

A Matter of Faith

Passion in the boardroom

Not-for-profits must combine the commercial nous of a Fisher & Paykel with the good intentions of Mother Teresa. The local chairs of World Vision and Habitat for Humanity explain how good governance can protect good works. By Ruth Le Pla.

If you want a striking example of governance with inbuilt constraints, check out the not-for-profit sector. These guys must work within the standard regulatory framework and make sure the outfit doesn't go broke while also satisfying the organisation's social agenda. They must attract and retain sound souls on their boards with the promise of little or no money.

They must manage the public image of their organisation in a sector where reputation is everything. And all the while make sure they neither spend – nor allow even a whiff of suspicion that they spend – more than the decent minimum number of cents in the process.

Many must champion the survival of the organisation's aspirations, often ensuring the transition from the dreams of the original instigators through to a brand new generation of believers.

Not surprisingly, it is not an easy task. While larger profit-based companies can dangle in front of potential directors the carrot of corporate fame, sharemarket excitement or the offer of career-building stepping stones, not-for-profits must appeal to a deeper and altogether different sense of mission.

For the local branches of Christian organisations World Vision and Habitat for Humanity, a seat on the board embodies a chance to contribute to a cause that directors have already embraced in a very personal way.

On the World Vision New Zealand board, for example, being a committed Christian is the "number one thing", says

chair Peter McClure. It is a vital and inescapable prerequisite to consideration for a directorship and is woven, with very few exceptions, into the cultural fabric of the entire national organisation.

McClure stresses that does not translate into overt expressions of Christian faith at the service delivery end of the organisation where in-the-field projects include child sponsorship in Muslim as well as Christian countries. In its practical application, the international World Vision organisation expresses Christianity through its work rather than using the projects as vehicles to perform ministry.

At Habitat for Humanity New Zealand – the local arm of a worldwide group that helps build houses in partnership with people in need of adequate shelter – the rules of engagement are expressed in slightly different terms but produce the same end result. Chairman Tony Lanigan describes the bottom line for inclusion as "generic skills plus a sense of passion for the organisation's vision".

Habitat for Humanity (HFH) is clearly a Christian organisation, he says, but he cannot recall a single occasion when he has demanded "the label" of committed Christian as a prerequisite to a seat on the board.

"Having said that, HFH's five-year strategic vision is that we want to mobilise people and financial and social capital," he says. "And we will demonstrate the love and teaching of Jesus Christ in serving as a partner and catalyst for worldwide access to decent safe affordable housing."

So it's pretty clear that anyone embracing such ideals must sit pretty comfortably with the God and Jesus part of the plan.

All of which means that both organisations are fishing in a pond that is even smaller than usual when they want to scoop up new directors.

Not-for-profit or otherwise, McClure is well aware that all boards worth their salt must encompass the "right

mix” of skills. He is conscious of not wanting to offend anyone but acknowledges that World Vision’s board in the past “might have been slightly overweight” with committed Christians who “didn’t necessarily have the right skill set”.

“Maybe we didn’t have enough commerciality on the board [at one time],” he says, “so we had Christians who were incredibly well meaning and supportive of the work that World Vision was doing but who were not necessarily applying good governance.”

It’s a tricky line to walk. How do you disabuse well-intentioned people of the notion that they are going to be useful on a board? Neither McClure nor Lanigan had an easy answer to the conundrum although both have structures in place to ease selection and appraisal of board members. Like many companies, most not-for-profits, one suspects, must rely heavily on natural attrition to refresh and reshape the composition of their board.

McClure says he now has a very interesting mix of directors weaving together a satisfying combo of commercial, development, academic and Christian/Biblical experiences for the benefit of the organisation. Gender, age and cultural differences round out their perspectives.

The organisation conducts a 360 degree peer review every year. “At our last board meeting,” says McClure, “we sat and spoke bluntly about each other.” International peer reviews from the wider World Vision network mean a week-long visit from someone from another office who attends meetings and checks out board/management interaction. “They’ll audit us; which I think is fantastic.

“We recognise that we need to do something as a board regularly to continue lifting our game,” says McClure, “so we’ve got someone coming to our next board meeting who specialises in that. He’ll see how we’re operating, where we’ve got holes or weaknesses or are underperforming, and he’ll develop a programme with us to lift our game.”

