



**The Unique Governance Context of the Not-for-Profit Boardroom:  
Construction and Execution of Board Member Roles and Processes**

A thesis submitted in fulfilment of the requirements for the degree of Doctor  
of Philosophy

Jennifer Fuller

BA (University of New England), LLB (Hons) (Flinders University), MPA  
(University of South Australia)

School of Accounting

College of Business

RMIT University

November 2018

## **DECLARATION STATEMENTS**

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

I acknowledge the support I have received for my research through the provision of an Australian Government Research Training Program Scholarship.

Jennifer Fuller  
November 2018

## ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to my Principal Supervisor, Professor Lee Parker and Associate Supervisor, Dr Giulia Leoni for their continuous support, guidance, patience and encouragement during my candidature. Their immense knowledge has been a source of inspiration and motivation for me while researching and writing the thesis. I feel very privileged to be their student.

I would also like to thank Professor Garry Carnegie who was my Co-Supervisor during the early stages of my candidature. I am most grateful for Garry's helpful comments and suggestions as well as his humour and enthusiasm.

Special thanks goes to my parents, my brother, and partner Dan for the unwavering encouragement and support they provided to me while I was undertaking this research.

The Research Training Program Scholarship from the Australian Government was most valuable as it provided me with financial support to undertake my studies. I am very grateful for the opportunity it provided to me to study a Higher Degree by Research.

I also wish to thank the following senior academics for their valuable feedback and encouragement during the course of my research: Professor Niamh Brennan from University College Dublin, Professor Steven Dellaportas from RMIT University, Dr Collette Kirwan from the Waterford Institute of Technology and Professor Prem Yapa from RMIT University.

I extend my thanks to all participants involved in this study for their time and valuable contributions.

Jennifer Fuller

November 2018

# TABLE OF CONTENTS

<b>DECLARATION STATEMENTS</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>iii</b>
<b>TABLE OF CONTENTS</b> .....	<b>iv</b>
<b>LIST OF FIGURES</b> .....	<b>viii</b>
<b>LIST OF TABLES</b> .....	<b>ix</b>
<b>LIST OF ABBREIVIATIONS</b> .....	<b>x</b>
<b>ABSTRACT</b> .....	<b>1</b>
<b>CHAPTER 1: INTRODUCTION</b> .....	<b>4</b>
<b>The research problem</b> .....	<b>9</b>
<b>Aim and research questions</b> .....	<b>13</b>
Title of Study.....	13
The Central Objective of this study.....	16
RQ 1: How does board members’ conception and approach to their strategic role reflect the unique NFP environment?.....	17
RQ 2: What is the board member control role and how is it enacted in the NFP context? .....	18
RQ 3: What is the board member resource dependence role in the NFP context and how is it enacted? .....	20
<b>Theoretical perspective</b> .....	<b>21</b>
<b>Methodological approach</b> .....	<b>24</b>
<b>Motivation and justification for the research</b> .....	<b>27</b>
Significance and impact of the research.....	27
<b>Contribution of this study</b> .....	<b>29</b>
<b>Organisation of chapters</b> .....	<b>30</b>
<b>CHAPTER 2: LITERATURE REVIEW</b> .....	<b>31</b>
<b>Introduction</b> .....	<b>31</b>
<b>The NFP sector</b> .....	<b>34</b>
<b>Comparing NFP and FP sector characteristics</b> .....	<b>37</b>
<b>Directors and the board: multiple roles</b> .....	<b>41</b>
<b>Towards board and director accountability</b> .....	<b>46</b>
<b>Board member roles</b> .....	<b>52</b>
<b>The strategic role of board members</b> .....	<b>52</b>
<b>The control role of board members</b> .....	<b>56</b>
<b>The resource dependence role of board members</b> .....	<b>61</b>
<b>Board accountability performance</b> .....	<b>63</b>
<b>Towards a theoretical orientation</b> .....	<b>64</b>
<b>An insider view of board process</b> .....	<b>67</b>

Conclusion .....	70
<b>CHAPTER 3: METHODOLOGY .....</b>	<b>71</b>
Introduction.....	71
Calling for qualitative investigation.....	73
Ethics.....	75
Selecting the case study organisation.....	76
Case study method.....	77
An ethnographic approach .....	79
Participant observation.....	80
Interviews .....	86
Data analysis: coding and memo writing.....	93
Document analysis .....	99
Summary of the data sources.....	102
Data interpretation and establishing trustworthiness.....	103
(a) Credibility .....	104
(b) Transferability .....	105
(c) Dependability.....	105
(d) Confirmability .....	105
Methodology and theory .....	106
Conclusion .....	107
<b>CHAPTER 4: THEORETICAL FRAMEWORK.....</b>	<b>108</b>
Introduction.....	108
Accountability in corporate governance.....	110
Accountability: key elements and a definition .....	112
Accountability in the NFP board context .....	114
The concept of broad accountability.....	115
Broad accountability: key findings from selected NFP studies.....	126
Limitations of broad accountability.....	130
Broad accountability: synthesising concepts and the research agenda.....	131
Conclusion .....	137
<b>CHAPTER 5: ORGANISATIONAL CONTEXT AND PROFILE.....</b>	<b>138</b>
Introduction.....	138
The NFP sector in Australia: the challenges .....	138
Unique characteristics of the NFP sector .....	142
Background to the organisation studied.....	147
Conclusion .....	153
<b>CHAPTER 6: THE STRATEGIC ROLE OF BOARD MEMBERS .....</b>	<b>155</b>
Introduction.....	155
Strategic responses to external changes in funding.....	157
Strategic responses to legislative and market change .....	160
Internal strategic focus: balancing mission and sustainability.....	163
Internal strategic focus: analysing service effectiveness .....	165

Internal strategic focus: the new Board Chair and strategic initiatives.....	168
Conclusion .....	175
<b>CHAPTER 7: BOARD MEMBER ROLES – LIMITING OPERATIONAL DRIFT.....</b>	<b>177</b>
Introduction.....	177
Background to operational drift.....	178
Operational drift in strategising.....	180
Preventing operational drift through broad accountability .....	185
Limiting operational drift: how trust and information assist .....	188
Limiting operational drift: knowledge and experience aids understanding roles and scope .....	195
Limiting operational drift: using aspects from the resource dependence role .....	198
Limiting operational drift individually and collectively .....	200
Operational drift in control and the resource dependence role .....	202
Conclusion .....	209
<b>CHAPTER 8: THE CONTROL ROLE OF BOARD MEMBERS.....</b>	<b>211</b>
Introduction.....	211
Old to new: from the previous NFP model to a strategically refocused model.....	213
External factors that encouraged the strategically refocused model.....	215
Internal factors that encouraged the strategically refocused model.....	217
The strategically refocused model in practice: an example of directors’ remuneration .....	219
Balancing control and strategy: the role of broad accountability.....	220
Blended control: balancing formal and negotiable accountability .....	223
Blended control in practice: the example of accreditation and compliance standards .....	225
Blended control in practice: the example of branding and organisational profile change .....	226
Accountability to internal stakeholders through change management.....	228
Championing control topics and enacting blended control.....	229
Conclusion .....	234
<b>CHAPTER 9: DISCUSSION AND CONCLUSION .....</b>	<b>236</b>
Introduction.....	236
Summary of the key findings .....	236
<b>Theoretical contributions for broad accountability .....</b>	<b>240</b>
Contribution to differentiation theories.....	240
Contributions to concepts theorising.....	240
Contributions to theorising of settings .....	243
<b>Theoretical contributions to broad accountability concepts .....</b>	<b>245</b>
<b>Theoretical contributions for board studies.....</b>	<b>249</b>
Reassessing role conflict .....	249
Broad accountability in board roles .....	250

Managing information asymmetry .....	253
Limiting operational drift .....	254
Preventing mission drift .....	254
<b>Limitations.....</b>	<b>255</b>
<b>Suggested areas for future research.....</b>	<b>257</b>
<b>Conclusion .....</b>	<b>259</b>
<b>REFERENCE LIST .....</b>	<b>262</b>
<b>APPENDIX 1 .....</b>	<b>285</b>
<b>APPENDIX 2 .....</b>	<b>286</b>
<b>APPENDIX 3 .....</b>	<b>295</b>
<b>APPENDIX 4 .....</b>	<b>296</b>
<b>APPENDIX 5 .....</b>	<b>299</b>
<b>APPENDIX 6 .....</b>	<b>300</b>
<b>APPENDIX 7 .....</b>	<b>301</b>
<b>APPENDIX 8 .....</b>	<b>302</b>

## LIST OF FIGURES

<b>Figure 5.1 Organisational structure of case study entity .....</b>	<b>149</b>
<b>Figure 5.2 Board prior to governance change .....</b>	<b>150</b>
<b>Figure 5.3 Board after governance change .....</b>	<b>151</b>



## LIST OF TABLES

<b>Table 2.1 Key characteristics of NFP and FP entities .....</b>	<b>40</b>
<b>Table 3.1 Participant observation in board and committee meetings .....</b>	<b>82</b>
<b>Table 3.2 Document analysis .....</b>	<b>100</b>
<b>Table 3.3 Data sources .....</b>	<b>102</b>
<b>Table 4.1 Broad accountability framework for this study .....</b>	<b>132</b>
<b>Table 7.1 Techniques and accountabilities to reduce operational drift .....</b>	<b>186</b>

## LIST OF ABBREVIATIONS

ABC	Australian Broadcasting Corporation
ABS	Australian Bureau of Statistics
ACNC	Australian Charities and Not-for-Profits Commission
AFL	Australian Football League
AGM	Annual General Meeting
AICD	Australian Institute of Company Directors
ASIC	Australian Securities and Investments Commission
CE	Chief Executive
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLG	Company Limited by Guarantee
CMR	Complete Member Researcher
CRM	Customer Relations Management
CTH	Commonwealth (of Australia)
ED	Executive Director
FP	For-Profit
GDP	Gross Domestic Product
HR	Human Resources
IT	Information Technology
ITS	Information Technology Systems

KPI	Key Performance Indicators
KPMG	Klynveld Peat Marwick Goerdeler (Accounting Firm)
KRA	Key Result Areas
MP3	Motion Picture Experts Group Audio Layer 3
NDIS	National Disability Insurance Scheme
NED	Non-Executive Director
NFP	Not-for-Profit
NGO	Non-Government Organisation
NPM	New Public Management
PICF	Participant Information and Consent Form
PMS	Performance Measurement Systems
PPP	Public-Private-Partnerships
RMIT	Royal Melbourne Institute of Technology
RQ	Research Question
RSL	Returned Services League
UK	United Kingdom
US	United States
WH&S	Work, Health and Safety

## **ABSTRACT**

*The Unique Governance Context of the Not For Profit (NFP) Boardroom:  
Construction and Execution of Board Member Roles and Processes.*

Presently, only a small body of literature investigates the internal processes of boards of directors using a qualitative approach, and the number of Not-For-Profit (NFP) sector board studies is even smaller. However, there is a strong argument for understanding how governance works in the NFP sector, which is increasing in both size and significance. NFP organisations also have unique characteristics that generate governance questions. Some of these characteristics include fulfilling altruistic missions and values while also remaining financially and operationally sustainable and satisfying numerous stakeholder groups. Other challenges confronting many NFP entities include legislative and funding change, technological developments and different expectations from clients with the advent of user-pays systems in more areas of service delivery. Collectively, these changes generate new challenges and responsibilities for boards.

By examining the three board roles of strategy, control and resource dependence, the aim of this longitudinal case study is to understand board roles and how board members discharge their roles in the NFP environment. This case study is significant in that it investigates board roles at both the individual and collective board levels and contributes to the board studies that have either applied or called for analysis at multiple levels. The multi-level approach recognises that board work is both an individual and a collective effort. It could be argued that this study undertakes analysis at a third level, the organisational level, as the researcher often considered the effect of factors such as the organisation's characteristics, sector and environment in which it was operating.

A framework of broad accountability was applied to the data collected through observation, interviews and document analysis. The researcher spent a year and a half observing board meetings, committee meetings and strategic planning days. In addition to the considerable participant observation data collected, the researcher interviewed all board members including the Chair and all senior managers including

the Chief Executive Officer (CEO). The researcher also obtained data from secondary sources such as board and committee papers, agendas and financial reports.

An investigation of the theoretical approaches in NFP governance and similar fields reveals that a framework of broad accountability is most suitable. This is not a critical approach, but applies many of the positive aspects from critical accountability perspectives. The broad accountability approach widens the perspective of accountability beyond narrow conceptions of responsibility and transparency. It considers concepts such as formal and informal accountability, narrative and calculative aspects, and negotiable and rule-based accountability.

A key finding from this study is that the board members in the case study organisation focused largely on strategy in response to external and internal factors that conditioned the strategic focus. One of the significant themes in the board's strategic focus was the desire to balance achieving the philanthropic mission and values of the organisation while also remaining financially and operationally sustainable. The board was also sensitive to the need to navigate its professional and political relationships with internal and external stakeholders. Much of this centred around the board's ambition to communicate to internal and external stakeholders that the organisation's mission and values were fulfilled as well as the entity's goal of remaining a viable organisation. This demonstrated negotiable accountability in action. Narrative and calculative accountability as well as formal accountability featured in the exercise of the strategic board role and worked to prevent "mission drift".

Another principal finding from the present study is the contribution it makes with regard to an enhanced understanding of "operational drift" and how board members prevent the practice from occurring. It is one of very few studies that investigates and identifies the techniques board members use to discharge their three roles without encroaching on senior manager roles. Broad accountability concepts of trust (negotiable accountability), upwards and downwards accountability, formal and informal accountability, and individualizing and socializing accountability were employed by board members in their efforts to avoid operational drift.

The finding of “blended control” as a practice enacted by board members is a key contribution of this study. This concept builds on prior research with respect to blended strategising practices enacted by NFP leaders. The present study discovered formal and negotiable accountability practices often helped board members ensure board and organisational legitimacy existed when their control role was exercised. The motivation for achieving legitimacy was not only for the board’s benefit, but also to reassure internal and external stakeholders that the organisation was achieving its values as well as being financially and operationally sustainable.

## CHAPTER 1: INTRODUCTION

Board members - often referred to as directors in the for-profit (FP) context, play a vital role in corporate governance (Pugliese, Nicholson & Bezemer, 2015; Aguilera, 2005; Barratt & Korac-Kakabadse, 2002; Cornforth & Edwards, 1999). As this study is based in the Not-for-profit (NFP) context, the terminology “board member” and “director” will be used interchangeably.

Board members operate at the highest level of the governance structure of an organisation. Long, Dulewicz and Gay (2005, p.668) explain the two primary functions of the board member are: “...a long-term, consensus-based decision maker (Tricker, 1978; ProNed, 1992), and a custodian of the governance process (Higgs, 2003)”. A board member can be defined as a director who is independent from the organisation on whose board they sit. A Board Chair leads the board members. All board members including the Chair have a vote. On the other hand, executive directors, known as senior managers in the NFP context, are employed by the entity that the board oversees. Senior managers are involved in the day-to-day management of the organisation. Senior managers do not have a vote at board meetings, unlike board members. The Chief Executive Officer (CEO) is the most senior person from the senior management team who leads the senior managers. The CEO normally does not have a vote at board meetings either. Typically, the senior management team reports to the CEO and the CEO reports to the Chair and the board.

The decision-making and governance functions of board members require them to perform multiple roles. This has generated much discussion in the literature about board member roles. For example, do the roles conflict or are they a workable combination? (see: Hooghiemstra & van Manen, 2004a). Furthermore, the type of roles performed by board members has led some to question whether there are deficiencies in board process. For instance, it is often argued that there is an imbalance of information, also known as information asymmetry, between board members and senior managers. More governance questions arise for board members operating in the NFP context, which will be explored in the Literature Review chapter. This study aims to contribute to the debate about board member roles, especially in the NFP context. The NFP context has not been investigated to the same

extent as the FP context or the public sector. It is hoped that the findings from this study will shed more light on how NFP board members operate.

The literature broadly agrees that directors perform three roles, however the three roles are often referred to using inconsistent terminology, which can create some confusion. This observation has also been made by Machold and Farquhar (2013, p.148) who argue, “there are disagreements in the literature about the number of tasks that are theoretically derived, their labels and the activities included within these tasks”. For example, a role commonly discussed is the “strategic” (Parker, 2007a) or “service” role of the director (Johnson, Daily & Ellstrand, 1996). Theoretical perspectives that underpin the strategic role of the director appear to originate from:

strategic choice perspectives (Judge & Zeithaml, 1992), stewardship theory (Hung, 1998), agency theory (Stiles and Taylor, 2002), and a range of cognitive and behavioral approaches (see Pugliese et al., 2009 for a summary)” (cited in Machold & Farquhar, 2013).

To add to the confusion, Zahra and Pearce (1989) separate the strategic and service role of the director! They argue that the strategic role is concerned with strategy and that the service component is the advice and counsel the board member provides to the CEO. This study adopts the view that the strategic and service roles are part of the same role. The extent of the strategic role undertaken by board members can differ, depending on the type of organisation (i.e. FP or NFP) and the skills of the CEO and senior managers. The role also entails directors providing “advice and counsel to the CEO” which often leads to strategic discussions and decisions (Johnson Daily & Ellstrand, 1996, p.424; Young et al., 2001, p.225). While conceptions of the role differ, most theoretical perspectives of the board agree that the director enacts a strategic role. These include Agency theory, Resource Dependence theory and Stewardship theory (Stiles & Taylor, 2001, p.33). This study will refer to this role as the strategic role.

The other board member role that has different terminology employed to describe it is the “resource dependence” role (Daily & Ellstrand, 1996) or the “institutional” role (Stiles & Taylor, 2001). Heavily influenced by the resource dependency theory perspective (Pfeffer, 1972, Pfeffer, 1973; Pfeffer & Salancik, 1978), this role is said



to be the board member's ability to bring resources, information and prestige to the organisation. The terminology "resource dependence role" (Johnson Daily & Ellstrand, 1996, pp.411, 427-429; Young et al., 2001, p.225) is used interchangeably in the literature with the board member's "institutional role" (Stiles & Taylor, 2001; Zattoni & Cumo, 2010, p.64; Long Dulewicz and Gay, 2005, p.668). There are also references to this role being the "service" role of the director (Zahra & Pearce, 1989). This role is about the board member's ability to contribute to the organisation by bringing additional networks and resources to the organisation (Johnson Daily & Ellstrand, 1996, p.410). Part of the role involves directors acting as "boundary spanners" (Stiles & Taylor, 2001), where they are attuned to the external environment in which the organisation operates. This is said to be a valuable resource to an organisation because directors can provide insights which employees such as senior managers might not have. Such insights are often gained through "director interlocks" (Young et al., 2001, p.224) where directors are often members of other boards and can provide information about competing organisations (Lang & Lockhart, 1990). It is also argued that some directors can increase the prestige of the organisation due to the credentials some board members offer (Dalton & Daily, 1999). For the sake of consistency, this study will use the term "resource dependence" to describe this role of the director, keeping in mind that references to "institutional" functions describe the same role.

The "control" role of directors is probably the most common reference scholars use to describe their "monitoring" or "oversight" role (Brennan & Cullen, 2017) The control role is largely derived from the agency theory perspective which argues that owners (i.e. shareholders) need to be separate from those who control the organisation (i.e. senior managers) (Berle & Means, 1932; Fama & Jensen, 1983; Young et al., 2001, p.226; Corbetta & Salvato, 2004, p.123) otherwise opportunistic behaviour can occur which will harm the firm. Legalistic perspectives share a similar view to Agency theory (Machold & Farquhar, 2013, p.148). Agency theory argues that the likelihood of conflicts of interest and opportunistic behaviour of management is mitigated by directors who are independent from management. Directors monitor the behaviour of management to ensure decisions are made in the best interests of shareholders including monitoring the CEO's performance and salary. The board members can "alter...incentive structures, or in extreme cases, dismiss...[the CEO]" (Young et al.,

2001, p.226). The control role is generally comprised of financial and operational control as well as risk management (Parker, 2008). Despite the various references to control, monitoring and oversight in the literature, this study will refer to the “control” role to describe this role, while also recognising that monitoring and oversight form part of the role as well.

