Organisations such as the Plunket Society benefited hugely from this government support. However, the friendly societies, with their reliance on private, individual financial contributions, were affected by the expansion of state welfare services, and their numbers were significantly reduced between 1938 and 1950 (Tennant et al., 2008).

### **3.2.3 Period III: The 1940s to the Mid-1980s**

The welfare state in Aotearoa New Zealand was in its prime between the 1940s and 1970s (Tennant et al., 2008; Tennant et al., 2006). This period was marked by stable governments of the Labour and National parties and full employment and prosperity. Because of the small size of Aotearoa New Zealand and ministers retaining their portfolios for more extended periods, many non-profits were able to build favourable relationships with the government. However, from the 1970s, the changes in economic stability, ranging from the loss of the favoured status of Aotearoa New Zealand for its exports when Britain entered the European Union community in 1973 to the oil price rises in the mid-1970s, created several challenges for Aotearoa New Zealand, such as rising unemployment (Dale, Mooney, & O'Donoghue, 2017; Humpage & Craig, 2008; Maidment & Beddoe, 2016; Tennant et al., 2008). This raised questions about the viability of the Keynesian welfare state and put pressure on the non-profit sector especially, with an emphasis on community care and deinstitutionalisation (Tennant et al., 2008). These changes in the social and economic fabric of Aotearoa New Zealand forced the non-profit sector to assume some of the welfare responsibilities previously held by the government (Tennant et al., 2008). This period witnessed the expansion of the NPO sector

with assistance from the government, especially among the social service organisations. The expertise of NPOs in delivering counselling and social services helped them to maintain an image of being less threatening than services provided by government departments. The government also supported this expansion with direct grants and subsidies to aid the delivery of services in areas of need identified by the NPOs, and the majority of this support was rolled over as a government budget item from year to year. This helped the government to reduce the public sector involvement in service provision and led to a considerable expansion of welfare and community organisations from the 1960s. However, as the support for NPOs increased, the government started to exert more control over these agencies by requiring them to federate their branches to deal with one agency at the national level (O'Brien et al., 2009; Sanders et al., 2008; Tennant, 2007; Tennant et al., 2008; Tennant et al., 2006).

These broader changes were supplemented with the increased assertion of individual rights against the collective values as envisaged in the Keynesian welfare state (Belgrave, 2004, as cited in Tennant et al., 2008). Also, the assertion of rights based on developing identities, such as the rights “for Māori as tangata whenua [people of the land]; for women as the oppressed half of the population; for disabled people” (Tennant et al., 2008, p. 19) influenced the expansion of NPOs. The focus on identity and rights also saw the expansion of women’s liberation groups in the early 1970s throughout Aotearoa New Zealand, informed by a new wave of feminist consciousness (Dale et al., 2017; Tennant et al., 2008). The establishment of the Human Rights Commission by the Human Rights Commission Act 1977 was also instrumental in raising awareness about rights as the “act outlawed discrimination on the basis of sex, marital status and ethical or religious beliefs” (Dale et al., 2017, p. 23). In the 1980s, they became more diverse and organised around specific areas of women’s oppression, such as intimate partner violence, pornography and sexual harassment (Tennant et al., 2008).

Although some organisations eventually ceased their operations, organisations such as

Women's Refuge have survived to become major service providers under contract to the government. The focus on rights and advocacy for marginalised groups also generated new politically assertive organisations for specific groups such as the disabled and the aged. This led to the establishment of many self-help and advocacy groups such as the Intellectually Handicapped Children's Parents' Association (Tennant et al., 2008; Tennant et al., 2006).

This period also experienced a growth in Māori voluntary organisations supported by the revival of Māori identity in the context of urbanisation and an awareness of global movements in the areas of environmentalism and indigenous and human rights (Tennant et al., 2008). The organisation of pan-tribal Māori groups, such as the Māori Women's Welfare League in 1951 and the Aotearoa New Zealand Māori Council in 1962, with Māori concerns and ways of operating and activism, such as Ngā Tamatoa in the 1970s, by educated young Māori led into acknowledging Māori rights to tino rangatiratanga (self-determination) and the Treaty of Waitangi. This focus on Māori rights also led to accepting biculturalism as the official part of government policy in the 1980s (Tennant et al., 2008). Biculturalism became most evident with the establishment of the Waitangi Tribunal<sup>11</sup> by the Treaty of Waitangi Act 1975 (Dale et al., 2017). The Treaty of Waitangi and Treaty practices became reference points between the interaction of government and Māori organisations and provided an increased opportunity for the development of more Māori voluntary organisations with the help of government, such as Kōhanga Reo (Māori language nests), which opened in 1982 (Dale et al., 2017; Tennant et al., 2008).

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<sup>11</sup> The Waitangi Tribunal is a permanent commission of inquiry charged with making recommendations on claims brought by Māori relating to actions or omissions of the Crown that potentially breach the promises made in the Treaty of Waitangi. The Tribunal was initially mandated to review claims made from 1975. It was not until 1985 that the remit was extended to claims from 1840. Upon the recommendation of the Tribunal, the Crown makes settlements through the Office of Treaty Settlements (Dale et al., 2017, p. 21).

### **3.2.4 Period IV: 1980s–2008**

Prolonged economic stagnation followed from the oil crises in the 1970s, and Britain's entering into the European Union resulted in massive fiscal deficits and forced the then National Party government to borrow heavily, resulting in huge government net debt and stagflation in 1984 (Cribb, 2006; Roper, 2008). When the Labour Party won the elections in 1984, Labour dismantled the Keynesian regime, citing the economic crisis, and embraced neoliberal doctrines for managing the economy and welfare (Humpage & Craig, 2008; Roper, 2008). This change of government from National to Labour in 1984 resulted in a mass restructuring of the government and the economy, and had significant consequences for the NPO sector. After the election in 1984, the Labour government started a consistent approach to deregulating the economy and dismantling the welfare state, resulting in state sector reforms known as the Aotearoa New Zealand model of public sector management (Tennant et al., 2008). From the 1980s, Aotearoa New Zealand reprised its role as the social laboratory in reverse as the state withdrew from many social activities with the advent of a market-driven ethos following similar trends in the United Kingdom and United States (Maidment & Beddoe, 2016; Tennant et al., 2008). Underpinned by theories such as economic liberalism, agency theory and public choice theory, the restructuring of the state through legislation such as the 1988 State Sector Act, 1989 Reserve Bank Act and 1989 Public Finance Act resulted in a market-driven ethos shaping the relationship between government and NPOs (Tennant et al., 2008). This was characterised by a movement from grant-based funding to contractual arrangements, reducing government administrative responsibilities (Ellis, 1994; Tennant, 2007; Tennant et al., 2008). This framework for public sector contracting was derived from agency theory (Cribb, 2005) and sought to establish a separation between policy making or funding and service provision (Tennant, 2007). It also drew significantly upon New Right economic theory (Nowland-Foreman, 1997), considering markets the primary and natural agents to deliver social well-being because they offer choices for individuals according to

their self-interest (Humpage & Craig, 2008). This resulted in the creation of quasi-markets by separating funding and delivery of services from government departments and opening competition between service providers for funding (Humpage & Craig, 2008). The Treasury was a dominant force in these reforms, and they saw markets and quasi-markets as the way to ensure quality services, efficiency and effectiveness across a range of areas (Tennant, 2007). The change from funding social services through the provision of grants and subsidies to the use of contracts was formalised by the then Department of Social Welfare in 1991 (Wilson, 2001; Wilson, Hendricks, & Smithies, 2001). It was expected that these changes would achieve increased transparency through opening up contestability and competition, accountability and control through formal contract mechanisms by funders of the services to which they made a financial contribution (Wilson, 2001). Contracts ensured financial accountability for the government to support a more diverse range of service providers (Wilson, 2001).

Contractual frameworks allowed the government to establish relationships with a wider range of organisations than had been the case previously. In particular, smaller non-profit groups, iwi services and Māori organisations, organisations working with Pacific peoples and immigrant groups all began to establish relationships with the government (Tennant et al., 2008). Durie (2005, as cited in Tennant et al., 2008) estimated that the number of Māori service providers rose from “almost zero to more than a thousand” in the 20 years after 1984 (p. 27). However, for some Māori and iwi organisations, fixed and inflexible contractual arrangements undermined any notion of a partnership under the Treaty of Waitangi, and they complained that their holistic approach to service delivery made them enter into an array of contracts with more than one government agency, making the organisational framework unnecessarily complex (Tennant et al., 2008). Contracting was also expected to resolve some of the major bicultural issues confronted by social services and offered an opportunity for



existing NPOs to reassess their services and offer culturally appropriate services (Tennant, 2007). As the mainstream organisations were expected to adopt bicultural practices, organisations that were unable or unwilling to adapt to Māori expectations faced strict competition for funding (Tennant, 2007). Some organisations contemplated becoming bicultural agencies or developing parallel Māori and non-Māori services. Adding to this dilemma, changes to immigration policy in 1987 attracted many migrants from Asia and the Pacific to Aotearoa New Zealand, and NPOs had to respond to greater diversity and embrace multiculturalism (Tennant, 2007; Tennant et al., 2008).

The subsequently elected National governments continued the neoliberal approach to welfare and economic management, and the contractual arrangements with NPOs. The government decided to reduce the social spending to reduce fiscal debt levels and promoted ideas such as self-reliance and reliance on the family rather than dependence on the state in line with the neoliberal ideology (Roper, 2008). The social and economic consequence of neoliberal policies and widespread discontent with neoliberalism led to the election of a Labour-led coalition government in 1999. While the Labour government proclaimed the end of neoliberalism, they retained the central pillars of neoliberal policies under the banner of a Third Way approach, as proposed by Anthony Giddens, as a middle road between the Keynesian model and pure market-led approaches (Humpage & Craig, 2008). This approach focused on social investment and social development over social protection and reaffirmed the earlier position of the state's minimal role in providing social services. With the focus on social investment and social development within a Third Way framework, the government tried to rekindle the notions of partnership to include stakeholder dialogue and improved community–government relationships (Humpage & Craig, 2008). This led to new initiatives, including the appointment of a minister with specific responsibility for the community and voluntary sector in 1999 and a Community and Voluntary Sector Working Party, which

reported in 2001 on dissatisfactions within the non-profit sector (O'Brien et al., 2009; Tennant et al., 2008). One of its recommendations was for greater research into the sector, including its history and its relations with the government (O'Brien et al., 2009; Tennant et al., 2008), and Statistics New Zealand was soon charged with the development of a satellite account to measure the contribution of the non-profit sector to the Aotearoa New Zealand economy. A softening of the state sector relationship emerged with the Labour government's Statement of Government Intentions for an Improved Community-Government Relationship (SOGI) in 2001 (New Zealand Government, 2001). The statement promised "a future where the state performs its role as a facilitator of a strong civil society based on respectful relationships between government and community, voluntary and iwi/Māori organisations" (New Zealand Government, 2001, p. 1). This statement was intended to underscore the government's commitment to the development of a new, partnership-based approach to working with non profit sector organisations that value the governance and working realities of NPOs (O'Brien et al., 2009). As a formal document issued by the government, the SOGI represented a significant point in the history of government–NPO sector relationships (O'Brien et al., 2009). As an aspirational document, it sought to encourage a range of collaborative approaches rather than mandating a single approach to be used in all situations. However, some government agencies did not see the SOGI as applying to them at all because it originated in another department instead of their own (O'Brien et al., 2009).

The 2001 SOGI was followed by the establishment of the Office for the Community and Voluntary Sector (OCVS) within the MSD in 2003 (O'Brien et al., 2009; Tennant, 2009; Tennant et al., 2008). The OCVS led a number of important initiatives concerning funding, accountability, participation in policy, promoting generosity and volunteering. In 2004, these developments came together with the appointment of a Committee for the Study of the Aotearoa New Zealand Non-profit Sector, comprising representatives of the sector,

independent researchers and academics. Working closely with the OCVS and Statistics New Zealand, the committee forged links with the Johns Hopkins University in the United States and contracted researchers from Massey University to undertake the qualitative aspect and Statistics New Zealand to carry out the quantitative aspect of a comprehensive study into the Aotearoa New Zealand non-profit sector. Funding for the research came partly from the MSD but also from two philanthropic bodies—the Combined Community Trusts and the Tindall Foundation. Government and philanthropy joined forces to fund (and closely oversee) an investigation of the non-profit sector in Aotearoa New Zealand, including its history, scope, economic significance and relationship with the government (O’Brien et al., 2009). In 2005, a Charities Commission became operational to oversee the voluntary registration of charities under the Charities Act 2005 and to promote public trust and confidence in the charitable sector and ensure their validity and good governance (Charities Services, n.d.). This opened a charities’ register for the public to verify charities details.

### **3.2.5 Period V: 2008–2017**

The change of government from Labour to National in 2008 saw significant policy shifts in the relationship between the NPO sector and the government. On their way out, the then Labour government commissioned the Association of Non-Governmental Organisations of Aotearoa (ANGOA) to undertake a review of the SOGI. However, ANGOA only reported back when the National government came back into power (Nowland-Foreman, 2016). This review found that the SOGI continued its value as an affirmation of the government’s trust and respect towards the NPO sector and it recommended entrenching its practices even more concretely into the administration of the government (Nowland-Foreman, 2016). However, the National government allowed the SOGI to lapse and replaced it with the document *Kia Tūtahi Standing Together: The Relationship Accord between the Communities of Aotearoa New Zealand and the Government of New Zealand* in 2011 (Department of Internal Affairs

[DIA], 2015). Nowland-Foreman (2016) argued that the new accord was even more relaxing and hollow than the original SOGI, and failed to reflect any of the 15 recommendations of the SOGI review. A review of the 2011 accord conducted recently by the DIA, with the help of the NPO sector umbrella organisation Hui E, also revealed that only 20% of the 991 organisations they surveyed were aware of the relationship accord (Hui E, 2015). Of those who reported being aware of the accord, over a third could not give any specific examples of how the Kia Tūtahi practices were evident in the initiatives. Also, this review found that 60% of the government agencies were not aware at the time of the survey of any resources that could assist them in strengthening their engagement with communities (Hui E, 2015).

In addition to revising the relationship and engagement with the non-profit sector, the National government went quietly about undoing most of the previous government's other sector initiatives. In 2007, on its way out, the Labour government committed significant funding under the Pathways to Partnership programme to build NPO sector capability and address the problem of part funding of contracted social services (Nowland-Foreman, 2016). However, the new National-led government did not continue this promise. The government redirected just 20% of the total promised Pathway to Partnership funding to a time-limited community response fund in 2009 to support NPOs facing financial difficulties or increased demands following the 2009 global financial crisis (Nowland-Foreman, 2016; Treasury, 2013). The independent Charities Commission established under the Charities Act 2005 was also disestablished, and the functions of the Commission were moved to the DIA in 2012 (Charities Services, n.d.). Charities Services now maintain the Charities Register under the Charities Act 2005 and an independent three-person Charities Registration Board makes decisions about registering or deregistering charities (Charities Services, 2016; Phillips, 2016). The OCVS was also disestablished, and the functions were moved from the MSD to the DIA in 2011 (DIA, n.d.). Frequent restructuring and staff changes in government

departments in the late 2000s such as these resulted in broken relationships between NPOs and government.

The new National government also signalled its intention to work with community-based social services to reshape the funding model to ensure that funding delivered the best value for money, and that it reflected the policy priorities of the government and position services to effectively respond when Aotearoa New Zealand emerged from the global financial crisis (Nowland-Forman, 2016; O'Brien et al., 2009). In 2012, the National government launched its own Investing in Services for Outcomes initiative within the MSD (2012). This policy proposed an investment framework and strategy to link funding decisions with the government's priorities; an organisational capability framework to improve the quality of funded social services to meet the government's priority outcomes; and more streamlined, outcome-based contracts (MSD, 2012, 2013a). As part of this initiative, the MSD promoted an Organisational Capability Self-Assessment Tool as a capability framework for NPOs wanting to receive funding from the MSD. This framework included capabilities in strategic governance; financial viability and sustainability; adaptive leadership; operational management; workforce development; outcome focus; organisational technology; innovation; collaboration; and organisational responsiveness to diversity, including to Māori, Pacific peoples, refugees and migrants communities, people living with disability and children and young people (MSD, 2013b). The focus on streamlined contracting led the Cabinet to direct the Ministry of Business, Innovation and Employment, through its Government Procurement Branch, to lead a three-year streamlined contracting with NPOs project, to reduce duplication and compliance costs in 2013 (MSD, 2013a). This included developing standard outcome-based agreements, and incorporating results-based accountability (RBA) within the contracting framework as the preferred mechanism to support an increased focus on outcomes in government contracting (MSD, 2013a). This RBA framework was put in place as a

mechanism to reduce variance in, and duplication of, contract management practices across government agencies (MSD, 2013a). The Investing in Services for Outcomes programme led the National government, especially in its third term, to focus on:

- the extensive development of contracting with the private and the NPO sectors for social service delivery
- purchasing and reporting on outcomes preferably through an RBA framework
- tighter targeting of services purchased to predetermined political priorities
- calculating return on investments (in reducing long-term public expenditure)
- being evidence based, particularly through greater use of “big data” (Nowland-Foreman, 2016, p. 58).

All these shifts in policy approaches to social service delivery have been promoted as a social investment approach of applying rigorous and evidence-based investment practices to social services (Treasury, 2016, para. 1). Bill English (2015a, para. 94), the then Minister of Finance, described the social investment approach as “spend money now to secure better long-term results for the most vulnerable Aotearoa New Zealanders and lower costs to the government in the future”. He also said earlier in an address to the Treasury that social investment is “a more rigorous and evidence-based feedback loop linking service delivery to a better understanding of people’s needs and indicators of the effectiveness of social services” (English, 2015b, para. 43). Consequently, the MSD (2015) developed a new Community Investment Strategy recently to tightly align social service funding with three specific government priority results areas: children at risk of maltreatment, young people at risk of offending and victims/survivors of family violence and sexual violence (MSD, 2016a). To be implemented over the period between 2015 and 2018 covering all social services purchased by the MSD (valued over \$300 million) and the Ministry of Youth Development, the

community investment strategy aimed to align government funding to those with the highest needs and with providers who can demonstrate that they can meet those needs with evidence about what works through an overarching Results Measurement Framework (RMF) (MSD, 2016a). This requires the social service NPOs to direct their services to focus on the government's priority results, collect data to build the evidence base for programme effectiveness and align their services with government priorities.

This focus on investment and outcomes is evident in the RMF, which is used to collect data and build evidence under the community investment approach. The RMF has two levels: the population level, focusing on high-level government priorities and offering a set of intermediate outcomes for the three priority areas for contracted service providers, and the performance level, focusing on providers' performance in service delivery and measuring aspects such as quantity, quality and client results in each of the priority result areas (MSD, 2016b). By July 2018, results measures will be in all providers' contracts. Collecting client-level data from providers is expected to enable the MSD to look across other programmes and services that clients access that are funded by other government agencies, which marks the movement to results-based contracting.

The investment approach also involves using social sector accreditation standards to assess the capability and capacity of NPOs to deliver the services contracted by the MSD from April 2016 (MSD, 2016c). The current Cross-Government Accreditation project means that various government agencies, such as Health, Justice, Education and the Department of Corrections, will be using the social sector accreditation standards to contract out services and share accreditation information through the Cross-Government Accreditation Register and NPOs will be subject to uniform compliance requirements (MSD, 2016c). Depending on the level of services, the providers are assessed against the accreditation standards related to:

- client-centred services
- community well-being
- cultural competence
- staffing
- health and safety
- governance and management structure and systems
- financial management and systems
- resolution of complaints related to service provision
- quality improvement
- client services and programmes. (MSD, 2016c)

Additionally, NPOs are subjected to MSD-specific accreditation standards for care services, iwi social services, and outdoor programmes for children and young people, and iwi community services under the MSD approvals framework, which involves a number of acts, such as the Children, Young Persons and Their Families Act 1989. In addition to meeting the 10 accreditation standards, providers need to comply with and keep up to date with legislative changes, such as the latest Health and Safety at Work Act 2015, which have an impact on service delivery (MSD, 2016c).

As it is still unfolding and yet to be implemented fully, the impact of community investment is yet to be seen, and it is too early to evaluate its effectiveness and its impact on NPOs.

However, the community investment approach already has had a significant impact on how the MSD invests its money and funds NPOs. This is evident from the significant funding shifts made by the MSD for the 2016/17 financial year. A recent line-by-line review of MSD funding resulted in providers losing the contracts for the services they provided in areas such as family and crisis counselling, information and advice, advocacy work as a sector umbrella



group and parents' centres (MSD, 2016a). For instance, Relationships Aotearoa, the largest provider of professional counselling and relationship education, which was receiving NZ\$8 million a year from various government ministries and departments had to cease their operations due to funding cuts in 2015 (Robinson, 2015). The closure immediately affected approximately 7,000 clients and 183 staff. In addition to these changes, reprioritisation of funding resulted in NPOs losing contracts for services such as Parents as First Teachers, Strengthening Families and NGO Social Work Study Awards (MSD, 2016b). The current MSD funding level demonstrates that the MSD has invested \$196.7 million to support vulnerable children at risk of maltreatment, \$38.1 million to support vulnerable young people at risk of offending and \$51.8 million to support adult victims/survivors of family violence and sexual violence for the year 2016/17 (MSD, 2016d).

O'Brien (2016) has argued that the investment approach results in social service delivery that is heavily influenced by the political and ideological framework of investment, vulnerability and outcomes. This framework has been described as being shaped by a neoliberal approach to social welfare (O'Brien, 2016). The overall policy push reflects the lesser acknowledgement of the broader role of NPOs in contributing to community cohesion and social capital (Nowland-Foreman, 2016). Nowland-Foreman (2016) has further argued that the focus on procurement of services to meet government priorities and requirements is turning NPOs into "little fingers of the state", as described by Nyland in 1993. In other words, the degree of government control of social services risks significantly curtailing NPOs' hitherto more independent and outspoken role in advocating for their communities of interest. This makes the NPOs more vulnerable and "repeats the worst extremes of contractualism resulting from two contradictory neoliberal trends: increased pressure to contract out, downsize and decentralise while exerting greater control over the functions that have just been made autonomous" (Nowland-Foreman, 2016, p. 60). As investments are expected to yield

returns, improving outcomes from social service programmes has been a strong and dominant dimension of government work on social services over the past five years. Historically and traditionally, NPOs had a wider role beyond service delivery, encouraging community participation and leadership and enhancing cooperation and trust (Nowland-Foreman, 2016), and they identified, prioritised and worked towards meeting community needs (Cheyne et al., 2008). The current outcomes approach alters this significantly, as the government now decides needs and funding based on their ideological and political priorities rather than by the needs identified by social services agencies, their users and the community (O'Brien, 2016). A focus on investment also forces many agencies to adapt their programmes to reflect the direction of funding availability rather than the needs identified by families, communities and NPOs (O'Brien, 2016). While moving away from their original purposes and priorities under a contracting framework, NPOs are now forced to work towards constantly shifting government agendas, limiting the social value created by NPOs (Neilson et al., 2015). As Nowland-Foreman (1997) long ago illustrated, as NPOs become professional and standardised in their operation to meet their accountability requirements to the government, they are cajoled into “becoming more like government—in their recruitment practices, in their accountability procedures, in their record-keeping, in their service eligibility criteria, in a standardization of the way in which they operate, and so on” (p. 25). As a result, “government funding and contracting processes are eroding the special characteristics, strengths, and infrastructures of the community and voluntary sector” (Neilson et al., 2015, p. 9).

O'Brien (2016) also argued that the Aotearoa New Zealand approach to investment minimises the role of the state to concentrate on expenditure within a framework of reduced citizenship rights. He called it an “antithesis” of social development. O'Brien (2016) also identified a number of critical difficulties in the identification of outcomes because the relationship between risk factors and poor outcomes are mixed and complex. Moreover, the quantitative

approach to measuring the outcomes will not provide any information about how those outcomes were achieved and may not offer any valuable or meaningful information for families, agencies or practitioners to efficiently contribute to the development of better practice (O'Brien, 2016). Similarly, Nowland-Foreman (2016) noted that the investment approach distorts service provision through not being holistic and responsive to individuals with a long-term focus, and it increases spending on monitoring, reporting and transaction costs (p. 60). He further argued that results are affected by many unanticipated external factors, making them more expensive, time-consuming, uncertain and unreliable (Nowland-Foreman, 2016, p. 61). While the criticisms of the investment approach and contracting for outcomes are growing, social service NPOs in Aotearoa New Zealand are still relying heavily on contracts from the government for their income because corporate funding and other philanthropic funding are minimal in Aotearoa New Zealand. This helps the government to maintain its status as the main funder for social service organisations for delivering government-prescribed services and for holding significant power over these organisations. The current contracting environment has been described by the key social services commentators referred to throughout this chapter as characterised by an unequal relationship, emphasising investments and outcomes, and in so doing, creating significant strategic and operational challenges for the NPO sector in Aotearoa New Zealand.

### **3.3 Contemporary Issues Confronting the Non-Profit Organisation Sector in Aotearoa New Zealand**

The competition for funding makes the NPOs vulnerable and poses significant operational challenges while the demand for services is increasing from their communities (Neilson et al., 2015). The non-profit bi-annual sectoral surveys conducted by Grant Thornton between 2005 and 2016 demonstrated that the major operational challenges faced by NPOs have fundamentally remained the same over the past decade (Grant Thornton, 2005, 2008, 2009,

2011, 2013, 2016). **Error! Reference source not found.**ummarises the critical operational challenges identified by NPOs over the years in these surveys. The table demonstrates that the primary concern for NPOs in the past decade is funding and financing the activities of the organisation. Other sectoral surveys conducted by ComVoices in 2014 and 2016 revealed the same concerns regarding funding and financial management among NPOs in Aotearoa New Zealand. This is unsurprising in the current environment of competitive contracting characterised by government priorities and policies (Sanders et al., 2008). Both the empirical and theoretical research evidence that became available in the past decade (2006–2016) suggests that the funding uncertainty in a contracting environment affects the viability, functioning and performance of NPOs. This poses significant challenges for the management of the interrelated operational aspects of finance, service delivery, governance, human resources, organisational infrastructure and relationship building in NPOs (ComVoices, 2014, 2016; Grant Thornton, 2013, 2016; O’Brien et al., 2009).

Table 3-1. Operational challenges faced by NPOs: A summary of sector surveys

2015 (n = 305)	2013 (n = 344)	2011 (n = 243)	2009 (n = 181)	2007 (n = 297)	2005 (n = 382)
<b><u>Primary concern</u></b> -Funding <b><u>Major challenges</u></b> -Managing risk -Use of technology -Retaining of staff and volunteers <b><u>Other issues</u></b> -Governing body member's awareness of their legal responsibilities -Use of independent directors -Board remuneration -Board development -Financial reporting -Impact assessment and stakeholder reporting	<b><u>Primary concern</u></b> -Funding <b><u>Major challenges</u></b> -Governance -Social enterprise -Social media <b><u>Other issues</u></b> -Risk management -Financial reporting -Government -Alignment to outcomes -Impact assessment -Controlling expenditure -Digital communication -Increased demand for service -Compliance with regulations -NFP sector collaboration, competition -Retaining and motivating staff -Lack of resources -Volunteer management -State of the economy	<b><u>Primary concern</u></b> -Funding <b><u>Major challenges</u></b> -Controlling expenditure -Government -Risk management -Keeping up-to-date with legislation -Understanding of legal liabilities <b><u>Other issues</u></b> -State of economy -Volunteers -Demand for services -Board and governance -Retaining and motivating key staff -Impact of IT environment -Compliance with regulations and financial reporting -Doing more with less -Charities Commission -Managing and compliance cost of staff -Health and safety requirements -Disaster recovery plans	<b><u>Primary concern</u></b> -Funding <b><u>Major challenges</u></b> -Financing activities of the organisation -Fundraising -The role of board and governance issues <b><u>Other issues</u></b> -Retaining and motivating staff -Managing and compliance cost of staff -Website management and maintenance -Impact of internet -Compliance with regulations -Finding right advice -Compliance with financial reporting -Dealing with business risks -Charities Commission -Strategic development and planning -Organisational structure -External relationships -Increasing workload	<b><u>Primary concern</u></b> -Funding and financing the activities of the organisation <b><u>Major challenges</u></b> -Retaining and motivating key staff -Governance and role of board -Performance monitoring <b><u>Other issues</u></b> -Attracting new board members -Compliance with regulations and financial reporting -Impact of internet and complexity of IT issues -Charity Commission -Managing volunteers -Government -Strategic development -Succession planning -Getting recognition for the value of work undertaken -Dealing with business risks such as fraud	<b><u>Primary concern</u></b> -Funding -Financing the activities of the organisation -Governance <b><u>Major challenges</u></b> -Sustainability of income sources -Retaining and motivating key staff -Managing the volunteers -Compliance with regulations and financial reporting <b><u>Other issues</u></b> -Charities Commission -Impact of internet/complexity of IT -Problems relating to government -Communicating with stakeholders -Raising public profile and membership levels -Structural organisational changes -Fair distribution of funds

The operational challenges identified by other research on the non-profit sector as listed in Table 3-2 demonstrate that the operational difficulties fundamentally remained the same in the past decade, which is similar to the findings from Grant Thornton surveys.

*Table 3-2. Operational challenges as identified in Aotearoa New Zealand non-profit sectoral surveys between 2006 and 2016*

<b>Author and number of organisations/people surveyed</b>	<b>Operational challenges identified</b>
<b>BDO (2016b)</b> <b>N = 471</b>	Fraud and risk management
<b>ComVoices (2016)</b> <b>N = 286</b>	Service delivery; financial pressures and contracting environment; staffing and volunteers; financial viability
<b>BDO (2016a)</b> <b>N = 471</b>	Financial reserve level
<b>Neilson et al. (2015)</b> <b>N = 70 people in 9 organisations</b>	Increased vulnerability; professionalisation; accountability and risk aversion; standardisation and competition
<b>ComVoices (2014)</b> <b>N = 311</b>	Service delivery; funding and financial viability; staffing; relationship with government and sector organisations; advocating for the sector
<b>NGO Health &amp; Disability Network (2013)</b> <b>N = 15</b>	Funding, staffing; IT systems
<b>Lee (2012)</b> <b>N = 15.</b>	Job satisfaction; job dissatisfaction and retention
<b>Darkins (2010)</b> <b>N = 12 key informants &amp; 222</b>	Security of funding; recruiting and retaining staff and volunteers; maintenance of good communication; managing good board, staff and management relations; meeting requirements of cultural sensitivity; meeting challenges of organisation's growth; staying in touch with the original vision; effective networking, sound financial management
<b>Haigh (2008)</b> <b>N = 12</b>	Governance and relationship between board and CEO; strategic planning; Treaty of Waitangi issues; legal issues; relationships with funders; meeting the needs of Pacific Island communities; managing the CEO; funding; CEO succession planning; organisational restructuring
<b>Cayley (2008)</b>	Governance; fundraising and financial management; strategy and policy; recruitment and development of volunteers and staff; evaluation, monitoring and quality assurance; managing IT and legislation changes
<b>Family and Community Services and OCVS (2005)</b>	Business processes; policies and procedures; employment and human relations; financial management; governance; IT

It is evident that the current challenges faced by NPOs are multidimensional and primarily related to finance, service delivery, staff, volunteers, governing boards and technology and culture. These challenges are discussed below.

### **3.3.1 Financial Management**

The available evidence suggests that NPOs are struggling to find funding to support their service delivery because they are often given partial and short-term funding under the contracting process. To meet the service delivery needs, NPOs are then required to use their reserves to help their daily service delivery (BDO, 2016b). Recent evidence suggests that many organisations are not able to plan for more than 12 months ahead based on their current funding and have expressed concern that they would not be able to survive for more than six months if their current funding were not renewed (ComVoices, 2016; Grant Thornton, 2016). This funding uncertainty also requires NPOs to spend a significant amount of time seeking, applying for and accounting for funding or trying to find alternative sources of funding, including generating their own income through establishing or buying social enterprises without sufficient preparation or due diligence, thus posing further financial risks (Grant Thornton, 2016). Evidence also suggests that funders are requiring more compliance and placing more restrictions on organisations, but are not increasing their funding to cover the increased costs of administering contracts and achieving the required outcomes (ComVoices, 2014, 2016). The new Financial Reporting Act 2013 and the Financial Reporting (Amendments to Other Enactments) Act 2013 have also introduced a number of changes to the Aotearoa New Zealand financial reporting system, with ongoing implications for NFPOs (Grant Thornton, 2016). The extra time, staff and technology resources required to meet increased compliance requirements such as data and evidence gathering, police vetting, health and safety procedures and reporting to various government bodies, such as Charities Services, the Registrar of Incorporated Societies and Inland Revenue, are putting enormous demands on

NPOs and affecting their ability to spend time with clients (ComVoices, 2016). Redirecting the resources to meet compliance requirements rather than service provision and adherence to standardisation in the contracting regime negatively affects NPOs' ability for innovations in problem-solving and responding to the socio-political changes that affect the communities (Neilson et al., 2015).

### **3.3.2 Service Delivery Management**

The limitations on funding directly affect the provision of services (Sanders et al., 2008). Evidence suggests that the majority of the organisations are doing more work than specified in contracts, ranging from 25% to 50%, because organisations have more people accessing their services and deal with more complex issues (ComVoices, 2014, 2016; Nowland-Foreman, 2016). While the organisations have more work than ever, only a few have the staff skilled enough to deal with the increasing complexity of issues they are working with, as there is no capacity either to recruit staff with the necessary skill sets or to provide salary increases for existing staff (ComVoices, 2014, 2016). Also, contracting for outcomes through services creates demand for programme evaluation and performance management, and NPOs are struggling to meet their obligations because they do not have enough resources and capability (Lockyer, 2015). Because the service users experience a combination of issues involving dealing with multiple agencies, navigating the system is more complex, and NPOs need to advocate for their service users. However, as the government does not fund for advocacy services, NPOs' ability to advocate for their clients and communities is constrained. NPOs are even worried to advocate for their clients and raise concerns with government departments, as they fear losing money for speaking out (ComVoices, 2016).

### **3.3.3 Staff Management**

Adding to the complexities, because the contracting model requires NPOs to be more professional in their operations and service delivery, the funding issues have a direct impact



on the capacity of NPOs to recruit and retain highly skilled personnel (ComVoices, 2014, 2016; Grant Thornton, 2011, 2013, 2016; Sanders et al., 2008). Because the median base salary in NPOs is 16.1% less than the general labour market (Strategic Pay, 2016), NPOs face direct competition from the private and state sectors for staff as the pool of experienced staff is small (Sanders et al., 2008). The 2016 Strategic Pay not-for-profit remuneration survey of 13,530 employees in 262 organisations revealed that only 28% of NPO employees received a salary increase, 49% received the same and 23% received a lower salary than the previous year. Also, the CEO pay levels in NPOs are 30% lower than the private sector and 10% less than the public sector (Whelan, 2017). In addition to remuneration, poor career progression is a major reason for NPOs not being able to retain staff (Grant Thornton, 2016). The challenges faced by NPOs in recruiting and retaining staff results in frequent organisational restructuring, minimal or no salary increases for staff, no increase in staff level and making staff redundant or reducing their hours, which leads to stress and burnout for existing staff and more reliance on volunteers (ComVoices, 2016). Furthermore, the casualisation of the workforce is a trend occurring in the NPO sector in line with the general labour market trends (ComVoices, 2014, 2016). This often leads to low morale in organisations and creating a feeling among NPOs that the policy makers have no empathy or understanding of the sector (ComVoices, 2016).

### **3.3.4 Volunteer Management**

While organisations are trying to compensate for the lack of staff with volunteers, recruiting and retaining them becomes a concern because the availability of volunteers is declining (Sanders et al., 2008). The latest non-profit satellite data suggest that although more people are volunteering, they are contributing fewer hours, resulting in demand exceeding supply (Statistics New Zealand, 2016). As contracts specify the nature of service delivery, the nature of volunteering is changing, with progressively formalised job descriptions, supervision and performance reviews (Sanders et al., 2008). This professionalisation of volunteering leads to

volunteers sometimes feeling oppressed by the increased training demands, accountabilities and compliance with legislation that has become part of the non-profit sector (ComVoices, 2016). Furthermore, contracting creates a service provision system that is highly individualised and fails to build on community needs and strengths (Neilson et al., 2015). This is of particular significance to Māori because there is a need to maintain the core cultural values and tikanga, which is often only possible with the support of whānau, iwi and hapū (Sanders et al., 2008). Therefore, the insufficient volunteer availability negatively affects the service delivery, governance and operations of the sector (Sanders et al., 2008).