At Habitat for Humanity, Lanigan says ideal board members are those who not only share the vision but also “bring the necessary social and commercial acumen to make it all hang together”.

At just 10 years old, the organisation is still relatively



Peter McClure

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young, he believes. For some years now it has been transitioning away from its original governance structure which was based on a series of standalone boards dotted around the country. The organisation now has a regional affiliate structure backed up by a national board. Its nature, he says, provides a more appropriate form of governance to match the work and style of the organisation.

“There are issues that we deal with at a national level such as branding, and relationships with government departments and major sponsors and there are things associated with our families

which are more easily dealt with at the affiliate level.

“It dawned on us about 18 months ago that you can’t have 18 affiliates across the country because you can’t service them. It’s the 80/20 rule. Twenty percent of them require 80 percent of the attention.”

Demarcation lines between governance and management still remain blurred at times, Lanigan acknowledges. It is a fact that he attributes to the large cross-over between directors’ commitments to both the board and to putting the vision into practice in the areas where they live. It is not, he says, a problem.

The current Habitat for Humanity board supplements its skills base by shoulder tapping people with relevant skills for one-off projects. This short-term focus reflects the nature of people’s busy-ness and an understanding that individuals’ passions frequently match a shifting range of interests at different stages of their lives.

Parents with young kids, for example, are more likely to support Plunket, playcentres or kohanga reo. Those with school-aged children may be up to their eyeballs in running school fairs and helping out on sports days.

Having said that, Lanigan is savvy enough to know that organisations in need of help may sometimes most easily seek succour from people who are already well occupied. “Ask a busy person,” says Lanigan.



Tony Lanigan

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While the current board ranges from people in their mid 30s to their late 60s, the average age would be around 60, says Lanigan. So, naturally, developing a policy to ensure succession planning is on the agenda.

Neither organisation pays its directors for their time. They both have policies to pay expenses although few directors dip into these funds to any great extent.

“We have a policy that board members *may* claim travel expenses to attend board meetings,” notes Lanigan, “but the majority do not and rather gift their time and expenses as part of their commitment to the Habitat mission.”

Nor does this lack of remuneration deter would-be directors who in this sector, at least, are clearly motivated by more than money.

At World Vision a newly introduced motivating factor – or at least a calmer of nerves – may be McClure’s introduction of a finance, audit and risk management (FARM) commit-

tee. One of his first initiatives on the board, it came hand in hand with a wholesale review of the organisation’s risk matrix and all board policies.

“We wanted to make sure we had policies in place where there weren’t any before,” says McClure. “And we wanted to make sure those policies were aligned with those of World Vision International.” Tidying up “that absolutely critical governance area” also involved appointing new auditors aligned with the group’s international auditors.

The effect on board members was immediate. “You could physically see the weight come off the shoulders of the board members who weren’t comfortable in that territory because they knew the organisation was now being governed and managed properly.”

Given the size of the organisation, their previous levels of discomfort are understandable. With the local branch’s revenue this year set to approach \$60 million, World Vision New Zealand towers over many local businesses and its directors carry the same governance burden and fiscal liabilities.

“So we’ve got to be very cautious,” says McClure. “One of the most fundamental things is that the brand name and reputation of World Vision mean we have to be squeaky clean. If that gets tarnished in any way it hurts us significantly. So having strong governance, good policies that are well managed and good risk management processes are so important to our ongoing health as an organisation.”

As Lanigan puts it, irrespective of the sector within which they operate, these not-for-profit directors shoulder the same burden as those of the corporate world. “The people and organisations that give us money expect us to be good custodians of these resources.”

The difference lies altogether elsewhere. “I’ve been reflecting,” he says. “Could I put the board of Fletcher Building on the Habitat for Humanity board? The answer is they probably have a different passion for business.”

So for this not-for-profit at least, all the commercial nous in the world may not compensate for a lack of shared vision and mission.

“People need to be passionate about what they do,” says Lanigan. “The success of governance is having passionate executive staff who support the board. And the more passionate they are and the more clear their guidelines, the more successful the outfit will be.”