The terminology employed in this thesis to describe the three board member roles is: strategic, control and resource dependence. Generally speaking, the board member strategy role is about decision-making that affects the long-term future of the organisation. It is also linked to the expectation that board members provide advice and counsel to senior managers about the strategic direction of the organisation and the associated decisions that are made. The control role is where the board member ensures the organisation is operating in compliance with its accounting, financial, legal and operational responsibilities. The resource dependence role of the board member explains the expectation that board members provide networks or valuable linkages to the organisation. For more detailed definitions and explanations of the three key roles of board members see: Huse (2005) and Bezemer et al. (2007).

While the three director roles are derived from different theoretical perspectives in the literature, it is important to underscore that this study does not apply any of the theories mentioned with respect to the roles – agency theory, resource dependence theory or stewardship theory. This is because there is a general consensus in the governance literature that directors enact the three roles regardless of the theoretical perspective.

It appears that the theoretical perspective adopted for a board study depends on the context of the study. According to Pye and Camm (2003, p.57) “the work of researchers...points to the proposition that different theories may be more valid in different circumstances”. For instance, Parker (2007a) uses institutional theory to inform his dual case study of two NFP organisations, where he focused on the strategic role of directors. Roberts, McNulty and Stiles (2005) focus on how directors enact their strategic and control roles using a theoretical framework of accountability. Corbetta and Salvato (2004) argue contingency theory is appropriate to explain board behaviour in family firms. This array of theoretical approaches suggests that board studies which are concerned with how board members enact their roles are generally

informed by a theoretical perspective that reflects the circumstances in which the board is operating. There is consensus in the literature that no one theory holds the key to understanding all board member roles. As Pye (2002, p.193) points out, directors' roles "seem...now to be overlaid with any array of other interests and tensions which do not lend themselves to simplistic economic analysis [such as Agency theory]". Machold and Farquhar (2013) explain that more recent governance research focused on board process is able to explain how board roles are enacted, building on the contributions from conventional governance theories such as Agency theory and Resource Dependence theory.

...Agency and resource-dependency perspectives provide insights into the content of board tasks...Combining traditional conceptualizations of board tasks with a process-based theoretical lens offers new insight into board tasks and how effectively they are performed (Machold & Farquhar, 2013, p.147).

Following the calls for more board research that examines process, this NFP board study uses qualitative techniques to examine how board members enact their strategy, control and resource dependence roles. Qualitative methodology is being advocated by many scholars to build on the governance research which has predominately applied quantitative techniques (Johnson, Daily & Ellstrand, 1996; McNulty, 2013, pp.163, 171). While quantitative techniques have been helpful in explaining some phenomenon such as what factors condition board effectiveness, "...it is the actual conduct of the nonexecutive vis-a-vis the executive that determines board effectiveness" (Roberts, McNulty & Stiles, 2005, p.S6).

Direct methods of data collection such as observation and interviews can shed light on board conduct. Some time ago, Pettigrew (1992) noted a need for "direct observation of boards in action" (cited in Peck, 1995, p.142) and scholars continue to make similar statements more recently. Crow, Lockhart and Lewis (2014) argue that board studies examining board structure and composition are inadequate in shedding light on how corporate governance works. What is needed is case studies that look directly into board process (Stiles, 2001, p.627). Direct methods of data collection such as participant observer, interview and document analysis are methods which accounting researchers can use to understand board processes. For example, Johnson Daily and Ellstrand (1996, p.432-433) encourage researchers to conduct interviews to obtain

directors' perceptions of their roles. Using observations, interview and document analysis is argued to be a robust qualitative approach (Peck, 1995) which enables the researcher to directly see the data as it happens rather than obtaining it through less direct methods such as survey or questionnaire.

The foregoing discussion illustrates the significance of the board member in governance by explaining what roles they enact. While the three roles of the director are generally agreed upon in the literature, questions remain about how directors enact the three roles. While there are some studies that have begun to answer this question, calls for more research have been made. Moreover, there appears to be little in the literature about the board member's resource dependence role in the NFP sector.

This study is unique to most foregoing studies in that it considers all three roles of the board member. Machold and Farquhar (2013, p.151) argue such a holistic approach is important as it rejects the notion that board roles are "...discrete categories with variable qualities..." Rather, it considers how board tasks evolve over time and the impact of context on the discharge of board roles. The theoretical lens applied in this study is that of accountability because there is much literature which suggests that board effectiveness is understood by applying a lens of accountability (Roberts, McNulty & Stiles, 2005). The theoretical framework used in this study is discussed further in the Theoretical Perspective section in this chapter. The context of this study is the NFP sector. This study can be distinguished from previous studies that examine the board member or have been conducted in the NFP sector. This is because the choice of all three board member roles to study is novel in the NFP context. The literature makes a strong case for using theories of accountability in governance studies as well as the use of the qualitative methodology to examine board phenomena. The next section will expand on some key governance issues identified in the literature with respect to board members. The following section then explores the significance of the NFP sector.

### **The research problem**

There is a dearth of board studies that examine how board members discharge their strategy, control and resource dependence roles as well as their accountabilities in the NFP sector. This study seeks to understand how board members discharge their

strategy, control and resource dependence roles, and what processes are present in their decision-making and accountabilities, in an NFP<sup>1</sup> context.

This study adds to a small, but growing area of research in the NFP sector that is beginning to gather momentum due to the increasing number of governance issues inherent in the NFP sector. For example: governance issues in the Australian Returned Services League (RSL), issues with governance in the Australian Football League (AFL) and the Netball Australia Board (Australian Broadcasting Corporation (ABC) 891 Radio Adelaide, 2017; ABC News, 24 August 2017). As Skipper argues, “Customers, stakeholders, funders and an organisation’s members are demanding greater transparency as to what ‘value proposition’ the NFP provides” (AICD, 2017). This is especially so in a society that is becoming more sceptical about where how their donations are applied. According to the CEO of Anglicare Western Australia, there has been a trend over the past 20 years where more people are “demanding information about where their money is going” (Wynne, 2018a).

As the NFP sector is growing, with many NFP organisations generating annual turnovers in the millions of dollars, it is evident that NFPs are significant in economic terms (Flack & Ryan, 2005). NFPs also often have considerable asset holdings, both in number and in value. They typically have complex business structures including: volunteers, donors and employees, various resources and multiple agendas such as fundraising, networking and providing services (Brown & Iverson, 2004, p.396; Tucker & Parker, 2013b, p.235). NFPs also have a social significance, as they often provide services that the government does not provide or has discontinued. NFPs provide employment for many thousands of people nationwide including in Australia and the United States (US) (Dees & Anderson, 2003a; Drucker, 1989; Ruckle, 1993; Parker, 2008). NFPs are also important in the political realm. Influenced to a large extent by Australian Federal and State Government policy and funding, NFPs follow parliaments closely so that they can remain competitive for government funding and grants. Governments are also attuned to NFP organisations, as NFPs can also influence policy through their advocacy mechanisms (Dees & Anderson, 2003a, p.22). For example, an NFP disability organisation might lobby the Australian Government for more resources to manage the transition to the National Disability

---

<sup>1</sup> The researcher has chosen the phrase “an NFP” in place of “a NFP” throughout this thesis for ease of reading and consistency.

Insurance Scheme (NDIS). It is evident that the economic, social and political significance of NFP organisations justifies the need to understand their governance roles and processes. A better understanding of NFP governance is likely to reveal the successful and unsuccessful aspects of governance. Knowing what works and what does not work means those involved in the academic and practical aspects of governance can ensure the NFP sector operates in an effective and responsible manner.

A unique characteristic of the NFP sector is the focus on the mission, vision and values of an organisation (Hume & Hume, 2008). This can create two key challenges for board members. First, the literature suggests a challenge for board members in the NFP sector balancing their commitment to the cause of the organisation with the need to be good governors (Dolnicar, Irvine & Lazarevski, 2008). As Hardy and Ballis (2013, p.548) point out, “A constant tension in non-profit organisations is to ensure money making activities do not take priority over mission goals”. Tuckman and Chang (2006, p. 632) call this phenomenon “mission drift”, also known as “mission creep” (Dolnicar, Irvine & Lazarevski, 2008, p.110).

Second, the demarcation between management’s role and board members’ roles is not particularly pronounced in NFP organisations. Arguably, this occurs because NFP governance is generally more informal compared to the FP sector (Parker, 2007a). This means that board members in the NFP context have less clearly defined roles compared to board members who work in the FP sector. Some scholars have found that board members can sometimes drift into the operational aspects of governance as a result. This is called “operational drift” (Cornforth & Edwards, 1999, p.357; Parker, 2007a; Pugliese, Nicholson & Bezemer, 2015). Operational drift means board members neglect their higher level strategy, control and resource dependence roles and concentrate on short-term, process-oriented tasks. These tasks are usually enacted by senior managers and are called “operational” aspects. Another factor that can predispose some NFP organisations to operational drift is entities that have a service or pastoral care background, as they are not often geared towards operating in a competitive environment. The two governance issues of “mission drift” and “operational drift” will be considered in this study and an assessment made as to how board members deal with both issues.

The major changes that the NFP sector in Australia is undergoing generates governance questions and responses. There is now competition for service delivery between NFP and FP entities in the market. While this was formally managed by tender, it has since changed to a user pays system in many areas. Aged care and the disability sector are two examples (AICD, 2018; Care insights, 2018). There is also increasing demand for service delivery in areas such as aged care with the ageing population in Australia.

The sector is also undergoing major changes in its operational environment. For instance, while many NFP entities have a service or pastoral care background, now there is often a focus on larger payrolls, revenues, performance and sustainability (Stuart, 2017). Like the FP sector, the NFP sector is embracing opportunities to reduce inefficiencies and costs. This is often done through technology such as Customer Relations Management systems (CRMs). There are costs to implementing such systems though and as Stuart (2017, p.50) argues, some NFPs cannot afford such opportunities and those that do, “open the door to more competition”. Collectively, these changes generate new burdens and responsibilities for boards.

With the advent of increasing demands on the sector in terms of the shift from public to private provision of services and the shift to marketisation, the question is how board members respond to these pressures. By examining the three board roles of strategy, control and resource dependence, the aim of this study is to understand these three board roles in the NFP context and the how board members discharge their roles in this NFP environment. Accountability is a suitable theoretical lens through which to assess these changes and their impact on board members.

This study will use broad concepts of accountability as its informing theoretical lens. Accountability in governance is part of a growing body of research in NFP board studies. It is argued that applying a theoretical perspective of accountability is particularly suitable to use in governance research because accountability is the essence of the board member role. Board members are expected to hold senior managers to account and board members are accountable to the board and its stakeholder groups. There is a broad suite of NFP literature that also argues accountability is a suitable theoretical perspective for the context (see for example: Valentinov, 2011; Benjamin, 2008; Holland, 2002; Kearns, 1994). Accountability is

able to embrace multiple perspectives of stakeholders (Morrison & Salipante, 2007), different ways of being held accountable (Roberts, 1991) and different means of discharging accountability (Hardy & Ballis, 2013; Joannides, Jaumier & Hoque, 2009). Moreover, accountability is tied to board performance, which is a key area where governance research attention is being focused (Roberts, McNulty & Stiles, 2005; Flack & Ryan, 2005). In addition to the subject and context of the study, there have been calls for accountability to be applied to board research for over 30 years (see for example: O' Leary, 2016; Bezemer, Nicholson & Pugliese, 2014; Roberts, McNulty & Stiles, 2005; Ebrahim, 2003; Young, 2002; Parker, 1996).

Having identified a gap in the qualitative board studies which examine board member roles and processes, this study aims to address that deficiency. This study seeks to understand the unique aspects of NFP governance compared to the FP sector which has generally been the focus of governance research. It focuses on how board members in a single case study of a prominent NFP organisation in one state of Australia discharge their strategy, control and resource dependence roles. An investigation into how board members enact all three roles in an NFP context is novel. Further, this study seeks to investigate how board members deal with the complex layers of accountability inherent in their three roles while responding to the demands in the NFP environment.

### **Aim and research questions**

#### ***Title of Study***

*The unique governance context of the Not-for-Profit (NFP) boardroom: Construction and execution of board member roles and processes.*

The principal purpose of this study is to develop an understanding of the strategy, control and resource dependence roles of board members in the NFP sector. As outlined previously, the NFP sector has unique characteristics which create potential governance issues for NFP boards. This inquiry is likely to be of value to academics in the governance field such as accounting scholars, as well as NFP board members and policy-makers.



This study contributes to current board research that is concerned with process. Process-oriented studies “focus attention on how and why things emerge, develop, grow, or terminate over time” (Langley et al., 2013). Central to process studies is the context and time at which it is conducted. In the board context, Pye and Pettigrew (2005, pp.S31-32) argue that board process studies need to distinguish between outer (external) and inner (internal) context (Pettigrew, 1987). This study aims to achieve the distinction between external and internal factors when discussing the context.

In terms of time, this study is longitudinal in nature, spanning a period of 18 months. Langley et al. (2013, p.6) argue that longitudinal studies are valuable as they allow researchers to observe “how processes unfold over time”. Longitudinal studies are not simply “samples of one” (Langley et al. 2013, p.7). The “temporal bracketing” of events and activities over a considerable period of time allows researchers to make comparisons and/or contrasts of a particular event or activity over a certain period of time. In addition, the methodological value of process studies is that they often harness direct methods of collecting data such as participant observation, interview and document analysis. It is argued that using such methods ensures researchers engage in both induction and deduction (Pye & Pettigrew, 2005, p.S36).

Process studies also give the researcher the ability to follow a particular event or activity, which has the potential to add theoretical value as well. With sufficient explanations of context and time, the reader can gauge any changes or periods of stability (Langley et al., 2013, p.10). Moreover, the reader can exercise their own judgment in determining whether generalising from the findings is reasonable (Langley et al., 2013, p.9). “It is important to note that...[process studies] are not just telling idiosyncratic tales; their stories carry important theoretical messages” (Langley et al., 2013, pp.6-7). Pettigrew (1997) recommends five key criteria which should be included in process studies. First, the level of analysis needs to be clear, i.e. is it individual, collective or organisational? Second, the timeframe of analysis needs to be evident, i.e. past, present and future. Third, the context and setting needs to be explained. Fourth, holistic and comprehensive explanations of process need to be undertaken. Fifth, the outcomes need to be established (Pettigrew, 1997, p.S34). All of these criteria will be taken into account in this study when the researcher analyses the data and reports the findings.

This study answers calls for more research into board process while also expanding the context in which board process is investigated. For example, Bezemer Nicholson and Pugliese (2014) and their associated 2015 study are an example of a recent board study focused on process. Where this study diverges from the study of Bezemer, Nicholson and Pugliese (2014) is the context, as the scholars investigate the FP context. Moreover, the methods used by Bezemer, Nicholson and Pugliese (2014) differ in some respects to the current study. Bezemer, Nicholson and Pugliese (2014) observed video taped board meetings as well as conducting mini-surveys, semi-structured interviews and document reviews to analyse board member behaviour. The current study will use direct participant observation with the researcher present at board meetings, committee meetings and strategic planning days, as well as interviews and document analysis. Although it can be argued that some process studies have been undertaken in the NFP context, this study differs by focusing on the board members and adding new theoretical insights using a theory of accountability (for examples of NFP board studies see: Parker, 2003, 2007 2008; Tucker & Parker 2013a, 2013b; and for examples of board studies applying theories of accountability see: Joannides, 2012; Gibbon, 2012; Roberts, McNulty & Stiles, 2005).

Board members play a vital role in governance, often comprising a majority of the board of directors in NFP organisations. They are responsible for effective high level decision-making and ensuring the organisation is discharging its legal and accounting responsibilities. Board members work closely with senior managers to discharge their responsibilities and in doing so, they carry out three main roles: strategy, control and resource dependence. All three board member roles are the focus of this study. Despite the significance of board members in governance, little is known about how they discharge their roles. This study seeks to understand the processes inherent in the three board member roles.

The unique characteristics of the NFP environment may condition the three board member roles as well as their accountability. The NFP context might for example create conditions conducive to operational drift and mission drift. In addition, whether board members experience a tension in their roles or find them to be a viable combination may be influenced to some degree by the nature of the NFP sector.

Finally, characteristics unique to NFP organisations might influence how board members manage information provided to them from management.

***The Central Objective of this study***

*To investigate the construction and execution of board member roles in the unique context of the NFP environment with a focus on accountability.*

This study is focused on board members, their roles and the processes they employ in the NFP environment. In doing so, it seeks to understand board members' behaviours, interactions and personal perspectives with respect to their roles. The study also considers the unique challenges board members encounter in the NFP context and how they deal with such challenges.

While board members are the subject of this study, the literature suggests that senior managers are also relevant to gain a holistic picture of the governance scenario. The merit in such an approach is outlined by Houle (1989) (cited in Stone, 1991, p.207): that data from EDs [or Senior Managers] is valuable in understanding the board, as they are "...particularly attuned to the actions and behaviours of boards, making their appraisal of board functioning especially relevant". Following this suggestion, this single case study not only observed and interviewed board members, but also senior managers. By adopting such an approach, this research is able to gain an understanding of board members from the perspective of those people with whom board members work with most closely – senior managers. Therefore, this research takes a holistic view of the processes inherent in board members' roles.

The Central Objective is addressed through three research questions (RQs):

- RQ 1: How does board members' conception and approach to their strategic role reflect the unique NFP environment?
- RQ 2: What is the board member control role and how is it enacted in the NFP context?
- RQ 3: What is the board member resource dependence role in the NFP context and how is it enacted?

***RQ 1: How does board members' conception and approach to their strategic role reflect the unique NFP environment?***

This RQ requires gathering and analysing data that pertains to how board members think about strategy and how they discharge their strategic role as part of their governance responsibilities. The principal motivation for devising this question is the divergent opinions in the governance literature with respect to the manner and extent of boardroom strategising (Parker, 2007a, p.1455; Brown & Iverson, 2004, p.379). Boardroom strategising is argued to take many forms, including formal and informal methods of strategising, and strategies in the areas of: finance, service delivery, and operations (e.g. Human Resources and infrastructure). Strategising also occurs with respect to strategic evaluations (e.g. projects) and risk management.

The significance of RQ 1 is to shed light on the way in which board members conceive their strategic role and how they carry out their strategic roles and make decisions. Research into NFP strategic management and performance has been undertaken and encouraged by scholars such as Hume and Hume (2008) and Parker (2007a, 2007b). In doing so, the question was designed so that the researcher observed board meetings, committee meetings and strategic planning days with the aim of understanding how board members perform their strategic role. In addition, the researcher asked board members and senior managers for their personal views about the board members' strategy role. Finally, the researcher also considered any board or committee papers or handouts, which were useful for enhancing understanding about the board member's strategic role.

These inquiries provide information about the manner and extent of boardroom strategising within the NFP organisation under study. They can reveal practices where board members in the organisation act as "gatekeepers" (Stiles & Taylor, 2001, pp.40, 119), approving, revising or rejecting strategic proposals delivered by senior managers such as the annual strategic plan. Or they can suggest board members are directly involved in strategy, for example formulating the mission and objectives for the organisation directly with senior management. Alternatively, the board might play a passive role (Stiles & Taylor, 2001, p.38). According to Stiles and Taylor (2001, p.38), what type of strategic role the board plays often depends on the context in

which the organisation operates. The researcher will interpret these findings using a lens of accountability.