### **3.3.5 Governance and Board**

While the diminishing availability of traditional volunteers is affecting NPOs' ability to recruit volunteers for the governing boards and to retain them, the current environment of contracting and increased compliance and reporting under various laws also puts immense pressure on NPO governing boards because they are legally liable for the operations of the organisations. These organisational pressures require NPOs to have experienced people with strong business, finance and legal backgrounds because an inexperienced volunteer board may put organisations at legal and financial risks. Recent evidence suggests that a majority of board members are unaware of their legal responsibilities and that a significant proportion of organisations do not have induction procedures for new board members for them to understand the goals, challenges and responsibilities of the organisation (Grant Thornton, 2016). Additionally, the constitutions of the boards are not reviewed on a regular basis, and a majority of the organisations do not have any board assessments to enhance their board members' knowledge (ComVoices, 2016; Grant Thornton, 2016). Legislation, such as the new Health and Safety at Work Act 2015, has become more restrictive than enabling and there are now more than 40 pieces of legislation that apply to NPOs, making it hard for the volunteer governing board members to keep track of these legislative requirements. Board

members are also becoming reluctant to be involved in making personal donations, introducing donors and fundraising campaigns (ComVoices, 2016).

### **3.3.6 Technology**

NPOs are also increasingly required to embrace technology to engage with various stakeholders and support their service delivery effectively. This necessitates technology investments in web, social media and other digital platforms. However, due to the limited funding available for developing organisational infrastructure, many organisations are not in a position to invest in technology (Grant Thornton, 2016). Social media is reshaping the way NPOs do marketing and communicating with service users, funders and the communities they serve. However, few NPOs incorporate social media as a core strategy to capitalise on this virtual and cost-effective engagement tool (Grant Thornton, 2014). Large NPOs are more active than small NPOs in using social media to engage with stakeholders. While social media platforms can increase the presence of NPOs, they can be easily damaging if not properly managed (Grant Thornton, 2014).

### **3.3.7 Culture**

While NPOs face many operational issues as a result of the contracting environment, they also face a set of cultural challenges from the growing ethnic diversity in Aotearoa.

According to the 2013 census, 74% of the population belong to European ethnicity, 14.9% belong to Māori, 11.8% belong to Asian, 7.4% belong to Pacific people and 1.2% belong to the Middle Eastern, Latin American and African category (Statistics New Zealand, 2013).

While the changes in the ethnic composition can be attributed to Aotearoa New Zealand becoming a multicultural country, the Treaty of Waitangi and the Crown–Māori relationship are still issues of utmost importance to Aotearoa New Zealand society (Sanders et al., 2008). Consequently, the Treaty and bicultural practice frameworks are still dominant aspects of the NPO sector, and NPOs need to develop models of governance and service delivery systems

that suit Māori needs and aspirations and reflect their cultural uniqueness and values (Munford & Sanders, 2010; Sanders et al., 2008). However, for many organisations, there is considerable uncertainty about how to achieve the Treaty's bicultural requirements in their practice (Sanders et al., 2008). Because the organisations are required to demonstrate that they fulfil Crown obligations under the Treaty of Waitangi and are culturally competent to work with Māori clients when delivering government-contracted services, the Treaty remains a central point of reference for many NPOs and their relationship with the government (O'Brien et al., 2009; Sanders et al., 2008). Also, while the new ethnic groups form their own ethnically distinctive organisations for service delivery, existing mainstream NPOs still need to respond to this ethnic diversity as organisations contracted out by the government. This requires them to be culturally competent to work with people from a range of cultures (Tennant et al., 2008).

### **3.4 Summary of the Chapter**

Many current issues faced by NPOs, especially the relationship with the government in Aotearoa, are deeply grounded in the past. NPSSOs historically operated in a supplementary role to the state. They then became complementary to state provision and then alternate providers. As large-scale philanthropic funding is limited and the government continues to contract out essential personal social services to NPOs, a good relationship with the government grounded in partnership is vital for the survival of NPOs in Aotearoa New Zealand. NPOs generally look for a positive partnership with the government, in which holistic and innovative solutions can be developed, but most feel that the current situation is adversarial and characterised by low trust. This chapter identified some of the key challenges currently faced by NPOs in Aotearoa New Zealand: funding and financial management, service delivery, staff and volunteer management, governance and board management, maintaining their commitment to te Tiriti o Waitangi and meeting the bicultural requirements

of the operation. The next chapter, Research Methodology, discusses the research approaches and the strategies used for conducting this research enquiry.

## **CHAPTER 4: RESEARCH METHODOLOGY**

### **4.1 Overview of the Chapter**

The overall purpose of this cross-sectional survey study is to develop an understanding of how the NPSSOs in Aotearoa New Zealand manage their board, service delivery, human resources and finance. The previous chapter provided a detailed review of the literature on the historical development of the non-profit sector in Aotearoa New Zealand. The chapter also discussed the current challenges faced by NPOs in relation to the board, service delivery, human resources and finance. This chapter outlines the overall research strategy adopted in this study to develop an understanding of how NPOs manage their organisational elements. This chapter starts with a discussion on the pilot study conducted to establish the feasibility of the study. It then explains how an appropriate research strategy was adopted to address the research questions raised in Chapter 1. Based on the research strategy adopted, this chapter provides an account of the research design, unit of measurement, population and sampling process, the instrument used for data collection and how data were analysed and interpreted. The chapter concludes with a discussion on how ethical issues were addressed in this study.

### **4.2 Pilot Study**

Research projects that include a research degree such as a PhD programme cannot be conducted successfully without checking the feasibility of the project first. While a review of the available literature provides insights into the research gaps and theoretical perspectives in the wider subject area, a pilot study helps to assess the feasibility of the project in terms of the kind of data to be collected, the methodology to be followed and the instruments to be used and so on. A pilot study is essentially a scoping exercise, which helps to identify and define potential participants and stakeholders of the study. It is the best way to assess the feasibility and can be seen as a trial run and is an essential prerequisite to any empirical research project

(Jensen & Laurie, 2016; Thabane et al., 2010). Since the focus of the research is the management of NPSSOs in Aotearoa New Zealand, I visited three such organisations in Christchurch, Aotearoa New Zealand, and interviewed the managers or CEOs and board members in the early stages of the research. In the interview, I asked the managers and board members about their understanding of the management and governance process in NPOs and the challenges and opportunities faced by their organisations. This process was invaluable, and it helped to frame research questions and methods of enquiry. The senior supervisor of this research project had been acting as a board member for an NPSSO during this research and was able to share a firsthand description of the nature and processes involved in the board of governance of these organisations. This provided invaluable input in the scoping and other stages of research and is acknowledged here, as it was additional to regular supervision. I also attended a number of conferences on non-profit management and governance in Aotearoa New Zealand, Australia and India as a speaker and a delegate in the past few years. These conferences were invaluable opportunities to engage in critical conversations about non-profit management with academics, researchers, board members, managers and other stakeholders, such as government officials and funding agencies that deal with NPOs. These conversations aided profoundly in formulating the research questions, and determining the scope and relevance of research and a method of enquiry. They also provided anecdotal evidence and insights into the current challenges faced by the non-profit sector in Aotearoa New Zealand. The conferences are listed below in year order to illustrate their contribution to this study:

- Sixth Australasian Better Boards Conference, 28–29 July 2012, Melbourne, Australia.
- Inaugural New and Emerging Community Researchers Seminar, 5 November 2011, Wellington, Aotearoa New Zealand.
- National Not-for-Profit Sector Conference, 11–12 March 2011, Auckland, Aotearoa New Zealand.

- Management Information System and Documentation in Non-Profit Organisations, 29–31 July 2009, Karl Kübel Institute for Development Education, Coimbatore, India.
- National Not-for-Profit Sector Conference, 19–20 March 2009, Napier, Aotearoa New Zealand.
- Ninth Biennial Conference on Australia and New Zealand Third Sector Research, 24–26 November 2008, Auckland, Aotearoa New Zealand.

### 4.3 Overall Research Strategy

Many research methods theorists (Bryman, 2004; Cohen, Manion, & Morrison, 2011; Creswell, 2002, 2009, 2013; Mertens, 2007; Neuman, 2011) have recommended that the research strategy selected for any research enquiry should address considerations such as ontology, epistemology, methodology and research design. Accordingly, a quantitative research methodology using a survey design informed by positivist epistemology and objectivist ontology was adopted as the overarching research strategy for this project. These considerations are discussed below.

### 4.4 Ontological Considerations

Ontology refers to our assumptions of how we view the world and our understandings regarding the nature of reality (Bhattacharjee, 2012; Creswell, 2013). Bryman (2012) stated that there are two ontological philosophies regarding the nature of social entities, namely, objectivism and constructionism, which is also known as constructivism. Ontology is thus concerned with whether the social entities should be considered objective entities that exist externally to social actors (*objectivism*) or whether they are socially constructed and a product of perceptions and actions of social actors (*constructivism*) (Bryman, 2012; Neuman, 2011). Objectivism positions social phenomena as outside our control; they have an independent existence to us as stakeholders (Bryman, 2012) that can be objectively investigated through



quantitative research (Braun & Clarke, 2013; Bryman, 2012). In contrast, constructionism/constructivism posits that social phenomena are not independent of stakeholders but are created and revised by the interaction between stakeholders, and can be investigated through qualitative research (Bryman, 2012). The entities considered in this research are NPSSOs. These organisations have a mission statement, physical structures, legal validity, rules and regulations, and standardised procedures for getting things done. They have a division of labour and hierarchy. In this sense, they have a social order that exerts pressure on individuals to conform to the requirements of the organisation and a social reality that is external to the people involved with the organisations. An objectivist ontology is, therefore, most appropriate for this study.

#### **4.5 Epistemological Considerations**

Epistemology refers to our assumptions related to the nature of knowledge (Tuli, 2011). An epistemological issue considers the question of what is regarded as acceptable knowledge about the world and how we enquire about that knowledge (Bryman, 2012). The central question in social research is whether the social world can be studied according to the same practices and procedures as those of studying the natural world (Bryman, 2012; Creswell, 2013). A *positivist* epistemological position takes the view that the social world can be studied as if it were the natural world through observation and theory testing. Positivism utilises science and causal behaviour to explain reality (Neuman, 2011). An *interpretive* epistemological position takes the view that the subject matter of the social world—people and institutions—is different from that of the natural world and needs to be studied based on the individual's subjective understanding and meaning-making of his or her experience (Bryman, 2004; Creswell, 2013). Interpretivism portrays the world as socially constructed, and can change according to time and context (Tuli, 2011). The purpose of this research is to understand the management of NPSSOs against widely accepted practices of management in

the areas of the board, service delivery, human resources and finance. This enquiry is based on measurement of these critical variables against a set of criteria rather than against the perceptions of individual agency staff and their boards of governance. The analysis of management practices warrants objective measurement of variables, observation and interpretation of facts. This is important to see the relevance of existing standards or to suggest new standards. Hence this research has taken a positivist epistemological perspective.

#### **4.6 Methodological Considerations**

The methodological consideration of selecting a quantitative or qualitative approach depends on researchers' orientation towards the conducting of research based on their epistemological and ontological beliefs. Quantitative methodology values objective and numerical data, which fits with an objectivist ontology and positivist epistemology, whereas qualitative methodology identifies and analyses data gathered from human experience, which fits with constructivist ontology and interpretivist epistemology (Bryman, 2012; Creswell, 2009). Qualitative research processes are inductive, allowing researchers to focus on unpacking the meaning behind the participants' experience rather than focusing on the description of the issue itself, which is the process of a quantitative deductive approach (Creswell, 2013). Newman and Benz (1998, as cited in Creswell, 2013) argued that qualitative and quantitative methodologies represent different ends of a continuum and should not be viewed as opposites. Quantitative data are commonly framed as numbers and qualitative data as words (Creswell, 2013). Creswell (2013) differentiated the qualitative method as "an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem" (p. 4), whereas quantitative research is described as "an approach for testing objective theories by examining the relationship among variables" (p. 4). The objective of the qualitative research is to interpret meaning drawn from the experiences, opinions and stories of the participant to inductively explore new concepts and generate ideas (Alston & Bowlers, 2012;

Bryman, 2012). A quantitative approach was adopted for this study for a number of reasons. This approach is suitable to answer the research questions focused on the description of the phenomenon of NPO management and the examination of the relationship between variables. The quantitative methodology also aligned with the objectivist ontology and the positivist epistemology perspectives taken in this study. Based on the considerations discussed above, an overarching research strategy is a quantitative approach that entails deductive reasoning with the norms of positivist epistemology and is linked with objectivist ontology.

#### **4.7 Research Design**

Creswell (2013) proposed that within all research methodologies, such as quantitative and qualitative, the researcher needs to decide on a type or a strategy of enquiry that can provide specific direction for research procedures such as sampling, data interpretation and hypothesis testing. This type or strategy of inquiry is generally known as research design (Bryman, 2012). As observed by Raman and Nimmagadda (2007), quantitative research generally addresses questions of why and how something exists or happens in the social world. The primary purpose of this study was to describe the management of NPSSOs and examine the relationship between various management variables. This purpose called for adopting a quantitative research design that can provide numerical descriptive information and analysis. A *survey design* caters to this need to provide a quantitative numerical description of trends, attitudes or opinions of a population by studying a sample of that population. From sample results, the researcher generalises or makes claims about the population (Creswell, 2003; de Vaus, 2002; Jensen & Laurie, 2016). Survey design is used to describe patterns in the large population or determine individuals' characteristics within a population (Jensen & Laurie, 2016). Surveys are also used to "measure some aspects of a social phenomenon or trend" (Denscombe, 2014, p. 4). Other researchers, such as Cohen et al. (2011), also support the appropriateness of survey design by proposing that "surveys gather data at a particular point

of time with the intention of describing the nature of existing conditions, or identifying standards against which existing conditions can be compared, or determining the relationships that exist between specific events” (p. 256). Polit and Hungler (1999) supported this view by saying that a survey is designed to obtain information from populations regarding the prevalence, distribution and interrelations within those populations.

A survey design was selected for this study primarily because of its ability to meet the purpose of describing the nature of NPO management compared against the statements of recommended practice in the literature. A survey design also fits with the overarching research strategy by being inherently quantitative and positivistic (de Vaus, 2002). The advantages of flexibility, versatility, efficiency, generalisability and broadness of scope (Engel & Schutt, 2013) were also determining factors for selecting a survey as the research design.

The survey design adopted for the study was *cross-sectional*, with the data collected at one point in time. This was necessary to collect the quantifiable data of more than two variables at one point of time to establish variations between cases and to detect the patterns of association (Bryman, 2004).

#### **4.8 Participant Selection: Decision Framework**

NPSSOs that were registered as charities under the Charities Act 2005 were the unit of analysis in this research. For this reason, the findings of the study are mainly applicable to social services NPOs. While some of the findings may apply to other types of NPOs, such as sports, culture, art, health and education, they are not considered the unit of analysis in this study. The non-profit sector in Aotearoa New Zealand is very diverse and complicated due to the legal frameworks and their operational nature. To conduct research within the constraints of a PhD programme, it was necessary to adopt a decisional framework to establish the

parameters of the unit of analysis. The unit of analysis guided the selection of population, sampling frame and sampling process. It was also of paramount importance because the research adopted a survey design to measure the unit of analysis. The decisional framework developed on the unit of analysis in this study was based on three dimensions of the non-profit organisations: the level of functioning, the primary activity/main sector of NPOs and the legal context. These dimensions are discussed below.

#### **4.8.1 Dimension I: The Level of Functioning**

Researchers (Hassan & Zafar, 1999; Rahman, 2003) have identified three types of NPOs—grass roots organisations (GROs), support organisations (SOs) and intermediary or mid-level organisations—according to their level of functioning but irrespective of their activities. The bottom-level GROs, also known as community-based organisations (CBOs), usually function at the neighbourhood level and are run by the members themselves. They are informal in many cases, with fewer resources, and their outreach is limited to the members of that organisation and does not involve meeting the needs of wider communities; therefore, they would not fulfil the purpose of this research if they were selected as the subject of the study. The upper-level SOs, also known as funder NPOs, are mostly international or national funding organisations and they are bigger than the other two types in terms of their outreach and resources. Even though they exist in small numbers, they have well-established formal systems and procedures. They do not work directly with clients; rather, they work with GROs and intermediary NPOs to support the community. Based generally in Western countries, such as Aotearoa New Zealand or Australia, they are particularly interested in international development rather than national or regional developments. If these segments of NPOs were the subject of the study, the research purpose would not be realised; in addition, the stakeholders of the research would be extremely small in number. The intermediary NPOs exist in large numbers, are legal entities in most cases, and are being managed by professional

staff and overviewed by a board of governance. These types of NPOs usually work directly with clients or in collaboration with the other two types of NPOs. It is very common for them to work in close relationship with the government and business organisations to generate resources for their activities and they have a relatively high presence in Aotearoa New Zealand. Most of the social service agencies in Aotearoa New Zealand are examples of these intermediary NPOs, and since social service organisations are the unit of study, these intermediary NPOs were selected to be the population of the research.

#### **4.8.2 Dimension II: The Primary Activity of Non-Profit Organisations**

The non-profit sector in Aotearoa New Zealand is very diverse and consists of organisations with different activities, such as health, education, sports, culture, social services, as their primary purpose. The New Zealand Standard Classification of Non-Profit Organisations (NZSCNPO) developed by Statistics New Zealand (the official national statistics office) was used as the guiding framework to select social services as the primary activity for the NPOs in this study. The NZSCNPO classification lists 12 major activity groups<sup>12</sup> and subgroups in the NPO sector (Statistics New Zealand, 2007). The NZSCNPO does not define social services, but provides a brief description of them as “a vast range of social service providers, emergency and relief services and institutions providing income support and maintenance. Examples are early intervention services, services for the disabled and elderly, food banks, self-help and other personal social services such as temporary issues for refugees” (Statistics New Zealand, 2007, p. 56). Tennant et al. (2006) noted that iwi-related social services are a significant group within these social services. They further define Māori providers as social service organisations that either work exclusively with Māori or work from a Māori world view. The significance of social service organisations in the NPO sector and the reasons for

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<sup>12</sup> The 12 activity groups are culture and recreation; education and research; health; social services; environment; development and housing; law, advocacy and politics; grant making, fundraising and voluntarism promotion; international; religion; business and professional association, unions; and not elsewhere classified.

electing them as the focus of this study were established in the introductory chapter. Hence, *social services* as the primary activity of NPOs was selected as the second dimension of the organisational framework.

#### **4.8.3 Dimension III: Legal Framework**

Even though the NZSCNPO classification system estimated the total number of NPOs and subgroups, it does not provide a list of NPOs in Aotearoa New Zealand according to their primary activity. This effectively limited the prospects of having a register of NPOs that could have been used as a potential sampling frame for this study. Therefore, the unit of the analysis decision framework had to consider the legal framework as a dimension to establish a sampling frame because some of these legal frameworks offer a register of NPOs in Aotearoa New Zealand. NPOs in Aotearoa New Zealand, irrespective of their level of functioning and their primary activity as discussed above, have to consider specific laws and regulations, which establish their legal status as organisations. Tennant et al. (2006) concluded that the legal framework refers to three interrelated types in Aotearoa New Zealand:

- regulation of an organisation's legal entity (laws of incorporation)
- regulation of an organisation's tax treatment
- registration as a charity.

The main laws of incorporation available for NPOs are the Incorporated Societies Act 1908, the Charitable Trusts Act 1957 and the Companies Act 1993. However, organisations can choose to be incorporated or unincorporated (Tennant et al., 2006). Incorporation offers many advantages, such as entering into contracts, receiving grants and limited liability on members. Incorporation also maintains their credibility and visibility in the sector. However, as 61% of 115,000 NPOs in Aotearoa New Zealand were estimated to be unincorporated, only 20% were incorporated under the Incorporated Societies Act 1908 and 15% under the Charitable

Trusts Act (McLeod, 2017). Von Dadelzen (2013) estimated that there were 21,035 charitable trusts and 23,674 incorporated societies in Aotearoa New Zealand as on 30 June 2012, as per the Companies Office Register. However, the Companies Office Register does not provide a list of organisations according to their primary activity, making it challenging to select social service organisations. While the Inland Revenue Department (2009) provides various tax exemptions to NPOs, they need to be registered with Charities Services to avail themselves of the exemptions. Charity Services (<https://www.charities.govt.nz/>) manages the registration, monitoring and education of charities according to the New Zealand Charities Act 2005, and registration is voluntary.<sup>13</sup> They also maintain a Charities Register for the public interest. This register provides information about registration and contact details, charitable purpose, areas of operation, past and present officers and annual returns. This register can be searched by the primary activity or main sector of the organisations, such as social services. More importantly, similarly to the Statistics New Zealand Satellite Account, the Charities Register uses the NZCNPO to categorise the NPOs based on their primary activity (McLeod, 2017), thus providing a more accurate picture of social service organisations that are registered. Also, the NPOs self-select their primary activity when they register with Charities Services, which results in a more representative list of social service organisations. The organisations incorporated under other laws still need to register with Charities Services to avail themselves of tax benefits. For these reasons, the Charities Register was used as the sampling frame since other registers do not provide a list of organisations based on their activities.

## 4.9 Unit of Analysis

The unit of analysis of the study was one intermediary NPSSO in Aotearoa New Zealand that meets all the inclusion criteria, subject to the exclusion criteria listed below. While the survey

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<sup>13</sup> *Charitable purpose* has a special meaning in law, as stated at section 5 of the Charities Act 2005: “unless the context otherwise requires, charitable purpose includes every charitable purpose, whether it relates to the relief of poverty, the advancement of education or religion, or any other matter beneficial to the community”.



was addressed to the CEOs of the organisation, it is important to note here that the individual CEOs or chairs of the governing boards of NPOs were not a unit of analysis even though they provided information regarding the organisational management practices of their organisations. The reason is that the research describes the management practices of the organisation, not the manager's or chair of the board's individual characteristics or practices. The following inclusion and exclusion criteria were set for this study to meet the objectives and the valid and reliable measurement of the phenomena under study.

#### **4.9.1 Inclusion Criteria**

The criteria for inclusion were:

- a registered charity under the provisions of Charities Act 2005
- incorporated either under the Incorporated Societies Act 1908 or the Charitable Trusts Act 1957
- an operating age of at least three years as on 31 March 2010
- employing at least three full-time equivalent (FTE) staff<sup>14</sup>
- an annual income between NZ\$300,000 and NZ\$1 million.

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<sup>14</sup> FTE is the sum of all full-time employees plus half the number of part time employees. The FTE was calculated on the basis that two part-time employed people are equivalent to one full-time employed person (Statistics New Zealand, 2017). In this study, this means a minimum of at least three full-time staff or six part-time staff.

#### **4.9.2 Exclusion Criteria**

The following exclusion criterion was established to meet the objectives of the study and limit the scope:

- Membership-based Māori organisations will not be considered for the study unless their primary activity is social service to the Māori population.

#### **4.10 Population**

Population refers to the set of units that the sample is meant to represent and to be selected from (Bryman, 2012; de Vaus, 2002). In this study, the unit of analysis was one intermediary registered NPSSO in New Zealand. Hence, the population of this research is all the NPSSOs in New Zealand who are registered charities under the Charities Act 2005 and whose details are available on the Charities Register. As on 30 November 2013, there were 26,926 charities and 2,309 social service organisations in the Charities Register. It is also important to mention that out of the 2,309 social service organisations, only 1,809 organisations had current registration at that time, and the remaining 502 organisations were deregistered under the various provisions of the Charities Act 2005. These data were obtained by using the advanced search function in the Charities Register. The total number of social service organisations in the Charities Register could have been considered the size of the population. However, the population size was hard to determine because new units are added to the population list every time a new charity is registered with Charities Services. Also, not all the social services charities in the Charities Register were able to meet the inclusion criteria. Because of these methodological and practical limitations, this research did not determine the size of the population units, but decided to draw a sampling frame from the Charities Register for sampling purposes.

### 4.11 Sampling Frame

A sample is a subset of the population and is obtained by collecting information about only some members of that population group (Bryman, 2004; de Vaus, 2002). A sampling frame is a list of all the population units from which the sample is selected (Bryman, 2004; de Vaus, 2002). As noted before, this research used the Charities Register to draw a sampling frame to make the sample more representative. The sampling frame in this research is a list of registered charities that are identified with social services as their main sector or primary activity in the Charities Register. Under the Charities Act 2005, the following information is publicly available on the Charities Register about each registered charity:

- name, address and registration number
- registration status
- names of all past and present officers since the organisation was first registered
- a copy of its rules
- annual returns
- charity update notices
- copy of application for registration.

Section 28 of the Charities Act 2005 allows searching of the register only by the following persons for the following purposes:

- (a) an individual, or a person with the consent of the individual, for the purpose of searching for information about that individual:
- (b) a person for the purpose of determining whether an entity is registered as a charitable entity under this Act:

- (c) a person for the purpose of obtaining information concerning the nature, activities, and purposes of a charitable entity:
- (d) a person for the purpose of knowing how to contact a charitable entity:
- (e) a person for the purpose of assisting the person in the exercise of the person's powers under this Act or any other enactment:
- (f) a person for the purpose of assisting the person in the performance of the person's functions under this Act or any other enactment (Charities Act 2005, p. 26).

The purposes (b), (c) and (d) were applicable to this research project.

The sampling frame for this research was developed using the *advanced search* function available on the online Charities Register

(<http://www.register.charities.govt.nz/CharitiesRegister/CharityAdvancedSearch.aspx>). The search was carried out by using *main sector is social services* in the search fields. A screenshot of the register is provided in Appendix 5: Charities Register Screenshot. The search produced an Excel worksheet with the following sets of columns: charity name, charity registration, charity group information, charity admin, charity charitable purpose and charity contact information. The Excel sheet had the details of deregistered charities, and this had to be removed from the list to confirm the sampling frame. Because of this, approximately 20 trials had been done in four weeks to check the accuracy of the sampling frame. The final sampling frame comprised 1,390 charities that identified social services as their main sector and received and maintained their registered status by 30 September 2010. As a result, social services charities that were registered after 30 September 2010 were not included in the sampling frame and hence did not belong to the population group in question and were not selected for the study.

## 4.12 Sampling Technique

This research used a probability sampling technique to select the participants of the study.

Probability sampling is one in which each unit in the population has an equal chance of being selected (Bryman, 2012; de Vaus, 2002). While the stratified random sampling would have been an ideal sampling technique to use because the study involved two groups, Māori and non-Māori NPOs, the nature of the sampling frame did not allow creation of a list of organisations as Māori and non-Māori organisations. Moreover, it also risked the possibility of the researcher determining an organisation as a Māori organisation or non-Māori that is not consistent with the indigenous people's right to self-determination as declared in Article 3 of the *United Nations Declaration on the Rights of Indigenous Peoples* (UN, 2007). So it was decided to allow the organisations in the survey who were selected through a probability sampling technique to self-define their identity. Probability sampling is considered the best way to get a representative sample without any researcher influence on the selection process (Denscombe, 2014). Within the probability sampling type, this study used simple random sampling to select the unit of analysis from the sampling frame. Simple random sampling, the most common form of probability sampling, is used to select a sample in an unbiased and rigorous way to assess the behaviour of the larger population because it allows representativeness (Alston & Bowles, 2012). The sampling frame consisted of 1,390 population units, and each was listed with serial numbers from 1 to 1,390. A total of 225 (16%) organisations were then selected from the sampling frame as the intended sample for the survey by an online random number generator by specifying the minimum (1) and maximum (1,390) values. The reason for selecting this number was that the sampling frame could not produce a list of organisations that met the inclusion and exclusion criteria adopted for the study. The other consideration was that as an invited survey, participation was voluntary and it was impossible to know the NPOs' willingness to participate.

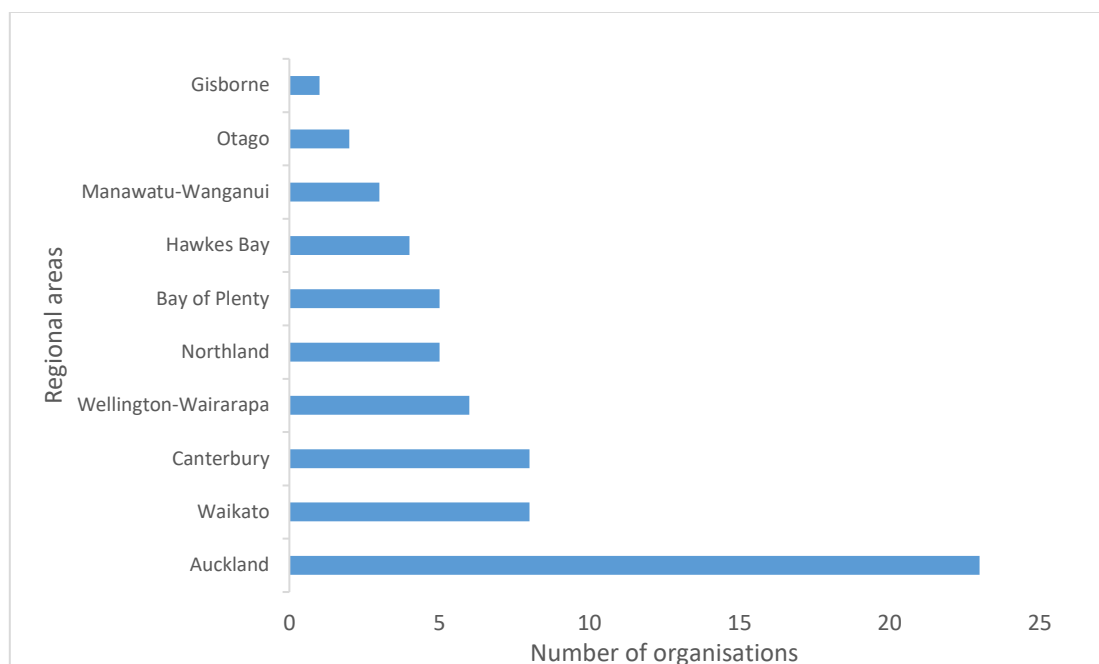
### 4.13 Sample Size

A total of 225 organisations were selected as the intended samples for this study. The questionnaire was sent to these organisations. A total of 69 completed questionnaires were returned to the researcher. Four questionnaires were discarded, as they did not meet the inclusion criteria set for the study. Therefore, the achieved sample size was 65. This means that a 28% response rate for the survey was achieved. This is higher than other non-profit sector surveys. Similar surveys conducted by Grant Thornton (2011, 2013) in 2010 and 2012 among NPOs in New Zealand returned only 17% and 18% respectively. The sampling frame adopted for this study could not confirm the population list because there was no possible mechanism to list NPOs that met the inclusion and exclusion criteria set out for the study from the sampling frame. This means there was a possibility that many NPOs who received an invitation to participate in the survey could not meet one or more of the inclusion criteria set and might have self-selected themselves out of the study.

### 4.14 Profile of the Participant Organisations

Sixty-five (*N*) NPOs from 10 regions in Aotearoa New Zealand participated in this study. Figure 4.1 shows the number of organisations located in these 10 regional areas in New Zealand. A majority of these organisations ( $n = 23$ ) were based in Auckland, reflecting the population distribution of NPOs operating in New Zealand. Twenty-two NPOs identified themselves as Māori/iwi social services providing services to the indigenous Māori population.

*Figure 4.1. Participant organisations according to the regional areas*



Out of the 65 organisations studied, 35 organisations (53.8%) offered services in the regional area and 21 organisations (32.3%) provided services in a local area at a district or city council level. Only nine organisations (13.8%) provided services at the national level. More than half of these NPOs (58.5%) were registered as an incorporated society under the Incorporated Societies Act 1907, one of the primary forms of incorporation in New Zealand. The remaining NPOs (41.5%) were registered as charitable trusts under the Charitable Trust Act 1957. More than half of the NPOs in this study (53.8%) were registered as charities under the Charities Act 2005 in 2008, followed by 29.2% registered in the year 2007, and the remaining were registered in 2006 and 2009. Table 4-1. Fields of practice shows the number and percentage of NPOs working in the various fields of practice.

*Table 4-1. Fields of practice*

<b>Fields of practice (N = 65)</b>	<b>n</b>	<b>%</b>
Mental health	8	12.3
Health & disability	12	18.5
Family and child welfare	12	18.5
Domestic violence	12	18.5
Community development	9	13.8
Youth	5	7.7
Criminal justice	1	1.5
Refugee & migrant support	3	4.6
Sexual violence & crisis counselling	3	4.6

### 4.15 Data Collection Instrument

This research used a self-administered questionnaire (see Appendix 4: Questionnaire) as the data collection instrument. Questionnaires are one of the most widely used instruments in survey research, and they provide structured numerical data. Questionnaires are known for their advantages, including lower administration costs, the absence of interviewer effects, no interviewer variability, convenience for respondents and the ease of analysis (Bryman, 2004; Cohen et al., 2011). The sample of this research was widely dispersed geographically and was a major factor in choosing a questionnaire as the main data collection instrument. The questionnaire was designed to answer the research questions and intended to measure four major constructs related to the management of NPOs, namely, the board, service delivery, human resources and finance. The questionnaire had eight sections to measure the different dimensions of these constructs. They were:

- Section A—General profile of the organisation
- Section B—Board management
- Section C—Service delivery management
- Section D—Human resource management
- Section E—Financial management
- Section F—Office management



- Section G—Relationship building
- Section H—Commitment to te Tiriti o Waitangi
- Section I—Additional questions.

In this questionnaire, NPOs were asked a number of closed-ended questions in all sections and to rate their management of each dimension on a three-point management practices rating scale in sections B, C, D and E. These three-point (*always, sometimes or never*) management rating scales were used to rate the practices of the management of the governing board (30 items), service delivery (12 items), human resources (28 items) and finance (20 items). The human resource management scale consisted of a staff management subscale (16 items) and a volunteer management subscale (12 items). Each item of the management rating scales represented a widely recommended management practice of that dimension and each NPO was asked to rate the extent (*always, sometimes or never*) to which they follow these recommended management practices to demonstrate how well they manage these key dimensions of NPO management. In addition to the three rating options, NPOs were provided with options to indicate whether the statements were not applicable to them or whether they were unsure of them. Space for additional open-ended comments was also provided to expand on any of the stated management practices. The statements of management practices (individual items in the scales) adopted in this study were compiled based on the guidelines and standards of recommended practices in the management of the board, service delivery, human resources and finance as observed in the academic literature and in the following non-profit organisational assessment tools:

1. Carter, M. (Ed.). (n.d.). *Checklist of non-profit organisational indicators*. Minneapolis, MN: Greater Twin Cities United Way.

2. Freeman, F., & Thompson, S. (Eds.). (2005). *Self-assessment tool for organisations—SCOPE project*. Auckland, New Zealand: Tindall Foundation.
3. MANGO. (2009). *Mango's health check: How healthy is financial management in your not-for-profit organisation?* (Vol. 3). Oxford, UK: Author.
4. Wyatt, M. (2004). *A handbook of NGO governance*. Budapest, Hungary: European Centre for Not-for-Profit Law.

As the NPOs' rating of their management practices varied, the organisational risks in each area also varied. To understand the level of management in each of these dimensions and the associated organisational management risk they might carry, a total scale score was calculated for each of these management practice scales by summing their rating (*always* = 4, *sometimes* = 2 or *never* = 0) of each management practice. An associated risk level was then gauged by dividing the total score of each management scale into four categories based on the percentage of the total scores as per the  $4 \times 4$  management practice level and associated risk matrix developed in this study. Table 4-2. Management practice and risk level matrix shows this  $4 \times 4$  matrix and the percentage values used to create the matrix.

*Table 4-2. Management practice and risk level matrix*

Percentage of total scale score (Min = 0, Max = 100)	Management practice level	Risk level
0–50	Poor	High
51–75	Average	Medium
76–90	Good	Low
91–100	Excellent	No risk

Table 4-3. Management rating scales score ranges according to the levels of performance provides the details of the calculation of the management practice and risk level matrix. The data collected in this research was interpreted according to this scoring scheme and is discussed in the next chapter, Results.