***RQ 2: What is the board member control role and how is it enacted in the NFP context?***

Valuable insights into the ways in which board members exercise control should be elicited by addressing this question. There are three forms of control that board members exercise: operational control, financial control and risk management. Operational control or organisational control is where board members act as a ‘check’ on senior management, making them accountable for their actions (Stiles & Taylor, 2001, p.121; Baysinger & Hoskisson, 1990). Through processes such as questioning and challenging “the strategic *status quo*”, it is argued that NEDs can contribute to control in the top-level of an organisation in an effective way (Parker, 2008, p.68; Stiles & Taylor, 1993).

Financial control and risk management is often enacted by board member contributions on sub-committees such as the audit and risk committees. Financial control is where board members monitor the financial reports, budgets and audits of the organisation and approve financial decisions. Risk management is exercised when board members assess the risks inherent in certain decisions or activities. Financial control and risk management are vital aspects of control exercised by the board member (Collier, 1992; Treichler, 1995; Vicknair, Hickman & Carnes, 1993; Parker, 2008, p.67). This RQ about control should generate insights into the operational, financial control and risk management aspects of the board member control role.

Control can be enacted by board members formally and informally and can be focused on short-term and long-term control issues (Parker, 2008, p.65; Stiles & Taylor, 2001, pp.63-64). Stiles and Taylor (2001, p.65) also highlight that board members exercise control in the strategic realm. For instance, this includes monitoring of short-term performance - meeting quantitative and qualitative targets and also exercising oversight of medium to long-term strategic plans. The overlap of strategic and control issues has led many scholars to argue that there is “...an apparently irreconcilable conflict between the board’s role in the strategy process and the board’s role in monitoring and controlling the organization...” (Stiles & Taylor, 2001, p.79).

It has been argued that there is the risk that board members can stray into senior managers' territory by focusing too much on operational issues. This has been called "operational drift" (Cornforth & Edwards, 1999). There is however, another school of thought which argues that the two roles are not in conflict and both can be effectively discharged (see for example: Kirwan & Brennan, 2017<sup>2</sup>). McNulty (2013, p.172) has noticed this difference of opinion in the governance literature and explains that further research into this issue is required. Addressing the call for more research into this aspect of governance, this RQ aims to assess the credibility of both arguments using the data received from this study.

While aspects of board member control have been identified in the literature, as Parker (2008) points out, much of the findings are based on data from less direct sources such as the survey questionnaire compared to participant observer methods (Parker, 2008, p.68). Given the advantages of using more direct methods of data collection such as participant observation in a longitudinal study (Parker, 2008, p.68) and calls for this research method to be undertaken in board studies (Heracleous, 1999), this study examines the director's control role in the boardroom.

Of the few qualitative studies into boardroom control, Parker (2008, p.84-5) found that board members in the NFP sector focus on both financial and operational control, and that risk management is an issue of increasing importance. Most of the discussion about control issues occurs informally and the impetus for a focus on control largely stems from board members' understanding and experience with the NFP organisation, "...their interactive dialogue and diagnosis of control issues" rather than following a prescribed program of control (Parker, 2008, p.85). The debate in the literature about whether information asymmetry poses a threat to the control role of the board member will also be explored (Stiles & Taylor, 2001, p.79). This RQ should reveal whether the NFP organisation in this study exhibits similar or different characteristics of control compared to those identified by Parker (2008). The foregoing control issues will be analysed applying a theoretical framework of accountability.

---

<sup>2</sup> As yet an unpublished conference paper. Referenced with permission of the authors.

***RQ 3: What is the board member resource dependence role in the NFP context and how is it enacted?***

To round off this study's inquiry into all three director roles, this third RQ is geared toward understanding the board member's resource dependence role in the NFP environment. The resource dependence role is about the resource and network linkages which board members bring to the organisation. The literature suggests that board members are often chosen for their skills, knowledge, expertise and connections in the sector. For example, some board members might bring increased profile to the board due to their expertise and reputation (Stiles & Taylor, 2001, pp.87, 99). Other board members might be selected because they can secure resources that are critical to the organisation's success through their links with financiers or organisations operating in a similar field (Johnson Daily & Ellstrand, 1996, pp.427-429). A board member with relationships outside the organisation can bring strategic value to the board where they not only bring knowledge of the external environment, but also opinions. Board member opinions about the external environment are often beneficial to the organisation because they provide advice and counsel to the senior managers and CEO (Stiles & Taylor, 2001, p.101).

This RQ is designed to analyse whether board members in the single NFP case study exhibit the resource dependence roles discussed in the literature. The researcher will draw upon all three sources of data (observation, interview and document analysis) to understand what comprises the resource dependence role and how it is discharged by board members.

To date, there appear to be very few studies that carry out inquiries into the resource dependence role in the NFP sector. Stiles and Taylor (2001) conducted 51 interviews with board members and 20 interviews with key stakeholder groups to understand how board members work in large public companies in the United Kingdom (UK). They found that board members often had both formal and informal meetings with various stakeholder groups and financial reporting was another means of fostering good communications with stakeholders or to consult with stakeholder groups about a "change of strategy or major initiative" (Stiles & Taylor, 2001, p.91).

More recently, Machold and Farquhar (2013) consider the resource dependence role of directors in six boards (four NFPs, a public and FP board) in the UK. They refer to

the resource dependence role as the “service role” and find that there was less of an emphasis on this role compared to the control role, but a greater focus on the resource dependence role compared to the strategy role (Machold & Farquhar, 2013, pp.155-156). While the studies by Stiles and Taylor (2001) and Machold and Farquhar (2013) are helpful in a preliminary understanding the resource dependence role of directors, they are multiple case studies and have not been conducted in Australia. This study can therefore offer a unique contribution to the literature, by uncovering how the director’s resource dependence role operates in a single NFP organisation in Australia.

### **Theoretical perspective**

Earlier discussion of the theoretical perspective in this chapter explained that the context of the study can have some bearing on the informing lens adopted. The subject of the study can also drive the type of theoretical perspective adopted. For example, studies which have the board members as the focus often apply concepts of accountability due to the nature of their roles (Roberts, McNulty & Stiles, 2005). Whereas some studies which have the NFP sector as the focus employ a theoretical perspective such as institutional theory (Dolnicar, Irvine & Lazarevski, 2008).

There are other studies in the NFP sector that apply concepts of accountability (see for example: Ospina, Diaz & O’Sullivan, 2002; Morrison & Salipante, 2007). It can be argued that these studies make a convincing argument for employing accountability perspectives. They argue the nature of the sector with its multiple stakeholders, organisational mission and values, and social, economic and political significance requires an accountability theoretical framework. Therefore, not only the subject of this study, but also the NFP context seems to suggest that a theoretical framework of accountability is most suitable. There are many definitions of accountability in the theoretical literature. One fundamental definition is accountability as “the giving and demanding of reasons for conduct” (Roberts & Scapens, 1985, p.447). Accountability can also be defined as a social activity in which people provide an account for certain activities (Roberts, 1991). The Theoretical Framework chapter discusses the definition of accountability and its key elements in more detail.



There are “persistent and increasing calls for accountability” to be used as the informing theory in the NFP sector (Bies, 2001, p.56). Key reasons underpinning arguments such as this are first, funding pressures (creating additional accountability through service contracts) and second, the “diverse array of constituents and stakeholders” (Tucker & Parker, 2013a, p.90) who often have certain expectations from the organisation. Ospina Diaz and O’Sullivan (2002, pp.25, 20) highlight that concepts of accountability are best placed to understand NFP organisations. They argue the service delivery and advocacy roles of NFP entities and their relationship with and communication to the community all engender accountability to some extent. According to Morrison and Salipante (2007), accountability is equipped to take into account the interests of multiple stakeholders. It can also explain the need for NFPs to engage in “blended strategy”. This is where both deliberate strategising and emergent strategising is exercised by organisational leaders. They engage in this behaviour to achieve their own internal objectives as well as fulfilling their missions. Part of this practice is ensuring that they communicate their emphasis on fulfilling their mission with their stakeholders. Bies (2001) outlines key reasons underpinning the need for accountability in the NFP sector:

...rapid growth [in the NFP sector]...[the] increasing number of nonprofits; increasing size, assets, and influence of nonprofits; increasing reliance on nonprofits for delivery of necessary aspects of civil society and social programs;...scandals in the nonprofit sector; shift from government funding toward direct funding of nonprofits; a belief that increased accountability fosters public trust...;...result[s] in greater nonprofit efficiency and effectiveness;...[and] accountability is inherently “the right thing to do” (Bies, 2001, pp.57-59).

Despite the argument for greater accountability in the NFP sector, there are deficiencies in the literature about board member accountability with respect to their three roles in NFP organisations (Parker, 2008; Helmig, Jegers & Lapsley, 2004). Parker (2008) underscores gaps in understanding accountability in the NFP sector. According to Parker (2008, p.85), questions remain about accountability of NFPs given “the triggers for and shaping of control” are largely informal rather than formal. The same could be said for strategy on NFP boards, as many studies have found that strategy tends to be informal rather than formal in NFP organisations (Parker, 2007a).

Literature that discusses the resource dependence role in the NFP sector is even less clear. Whether the resource dependence role of the board member takes a formal or an informal character is not evident in the literature. This study is designed to understand how board members enact their three roles using a lens of accountability.

While generalisations can be made about external factors NFP organisations face, it is important to note there are also contextual issues specific to an NFP organisation which can support the need for a framework of accountability. Organisational factors or internal factors can also play a role in how an NFP entity is accountable. Morrison and Salipante (2007) identify a number of contextual factors which condition “negotiable accountability” including:

...organization’s leaders must negotiate among themselves with their own particular set of stakeholders appropriate criteria, measures, and interpretations of success in ways that respond to the organization’s history, values, and mission (Morrison & Salipante, 2007, p.199).

Collier (2005, p.945) identifies key areas where accountability in his NFP study was particularly challenging. Collier (2005) argues that a lack of performance measures coupled with a need to satisfy certain stakeholders, informal accounting processes with a lack of supervision, tight timeframes and competing demands “...reduces informed discussion among board members” (Collier, 2005, p.947). In Collier’s (2005) study there were challenging conditions and multiple layers of accountability. Finally, Ospina, Diaz and O’Sullivan (2002, pp.21-22) find that organisational change and policy change are key contextual factors which often influences an NFP’s accountability to a funding provider.

NFP organisations that also have a religious or faith-based aspect are often subject to additional accountabilities. For example, accountability to a Church authority or a national body. The accountability of faith-based NFP organisations is often complicated by its idiosyncratic nature. Hardy and Ballis (2013, p.555) confirm Mashaw’s (2006, p.125) observation that a salient feature of accountability in NFP organisations is its “distinctive character”. In contrast to the FP sector, where “adhering to accountability templates associated with the commercial and public sector” is fairly well established and straightforward, the means by which NFPs are accountable are often idiosyncratic (Hardy & Ballis, 2013, p.540). This can lead to

“tensions and anxieties” for some stakeholders because of their unique ways of accounting for things and their complex nature (Hardy & Ballis, 2013, p.540-541; Carnegie & Wolnizer, 1995).

The framework of accountability arguably best suited to the NFP sector is a “broad accountability”. Roberts, McNulty and Stiles (2005), Ospina, Diaz and O’Sullivan (2002), and Fry (1995) are united in their view that the complexities inherent in NFP governance require a broad perspective of accountability. Broadened accountability has been used in public management (with regard to public service managers) but “only recently has the nonprofit literature begun to address the topic of accountability” (Ospina, Diaz & O’Sullivan, 2002, p.7; Morrison & Salipante, 2007; Parker, 1996). This NFP study will apply a broad accountability framework to assess and analyse how accountability operates at the board level of an NFP organisation.

As well as facilitating an understanding of a complex environment, broad accountability enables researchers to understand board processes and behaviours (Roberts, McNulty & Stiles, 2005, p.88; Morrison & Salipante, 2007; Ospina, Diaz & O’Sullivan, 2002). Following the many recommendations for broad accountability to be applied in NFP governance research, this single NFP board study uses broad accountability as its informing theory.

### **Methodological approach**

Scholars such as Ahrens and Khalifa (2013) and Parker (2007a) illustrate why qualitative research methods are valuable, especially in the area of corporate governance. The advantages and suitability of using a qualitative research method are expanded upon in the Methodology chapter. Pye (2002) also advocates using a qualitative approach in governance research because:

governing implies a social process...To explore governing...means unravelling the complex network of relationships amongst those who comprise the...(board and/or organisation) whose practice is being observed as well as relationships with “outsiders” who observe and comment on this organisation’s governance (Pye, 2002, p.156).

Very little is known about the processes inherent in board interactions and to what extent context can influence governance. Parker (2008) notes this is of particular concern because without understanding how boards operate and the context in which they operate, advances in governance are not likely to be made. Furthermore, it has been argued that understanding process and context informs board effectiveness (Roberts, McNulty & Stiles 2005, pp. S5, S11) and performance (Crow Lockhart & Lewis, 2014, p.52). Undertaking research into board processes has many supporters including those outlined by Roberts, McNulty and Stiles (2005, p.8) - Demb and Neubauer (1992), Hill, (1995), Pettigrew (1992) and Pye (2001). This thesis heeds these calls by undertaking a single case study of a prominent NFP organisation in one state of Australia. In doing so, this study is one of very few.

The qualitative research methods applied in this study are participant observer, interview and document analysis techniques. Participant observation took place at the organisational board level of the NFP organisation (Clarke, 1998; Heracleous, 1999). Interviews have been conducted with all board members and all senior managers of the organisation. Such an approach should provide "...complementary data to understand issues from different perspectives" (Hennick, Hutter & Bailey, 2011, p.170) and facilitate triangulation (Waddington 2004, p.156). Document analysis was used as a supplementary form of data, when required.

Thematic data analysis has been applied to the primary data and themes from the data were inductively developed. The researcher took process notes of all observed interactions including meetings between board members and senior managers and supplementary process notes of informal meetings between board members and senior managers. In addition, secondary sources of material such as minutes of meetings, agendas, annual reports, budgets, and other board papers were "...analysed with a view to [inductively] identifying key relevant themes and developing associated categories" (Parker, 2007a, p.1462).

Memos were made of key categories in which the researcher identified various dimensions, contexts, relationships and meanings (Ryan & Bernard, 2000; Strauss & Corbin, 1990). As a result, each category had supporting observational and interview evidence. Next, various categories were compared to ascertain similarities and

differences. As a result, the data and memos provided a rich source of information, shedding light on relationships or behaviours relevant to the study. The researcher pursued assurance of data credibility through triangulation. Assessments were also made as to whether the data was authentic, reasonable and plausible (Parker & Northcott, 2016).

Accounting researchers have the opportunity to contribute to corporate governance in a significant way. This is because accounting researchers have the tools and techniques at their disposal to be able to investigate and analyse corporate governance at its highest level. Qualitative techniques and theoretical lenses such as accountability enable accounting researchers to observe and analyse how and why the board works. So while independent or statutory bodies such as the Australian Charities and Not-for-profits Commission (ACNC) and the Australian Securities and Investment Commission (ASIC) can investigate the operations of failed organisations, these investigations only happen after something significant needs investigation. This response is reactionary in nature rather than taking a proactive approach. This study is only one of few which is proactive in nature. It can be distinguished from studies that are concerned with uncovering what went wrong. For example, investigations into NFP malpractices in the Australian Returned Services League (RSL) by the ACNC. This study considers a functional and successful NFP organisation to discover how board members enact their three roles in the NFP context.

The valuable nature of a qualitative board study such as the present study is that the researcher is at the “coal-face” (Parker, 2011, p.444) of board processes and is able to observe, engage and discuss issues with those who are directly involved. In this case, those directly involved were the board members and the senior managers. This study boasts significant data from within the boardroom and the organisation. The researcher observed 37 meetings, total hours being 91.75 hours, spanning seven perspectives of the top-level structure of the organisation. Interviews were conducted with all board members including the Chair and all senior managers including the CEO. In total, there were 14 interviews, which spanned 13.18 hours. Approximately 322 documents including board papers, handouts, committee papers, annual reports, budgets and email correspondence were collected and assessed.

## Motivation and justification for the research

### *Significance and impact of the research*

This study is significant in six key respects.

First, this investigation considers board members individually and collectively in the NFP sector. The context in which this study is conducted is one of the distinguishing features of this research. The present investigation examines an organisation from the subset of the NFP sector that is typically classified as charities.<sup>3</sup> Unlike most studies about directors which are in the FP sector (see for example: Roberts, McNulty & Stiles, 2005), the present investigation will outline many reasons that justify examining the role of the board member in the NFP sector. As discussed further in the Literature Review chapter, there are several characteristics of the NFP sector that present unique governance challenges for board members and senior managers. These characteristics, coupled with the major and rapid change that the Australian NFP sector is undergoing, justify more research in this area. This study aims to address some of these issues.

Second, few NFP studies have investigated all three board member roles. This void in governance research has been acknowledged by scholars such as Salamon (2010), Parker (2007a, p.927) and McNulty and Pettigrew (1996). At this stage, Parker (2007a, 2003, 2008) has conducted research into the strategy and control roles of the board member in the NFP sector. Where Parker's studies differ is that they do not focus exclusively on the NED, they also consider the CEO and senior managers. Furthermore, Parker's studies apply different theoretical perspectives compared to this study. For example, Parker (2007a) applies an institutional lens (Parker, 2007a) and a grounded theory perspective (Parker, 2003, 2008) in his research. More recently, Kirwan and Brennan (2017), conducted research into the strategy and control board member roles in the private sector. Their study can be distinguished from the present in terms of the sector and the theory applied. Kirwan and Brennan (2017) investigated board members in the private sector and applied a legal theory of

---

<sup>3</sup> While the case study organisation can be argued to be especially relevant to the charity sector, this thesis will use the terminology "NFP organisation", "NFP entity" or "NFP" to describe it.

guardianship. Furthermore, Kirwan and Brennan (2017) consider the strategy and control roles of the board member but the resource dependence role is unexplored. While Machold and Farquhar (2013) investigate all three board member roles in six boards, the boards were located in the UK and were not all NFP boards. What we do not know about board members is how, applying an accountability lens, they carry out all three roles in the NFP context in Australia.

Third, there is a need for more process research into boards, especially NFP boards. For instance, Parker (2008) has identified the need more control-related research in NFPs. He argues that more research needs to be undertaken to confirm whether there are “any features of boardroom operational and financial control that may be unique to the non-profit sector” (Parker, 2008, p.84). A void in knowledge of the board member strategic role has also been discussed, including the need to understand more about interaction between the board Chair and the CEO leading strategic discussions (Parker, 2007b). There also appears to be little discussion about the board member’s resource dependence role in the NFP sector. Parker (2007b, p.932) touches on it stating, “...how nonprofit boards identify, recruit, shape and control their membership profile needs further investigation and elaboration”. Questions also remain about NFP board accountability (Parker, 2008, p.85). This illustrates that the board member roles in the NFP context need further investigation and this study is designed to address that deficiency.

Fourth, another significant aspect of this research is the research method adopted. As mentioned earlier, scholars have identified that there is a need for qualitative research in corporate governance. While there is no shortage of board studies, the research method employed has usually been quantitative or mixed methods. Common techniques include using survey, questionnaire, content analysis and secondary data such as annual reports. Consequently, most of the research on boards and governance is conducted from the outside looking in, mainly trying to regress proxies for decisions board members make or organisational outcomes (Pye & Pettigrew, 2005, p.S36). We know little about actual governance processes that take place inside the boardroom, and this longitudinal case study addresses that vacuum.

Fifth, the uniqueness of this study lies not only in the subject of the study and its context, but it also draws upon significant amounts of data obtained from three different sources: participant observation, interview and documents. This is a single case study of a prominent NFP organisation in one state of Australia. The researcher had access to all board and committee meetings, as well as email correspondence between board members and the Chair. The study is a longitudinal study conducted over almost 18 months. A review of the literature reveals there are considerably less published participant observer board studies in the NFP context compared to the FP context. Furthermore, scholars utilising the combination of participant observer, interview and document analysis methods is scarce, yet it has been argued to be one of the most robust combinations of qualitative techniques (Peck, 1995). This is surprising, given the increasing significance of NFP organisations to the community and the value of qualitative research.

Sixth, this study is not only intended to contribute to the growing area of NFP governance research and academic debate, it should also generate ideas for improvement in governance more generally. Identifying recommendations and successful governance approaches should be of value to those who work in the sector such as board members, policy-makers and industry bodies such as the Australian Institute of Company Directors (AICD) (Ahrens & Khalifa, 2013; Brennan & Solomon, 2008; Parker 2012, pp.54, 67).

### **Contribution of this study**

This study builds on the existing qualitative NFP boardroom studies in six principal ways. First, it adds to the small but growing body of literature of board studies focused on board process. Second, the focus of the study on the board members and their multiple roles is a novel contribution to the governance literature. Third, the research methodology applied in this study answers calls for more rigorous qualitative research into the board. Fourth, the study contributes to the theoretical literature about concepts of accountability and how they apply in the NFP context. Fifth, as this study is nested in the NFP sector, it answer calls from scholars to investigate the unique characteristics of the NFP sector and the governance challenges it creates for boards. Sixth, this study aims to provide useful information for those who work in the NFP



sector including board members, policy-makers and industry bodies such as the AICD.

### **Organisation of chapters**

The Literature Review chapter will compare the characteristics of the NFP and FP sectors, making the case for a need to understand governance in the NFP sector. The deficiencies in the literature with respect to how board members in NFP organisations enact their three roles will also be set out and explored. A Methodology chapter covers the qualitative methods used in the study and the advantages and disadvantages of such methods. The Theoretical Framework chapter will make the case for applying a framework of broad accountability to understand how NFP board members enact their three roles. This is followed by an Organisational Context and Profile chapter, which provides the background to the study. Three findings chapters are next, which explore the findings from theoretical analysis of the data. The Discussion and Conclusion chapter summarises the foregoing chapters including what the study set out to find, what was found, and the implications from such findings.

## CHAPTER 2: LITERATURE REVIEW

### Introduction

This Australian study is based in the NFP sector, where the roles and responsibilities of board members may be influenced by a range of internal and external factors. While there is increasing interest in governance in the NFP sector, very few studies have sought to discover how board members operate in the sector. The objective of this qualitative study is to investigate how NFP board members construct and execute their strategic, control and resource dependence roles. A review of the relevant literature is necessary to place this board study in context. As the literature about corporate governance is vast, covering a range of governance mechanisms and topics, a select number of mostly qualitative NFP board studies will be discussed in this chapter. However, some board studies in the public and private sectors will also be discussed because there is some overlap with issues common to the NFP sector.

A number of papers in the corporate governance literature have already mapped the key evolutions in governance research to date. Much has been written about the dominant influence of agency theory since Berle and Means' (1932) case for the separation of ownership from control (Brennan, Kirwan & Redmond, 2016, p.138) and the implications of using this theoretical lens. Scholars such as Brennan, Kirwan and Redmond (2016), Crow, Lockhart and Lewis (2014), Pugliese et al. (2009), Morrison and Salipante (2007), Roberts, McNulty and Stiles (2005), Miller (2002) and Golden-Biddle and Rao (1997) have all argued that agency theory is limited in its utility in examining corporate governance phenomena.

Agency theory is generally applied in quantitative corporate governance research. While useful for certain purposes, such as determining "board structure, composition and independence" (Roberts, McNulty & Stiles, 2005), agency theory and quantitative techniques are not usually used for governance research that is concerned with examining board processes. The limitations of quantitative studies have been discussed by many scholars who often argue that results from quantitative analyses are either inconclusive or they only explain governance phenomena to a partial extent (McNulty, 2013, pp.163, 171; Crow, Lockhart & Lewis, 2014; Pugliese et al., 2009). Crow, Lockhart and Lewis (2014, p.52) point out that although quantitative research

in corporate governance sought to reform the structure and composition of boards in response to governance failures, problems with accountability in governance persist. As McNulty (2013) asserts,

One of the frustrations about recent events involving companies is that boards with apparently perfect governance arrangements and credentials were implicated in major cases of governance failure...[there is] growing evidence that it is board process rather than board structure or composition that best predict board performance and effects (McNulty, 2013, pp.171-172).

In response to these inadequacies in governance research, McNulty and Stiles (2015, p.514) explain that there is much evidence to suggest that board effectiveness is probably better understood by examining the “behavioural dynamics of a board and the web of interpersonal and group relationships between the executive and the non-executive”.

Bezemer, Nicholson and Pugliese (2014) are an example of scholars who have led the way in recent board process studies, particularly in Australia, using qualitative techniques to analyse board member interactions in two Australian companies. They echo what other qualitative scholars have said about governance studies concerned with board composition, highlighting that board member interactions or “roles’ execution” could explain why board composition solutions have often provided unsatisfactory results (Bezemer, Nicholson & Pugliese, 2014, p.238). Another pioneer who has examined board process applying qualitative techniques is Parker (2003, 2007a, 2007b, 2008). Parker has conducted longitudinal studies using the Complete Member Researcher (CMR) approach to participant observation to examine how select NFP boards in Australia operate. It is hoped that this study will complement the work of scholars such as Bezemer Nicholson and Pugliese (2014) and Parker (2008) by applying qualitative techniques to investigate board member roles in the NFP context.

Despite the acknowledgement in the literature for a need to undertake board process studies, at the time of writing, the number of participant observer board studies was limited (Bezemer, Nicholson & Pugliese, 2014, p.239; Samra-Federicks 2000; Pye & Pettigrew, 2005). Of particular note is the lack of board process research in Australia (Kiel & Nicholson, 2003; Pye & Pettigrew, 2005). The two reasons for the gap in

research of this nature is due to the dominant influence of agency theory and the challenges of obtaining access to confidential boardroom interactions (Bezemer, Nicholson & Pugliese, 2014, p.240). The participant observer board studies conducted in the NFP sector reveals even less participant observer studies (Parker, 2008; Parker, 2007a). This Literature Review will mainly focus on select qualitative board studies, in the NFP, FP and public sectors, explaining what issues they examined and what they found. Areas for further research will also be identified.

This study contributes to the governance literature in three novel ways. First, it is focused on the board members. Second, it investigates how they enact all three roles - their strategy, control and resource dependence roles in the NFP context. Part of this inquiry is determining whether the roles conflict or are complementary and whether there are any problems in discharging the roles. Third, it applies a theoretical lens of accountability which has been discussed by other board studies and NFP studies. In sum, this Literature Review explores the literature which is relevant to board roles, board process and the NFP sector as well as foreshadowing discussion about the theoretical perspective and methodology which will be applied.

The following section introduces the NFP sector, outlining its significance in social, economic and political terms which justifies the need to understand governance in the sector. The section that follows compares the NFP sector with the FP sector, highlighting the similarities and differences and therefore the unique governance challenges the NFP sector presents. The Literature Review then turns to considering the board member role. In particular, the board member role with respect to board effectiveness and accountability is discussed and studies which examine such phenomena are analysed. The next section introduces the reader to a more specific board roles discussion, where the three key roles of strategy, control and resource dependence are discussed in the context of select prior studies. This discussion is followed by a section about board performance and the Literature Review then turns to sections that discuss the theoretical orientation of the study and the qualitative methodology employed. The chapter concludes by summarising the six key areas of contribution it aims to make as well as providing a summary of the broad messages inherent in the chapter.

## **The NFP sector**

A key distinguishing feature of this investigation is the sector in which the study is conducted. Much of the current governance literature is focused upon the private sector, the public sector or in institutions such as universities. The governance literature is lacking however in the NFP context. Sasso (2003, p.1495) observed there is a “dearth of studies on not-for-profit governance”. This deficiency in the accounting literature persists to date (Pugliese, Nicholson & Bezemer, 2015). The lack of NFP board studies is surprising given the social, economic and political significance of such organisations. As government is downsizing and outsourcing much service provision to NFPs, the level of services for which NFPs are responsible have increased significantly (Parker, 2008; Drucker, 1989; Ruckle, 1993). NFPs are often subject to considerable control and regulation through audits and accreditation processes to retain their service contracts, as well as having accounting and legal responsibilities.

From a social perspective, NFPs are often pursuing a broad social agenda which spans a suite of services including: aged care, assisting the homeless, young people, single parents, people with mental illness or intellectual disabilities. The impact of NFP entities is often not solely confined to the people they serve. The family and friends of those who the NFP organisation assists are also often affected. Arguably, the broader community also benefit from the social services NFPs provide as they give people in need the support they require.

From an economic perspective, NFP organisations also have a significant impact. In Australia, the NFP sector is worth \$200 billion per annum with 56,894 NFP organisations operating in 2016 (Cooper, 2016, p.4). The NFP sector employs over 1,000,000 people in Australia, which represents 8.5% of the Australian workforce (Cooper, 2016, p.4). NFP organisations have also often been able to meet areas of need where demand is increasing. For example, with an ageing population in Australia, there has been an increase in demand for aged care services.

The NFP sector is also political to some extent. This is because NFPs often heavily depend on government funding from both Australian Federal and State Governments. As a result, NFP organisations often take a considerable interest in tendering for

service contracts designed to serve government policy. As a result, government funding usually influences an NFP organisation's strategy and strategic decision-making to a considerable degree. On the other hand, NFPs can also influence government policy. This can be achieved through lobbying and by discharging their advocacy role for certain sectors of society, for instance minority groups (Ospina, Diaz & O'Sullivan, 2002, p.25).

The mission, vision and values of NFP organisations presents an additional level of complexity to the NFP picture. Carnegie and Wolnizer (1995, pp. 37-38) explain that an organisation's objectives and mission shed light on why organisations account for things the way they do. While FP organisations also have a vision, their vision is often consistent with their shareholder's mission – to provide a product or a service which has a profit-making motive. NFPs however, often have a mix of non-profit and profit-making motives, the latter of which is not always congruent with their mission. Therefore, the adherence to an NFP mission is usually a challenging issue. Hardy and Ballis (2013) note the influence of mission and vision on accountability in their study of Health Food Company Sanitarium. They and other scholars encourage further research into accountability in religious organisations (Hardy & Ballis, 2013, p.559; Quattrone, 2004; Carmona & Ezzamel, 2006).

The roles board members are expected to enact are likely to be affected by the values and mission of an NFP organisation to some extent. The values and mission of an NFP organisation is often tied to their strategy (Brennan, 2010) and long-term planning. Control is inherently tied to strategy (Tucker & Parker, 2013a) such that certain mechanisms should be in place to review how the organisation is achieving its long-term, medium-term and short-term goals. Resource dependence factors, including the resources and networks available to the organisation, are also usually influenced by the values and mission of the NFP. While the literature suggests all board member roles are impacted by the values and mission of an NFP organisation, questions remain about how board members deal with values and mission in their discussions and decisions (Collier, 2005; Morrison & Salipante, 2007; Parker, 2008; Holland, 2002). Therefore, there is a case for examining the roles of board members in the NFP sector because of the complexities inherent in the values and mission of

NFP organisations. The extent to which an NFP board is effective has been argued to depend on how well it fulfils its mission and values (Sasso, 2003, p.1499).

As mentioned earlier, some NFP organisations have the additional challenge of dealing with a non-profit and a for-profit component simultaneously. The non-profit making motive can be defined as “...motivated by factors that fall outside standard commercial and public accountability” (Walker, 1998, p. 488; also see: Quattrone, 2004; Jacobs & Walker, 2004; Kreander, McPhail & Molyneaux, 2004, pp. 416-418; McKernan & McPhail, 2012; Clemens, 2006, p. 212 – cited in Hardy & Ballis, 2013, p. 541). From an accounting perspective, this raises interesting corporate governance questions, as there are no common rules or methods governing NFP accountability in this respect. Shaoul, Stafford and Stapleton (2012) make a similar discovery with respect to Public-Private-Partnerships (PPPs) in the UK and observe that they are hybrid in nature, containing elements from both public and private enterprise. Hardy and Ballis (2013, p.559) conducted a study into a hybrid organisation Sanitarium Health Food Company and found its organisational leaders were able to discharge accountability to some of its stakeholders. Sanitarium was found to have an idiosyncratic method of financial reporting which used a faith-based, inward looking focus on mission. The study revealed while members of the Adventist religion seemed content with the method of reporting, it created “tensions and anxieties” for other stakeholders who demand a more outward-looking and commercial approach (Hardy & Ballis, 2013, pp. 541, 544).

NFP organisations often have profit centres within their non-profit structure in response to the service delivery environment becoming more competitive (Dolnicar, Irvine & Lazarevski, 2008). Competition can have consequences for NFPs in terms of their mission (Hume & Hume, 2008; Dees & Anderson, 2003b). It is generally recognised that in order to remain competitive, NFP organisations have to adapt and change (Dolnicar, Irvine & Lazarevski, 2008, p.112; Valentinov, 2010; Unerman & O’Dwyer, 2012). This often means becoming more ‘businesslike’ (Dimitrov, 2008, p.16). Questions arise as to whether this form of adaption will conflict with their original purpose and mission. A problem in recent times in an increasingly competitive environment is the corporate model is said to clash “...with the

philanthropic values of many nonprofit organizations” (Townley 2001 cited in Tucker & Parker, 2013a, p.102).

The profit-making component of NFP operations can produce a potential conflict between NFP mission, vision and values. Further, the increasing commercial orientation, which some NFPs adopt to remain competitive can potentially compromise the priority given to NFP mission. This raises important governance questions which scholars Hardy and Ballis (2013), Harrow and Phillips (2013), Tucker and Parker (2013a), Tuckman and Chang (2006), and Dees and Anderson (2003a) have begun to consider. For example, how can NFPs successfully juggle their mission with the need to remain commercially viable? Parker (2003) has observed that while some NFPs have become more commercial to the extent that they mimic the private sector, their motivations are usually different and the way they enact their responsibilities also differs. Harrow and Phillips (2013, p.608) observe that NFP “organizational hybridity is a marked sectoral feature, with governance implications that may be far from clear”. This study aims to uncover what the implications are for a non-profit organisation which is undergoing a period of high organisational change in response to many of the pressures mentioned in the literature – such as the need to adapt to an increasingly competitive market.

### **Comparing NFP and FP sector characteristics**

The environments in which FP and NFP organisations operate are different in some key respects. NFPs generally operate in a dynamic environment that is often subject to change and uncertainty (Salamon, 2010; Dimitrov, 2008). Government policy at both State and Federal levels influences NFP strategy, and legislative and regulatory changes affect how NFPs account for activities (Flack & Ryan, 2005). Service contracts, often provided by the Government to NFP entities, can affect NFP operations (Dolnicar, Irvine & Lazarevski, 2008). With increasing numbers of competitors in the sector they can influence what areas of service delivery an organisation chooses to focus on, in what areas they exit, and how they deliver their services (Hume & Hume, 2008).

While FPs can also operate in a dynamic environment and are influenced by competitors, they are often shielded from such expansive and uncertain change. In



particular, they are often not as beholden to government policy compared to NFP organisations. For example, when FPs experience change it is generally more discreet – being confined to their product or service delivery (Dees & Anderson, 2003a). The governance ramifications of NFPs operating in a dynamic environment are yet to be fully uncovered, but as the literature suggests, it is likely to impact on the strategic and accountability aspects of the NFP board (Harrow & Phillips, 2013, p.609).

A comparison of the board structures for both NFP and FP organisations reveals certain factors that make NFPs more complex than FP organisations (Dees & Anderson, 2003a, 2003b). Considering board structure, NFP boards generally comprise board members who are often unpaid or paid little compared to board members in the FP sector (Parker, 2007a). In faith-based NFP organisations, there are sometimes requirements for board members to be members of the religious institution, which influences the recruitment of board members to some extent.

Another point of difference between NFPs and FPs is their stakeholder groups. NFPs are likely to have more stakeholder groups compared to other sectors (Tucker & Parker, 2013a). FP organisations usually have a smaller group of stakeholders to contend with including shareholders and financiers (Salamon, 2010). Stakeholder groups in the NFP context include: State and Federal Governments, clients, donors and sponsors, staff and volunteers, and the community (Parker, 2008, p.66). Ideally, all groups of stakeholders should be satisfied as well as the NFP mission and values (Miller, 2002). This has considerable implications for NFP external and internal accountability.

Ownership is usually a complex affair in NFP organisations because of its multiple stakeholder groups or its hybrid nature. Hybrid organisations can be defined as an organisation which has a combination of both NFP and FP characteristics and is subject to neither a market nor a hierarchical model of governance (Valentinov, 2010, pp.211-212; Harrow & Phillips. 2013). Consequently, “there is little consensus regarding who “owns” the nonprofit” (Miller, 2002, p.442). Sasso (2003, p.1497) agrees, contending that while there is some debate about ownership of FP entities “the issue becomes even more clouded in the not-for-profit context where – by definition – there can be no alienable claims to institutional profits”.

Questions about NFP ownership also feature in NFP organisations that are not hybrid organisations. The question arises due to the many stakeholder groups involved in NFP operations. Miller's (2002) NFP study shows accountability to be a regular consideration and reveals the expectation of:

...nonprofit boards to be accountable to the competing interests of multiple stakeholders with no clear indication of how performance will be assessed and no agreement as to who owns the nonprofit organisation (Miller, 2002, p.447).

By contrast, "Ownership is relatively straightforward" (Miller, 2002, p.439) in FPs where shareholders generally own the company. In this sense, FP organisations often operate in a simpler fashion because their stakeholders' interests are often at parity with their objectives – to provide a product or service for a profit.

While both NFP and FP organisations have missions and objectives, they usually diverge when considering the purpose underpinning the mission and objectives. The mission statements of NFPs are often altruistic in nature and as a result, NFP mission tends not to express profit motives. This means that NFPs usually have a broader purpose compared to FP organisations because they not only have to fulfil their mission, but they also need to remain sustainable and competitive (Rentschler & Potter, 1996). A problem arising in recent times in an increasingly competitive environment is the corporate model is said to clash "...with the philanthropic values of many nonprofit organizations" (Townley 2001 cited in Tucker & Parker, 2013a, p.102).

Measuring performance is another principal difference between NFP and FP entities. In the NFP sector this has been the subject of much debate as there are no universally accepted means of measuring NFP performance. According to Shaoul, Stafford and Stapleton (2012, p.219), similar difficulties in performance measurement prevail in PPPs where the expertise and systems to measure performance are lacking. It has been suggested that the most appropriate way of addressing performance measurement for NFP organisations is to make their mission the priority followed by "measures of performance and accountability" (Carnegie & Wolnizer, 1995; Parker, 1996). On the other hand, FP organisations often have mission and objectives that are congruent with being a sustainable and competitive organisation (Rentschler & Potter,

1996). Measuring performance of FP entities is comparatively straightforward because its mission can more easily be quantified and measured.

Table 2.1 outlines the main factors of difference for NFP and FP entities and provides a summary of the key characteristics for both types of entity.