*Table 4-3. Management rating scales score ranges according to the levels of performance*

Dimensions of non-profit management	Minimum score on the scale	Maximum score on the scale	Score ranges according to the practice-risk level (percentage of the maximum score of the scale)			
			Poor practice & high risk (0–50%)	Borderline practice & medium risk (51–75%)	Good practice & low risk (76–90%)	Excellent practice & no risk (91–100%)
Board	0	120	0–60	61–90	91–108	109–120
Service delivery	0	48	0–24	25–36	37–43	44–48
Staff	0	64	0–32	33–48	49–58	59–64
Volunteers	0	48	0–24	25–36	37–43	44–48
Human resources (Staff + volunteers)	0	112	0–56	57–84	85–100	101–112
Finance	0	80	0–40	41–60	61–72	73–80
Overall management	0	360	0–180	181–270	271–324	325–360

#### 4.16 Reliability of the Instrument

Pallant (2011) explained that “the reliability of the scale indicates how free it is from random error” (p. 6). In other words, reliability means that “individual scores from an instrument should be nearly the same or stable on repeated administrations of the instrument, they should be free from sources of measurement error and consistency” (Creswell, 2002, p. 180). Alston and Bowlers (2012) outlined that reliability is about the consistency of the variables measured. Accordingly, this research has adopted internal consistency as the reliability measure because it is used when researchers use multiple items to measure a single concept (Engel & Schutt, 2013). “Internal consistency is the degree to which the items that make up the scale are all measuring the same underlying attribute (i.e., the extent to which the items hang together)” (Pallant, 2011, p. 6). Cronbach’s alpha coefficient is the most commonly used statistic for internal consistency because it provides an indication of the average correlation among all the items that make up the scale (Field, 2013; Pallant, 2011). The values of Cronbach’s alpha range from 0 to 1, with higher values indicating greater reliability. For a scale to be reliable, the Cronbach’s alpha should be above .7 (Creswell, 2002; Pallant, 2011).

Table 4-4. Scales: Internal consistency values shows the value of Cronbach's alpha for each of the scales used in this study and shows that all the scales have values above .7, indicating good internal consistency and high reliability.

*Table 4-4. Scales: Internal consistency values*

Scale name	Number of items	Indicator of internal consistency	Value
Board management scale	30	Cronbach's alpha coefficient	.82
Service delivery management	12	Cronbach's alpha coefficient	.87
Human resource management	28	Cronbach's alpha coefficient	.80
Financial management	20	Cronbach's alpha coefficient	.91
Combined management scale	90	Cronbach's alpha coefficient	.90

#### **4.17 Validity of the Instrument**

The validity of the scale refers to “the degree to which it measures what it is supposed to measure” (Pallant, 2011, p. 7). De Vaus (2002) argued that there is no ideal way to determine the validity and further suggested that “if the definition of the concept is well defined or well accepted, use content validity” (p. 54). Accordingly, this study has used content validity as the measure of validity. Each construct in this study was operationalised and measured based on the definitions and explanations offered in previous studies or models of NPO management. Also, before the questionnaire issuance, every item was examined in terms of the relevance of the questionnaire content and study purpose by two academics with related academic backgrounds and two managers of NPOs. The pre-testing of the instrument with 10 NPOs also helped to ensure the content validity. Accordingly, the scales employed in this study reached prescribed standards of content validity, often referred to as face validity (Alston & Bowlers, 2012), and expert validity.

#### **4.18 Pre-Test**

Pre-testing of the questionnaire is an essential task in any social survey research to increase the reliability, practicality and validity of the questionnaire. It helps to “identify omissions,

redundant and non-significant items” (Cohen, et al., 2011, p. 402). To achieve this, the questionnaire was sent to 10 organisations in the sampling frame before data collection. Based on the questionnaire responses and suggestions from the managers of these organisations who participated in the pre-testing, 10 open-ended and five closed-ended questions were removed. Fifteen items were removed from the scales, as they were not relevant to social service NPOs in New Zealand. These organisations were not included in the sampling process.

#### **4.19 Sources of Data**

The primary data were collected from the NPSSOs, which were registered charities in New Zealand, to describe and analyse their management practices. Secondary data were collected from official publications such as the Charities Register and Statistics New Zealand’s NPO satellite account to determine the size of the NPOs, population units and sampling frame and data collection.

#### **4.20 Process of Data Collection**

The data were collected over a period of eight weeks. The questionnaires were mailed to the organisations selected through the sampling process. The questionnaires were accompanied by an information sheet explaining the purpose and procedures of the research and the contact details of the researcher and supervisors (see Appendix 3: Information sheet). It also included a prepaid envelope addressed to the researcher to return the questionnaires. The surveys were addressed to the managers (also known as chief executive officers) of the organisations as they manage the day-to-day affairs of the organisations. The pilot study and pre tests revealed that the managers deal with requests such as participating in research as the NPOs are small-scale organisations in terms of its staff size and budget. Managers are expected to be knowledgeable about all the organisational processes and practices and are best equipped to provide information about the management practices including board management. All the

communications from the NPOs related to this survey came from the managers. So the managers of the NPOs responded to the survey in consultation with the board.

The organisations were given four weeks to return the questionnaire, and 28 questionnaires were received back in four weeks without any reminders. Five questionnaires were returned to the sender as undelivered. A reminder was then sent to all the sample NPOs because the survey was anonymous after four weeks. Managers of seven organisations responded that they did not receive the survey and asked for it to be sent again and managers of three organisations advised that they did not want to participate in the survey. A further two weeks were given to return the survey with this reminder. Within these two weeks, another 24 questionnaires were returned. A final reminder was sent to the organisations with another two weeks to return the questionnaire and 17 were received back within this two-week period. This made a total of 69 responses. As stated above in Section 4.13, Sample Size, four surveys were discarded, as they did not meet the inclusion criteria, which made 65 as the final sample size.

#### **4.21 Data Analysis and Interpretation**

The collected data were cleaned, edited, coded and entered by the researcher into Statistical Package for Social Sciences (SPSS) version No. 23 for data analysis and interpretation. Both descriptive statistics and inferential statistics were used to analyse the data. Descriptive statistics of frequencies and measures of central tendency were used to describe the data. Inferential statistics of Pearson's correlation and Spearman's correlation were used to examine the relationship between variables, and independent samples *t*-tests, Mann–Whitney *U* tests and chi-square tests were used to find the difference between groups (Field, 2013; Pallant, 2011). Also, analysis of variance (ANOVA) and the Kruskal–Wallis test were used to find the difference between groups. Chapter 5, Results, provides details of all the analysis.

While the questionnaire provided space for additional comments regarding the management of the board, service delivery, staff, volunteers and finance, none of the participant organisations offered any additional comments. Four additional open ended questions were also asked in section I of the questionnaire to provide additional commentary on non profit management. One question received only four responses and other questions received no responses from the organisations. As these comments were very limited, it was not appropriate to conduct a thematic or content analysis. However, these comments were incorporated in the discussion chapter to support the arguments rather than simply presenting them in the results chapter.

## **4.22 Axiology Considerations**

Axiology refers to the values inherent in the researcher and in the information upon which the research is based (Cohen et al., 2011; Creswell, 2013). Values incorporate the feelings and beliefs of an individual and include personal biases, which will invariably influence the research process (Alston & Bowlers, 2012; Bryman, 2012). As a result, researchers should acknowledge their values and be critically reflective of the impact of their values and beliefs on the research project (Bryman, 2012; Cohen et al., 2011; Neuman, 2011). My gender, ethnic and cultural identity, work experience as an academic and past career experience as a trainer and consultant in the NPO sector could have contributed to personal value biases. The preface explains how my career experience influenced the development of the subject of this research project. I employed a three-level strategy to minimise the impact of personal value biases. Firstly, this research followed an objective view about the subjects of the research and did not have any face-to-face or telephone interactions with research participants in the data collection stage. The participants were anonymous in this research and this could have helped to minimise researcher and participant biases in the research process. Secondly, I took a stand as a *reflexive* researcher, taking into account as many different perspectives of a situation as

possible (Payne, 2005). This helped me to identify areas where there was a conflict of interest and continued to clarify the purpose of research (Alston & Bowlers, 2012; Bryman, 2012). Finally, I also took a *critical* researcher perspective by not taking things for granted or at face value, but actively looking for alternative views (Payne, 2005). In addition, the research supervision process was used to clarify the biases.

#### **4.23 Ethical Considerations**

This research was conducted in accordance with the University of Canterbury's (2008) Human Ethics Committee Principles and Guidelines. Accordingly, the Human Ethics Committee of the University of Canterbury, as per the approval memo Ref# HEC 2010/93, provided an ethics approval to conduct this research project (see Appendix 2). The researcher is a full member of the Aotearoa New Zealand Association of Social Workers (ANZASW) and followed the guiding ethical practices in the ANZASW (2008) Code of Ethics, section 8: Responsibility for Research and Publications. The researcher is also a registered social worker in Aotearoa New Zealand under the Social Worker's Registration Act 2003 and thus researched according to section 3.f of the Code of Conduct issued by the Social Workers Registration Board (2008). These guidelines required that the social work researcher practice with professionalism and integrity while adhering to practices of human rights and social justice, and I have abided by these requirements.

The unit of analysis in this study was an NPSSO in Aotearoa New Zealand, and the research collected information on organisational management practices. This research did not involve gathering personal information of a sensitive nature about or from individuals. The NPOs were invited to participate in an anonymous survey through invitation (see information sheet in Appendix 3). The information sheet contained the purpose, nature and methodology of the study. The NPOs were informed that the survey was entirely voluntary and they could choose



whether or not to participate in the study. The contact details of the researcher and the supervisors were given to participant organisations in the information sheet if they needed to ask questions about the research. The survey used an anonymous questionnaire to collect the data to minimise the social desirability bias. Accordingly, no consent form was distributed to participants as they were clearly informed that completion of the questionnaire implied consent. As a result, the researcher was not able to identify the participant organisations from the questionnaires returned. However, a random number was provided in each questionnaire, without a list being made, corresponding to each organisation's details to enable the participating organisations to withdraw from the research should they want to, including withdrawal of information they had provided, until the questionnaires were collated. This ensured the confidentiality and anonymity of the information provided by the participant organisations, but also provided the ability to withdraw by simply quoting the random number in the questionnaire without being identified. No NPOs requested to withdraw from the studies after returning the questionnaire. The NPOs were informed about the use of data for publications, including the thesis, journal articles, seminars and conference presentations based on the research theme. The participant NPOs were also informed that the PhD thesis would be a public document and thus available for public reference through the University of Canterbury Library research repository. This research did not involve any deception. There were no physical, emotional, moral or cultural risks to human beings since the organisations were the unit of analysis.

The researcher consulted Mr Jim Anglem (Ngāi Tahu), the kaumatua (the recognised authority on tikanga Māori) of the Department of Social Work and Human Services at the University of Canterbury for advice about the cultural appropriateness of the research and how to be consistent with te Tiriti o Waitangi and its obligations. Cultural advice was also sought from Leisa Moorhouse (Ngā Puhi), a registered social worker and a Social Workers

Registration Board member, to ensure the appropriate use of cultural concepts and their meaning.

The data were kept confidential at all times, and only the researcher had access to the raw data. The raw data will be kept for a year after the PhD examination process and then will be destroyed. The coded data on SPSS file format is stored on a password-protected work computer and a home computer, which is also protected by a personal password, updated regularly. It will be kept for 10 years from the date of publication of the thesis. The file will be deleted after this time.

#### **4.24 Summary of the Chapter**

This chapter provided an overview of the research strategy adopted for this study. It also explained the rationale for determining the unit of the study and the sampling process employed to collect data from the NPSSOs. The chapter also discussed the questionnaire used to survey the organisations and the process used to collect and analyse the data. The chapter concluded with an explanation of the axiological and ethical issues considered and how they were addressed in the research process. The next chapter, Results, presents the results of the analysis of primary data collected through the survey among NPSSOs in New Zealand. The analysis is performed according to the variables measured in this study.

## **CHAPTER 5: RESULTS**

### **5.1 Overview of the Chapter**

The overall purpose of this study is to develop an understanding of how the NPSSOs in Aotearoa New Zealand manage their board, service delivery, human resources and finance. The previous chapter (Chapter 4: Research Methodology) explained the overall research strategy and specific procedures used in this study to select the population and sample, the instrument and method used to collect data on the management of NPOs, and the profile of the NPOs that participated. This chapter discusses the results of this quantitative enquiry and summarises the findings. The chapter starts with a summary of the general characteristics of the NPOs that participated in the study, such as age, income, staffing and volunteers. This is followed with a summary of the results related to the management of the board, service delivery, human resources and finance, along with the statistical analyses on the difference between Māori and non-Māori NPOs. The chapter then discusses the results of the statistical testing on the relationship between the management variables and the difference between Māori and non-Māori NPOs. Finally, the results related to how NPOs are maintaining their commitment to te Tiriti o Waitangi are discussed. A summary of key findings is provided at the end of this chapter.

The descriptive and correlational nature of these research questions required the use of both descriptive and inferential statistics to find the answers. This chapter uses descriptive statistics such as frequencies, measures of central tendency and dispersion to describe the data. In addition, inferential statistics such as Pearson's correlation and Spearman's correlation were used to explain the relationship between key variables, and independent samples *t*-tests, Mann–Whitney *U* tests, chi-square tests, ANOVA and Kruskal–Wallis tests were used to explain the differences between groups (Field, 2013; Pallant, 2011). An alpha level of .05 was

used for all statistical analyses. The descriptive statistics are explained mainly with tables and figures, with some text. The inferential statistics are explained in the text.

## **5.2 General Characteristics of Organisations**

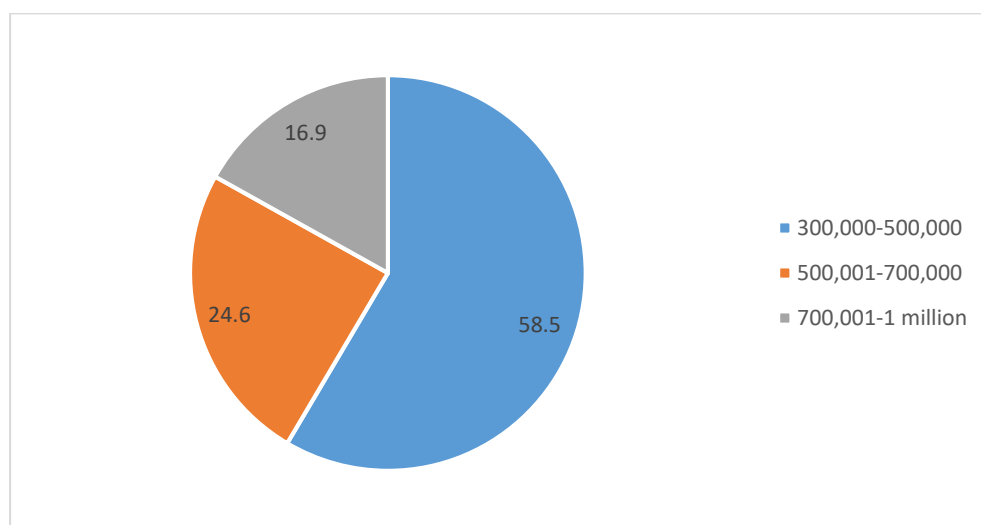
Sixty-five (*N*) NPOs from 10 regions in Aotearoa New Zealand participated in this study. Of the 65 organisations, 22 (33.8%) identified as Māori/iwi social service organisations providing services mainly to the indigenous Māori population. They were either individual-iwi-based social services or pan-Māori organisations serving all Māori. However, only five organisations were registered under the Māori Trust Board Act 1955. While the majority of the Māori organisations (83.36%) offered services only to Māori, the other Māori organisations provided services to people of any ethnic culture. While some specific services assisted particular cultural groups, such as Pacific (*n* = 5), Asian (*n* = 2) and refugees (*n* = 1), the other non-Māori organisations (*n* = 38) that participated in this study offered social services to people of any culture, including Māori.

### **5.2.1 Age, Income, Staffing and Volunteers**

To be included in the study, the NPOs had to meet three inclusion criteria in terms of their age, income and staffing. They needed to have an operating age of at least three years as on 31 March 2010, an annual income between \$NZ300,000 and \$NZ1 million; and staffing of least three FTEs respectively. As displayed in Table 5.1, 29.2% of NPOs were less than 10 years old, and the remaining were aged between 10 and 30 years. Figure 5.1 shows the percentage of NPOs in different income categories. More than half of the NPOs (58.5%) had an annual income between \$300,000 and 500,000, and nearly 16.9% had an annual income between \$700,001 and \$1 million.

*Table 5-1. Year of establishment*

Year of establishment	Frequency	Per cent
Before 1980	7	10.8
Between 1980 and 1990	15	23.1
Between 1991 and 2000	24	36.9
Between 2001 and 2010	19	29.2
Total	65	100.0

*Figure 5.1. Annual income: Percentage of organisations (\$NZ)*

In terms of staffing, the number of full-time staff (employees who regularly work more than 30 hours per week) employed by the NPOs varied from one to 15 (Mode = 4). A majority of the organisations (63.1%) had full-time staff of between one and five, and only 9.2% of NPOs had more than 10 full-time staff; the remaining NPOs (27.7%) had full-time staff between six and 10. Similarly, the part-time staff (employees who regularly work less than 30 hours per week) employed by the NPOs also varied from zero to 23 (Mode = 3). The majority of the NPOs (83.1%) had part-time staff of between one and five and only 3% had more than 15 part-time staff. When the FTEs were calculated for staff, they ranged from 3.5 FTEs to 22.5 FTEs ( $M = 7.95$ ,  $SD = 4.34$ ). More than half of the NPOs (52.3%) had FTEs between 5.5 and 10 and more than a quarter (26.2%) had FTEs of between three and five. There was a significant difference in the male and female staff ratio in NPOs: the number of male staff

ranged from zero to six (Mode = 0) and the number of female staff from two to 27 (Mode = 6). While more than a quarter of the NPOs (27.7%) did not employ any male staff and more than half of the NPOs (55.4%) did not employ more than two male staff, more than half of the NPOs (52.3%) employed six to 10 females. Most of the male staff worked in the fields of health and disability, followed by community development and mental health. Table 5-2. Gender distribution of staff in NPOs shows the distribution of the number and percentage of male and female staff.

*Table 5-2. Gender distribution of staff in NPOs*

<b>Variable (N = 65)</b>	<b><i>n</i></b>	<b>%</b>
Number of male staff		
0	18	27.7
1 to 2	36	55.4
3 to 5	8	12.3
Above 5	3	4.6
Number of female staff		
1 to 5	20	30.8
6 to 10	34	52.3
11 to 15	5	7.7
16 to 20	2	3.1
21 to 25	3	4.6
Above 25	1	1.5

In addition to the paid staff, NPOs rely on volunteers to run their operations. The number of full-time volunteers in the New Zealand NPOs ranged from zero to 100 (Mode = 0) and the number of part-time volunteers ranged from zero to 200 (Mode = 5). While the majority of the organisations (73.8%) did not have any full-time volunteers (more than 30 hours a week), most of them (83.1%) had one to 10 part-time volunteers. The FTEs for volunteers were also calculated, and they ranged from zero to 200 ( $M = 10.98$ ,  $SD = 27.97$ ). Similarly to the gender difference in staffing, there were more female volunteers than male volunteers contributing to the functioning of NPOs. Table 5-3. Volunteering characteristics shows the volunteering characteristics.

*Table 5-3. Volunteering characteristics*

Variable (N = 65)	<i>n</i>	%
Volunteer FTE*		
1 to 5	29	44.6
5.5 to 10	21	32.3
10.5 to 15	3	4.6
20.5 to 25	1	1.5
25.5 to 50	2	3.1
Above 50	6	9.2
Number of female volunteers*		
1 to 5	18	27.7
6 to 10	12	18.5
11 to 15	13	20.0
16 to 20	4	6.2
21 to 25	1	1.5
Above 25	7	10.8
Number of male volunteers*		
0	24	36.9
1 to 5	24	36.9
6 to 10	3	4.6
11 to 15	1	1.5
16 to 20	2	3.1
Above 20	1	1.5

\*Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

### 5.3 Board Management

All the NPOs ( $N = 65$ ) that participated in the study confirmed that they had a formal governing structure in the form of a board, as dictated by their bylaws/constitution, and 62 NPOs revealed the size of their boards as ranging from five to 40 (Mode = 8). There was a significant gender difference in the composition of the boards similar to that of the paid staff and volunteers. While 20% of the NPOs did not have any males on their board, nearly half of the NPOs (47.7%) had between six and 10 female board members. While the number of the males on boards ranged between zero and eight, the female number ranged between two and 40. This clearly showed that more women (Mode = 5) participated on the boards than men (Mode = 0). Table 5-4. Number and percentage of males and females on board shows the

number of males and females on the boards and also the frequency of board meetings. A small percentage (16.9%) confirmed that they gave a remuneration to their board members, with only seven NPOs declared the amount ranged from \$500 to \$6,000 a year. Over half of the organisations ( $n = 36$ , 55.4%) reported that they had subcommittees on their board and the most common subcommittee was a finance committee (44.6%), indicating the importance boards give to finance management.

*Table 5-4. Number and percentage of males and females on board and Board meeting frequency*

<b>Variable (N = 65)</b>	<b>n</b>	<b>%</b>
Number of males on the board*		
0	13	20.0
1 to 3	26	40.0
4 to 6	19	29.2
7 to 10	3	4.6
Number of females on the board*		
1 to 5	28	43.1
6 to 10	31	47.7
11 to 15	1	1.5
More than 15	1	1.5
Board meeting frequency		
Every month	33	50.8
Once every two months	22	33.8
Once every three months	7	10.8
Once every six months	3	4.6

\*Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%

In terms of board meetings, half of the NPO boards (50.8%) met every month, and only a small percentage (4.6%) had a longer duration of six months between board meetings. The others met either once every two months (33.8%) or once every three months (10.8%). More than half of the boards always (52.3%) met without their staff members, including the CEO (also commonly known as the manager) of the organisations, keeping the functions of governance and operations separate. However, in a small percentage of organisations (16.9%), the CEO was a member of the board, and in two of these organisations they acted as the chairperson of the board. Three organisations also confirmed that their staff had rights to vote



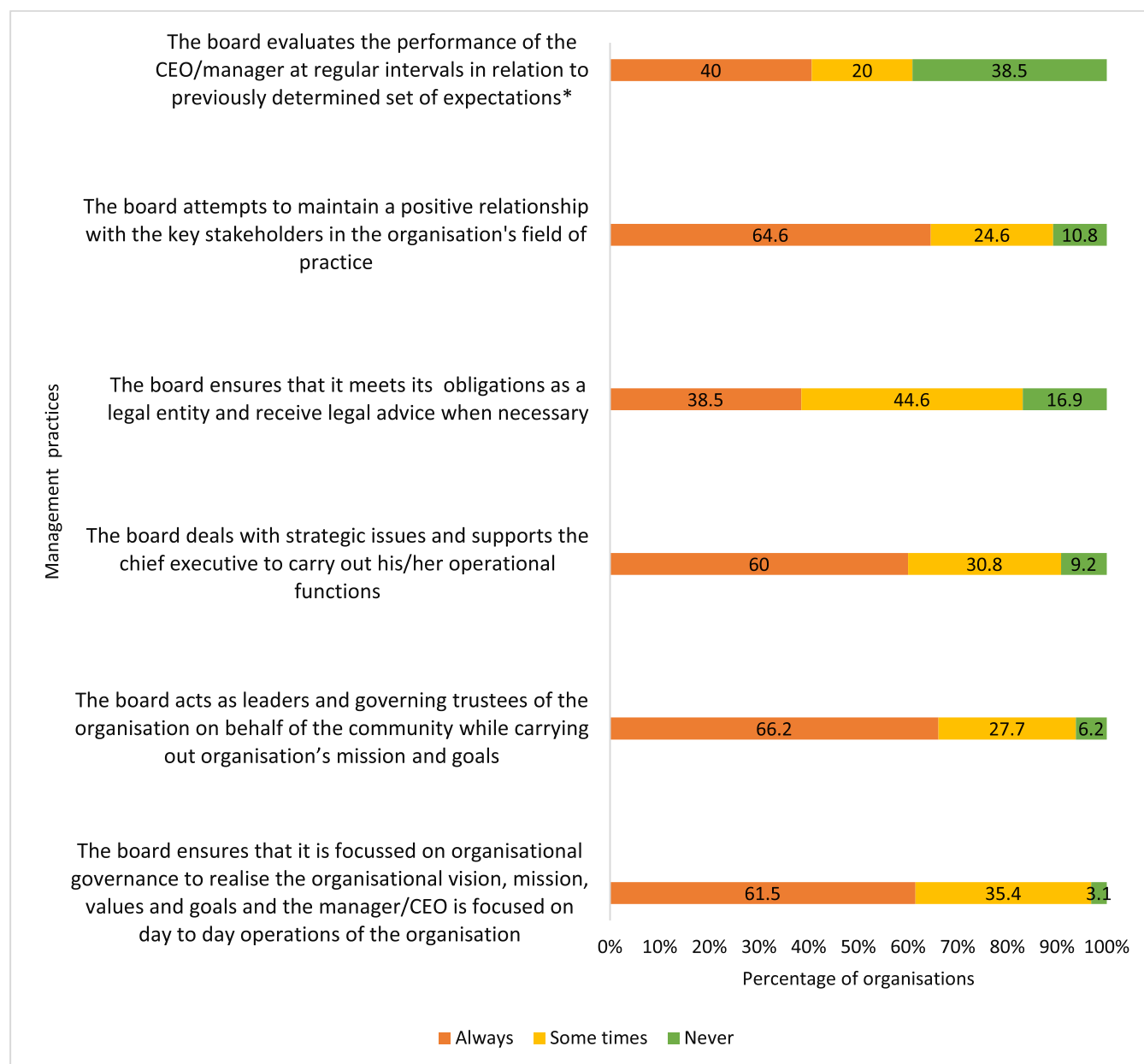
on the board because they had a staff representative on the board. This shows that there was an overlap between governance and operations in a small number of the NPOs. While the finances of most of the organisations (84.6%) were subject to independent audits, the majority of these organisations' boards (54.5%) did not meet with their auditor to discuss the audit findings. However, more than half of the NPOs studied (55.4%) confirmed that they conducted an annual self-assessment of their board functioning. While this was positive, 44.6% still did not conduct any self-review of their functioning, which could be regarded as a risk to their functioning.

Most of the NPOs that participated in this study had a vision statement (87.7%) and a mission statement (86.2%). Most of them also had written goals (73.8%) and organisational values (75.4%). More than 90% of the NPOs also engaged in a strategic planning exercise, reviewing their vision, mission, goals and values. The frequency of these strategy-building exercises varied among the NPOs: 27.5% of NPOs engaged in this process every year and 33.8% engaged with the strategies every two years, demonstrating a need to review their vision, mission and goals within a short period. Out of the 60 organisations engaged in regular strategic planning processes, only 70% kept a written strategy document that was accessible to all the stakeholders. When asked about whether the governing board provided clear written expectations and reasonable compensation when they appointed a CEO/manager for their organisation to operationalise the organisational strategies, 93.8% confirmed "yes", indicating that CEOs/managers were being appointed with clear expectations from the board as the employer.

To understand how the NPOs managed their board, a three-point (*always, sometimes or never*) board management practices rating scale consisting of 30 items was used to measure the extent to which they followed the management practices. Figures 5.2 to 5.5 show the

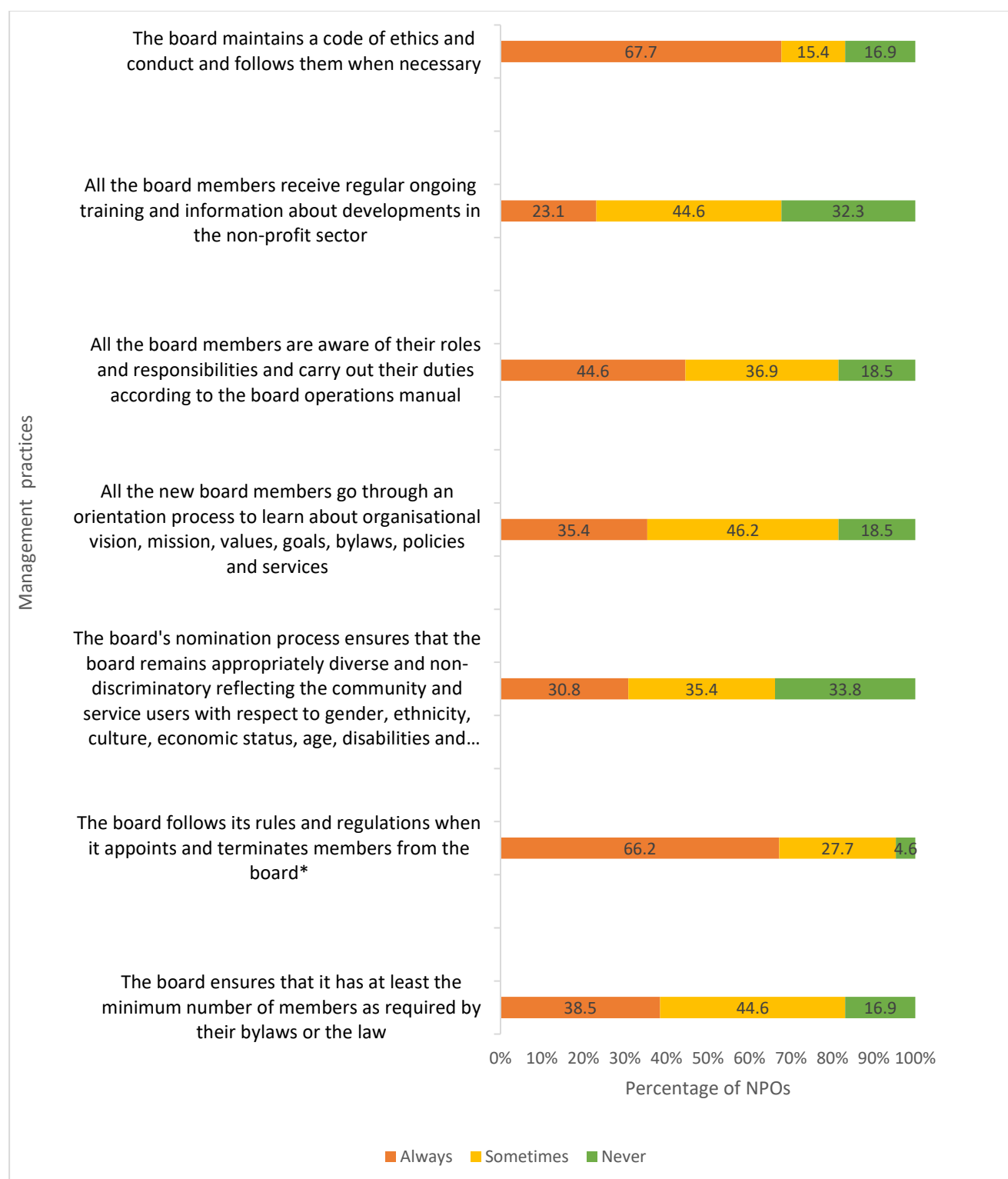
percentage of NPOs and the extent to which they followed the practices of board management. These figures show that there was a considerable variation among the NPOs in the extent to which they followed the board management practices.

*Figure 5.2. Percentage of NPOs following board management practices I*



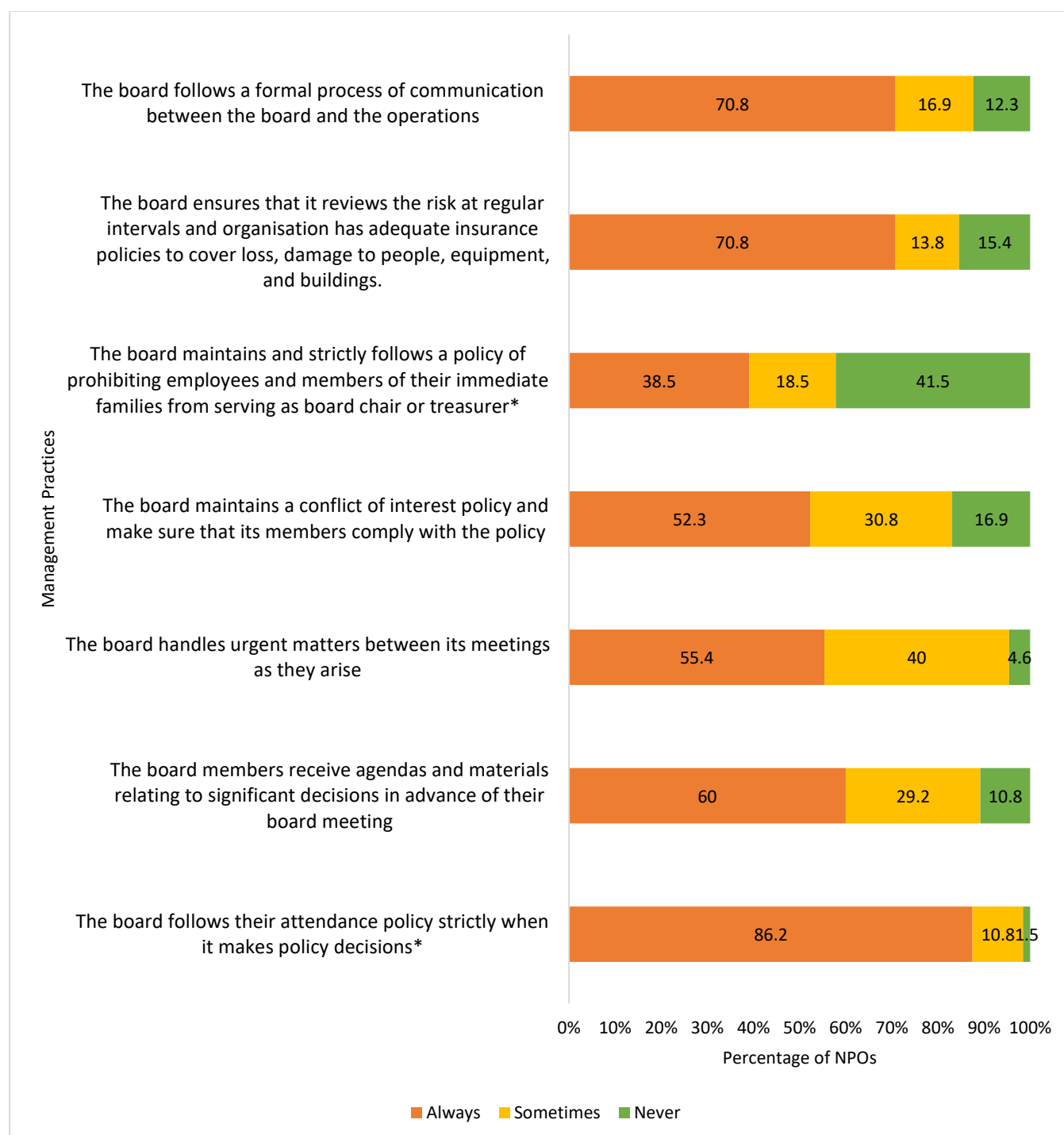
\*Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

Figure 5.3. Percentage of NPOs following board management practices II



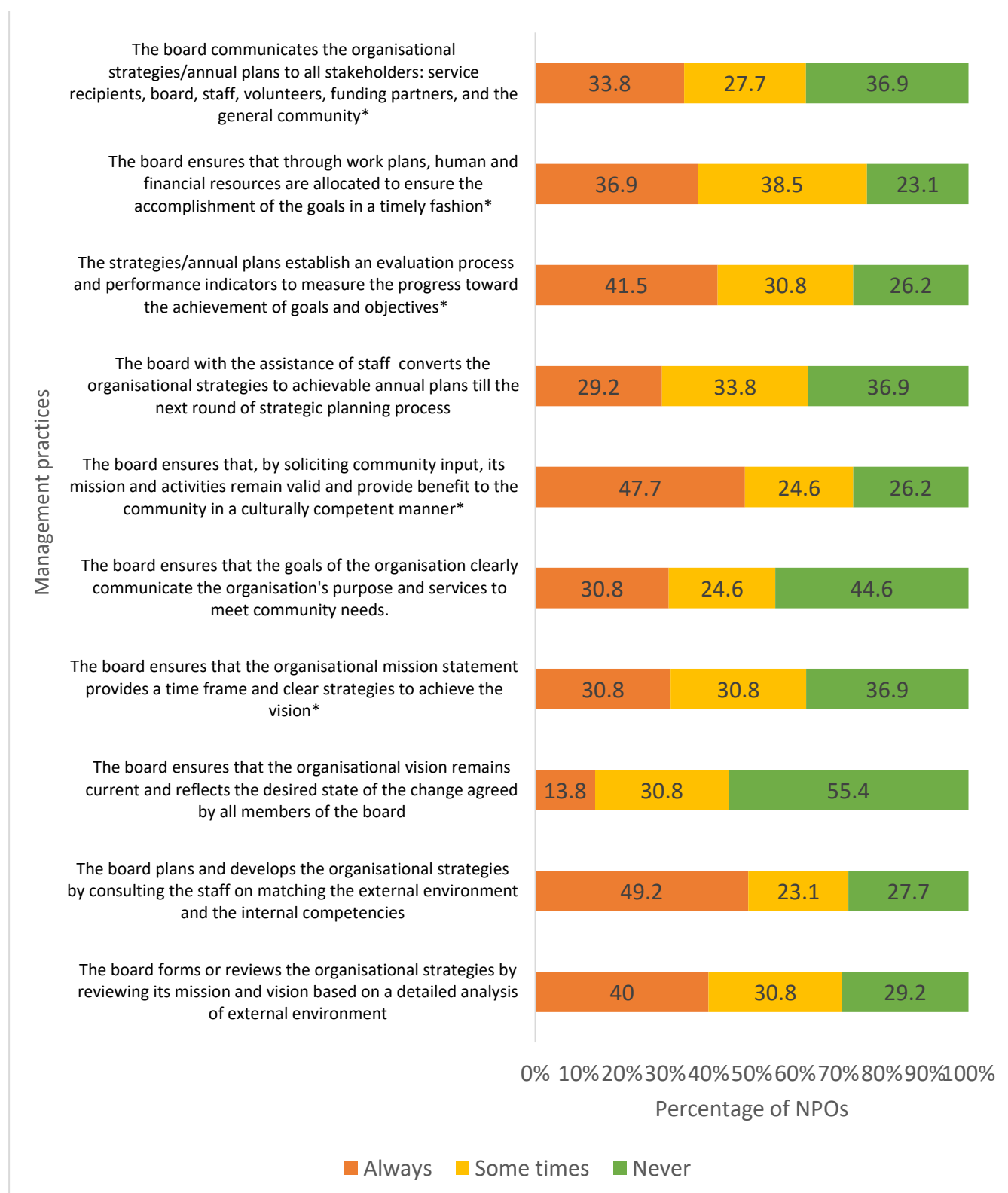
\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

Figure 5.4. Percentage of NPOs following board management practices III



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

Figure 5.5. Percentage of NPOs following board management practices IV



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

To understand the level of board management and the associated organisational risk in board management, a total board management score was calculated for each NPO by summing its rating of the extent to which it follows (*always* = 4, *sometimes* = 2 or *never* = 0) the board management practices in the board management rating scale. An associated risk level was then gauged based on the management practice level and associated risk matrix used in this study. Table 5-5. Board management practice and risk level matrix shows the number and percentage of NPOs in each management practice level and corresponding risk level. More than half of the NPOs (55.4%) demonstrated a borderline board management and were at medium risk, and 16.9% of NPOs demonstrated poor board management and were at high risk. There was only one organisation that was not at risk, as they excelled in their board management. On average, the NPOs demonstrated borderline board management and were at medium risk ( $M = 75.33$ ,  $SD = 17.78$ , Median = 74). This shows that the majority of the NPOs needed to improve their board management.

*Table 5-5. Board management practice and risk level matrix*

Practice and risk level	Frequency	Per cent	Valid per cent
Poor–high risk	11	16.9	18.3
Borderline–medium risk	36	55.4	60.0
Good–low risk	12	18.5	20.0
Excellent–no risk	1	1.5	1.7
Total	60	92.3	100.0
Missing*	5	7.7	
Total	65	100.0	

\*Total scale score was not calculated for some organisations due to their not answering one or more items on the scale, which were considered missing values.

A one-way between-groups ANOVA was conducted to explore the difference between NPOs based on their age in the management of the board (as measured by the board management rating scale). The organisations were divided into four age groups according to their year of establishment (Group 1: Before 1980; Group 2: Between 1981 and 1990; Group 3: Between 1991 and 2000; Group 4: Between 2001 and 2010). There was no statistically significant

difference at the  $p = < .05$  level in the management of governance between the four age groups:  $F(3, 56) = .251, p = .860, \eta^2 = .01$ . This shows that the organisational age did not have any influence on the board management.

## 5.4 Service Delivery Management

Effective NPOs plan and develop their operational activities every year in a way that directly meets the organisation's vision, mission and goals and values. They also effectively deliver appropriate and well-run services and programmes for the community and ensure their quality by regular monitoring and evaluation. All the organisations ( $N = 65$ ) that participated in this study confirmed that they conducted annual service delivery planning to operationalise their strategies. However, not all of them ( $n = 15$ ) prepared a service delivery plan document that identified various programmes and the resources needed to run these programmes. Moreover, almost a quarter (24.6%) did not prepare an annual report that reflected the achievements and failures congruent with their annual plan. However, most of the organisations that prepared the annual report also published it for the community (91.7%), thus showing a great level of accountability to the various stakeholders. Regarding assessing organisational risk as part of their annual service delivery planning, 38.5% ( $n = 25$ ) of the NPOs responded that they did not conduct any risk assessment. Table 5-6 shows the areas of risk assessment undertaken by the NPOs in their service delivery planning.

*Table 5-6. Service delivery risk assessment characteristics*

Areas of risk assessment ( $N = 40$ )	<i>n</i>	%
Areas of risk assessment* ^		
Income	33	82.5
Staffing	27	67.5
Legislation and government policy	24	80.0
Organisational assets	21	52.5
Natural disasters	19	47.5
Fraud	14	35.5

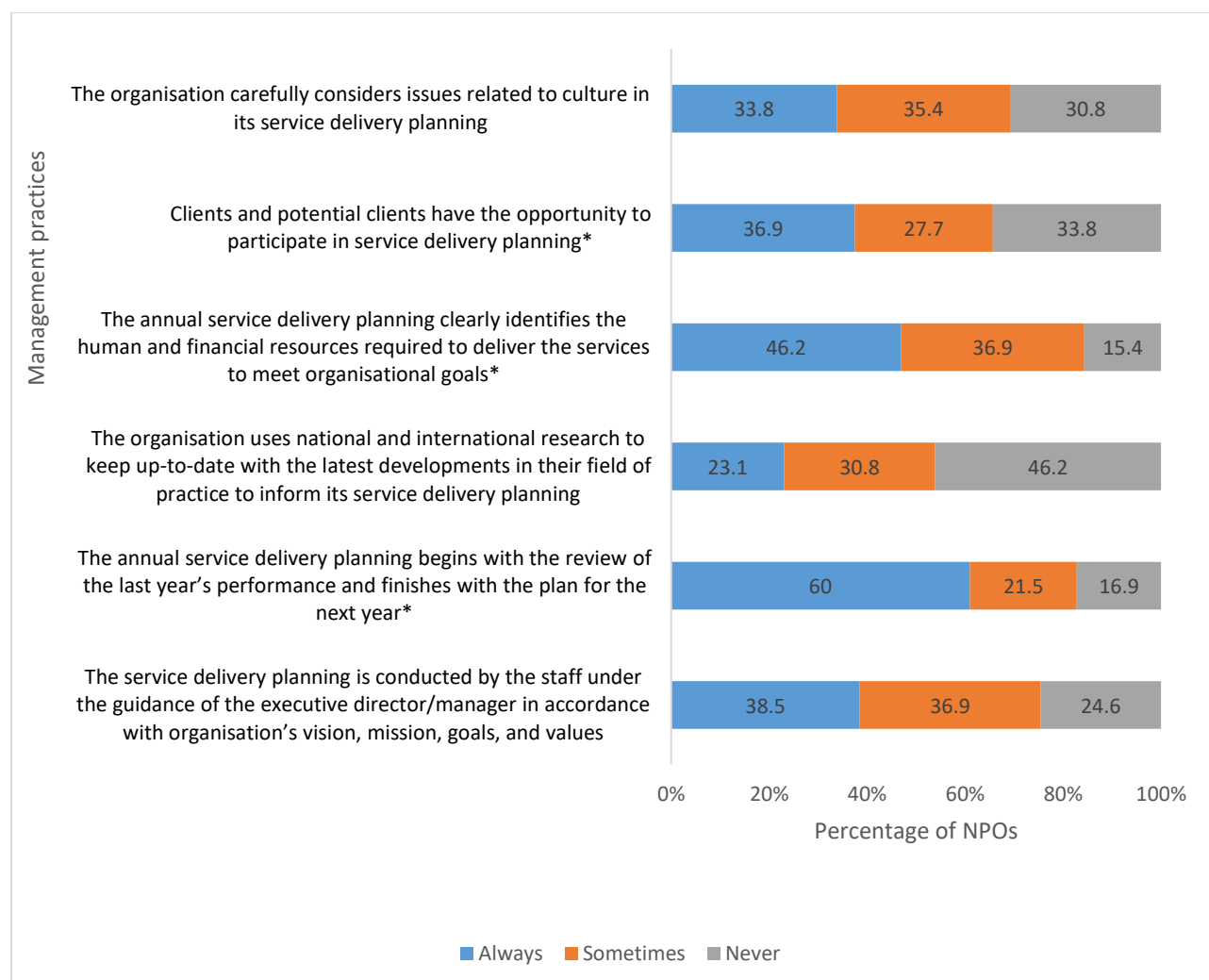
\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

^ The percentage values are only calculated for organisations ( $n = 40$ ) that confirmed that they conduct a risk assessment.

When asked about keeping service users' personal information, 86.2% of NPOs confirmed that they had secure information systems in accordance with the Privacy Act 1993, and 97% had secure IT facilities with regular backup systems.

To understand how the NPOs manage their service delivery, a three-point (*always*, *sometimes* or *never*) service delivery management practices rating scale consisting of 12 items was used to measure the extent to which they follow the management practices. Figures 5.6 and 5.7 display the percentage of NPOs and the extent to which they followed the practices of service delivery management.

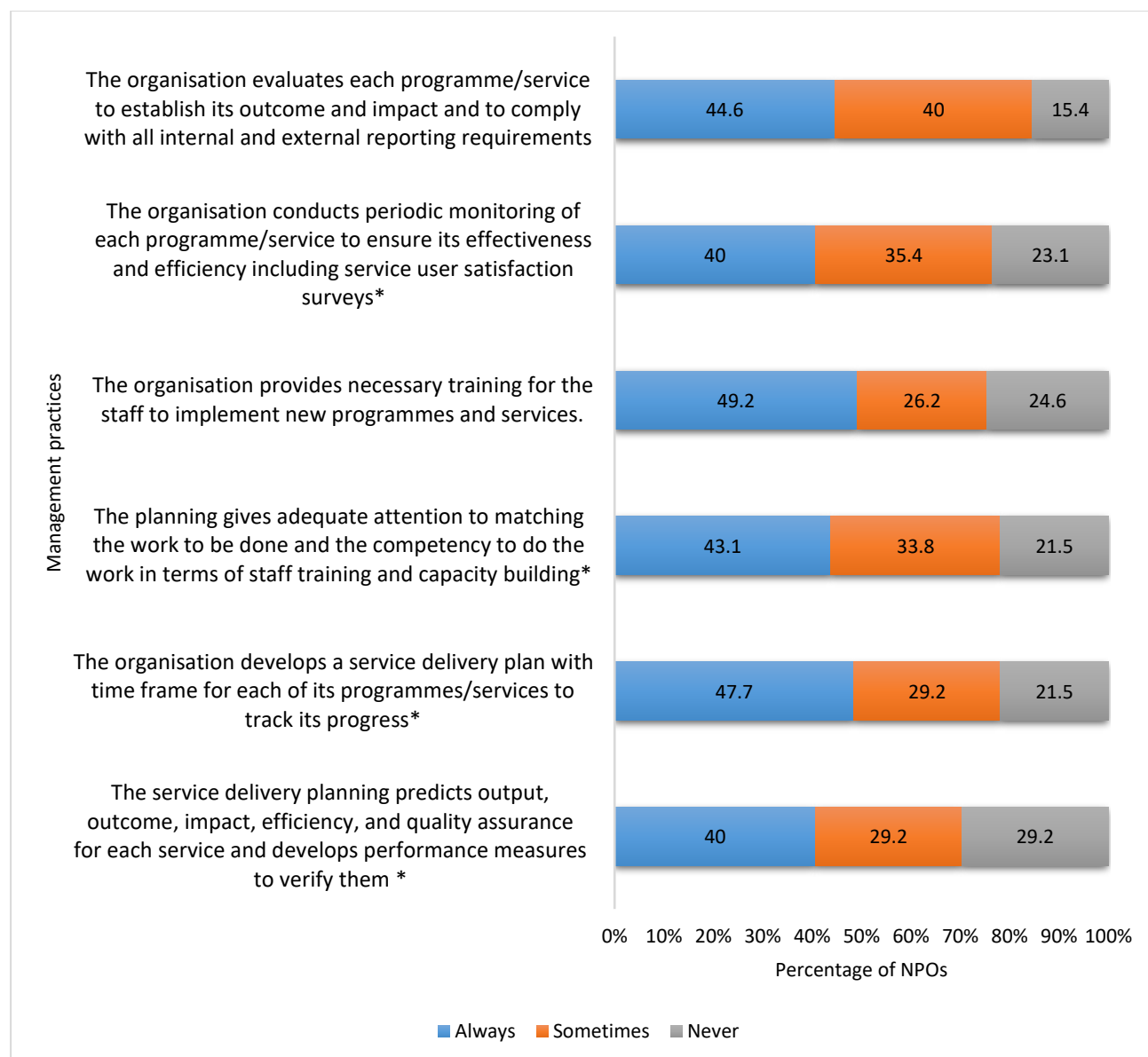
*Figure 5.6. Percentage of NPOs following service delivery management practices I*



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.



Figure 5.7. Percentage of NPOs following service delivery management practices II



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

To understand the level of service delivery management and the associated organisational risk in service delivery management, a total service delivery management score was calculated for each NPO by summing its rating of the extent to which it follows (*always* = 4, *sometimes* = 2 or *never* = 0) the service delivery management practices in the service delivery management rating scale. An associated risk level was then gauged based on the management practice level and associated risk matrix used in this study. Table 5-7. Service delivery management: Practice and risk level matrix shows the number and percentage of NPOs in each management

practice level and corresponding risk level. The table shows that more than a quarter of NPOs (36.9%) demonstrated poor service delivery management and were at high risk, and 33.8% demonstrated borderline management and were at medium risk when it came to their service delivery management. There were only five organisations (7.7%) that were not at risk, as they excelled in their service delivery management. On average, the NPOs demonstrated borderline service delivery management and were at medium risk ( $M = 27.63$ ,  $SD = 11.63$ , Median = 28). This shows that the NPOs needed to improve their service delivery management.

*Table 5-7. Service delivery management: Practice and risk level matrix*

Practice and risk level	Frequency	Per cent	Valid per cent
Poor–high risk	24	36.9	40.0
Borderline–medium risk	22	33.8	36.7
Good–low risk	9	13.8	15.0
Excellent–no risk	5	7.7	8.3
Total	60	92.3	100.0
Missing*	5	7.7	
Total	65	100.0	

\*Total scale score was not calculated for some organisations due to their not answering one or more items on the scale, which were considered missing values.

A one-way between-groups ANOVA was conducted to explore the difference between NPOs based on their age on the management of service delivery (as measured by the service delivery management rating scale). The organisations were divided into four age groups according to their year of establishment (Group 1: Before 1980; Group 2: Between 1981 and 1990; Group 3: Between 1991 and 2000; Group 4: Between 2001 and 2010). There was no statistically significant difference at the  $p = < .05$  level in service delivery management between the four age groups:  $F(3, 56) = .563$ ,  $p = .641$ , eta squared = .03. This shows that the organisational age did not have any influence on board management.

## 5.5 Human Resource Management

When asked about the organisation's process on managing the human resources, the majority of the organisations (81.5%) confirmed that they had a written human resources handbook/policy manual that was regularly reviewed and updated and described the recruitment, induction, work rules and termination processes. Additionally, more than half of the NPOs (69.2%) had clearly articulated policies to maintain compliance with government regulations, such as the Holidays Act 2003, the Employment Relations Act 2000, paid parental leave entitlements, and health and safety regulations. Most of the organisations (83.1%) also confirmed that they had a clearly articulated equal opportunity employment policy they followed when recruiting staff members. For a small number of organisations (38.5%), a qualified human resources professional guided their human resource management process. The majority of the NPOs (84.6%) also offered flexible work arrangement options to their employees. The NPOs used a variety of media to advertise their positions and often used more than one way to reach potential applicants to make sure that they recruited appropriate people.

*Table 5-8. Job advertisement process*

<b>Job advertisement medium (N = 65)</b>	<b><i>n</i></b>	<b>% *</b>
Print & electronic media	50	76.9
Website	48	73.8
Newsletters	20	9.3
Professional associations	40	61.5
Word of mouth	27	41.5
Internal advertisement	29	13.6

\*This is a multiple response item, so the total percentage will not add up to 100%.

shows the number and the percentage of NPOs using various strategies to advertise their jobs.

*Table 5-8. Job advertisement process*

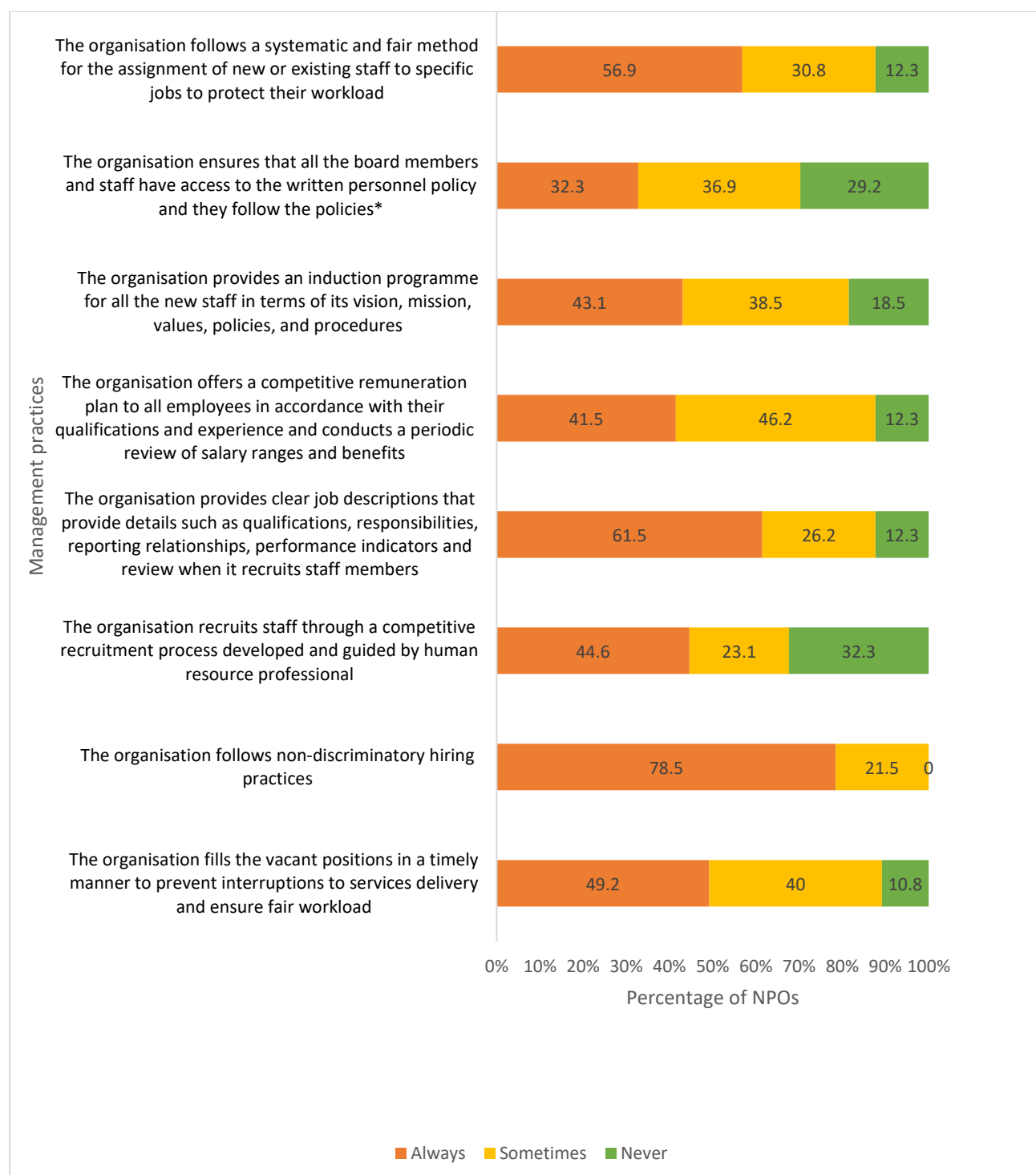
<b>Job advertisement medium (N = 65)</b>	<b><i>n</i></b>	<b>% *</b>
Print & electronic media	50	76.9
Website	48	73.8
Newsletters	20	9.3
Professional associations	40	61.5
Word of mouth	27	41.5
Internal advertisement	29	13.6

\*This is a multiple response item, so the total percentage will not add up to 100%.

When Māori organisations ( $n = 22$ ) were asked about whether they employed people from other ethnic groups, most of them ( $n = 17$ , 77.2%) confirmed that they employed non-Māori workers if they had an understanding of tikanga Māori and te reo Māori (Māori language).

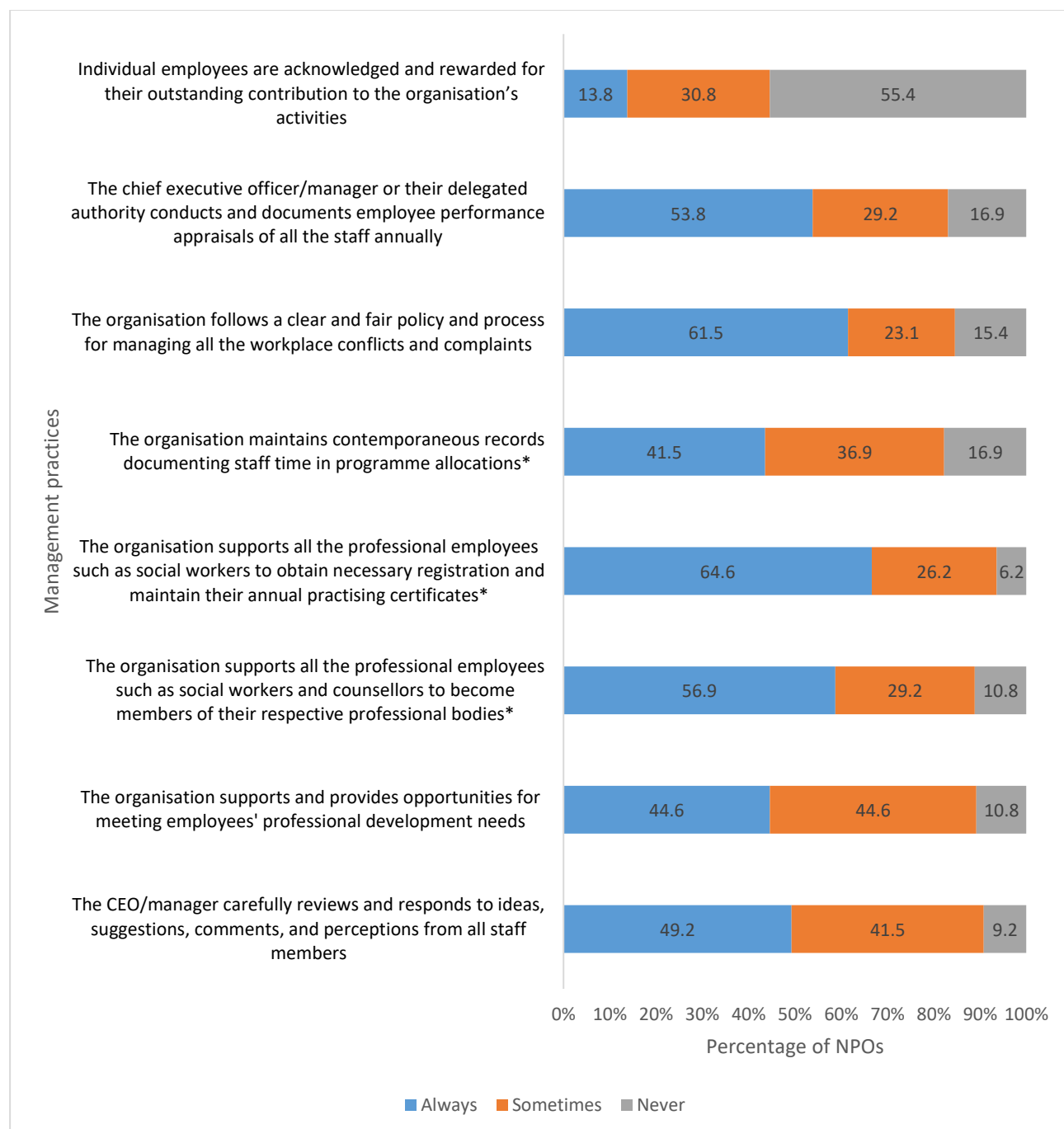
To understand how the NPOs manage their human resources, a three-point (*always, sometimes or never*) human resource management rating scale consisting of 28 items was used to measure the extent to which they follow the management practices. The scale had 16 statements of practices related to staff management and 12 statements of practices related to volunteer management. Figures 5.8 and 5.9 display the percentage of NPOs and the extent to which they followed the practices of staff management. These figures show that there is a huge variation among NPOs on the extent to which they follow the staff management practices.

Figure 5.8. Percent of NPOs following staff management practices I



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

Figure 5.9. Number of NPOs following staff management practices II



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

To understand the level of staff management and the associated organisational risk in staff management, a total staff management score was calculated for each NPO by summing its rating of the extent to which it follows (*always* = 4, *sometimes* = 2 or *never* = 0) the staff management practices in the human resource management rating scale. An associated risk

level was then gauged based on the management practice level and associated risk matrix used in this study. Table 5-9. Frequency and percentage of NPOs: Staff management practice and risk level shows the number and percentage of NPOs in each management practice level and corresponding risk level. The table shows that more than half of NPOs (58.5%) demonstrated a borderline staff management and were at medium risk, and 21.5% of NPOs demonstrated good staff management and were at low risk. Only 4.6% of NPOs were at no risk, as they excelled in their staff management. On average, the NPOs demonstrated borderline staff management and were at medium risk ( $M = 43.48$ ,  $SD = 8.69$ , Median = 42). This shows that the majority of the NPOs needed to improve their capacity in staff management.

*Table 5-9. Frequency and percentage of NPOs: Staff management practice and risk level*

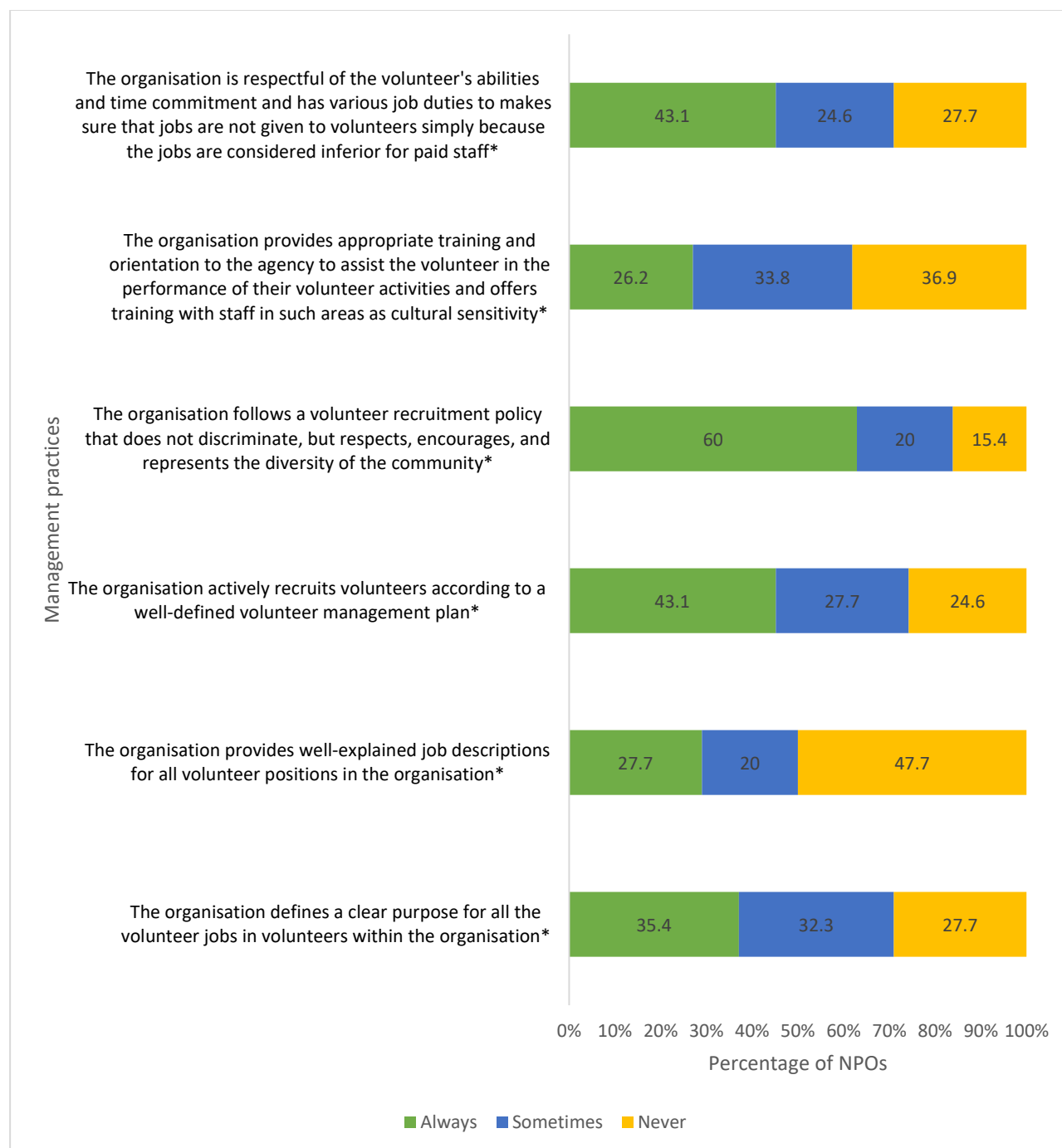
Practice and risk level	Frequency	Per cent	Valid per cent
Poor–high risk	6	9.2	9.8
Borderline–medium risk	38	58.5	62.3
Good–low risk	14	21.5	23.0
Excellent–no risk	3	4.6	4.9
Total	61	93.8	100.0
Missing*	4	6.2	
Total	65	100.0	

\*Total scale score was not calculated for some organisations due to their not answering one or more items on the scale, which were considered missing values.

Figures 5.10 and 5.11 display the percentage of NPOs and the extent to which they followed the practices of volunteer management. These figures show that there was considerable variation in how the NPOs managed their volunteers.

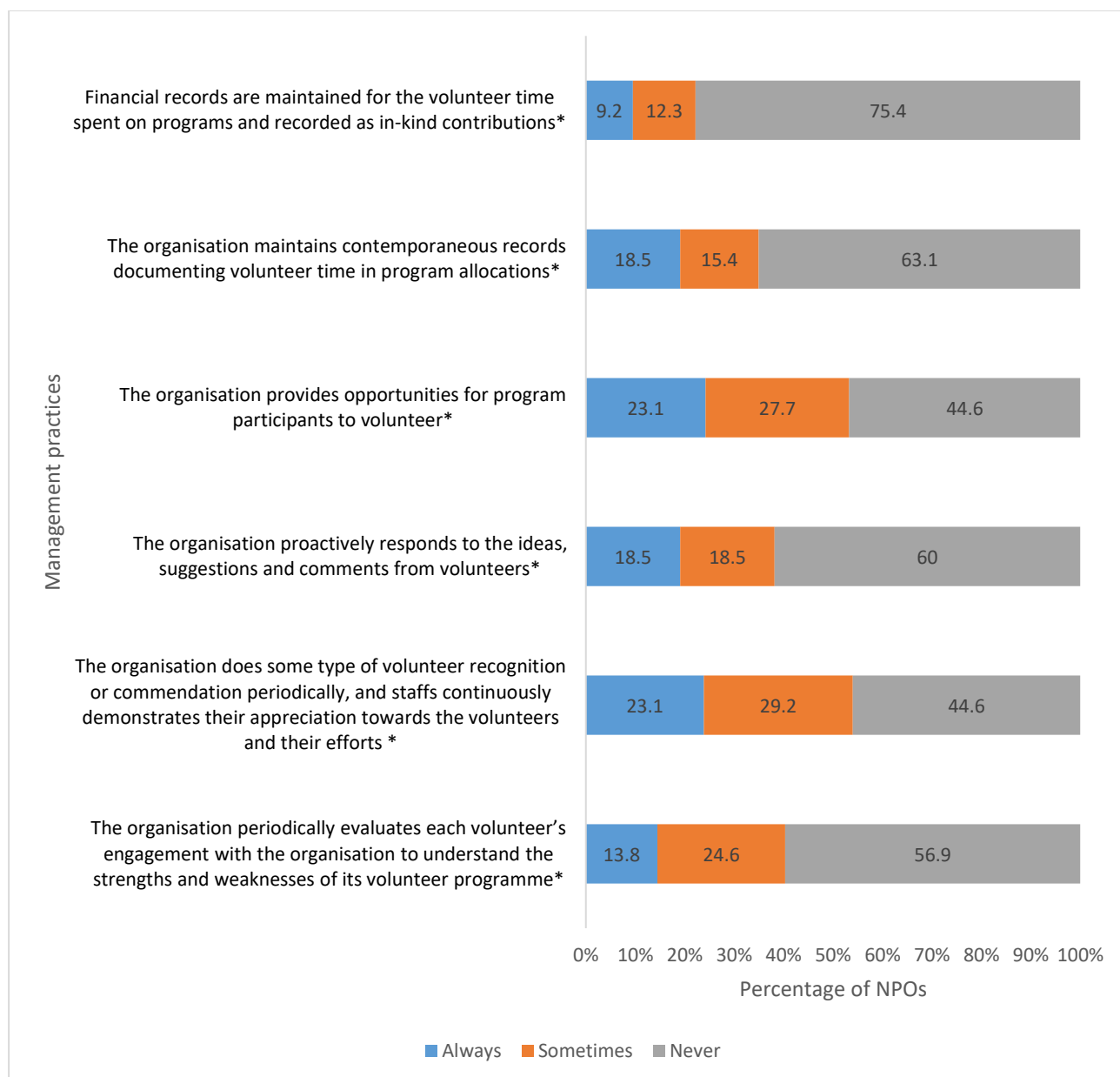


Figure 5.10. Percentage of NPOs following volunteer management practices I



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%

Figure 5.11. Percentage of NPOs following volunteer management practices II



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

To understand the level of volunteer management and the associated organisational risk in volunteer management, a total volunteer management score was calculated for each NPO by summing its rating of the extent to which it follows (*always* = 4, *sometimes* = 2 or *never* = 0) the volunteer management practices in the human resource management rating scale. An associated risk level was then gauged based on the management practice level and associated risk matrix used in this study. Table 5-10. Frequency and percentage of NPOs: Volunteer

management practice and risk level shows the number and percentage of NPOs in each management practice level and corresponding risk level. The table shows that the majority of NPOs (70.8%) demonstrated poor volunteer management and were at high risk, and only a small percentage of NPOs (7.7%) were at low risk, as they demonstrated excellent management of volunteers. On average, the NPOs demonstrated poor volunteer management and were at high risk ( $M = 20.32$ ,  $SD = 10.62$ , Median = 18). This shows that the NPOs needed to improve their management of volunteers.

*Table 5-10. Frequency and percentage of NPOs: Volunteer management practice and risk level*

Practice and risk level	Frequency	Per cent	Valid per cent
Poor–high risk	46	70.8	74.2
Borderline–medium risk	10	15.4	16.1
Good–low risk	1	1.5	1.6
Excellent–no risk	5	7.7	8.1
Total	62	95.4	100.0
Missing *	3	4.6	
Total	65	100.0	

\*Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

To understand the level of the overall human resource management and the associated organisational risk in human resource management, a total human resource management score was calculated for each NPO by combining the staff management and volunteer management rating subscales. An associated risk level was then gauged based on the management practice level and associated risk matrix used in this study. Table 5-11. Human resource management: Practice level and risk level matrix shows the number and percentage of NPOs in each management practice level and corresponding risk level. The table shows that nearly half of the NPOs (47.7%) demonstrated borderline human resource management overall, and were at medium risk, and only a small percentage of NPOs (6.2%) were at low risk, as they were able to demonstrate excellent human resource management including staff and volunteers. On

average, the NPOs demonstrated borderline human resource management and were at medium risk ( $M = 63.93$ ,  $SD = 16.42$ , Median = 62). This shows that the majority of the NPOs needed to improve their management of human resources.

*Table 5-11. Human resource management: Practice level and risk level matrix*

Practice and risk level	Frequency	Per cent	Valid per cent
Poor–high risk	22	33.8	36.7
Borderline–medium risk	31	47.7	51.7
Good–low risk	3	4.6	5.0
Excellent–no risk	4	6.2	6.7
Total	60	92.3	100.0
Missing*	5	7.7	
Total	65	100.0	

\*Total scale score was not calculated for some organisations due to not answering one or more item on the scale and were considered missing values.