**Table 2.1 Key characteristics of NFP and FP entities**

<b>Factor</b>	<b>NFP characteristics</b>	<b>FP characteristics</b>
External environment	High degree of policy change, dynamic, increasing competition, service contracts.	Competition may or may not be high depending on strategy of FP entity (cost leadership or product/service differentiation).
Board structure	Membership requirements sometimes necessary for NFP faith-based or membership organisations. Remuneration of board members increasing but comparably smaller salaries provided to NFP board members compared to the FP sector.	Generally directors do not have membership requirements to satisfy. Directors almost always remunerated in some way and salaries are nearly always more than those provided for NFP board members.
Stakeholder groups	State and Federal Governments, clients, donors, staff, volunteers, the community.	Shareholders and financiers.
Ownership	No consensus as to who owns the NFP entity. No party has clear claims to any profits from the entity.	Owned by shareholders.
Mission and values	Often altruistic in nature and not congruent with profit-making motives. This is being challenged in recent times with the need for many NFPs to become more financially and operationally sustainable.	To make a profit for shareholders.
Measuring performance	Much debate about the measuring of NFP performance. Difficulties in quantifying and measuring the outcomes of many NFP activities.	Relatively straightforward. Follows established practices in management accounting and finance.

### **Directors and the board: multiple roles**

There is debate in the literature about whether board member roles conflict or are complementary. For example, Cornforth (2003, p.14) identified a tension between the “controlling” role of the director and their “partnering” task with senior managers. The focus on role tensions in the literature stems from the fact that of the three board member roles identified, each of them have been influenced by a particular theoretical perspective. For instance, as discussed in the Introduction chapter, agency theory often drives the focus on the control role of the director. On the other hand, stewardship theory argues that directors need to collaborate and partner with senior managers (Hyndman & McDonnell, 2009, p.26) suggesting a more strategic focus. Kirwan and Brennan (2017) provide a more recent perspective on board roles, arguing that the two key director roles of control and advice are compatible. While the current study is not primarily focused on identifying role conflicts and exploring whether or not they are compatible, it is still a relevant consideration when investigating what boards do and how effective they may be (Cornforth, 2003, p.15).

Understanding whether or not director roles are in conflict helps researchers analyse board effectiveness. Definitions of board effectiveness differ depending on the theoretical perspective adopted (Zahra & Pearce, 1989). As the focus of this Literature Review is on qualitative board studies, perspectives informed by agency theory and positivist methods will not be discussed at length. Suffice to say that governance studies that are positivist tend to assert that board effectiveness is achieved when board members are independent from management (Westphal 1999; Hooghiemstra & van Manen, 2004a). Alternatively, applying a theoretical perspective which is conducive to examining board process frames board effectiveness as: “Effective boards might be described as those that amount to more than a summing of individual contributions and where the dynamic of different people working together...adds value” (Pye & Pettigrew, 2005, p.S32).

Stiles and Taylor (2001, p.129) summarise the key components to board effectiveness as “...the calibre of its members, their willingness to participate, and the quality of relationships between them”. According to Machold and Farquhar (2013, p.147), board process studies “offer...new insights into board tasks and how effectively they

are performed”. The current study is concerned with examining these aspects of board effectiveness applying a process approach.

The literature, which examines board effectiveness from a process perspective, almost always considers board roles and how they are enacted (Bezemer, Nicholson & Pugliese, 2014; Machold & Farquhar, 2013; Pye & Camm, 2003, p.60). For example, Pettigrew and McNulty (1995) in a pilot study of 20 board members examine the power and influence of board members to prevent or enable things from happening. In particular, it has been found that board member influence increases in times of crisis or transition (Lorsch & MacIver, 1989). Additionally, a series of contextual factors such as the behaviour of the Chair and CEO were found to impact on board members’ influence (Pettigrew & McNulty, 1995, p.870). Board process studies also highlight the importance of board process to understanding board effectiveness and accountability.

Behavioural dynamics in and around the boardroom represent one of the keys to the effectiveness of NEDs and this is a crucial ingredient in shaping the conditions for board and managerial accountability (Pettigrew & McNulty, 1995, p.871).

Another example of a board study which investigates how board roles are enacted is that by Samra-Fredericks (2000) who conducted a participant observer study of a manufacturing firm in the UK. She found that the discourse and behaviours of “managerial elites” - directors and senior managers - often forms part of everyday routines that facilitate the execution of board member roles and performance. Samra-Fredericks (2000, p.324) argues more “boards-in-action” research in governance needs to be conducted.

Parker’s (2007a) complete member researcher participant observer board study of two NFP organisations has paved the way to understanding board process since Samra-Fredericks’ participant observer study. He found that individual board members are often “champions” of particular strategies while at the collective board level, strategising is a contextual, political and dynamic process (Parker, 2007a, p.1476). Parker (2007a) also argues that “deeper understandings” of board process and behaviours is attained through participant observer studies and suggests more board research of this nature is undertaken to build on the current findings.

There are also board studies that are focused on examining the board as a collective group and their behaviour. Pugliese, Nicholson and Bezemer (2015) distinguish their research from board studies that examine board member roles by investigating how the board as a collective group makes decisions. Like Parker (2007a), they find that contributions of directors are dynamic and contextual. Pugliese, Nicholson and Bezemer (2015) find factors such as timing and type of agenda items affects board dynamics (2015, pp.17, 20). The scholars also argue that an effective board is one that is inclusive and has differing levels of participation at different times. Similarly, Brennan, Kirwan and Redmond (2016) analyse the impact of information sharing at the board level (“group level”) and the director level (“individual level”) in their conceptual paper about how accountability processes occur in boardrooms with respect to information asymmetry between senior managers and directors. They find that information asymmetry between board members and managers is not detrimental to directors’ roles. Brennan, Kirwan and Redmond (2016) encourage further research into this area of board process, which this study is well placed to address.

A review of select board studies has uncovered the complexities in understanding board roles and in most cases they need to be considered at both the individual board member and the collective board level to obtain a more holistic perspective of governance. Hill (1995, p.251) explains that directors on a board have equal legal responsibility and it is “a collective responsibility”, however, in practice, some directors are more influential than others. Pye (2002, p.161) acknowledges that there are challenges with examining board member roles due to “individual and collective action and how this might be known and evaluated”. In their study of nine directors and their strategic roles, O’Neal and Thomas (1995, pp.85-86) dealt with the individual and collective aspects of directors by identifying them as “board” and “individual directors” and discussing them separately. Pye and Pettigrew (2005) encourage and adopt a similar approach. A decade later, Pugliese, Nicholson and Bezemer (2015, p.17) still observe that there is a challenge in “determining how to operationalize and measure” the dynamics of directors. The scholars argue that they attempt to overcome this challenge by providing analysis at different levels – the group and individual levels as well as an analysis of the impact of context (i.e. how the board meetings are conducted and types of agenda items discussed). Following

these board process studies, the distinction between the individual board member and the collective board levels will be made in the present study.

As the current investigation follows in the tradition of board process studies, it too, defines board effectiveness as the extent to which a board adds value to the organisation through the contributions of both individual board members and the board working together. In a similar way to Pugliese, Nicholson and Bezemer (2015), this study uses a combination of the individual board member analysis as well as considering how the board functions as a collective whole. Board effectiveness has also been defined as the extent to which the board satisfies the mission of the organisation (Sasso, 2003, p.1499). This study also considers context – but in a different manner to Pugliese, Nicholson and Bezemer (2015). Context in the current study is concerned with the unique characteristics of the NFP organisation and the environment in which it operates.

This multi-level approach is appropriate in light of calls for the same. For example, scholars Bezemer, Nicholson and Pugliese (2014) and Pugliese et al. (2009) all advocate multi-level analysis in board studies. Bezemer, Nicholson and Pugliese (2014) recommend using multi-level analysis and studying the “micro-interactions and contributions” of board members. Pugliese et al. (2009, p.302) also support the view for multi-level analysis, including understanding the “macro, meso, and micro dynamics, and how these forces jointly shape the relationship between boards of directors and strategy”.

Returning to the debate in the literature about whether the roles of directors conflict or are complementary, it is important to consider the theoretical perspective, which underpins the literature in this regard. Governance literature which is informed by agency theory or similar positivist perspectives often argues that the roles of directors create a conflict. This conflict is argued to generate an “independence paradox” because the director needs to act as a watchdog as well as being a source of advice and counsel to senior managers (Hooghiemstra & van Manen, 2004a; Demb & Neubauer, 1992). On the other hand, Tricker (2009) classifies director roles into two groups: conformance and performance. The conformance roles refer to the director’s responsibility to control the senior managers whereas the performance roles relate to the director’s strategic and resource dependence functions. Tricker (2009) argues that

it is possible for directors to discharge both roles. Similarly, board studies focused on process usually take the position that the roles are complementary and work together (Roberts, McNulty & Stiles, 2005). Sundaramurthy and Lewis (2003, p.411) find that director roles can be balanced and is not simply a case of board members roles being enacted in an “either/or” sense.

Some NFP literatures argue that a consideration of the contextual factors under which the entity is operating is significant, as it can affect the priority given to particular board roles. For example, Ostrower and Stone (2006) observe the degree of preference given to board roles “will often be determined by a range of diverse factors including, for example, an organization’s wider environment and the particular skill sets and interests of individual board members” (Ostrower & Stone, 2006 cited in Hyndman & McDonnell, 2009, p.22).

Most board studies that examine board process consider multiple board roles. This approach to board research challenges other board research that views board roles as separate, discreet tasks (Machold & Farquhar, 2013, p.160). Considering the multiple roles of the director usually views the roles operating together, but in different ways, depending on the conditions. Machold and Farquhar (2013, p.148) find that all board tasks are enacted by the six boards in their multiple case study however they are enacted with varying degrees. This was found to depend on how much time is allocated to the tasks, the external and internal contingencies the organisation is encountering, and the type of organisation (for example, small to medium sized firms or NFP organisations).

Applying a process approach in combination with a theoretical perspective such as accountability allows a holistic examination of board tasks and how they are performed over time (Pettigrew, 2012). Further research is encouraged using this approach in countries other than the UK (Machold & Farquhar, 2013). McNulty (2013, p.172) also argues that board studies, which are focused on process, are likely to uncover behaviours and relationships, which enhances our understanding of influence, accountability and board effectiveness. The present longitudinal case study examines board process applying relevant concepts of accountability. This should clarify whether board roles are complementary and add additional insights into the effect of internal and external factors on the discharge of board member roles.



## **Towards board and director accountability**

The board literature that is focused on examining board process board effectiveness is achieved through various forms of accountability. For example, Roberts, McNulty and Stiles (2005) argue that by “creating accountability” directors achieve board effectiveness in their study of 40 UK Publicly Listed Companies. Roberts, McNulty and Stiles (2005) argue that board effectiveness is dependent on how board members are accountable for their roles and for keeping senior managers accountable (McNulty, 2013, p.167). The scholars suggest further research of this type should be conducted in countries other than the UK. The present Australian study can contribute to the literature in this regard.

Holland (2002) considers accountability to be central to how boards from 34 different NFP organisations in the US operate, finding six sets of board practices, which promote accountability. He argues that if these six practices are followed, then board effectiveness is enhanced as value is added to the organisation by board members, as well as bolstering public trust. Holland (2002, p.427) explains that further research is required into the factors which condition board accountability and the consequences. While Holland (2002) finds trust a crucial element in how effective an NFP organisation is perceived to be by its external stakeholders, Sasso (2003) finds trust between internal stakeholders – the board and senior managers is an important ingredient in the effective functioning of the board.

A three year case study conducted by Collier (2005) into a quasi-public sector housing organisation applied Roberts’ theories of accountability and builds on the calculative (numbers based) and the narrative (interpretative) forms of accountability espoused by Roberts (1991, 1996, 2001). Collier (2005, p.929) argues that a third type of accountability exists, called the “non-calculative, non-narrative” space. Collier (2005, p.948) suggests further research into accountability employing longitudinal studies that use “observational and analytical skills”. It is evident that there are board studies which view accountability as crucial to achieving board effectiveness in many sectors – private, NFP and quasi-public sectors.

There are also examples of board studies which either use accountability as an informing theoretical framework or are designed to develop a theory of

accountability. Directly relevant to the current investigation is the NFP board study undertaken by Ospina, Diaz and O'Sullivan (2002). They undertook a dual case study of four Latino NFP organisations in New York City. Their interview data revealed the challenges of accountability in the NFP sector and how they were addressed by the organisations. They found that the community was a central stakeholder and revealed how the NFPs studied discharged their accountability to the community. Accountability to other stakeholder groups was also analysed and they argue that a "strategic approach to managing accountability" is required (Ospina, Diaz & O'Sullivan, 2002, p.29). In a similar way, Morrison and Salipante (2007) support the need to use accountability as an informing lens in the NFP context.

Morrison and Salipante (2007) use grounded theory to contribute to perspectives on accountability in the NFP sector with respect to how the Chair of the board and the CEO engage in strategising in an NFP organisation. Applying a theoretical perspective of broad accountability, Morrison and Salipante (2007) find that "blended strategising" describes what occurs in the NFP organisation they studied. This is where formal and emergent strategy is enacted by organisational leaders. The formal aspects tend to be exercised to demonstrate to stakeholders that the organisation is acting in a responsible fashion. Ospina, Diaz and O'Sullivan (2002) and Morrison and Salipante (2007) explore the theoretical literature on accountability, arguing that it is particularly relevant for board studies in the NFP sector.

Seminal works about accountability were mostly written in the 1990s when accountability started to become a focus in governance studies. Accountability concepts from seminal works are discussed, synthesised and applied by Ospina, Diaz and O'Sullivan (2002) and Morrison and Salipante (2007). Both groups of scholars use multiple perspectives of accountability to inform their findings. There are similarities in the seminal works both groups of scholars rely upon. Scholars such as Kearns (1996) and Behn (2001) are common to both Ospina, Diaz and O'Sullivan (2002) and Morrison and Salipante's (2007) accountability discussion. Ospina, Diaz and O'Sullivan (2002) also consider accountability concepts expressed by Brooks (1995) and Romzek (1996).

Ospina, Diaz and O'Sullivan (2002) argue that concepts articulated by accountability scholars help researchers understand how accountability is enacted by leaders in an

NFP context. In a similar way, Morrison and Salipante (2007) cover accountability concepts by Kearns (1996) and Behn (2001) but also refer to Boland and Schultze (1996). Morrison and Salipante (2007, pp.198-199) synthesise the common concepts from these seminal works and distil them to two key accountability concepts: “rule-based accountability” and “negotiable accountability”. They argue that the two accountability concepts should help researchers understand “how accountability can be achieved” “in the governance of organisations”. Ospina, Diaz and O’Sullivan (2002, p.28) and Morrison and Salipante (2007, p.197) are united in their view that a “broad” theory of accountability is suitable for NFP board studies. They also argue that more qualitative research into NFP entities using a theoretical perspective of broad accountability is required. Broad accountability will be discussed later in this chapter under the heading “Towards a theoretical perspective”.

The unique characteristics of NFP organisations often create implications for accountability. As discussed earlier in this chapter, one of the unique characteristics of the NFP sector is the influence of mission on the board and the organisation. Scholars have recently applied accountability to their studies in similar sectors where moral responsibilities are important. For example, O’Leary (2017, p.35) in her dual case study of two Non-Government Organisations (NGOs), found an accountability that she called a “rights-based approach to development”. This form of accountability builds on the calls in the literature to consider a broader accountability, an accountability that not only considers regulation and control, but also the strategic and moral dimensions of giving an account (O’Leary, 2017, pp.35-36). Another example of a scholar who has used accountability as an informing lens in understanding how leaders of organisations operate is Parker (2014). Parker (2014, p.635) describes “accountability through action” as the way the four leading British industrialists in the 19<sup>th</sup> and 20<sup>th</sup> centuries enacted their social and philanthropic motives. Parker (2014) finds that all four industrial leaders were able to pursue business, and moral and social values at the same time through various strategies.

NFP organisations that have a faith-based component also raise questions of accountability because they often have a deity to whom they are also accountable as well the need to fulfil their own mission and values. Furthermore, the absence of universal practices of reporting in such settings has motivated some researchers to

investigate how accountability works in such organisations. For example, Jayasinghe and Soobaroyen (2009, p.1016) used grounded theory methods to investigate how accountability is enacted in two NFP organisations - one based in Sri Lanka and the other in Mauritius. They find that accountability is largely enacted through informal and social practices such as maintaining religious facilities or places of worship such as temples. On the other hand, formal accounting practices such as Annual General Meetings (AGMs) and annuals reports are ceremonial in nature “aimed at signalling their congruence with social expectations” (Jayasinghe & Soobaroyen, 2009, p.1015).

Similar findings of informal account giving were uncovered in a case study of Sanitarium Health Food Company, a hybrid organisation in Australia. Hardy and Ballis (2013) use primary and secondary archival sources, interviews and media reports to determine how Sanitarium discharges its accountability to stakeholder groups. Using an accountability framework by Mashaw (2006), they found that informal reporting dominates the accountability activities of such an organisation. Reporting is communicated in various forms. For example, through church services, advertisements or annual conventions. The need to undertake more research into faith-based organisations and how they enact accountability is highlighted.

Investigations of accountability practices in faith-based organisations has not only shed light on how accountability is enacted in a particular context, but such studies also often contribute to accountability perspectives. For example, Joannides (2012) investigates how accountability is practiced in an ethnographic study of the Salvation Army in Paris. Joannides (2012, p.249) explored how accountability in a religious NFP setting is enacted by the organisation’s “leaders, ministers and soldiers”. He found that the difficulties in rendering an account to the highest authority, in this case, to God, were overcome by individuals engaging in “accounterability”. The concept of accounterability was first devised by Kamuf (2007) and is the process where individuals circumvent the limitations and problems of accountability by becoming accountable according to their own interpretation of accountability and applying that practice consistently. Further academic inquiry is encouraged into how accountability is construed and enacted in similar organisational contexts (Joannides, 2012, p.256). The current study is likely to be able to make a theoretical contribution to

accountability frameworks by either complementing, challenging or building on what has been found about accountability in this respect.

Another key accountability issue identified for further investigation is the dissemination of information to and from the board. Adopting an agency theory perspective, it is argued that board members are likely to experience information asymmetry compared to senior managers who have access to organisation information and control, to a fair extent, what information board members are exposed to (Stiles & Taylor, 2001). In addition, the fact that board members are more removed from the organisation means they are less exposed to the key issues facing the organisation. Taking a different perspective, Brennan Kirwan and Redmond (2016, p.159) have asserted that information asymmetry is not detrimental for governance. They argue that it is a natural, healthy phenomenon, as it encourages objective critique and questioning by board members. Without some asymmetry of information, there would be no need for a board, they argue. Such a perspective challenges the dominant view of agency theory that information asymmetry is a negative aspect of how governance functions.

In their multiple case study of six UK organisations, Machold and Farquhar (2013, pp.160-161) find the dissemination of information occurs in the organisations and constitutes what they call a “passive role” of the director where they receive information from senior managers. The scholars are critical of this process, arguing too much time was spent by senior managers delivering information to the board that was already present in the board papers. These findings suggest that some boards try to guard against the asymmetry of information between senior managers and board members by going to great lengths to ensure information is presented to board members. This study will investigate whether information asymmetry is an issue in the NFP organisation under study and how it is managed.

A review of the application of theories of accountability in board research has shown its increasing significance in explaining board roles, board process and context. Board roles can be explained using an accountability perspective (Huse, 2005, pp. S73-75; Roberts, McNulty & Stiles, 2005). Similarly, an accountability lens is able to provide insights about board process – for example, the board’s decision-making culture, interactions inside and outside the boardroom, and the formal and informal aspects of

board work (Huse, 2005, pp. S73-75; Roberts, McNulty & Stiles, 2005). The influence of contextual factors and the influence of board members on board accountability can also be elucidated using theories of accountability (Heracleous, 2001 cited in Pye & Camm, 2003, p.59).