A Kruskal–Wallis test was conducted to see whether organisational age had any influence on the human resource management. The test revealed a statistically significant difference in human resource management across the four organisational age groups (Group 1, established before 1980,  $n = 6$ ; Group 2, established between 1981 and 1990,  $n = 13$ ; Group 3, established between 1991 and 2000,  $n = 23$ ; Group 4, established between 2001 and 2010,  $n = 18$ ),  $\chi^2(3, N = 60) = 12.20$ ,  $p = .007$ . The older age group (established before 1980) recorded a higher median score ( $Md = 85$ ) than the other two middle age groups, which both recorded median values of 60, and the younger group (established between 2001 and 2010) recorded the smaller median score ( $Md = 56$ ). A Mann–Whitney  $U$  test was conducted on the pair of group 1 ( $n = 6$ ) and group 4 ( $n = 18$ ) and using a Bonferroni correction (as recommended by Field, 2013, requiring a  $p$ -value of less than .05 for results to be significant) showed that there was a significant difference in human resource management between the oldest group ( $Md = 85$ ) and the youngest group ( $Md = 56$ )  $U = 3.50$ ,  $z = -3.38$ ,  $p = .001$ ,  $r = .69$ . This indicates that the older the organisation was, the better their management of human resources.

## 5.6 Financial Management

While all the organisations ( $N = 65$ ) prepared an annual budget for every financial year, a small number of organisations ( $n = 8$ ) were not able to specify the sources of funding in their budget, making it hard for them to make sound financial decisions. Only a small percentage of organisations (6.2%) used professional fundraisers for generating income, and other NPOs relied on their staff and board to generate the funds for their operations. Table 5-12. Number and percentage of NPOs: Sources of income shows the number and percentage of NPOs that declared their source of income percentage wise. A majority of the organisations (64.6%) relied heavily on government contracts because more than 75% of their income came from government contracts. For a small number of these organisations ( $n = 7$ ), 100% of their income was from government contracts. While many of them worked in close collaboration with various government departments due to their funding relationship, some of them (40%) felt that accepting government contracts compromised their organisational vision and mission.

*Table 5-12. Number and percentage of NPOs: Sources of income*

<b>Income sources (<math>N = 65\%</math>)</b>	<b><i>n</i></b>	<b>%</b>
Government contracts		
100%	7	10.8
75–99%	35	53.8
51–75%	17	26.2
26–50%	2	3.1
0–25%	4	6.2
Government grant*		
51–75%	1	1.5
26–50%	1	1.5
0–25%		
Private grants*		
0–25%	62	95.4
26–50%	2	1.5
Fees for services*		
0–25%	64	98.5
Membership fees*		
0–25%	64	98.5

Street appeal*		
0–25%	64	98.5
Investment income*		
0–25%	63	96.9

\*Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

When asked about whether the NPOs had an office administrator to manage the day-to-day financial affairs of the organisation, 73.8% confirmed that they had this position. The majority of them (87.7%) also used the services of a professional accountant for their financial management. For the more than a quarter of the organisations (29.2%) that owned their offices and the more than half of the organisations (55.4%) that owned vehicles, there were additional costs that needed to be met. To keep the expenses manageable, 76.9% of the organisations developed and followed a policy on purchase and use of utilities such as stationary, telephone, internet and power. While just over a half the NPOs (55.4%) had an investment policy, 72.3% had plans to mitigate the loss of funding.

To understand how the NPOs managed their finance, a three-point (*always, sometimes or never*) financial management rating scale consisting of 20 items was used to measure the extent to which they followed the financial management practices. The scale included practices related to the planning, budgeting, fundraising, accounting, controlling and compliance. Figures 5.12 to 5.14 display the percentage of NPOs and the extent to which they followed the practices of financial management. These figures show that there was considerable variation among the NPOs in how they managed their finances.

Figure 5.12. Percentage of NPOs following financial management practices I

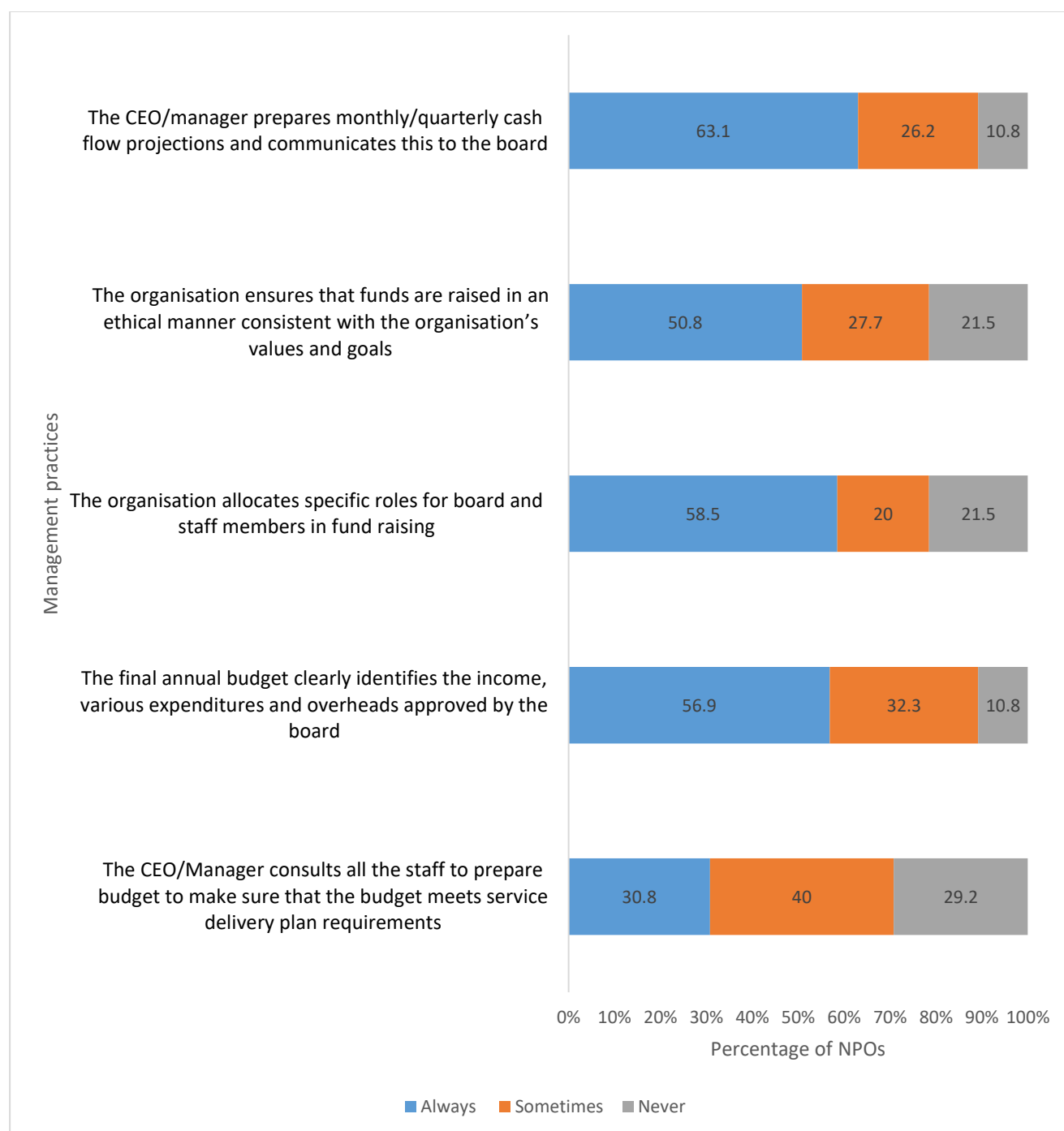


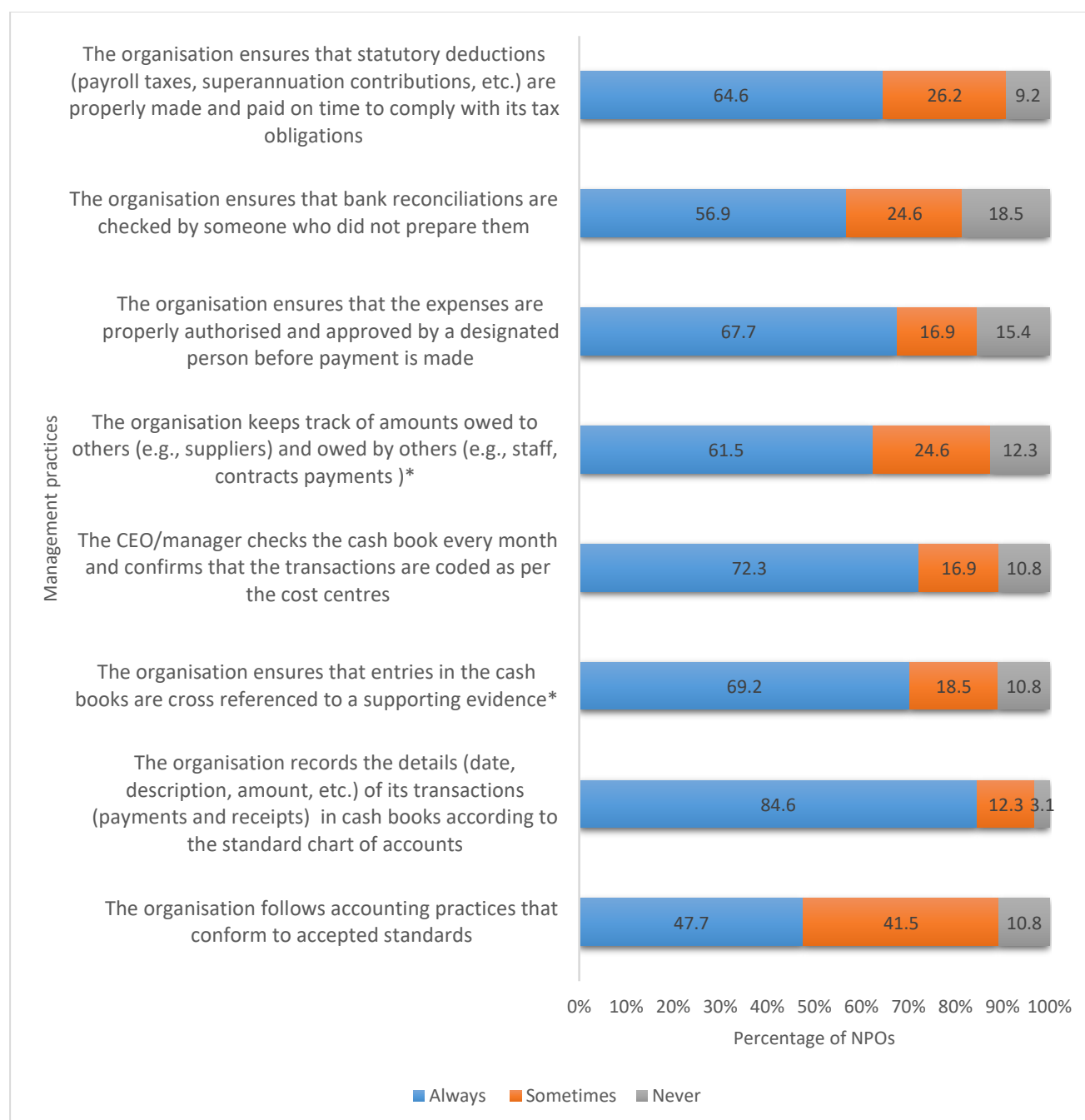
Figure 5.13. Percentage of NPOs following financial management practices II



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.



Figure 5.14. Percentage of NPOs following financial management practices II



\* Some categories of data contain missing data (did not answer or not applicable) and the total percentage may not add up to 100%.

To understand the level of financial management and the associated organisational risk in finance management, a total financial management score was calculated for each NPO by summing its rating of the extent to which it follows (*always* = 4, *sometimes* = 2 or *never* = 0) the financial management practices in the financial management rating scale. An associated

risk level was then gauged based on the management practice level and associated risk matrix used in this study. Table 5-13. Frequency and percentage of NPOs: Finance management practice and risk level shows the number and percentage of NPOs in each management practice level and corresponding risk level. The table shows that a large number of NPOs were able to demonstrate (44.5%) good financial management and low risk and only a small percentage of NPOs (15.4%) were at high risk, as they demonstrated poor financial management. On average, the NPOs demonstrated borderline finance management and were at medium risk ( $M = 57.06$ ,  $SD = 17.67$ , Median = 62). This shows that the majority of the NPOs needed to improve their management of finance.

*Table 5-13. Frequency and percentage of NPOs: Finance management practice and risk level*

Practice and risk level	Frequency	Per cent	Valid per cent
Poor-high risk	10	15.4	16.1
Borderline-Medium risk	17	26.2	27.4
Good-low risk	29	44.6	46.8
Excellent-no risk	6	9.2	9.7
Total	62	95.4	100.0
Missing*	3	4.6	
Total	65	100.0	

\*Total scale score was not calculated for some organisations due to their not answering one or more item on the scale, which were considered missing values.

A Kruskal-Wallis test was conducted to check whether the organisational age had any influence on financial management. The test revealed a statistically significant difference in financial management across the four organisational age groups (Group 1, established before 1980,  $n = 7$ ; Group 2, established between 1981 and 1990,  $n = 14$ ; Group 3, established between 1991 and 2000,  $n = 24$ ; Group 4, established between 2001 and 2010,  $n = 17$ ),  $\chi^2 (3, N = 62) = 11.45$ ,  $p = .010$ . The older age group (established before 1980) recorded a higher median score ( $Med = 72$ ) than the other two middle age groups, which recorded median values of 68 (established between 1981 and 1990) and 63 (established between 1991 and 2000), and

the younger group (established between 2001 and 2010) recorded the smaller median score ( $Md = 58$ ). A Mann–Whitney  $U$  test was conducted on the pair of group 1 ( $n = 7$ ) and group 4 ( $n = 17$ ) and using a Bonferroni correction (as recommended by Field, 2013, 2009) requiring a  $p$ -value of less than .05 for results to be significant showed that there was a significant difference in finance management between the oldest group ( $Md = 72$ ) and youngest group ( $Md = 58$ )  $U = 15$ ,  $z = -2.83$ ,  $p = .005$ ,  $r = .58$ . This shows that the older the organisation was, the better their management of finance.

To understand the influence of organisational income on the management of finance, a Kruskal–Wallis test was conducted, as the variable did not meet the assumption of normal distribution. The Kruskal–Wallis test revealed no significant difference between the three organisational income groups (Group 1, \$300,000–\$500,000,  $n = 38$ ; Group 2, \$500,001–\$700,000,  $n = 16$ ; Group 3, \$700,001–\$1 million,  $n = 11$ ) in the management of finance,  $\chi^2(2, n = 62) = .428$ ,  $p = .807$ . This means the finance management of NPOs did not differ with their level of annual income.

## 5.7 Overall Management Practice Level and Risk

In addition to assessing the management practices and risk levels separately for each of the management practice areas of the board, service delivery, human resources and finance, an overall management score was calculated for each NPO to develop an understanding of the overall management practice and risk level. This overall management score was based on an overall management practice scale combining each of the management practice areas and consisted of 90 items related to the dimensions of the board (measured by 30 items), service delivery (measured by 12 items), human resources (measured by 28 items) and finance (measured by 20 items). The minimum score for the overall management scale was 0 ( $0 \times 90$ ), and the maximum score was 360 ( $4 \times 90 = 360$ ). The internal consistency and reliability of

this combined overall management scale were very high, as the Cronbach's alpha was .90, ensuring that the scale measured the construct of management. An associated risk level was then gauged based on the management practice level and associated risk matrix developed in this study. Table 5-14. Overall management practice and risk level shows the number and percentage of NPOs in each management practice level and corresponding risk level. The table shows that more than half of the NPOs (63.1%) were at medium risk in terms of their overall management, as management practice was borderline. However, only 10.8% of the NPOs were at high risk, as their management practices were poor. Only two organisations were able to demonstrate excellent overall management with no organisational risks. On average, the NPOs demonstrated an overall borderline management and were at medium risk ( $M = 222.75$ ,  $SD = 43.19$ , Median = 222).

*Table 5-14. Overall management practice and risk level*

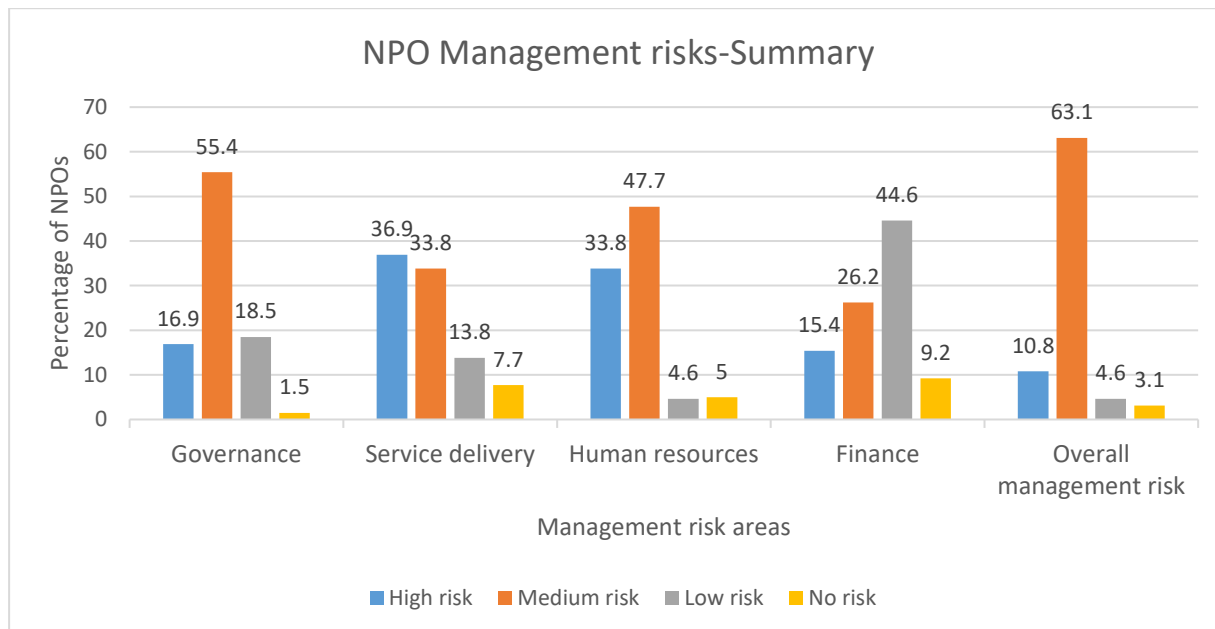
Practice and risk level	Frequency	Per cent	Valid per cent
Poor-high risk	7	10.8	13.2
Borderline-medium risk	41	63.1	77.4
Good-low risk	3	4.6	5.7
Excellent-no risk	2	3.1	3.8
Total	53	81.5	100.0
Missing *	12	18.5	
Total	65	100.0	

\*Total scale score was not calculated for some organisations due to their not answering one or more items on the scale, which were considered missing values.

Figure 5.15. NPO management risks: Summary provides a summary of management risks in each area and the overall management risk of NPOs. As evident in the figure, for the majority of organisations, the board management was borderline and at medium risk, service delivery management was poor and at high risk, human resource management was borderline and at medium risk, and financial management was good and at low risk. Combining all these four

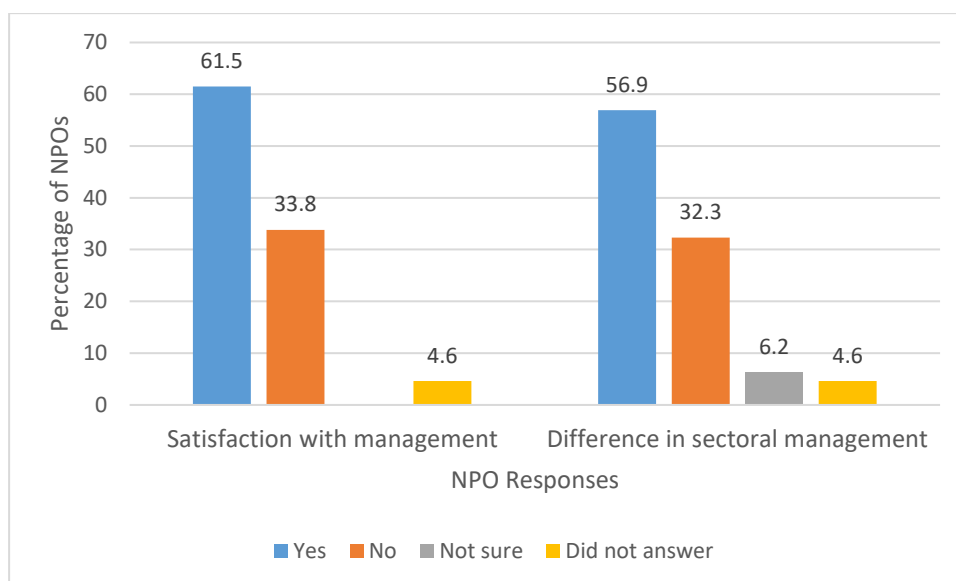
key dimensions, the overall management of NPOs can be summarised as borderline and at medium risk.

*Figure 5.15. NPO management risks: Summary*



It is surprising to note that while 73.9% of NPOs were at either medium or high risk in terms of their overall management practices, 61.5% reported that they were satisfied with their management practices. More than half of the NPOs also felt that non-profit management is different (56.9%) from public and business management. Figure 5.16. Management satisfaction and sector difference: NPO responses shows the percentage of the NPOs' responses to management satisfaction and sector difference in management.

*Figure 5.16. Management satisfaction and sector difference: NPO responses*



## 5.8 Commitment to te Tiriti o Waitangi

Many community organisations, not just iwi or hapū groups, are expected to make a strong commitment to honouring te Tiriti o Waitangi, and their organisational structure and practices often reflect this commitment. When asked about how the organisations demonstrated their commitment to te Tiriti o Waitangi, all the Māori NPOs confirmed that they had a statement in their constitution or founding documents outlining this commitment. The majority of the non-Māori NPOs (79.1%) also confirmed that they had a statement in their organisational documents about this commitment. However, more than a quarter of non-Māori NPOs (27.9%) confirmed that their personnel did not have an understanding of the meaning of this commitment to te Tiriti, and a quarter of them (25.6%) were also unsure about their personnel's understanding of this commitment. While most of the Māori organisations confirmed that their people understood this commitment, a few of them (18.2%) were unsure about their people's understanding of the organisation's commitment to te Tiriti o Waitangi. Moreover, just over half of the non-Māori NPOs (53.5%) were able to confirm the commitment through their activities; only less than half of them (41.9%) were able to demonstrate this commitment through their staffing. More than half of the non-Māori NPOs were also not able to build a relationship with the tangata whenua. This shows that non-Māori

NPOs faced some challenges in demonstrating their commitment to te Tiriti o Waitangi, which left a gap in cultural accountability.

## **5.9 Relationship between the Management of the Board, Human Resources, Service Delivery and Finance**

Correlational analysis was used to analyse the relationships between the four key variables.

Correlation analyses are used to describe the strength and direction of the linear relationship between two variables (Pallant, 2011, p. 128). The summated scale scores for each of the variables (as measured by the management practices rating scales) were used to run the correlational analysis. The Pearson product-moment correlation ( $r$ ) was used when the scores on each variable were normally distributed, and Spearman's rank-order correlation ( $\rho$ ) was used when the distribution of one or both variables violated the assumption of normality. Spearman's rank-order correlation was also used for analysing the relationship between the categorical variables (management risks). A percentage of variance was also calculated to explain the strength of the relationship between variables. The results and interpretation of all the correlation tests are provided below.

The relationship between the management of the board (as measured by the board management rating scale,  $n = 60$ ,  $M = 75.53$ ,  $SD = 17.78$ ) and service delivery (as measured by the service delivery management rating scale,  $n = 57$ ,  $M = 27.63$ ,  $SD = 11.63$ ) was investigated using the Pearson product-moment correlation coefficient ( $r$ ). Preliminary analyses were performed to ensure there was no violation of the assumptions of normality, linearity and homoscedasticity. There was a statistically significant medium, positive correlation between the management of the board and service delivery,  $r = .32$ ,  $n = 57$ ,  $p = .017$ , accounting for 10% of variance, indicating that the board management was associated with service delivery management. When the NPOs followed the recommended board management practices, they also followed the recommended practices of service

delivery management, indicating a relationship between board management and service delivery management.

The relationship between the management of the board (as measured by the board management rating scale,  $n = 60$ ,  $M = 75.53$ ,  $SD = 17.78$ ) and human resources (as measured by the human resource management rating scale,  $n = 60$ ,  $M = 63.93$ ,  $SD = 16.43$ ) was investigated using Spearman's rank-order correlation coefficient ( $\rho$ ). There was no statistically significant correlation between the management of the board and human resources,  $r_s = .06$ ,  $n = 57$ ,  $p = .643$ , accounting for only 0.4% of variance, indicating that there was no association between management of the board and human resources. This indicates that the board management did not vary with the management of human resources or vice versa.

The relationship between management of the board (as measured by the board management rating scale,  $n = 60$ ,  $M = 75.53$ ,  $SD = 17.78$ ) and finance (as measured by the financial management rating scale,  $n = 62$ ,  $M = 57.06$ ,  $SD = 17.67$ ) was investigated using Spearman's rank-order correlation coefficient ( $\rho$ ). There was a statistically significant medium, positive correlation between management of the board and finance,  $r_s = .34$ ,  $n = 59$ ,  $p = .009$ , accounting for 11% of variance, indicating that board management was associated with financial management. When NPOs followed the recommended board management practices, they also followed the recommended practices of finance management, indicating a relationship between board management and financial management.

The relationship between the management of service delivery (as measured by the service delivery management rating scale,  $n = 60$ ,  $M = 27.63$ ,  $SD = 11.63$ ) and human resources (as measured by the human resource management rating scale,  $n = 60$ ,  $M = 63.93$ ,  $SD = 16.43$ ) was investigated using Spearman's rank-order correlation coefficient ( $\rho$ ). There was no



statistically significant correlation between service delivery and human resources,  $r_s = .10$ ,  $n = 55$ ,  $p = .456$ , accounting for only 1% of variance, indicating that there was no relationship between the management of service delivery and human resources. This indicates that service delivery management did not vary with human resource management or vice versa.

The relationship between the management of service delivery (as measured by the service delivery management rating scale,  $n = 60$ ,  $M = 27.63$ ,  $SD = 11.63$ ) and finance (as measured by the financial management rating scale,  $n = 62$ ,  $M = 57.06$ ,  $SD = 17.67$ ) was investigated using Spearman's rank-order correlation coefficient ( $\rho$ ). There was no statistically significant correlation between the management of service delivery and finance,  $r_s = .25$ ,  $n = 60$ ,  $p = .061$ , accounting for only 6% of variance, indicating that there was no association between the management of service delivery and human resources. This indicates that the management of service delivery did not vary with finance management or vice versa.

The relationship between the management of human resources (as measured by the human resource management rating scale,  $n = 60$ ,  $M = 63.93$ ,  $SD = 16.43$ ) and finance (as measured by the financial management scale,  $n = 62$ ,  $M = 57.06$ ,  $SD = 17.67$ ) was investigated using Spearman's rank-order correlation coefficient ( $\rho$ ). There was a statistically significant medium, positive correlation between human resource management and financial management,  $r_s = .33$ ,  $n = 57$ ,  $p = .015$ , accounting for 11% of variance, indicating that finance management was associated with human resource management. When NPOs followed the recommended financial management practices, they also followed the recommended practices of human resource management, indicating a relationship between financial management and human resource management.

Based on the above bivariate correlational analysis, it can be concluded that there was a statistically significant positive relationship between the management of the board and the

management of service delivery and finance, but not between the management of the board and human resources. Furthermore, there was a significant positive relationship between the management of human resources and finance, but not between the management of finance and service delivery and management of service delivery and human resources. To explore these relationships between the four key areas of management further, the relationships between management risks in these areas were also investigated using Spearman's rank-order correlation. Table 5-15. Spearman's rho correlation matrix shows the Spearman's rho correlation matrix.

*Table 5-15. Spearman's rho correlation matrix*

Correlations		Risk board	Risk services	Risk human resources	Risk finance	
Spearman's rho	Risk governance	Correlation coefficient	1.000	.263*	.016	.299*
		Sig. (2-tailed)	—	.048	.905	.022
		<i>N</i>	60	57	57	59
	Risk services	Correlation coefficient	.263*	1.000	.116	.208
		Sig. (2-tailed)	.048	—	.399	.117
		<i>N</i>	57	60	55	58
	Risk human resources	Correlation coefficient	.016	.116	1.000	.230
		Sig. (2-tailed)	.905	.399	—	.086
		<i>N</i>	57	55	60	57
	Risk financial management	Correlation coefficient	.299*	.208	.230	1.000
		Sig. (2-tailed)	.022	.117	.086	—
		<i>N</i>	59	58	57	62

\* Correlation is significant at the 0.05 level (2-tailed).

As with management practice, there was a small, but statistically significant, positive correlation between governance risks and service delivery risk ( $r_s = .26$ ,  $n = 57$ ,  $p = .048$  with 7% variance) and a medium, but statistically significant, positive correlation between governance risks and financial management risks ( $r_s = .30$ ,  $n = 59$ ,  $p = .022$  with 9%

variance). There was no significant correlation between the risks in service delivery, human resources and financial management. This demonstrates that the management risks in service delivery and finance increased with risks in board management, but the management risks in service delivery, human resources and finance did not vary with each other, although there was a relationship between the management of human resources and finance.

### **5.10 Difference in Management between Māori and Non-Māori Non-Profit Organisations**

The majority of the NPOs (75.4%) were of the opinion that there was a difference in management practices between Māori and non-Māori organisations. A small percentage (4.6%) were not sure about whether there was any difference. Of the 21 Māori organisations that responded to this question, 20 believed that there was a difference, and 29 of the 38 non-Māori organisations that responded to this question also believed that there was a difference. As the NPOs endorsed the belief that there was a difference in the management of Māori and non-Māori NPOs, a series of independent samples *t*-tests and Mann–Whitney *U* tests were conducted to investigate whether there were any statistically significant differences between Māori organisations and non-Māori organisations in their management of the board, service delivery, human resources and finance. The independent samples *t*-test is a parametric test used to test for differences between two independent groups on continuous variables that are normally distributed and meets the assumptions of homogeneity of variance (Pallant, 2016, p. 209). Partial eta squared effect size statistics (eta squared) were also calculated to indicate the strength of the association. The Mann–Whitney *U* test is a non-parametric test used to test for differences between two independent groups on a continuous measure when the assumption of normality is violated (Pallant, 2016, p. 230). An effect size statistics (*r*) was also calculated by using the standardised test statistic (*z*). The results and interpretation of all the independent samples *t*-tests and Mann–Whitney *U* tests are provided below.

An independent samples *t*-test was conducted to compare the management of the board between Māori and non-Māori organisations. The assumption of variance was tested by Levene's test for equality of variance and it was found that the data did not violate the assumption of equal variance,  $F = 1.34$ ,  $p = .252$ . While the Māori organisations demonstrated a slightly better board management than non-Māori organisations, there was no statistically significant difference in the board management between Māori organisations ( $n = 20$ ,  $M = 76.50$ ,  $SD = 17.49$ ) and non-Māori organisations ( $n = 40$ ,  $M = 75.05$ ,  $SD = 18.13$ ;  $t(df = 58) = .30$ ,  $p = .769$ , two-tailed). The magnitude of the differences in the means (mean difference = 1.45, 95% CI: -8.38 to 11.28 was minimal (eta squared = .002).

An independent samples *t*-test was also conducted to compare the management of service delivery between Māori and non-Māori organisations. The assumption of variance was tested by Levene's test for equality of variance and found that the data did not violate the assumption of equal variance,  $F = .374$ ,  $p = .543$ . While the non-Māori organisations demonstrated a slightly better service delivery management compared with Māori organisations, there was no statistically significant difference in the service delivery management practices between Māori organisations ( $n = 19$ ,  $M = 25.37$ ,  $SD = 13.18$ ) and non-Māori organisations ( $n = 41$ ,  $M = 28.68$ ,  $SD = 10.85$ ;  $t(df = 58) = -1.03$ ,  $p = .308$ , two-tailed). The magnitude of the differences in the means (mean difference = -3.32, 95% CI: -9.77 to 3.14) was very small (eta squared = .018).

Mann-Whitney *U* tests were conducted to compare the management of human resources and finance between Māori and non-Māori organisations. While the Māori organisations demonstrated a better human resource management than non-Māori organisations, there was no statistically significant difference between Māori organisations ( $Md = 68$ ,  $M$  rank = 34.58,  $n = 20$ ) and non-Māori organisations ( $Md = 59$ ,  $M$  rank = 28.46,  $n = 40$ ) in their practices of

human resource management,  $U = 318.50$ ,  $z = -1.28$ ,  $p = .201$ ,  $r = .17$ . In addition, while the non-Māori organisations demonstrated slightly better financial management, there was no statistically significant difference between Māori organisations ( $Md = 60$ ,  $M$  rank = 31.80,  $n = 22$ ) and non-Māori organisations ( $Md = 63$ ,  $M$  rank = 31.34,  $n = 40$ ) in the financial management of Māori and non-Māori,  $U = 433.50$ ,  $z = -.10$ ,  $p = .924$ ,  $r = .01$ .

Additionally, a series of chi-square tests for independence (with Fisher's exact test) was conducted to investigate whether Māori organisations differed significantly from non-Māori organisations in their management risks. The results indicated a statistically significant difference between Māori and non-Māori organisations only in finance management risk ( $\chi^2$ ,  $n = 62$ ,  $p = .039$ , Cramer's  $V = .36$  [medium effect]).

A series of correlational analyses were conducted to compare the correlation coefficients between Māori and non-Māori organisations to investigate whether there were any significant differences in the relations between the management of the board, service delivery, human resources and finance. The summated scale scores for each of the variables (as measured by the management rating scales) were used to run the correlational analysis. The Pearson product-moment correlation ( $r$ ) was used when the scores on each variable were normally distributed, and Spearman's rank-order correlation ( $\rho$ ) was used when the distribution of one or both variables violated the assumption of normality. Spearman's rank-order correlation was also used for analysing the relationship between the management risks. A percentage of variance was also calculated to explain the strength of the relationship between variables. The results and interpretation of all the correlation tests are provided below. Earlier correlational analyses revealed that, in general, there was a relationship between the management of the board and the management of service delivery and finance, but not between the management of the board and human resources. Furthermore, there was also a relationship between the

management of human resources and finance, but not between the management of finance and service delivery and management of service delivery and human resources.

The relationship between the management of the board (as measured by the board management rating scale,  $n = 60$ ,  $M = 75.53$ ,  $SD = 17.78$ ) and service delivery (as measured by the service delivery management rating scale,  $n = 57$ ,  $M = 27.63$ ,  $SD = 11.63$ ) was investigated using the Pearson product-moment correlation coefficient ( $r$ ). Preliminary analyses were performed to ensure no violation of the assumptions of normality, linearity and homoscedasticity. When the correlation coefficients were compared for Māori and non-Māori organisations, it was found that the correlation between management of the board and service delivery was statistically significant, positive and stronger for Māori organisations,  $r = .49$ ,  $n = 18$ ,  $p = .043$ , accounting for 24% variance compared with non-Māori organisations,  $r = .24$ ,  $n = 39$ ,  $p = .142$ , with only 6% variance (statistically non-significant).

The relationship between management of the board (as measured by the board management rating scale,  $n = 60$ ,  $M = 75.53$ ,  $SD = 17.78$ ) and finance (as measured by the financial management rating scale,  $n = 62$ ,  $M = 57.06$ ,  $SD = 17.67$ ) was investigated using Spearman's rank-order correlation coefficient ( $\rho$ ). When the correlation coefficients were compared for Māori and non-Māori organisations, it was found that the correlation between board management and financial management was statistically significant, positive and stronger for Māori organisations,  $r_s = .72$ ,  $n = 20$ ,  $p = .001$ , with 52% variance compared with non-Māori organisations,  $r_s = .21$ ,  $n = 39$ ,  $p = .182$ , with only 4% variance (statistically non-significant).

The relationship between the management of human resources (as measured by the human resource management rating scale,  $n = 60$ ,  $M = 63.93$ ,  $SD = 16.43$ ) and finance (as measured by the financial management scale,  $n = 62$ ,  $M = 57.06$ ,  $SD = 17.67$ ) was investigated using Spearman's rank-order correlation coefficient ( $\rho$ ). When the correlation coefficients were

compared for Māori and non-Māori organisations, it was found that the correlation between human resource management and financial management was statistically significant, positive and stronger for Māori organisations,  $r_s = .44$ ,  $n = 20$ ,  $p = .050$ , with 19% variance compared with non-Māori organisations,  $r_s = .22$ ,  $n = 37$ ,  $p = .099$ , with only 5% variance (statistically non-significant). To investigate whether financial management was related to staff management or volunteer management, Spearman's rank-order correlation coefficients (*rho*) for Māori and non-Māori organisations were calculated. When the correlation coefficients were compared for Māori and non-Māori organisations, it was found that there was a medium positive correlation between volunteer management and financial management in Māori organisations,  $r_s = .45$ ,  $n = 21$ ,  $p = .039$ , accounting for 20% of variance. However, there was no significant correlation between staff management and financial management in Māori organisations,  $r_s = .16$ ,  $n = 20$ ,  $p = .502$ , with only 3% variance. In contrast, there was a significant and strong positive correlation between staff management and financial management,  $r_s = .53$ ,  $n = 38$ ,  $p = .001$ , with 28% variance in non-Māori organisations, but no significant correlation between volunteer management and financial management,  $r_s = -.01$ ,  $n = 38$ ,  $p = .968$  with no variance (0.01%). This indicates that while volunteer management was associated with financial management in Māori organisations, staff management was associated with financial management in non-Māori organisations.

Correlation analyses were also conducted to see whether there was any significant difference between Māori and non-Māori NPOs in the relationship between management risks. Earlier correlation analyses found that, in general, there was a relationship between risks in board management and risks in service delivery and finance management. Spearman's rank-order correlation coefficients (*rho*) were used to determine the relationship between the management risks. It is evident that there were some stark differences in the relationships between management risks between Māori and non-Māori NPOs. In Māori organisations,

management risk in governance was associated with management risks in service delivery ( $r_s = .59$ ,  $n = 18$ ,  $p = .010$ , variance = 35%) and finance ( $r_s = .59$ ,  $n = 20$ ,  $p = .006$ , variance = 35%). Additionally, management risks in volunteer management ( $r_s = .56$ ,  $n = 18$ ,  $p = .017$ ) was associated with risks in service delivery and finance management ( $r_s = .52$ ,  $n = 19$ ,  $p = .006$ , variance = 27%). In contrast, in non-Māori organisations, significant relations in management risks were only found between staff management and volunteer management ( $r_s = .44$ ,  $n = 40$ ,  $p = .004$ , variance = 19%), between financial management and staff management ( $\rho = .48$ ,  $n = 38$ ,  $p = .003$ , variance = 23%) and between volunteer management and financial management ( $r_s = .32$ ,  $n = 38$ ,  $p = .047$ , variance = 10%).

## 5.11 Summary of the Chapter

Four key findings emerged from the results of this study.

1. While the extent to which the NPOs followed management practices varied among the NPSSOs in New Zealand, on average, they demonstrated an overall borderline management practice and were at a medium management risk. Specifically, NPOs, on average, demonstrated borderline management of the board, service delivery, human resources and finance, and were at medium risk in the management of all these four key areas. Additionally, while their staff management was borderline and at medium risk, NPOs were at high risk in terms of their volunteer management, as they demonstrated poor volunteer management. The results also indicated that the older the organisation was, the better their finance and human resource management. However, the organisational age did not have any influence on the management of the board or service delivery. The medium risks in the management of NPOs show that they needed to enhance the capacities in their management of the board, service delivery, staff, volunteers and finance.



2. There was a statistically significant positive relationship between the management of the board and the management of service delivery and finance, but not between the management of the board and human resources. Furthermore, there was a significant positive relationship between the management of human resources and finance, but not between the management of finance and service delivery and management of service delivery and human resources. Accordingly, the management risks in service delivery and finance increased with risks in board management, but the management risks in service delivery, human resources and finance did not vary with each other, although there was a relationship between the management of human resources and finance.
  
3. There was no statistically significant difference between Māori and non-Māori organisations in their management of the board, service delivery, human resources and finance. Despite this, the majority of the NPOs believed that there was a difference in the management of Māori and non-Māori NPOs. This belief was confirmed by the statistical analyses on the relationship between the management of the board, service delivery, human resources and finance. The results indicated that the relationship between the management of the board and service delivery, the board and finance, and human resources and finance were statistically significant and stronger for Māori organisations compared with non-Māori organisations. Moreover, while volunteer management was associated with financial management in Māori organisations, staff management was associated with financial management in non-Māori NPOs. Accordingly, in Māori NPOs, risk in board management was associated with risks in service delivery management and finance management. The risk in volunteer management was associated with risk in service delivery and financial management, indicating volunteer influence on service delivery and financial management in Māori

NPOs. In contrast, in non-Māori organisations, staff management risk was associated with financial management risk.

4. The results also demonstrated that the non-Māori NPOs faced some challenges in maintaining their commitment to te Tiriti o Waitangi. These challenges were related to lack of understanding of what this commitment means, and lack of staff and organisational activities reflecting this commitment. They also struggled to develop constructive relationships with the tangata whenua of the location where they operated.

This chapter discussed the results of the survey conducted among the NPSSOs in Aotearoa New Zealand to develop an understanding of the management of their board, service delivery, human resources and finance. The next chapter will discuss these key findings in relation to the literature to extend this understanding.

## **CHAPTER 6: DISCUSSION**

### **6.1 Overview of the Chapter**

The overall purpose of this cross-sectional survey study is to develop an understanding of how the NPSSOs in Aotearoa New Zealand manage their board, service delivery, human resources and finance. Accordingly, data were collected from 65 NPSSOs in Aotearoa New Zealand through an anonymous survey to develop an understanding of the management of NPOs. The previous chapter discussed the results of this survey and identified four key findings in relation to the research questions. This chapter discusses these key findings in relation to the research questions formulated to develop an understanding of the management of non-profit social services in Aotearoa New Zealand. In addition to this, two outcomes were achieved from this discussion as a contribution to the knowledge: development of an ecological management model to conceptualise non-profit management and a management self-assessment tool for NPOs to assess their management practices. This chapter finishes with a brief discussion on the limitations of the study.

### **6.2 Research Question 1**

How well do the non-profit social service organisations in Aotearoa New Zealand manage their board, service delivery, human resources and finance? Are there any significant differences between Māori and non-Māori non-profit organisations in their management?

All over the world, NPOs are operating in rapidly changing, complex, paradoxical, ambiguous and multicultural contexts (Lewis, 2017). NPOs are currently operating in an environment influenced by a neoliberal approach promoting competition among them to deliver social services through contracting with governments that do not ensure sustainability and continuity for the people who receive the services. Expected to ensure better value for money for taxpayers, this quasi-market model of service delivery is putting massive pressure on NPOs to

demonstrate efficient use of limited resources and accountability to the government while the demand for services is on the rise (Gardner, 2016; Healy, 2014). The limited availability of funding and delivering services in silos is resulting in NPOs not being able to provide holistic services to the clients. This task environment is also informed by the NPM approach, which promotes an audit culture and outcome perspectives in service delivery, forcing NPOs to adopt a business management approach to their management (Healy, 2014). This is characterised by the management of risk and performance measurement and decreased participation of service users in the creation of social services. Cribb (2017) argued that the need for organisational management is more critical than ever as the environmental context of NPOs in Aotearoa New Zealand is rapidly changing in terms of government policy, funding availability and client need. While the importance of proper management of NPOs is more relevant than ever, the findings of this study indicate that, in general, the NPOs in Aotearoa New Zealand are struggling with their management in this challenging and complex task environment.

According to the results of this study, on average, the NPOs demonstrated an overall borderline management practice and were at a medium management risk in terms of the extent to which they followed the management practice. More specifically, the NPOs, on average, demonstrated borderline management of the board, service delivery, human resources and finance, and were at medium risk in the management of all these four key areas of their internal functioning. Additionally, while their staff management was borderline and at medium risk, the NPOs were at high risk in terms of their volunteer management as they struggled with their management of volunteers. While the average scores position the NPOs at a medium risk in all organisational management domains examined in this study, this needs to be approached with caution. When examining the percentage of NPOs at low risk or no risk in their management areas, the results suggest that 53.8% of the NPOs were at low or no risk in

terms of their finance management as they demonstrated good or excellent financial management. In addition, 26.1% demonstrated good or excellent staff management, 20% demonstrated good or excellent board management, 21.5% demonstrated good or excellent service delivery management, and 9.2% demonstrated good or excellent volunteer management, placing them in a low or no risk category in these domains of management. Moreover, while the organisational age did not have any influence on the management of the board or service delivery, the results also indicate that the older the organisation was, the better their finance and human resource management were.

When the differences in management between Māori and non-Māori organisations were examined, the results revealed that there was no statistically significant difference between Māori and non-Māori organisations in their management of the board, service delivery, human resources and finance. Furthermore, the results suggest that, in general, both sets of organisations' management of the board, service delivery management and human resource management were borderline and at medium risk. Although not statistically significant, the results also indicated that the management of the board and staff were slightly better in Māori organisations and the management of finance and service delivery was marginally better for non-Māori organisations compared with Māori organisations. Despite their organisational identity as Māori and non-Māori organisations, the results demonstrated that nine out of 10 NPOs were at either a high or a medium overall management risk. This broadly confirms the previous, though limited, research findings concerning the significant organisational challenges faced by NPOs in New Zealand. Regardless of their organisational identity as Māori or non-Māori organisations, all NPOs are subjected to the same task environment, which is a product of the neoliberal and NPM approach to social welfare and the economy.

The available evidence suggests that the organisational challenges faced by NPOs in Aotearoa New Zealand have fundamentally remained the same in the past 10 years. This research evidence identified governance and board management as one of the key challenges faced by the NPO sector (Cayley, 2008; Cribb, 2017; Darkins, 2010; Family and Community Services & OCVS, 2005; Grant Thornton, 2005, 2008, 2009, 2011, 2013, 2016; Haigh, 2008). As the demand for services is increasing, and the complex nature of issues people bring to the NPOs in seeking assistance, service delivery has become another critical concern for NPOs (Cayley, 2008; ComVoices, 2014, 2016; Cribb, 2017; Darkins, 2010; Grant Thornton, 2009, 2011, 2013, 2016; Neilson et al., 2015). The issues with managing staff and volunteers has also remained a key concern among NPOs over the years (Cayley, 2008; ComVoices, 2014, 2016; Darkins, 2010; Family and Community Services & OCVS, 2005; Grant Thornton, 2005, 2009, 2011, 2013, 2016; Lee, 2012; NGO Health & Disability Network, 2013). Most importantly, funding and other issues related to financial management have remained the primary concern for all NPOs (BDO, 2016a; Cayley, 2008; ComVoices, 2014, 2016; Darkins, 2010; Family and Community Services & OCVS, 2005; Grant Thornton, 2005, 2008, 2009, 2011, 2013, 2016; NGO Health & Disability Network, 2013). Therefore, it is hardly surprising that this study has identified that NPOs struggle with their management of the board, service delivery, human resources and finance. However, it is of concern that the issues have remained the same for over a decade, and the situation is not improving. As the organisations carry significant risks in the management of these areas, which can lead to substantial hardships for NPOs, they need immediate attention. The findings of this study suggest that NPOs could improve their management of the board, service delivery, staff, volunteers and finance, and enhance their capacities to do so.

As there is a consensus about the significance of proper management of NPOs to address the challenges brought by the neoliberal and NPM context (Ahmed, 2013; Anheier, 2014;

Hudson, 2009; Renz, 2010a), it remains a mystery as to why the NPOs consistently reported the same challenges and struggled to manage their board, service delivery, human resources and finance. It is clear from the findings of this research and other evidence that NPSSOs in New Zealand face significant challenges in the areas of the board, service delivery, human resources and finances, and are at risk in terms of their management. These risks could eventually affect their organisational functioning and their survival if they are not doing so already. Therefore, NPOs need to critically reflect on how they manage their board, service delivery, human resources and finance to find ways to survive in the complex task environment where they compete with each other for resources and to justify their organisational existence. Reflecting on their internal management practices would assist the organisations to improve their management practices, reduce organisational risks, develop and maintain organisational efficiency and effectiveness, and ultimately fulfil their mission.

NPOs go through a life course, and they may experience stressors and events that could disturb their internal functioning and fit with the environment. To achieve the organisation–environment fit, NPOs need to continually assess the stressors in their internal subsystems and the environmental layers and needs to enhance and strengthen their adaptive capacities and problem-solving abilities by strengthening their subsystems. NPO management should be a process aiming to improve the organisation’s ability to manage stress points and improve their responsiveness to the internal and external environments. As part of this management process, NPOs are required to assess the strengths and weaknesses of the organisation first by looking into their internal management of organisational subsystems, such as the board, service delivery, human resources and management. This self-assessment could assist the NPOs to understand how they respond to their environment as well. When organisations evaluate themselves on their management practices, it will give them an opportunity to be critically reflective learning organisations and engage in an organisational change process. A reflective

learning organisation can react and respond creatively and intuitively to its weaknesses with the new learning about itself. Being a critically reflective learning organisation not only encourages the organisation to engage with its own structures and processes to understand what is happening within it and how this is influenced by the context, but also how to act on this understanding. Organisational self-assessment is key to capacity building (James, 2014) and can be a very constructive process (Paton, Foot, & Payne, 2000). For instance, the evaluation of the long-term outcomes of the SCOPE project in New Zealand by Oliver (2009) revealed that NPOs that used the SCOPE assessment tool gained improvements in the different domains of their management, such as governance and internal relationships. Similarly, in their study of 122 NPOs, which included an online self-assessment of board performance by the study participants, Harrison and Murray (2015) found that the self-assessment was an effective means of change in the governance process because it facilitated reflection on their performance and making decisions for improving governance. This shows the efficacy of self-assessment. To be a critically reflective learning organisation, NPOs should be able to assess and reflect on how they manage against a set of management practices because these practices can offer a broad view of what good management would look like. While practice guidelines could be normative and prescriptive (Anheier, 2014; Lewis, 2014), based on their empirical research, Herman and Renz (1999, 2008) confirmed that more effective NPOs are more likely to use the correct management practices. This study has developed an NPO management self-assessment tool (see Appendix 1) based on the literature review and the results of this study. This self-assessment tool reflects the questionnaire used in this study for data collection, ensuring that the tool is empirically tested and has construct validity and reliability. This self-assessment tool has four management rating scales to measure the management of the board, service delivery, human resources and financial management. For a scale to be reliable, the internal consistency (the degree to which



the items that make up the scale are all measuring the same underlying attribute) should have a minimum level of .7 Cronbach's alpha value (Pallant, 2016). The reliability analysis indicated that the scales have good internal consistency, as the Cronbach's alpha coefficient reported in the current study were above .7 for all scales (board management = .82, service delivery management = .87, human resources management = .80 and finance management = .91). The Cronbach's alpha for the combined management scale was .90, indicating an overall high internal consistency and thus reliability for this self-assessment tool.

The NPO management self-assessment tool looks at NPOs' observance of the recommended management practices in four critical areas of NPO management: the board, service delivery, human resources (staff and volunteers) and finance. It is expected that the tool could potentially help organisations to identify their strengths and the areas where they need to improve in terms of their organisational management. Every organisation is different, and their management will reflect this. While a "one size fits all" management approach is unlikely to work (Herman & Renz, 2008), the practices of good management practice are the same for most organisations most of the time (Lewis, 2015; Renz, 2010c). This self-assessment tool focuses on the key aspects of NPO management and provides a general indication of the strengths and weaknesses of the organisation's management and the risks they carry in relation to their observance of management practices. This is not an exhaustive list of all aspects of non-profit management, it is not an audit and it does not describe a standard set of procedures that are relevant in every situation. The practices listed in the management rating scales are related to the role and purposes of management in those areas and are the foundation stones of good practice. These practices were derived from the literature on NPO management and the organisational assessment tools that are congruent with the management processes identified in the academic literature. The self-assessment tool

and the instructions for using the tool are provided in Appendix 1: Non-profit management self-assessment tool.

### **6.3 Research Question 2**

Is there any significant relationship between the management of the governance board, human resources, service delivery and finance in non-profit organisations in New Zealand? Do these relationships vary between Māori and non-Māori organisations?

Billis (1996) argued that the internal components of NPOs interact with each other, and an understanding of those interactions is essential for the study and control of significant organisational change and future organisational survival. However, while the existing literature on NPO management provides many insights about various domains of NPO management, such as the board, service delivery, human resources and finance, independently, no explicit assertions or conclusions about the interrelation between these areas of NPO management can be found in the literature. This is a significant gap in our knowledge about non-profit management. The systems thinking employed in this study argued that NPOs are systems made of subsystems that are interacting with each other (Coulshed et al., 2006; Gardner, 2016; Jones & May, 1992). Because NPO management involves four essential elements—the board, service delivery, human resources and finance—they can be considered the subsystems in NPOs. Accordingly, a view on the management of NPOs includes looking at the relationship between the internal organisational elements of the board, service delivery, human resources and finance. According to the results of this study, there was a relationship between the management of the board and the management of service delivery and finance, but not between the management of the board and human resources. Furthermore, there was a significant positive relationship between the management of human resources and finance, but not between the management of finance and service delivery and

management of service delivery and human resources. Accordingly, the management risks in service delivery and finance increased with risks in board management, but the management risks in service delivery, human resources and finance did not vary with each other, although there was a relationship between the management of human resources and finance.

The fact that service delivery management did not have any statistically significant relationship with the management of human resources and finance was a surprising finding from a systems thinking perspective because all elements of management are expected to interact with each other. As paid staff, often with the assistance of volunteers, primarily deliver the services of the NPOs, one could speculate that there should be a relationship between human resources and service delivery. One possible explanation for this result is that while professional staff or volunteers provide the services, the resource allocation, managerial control related with service delivery, and supervision of staff and volunteers rest with the CEO. In other words, while the staff and volunteers provide the services, they are managed by the CEO. Although this study did not find a relationship between the management of human resource management and service delivery, one could still speculate a relationship between the management of them, which is controlled by the CEO. Moreover, CEOs act as a link between staff, volunteers and the board, and largely control the organisational resources allocated to people for various jobs. As the CEO connects and balances all the subsystems such as the board, service delivery, human resources and finances in NPOs, they need to be considered the key element of NPO management. This has implications for how we see NPO management from a systems thinking perspective.

The conceptual framework of systems thinking employed in this study proposed that there should be a relationship between all the organisational elements of the board, service delivery, human resources and finance. However, according to the results of this study, while the

relationships found between organisational elements seemed to be linear and positive, a relationship could not be found between all the organisational elements, thus questioning the propositions of systems thinking about the relationships between organisational elements. As the results found a relationship between some of the organisational elements, the proposition of systems thinking is partly confirmed. However, an examination of the nature of the relationship between the management of organisational elements of internal functioning between Māori and non-Māori organisations showed that the relationship between organisational elements is indeed a matter of comparison.

It is essential to acknowledge that the measurement of management was based on practices mainly drawn from literature mainly informed by Western Eurocentric perspectives and theories and may not reflect Te Ao Māori (Māori world view) and mātauranga Māori (Māori knowledge). While the management practice standards may be relevant and useful for Māori organisations, I acknowledge that this may not reflect Māori management thinking and there are limitations to their cultural interpretation and relevance. In fact, Mika and O’Sullivan (2014) argued that American and European thinking dominate the theory and practice of management in New Zealand and alternative indigenous perspectives are not readily considered. However, Hollis-English (2012) argued that Western theories could be of use for Māori when interpreting situations relevant to organisational practice. As a result, “Māori management tends to integrate Māori and Western management theories and practices to achieve Māori-defined purposes within Māori organisational settings” (Mika & O’Sullivan, 2014, p. 651). However, a “particular worldview that is influenced by one’s experiences of being connected to a whānau, hapū and iwi, being indigenous in Aotearoa and having embedded in one’s ancestry, specific values and traditions belonging to that culture” (Hollis-English, 2015, p. 6) could influence Māori thinking. Research evidence on the management differences between Māori and non-Māori NPSSOs is almost non-existent.

According to the results of this study, both Māori and non-Māori NPOs believed that the management of Māori NPOs is different from the management of non-Māori NPOs. The open comments received from both Māori and non-Māori organisations suggested that while there may not be much difference in what they do in terms of management, there are significant cultural differences in how they do this. The comments from Māori organisations suggest that te Tiriti o Waitangi is a cornerstone for their organisations and te Tiriti articles and practices are embodied in all organisational policies, and that management processes reflect Māori values and practices. According to their view, Māori organisations are being governed and managed in accordance with tikanga Māori and have values founded upon tautoko (support), āwhinatanga (empathy), whanaungatanga and whakapapa. Te Kanawa, Hanita and Rihia (2016) support this view by arguing that many Māori organisational practices centre on whanaungatanga and tau utuutu (reciprocity) to facilitate the aspiration to koha tuku rua atu (redistribution) of resources to support whānau, hapū and iwi. Interestingly, the non-Māori organisations believed that in Māori organisations, decision making tends to be collectivistic and consensus based and there is more consultation with the communities they serve. Mika and O'Sullivan (2014), in fact, supported this by confirming that Māori managers achieve consensus as the ideal decision-making process through hui (meetings). While the non-Māori organisations did not comment on the decision-making processes in their organisations, one could speculate that the decision making is manager driven.

When the relationships between the management of organisational elements were compared between Māori and non-Māori organisations, the results demonstrated that the relations between the management of the board, service delivery and financial management were stronger and more significant for Māori organisations compared with non-Māori organisations. The results also indicated that volunteers had a strong and vital influence on financial management in Māori organisations, whereas in non-Māori organisations staff

influenced financial management. There was also a strong relationship between staff management and volunteer management in Māori organisations compared with non-Māori organisations. The results also suggested that in Māori organisations, there was an association between the risks in the management of the board, service delivery and finance. Furthermore, there was an association between risks in volunteer management and risks in service delivery and financial management, indicating volunteer influence on service delivery and financial management. In contrast, in non-Māori organisations, only the risks in the management of staff and finance were associated with each other.

The board and volunteers had a significant influence on the day-to-day management of the Māori organisations. This supports the notion that the division between governance and operational management does not exist in the leadership models of some Māori organisations (Mueller et al., 2006). Whakapapa is a consideration in determining governing and managerial appointments, especially in communally based Māori organisations (Mika & O'Sullivan, 2014). As Māori see their services to the community as an extension of everyday family responsibility as opposed to a different activity (OCVS, 2007), it is not surprising that the volunteers and the board have a strong influence on the day-to-day management of Māori organisations. This could also mean that Western ideas of boundaries and confidentiality are different for Māori (Moorhouse, personal communication, 2017). The concept of free will or free choice in Western conceptions of volunteering is not relevant to Māori organisations because the commitment of unpaid labour is a high cultural expectation and norm (OCVS, 2007). Therefore, the Western understanding of volunteering, philanthropy, community work and the separation of community and family are not readily transferable in a Māori context (Robbins & Williams, 2002, as cited in Hollis-English, 2012; Tennant et al., 2006). For

Māori, volunteering is based on the notion of whanaungatanga and mahi aroha<sup>15</sup> or volunteering is performed out of love, sympathy or caring and through a sense of duty (OCVS, 2007). Volunteering is considered an essential aspect of fulfilling cultural obligations for the benefit of whānau, hapū and iwi. Mahi aroha is also central to maintaining a sense of identity and for keeping Māori culture and traditions (OCVS, 2007).

The role of the kaumatua (elder) is of high relevance to Māori organisations despite whether their involvement is formal or informal. Eketone (2002) argued that the place of kaumātua (elders) as cultural and spiritual overseers is invaluable and unquestioned in Māori organisations. It is their role to make sure that the tikanga is observed and the mana (status/prestige/integrity) of everyone is upheld and that the concepts of tapu (sacred/restricted) and noa (non-sacred/unrestricted) are respected (Eketone, 2002). Kaumātua are seen as the acknowledged repository of the kaupapa of mahi aroha (expert guidance to ways of helping communities) (OCVS, 2007). Rangatiratanga (leadership) is considered an essential element of managing Māori organisations (MSD, 2013b). The involvement of the broader Māori community in setting organisational strategies as part of kinship connections is a commitment to this principle (MSD, 2013b). In this sense, the concept of leadership has a broader meaning in a Māori context and is a significant consideration in some Māori organisations. Essentially, Māori management is characterised by whakapapa (a genealogical connection to and identity as Māori) and tirohanga Māori (Māori world view) and involves the adoption of kaupapa Māori, mātauranga Māori, tikanga Māori and whakahaere Māori (Māori management practices) (Mika & O’Sullivan, 2014, pp. 655–656). As Mika and O’Sullivan (2014) pointed out, it can be concluded that while Māori organisations might have adopted many Western modern management practices, they do approach the tasks and

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<sup>15</sup> A Māori term used as an alternative to volunteering and defined as the voluntary or unpaid work or mahi undertaken, not including day-to-day household maintenance or care of immediate family sharing the home (OCVS, 2007).

processes from a specific cultural lens that is informed by cultural imperatives such as the tikanga and kawa (protocol) of the organisation, community expectations and individual, organisational circumstances. Te Kanawa et al. (2016) proposed that having the courage to simply “be Māori” by being connected to values and to each other, whenua (land), culture, the world and history is the key to the success of Māori organisations. More research from a kaupapa Māori point of view is required to understand the extent and the underlying features of this cultural lens.

### **6.4 Research Question 3**

How do the NPOs manage their relationships with other organisations and demonstrate their commitment to te Tiriti o Waitangi?

The results demonstrated that the non-Māori NPOs faced some challenges in maintaining their commitment to te Tiriti o Waitangi. These challenges were related to lack of understanding of what this commitment means, and the lack of staff and organisational activities to reflect this commitment. In addition, they struggled to develop constructive relationships with the tangata whenua of the location where they operated.

Te Tiriti o Waitangi protects the rights of Māori as tangata whenua and validates the existence of tauīwi (others who came to Aotearoa New Zealand after Māori) (Munford & Sanders, 2010). A key intent of the Treaty of Waitangi was to uphold relationships of mutual benefit between the indigenous peoples of Aotearoa and all those who had come, and were to come, to settle here. All NPOs—not just iwi or hapū groups—are expected to make a strong commitment to honouring te Tiriti O Waitangi, and their organisational structure and practices need to reflect this commitment (Freeman & Thompson, 2005a). While the indigenous Māori population comprises only 15% of the population, the MSD (2013b) pointed to the fact that Māori children, young people and families are overrepresented in cases



of socio-economic deprivation, harm and neglect, and NPOs are required to be fully responsive and bridge the socio-economic gaps between Māori and other New Zealanders. This requires all the NPOs to understand and value Māori culture, values and heritage (MSD, 2013b), and adds another cultural accountability layer to NPO management. The results indicate that the commitment to te Tiriti was expressed as a statement in the constitution or other foundational documents in all the Māori organisations and the majority of the non-Māori organisations. This commitment to te Tiriti was also often verbalised in the vision, mission and value statements. While the formalisation of this commitment to the Treaty was appreciable, the results also suggest that there was a lack of understanding of the articles and practices of the Treaty and their relevance to the organisational functioning among the board members, staff and volunteers in a majority of the non-Māori organisations. The Treaty practices were derived from the Treaty and the most well known are partnership, participation and protection (Margaret, 2016). However, these are defined by the New Zealand governments, the articles of te Tiriti o Waitangi provide a better foundation for developing and maintaining the commitment to te Tiriti o Waitangi (Margaret, 2016).

According to the results of the study, while almost all the Māori organisation's staffing structure, policies and services reflected their commitment to the Treaty, many non-Māori organisations' staffing, policies and services did not reflect their commitment to the Treaty. A number of non-Māori organisations were uncertain about what this commitment to the Treaty means in practice and how they could achieve this commitment, indicating a lack of cultural awareness and the need to undertake training. The results also suggest that while some non-Māori organisations used the services of a kaumatua for cultural advice, more than half of the non-Māori organisations did not develop any ongoing relationship with the tangata whenua, thus showing lack of commitment to partnership with Māori. The current contracting regime requires NPOs to demonstrate their commitment to the Treaty (Sanders et al., 2008), and the

findings suggest that this is an ongoing challenge for non-Māori organisations. This finding confirms the assertion made by Margaret (2016) and Sanders et al. (2008) that there is considerable uncertainty about how the Treaty's bicultural requirements can effectively be articulated in practice. Margaret (2016) argued that in the context of NPOs, a commitment to te Tiriti and biculturalism is more than demonstrating cultural competency to engage with Māori as it is "equated in organisational contexts with a focus on ritual aspects of Te Ao Māori, for example, karakia [prayer], waiata [song], mihi whakatau [official welcome speech], rather than shifting power relationships, for example by moving to co-governance" (p. 9). Hollis-English (2012) argued that while many social service organisations have taken significant steps to implement te Tiriti o Waitangi, cultural tokenism is still very prevalent among social service organisations in New Zealand. As organisations tend to hand over their cultural responsibilities to their Māori staff, Hollis-English (2012) suggested that the organisations should instead review their level of cultural capabilities as an organisation. Margaret (2016) suggested that "re-normalising Māori culture is a critical aspect of being Treaty honouring" (p. 9). Similarly, Hollis-English (2012) suggested that non-Māori staff need to put Māori processes into action according to tikanga by acquiring the skills and knowledge and should not compromise cultural practices and beliefs when they work with Māori service users. Margaret (2016) described the ultimate destination for NPOs to work with the Treaty as "living the relationships envisioned by the Treaty (honourable kāwanatanga [government] and tino rangatiratanga)" (p. 12). Embracing the Treaty is an ongoing process of change at both the organisational level and the personal level. This shows that organisational staff, board members and volunteers need to engage in capacity building to acquire the relevant cultural knowledge and skills to work with Māori and demonstrate their commitment to te Tiriti o Waitangi.

## **6.5 Ecosystem Model of Non-Profit Organisation Management**

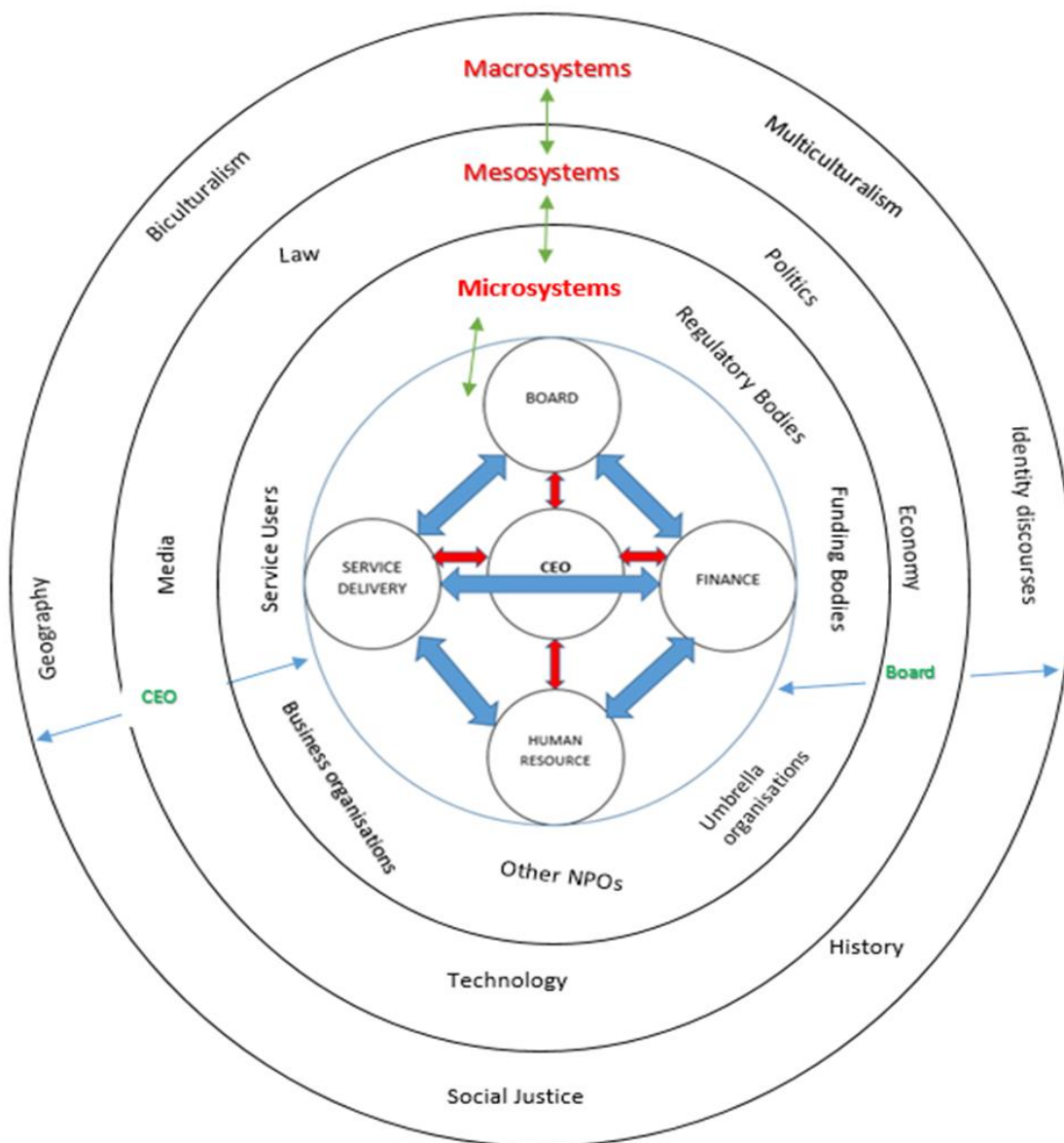
The conceptual framework of systems thinking adopted in this study to guide the research enquiry argued that NPOs are open systems consisting of interrelated elements interacting with their task environments (Anheier, 2005; Coulshed et al., 2006; Gardner, 2016; Jones & May, 1992; Lewis, 2014). The results of this study were only able to partly confirm this proposition, as relationships between the management of various organisational elements were not found between all the organisational elements. Nevertheless, the earlier discussion argued that the relationship between the organisational elements is a matter of comparison due to organisational identities and can significantly vary between organisations, as observed between Māori and non-Māori NPOs. The role of the CEO emerged as an influence on determining the relationships between the management of various organisational elements such as boards, service delivery, human resources and finance. The literature on NPOs suggests that NPOs interact with an external task environment, and NPOs need to simultaneously attend to multiple levels of management challenges in a typically complex, insecure, ambiguous, rapidly changing and multicultural environment for their survival and growth (Anheier, 2014; Lewis, 2014; Rahman, 2007; Schmid, 2004; Worth, 2014). The literature on the NPO sector in New Zealand demonstrated that NPOs face many environmental challenges (see Chapter 3) and they need to navigate through a complex multilayered environment to function and fulfil their organisational purposes. As evident from the discussion on NPOs' commitment to te Tiriti o Waitangi, there is also a cultural context that influences the task environment and internal functioning of the NPOs. This cultural layer has a significant influence on the management of NPOs.

Schmid (2004) argued that NPOs have very limited or no control over the political, economic, social, technological, legal and cultural elements of this external environment, and these external factors have considerable power and control over NPOs and influence their

emergence and dissolution. For example, political decisions regarding allocation of resources to particular target populations such as mental health patients or victims of violence have an immediate impact on the stability of NPOs that provide services to these people. Therefore, it can then be argued that to understand NPO management fully, we need to look at the management of the interrelated internal organisational elements within the context of the environment in which they operate. While systems thinking explains the relationship between organisational elements and the relevance of the environment, it does not articulate what this environment is, how many layers it has, and who guides the organisations to navigate through the environment. This suggests that we need to reconceptualise NPO management as a multidimensional process consisting of various interrelated subsystems that are influenced by a multilayered environment, which consists of many other systems. Moreover, systems thinking is very generic in its approach and does not contextualise the arguments in relation to NPOs. The current literature on NPO management does not provide theoretical models that explain the interrelated nature of the elements (subsystems) of internal management and the external environment. Therefore, this thesis argues that a reconceptualisation of NPO management is necessary, and combining the ideas from systems thinking with the literature on the external environment into a conceptual model will provide an integrated and comprehensive view of NPO management that explains the interactions between the subsystems within an NPO and its interaction with the external environment. A conceptual model can be beneficial for NPO managers, professional staff, academicians and students because it is a descriptive way of showing the relationship between a number of elements and describing phenomena such as NPO management (Chenoweth & McAuliffe, 2017). A conceptual model demonstrates the relationships between the elements rather than explains it and lays out tasks for practitioners and managers. A model can also be considered a theory depicted logically and graphically (Teater, 2014). Accordingly, this study proposes an

ecosystem model of NPO management to fill the knowledge gap in the NPO management literature. Figure 6.1. Ecosystems model of NPO management provides a visual representation of the ecosystem model of NPO management. The focus of the ecosystem model is on the relationship between organisational elements of the board, service delivery, human resources and finance and how NPOs as an organisational system interact with the multilayered task environment in which they operate to carry out their organisational mission. The task environment is considered one of the main determinants of the organisation's survival along with the dynamics of the management of internal elements. This model is concerned with populations of NPOs rather than individual organisations.