While there are sometimes assertions that accountability is not yet a “grand” theory (Llewellyn, 2003, p.676), this has not diminished its significance in investigating board roles, board process and the contextual factors which impact on boards. Huse (2005) argues that more board research investigating board accountability is necessary and recommends the use of more direct methods of research such as participant observer methods and case studies. “The use of case studies may be needed to meet some research questions...[which] may include direct observations...” (Huse, 2005, p.S76). As discussed previously, there are other board studies which have used accountability as the informing theory as well as qualitative techniques including Holland (2002), Collier (2005), Ospina, Diaz and O’Sullivan (2002), Morrison and Salipante (2007), Joannides (2012) and Hardy and Ballis (2013). This single case study answers the call for further research and intends to complement and build on the board process studies in accountability undertaken by these scholars.

This overview of some of the key governance literature in accountability reveals a convincing case for applying a framework of accountability to understand the issues discussed in this study. The complex nature of NFP organisations with their unique characteristics and many stakeholder groups suggests a need for theory that can analyse board member roles and effectiveness in such an environment. A theory of accountability is also well suited to examine board members and their ways of enacting the strategy, control and resource dependency roles in the NFP sector. In addition, this section has outlined a case for board process studies to examine board roles, board process and board context. While some of the foregoing board process studies investigate contexts different to the NFP sector, such as Samra-Fredericks (2000), Roberts, McNulty and Stiles (2005) or Pugliese, Nicholson and Bezemer (2015), they are valuable in supporting the case for board studies which use qualitative methods to directly examine governance phenomena. Furthermore, there are qualitative board studies which have been conducted in the NFP sector including

Parker (2003, 2007a), Ospina, Diaz and O’Sullivan (2002) and Morrison and Salipante (2007).

### **Board member roles**

The following section will discuss the three board roles that are discussed in prior board studies. A limited selection of board studies which discuss the three board member roles will be the focus of the following sections about board roles. While the three roles have been separated into three separate sections, this does not imply that they are mutually exclusive. As outlined in the preceding section, there is a body of governance literature which suggests board roles are complementary and often linked. The literature strongly suggests that whether priority is given to one type of board role over another is generally due to the external or internal conditions (Machold & Farquhar, 2013) or the preference given to board roles as per the governance structures such as the board agenda (Pugliese, Nicholson & Bezemer, 2015). This study will investigate whether or not such arguments are sound. McNulty (2013) encourages more research on this point. He argues more academic research is required to confirm whether the board roles are “so distinct in practice, or are they so inextricably related as to suggest that by being active in one task you will be active in another?” (McNulty, 2013, p.172)

### **The strategic role of board members**

With calls in the literature for an increased focus on the strategic role of board members, this study aims to contribute to a better understanding of the board member strategic role. Heracleous (2001 cited in Pye & Camm, 2003, p.59) argues that more research needs to be undertaken with respect to the advice and counsel role of the director as well as how directors’ networks influence their role. Hill (1995) provides a thorough description of the strategic activities directors undertake. This includes the need for directors to be capable of thinking about the future, to be able to assess the environment in which they operate as well determining how resources of the organisation should be allocated (Hill, 1995, p.250). As Pye and Camm (2003, p.60) explain, the preoccupation of the governance literature on the control role of directors needs to change so that strategic aspects of their role are also considered. Only focusing on the control role of directors implies a focus on controlling activities rather

than understanding how directors obtain a competitive advantage for their organisation.

The literature exhibits different perspectives about how board members enact their strategy role. Given the interplay of contextual factors with strategy, it appears that a single approach for strategy enactment is not possible. Hendry and Kiel (2004) have suggested contingency approaches for understanding strategy. Other scholars such as Inglis and Weaver (2000, p.69) outline the types of strategic activities directors undertake including “...developing and assessing long-range and strategic plans, ensuring a mission and vision...developing policy, and using an ongoing evaluation...” Some academics adopt the view that the board should have a minimal role in strategy – limited to reviewing and approving (O’Neal and Thomas, 1995; Andrews, 1979, 1980, 1981; Mintzberg, 1994; Aram & Cowen, 1986; Rosenstein, 1987). Others argue the board should play a larger role in strategy formulation (Zahra & Pearce, 1989; Demb & Neubauer, 1992; Lauenstein, 1982). Crow, Lockhart and Lewis (2014) also espouse a large strategic role for board members. They argue that the value board members bring to an organisation is through their “active and ongoing involvement in strategic thinking and management processes; strategic decision-making; and, the monitoring of strategy implementation...” (2014, p.52).

In empirical terms, much of the literature about strategy is prescriptive. In other words, the literature explains how strategy should be discharged, but does not adequately address how it is discharged in practice. Hyndman and McDonnell (2009, p.22) give the example of NFP guidelines from the UK which explain that the strategic role of the director should be the primary role they enact. In a similar way, the AICD (2016) NFP board study highlights the strategic role of board members to be one of the most important functions they discharge. While useful for NFP directors in guiding the focus of their activities, there still remains the need to better understand how board members enact their roles. It is not surprising therefore that calls continue for further research into how boards function.

The qualitative board studies that examine board process reveal multiple approaches to strategy. For example, Hill’s (1995) study of directors, CEOs, CFOs and Board Chairs found a particular focus of directors on succession management to the board and senior manager positions as well as a high interest in monitoring the performance



of senior managers. On the other hand, O’Neal and Thomas (1995, p.88) found inadequacies in the processes of the selection of directors and succession management. They argue that these strategic processes have failed to adapt to “...the increasing complexity and increasing need for strategic flexibility...” It appears that the differences in findings might be due to the influence of contextual factors. For example, Machold and Farquhar (2013) found that one of the six organisations they studied differed to the others because its primary focus was on strategic issues, not control issues. The scholars argue this difference was due to the “organizational crisis” the entity was experiencing (2013, p.157).

A common theme in many of the NFP board studies is the influence of contextual factors on the strategic role of board members. Cornforth and Edwards (1999) argue that this is due to a “complex interplay of institutional and organisational factors”. Institutional factors, hereafter referred to as “external factors”, include the influence of government and regulatory pressures, the state and market pressures. Organisational factors, hereafter called “internal factors”, include the selection of board members, their skills and how they conceive governance, the provision of information to board members, and how board meetings are organised and conducted (Stiles & Taylor, 2001). O’Neal and Thomas (1995) have also reported that the age of the organisation, the size of the board and the number of outside directors can also influence the extent to which a board engages in strategy. In the six boards they studied in the UK, Machold and Farquhar (2013, p.156) also noted that the conditions in which the organisations operated influenced the manner and extent of strategising undertaken by board members. This suggests the need to consider the context as well as the board roles.

NFP boards can engage in both formal and informal modes of strategy. Formal strategy can be defined as activities that follow the formal procedures such as formal reports, board papers or a strategic plan. Informal strategy on the other hand, follows avenues that do not adopt formal methods. This could include strategic dialogue prior to a board meeting or after a board meeting (Young et al., 2001, p.233; Parker, 2008). Parker (2003; 2007b) found that informal strategic planning occurred in two of his NFP case studies and again in a dual case study of two large NFP organisations

(Parker, 2008). As well as formal and informal strategy, there are also external and internal factors to consider.

Factors external to the board and organisation include the how the organisation fulfils its mission, satisfies its stakeholders and remains financially and operationally sustainable. Internal factors include internal strategic documents, infrastructure and systems to help the organisation so that they can remain a going concern. Morrison and Salipante (2007) use the term “blended strategising” to explain their findings of an NFP organisation which engaged in both deliberate (formal and external) strategising and emergent (informal and internal) strategising.

Internal governance structures as well as external factors can influence strategy on boards. Stiles and Taylor (2001, p.119) make the point that internal mechanisms such as the Executive Committee can “filter out many [strategic] proposals” and the board similarly ensures strategic proposals are of a high standard. Morrison and Salipante (2007, pp.198, 208) argue that stakeholders have a significant influence on the form of strategy adopted by an organisation. Furthermore, they argue that strategy which blends both deliberate and emergent strategising is needed in NFPs so they can stay true to their missions thereby satisfying their stakeholder groups. O’Neal and Thomas (1995) argue that strategic boards are ones which are attuned to environmental change and uncertainty, undertake performance evaluations of management, analyse corporate strategy and provide advice and counsel to management. Crow, Lockhart and Lewis (2014) argue that strategy drives performance and knowing how this process occurs can be useful for keeping organisations sustainable.

In sum, it is known that board members in NFP organisations perform a strategic role with varying degrees, which is largely dependent on a number of contextual factors. When NFP board members discharge their strategic roles in the NFP sector, they tend to do it in an informal manner. When formal strategy comes into play it is often undertaken as a “comforting” measure or form of “window dressing” to keep stakeholder groups satisfied. Ospina, Diaz and O’Sullivan (2002) refer to “a strategic approach to managing accountability” to describe the actions of NFP managers which are geared towards satisfying their stakeholders. The broad accountability concept that refers to this practice is negotiable accountability. It will be interesting to see

whether negotiable accountability occurs at the board level as well. This study intends on finding whether that is the case.

More board studies investigating how boards deal with strategy have been encouraged. In particular, Tucker and Parker (2013a) observe that how strategy and control roles work together in NFP organisations has not been considered at length in the literature and requires further investigation Parker (2008, p.86) notes “...an urgent need for further insider research that penetrates the very heart of director thinking and behaviour”. Pugliese, Nicholson and Bezemer (2015, p.20) highlight a need to undertake further research in realms outside the board meetings, including “committee meetings or informal mechanisms”. This study is likely to be able to contribute in this regard, as the researcher attended committee meetings and gatherings outside of the boardroom.

### **The control role of board members**

There is a considerable body of literature that examines the control role of board members. Much of this focus on the control role can be attributed to the influence of agency theory and its emphasis on control aspects of governance. Control in this respect is argued to curb opportunities for managers to misappropriate resources of the firm. There is a body of literature, however, which suggests that assessing control in the NFP context is different (Hyndman & McDonnell, 2009, p.14). Miller (2002) finds that agency theory is insufficient to “explain the nonprofit board’s monitoring behaviour” (2002, p.446). This is because control is usually more complex in the NFP setting due to the many different stakeholders involved and a lack of clarity about ownership.

This study aims to shed light on the forms of control that take place at the board level of the organisation and understand how control activities are enacted by directors.

The control role of board members in the NFP sector has also generated considerable discussion. In some studies, control has been found to be the primary role enacted by board members. For example, Machold and Farquhar (2013) find that control related activities such as monitoring, “scrutiny of budgets; financial, market, and employee performance; risk registers; and organizational policies and procedures review” are the most commonly performed board task. On the other hand, Harrow and Phillips

(2013) explain the increasing pressure on NFP organisations to conform to regulations – particularly in the case of NFP organisations which are hybrid in nature and have a profit component. Considering the contextual factors at play, there is little doubt that there are forces which encourage boards to focus on control. For instance, the increasing attention to NFP organisations given their significant influence as well as recent governance problems in the NFP sector are factors which encourage a control focus. The question for this study is whether these forces have an impact on the board in such a way to encourage a control focus, or whether there are other reasons why control is enacted. Moreover, this study is focused on understanding how board members in the NFP board enact their control role.

The literature argues control can be divided into two types: operational control and financial control (Parker, 2008). The literature suggests that control is both a management and a board member role (Stiles & Taylor, 2001, p.121). In a longitudinal field study of two large NFP professional organisations, Parker (2008, p.85) notes that operational control is in the domain of both managers and the directors. As control straddles both board members' and senior managers' roles, potential problems can surface. For example, at what point does the senior manager's role start and end? What point does the board member's role start and end? How do board members know where the boundary is between their role and that of senior managers? On the face of it, these questions suggest a lack of demarcation in the roles board members are expected to discharge. Stiles and Taylor (2001, p.79) identify an "...apparently irreconcilable conflict between the board's role in the strategy process and the board's role in monitoring and controlling the organization..."

It has been argued that there is a risk that board members can stay into operational territory which is typically the realm of the senior manager. This is called "operational drift" (Cornforth & Edwards, 1999). Some research has been conducted in this regard into the NFP board. Parker (2007a) finds that board members may or may not be aware that they are drifting into activities which are in the domain of management. In Parker's (2007a) dual board study, one board acknowledged that they sometimes strayed into management's realm, whereas the other board was not aware of this behaviour. Cornforth and Edwards (1999) also report the blurring of board roles and management roles in their four board studies. A key factor that was found to

encourage operational drift was the historical development of the organisation. For example, if the organisation was originally run by volunteers and had “a philosophy of collective working” between board members and staff, it was likely that board members were more accustomed to dealing with operational issues rather than strategic issues (Cornforth & Edwards, 1999, p.356). This suggests the possibility that this occurs in NFP organisations given their more informal tendencies (see Parker 2003; 2007b; 2008). It is likely this study will contribute to understanding whether operational drift occurs and if so, why it occurs and how board members manage this practice.

While it has been established that certain factors can cause operational drift and that some organisations are aware of it, questions arise as to whether operational drift can be managed so that boards can be more effective. Crow, Lockhart and Lewis (2014, p.55) have answered this question to some extent, “...by ensuring the board-management boundary is well defined, via a board-led discovery process, to ensure the appropriate division of labour (Lockhart, 2012) is established”. They do not say however, how to make the board-management boundary clear. As a result, it appears that there is not yet a clear, satisfactory solution to operational drift. The techniques board members use to manage operational drift need to be more clearly identified. This study will consider whether suggestions can be made about better appreciating the boundary between board member and senior manager roles in control.

Consistent with the board process view that board roles are complementary, control has been found to work in a complementary fashion to strategy. Parker (2008) finds that control is often instigated by strategy. Control is usually a “strategically induced, interactively generated, informally structured process” according to Parker (2008, p.85). Similarly, Tucker and Parker (2013b) find control is usually intertwined with strategic issues in the NFP sector and control is often enacted in an informal manner in preference to formal control methods. Such findings support the idea that examining board roles as separate activities and simply a case of “either/or” role is too simplistic for understanding board process (Sundaramurthy & Lewis, 2003, p.411). This study recognises that board roles cannot be considered as isolated inquiries, but rather as a comprehensive inquiry which considers all three board roles and how they may or may not relate to each other.

Like the board member strategic role, there are findings, which strongly suggest that the control role is also influenced by external and internal factors. Some parallels with the strategic role of boards in NFPs can be drawn at this point. Like strategy, external factors such as legislation prescribing the ways in which board members should exercise control are recognised as having an impact on control in NFPs (Tucker & Parker, 2013a, p.97). The literature also suggests that internal factors also play a role in influencing control. The complexity of the NFP organisation with its “multiple stakeholders with no clear indication of how performance will be assessed and no agreement as to who owns the nonprofit organization” (Miller, 2002, p.447) makes monitoring much more challenging than the FP sector (Parker, 2008). Whether external and internal factors have this impact on the discharge of the board member control role will be examined in the current study.

The need to consider the influence of formal and informal practices also applies to the control role. It has been found that control is generally exercised in an informal fashion in NFP organisations (Parker, 2008; Parker, 2003; Collier, 2005; Stone; 1991). This means that rather than board members focusing on formal control systems such as internal controls, financial and legal regulation (Morrison & Salipante, 2007; Ospina, Diaz & O’Sullivan, 2002), control is exercised through board members questioning, probing, and clarifying issues with management as and when they arise in informal and formal settings (Parker, 2008, p.75). According to Golden-Biddle and Rao (1997), being a “vigilant monitor” as well as discharging a friendly, supportive collegial role is what board members need to do in successful NFP organisations. Parker (2007a, p.1474) also found board members exercised “...a strong sense of collegiality and mutual support” in his dual case study. “Vigorous discussion, analysis and debate concerning strategic and other issues did not disturb or threaten this accord” (Parker, 2007a, p.1474). Parker (2008, pp.84-85) identifies the need for more research to find what features of operational and financial control are unique to the NFP sector and what the implications are for accountability given “the triggers for and shaping of control” are largely informal rather than formal. This NFP board study will consider whether the findings from previous NFP board studies apply with respect to the reported prevalence of informal control.

Comments have been expressed in the literature about boards being less effective in their control role due to asymmetry of information between the board members and the senior managers. Stiles and Taylor (2001, p.79) discuss the potential issue of boards being furnished with incomplete information from senior managers, such that their ability to make judgments and decisions may compromise their control function. Taking an opposing view, scholars Brennan, Kirwan and Redmond (2016) argue information asymmetry is a necessary condition so that board members do ask questions, probe and clarify information given to them by senior managers. They assert that without information asymmetry, there would be no need to have a board, as the need to ask questions and have discussions would be made redundant. This study considers both perspectives and will assess which has more credence in light of the data collected in this single case study.

Assessing the potential impact of information on the control role of the director is one perspective, but another angle is discussed in the literature that is particularly relevant to the NFP sector. There are challenges in determining which stakeholders require information and in what form. Such a challenge is linked to accountability (Hyndman & McDonnell, 2009, p.8). It also involves the control role of the director also, as directors need to determine who requires information and in what form. This can possibly lead to an over-provision of information which is costly and time-consuming or an under-provision of information which can be risky in some scenarios (Edwards & Hulme, 1995). Hyndman and McDonnell (2009) use the example of an NFP organisation providing information to a donor about how their monies are being applied. They argue that provision of such information may or may not be significant and appreciated, depending on the donor. In the case of small donors, they argue that such information is not required. On the other hand, in the case of a funder, there are likely to be requirements stipulated in a service agreement that compels the NFP organisation to produce information about how the funds are being applied. This study will consider whether this occurs and how board members enact their role in such situations.

To summarise, we know that the board member control role is valuable to ensure the organisation is financially and operationally sustainable and plays a role in the communication of this information to stakeholder groups. However, there appears to

be the potential for issues such as operational drift which can compromise the board member's control role. It also appears that in similar way to strategy, the board member control role is contingent on a number of external and internal factors. Another issue discussed in the literature is asymmetry of information between the board members and the senior managers. The control of and provision of information is also likely to apply in the case of an NFP board communicating with its stakeholders. It is generally argued that information asymmetry reduces the effectiveness of the control role of the board member. However, newer perspectives consider information asymmetry to be a natural and necessary condition of governance. This case study will examine these issues further and aim to increase understanding about such issues.

### **The resource dependence role of board members**

The resource dependence role of the board member is to bring knowledge and resources from the external environment to the organisation. It is argued that by conducting this role, the organisation benefits, as information and knowledge is increased (Pearce & Zahra, 1992). For example, board members might be able to shed light on what competing organisations are doing in the sector. Another example is that some board members might have links to capital or "constituencies that are important in terms of resource acquisition or enabling the conduct of business" (Stiles & Taylor, 2001, p.87). In a similar way to the control role, the literature suggests that the resource dependence role is both a senior management role and a board member role (Stiles & Taylor, 2001, pp.100, 121; Machold & Farquhar, 2013, p.156). The point at which the role is both a senior manager and board member role is with regard to "boundary spanning" (Stiles & Taylor, 2001, p.104). This is where a person's networks and contacts with the external environment assist the organisation with its strategic decisions and investments. Once again, a potential for the blurring of board member and senior manager roles arises with the resource dependence role. This suggests operational drift may occur in this respect.

Trust between the board members and the senior managers is argued to be a crucial ingredient in facilitating the effective conduct of the resource dependence role. Stiles and Taylor (2001, p.101) argue that it is important board members and senior managers work together "to ensure the motivation of non-executives to share their



capabilities and knowledge and to be confident that their advice and counsel will be valued". For example, rather than simply providing information about the external environment, board members are expected to provide opinions about it as well (Long, Dulewicz & Gay, 2005). This is argued to lead to strategic discussions which can influence continuous learning or organisational learning (Stiles & Taylor, 2001, p.121). Sasso (2003) presents a similar argument, explaining that trust between board members and senior managers is essential to a successful NFP. If there is trust between these parties, the information provided can be willingly shared and questioned in non-threatening and respectful ways.