Figure 6.1. Ecosystems model of NPO management



The ecosystem model (Figure 6.1) of NPO management brings together a system lens on NPOs with an ecological lens on the environment in which they operate. Using a system lens, this model proposes that NPOs are open systems that comprise interdependent and interacting subsystems and are part of a supersystem of the NPO sector as a whole. The ecological lens on the environment proposes that the environment in which the NPOs are operating consists of a number of systems and is the main determinant of NPOs' survival and growth. Combining these two lenses, the ecosystems model focuses on the interactions within the

NPOs and across environmental systems and argues that NPO management should focus on the organisation–environment interactions. These organisation–environment interactions are complex, and NPOs need ‘boundary spanners’ to navigate through these interactions to ensure their survival and growth (Robbins & Barnwell, 2006). Boundary spanners connect with all the subsystems in an organisation and act as a mediator between the subsystems and between the NPO and the various environmental systems (Robbins & Barnwell, 2006). The leaders of the organisation—the board and the CEO—are the boundary spanners for NPOs because “organisations do not interact with their environment; their members do” (Silverman, 1970, as cited in Jones & May, 1992, p. 47). The current organisational challenges faced by NPOs span across boundaries, and so must the leadership. Boundary-spanning leadership is defined as the ability to establish connections across the boundaries to make the organisation adaptable to changes in its task environment so that it can achieve its organisational mission. Boundary spanners represent the organisation, link the NPOs to the external environmental systems and assume the responsibility to fulfil the organisational mission. The purpose of non-profit management is then to improve the interaction between the organisational subsystems and between the organisation and the various systems in its environment and to promote adaptation between the organisation and its environment.

Based on the literature review and findings of this study, the model argues that an NPO can be considered an open system composed of four key subsystems that interact with each other—the board, human resources, service delivery and finance—and is part of a larger supersystem known as the non-profit sector. The CEO and the board of the NPO are considered the boundary spanners because the CEO is connected with all the subsystems in the NPO and acts as a mediator between subsystems and between the NPO and the environmental system. The board is also considered the boundary spanner as the legal authority of the NPO, and assumes the stewardship and represents the NPO in the external environment. The external

environment consists of three layers: microsystems, mesosystems and macrosystems. These layers are explained below:

- **Microsystems**—The microsystems refer to the various environmental systems NPOs have a direct one to one inter-organisational interaction with within the immediate environment. These microsystems include funding bodies such as government ministries or departments, philanthropic funders, commercial organisations or individual donors, regulatory bodies, service users, umbrella organisations and other NPOs that may collaborate or compete with each other in delivering services. The microsystems also include other government departments NPOs may work with on behalf of their service users and commercial organisations that associate with NPOs for reasons other than funding. Importantly, the NPO connects the two critical aspects of their functioning: service users and funders.
- **Mesosystems**—Mesosystems refer to the various environmental systems that do not directly interact with the NPOs as active systems, but have the potential to affect the functioning of NPOs. They include broader social systems such as media, economy, politics, law and technology. For example, a change in government could result in radical policy shifts and law changes that could severely affect the way NPOs function. Advancements in technology such as virtual therapies could make existing modes of service delivery obsolete and thereby threaten the organisation's ability to offer services.
- **Macrosystems**—Macrosystems refer to the broader cultural systems in the society within which the organisations exist. They include notions such as biculturalism, multiculturalism and discourses on identity based on age, gender, sexuality, abilities, class, ethnicity, citizenship, history, geography and social justice. This environmental



layer is often difficult to articulate, as it may be invisible or purposefully hidden in our society due to various political and cultural assumptions. However, they inform and influence the mission and organisational goals of NPOs and accordingly influence the delivery of the services.

The nested conceptualisation of the organisational subsystems and multiple layers of environmental systems indicate that change in any part of the system can lead to change for the NPO and can radically affect the way NPOs function and manage. While the CEO acts as the boundary spanner within the organisation, the board also acts as a boundary spanner, linking the organisation and the environmental system. The organisational vision, mission, goals and values should mandate the boundary spanning. The board and the CEO through their boundary-spanning role should contribute to managing environmental uncertainty and protect the core (staff and services) from undue disruption by removing the need for it to interact directly with the environment. The ecosystem model of NPO management is a helicopter view of the management of NPOs in their interconnected and multilayered reality. However, it is also helpful to appreciate that no theory, concept, model or approach can consider all influencing factors, and the complexity of NPO management requires that we develop broad perspectives such as the ecosystem model developed in this study.

## **6.6 Limitations of the Study**

The aspirations of a PhD thesis are always constrained by the limited resources available, and this thesis is no exception. Unfortunately, but inevitably, this thesis has all the shortcomings of a PhD project—an under-resourced and inexperienced researcher who has attempted to tackle a complex task of combining two disciplinary subjects: management and social work.

This study has a number of possible limitations. The study attempted to develop an understanding of the management of NPSSOs in Aotearoa New Zealand. While the NPO

sector in Aotearoa New Zealand consists of both expressive and service organisations, this study focused only on NPSSOs that were registered as a charity under the Charities Act 2005. While the findings may provide some insights into the management of NPOs in general and may assist other types of NPOs to understand how they manage their board, service delivery, human resources and finance, the findings are mainly limited to social service organisations. While the findings of the study may be useful to NPOs in other countries, its generalisation is limited to New Zealand NPOs. The relatively small sample size ( $N = 65$ ) of this study has limitations to the generalisability of the findings. While the intended sample size was 16% of the population, the study was only able to collect data from 28% of the intended sample size. However, this response rate was similar to the response rate of surveys conducted among NPOs in New Zealand. Furthermore, the inclusion and exclusion criteria set for the study to achieve the purpose of the study could have prevented many organisations from participating in this study. This research used a cross-sectional survey and thus gathered data prevailing at that time.

The study has used an anonymous self administered survey for data collection to make the study feasible in terms of cost, time and geographical access to organisations. The confidential nature of the survey also helped to minimise the social desirability bias. However, the method of data collection prevented the researcher following up on participant responses and getting additional comments on the management of board, service delivery, staff, volunteers and finance. While alternative data collection methods such as an interview may be helpful in clarifying the participant responses, the responses could be influenced by social desirability biases and do not guarantee any additional information. Moreover, the constraints of a PhD project in accessing the resources to conduct a large-scale survey were also a limitation of this study.

The research involved studying the management of indigenous Māori organisations, and the questionnaire used to measure the management practices were mainly drawn from non-Māori sources and probably reflected a Eurocentric view on non-profit management. There is not enough indigenous research on the management of Māori social service organisations, and the research had to rely on generic management practices heavily influenced by Western Eurocentric management perspectives. While the Māori organisations that participated in this study self-identified themselves as Māori organisations and voluntarily participated in the study, a provision was included in the questionnaire to indicate whether any particular management practice standard was not applicable to the organisations and to comment on this further. However, no Māori organisations selected this not applicable option, thus indicating that the suitability of the management practices applied to them as well. Nevertheless, it has to be acknowledged that the measurement of variables in this study might not have reflected a Māori world view or values. As I am non-Māori, I obtained specific cultural advice from Māori in this project to minimise any cultural bias I had. The cultural advice obtained from two Māori advisors helped me to verify the cultural appropriateness of the research and confirm the cultural meaning of the Māori concepts and terms I used in this study. Understandably, this thesis will not be the last word on the issues that it addresses, and in many instances, it asks more questions than it could ever hope to answer.

## **6.7 Summary of the Chapter**

This chapter discussed the results of the survey conducted among NPSSOs in Aotearoa New Zealand to develop an understanding of the management of the board, service delivery, human resources and finance. Based on this discussion, a management self-assessment tool was developed for NPOs to assess their management practices. Based on the findings on the relationship between organisational management elements, this chapter presented an ecosystem non-profit management model to develop a comprehensive view of the non-profit

management. This model was developed by combining the systems thinking conceptual framework used in the study and the environmental lens that emerged from the literature review. This chapter also discussed how NPOs demonstrate their commitment to te Tiriti o Waitangi. The chapter ended with a discussion on the limitations of the study. The next, concluding chapter discusses the overview of the study and the implications of this research for management theory, practice, research, education and policy. It then finishes with suggestions for future research and a final reflection on the research process.

## CHAPTER 7: CONCLUSION

As those who have come before us have said “Nā tōu rourou nā taku rourou ka ora ai te iwi”.

If I share what I have and you share what you have, then all of the people benefit

(Whakataukī—Māori proverb).

NPSSOs are a very important aspect of New Zealand society, and more and more New Zealanders are relying on these organisations for their health and well-being needs. Despite their growing presence and importance, NPOs face significant challenges that threaten their growth and survival, and will have an impact on the health and well-being of New Zealanders. Proper management of NPOs and their resources is more important than ever now. Within this context, the overall purpose of this cross-sectional quantitative study was to develop an understanding of how NPSSOs in Aotearoa New Zealand manage their board, service delivery, human resources and finance, and maintain their commitment to te Tiriti o Waitangi. To develop this understanding, this study sought to examine the relationships between the management of the board, service delivery, human resources and finance and to investigate whether there was any difference between Māori and non-Māori organisations in their management of these organisational elements. To help with this enquiry, systems thinking was employed as the conceptual framework because NPOs are considered open systems with interdependent parts continually interacting with their task environments. The following picture of the management of NPSSOs emerged from this enquiry.

The evidence from this research suggests that the management of the board, service delivery, human resources and finance is a significant issue for NPSSOs in New Zealand irrespective of the organisations' cultural identity as Māori and non-Māori organisations because both demonstrated a borderline management practice and presented a medium risk. Because of this, the NPOs should examine their management practices in order to improve them and

become critically reflective learning organisations to achieve their organisational mission. A reliable and valid management self-assessment tool was developed for this purpose of self-assessment (see Appendix 1). An examination of the relationships between the management of the board, service delivery, human resources and finance found that the systems thinking proposition about the relationships between these four organisational elements needs to be approached with caution as they are a matter of comparison and they vary significantly based on organisational identities, such as Māori and non-Māori organisations. The role of the CEO emerged as a potentially significant influence on these relationships between these organisational internal elements. This shows that a simple systems thinking conceptual framework is no longer sufficient to understand the management of NPOs, especially when they operate in a complex task environment characterised by a neoliberal and NPM approach to social service delivery. As systems thinking is no longer sufficient, there is a need to reconceptualise NPO management in a way that acknowledges the interrelated organisational elements of internal functioning and the influence of the external task environment.

Accordingly, an ecosystem non-profit management model was developed to offer a comprehensive view of non-profit management. This model was developed by combining the systems thinking conceptual framework used in the study to understand the internal management of NPOs and the environmental lens that emerged from the literature review. As evident in the suggested model, NPO management is a complex phenomenon that consists of the management of internal organisational elements and the organisation's interactions with the external environment. The CEO and the board acting as boundary spanners of the NPOs link the organisation to the multiple systems in their task environment in order to be adaptable to the changes in the environment. As the non-Māori NPOs struggled with demonstrating their commitment to te Tiriti o Waitangi, this thesis also argues that they need to develop their cultural competence as organisations to be a culturally accountable organisation. This

understanding on the management of NPOs has implications for theory, practice, research, policy and education.

## **7.1 Implications for Theory and Research**

This research has confirmed that although a matter of comparison, there is a relationship between the organisational elements of management and that practices in one area of management affect the other areas, offering a useful insight into the NPOs' functioning and internal management. However, this research has also argued that to understand the complex nature of NPO management, a simple systems thinking approach is not sufficient because their multilayered complex environment heavily influences the NPOs. Therefore, the ecosystem model of management developed in this study has implications for theory and practice. It offers a relatively simple view of NPO management without losing its complexity. This model conceptualises the interaction between the complex multilayered environmental context and interrelated internal organisational elements in an easily understood visual diagram and offers a framework for scholars, practitioners and policy makers interested in non-profit management. This model suggests that any research examining the comprehensive, holistic nature of non-profit management should consider both the internal management and the external environment and the exchange that happens between these two. This offers an objective, value-neutral view on non-profit management. From a research viewpoint, this study also offers four empirically tested and reliable management rating scales to assist future researchers who want to research on the management of NPOs.

## **7.2 Implications for Practice**

This study offers insight into the management of the board, service delivery, human resources and finance, and indicates that NPOs need to improve their management of the board, service delivery, human resources and finance because the organisations in this study demonstrated

less than ideal management practice and were at risk, and suggests that NPOs need to be critically reflective learning organisations. Rather than merely pointing this out, this research offers a valuable self-assessment tool for NPOs to review, reflect and act on their management practices. It is expected that the self-assessment tool will help the NPOs to understand the recommended practices of management in relation to the board, service delivery, finances and human resources, and to develop an understanding of what good management could look like. As the majority of the organisations that participated in this study struggled with their management practices, this could be a wider issue in the sector, and the findings may apply to many organisations. Therefore, it is of paramount importance for boards, CEOs and staff to sit together and engage in a critical reflection on their management practices by using tools such as this so that they can appreciate the strengths and weaknesses of their management practices and put strategies in place to develop their capacities to manage the organisations in an ever-changing, complex and uncertain environment. This will also help them to understand the importance and processes of organisational change and articulate their role in this change. As the non-Māori organisations struggled to demonstrate their commitment to te Tiriti o Waitangi, there is a need for cultural education for those organisations so that they can understand the significance of te Tiriti for their organisations and learn how to incorporate the articles and practices into the organisational management to be a culturally competent organisation and to demonstrate cultural accountability.

### **7.3 Implications for Policy**

During the period of this research, successive National governments governed New Zealand, and their approach to the non-profit sector was characterised by a neoliberal ideology and NPM approach to service delivery. Towards the end of this research, in October 2017, a new Labour-led coalition government was formed after the 2017 general elections and the implications of this huge change for the non-profit sector are yet to be known. The evidence



from this research on the historical context of the NPO sector suggests that NPOs face significant change and organisational challenges whenever there is a change in government. NPOs have been facing significant challenges such as lack of adequate funding that emerged from government policy. As a result, NPOs struggle with their internal management and need to work on building their management capacities. As most of the NPOs rely on government contracts for their functioning, new contractual arrangements should consider the capacity building needs of NPOs in terms of management and commitment to te Tiriti o Waitangi. This study has suggested that the external environment, especially the microsystems, are heavily influenced by government funding and regulatory bodies, and they have a significant impact on how NPOs are managed. The literature suggests that this relationship is tense now and the new government could potentially ease the pressure on NPOs in terms of contractual arrangements, compliance and letting them follow their mission rather than government agendas.

#### **7.4 Implications for Education**

There is a general tendency to undervalue the importance of organisational management in social work education. When organisational management issues are addressed in social work education, the focus is on teaching generic management skills without acknowledging the difference in the organisational contexts. This is also evident in the textbooks on social work management. This tendency to focus on generic management should be revisited in educational programmes because, as this research has argued, NPOs are a different set of organisations from government and commercial organisations because they have multiple bottom lines. Management approaches developed in the public sector and the commercial sector are not appropriate for the non-profit sector due to their value orientation and mission-driven nature. Moreover, the management programmes offered in New Zealand management schools focus on business management and do not deal with non-profit management. No

specific non-profit management programmes are available in New Zealand at the time of writing, leaving a significant gap in the management education. Although there are private consultants who run small professional development training programmes, the absence of tertiary programmes in non-profit management undermines the importance of non-profit management as a discipline. Since NPOs struggle with their management and need to develop their management capacities, this gap should be addressed with priority by the educational organisations.

## **7.5 Recommendations for Future Research**

In general, there is a scarcity of research on non-profit management in New Zealand and more research in this area is needed to bring diverse perspectives on NPO management. While this study provides a new model of non-profit management, there is a need for more comprehensive empirical research on the impact of the external environment on organisational strategies and structures, especially given the rapid changes in those environments. The impact of government policies on organisational standardisation would be an interesting topic to investigate. More research should also be conducted on how NPOs manage their interactions with the various layers of the external environment. As this study suggested a difference in management between Māori and non-Māori organisations, more research is needed on the value differences in management. Kaupapa Māori research on Māori NPOs could explore the particular cultural values and practices that guide their management. Māori-initiated kaupapa research could also provide an indigenous view on Māori management in NPOs. More qualitative research is also needed to explore managers and boards' views on their subjective management experiences. Also, detailed case study and narrative research could provide a detailed comparative account of the organisational management in NPOs with different sizes and annual budgets. This study has demonstrated a strong female domination among boards, staff and volunteers, and more study is needed to

understand the impact of gender differences in management. The research also identified the role of CEOs in being the boundary spanner, and more research is needed on their role and influence in the management and success of NPOs. This study focused on only four key areas of non-profit management, but there are a number of other dimensions, such as marketing, and further research on NPOs' market orientation in a contracting environment could be useful. This research focused on the management processes related to board, service delivery, human resources and finance rather than managerial issues such as staff burnout and high CEO turnovers. While these issues are relevant to NPOs, they are exploratory and explanatory in nature rather than descriptive. As these issues were not related to the purpose and the questions of this research, they were not within the scope of this research although they are valid concerns among NPOs. These are certainly areas of further research and both qualitative and quantitative studies in this area could offer further insights into the wider non profit management scholarship.

The ecosystem model of non profit management presented in this study identifies CEOs and Board as boundary spanners of their organisations linking NPOs with external micro, meso and macro systems by using feedback from both external and internal systems. However, within the context of non profit social service organisations in Aotearoa New Zealand, this process is largely reactive than proactive. As NPSSOs are required to align their management processes in accordance with contracting and legal requirements, they are forced to engage in a reactive way and do not have the power to engage in a proactive way. As NPSSOs focus on delivering direct services as part of their contract with government agencies, they do not consider proactive behaviours such as advocacy and lobbying as their primary function and engage in them directly. Most of the NPSSOs associate with national umbrella organisations such as Hui E who are engaged in proactive behaviours such as advocacy and lobbying for the non profit sector on behalf of NPSSOs. However, this was not within the scope of this

research and further qualitative research is required to understand the proactive behaviour of national umbrella organisations. Further research in this area could provide more insights into the proactive nature of NPOs.

## **7.6 Final Reflection**

As a professionally trained social worker, it is essential that I reflect on my PhD journey. This research has informed me about the role and scope of NPOs in our society and the economic and social value they add to the society. It has also taught me about the enormous challenges they face in addressing the diverse welfare needs of New Zealanders. I learned so much about the non-profit sector in New Zealand, but more importantly, this journey also taught me to how to do research and how not to do research. I had many “aha” moments during this journey, and I also faced significant challenges. However, finishing the thesis taught me how to be a resilient researcher, just like how resilient the NPOs are. I finish with a newfound appreciation for the non-profit sector in New Zealand. Despite the challenges they face, most of them tend to stick around somehow to enlarge people’s choices in life and to support their health and well-being. The survival of the non-profit sector is critical to every aspect of human existence, and this research was a modest attempt to contribute to the wealth of knowledge and skill in the non-profit sector.

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## Appendices

### Appendix 1: NPO Management: Self-Assessment Tool

#### How to use the tool

This management self-assessment tool consists of four three-point (*Always*, *Sometimes*, or *Never*) rating scales providing statements about the management practices related to four key areas of non-profit management: board (30 statements), service delivery (12 statements), human resources (28 statements) and finance (20 statements). The rating points are assigned a numerical score (Always=4, Sometimes=2 and Never=0) to calculate the organisational risk in each of these management areas. The most useful way to use this tool is to complete it in a 2-3 hour workshop meeting, with input from the board, Chief Executive Officer, staff and a selection of volunteers. Taking each statement of management practice, in turn, discussing whether it is true, or is in place, or happens in the organisation and providing a score based on the extent to which the organisation follows each management practice in respective areas (4= Always, 2= Sometimes and 0= Never). An agreement is needed on a score based on what actually happens, not on what is supposed to happen, or what is documented in organisations' policies and manuals. After scoring every statement in each area, the next step is to add up the total for each rating scale and calculate a summary rating by dividing the total score by the number of items in each rating scale. Transfer the total score and summary rating into the three-level management practice and risk level table (Poor practice & High risk, Borderline practice & Medium risk and Good practice and Low risk) as per the score interpretation table available after the scales. Scores between 0-50 percentage of the maximum score obtainable are considered as poor practice and high risk, 51-75 percentage regarded as borderline practice and medium risk and 76-100 percentage are considered as good practice and low risk (refer to the table for the scores for each scales). Organisations can then prepare a visual diagram of the management practice and risk by plotting the summary score of each scales into the management profile-plotting sheet provided at the end of this tool. While the rating scores give an indication of how well the organisation manages its board, service delivery, human resources (staff and volunteers) and finance and the management risks they carry, the real value in this exercise is the conversations and the details of issues discussed in the organisation and the action taken on their management practices. The results of this assessment also can be used in the organisational strategy building exercises.

**Board Management Rating Scale (Always=4, Sometimes=2, Never=0)**

No	Board management practices	Rating (4, 2 or 0)
1	The board ensures that it is focussed on organisational governance to realise the organisational vision, mission, values and goals and the manager/CEO is focused on day to day operations of the organisation	
2	The board acts as leaders and governing trustees of the organisation on behalf of the community while carrying out organisation's mission and goals	
3	The board deals with strategic issues and supports the chief executive to carry out his/her operational functions	
4	The board ensures that it meets its obligations as a legal entity and receive legal advice when necessary	
5	The board attempts to maintain a positive relationship with the key stakeholders in the organisation's field of practice	
6	The board evaluates the performance of the CEO/manager at regular intervals in relation to previously determined set of expectations	
7	The board ensures that it has at least the minimum number of members as required by their bylaws or the law	
8	The board follows its rules and regulations when it appoints and terminates members from the board	
9	The board's nomination process ensures that the board remains appropriately diverse and non-discriminatory reflecting the community and service users with respect to gender, ethnicity, culture, economic status, age, disabilities and skills or expertise	
10	All the new board members go through an orientation process to learn about organisational vision, mission, values, goals, bylaws, policies and services	
11	All the board members are aware of their roles and responsibilities and carry out their duties according to the board operations manual	
12	All the board members receive regular ongoing training and information about developments in the non-profit sector	
13	The board maintains a code of ethics and conduct and follows them when necessary	
14	The board follows their attendance policy strictly when it makes policy decisions	
15	The board members receive agendas and materials relating to significant decisions in advance of their board meeting	
16	The board handles urgent matters between its meetings as they arise	
17	The board maintains a conflict of interest policy and make sure that its members comply with the policy	
18	The board maintains and strictly follows a policy of prohibiting employees and members of their immediate families from serving as board chair or treasurer	



19	The board ensures that it reviews the risk at regular intervals and organisation has adequate insurance policies to cover loss, damage to people, equipment, and buildings.	
20	The board follows a formal process of communication between the board and the operations	
21	The board forms or reviews the organisational strategies by reviewing its mission and vision based on a detailed analysis of external environment	
22	The board plans and develops the organisational strategies by consulting the staff on matching the external environment and the internal competencies	
23	The board ensures that the organisational vision remains current and reflects the desired state of the change agreed by all members of the board	
24	The board ensures that the organisational mission statement provides a time frame and clear strategies to achieve the vision	
25	The board ensures that the goals of the organisation clearly communicate the organisation's purpose and services to meet community needs.	
26	The board ensures that, by soliciting community input, its mission and activities remain valid and provide benefit to the community in a culturally competent manner	
27	The board with the assistance of staff converts the organisational strategies to achievable annual plans till the next round of strategic planning process	
28	The strategies/annual plans establish an evaluation process and performance indicators to measure the progress toward the achievement of goals and objectives	
29	The board ensures that through work plans, human and financial resources are allocated to ensure the accomplishment of the goals in a timely fashion	
30	The board communicates the organisational strategies/annual plans to all stakeholders: service recipients, board, staff, volunteers, funding partners, and the general community	
<b>Total board management score (Add together the rating of 30 statements)</b>		
<b>Summary rating (Divide the total score by 30)</b>		

**Service Delivery Management Rating Scale (Always=4, Sometimes=2, Never=0)**

<b>No</b>	<b>Service delivery management practices</b>	<b>Rating (4, 2 or 0)</b>
1	The service delivery planning is conducted by the staff under the guidance of the executive director/manager in accordance with organisation's vision, mission, goals, and values	
2	The annual service delivery planning begins with the review of the last year's performance and finishes with the plan for the next year	
3	The organisation uses national and international research to keep up-to-date with the latest developments in their field of practice to inform its service delivery planning	
4	The annual service delivery planning clearly identifies the human and financial resources required to deliver the services to meet organisational goals	
5	Clients and potential clients have the opportunity to participate in service delivery planning	
6	The organisation carefully considers issues related to culture in its service delivery planning	
7	The service delivery planning predicts output, outcome, impact, efficiency, and quality assurance for each service and develops performance measures to verify them	
8	The organisation develops a service delivery plan with time frame for each of its programmes/services to track its progress	
9	The planning gives adequate attention to matching the work to be done and the competency to do the work in terms of staff training and capacity building	
10	The organisation provides necessary training for the staff to implement new programmes and services.	
11	The organisation conducts periodic monitoring of each programme/service to ensure its effectiveness and efficiency including service user satisfaction surveys	
12	The organisation evaluates each programme/service to establish its outcome and impact and to comply with all internal and external reporting requirements	
<b>Total service delivery management score (Add together the rating of 12 statements)</b>		
<b>Summary rating (Divide the total score by 12)</b>		

**Human Resource Management Rating Scale (Always=4, Sometimes=2, Never=0)**

<b>No</b>	<b>Staff management practices</b>	<b>Rating (4, 2 or 0)</b>
1	The organisation fills the vacant positions promptly to prevent interruptions to services delivery and ensure fair workload	
2	The organisation follows non-discriminatory hiring practices	
3	The organisation recruits staff through a competitive recruitment process developed and guided by human resource professional	
4	The organisation provides clear job descriptions that provide details such as qualifications, responsibilities, reporting relationships, performance indicators and review when it recruits staff members	
5	The organisation offers a competitive remuneration plan to all employees in accordance with their qualifications and experience and conducts a periodic review of salary ranges and benefits	
6	The organisation provides an induction programme for all the new staff regarding its vision, mission, values, policies, and procedures	
7	The organisation ensures that all the board members and staff have access to the written personnel policy and they follow the policies	
8	The organisation follows a systematic and fair method for the assignment of new or existing staff to specific jobs to protect their workload	
9	The CEO/Manager carefully reviews and responds to ideas, suggestions, comments, and perceptions from all staff members	
10	The organisation supports and provides opportunities for meeting employees' professional development needs	
11	The organisation supports all the professional employees such as social workers and counsellors to become members of their respective professional bodies	
12	The organisation supports all the professional employees such as social workers to obtain necessary registration and maintain their annual practising certificates	
13	The organisation maintains contemporaneous records documenting staff time in program allocations	
14	The organisation follows a clear and fair policy and process for managing all the workplace conflicts and complaints	
15	The chief executive officer/manager or their delegated authority conducts and documents employee performance appraisals of all the staff annually	
16	Individual employees are acknowledged and rewarded for their outstanding contribution to the organisation's activities	
<b>Total Staff Management Score (Add together the rating of 16 statements)</b>		
<b>Summary rating (Divide the total score by 16)</b>		

No	Volunteer management practices	Rating (4, 2, or 0)
1	The organisation defines a clear purpose for all the volunteer jobs in volunteers within the organisation	
2	The organisation provides well-explained job descriptions for all volunteer positions in the organisation	
3	The organisation actively recruits volunteers according to a well-defined volunteer management plan	
4	The organisation follows a volunteer recruitment policy that does not discriminate, but respects, encourages, and represents the diversity of the community	
5	The organisation provides appropriate training and orientation to the agency to assist the volunteer in the performance of their volunteer activities and offers training with staff in such areas as cultural sensitivity	
6	The organisation is respectful of the volunteer's abilities and time commitment and has various job duties to makes sure that jobs are not given to volunteers simply because the jobs are considered inferior for paid staff	
7	The organisation periodically evaluates each volunteer's engagement with the organisation to understand the strengths and weaknesses of its volunteer programme	
8	The organisation does some type of volunteer recognition or commendation periodically, and staffs continuously demonstrates their appreciation towards the volunteers and their efforts	
9	The organisation proactively responds to the ideas, suggestions and comments from volunteers	
10	The organisation provides opportunities for program participants to volunteer	
11	The organisation maintains contemporaneous records documenting volunteer time in program allocations	
12	Financial records are maintained for the volunteer time spent on programs and recorded as in-kind contributions	
<b>Total volunteer management score (Add together the rating of 12 statements)</b>		
<b>Summary rating (Divide the total score by 12)</b>		

**Financial Management Rating Scale (Always=4, Sometimes=2, Never=0)**

<b>No</b>	<b>Practices of financial management</b>	<b>Rating (4, 2 or 0)</b>
1	The CEO/Manager consults all the staff to prepare budget to make sure that the budget meets service delivery plan requirements	
2	The final annual budget clearly identifies the income, various expenditures and overheads approved by the board	
3	The organisation allocates specific roles for board and staff members in fundraising	
4	The organisation ensures that funds are raised in an ethical manner consistent with the organisation's values and goals	
5	The CEO/manager prepares monthly/quarterly cash flow projections and communicates this to the board	
6	The organisation follows accounting practices which conform to accepted standards	
7	The organisation records the details (date, description, amount etc.) of its transactions (payments and receipts) in cashbooks according to the standard chart of accounts	
8	The organisation ensures that entries in the cash books are cross-referenced to a supporting evidence	
9	The CEO/Manager checks the cash book every month and confirms that the transactions are coded as per the cost centres	
10	The organisation keeps track of amounts owed to others (e.g., suppliers) and owed by others (Eg; staff, contracts payments etc.)	
11	The organisation ensures that the expenses are properly authorised and approved by a designated person before payment is made	
12	The organisation ensures that bank reconciliations are checked by someone who did not prepare them	
13	The organisation ensures that statutory deductions (payroll taxes, superannuation contributions etc.) are properly made and paid on time to comply with its tax obligations	
14	The organisation controls all the items owned by a fixed assets register for reducing loss and risk	
15	The organisation ensures that it has adequate insurance coverage to minimise organisational risk and liabilities	
16	The organisation periodically forecasts year end revenues and expenses to assist in making sound financial decisions during the year	
17	The organisation remains accountable to funders by providing financial statements as per the funding agreements	
18	The organisation demonstrates their accountability by sharing its financial information with the community and the regulatory bodies	

19	The organisation renegotiates its contracts for services regularly (and before the contract expiry date) to reflect current costs and service needs identified in the community	
20	The organisation ensures that staff and board members dealing with financial matters receiving appropriate training	
<b>Total financial management score (Add together the rating of 20 statements)</b>		
<b>Summary rating (Divide the total financial management score by 20)</b>		

### Score Interpretation

Transfer the total score and summary rating for each scale into the table below, record the management practice, and risk level as per the scoring scheme on the management practice and risk table provided. If organisations received, poor practice and high-risk rating in any of the management practice areas, it indicates serious problems with the management of that areas and board and the CEO should meet to discuss how the management can be improved. If the practice is borderline and risk is medium, the board and CEO still needs to discuss how the management practices in those can be improved. If the practice is good and the risk is low, immediate discussion is not needed, but still, may need to make improvements and further reduce the organisational risk.

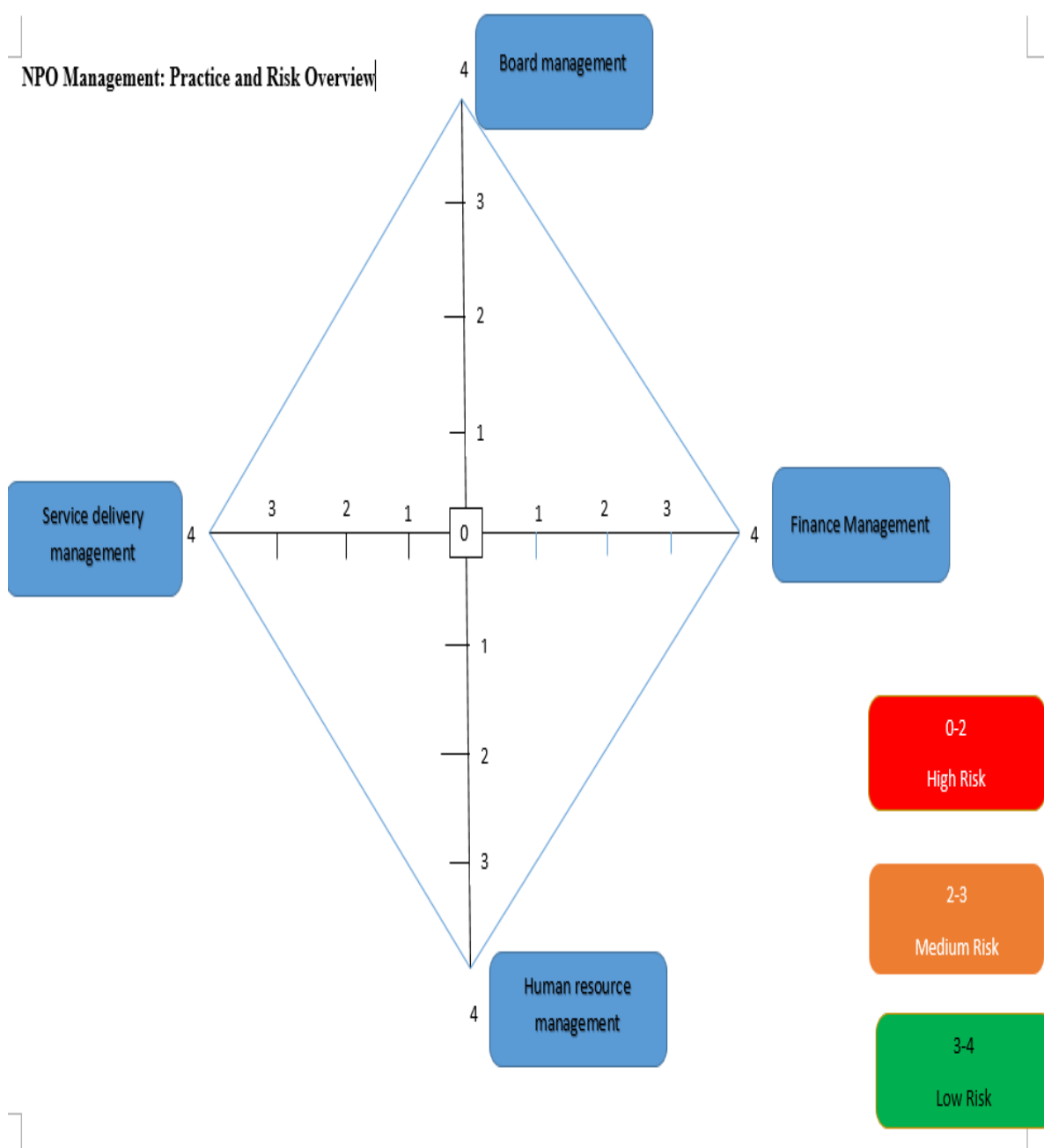
<b>Dimension</b>	<b>Total score</b>	<b>Summary rating</b>	<b>Practice &amp; Risk level</b>
Board management			
Service delivery management			
Staff management			
Volunteer management			
Finance management			
Total Human resources management (Staff management + volunteer management)			

### Management practice & Risk level table

Dimension	Poor practice & High risk	Borderline practice & Medium risk	Good practice & Low risk
Board	0-60	61-90	91-120
Service delivery	0-24	25-36	37-48
Staff management	0-32	33-48	49-64
Volunteer management	0-24	25-36	37-48
Total human resource management (staff management+ volunteer management)	0-56	57-84	85-112
Finance	0-40	41-60	61-80
Overall management	0-180	181-270	271-360

### Management Profile Plotting

Based on the summary rating calculated for each management areas, NPOs can prepare a management profile plot to visualise their management practice and risk level. A management profile-plotting sheet is developed for NPOs to use and is demonstrated in figure 6.3. The management profile-plotting sheet consists of four axes: board management, finance management, service delivery management and human resource management. A visual management overview can be created by plotting the summary rating (0-4) of each management scale on to the corresponding axes of the profile plot and drawing a line to connect each point on the axes. This will give a learning profile for the organisation on their management practices and organisational risk. Figure 1 displays an ideal management profile plot where the summary rating for each axes is four. When a line is drawn to connect each point on the axes, it presents a very balanced management profile. If organisations have different levels of risk in each area, then the plot will demonstrate an unbalanced management profile as can be seen in figure 2. In this example, the board management is at high risk, service delivery management is at low risk, human resource management at high risk and finance management at medium risk demonstrating an unbalanced, non-ideal management profile. The aim of management should be achieving a profile plot as visualised in figure 6.3 so that the organisations are at low or no risk in terms of their management practices.



**Figure 1.. Balanced and ideal management profile plot**

Note: if the NPO does not have any volunteers, replace the human resource management summary rating with staff management summary rating to create the profile.



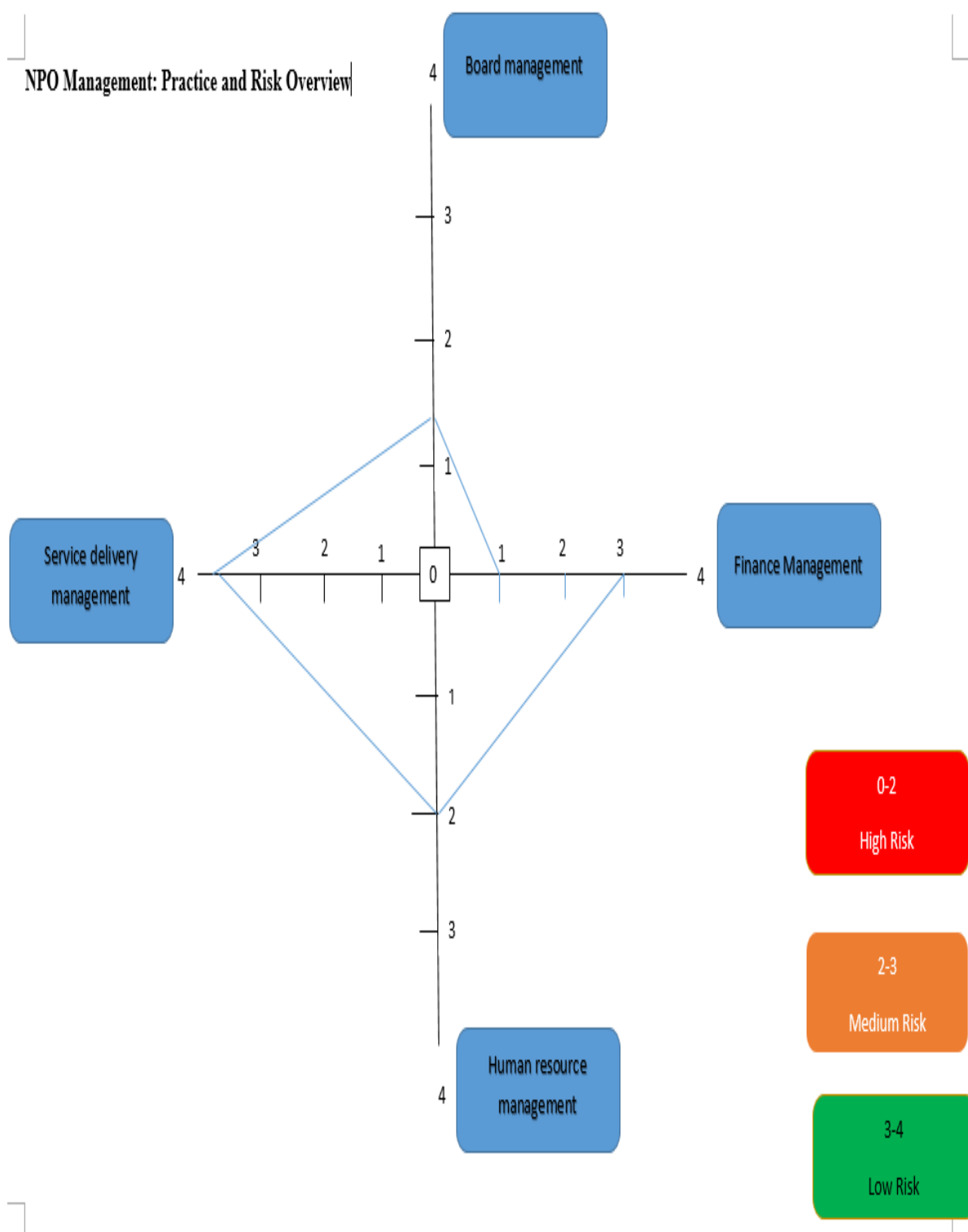
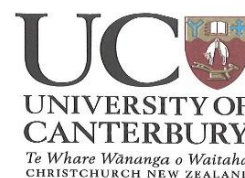


Figure 2. Unbalanced Management Profile Plot

## Appendix 2: Ethics Approval Letter

Human Ethics Committee

Tel: +64 3 364 2241, Fax: +64 3 364 2856, Email: [human-ethics@canterbury.ac.nz](mailto:human-ethics@canterbury.ac.nz)



Ref: HEC 2010/93

2 August 2010

Albert Kuruvila  
School of Social & Political Sciences  
UNIVERSITY OF CANTERBURY

Dear Albert

The Human Ethics Committee advises that your research proposal "A study of management of non-governmental social service organisations in New Zealand" has been considered and approved.

Please note that this approval is subject to the incorporation of the amendments you have provided in your email of 29 July 2010.

Best wishes for your project.

Yours sincerely

PP 

Dr Michael Grimshaw  
*Chair, Human Ethics Committee*

## Appendix 3: Research Information Sheet

### College of Arts

Albert Kuruvila

PhD Candidate

Social Work and Human Services Programmes

School of Social and Political Sciences

Private Bag 4800

Christchurch 8140

Tel: +64 3 3642 987, Fax: + 64 364 2498

Email: [albert.kuruvila@pg.canterbury.ac.nz](mailto:albert.kuruvila@pg.canterbury.ac.nz)



**Subject: Invitation and Information Sheet to Participate in PhD research project**

**Dear**

Greetings and Peace!!!

Your organisation is invited to participate as a subject in the research project: *A Study on the Management of Non-Governmental Social Service Organisations in New Zealand*. The project is being carried out as a requirement for the degree of Doctor of Philosophy (PhD) in Social Work in the University of Canterbury by Albert Kuruvila under the supervision of Dr. Annabel Taylor (senior supervisor) and Dr. Andrew Frost (associate supervisor).

The aim of this project is to describe and analyse the management practices of nongovernmental social service organisations in New Zealand to understand and investigate how well they manage their board of governance, strategic planning, human resources, finances, service delivery, and networking. I hope that the results of the study will help us to understand better, how these organisations are being managed and improve the performance of the sector to help and empower individuals and communities in New Zealand.

Your involvement in this project will be providing information about the management practices of your organisation as a manager/ board member. The information will be collected through an anonymous questionnaire, and you or your organisation will not be identified as a participant in the study without your consent. The project does not seek any personal information about you, any other staff, the board of directors and volunteers since the unit of the study is the organisation you represent not the individuals. The time required for responding to the questionnaire is calculated as approximately 2 hours. The organisation's participation is voluntary, and as a participant, you have the right to withdraw from the project at any time, including withdrawal of any information provided; without any consequences, until your questionnaire has been added to others collected. Because it is anonymous, it cannot be retrieved after that. Please note the code number on the questionnaire and quote this number if you decide to withdraw at from the project after returning the questionnaire.

In the performance of the tasks and application of the procedures, there are no risks to your safety and health, and you will not be subject to any experiments.

In return for this participation, the organisation will be able to receive an electronic copy of the report from the University of Canterbury library database after the thesis examination. I believe that the research tool has potential to help your organisation in self-assessing the practices in governance and management and will examine any issues of concern for better performance and management.

The results of the project may be published, but you may be assured of the complete confidentiality of data gathered in this investigation. The identity of participants will be unknown through the entire process of the research. To ensure anonymity and confidentiality, the questionnaire will ask neither the organisational details nor the details of the person filling the questionnaire. Since the research aims to see the general patterns, the data will be generalised, and no individual organisation will be named in the results. Only I, and my supervisors, will have access to the information about the organisation. The questionnaire will be kept in a locked cabinet at University of Canterbury in accordance with the Privacy Act (1993) and will be destroyed after the degree is awarded. Electronic data will be kept for 10 years in password-protected computers and then will be deleted from the researcher's home computer, work computer and any other storage devices. The hardcopy and electronic copy of the thesis will be deposited in the library of University of Canterbury, Christchurch. Please note that the PhD thesis is a public document via the University of Canterbury library database and anyone who searches the database will have access to the thesis report.

By completing the questionnaire, it will be understood that you have consented to participate in the project, and that you consent to the publication of the results of the project with the understanding that anonymity will be provided. As it is an anonymous questionnaire, there is no consent form to complete.

If you have any questions or want more information, I request you to contact me at the phone numbers below or by email. If you have any concerns about your rights or treatment in this research, you may contact my supervisors at 03-3642444 (*Dr. Annabel Taylor*) and 03-3642987 ext 8449 (*Dr. Andrew Frost*). They will be pleased to discuss any concerns you may have about participation in the project.

The project has been reviewed **and approved** by the University of Canterbury Human Ethics Committee.

I request you to return the completed questionnaire within four weeks in the postage prepaid envelope enclosed with this letter.

Thank you for your valuable time and help with the research project.

Kind Regards,

*Albert Kuruvila*

*PhD student, School of Social and Political Sciences, University of Canterbury*

*Private Bag 4800*

*Christchurch 8140*

*Ph : 03- 3642987 ext-3485 (office), 03-3572582 (Home) : 0211058274 (Mobile)*

*Email: [albert.kuruvila@pg.canterbury.ac.nz](mailto:albert.kuruvila@pg.canterbury.ac.nz) or [albertmsw@gmail.com](mailto:albertmsw@gmail.com)*

## Appendix 4: Data Collection Instrument- Questionnaire

### QUESTIONNAIRE

**Title of the Project: A Study on the Management of Non-Governmental Social Service Organisations in New Zealand.**

**Code No:**

**Please read the following note before completing the questionnaire.**

The following inclusion and exclusion criteria are set for this study to meet the objectives of the study and the valid and reliable measurement of the phenomena under study. The organisations are requested to ensure that they meet the criteria to participate in the study before answering the questionnaire.

#### **Inclusion Criteria**

- a registered charity under the provisions of Charities Act 2005
- incorporated either under the Incorporated Societies Act 1908 or the Charitable Trusts Act 1957
- an operating age of at least three years as on 31 March 2010
- employing at least three full-time equivalent (FTE) staff<sup>16</sup>
- an annual income between NZ\$300,000 and NZ\$1 million.

#### **Exclusion Criteria**

- Membership-based Māori organisations will not be considered for the study unless their primary activity is social service to the Māori population.

**Disclaimer:** The questionnaire is designed to collect accurate and authoritative information regarding the governance and management of Non-Governmental Organisations in New Zealand. Legal requirements and practice standards stated are capable of change due to new legislation. All stated legal aspects are in effect as of December 30, 2012. The self-assessment nature of this questionnaire can be utilized with the understanding that the provision of this questionnaire does not constitute professional legal and tax advice or other professional services. The questionnaire has been prepared based on the detailed review of the following guidelines, reports, and materials.

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<sup>16</sup> FTE is the sum of all full-time employees plus half the number of part time employees. The FTE was calculated on the basis that two part-time employed people are equivalent to one full-time employed person.

- 1) Checklist of Non Profit Organisational indicators edited by Carter McNamara published by Greater Twin Cites United Way, USA (year not known)
- 2) Self-Assessment Tool for organisations edited by Fay Freeman and Sandy Thompson under SCOPE project funded by Tindal Foundation, NZ ,2005
- 3) Mango's Financial Health Checklist published by Mango, UK, 2009.
- 4) Grant Thornton Not for Profit Survey 2009/2010 published by Grant Thornton NZ, 2009.
- 5) Defining the Non Profit Sector: New Zealand by Margaret Tennant, Jackie Sanders, Michael O'Brien, and Charlotte Castle published by The John Hopkins Centre for Civil Society Studies, Baltimore, 2006.
- 6) A Handbook of NGO Governance by Marilyn Wyatt published by the European Centre for Not-for-Profit Law, Budapest, Hungary, 2004.
- 7) Tax Information for charities registered under the Charities Act 2005 (IR 256), Inland Revenue, April 2009.

### **How to use the Questionnaire?**

The questionnaire consists of both open-ended and closed-ended questions under each management practice areas, such as the board of governance, human resource management, financial management, service delivery and networking. These questions are followed by a box of statement of management practice defined in a three-point rating scale, which represents what is required to have a healthy, well governed, and managed organisation. Each of the statements asks the organisation to rate or judge its performance in specific areas of governing/managing the organisations.

The organisation can rate their score to the following ways to each statement of practice according to what actually happens in the organisation, not what is supposed to happen. Rate the organisation's current practice against each of the best practice statements as honestly and accurately as can. Enter the rating in the box.

- ✓ Rate 4 if the organisation has the practice stated *always* in its operations
- ✓ Tick the box 2 if the organisation has the practice stated *sometimes* in its operations
- ✓ Tick the box 0 if the organisation *never* has the best practice stated in its operations

Some practices may not be applicable to some organisations or may be unaware of the application to its operations. Please enter N/A or unsure appropriately.

**SECTION A: GENERAL PROFILE OF THE ORGANISATION (Please tick relevant box or circle)**

1) Geographical area of operation: ☐ Auckland ☐ Wellington ☐ Christchurch ☐

Other (Please specify):

2) Type of operation : A) National with regional office ☐ B) Regional only (specify)

\_\_\_\_\_ C) Local community groups

3) Year of Establishment: A) Before 1980 B) Between 1980-1990 C) Between 1991-2000 D) Between 2001-2005 E) Between 2006-2010

4) Sector of operation : A) Health ☐ B) Disability services ☐ C) Family and child development ☐ D) Community development ☐ E) Youth services ☐ F) Mental health ☐ G) Domestic Violence H) Other ☐ (please specify) \_\_\_\_\_

5) Type of registration:

A) Incorporated society under the Incorporated Societies Act 1908 ☐ B) Charitable society and Trust under the Charitable Trusts Act 1957 ☐

6) Does the organisation identify itself as a Māori /Iwi social service organisation? Yes ☐ No ☐

6A) If the organisation is a Māori organisation, do you operate as a Māori Trust under the Māori Trust Board Act 1955? : Yes ☐ No ☐

7) Primary beneficiaries of organisation ☐ A) Māori/iwi groups ☐ B) Pacific people ☐ C) Asian people ☐ D) People of any culture ☐

8) Year of registration under the Charities Commission:

9) Does the organisation have submitted annual returns with supporting financial reports to Charities Commission? : Yes ☐ No ☐

10) Did the organisation submit an annual report and audited financial statements for the last 3 years to either Registrar of Incorporated Societies or trusts (please circle)? : Yes ☐ No ☐

11) Does the organisation obtain the following tax-exempt status from IRD?

- |                                                             |   |     |    |
|-------------------------------------------------------------|---|-----|----|
| A) Non -business income tax exemption                       | : | Yes | No |
| B) Business income tax exemption                            | : | Yes | No |
| C) Gift duty exemption                                      | : | Yes | No |
| D) Donee status                                             | : | Yes | No |
| E) Resident withholding tax (RWT)-certificate of exemption: |   | Yes | No |
| F) Fringe benefit tax (FBT) exemption                       | : | Yes | No |

12) Did you file tax reports to IRD on a regular basis such as Employee Registration form (IR 345), Employee Deduction form (IR 345) etc ?      Yes      No

13) Does the organisation registered for Goods and Service Tax (GST) with IRD? Yes      No

14) Does the organisation offers Payroll giving through PAYE tax system?      Yes      No

15) What is the Annual Budget of the organisation A) \$ 300,001 -\$ 500,000      B) \$500,001-\$ 700,000      C) \$ 700,001-\$1 Million

16) Number of Paid Staff      : 16A) Full time -      16B) Part time-

17) Number of Volunteers      : 17A) Full time -      17B) Part time-

18) Number of Governing Board Members:

19 ) Governing body members:      A) Male:      B) Female:



**SECTION B: GOVERNANCE AND ROLE OF BOARD OF DIRECTORS (Please tick relevant box or circle)**

Governance refers to the role that the board has in developing and realising the vision and mission of the organisation, being a protector of its values, reputation and other resources and managing risk. Good governance requires an efficient board to oversee the overall functioning of the organisation. It is very important that a board is aware of its leadership roles and poor board operations, when undetected can adversely affect the entire organisation.

20) Does the organisation have a formally established governing structure? : Yes No

21) Do you have subcommittees under the board of governance? : Yes No

If yes, which of the following committees does your organisation have (Please tick)

A) Audit committee B) Investment Committee C) Development Committee

B) D) Programme Committee E) Human Resource Committee H) Funding Committee

I) Any other (please specify) \_\_\_\_\_

22) How often does the board meet in a year? A) Once in every six months B) once in every three months C) every month D) Never

23) Is the chief executive a member of the board? Yes No

23A) Does the chief executive act as the chair of the governing board?: Yes No

24) Do the members of the staff including the chief executive officer have the right to vote in the board? : Yes No

25) Is the organisation's financial statement subject to independent audit? : Yes No

If yes, does the auditor separately meet with your board or audit committee at least once in a year? : Yes No

26) Does the board perform an annual self-assessment of its activities and performance? : Yes No

27) Does the organisation offer remuneration for its board members?: Yes No

27A) If yes please specify the amount /year:

28) Does the board meet without any paid staff, including CEO/Executive director of the organisation? : Yes No

29) Does the organisation have a written statement of its vision? Yes No

30) Does the organisation have a written statement of its mission to achieve its vision? Yes No

31) Does the organisation have a written set of organisational values? Yes No

32) Does the organisation have written objectives which describe its activities and programmes? : Yes No

33) Does the organisation have a strategic planning exercise every three to five years to review its vision, mission, objectives, values and strategies? : Yes No

33A) If yes, does the organisation keep a strategic planning document which is accessible to all the stakeholders? : Yes No

**Board Management Rating Scale (Always=4, Sometimes=2, Never=0)**

No	Board management practices	Rating (4, 2 or 0)
1	The board ensures that it is focussed on organisational governance to realise the organisational vision, mission, values and goals and the manager/CEO is focused on day to day operations of the organisation	
2	The board acts as leaders and governing trustees of the organisation on behalf of the community while carrying out organisation's mission and goals	
3	The board deals with strategic issues and supports the chief executive to carry out his/her operational functions	
4	The board ensures that it meets its obligations as a legal entity and receive legal advice when necessary	
5	The board attempts to maintain a positive relationship with the key stakeholders in the organisation's field of practice	
6	The board evaluates the performance of the CEO/manager at regular intervals in relation to previously determined set of expectations	
7	The board ensures that it has at least the minimum number of members as required by their bylaws or the law	
8	The board follows its rules and regulations when it appoints and terminates members from the board	
9	The board's nomination process ensures that the board remains appropriately diverse and non-discriminatory reflecting the community and service users with respect to gender, ethnicity, culture, economic status, age, disabilities and skills or expertise	
10	All the new board members go through an orientation process to learn about organisational vision, mission, values, goals, bylaws, policies and services	
11	All the board members are aware of their roles and responsibilities and carry out their duties according to the board operations manual	
12	All the board members receive regular ongoing training and information about developments in the non-profit sector	
13	The board maintains a code of ethics and conduct and follows them when necessary	
14	The board follows their attendance policy strictly when it makes policy decisions	
15	The board members receive agendas and materials relating to significant decisions in advance of their board meeting	
16	The board handles urgent matters between its meetings as they arise	

17	The board maintains a conflict of interest policy and make sure that its members comply with the policy	
18	The board maintains and strictly follows a policy of prohibiting employees and members of their immediate families from serving as board chair or treasurer	
19	The board ensures that it reviews the risk at regular intervals and organisation has adequate insurance policies to cover loss, damage to people, equipment, and buildings.	
20	The board follows a formal process of communication between the board and the operations	
21	The board forms or reviews the organisational strategies by reviewing its mission and vision based on a detailed analysis of external environment	
22	The board plans and develops the organisational strategies by consulting the staff on matching the external environment and the internal competencies	
23	The board ensures that the organisational vision remains current and reflects the desired state of the change agreed by all members of the board	
24	The board ensures that the organisational mission statement provides a time frame and clear strategies to achieve the vision	
25	The board ensures that the goals of the organisation clearly communicate the organisation's purpose and services to meet community needs.	
26	The board ensures that, by soliciting community input, its mission and activities remain valid and provide benefit to the community in a culturally competent manner	
27	The board with the assistance of staff converts the organisational strategies to achievable annual plans till the next round of strategic planning process	
28	The strategies/annual plans establish an evaluation process and performance indicators to measure the progress toward the achievement of goals and objectives	
29	The board ensures that through work plans, human and financial resources are allocated to ensure the accomplishment of the goals in a timely fashion	
30	The board communicates the organisational strategies/annual plans to all stakeholders: service recipients, board, staff, volunteers, funding partners, and the general community	

### Additional comments

**SECTION C: SERVICE DELIVERY (Please tick relevant box or circle)**

Effective organisations plan and develop their operational activities every year in a way that directly meets the organisation's vision, mission and values. They effectively deliver appropriate and well run services and programmes for the beneficiaries and assure their quality by regular monitoring, reviewing and appropriate evaluation.

34) Does the organisation have an annual planning exercise to operationalise the strategic planning every year? : Yes No

34A) If yes, does the organisation prepare an annual planning document which identifies the programmes and the resources? : Yes No

35) Does the organisation prepare an annual report which reflects the achievements and failures congruent with its annual plan?: Yes No

35A) If yes, does the organisation publish it for the community? : Yes No

36) Does the organisation undertake a risk profile assessment? : Yes No

36A) If yes, what are the main areas of risk assessment: A) Loss of staff B) Organisation's assets C) Fraud D) Loss of income E) Natural disaster F) Legislation and government policy

37) How often does the organisation review the risk profile : A) 0-6 months B) 6-12 months C) 12-24 months D) Never

**Service Delivery Management Rating Scale (Always=4, Sometimes=2, Never=0)**

No	Service delivery management practices	Rating (4, 2 or 0)
1	The service delivery planning is conducted by the staff under the guidance of the executive director/manager in accordance with organisation's vision, mission, goals, and values	
2	The annual service delivery planning begins with the review of the last year's performance and finishes with the plan for the next year	
3	The organisation uses national and international research to keep up-to-date with the latest developments in their field of practice to inform its service delivery planning	
4	The annual service delivery planning clearly identifies the human and financial resources required to deliver the services to meet organisational goals	
5	Clients and potential clients have the opportunity to participate in service delivery planning	
6	The organisation carefully considers issues related to culture in its service delivery planning	
7	The service delivery planning predicts output, outcome, impact, efficiency, and quality assurance for each service and develops performance measures to verify them	
8	The organisation develops a service delivery plan with time frame for each of its programmes/services to track its progress	

9	The planning gives adequate attention to matching the work to be done and the competency to do the work in terms of staff training and capacity building	
10	The organisation provides necessary training for the staff to implement new programmes and services.	
11	The organisation conducts periodic monitoring of each programme/service to ensure its effectiveness and efficiency including service user satisfaction surveys	
12	The organisation evaluates each programme/service to establish its outcome and impact and to comply with all internal and external reporting requirements	

**Additional comments:**

**SECTION D: HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT Please tick relevant box or circle)**

Effective organisations have appropriate and motivated staffs with appropriate qualifications and experience. The NGO sector requires staffs who honour the vision, mission, and values of the sector. Effectively managed organisations provide appropriate training and development opportunities for staff and volunteers. NGOs tend to attract many volunteers and they need a good volunteer management plan to obtain the maximum benefits from volunteers. In appropriate staff will adversely affect programme delivery and thus compromise the organisational purpose.

38) No. of staff : 38A) Male\_\_\_\_\_ 38B) Female\_\_\_\_\_

39) No. of Volunteers : 39A) Male\_\_\_\_\_ 39B) Female\_\_\_\_\_

40) Does the organisation have a written personnel handbook/policy that is regularly reviewed and updated: a) to describe the recruitment, hiring, termination and standard work rules for all staff; b) to maintain compliance with government regulations including holidays act, occupational and health safety, Parental leave etc? : Yes No

41) Does the organisation follow an equal opportunity employment policy in terms of gender and ethnicity? : Yes No

42) How does the organisation usually advertise its vacancies? A) Media advertisement  
B) Website advertisement C) Newsletter advertisement D) Professional associations  
E) Word of mouth F) Internal advertisement

43) Does the organisation have a human resource manager/talent advertiser with HR qualifications? : Yes No

44) If you are a Māori organisation, do you employ people from other ethnic groups?  
: Yes No N/A

45) If you are a Māori organisation, do you have any additional requirements such as knowledge of teo reo Māori and tikanga Māori when you recruit staff? Yes No N/A

If yes, please specify:

**Human Resource Management Rating Scale (Always=4, Sometimes=2, Never=0)**

No	Staff management practices	Rating (4, 2 or 0)
1	The organisation fills the vacant positions promptly to prevent interruptions to services delivery and ensure fair workload	
2	The organisation follows non-discriminatory hiring practices	
3	The organisation recruits staff through a competitive recruitment process developed and guided by human resource professional	
4	The organisation provides clear job descriptions that provide details such as qualifications, responsibilities, reporting relationships, performance indicators and review when it recruits staff members	
5	The organisation offers a competitive remuneration plan to all employees in accordance with their qualifications and experience and conducts a periodic review of salary ranges and benefits	
6	The organisation provides an induction programme for all the new staff regarding its vision, mission, values, policies, and procedures	
7	The organisation ensures that all the board members and staff have access to the written personnel policy and they follow the policies	
8	The organisation follows a systematic and fair method for the assignment of new or existing staff to specific jobs to protect their workload	
9	The CEO/Manager carefully reviews and responds to ideas, suggestions, comments, and perceptions from all staff members	
10	The organisation supports and provides opportunities for meeting employees' professional development needs	
11	The organisation supports all the professional employees such as social workers and counsellors to become members of their respective professional bodies	
12	The organisation supports all the professional employees such as social workers to obtain necessary registration and maintain their annual practising certificates	
13	The organisation maintains contemporaneous records documenting staff time in program allocations	
14	The organisation follows a clear and fair policy and process for managing all the workplace conflicts and complaints	
15	The chief executive officer/manager or their delegated authority conducts and documents employee performance appraisals of all the staff annually	
16	Individual employees are acknowledged and rewarded for their outstanding contribution to the organisation's activities	

**Additional comments:**

No	Volunteer management practices	Rating (4, 2, or 0)
1	The organisation defines a clear purpose for all the volunteer jobs in volunteers within the organisation	
2	The organisation provides well-explained job descriptions for all volunteer positions in the organisation	
3	The organisation actively recruits volunteers according to a well-defined volunteer management plan	
4	The organisation follows a volunteer recruitment policy that does not discriminate, but respects, encourages, and represents the diversity of the community	
5	The organisation provides appropriate training and orientation to the agency to assist the volunteer in the performance of their volunteer activities and offers training with staff in such areas as cultural sensitivity	
6	The organisation is respectful of the volunteer's abilities and time commitment and has various job duties to make sure that jobs are not given to volunteers simply because the jobs are considered inferior for paid staff	
7	The organisation periodically evaluates each volunteer's engagement with the organisation to understand the strengths and weaknesses of its volunteer programme	
8	The organisation does some type of volunteer recognition or commendation periodically, and staffs continuously demonstrates their appreciation towards the volunteers and their efforts	
9	The organisation proactively responds to the ideas, suggestions and comments from volunteers	
10	The organisation provides opportunities for program participants to volunteer	
11	The organisation maintains contemporaneous records documenting volunteer time in program allocations	
12	Financial records are maintained for the volunteer time spent on programs and recorded as in-kind contributions	

**Additional comments:**

**SECTION E: SYSTEMS OF OFFICE MANAGEMENT (Please tick relevant box or circle)**

Effective organisations will have effective office systems and infrastructure such as building, vehicle, computers etc. A good office supports everyone with appropriate workloads and ensures that when staff members are out working they know that they have back up. A good office means policies and practices are in use for all transactions and making sure everyone follows the rules.

46) Does the organisation has a specific office administrator/receptionist apart from CEO and other staff? : Yes No

47) Does the organisation has a website? : Yes No

47A) Does the organisation maintain any social media platform to inform the public about its activities? Yes No

48) Does the organisation own its office? : Yes No

49) Does the organisation has vehicles for its field operations? : Yes No

50) Does the organisation's buildings and office space are accessible to people with disabilities? : Yes No

51) Does the formal communication system consist primarily of written or computer based communication? : Yes No

52) Does the agency have specific locations where notices and other written communication can be seen or received? : Yes No

53) Does the organisation has a policy on purchase and use of stationery, telephone and other utilities? : Yes No

No	Office management practices	Rating
1	Information systems are in place, providing secure, timely, accurate and relevant information to all relevant staff	
2	An appropriate qualified or experienced person /firm manage the website and social media platforms of the organisation and they are updated on a regular basis.	
3	Computer systems (including email) are adequate and effective and there are regular backup systems in place.	
4	All staff members are aware of the organisation's information systems, are knowledgeable in their use, and make use of them as needed.	
5	The manager holds regular staff meetings in groups or as individuals.	
6	Each staff meeting has an agenda and minutes for the same.	
7	The organisation has a policy on keeping private information according to Privacy Act (1993) and has processes and measures to adhere to this law.	



8	The organisation has a flexible work arrangement system for its employees.	
9	The organisation has a policy and procedure manual for all areas of its operations and they are reviewed and revised on a regular basis.	

**Additional comments:**

## **SECTION F: FINANCIAL MANAGEMENT (Please tick relevant box or circle)**

Effective financial management is like a wheel with several spokes such as planning, budgeting, fund raising, accounting, internal control systems, compliance of laws, rules and regulations, audit and external reviews. This is the fuel of organisation and absence of any of these means organisations are at risk.

54) What are the main sources of funding for the organisation? (Please indicate approximate % of each source)

A) Individual donations ---B) Grants from philanthropic institutions ----C) Grants from government -----D) Fees for the services ----E) Government contracts-----F) Membership subscriptions----- G) Interest/investments -----H) Street appeals ---- I) other funding-----

55) Does the organisation prepare an annual budget prior to the start of the financial year, showing proposed expenditure and income? Yes No

56) Does the annual budget show the sources of funding? : Yes no

57) Does the organisation have external auditor? : Yes No

57A) Does the organisation use external fund raisers? Yes No

58) Does the organisation have a qualified accountant : Yes No

59) Does the organisation use any computer accounting programmes? Yes No (If yes, circle the programme is being used)

59A) MYOB B) XERO C) Other (specify):

**Financial Management Rating Scale (Always=4, Sometimes=2, Never=0)**

No	Practices of financial management	Rating (4, 2 or 0)
1	The CEO/Manager consults all the staff to prepare budget to make sure that the budget meets service delivery plan requirements	
2	The final annual budget clearly identifies the income, various expenditures and overheads approved by the board	
3	The organisation allocates specific roles for board and staff members in fundraising	
4	The organisation ensures that funds are raised in an ethical manner consistent with the organisation's values and goals	

5	The CEO/manager prepares monthly/quarterly cash flow projections and communicates this to the board	
6	The organisation follows accounting practices which conform to accepted standards	
7	The organisation records the details (date, description, amount etc.) of its transactions (payments and receipts) in cashbooks according to the standard chart of accounts	
8	The organisation ensures that entries in the cash books are cross-referenced to a supporting evidence	
9	The CEO/Manager checks the cash book every month and confirms that the transactions are coded as per the cost centres	
10	The organisation keeps track of amounts owed to others (e.g., suppliers) and owed by others (Eg; staff, contracts payments etc.)	
11	The organisation ensures that the expenses are properly authorised and approved by a designated person before payment is made	
12	The organisation ensures that bank reconciliations are checked by someone who did not prepare them	
13	The organisation ensures that statutory deductions (payroll taxes, superannuation contributions etc.) are properly made and paid on time to comply with its tax obligations	
14	The organisation controls all the items owned by a fixed assets register for reducing loss and risk	
15	The organisation ensures that it has adequate insurance coverage to minimise organisational risk and liabilities	
16	The organisation periodically forecasts year end revenues and expenses to assist in making sound financial decisions during the year	
17	The organisation remains accountable to funders by providing financial statements as per the funding agreements	
18	The organisation demonstrates their accountability by sharing its financial information with the community and the regulatory bodies	
19	The organisation renegotiates its contracts for services regularly (and before the contract expiry date) to reflect current costs and service needs identified in the community	
20	The organisation ensures that staff and board members dealing with financial matters receiving appropriate training	

**Additional comments**

**SECTION G: RELATIONSHIP MANAGEMENT & NETWORKING (Please tick relevant box or circle)**

Effective organisations are well known in their communities and maintain good relationships with individuals and groups. They usually keep good rapport with like minded organisations, government agencies and corporate sector to serve its vision and mission in line with their values and ethics. Organisations can represent their communities' voice through networking with other organisations for lobbying and advocacy which could initiate changes in public policy. Effective organisations are also transparent and accountable to its bye-laws, values and all stakeholders such as government, staff, beneficiaries, funders and community at large.

60) Is the organisation a member of any professional association? If yes please specify \_\_\_\_\_

61) Does the organisation network with a variety of organisations (i.e. local and central government entities, businesses and other non-profit and community agencies, iwi, hapu, etc):  
Yes No (If yes please specify \_\_\_\_\_)

62) Does the organisation believe that the Charities commission is helpful for the NGO sector?: Yes No

63) Does the organisation associate with any business organisations for fund raising or any other matters? : Yes No

64) Does the organisation associate with other NGOs on common issues/themes? : Yes No

65) Does the organisation actively participate in the community consent process sought by government pertinent to its activities? : Yes No

66) Does the organisation believe in a competitive rather than collaborative approach? Yes No

67) Does the organisation feel that accepting government contracts /grants compromises organisational vision and mission? Yes No

**SECTION H: Te Tiriti O Waitangi (Please tick relevant box or circle)**

Many community organisations, not just iwi or hapu groups, make a strong commitment to honouring Te Tiriti O Waitangi. Organisational structure and practices reflect that commitment.

68) Does the organisation have a statement in its constitution or founding documents that outlines its commitment to Te Tiriti O Waitangi?

Yes No

69) Do the organisation's personnel (Board members, staff and volunteers) understand the principles of the Treaty and incorporate those principles in the delivery of services? :  
Yes No

70) Does the programmes and activities operate in a way that reflects above commitment to Te Tiriti O Waitangi.? : Yes No

71) Do the structure and staffing reflects our commitment to Te Tiriti O Waitangi? : Yes  
No

72) Has the organisation built strong, ongoing relationships and is there cohesion with Tangata Whenua, relevant Māori groups, organisations and institutions? : Yes No

**Additional Comments:**

**SECTION I: ADDITIONAL QUESTIONS (Please use additional sheets if necessary)**

73) Is the organisation satisfied with the prevailing management systems /practices in the organisation? : Yes No

If no, why and what improvement do you want to bring in the present management practices of this NGO?

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74) Do you agree with the popular view that NGOs need a distinct management system different from the management of business and public sector organisations?: Yes  
No

If Yes/No, why do you think so?

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75) Do you think that there is a need for a specific management model that is more suited to NZ NGOs from NGOs in other countries? : Yes No

If yes/no , why do you think so?

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76) Do you think that is there any difference in the management of Māori/iwi organisations and non Māori organisations?:      Yes      No

If yes, please state the differences.

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## Appendix 5: Charities Register-Screenshot

The screenshot shows the Charities Register website in a Google Chrome browser. The address bar displays [www.register.charities.govt.nz/CharitiesRegister/CharityAdvancedSearch.aspx](http://www.register.charities.govt.nz/CharitiesRegister/CharityAdvancedSearch.aspx). The page features the Charities Commission logo (Kaitiaki Takekōwhiri) and a navigation menu with links: Home, The Register, Forms, News, Setting up a charity, Strengthening your charity, Compliance, About Us, and FAQs.

On the left sidebar, there are links for: Search the register, Advanced Search, Open Data, Register Online, and Log in.

The main content area is titled "Advanced Search (Open Data)". It includes a disclaimer: "All Information supplied by charities and displayed on the Charities Register is not verified by the Charities Commission." Below this, it states: "This form will help you build the rules for your search." and "See the Charities' data 'how-to' guide to learn how to access and use the data."

The "Charity Search" section contains a search rule builder. It shows a rule: "Match All of the following rules: Main Sector is Social services". Below this, there are checkboxes for the columns to return: Charity Name, Charity Registration, Charity Māori Information, Charity Group Information, Charity Admin, Charity Charitable Purpose, and Charity Contact Information. All are checked.

At the bottom of the search section are buttons for "Clear Search" and "View Result File\*". A note below states: "\* Result will open in Excel".

The footer includes a Creative Commons Attribution 3.0 New Zealand License logo, the text "Use of this data is licensed under a Creative Commons Attribution 3.0 New Zealand License.", and links for "Privacy" and "Terms Of Use". The version information "Version 5.13.3.23746 © Crown copyright" is also present.