In a similar fashion to the board member strategy and control roles, external and internal factors have been noted to influence the resource dependence role. For example, stakeholders with competing agendas have been shown to create pressure on boards such that they feel that they need to engage in "trade-offs" – assessing which stakeholders' concerns cannot be met in order to preserve those who matter most (Stiles & Taylor, 2001, p.103). Importantly, Stiles and Taylor (2001, p.101) state, "Details of how the boards factored in stakeholders to decision-making remained hazy, leaving a sense of *as hoc*, case-by-case assessment, rather than any considered approach to stakeholder groups". In a more recent board study, Machold and Farquhar (2013) find that emphasis on the resource dependence role in the boards of NFP organisations is the least compared to the board's focus on control and strategy. The scholars also argue that the board's attention to the resource dependence issues, which they call "service" tasks, were focused on issues which were short to medium-term in nature such as the need to obtain legal advice.

It does appear that further research into the resource dependence role of the director is required. Harrow and Phillips (2013, p.608) explain that there is a particular emphasis on boundary spanning in the NFP sector due to the hybrid nature of such organisations and the "governance implications...[are] far from clear" in this respect. Caution must be noted here because in some board studies, strategy and resource dependence roles are discussed together, as mentioned in the Introduction chapter. Despite this, it appears that findings pertaining to the resource dependence role of the board member feature the least. This study aims to address this area about the resource dependence role where knowledge is lacking.

## **Board accountability performance**

Since governance sagas have been publicised in the FP and NFP sectors (for example: Enron see: Kiel & Nicholson, 2003; the Global Financial Crisis see: McNulty & Stewart, 2015 and governance issues in NFP entities such as the Essendon team from the AFL see: Nichol & Duffy, 2017) it can be argued that there has been an increased focus on the accountability and performance of organisations (Rentschler & Potter, 1996). Critically however, there has been a preoccupation with accountability of organisations to external stakeholders and this is generally seen as accountability of actors in an upward sense (Ebrahim, 2003, p.208). As a consequence, many accountability attempts have been about legislating or regulating how organisations operate and ensuring they are accountable to a higher body for their actions. This approach to accountability fails to take into consideration the other accountability aspects such as downwards and sideways accountability. The implications of such a response to accountability has often meant that while there is an increased focus on organisational performance, often board performance is given less attention. Holland (2002, p.409) has commented that while accountability is typically viewed as board members keeping management accountable, board members rarely apply such rigorous expectations of performance to themselves.

More recently, since about the 2000s, it appears that boards too, are coming under additional scrutiny for their performance. For example, Cornwall, Lucas and Pasteur (2000, p.194), broaden the accountability perspective by highlighting that accountability is not only about ensuring others are “held responsible”, but it is also about “taking responsibility”. Other scholars have echoed the call for increased attention to the performance of leaders. For example, Romzek and Dubnik (1987), Behn (2001), Koppell (2005), O’Dwyer and Unerman (2008) and Brown (2008).

While in theory boards are supposed to be accountable to an entity or actor, questions arise as to who this is and how it is done. Holland (2002, p.412) points out that boards being accountable to themselves is rarely the case in the NFP sector: “Even when the nonprofit board addresses accountability, it seems to focus attention only on the executive, seldom on the board itself”. In a study of 34 NFP organisations, Holland (2002, pp.409, 414-421) found inconsistencies in the use of six sets of practices designed to make NFP boards more accountable. Internal and external approaches to

increasing the accountability of the board have been developed, but as Holland (2002, p.410) notes, "...the nonprofit sector rigorously applies few of these". An example of an internal approach is total quality management. An example of an external approach is legal regulation (Holland, 2002, p.411). Ospina, Diaz and O'Sullivan (2002) argue that the focus of board accountability has generally been focused on external and rule-based accountability to the detriment of various stakeholder groups.

The literature assigns a large role to the board in being accountable externally, [but] many boards fail to adequately represent stakeholders, constituents, and communities of citizens and therefore may have no means to respond to their accountability pulls (Ospina, Diaz & O'Sullivan, 2002, pp.9-10).

In response to the challenges of measuring board performance, some scholars have devised accountability concepts or frameworks, which promote consideration of board performance. For instance, Williams and Taylor (2013, p.569) recognise the need to consider board accountability and so their framework of "holistic accountability" defines 'performance' as that which takes into account quantitative and qualitative factors to measure to what extent organisational mission is achieved. Rentschler and Potter (1996) highlight the particular challenge of measuring performance in the NFP sector. The missions of most NFP organisations are often difficult to account for because they usually are focused on achieving things which are not aligned with "financial statement orientation to judge performance and discharge accountability" (1996, p.104). Rentschler and Potter (1996, p.105) argue that this can be addressed by applying a "broader notion of accountability" which takes into account the mission statement of the organisation when evaluating performance. Responding to the deficiencies identified in the literature with respect to board performance, the current study attempts to better understand board accountability in the NFP environment.

### **Towards a theoretical orientation**

As outlined earlier in this chapter, there are a number of board studies which apply accountability concepts or frameworks. It has been established therefore that accountability concepts can explain phenomena such as board roles, board process and board context. This section expands on the theoretical perspective of accountability further, refining the accountability discussions in the literature to one

key framework of accountability which has been identified as useful to this study. This section introduces the framework of “broad accountability” which is discussed in several board studies and the other NFP literatures. The concluding part of this section argues that the concepts of broad accountability are required as the informing lens in this longitudinal single NFP qualitative case study.

Negotiable accountability is considered important in broad accountability, as it takes into account how the organisation discharges accountability to stakeholders and the environment over the longer-term (Ospina, Diaz & O’Sullivan, 2002). Additionally, trust is deemed critical to maintaining good relationships with internal and external stakeholders (Ospina, Diaz & O’Sullivan 2002, p.9; Sasso, 2003). A multiple case study by Cordery, Baskerville and Porter (2010) reinforces the view that trust is critical between stakeholders in achieving “holistic accountability” and a focus on control retards holistic accountability from being achieved. Other scholars who argue that trust is an essential component of accountability, which requires examination include Romzek (1996) and Jayasinghe and Soobaroyen (2009).

This study will apply a “broad accountability” framework to inform the data. Broad accountability or broadened accountability is an accountability perspective that argues that traditional measures of performance such as Key Performance Indicators (KPIs) are often inadequate for the NFP sector (Valentinov, 2011, p.33). In addition, broad accountability argues the need to consider how organisational mission is achieved and how the demands of multiple stakeholder groups are addressed (Morrison & Salipante, 2007, p.196). Finally, broad accountability is cognisant of the influence of the negotiable aspects of accountability, not simply its rule-based aspects (Kearns, 1996; Morrison & Salipante, 2007). The negotiable aspects of accountability are where organisational leaders have to manage and respond to multiple stakeholder groups (Ospina, Diaz & O’Sullivan 2002, p.9). Negotiated accountability involves discretion and judgment on the part of the leaders of the NFP organisation and it is often a continual process, changing when circumstances change (Morrison & Salipante, 2007, pp.197, 199). By contrast, rule-based aspects of accountability are those which are enumerated in legislation or some other form of regulation such as the accounting standards (Morrison & Salipante, 2007, p.199). Ospina, Diaz and

O’Sullivan (2002) and Morrison and Salipante (2007) identify the negotiable aspects of accountability as those most in need of research.

A review of the accountability literatures reveals a shift from a narrow conception of accountability to a broad conception of accountability. O’Leary (2017, pp.21-22) explains that narrow conceptions of accountability were often focused on traditional avenues of accountability – in its hierarchical sense where actors are accountable to a higher authority. Broader notions of accountability considered the social aspects of accountability including the relationship an NFP entity has with its beneficiaries and how the NFP is accountable in a downwards fashion (O’Leary, 2017, p.23)

In elementary discussions about accountability, the literature often applied a focus on governance issues related to control. For instance, there was an emphasis on financial control and risk management. Scholars were interested in “...process concerns such as finances, internal controls, and regulatory compliance” (Morrison & Salipante, 2007, p. 197). While control is not irrelevant to governance, there are “social, political, and moral processes” which also engender accountability and need to be explored (Coule, 2015, p.90).

Since early discussions of accountability in the 1990s, some governance scholars such as Carnegie and Wolnizer (1995), Parker (1996) and Rentschler and Potter (1996) advocated broad accountability as a way of tackling the often complex governance challenges faced by NFP organisations. These challenges include a need to consider organisational mission, board performance, strategy and multiple stakeholders. The calls for a broad accountability continue in the 2000s, with some scholars applying frameworks or concepts of broad accountability to their research. See for example: Coule (2015), Valentinov (2011), Morrison and Salipante (2007), Ebrahim (2003) and Ospina, Diaz and O’Sullivan (2002).

This section has provided a brief overview of the accountability framework which will inform this study. The broad accountability framework will be explored more extensively in the Theoretical Framework chapter. The suitability of broad accountability concepts is not only supported by the NFP literature as discussed in this section, but also by the board studies literature, outlined earlier in this chapter. Board studies focused on process tend to argue that board effectiveness is achieved

through accountability (for example: Collier, 2005; Roberts, McNulty and Stiles, 2005; Holland, 2002). Board studies of this nature have also used accountability to examine how organisational leaders manage governance challenges unique to the NFP sector. Moreover, board studies that use a process approach are usually geared towards a “holistic” perspective of governance (Machold & Farquhar, 2013, p.147), which supports the need for a broad accountability framework for a study of this nature. It is evident that the accountability issues examined in the board studies literature and the NFP literatures overlap, which sends a strong signal that accountability perspectives are relevant to this NFP board study.

### **An insider view of board process**

The need to examine board processes, board member behaviours and associated social interaction has been highlighted in the literature recently (Pugliese, Nicholson & Bezemer, 2015) and within the past 20 years (Bezemer, Nicholson & Pugliese, 2014, p.240). As mentioned previously, the gap in board process research is largely due to the conventional focus on agency theory studies and difficulties in accessing the boardroom (Bezemer, Nicholson & Pugliese, 2014, p.240; Crow & Lockhart, 2014). The body of board process research that exists can be classified into two streams: first, a stream which applies mixed-methods and is focused on board performance and second, a stream which uses qualitative methods to analyse board member behaviours and how they impact on decision-making (Bezemer, Nicholson & Pugliese, 2014, p.241; Gabrielsson & Huse, 2004, p.22). As articulated in the Introduction chapter and this chapter, this study is primarily concerned with board member roles and how they are enacted. Therefore, this study can be said to form part of the second stream of board process research. There is however, some overlap with the first stream of research in this study too, since part of the analysis does involve considerations of board performance and effectiveness.

The participant observer aspect of the present study is a critical and unique dimension and is key to the researcher understanding board process. Leblanc and Schwartz (2007, p.845) explain that while there are qualitative studies which interview board members and company directors, researchers gaining access to the boardroom in which they can observe board members is a rarer and valuable phenomenon. In their review of 127 governance journal articles, Gabrielsson and Huse (2004, pp.21, 25)

found board process studies accounted for five percent of governance studies and “...insights into the processes would add significantly to our knowledge of effective boards and governance”. It appears that understandings of board process are still elementary. According to Pugliese, Nicholson and Bezemer (2015, p.3) “...We still have a very limited understanding of what happens in the boardroom: what the interactions are like, and how they differ from other workgroups”.

In their qualitative study of the role and performance of the Company Secretary, McNulty and Stewart (2015, p.531) contribute to the literature about board process and effectiveness. They argue that examining the ‘lived experience’ of actors in the boardroom, including their roles, relationships and behaviours, reveals the quality and effectiveness of the board. Similarly, Machold and Farquhar (2013, p.162) conduct board research “*in situ*, to create a holistic picture of what boards do”. The current qualitative longitudinal case study presented in this thesis is therefore one of a small body of board studies which contributes to understandings of how boards work.

Roberts, McNulty and Stiles (2005, p. S11) argue that board effectiveness is dependent on the social processes which condition how boards operate, including behaviour and relationships between board members and senior managers. Huse (2005, p. S72) also underscores the need to open the “black box of the boardroom” which means uncovering “actual board behaviour...the board’s decision-making culture, formal and informal structures and norms, and the interactions inside and outside the boardroom...” Huse (2005, pp. S72, 75) notes very little is known about board behaviour. Echoing this sentiment is Zattoni and Cuomo (2010, pp. 75-76) who encourage accounting researchers to investigate board debates, roles and contributions. Ahrens and Khalifa (2013, pp. 6-9, 10-16, 16-17, 25) not only support the need to look at board process but also argue that qualitative research techniques are best equipped to deal with such inquiries. This study answers the calls for more qualitative research into board behaviour and process.

Progress in corporate governance research can be made if there is a better understanding of what it is about the processes of a board’s interactions which makes them successful. This study tackles this issue head-on, as the researcher had direct access to board meetings, committee meetings, board member and senior manager deliberations at strategic planning days, and formal and informal interviews with

board members and senior managers. Document analysis was also used by the researcher as a supplementary source of data.

This qualitative study is one of few board studies which looks into the black box of the board of directors. Board studies by Bezemer, Nicholson and Pugliese (2014), Collier (2005), Holland (2002), Machold and Farquhar (2013), Parker (2003, 2007a, 2007b, 2008) and Roberts, McNulty and Stiles (2005) have laid the foundations which are in need of building upon. Apart from these few board studies, most research on boards and governance is conducted from the outside looking in, usually attempting to regress proxies for board decisions or organisational outcomes. Consequently, we know little about actual governance processes that take place inside the boardroom. This qualitative board study addresses that vacuum. As such, it considers a relatively new phenomenon, something that is difficult to access and investigate due to the confidential nature of board operations. Scholars such as those listed in the opening of this paragraph have been able to shed light on this black box, illuminating areas in boards that need further examination. This study intends to build on this research, providing valuable insights into how boards operate and why they operate in the ways that they do. More specifically, this NFP board study will investigate the strategy, control and resource dependence roles of the board member and the accountability processes in a single case study of a prominent NFP organisation in one state of Australia.

The utility of this corporate governance study in an NFP board is that it contributes to a relatively small, but growing area of NFP board research. This study has unique contributions to make to the current literature in terms of research design, research methods and theoretical framework. It seeks to encourage further scholarly research and discussion in the area of NFP corporate governance. The research findings and associated recommendations should also assist those who are directors in similar NFP organisations, with respect to understanding their roles and practices. Policy-makers and industry bodies such as the AICD are also likely to benefit from some of the findings and recommendations of this study (Ahrens & Khalifa, 2013; Brennan & Solomon, 2008; Parker 2012, pp.54, 67).



## Conclusion

There is little doubt that corporate governance is a key topic of significant interest and importance. Very recently, there have been major investigations into governance failures in the Australian banking and superannuation sectors through the Hayne Royal Commission (Boyd, 2018). Australia's national broadcaster, the ABC, has also recently been criticised for governance failures (Boyd, 2018). An area of increasing awareness, governance is also where much research is being undertaken by scholars to better understand how companies and organisations function. The forms of research have changed over time, beginning with an emphasis on economic theories such as agency theory and moving to other, broader theoretical perspectives over time.

This literature review has illustrated the significance of corporate governance in the boardroom and highlighted the two main streams of research: traditional perspectives and more recent perspectives. Traditional perspectives are often underpinned by an agency theory perspective, which highlights the importance of board member independence and board composition, both of which are argued to influence board effectiveness. More recent perspectives are often informed by theories such as frameworks of accountability, which can take the form of either a narrow or a broad accountability perspective. By adopting an accountability perspective, it should be possible for this study to analyse the strategy, control and resource dependence roles of the board member in the NFP environment. The data is informed by a lens of broad accountability and the findings chapters of this study will reveal whether and how accountability is discharged in the NFP organisation under study.

Directly relevant to corporate governance perspectives of the board member is the context in which they operate. Considering the sector and the external and internal factors where board members work is also important as it can condition how the board member undertakes their roles. This literature review has also provided an insight into the NFP sector and the unique characteristics it possesses, which create considerable governance challenges for board members. The lack of research into how board members operate in the NFP sector is what this study aims to address.

## CHAPTER 3: METHODOLOGY

### Introduction

Qualitative research methodology is arguably the most suitable methodology for capturing the rich data that is often present in the boardroom. A review of board studies in accountability reveals the application of qualitative techniques to analyse board behaviour. For example, Roberts, McNulty and Stiles (2005, pp. S11-2) conducted in-depth interviews of 40 company directors to better understand their behaviours and how, through processes of accountability, they contribute to board effectiveness. Similarly, Holland (2002) used data from interviews, consultations and observations to determine accountability practices of the board. Collier (2005) is another example of a scholar who uses qualitative techniques to investigate accountability in the board setting. Collier (2005) conducted a participant observer study supplemented with data from board papers and industry publications. Ahrens (1996) suggests that qualitative research is the superior methodology to apply when examining governance practices in organisations. A small number of studies in boardrooms undertaken by governance researchers such as Machold and Farquhar (2013), Parker (2007b, 2003) and Pugliese, Nicholson and Bezemer (2015) have also used qualitative techniques to obtain data from the boardroom in different contexts.

This study appears to form part of a small and growing body of board research that applies qualitative techniques. Most board studies are either quantitative in nature (Long, Dulewicz & Gay 2005, p.668) or use mixed-methods research (see Hooghiemstra & van Manen 2002, 2004b). More recently however, there has been a shift in focus in the literature from quantitative methods to qualitative methods. Pye (2002, p.156) mounts a strong case for empirical research, arguing that governance is a “social process and collective phenomenon, i.e. done with and through relationships with other people”.

Given the complexities inherent in boardroom dynamics, this study will use at least two levels of analysis through which to understand board members’ roles in this single NFP case study. The two levels of analysis will be the individual board member level and the collective board level. While the RQs for this study suggest a

focus on individual board members, the board as a collective group will also be of interest. Internal organisational factors and external institutional factors will require another level of analysis at the organisational level (Bezemer, Nicholson & Pugliese, 2014, p.251). There have been calls for data to be analysed at multiple levels in board studies because of the complex nature of governance (Bezemer, Nicholson & Pugliese, 2014). This study heeds this advice by taking into account analyses at the individual director level and the board level, as well as taking into account internal and external factors that may condition board roles.

As outlined in the Introduction chapter, this Central Objective of this study is to examine the construction and execution of board member strategy, control and resource dependence roles in the unique context of the NFP environment using a lens of accountability. It is evident from the Central Objective that the processes in the boardroom are a key aspect of this research. Scholars advocating the examination of board process are many, including Pugliese, Nicholson and Bezemer (2015), Ahrens and Khalifa (2013), Pugliese et al. (2009), and Huse (2005). Most scholars who have conducted qualitative board studies explain that understanding boardroom processes is the fundamental step in investigating governance phenomena. This is because processes in the boardroom are currently still deemed to be a “black box” in governance research (Huse, 2005).

There are two key reasons why the board is still considered to be a black box. First, access to boardrooms is significantly difficult to obtain (Crow & Lockhart, 2014). Second, the direction of board research toward investigating board process has only occurred within the past 10 years or so (Pugliese, Nicholson & Bezemer, 2015; Aguilera, 2005). Previously, most board studies were focused on board composition or conducting surveys of board members about their roles (for example: McDonald & Westphal, 2010; Cornforth, 2001).

This study contributes to a growing but relatively small body of governance research which is concerned with investigating board process. It does this using multiple qualitative techniques of participant observation, interviews and document analysis. This chapter will discuss these data collection techniques in more detail, outlining how the techniques were used as well as exploring the strengths and limitations of

each method. The Methodology chapter will also explain the data analysis processes including coding and memo writing. Methods involved in data interpretation and trustworthiness are then assessed. The chapter closes by acknowledging the link between methodology and theory. This provides the basis for the upcoming discussion of concepts of accountability in the Theoretical Framework chapter.

### **Calling for qualitative investigation**

There are now many arguments for qualitative studies, especially those with access to the boardroom, being both a rare and valuable phenomenon. Brennan and Solomon (2008) argue that the methodology of corporate governance research needs expanding. This view is shared by Bezemer, Nicholson and Pugliese (2014) who contend that while there has been increasing attention devoted to the board over the past 40 years, little progress has been made in terms of understanding how and why boards operate. They argue that there are two key reasons that account for why there has been little advancement in this area of board research. First, agency theory conceptions of governance have encouraged researchers to focus on aspects of governance such as director independence rather than processes. Second, the challenge of obtaining access to boardrooms has often frustrated attempts to progress research in this area (Bezemer, Nicholson & Pugliese. 2014, p. 240)

Governance studies that adopt a processual approach tend to view governance as a dynamic and changing process, conditioned by social and cultural processes. For example, Pye (2002) explains there is a difference between:

“governance” and “governing”...governance implies something static and a box that can be ticked, whereas governing implies a social process and collective phenomenon, i.e. done with and through relationships with other people (Pye, 2002, p.156).

Additionally, process research is largely concerned with how phenomena are enacted (Kirkbride, Letza & Sun, 2005, p. 63). It is this aspect, which the literature argues needs further examination in boardrooms. Accordingly, this study is designed to add to the limited understanding of boards and how they work by conducting research in a prominent NFP organisation in one Australian state.

A key reason for examining boardroom processes is that it is able to offer a wealth of new information which traditional research has been unable to uncover. For instance, "...Group level processes such as open and critical debate, directors' commitment to fulfil their roles, and the coordination of directors' contributions" (Zattoni & Cuomo, 2010, p. 75) are examples of areas which have been highlighted for further and different research. Corley (2005, p. S2, S3) has noted the shift from agency conceptions of corporate governance to investigating board processes and dynamics.

Examining boardroom process also enables researchers to be proactive. For example, a vast body of governance research has been focused on investigating board failures. This process study takes a different approach. It examines a fully functioning, successful NFP organisation. The researcher was therefore exposed to board process at a particular point in time rather than investigating an entity in response to governance concerns. Viewing the board in this manner enables the researcher to observe aspects of governance that are successful as well as identifying features that may need improvement.

Brennan, Kirwan and Redmond (2016) use a process approach in their conceptual article about the information asymmetry that boards experience. They displace traditional views that information asymmetry is detrimental to board members. Focusing on board process, Brennan, Kirwan and Redmond (2016) reveal that it is not the quantity of information that improves the independence and effectiveness of the board – it is how board members clarify, probe and question executive directors that determines board effectiveness. Kirkbride, Letza and Sun (2005) explain that a processual approach to governance is essential if researchers wish to make progress in understanding how it functions. A process approach is arguably better equipped to take into account contextual phenomena while also acknowledging that no single perspective for governance will suffice (Kirkbride, Letza & Sun, 2005, p. 62). By focusing on the process of governance, a more rigorous and comprehensive approach to understanding governance is likely to be produced.

In response to the calls for qualitative board research, this board study is designed to apply a single case study approach using qualitative methods of participant observer, interviews and document analysis. Such a combination of methods will add to the richness of the data, the rigor and robust nature of the research. Furthermore, the

length of time of the single case study is longitudinal – spanning one year and six months. There is considerable value in a longitudinal case study. The impact of the researcher on the process is mitigated as board members and senior managers become accustomed to the researcher's presence and the researcher gains a deeper and more comprehensive understanding of the organisation.

This study also takes into account suggestions from scholars to undertake board research considering other actors in the process. Most common is the point that board member research should also consider senior managers and the CEO. There is a strong argument for board members to be studied in conjunction with top management teams including senior managers (Pettigrew, 1992; Finkelstein, 1992; Hambrick & Mason, 1984 in Huse, 2005, p. S73; Stone, 1991; Houle, 1989). This is because data from executive directors (or senior management) is valuable in understanding the board, as they are "...particularly attuned to the actions and behaviours of boards, making their appraisal of board functioning especially relevant" (Stone, 1991, p. 207). This study has addressed these calls, as all board members, senior managers and the CEO of the organisation were observed and interviewed over the 18-month period.

### **Ethics**

The Ethics Committee from RMIT University granted ethics approval for this study on 6 August 2015 (ethics approval number: 19445). For the ethics approval letter, please see Appendix 1. Ethics Annual Reports of progress have been submitted every year since 2015 in accordance with the University's ethics requirements. Apart from minor amendments to the title of the study, no additional ethics approvals were required.

Initial contact with the board was made in May 2015 where the researcher, her Senior Supervisor and Associate Supervisor contacted the board in writing, notifying them of the researcher's intention to study the organisation. Shortly after, the researcher had a preliminary meeting with the Board Chair. At this meeting, the researcher explained the nature of the study in more detail and what the research would entail in terms of access to data. The Chair reported this information to the board and sought their approval to have the researcher attend the organisation to undertake data collection.

The board decided unanimously to allow the researcher access to the board and its committees. Access was granted subject to occasional confidential board discussions. The researcher was not permitted to audio or video record meetings, but she was allowed to take handwritten notes.

All board members including the Board Chair and all senior managers, including the CEO, signed a Participant Information and Consent Form (PICF) prior to the researcher collecting data from the organisation. The PICF outlined the nature of the research work which would be undertaken including the observations of board and committee meetings, interviews with each of the board members and senior managers as well as access to board and committee documentation. The PICF, which was distributed to board members and senior managers, is in Appendix 2.

### **Selecting the case study organisation**

This single NFP case study used qualitative sampling to select the NFP organisation and board to study. In contrast to the quantitative technique of random sampling, qualitative techniques adopt purposeful sampling where the researcher selects a research setting and participants that can best inform the RQs of the study (Creswell, 2014). In this sense, generalisability is not the primary objective of the study. The primary objective is to increase knowledge and understanding of directors' roles and behaviours in the NFP context. A secondary objective is to offer some limited generalisations, which are possible with single case studies. Types of generalising in qualitative research include analytical, theoretical, analogical and naturalistic (see Parker & Northcott, 2016, pp.1110-1114). These will be discussed later in this chapter.

So that meaningful data could be collected, the board of one of the largest NFP organisations in one state of Australia was selected. The organisation is large in terms of its total asset holdings, which were just under \$150 million Australian dollars for the financial year ended 30 June 2016. Its net assets were just under \$100 million dollars. The annual turnover of the organisation for financial year 2015-2016 was just under \$1.5 million dollars. Its physical presence was also significant – operating in 31 sites in one Australian state. Similarly, the organisation has a considerable impact

on consumers. In the financial year 2015-2016, the organisation serviced over 13,000 individuals and employed close to 1,000 individuals and over 150 volunteers.

### **Case study method**

This study employs a single case focus, investigated through interview, participant observation and document analysis. Case studies are particularly useful in ascertaining peoples' behaviours and the processes involved. In this NFP case study, the focus is on examining board roles and processes. "Qualitative research...is understanding...specific circumstances, how and why things actually happen in a complex world" (Rubin & Rubin, 1995, pp.38-39). A review of the RQs from the Introduction Chapter shows that "how" and "why" questions are central to this study. Hartley (2004, p.328) argues that the case study method is useful in addressing the "how" and "why" questions.

A distinguishing feature of this study from the current board literature is the data source (Grix 2002, p.180). Previous studies about board members tend to be in publicly listed companies or FP entities. For example, Bezemer et al. (2007) examine board members in the top 100 listed companies in the Netherlands, and Pugliese, Nicholson and Bezemer (2015) observe directors in two Australian corporations. This investigation will study an Australian NFP entity. It heeds calls by scholars such as Brennan and Solomon (2008) and Subramaniam et al. (2013, p.947) that more research needs to be undertaken in the NFP sector as it "...provide[s] rich data sources and diverse accountability mechanisms which are in need of research". Holland (2002, p.409) echoes the importance of undertaking research in the NFP sector, especially with respect to accountability of boards so that NFP organisations can "...increase the value they add to their organizations as well as to strengthen public trust".

This study contributes to a small, but growing body of literature which examines how boards operate in the NFP sector. It follows the example of scholars who are pioneering research in the NFP sector such as Collier (2005), Holland (2002), Parker (2007a, 2007b) and Tucker and Parker (2013a; 2013b). It also heeds the calls from scholars who investigate board process such as Pugliese, Nicholson and Bezemer



(2015), Machold and Farquhar (2013), and Roberts, McNulty and Stiles (2005). What makes this study unique is that it focuses exclusively on board members and their roles in the NFP context while also being sensitive to the experiences and perspectives of senior managers. While NFP board studies are increasing in number, there are few which focus exclusively on board members, their roles and how the NFP environment impacts on their three roles using a theoretical lens of accountability.

The objectives of case study methods are to provide “rich” descriptions of process and context (Lukka & Modell, 2010, p.464). Rich description means that the researcher is able to convey not only detailed explanations of phenomena, but also facilitate understanding of the subject being studied and its context (Parker & Northcott, 2016, p.1103). Conveying rich descriptions in this study is particularly relevant because access to and knowledge of boards of directors is limited due to the confidential nature of the boardroom. Case studies are also able to shed light on subject areas such as accounting and management, by putting them in context. As such, it is argued that case studies are able to provide a “holistic, inductive, contextual approach” (Patton, 1982, p.9). “Thick, rich descriptions of contexts, practices and processes” are often obtainable in field research due to its “direct in-depth involvement with organisational actors” (Creswell & Miller, 2000, pp.128-9; Geertz, 1973).

The focused and particular nature of qualitative research has the ability to uncover phenomenon previously unknown or unable to be accessed using other methods such as quantitative methods (Crow & Lockhart, 2014). Such insights can create new knowledge or challenge previously uncontested knowledge (Payne and Williams, 2005). Another strength of single case studies is that they permit the researcher to focus on the issues particular to the organisation under study. This suggests that the researcher spends more time with such issues, giving them greater treatment than otherwise might be the case with a multiple or comparative case study (Denzin, 1978).

Single case studies are sometimes criticised for being too narrow in focus, failing to capture data from methods such as a multiple case study. Consequently, it is argued that generalisation is often not possible in case studies. However, it is important to recognise that single case studies can represent characteristics typical of a segment of

the population such as a particular type of organisation. Parker and Northcott (2016, pp.1111-1112) call this type of generalisation “analogical and communicative generalisation”. Atypical or unusual cases can also offer valuable insights, as it might challenge conventional wisdom and it is also possible to generalise from unique cases providing the findings are justifiable (Parker & Northcott, 2016, p.1117-1118; Rubin & Rubin, 2012).

The inductive nature of field research allows the researcher to draw general conclusions from particular instances (Benbasat, Goldstein & Mead, 1987). Similarly, Kvale and Brinkmann (2009) argue that often there are certain themes that can apply in similar circumstances or contexts. Even if similar circumstances or contexts do not yet exist, they may arise in the future (Rubin & Rubin, 2012). This suggests considerable potential for the findings from single case studies. Caution does need to be exercised however, to guard against over-generalising (Boeije, 2010) or under-generalising (Parker & Northcott, 2016). This means qualitative researchers need to strike a balance between over-generalising and not generalising. Denscombe (2010) supports this approach, explaining that qualitative researchers achieve a balance between peculiarisation and generalisation by providing rich, contextual accounts and wider forms of generalisation.

Other types of generalisation that can be made from qualitative studies include analytical generalisation where the researcher draws comparisons with certain social settings or practices. Theoretical generalisation is also possible where the findings contribute to existing theoretical concepts or frameworks. Finally, naturalistic generalisation can be undertaken where the researcher argues that their findings have resonance in practice, for example in accounting (Parker & Northcott, 2016).

### **An ethnographic approach**

The qualitative approach applied in this study investigates board processes. It is concerned with the interpretation of observable phenomena in their naturalistic setting, such as organisational processes and organisational change, social settings and behaviours (Benbasat, Goldstein & Mead, 1987). Ethnography is the style of qualitative research (Brewer, 2004, p.313) adopted in this project, where the

researcher not only seeks to understand the phenomenon under study but also to understand the social, economic and political context in which they occur (Hennick, Hutter & Bailey, 2011, p.46) Fieldwork is usually conducted for a considerable period of time so that the researcher can more accurately map behaviours and processes, being able to distinguish the exceptional from the mundane. Ethnographic work often involves a number of important activities on the part of the researcher such as establishing a rapport with the research subjects, and building relationships of trust and respect (Hennick, Hutter & Bailey, 2011, p.46). Another critical activity which ethnography demands is triangulation. Triangulation is the process of using multiple methods of data collection to cross-check the data (Brewer, 2004, p.313). This chapter discusses triangulation later in the section “Data interpretation and establishing trustworthiness”.

In this single qualitative case study, ethnography is the approach used to understand board roles and processes at the individual director level and the board level. Angrosino (2007) explains that ethnography is used by researchers to understand patterns of human behaviour. It involves identifying what the subjects in the study consider to be “reality”, how “...it is constructed, maintained and changed” (2007, p.14). There have been a number of qualitative board studies that have applied such techniques, for example: Bezemer, Nicholson and Pugliese (2014), Coule (2015), Collier (2005), Parker (2007a, 2007b, 2008) and Holland (2002). These board studies have collected data through methods such as observation, interview and document analysis, all of which are used in this study. Denzin (1989, pp.157-8) suggests the “simultaneous combination” of “...document analysis, interviewing...direct participation and observation, and introspection” are powerful methods in understanding phenomena in research. Peck (1995, p.154) also strongly supports the use of a combination of observation, interview and document analysis to increase confidence in the researcher’s findings.

### **Participant observation**

A primary qualitative data collection method that has been applied in this study is participant observation. Participant observation is a method used “...to gain insight into cultural practices and phenomena” (Eriksson & Kovalainen, 2008, p.141). The

term “ethnography” is often used interchangeably with participant observation. Thyer (2001, p.6) supports this definition, highlighting that the purpose of ethnography is “...to understand another way of life from the native point of view” (citing Spradley, 1980, p.3). It is a direct method of collecting data where the researcher is involved in the research site for “an extended period of time”, ranging from several weeks to years (Angrosino, 2007, p.21) The length of time in the field is important, as it enables the researcher to better make sense of the “...range of norms, practices, and values, official and unofficial alike, which characterize that research setting” (Watson, 2011, p.207). The other benefit of a longitudinal study is that it also enables the research participants to become accustomed to the researcher’s presence (Maitlis, 2004). In this study, the researcher spent one and a half years in the organisation.

Participant observation requires the researcher to immerse themselves in the natural habitat of the phenomenon being studied. The degree of researcher participation in the setting depends on the situation and can vary from a minimal role to a considerable degree of involvement. Corbetta (2003, p.5) citing Davis (1973) describes the varying degrees of researcher participation as being “the martian” and “the convert”. The martian describes a researcher who is a foreigner in the research setting and the convert refers to a researcher who becomes one of the subjects. Corbetta (2003, pp.5-6) argues that a balance between the two extremes of researcher involvement is most suitable. Thyer (2001, pp.5-6) categorises the varying degrees of researcher participant as: “complete observer”, “observer-as-participant”, and “participant-as-observer”. For the purposes of this research, the researcher was a complete observer. It was decided that the researcher taking a passive role would be most suitable in this case as it would enable the observation of directors and senior managers in their natural environment. As Eriksson and Kovalainen (2008, p.141) explain, participant observation is often the starting point for ethnographic research, followed by other research methods such as interviews and document analysis. The researcher has followed this sequence of research methods – beginning with observations as the primary source of data followed by interviews and document analysis.

As the boardroom is the primary forum where director roles are discharged and decisions take place, it is a particularly valuable source of data. Studies that have the privilege of accessing the boardroom are able to provide rich insights into director

behaviour (LeBlanc & Schwartz, 2007; Gabrielsson & Huse, 2004). This study follows in that tradition. Data has been collected from the entire top-level structure of the case study organisation. Participant observation took place at the board meetings level as well as the committees level and strategic planning days (Clarke, 1998; Heracleous, 1999; Parker, 2007a, p.1460).

There were seven committees in the organisation when the researcher was present. These were: Finance & Audit, Governance (formerly the Executive Committee), Aged Care & Community Housing, Risk, Strategic Advisory Committee, Aged Care & Property, and Community Services. Two of the seven committees were short-term and established for the purposes of guiding the board and the senior managers through the strategic planning process. These committees were the Strategic Advisory Committee and the Aged Care & Community Housing Strategies Committees. The other five committees were long-term committees however a decision was made while the researcher was present to discontinue two of the long-term committees. These committees were the Aged Care & Property Committee and the Community Services Committee.

The researcher also attended two strategic planning days, the first of which involved board members only. The second strategic planning day had both board members and senior managers present. The categories of meetings attended by the researcher covered eight perspectives of the top-level structure of the organisation. The eight perspectives, types and numbers of meetings observed are outlined in table 3.1 below. Exposure to these several governance structures meant that the researcher was able to gain a more holistic appreciation of how the organisation operated, especially with respect to the board members and senior managers.

**Table 3.1 Participant observation in board and committee meetings**

<b>Type of meeting observed</b>	<b>Number of meetings observed</b>
Board meetings	14
Finance & Audit Committee	7
Governance Committee	4

Aged Care & Community Housing Strategies Committee	5
Risk Committee	2
Strategic Advisory Committee	2
Aged Care & Property Committee (later disbanded)	1
Community Services Committee (later disbanded)	0
Strategic Planning Days	2

In total, the researcher observed 37 meetings. The researcher was only permitted to take handwritten notes during meetings. Detailed field notes however were sufficient for recording director roles, behaviours and key decisions. The field notes were supplemented by memos which were also written within 24 hours of each meeting. The memos provided a form of preliminary data analysis whereby the researcher recorded reflections and interpretations about what was observed. As observations progressed, the researcher was able to identify common themes and kept a record of these themes. This record of key themes (example in Appendix 3) was developed over time and was amended where necessary. There were only a handful of instances where the researcher was asked to leave the boardroom due to the discussion of confidential matters. These discussions lasted an average of 10 minutes. The time the researcher observed board meetings and committee meetings generated a total of 92 hours, with the average length of meetings being 2 hours and 45 minutes. Meetings were attended since August 2015 and ended on December 2016.

The coding of boardroom observations was conducted at two levels: individual director level and the collective board level. While coding will be expanded upon later in the chapter, it is important to acknowledge the board process studies which argue the complexity of the board is better understood by applying multi-level analysis techniques (Bezemer, Nicholson and Pugliese, 2014). Codes were developed to identify board member roles including those that are the subject of the three RQs: director strategy, control and resource dependence roles. Codes also identified accountability issues including stakeholders and governance aspects. Further details of the coding process is located in the section “Data analysis: coding and memo writing”.

There are notable strengths of the participant observer method that are worth highlighting. Participant observer methods permit access to the data in its natural setting, at the time that it occurs (Ahrens & Khalifa, 2013, p.7). This limits the potential for bias, which is more likely to occur in surveys and questionnaires (Denzin, 1978). Additionally, observer methods expose the researcher to the expected and the unexpected, the formal and the informal aspects of the phenomenon under study (Parker, 2007b). As observations are generally over an extended period of time, the researcher is able to identify key themes or issues which commonly arise (Parker, 2007b; Rosen, 1991). The researcher is also able to follow certain issues and observe how they develop over time.

Observations also expose the researcher to occurrences which might be deemed to be insignificant by the participants, but are valuable to the researcher, as they are generally not able to obtain such data from other sources (Payne & Williams, 2005). Such an example might be operational aspects of the organisation which the researcher can see in action, but which board members might take for granted (Baxter & Chua, 2008). Finally, participant observer methods are suitable for this board study as it enables the researcher to achieve a depth of penetration to the data source more so than other methods (Denzin, 1978). This is significant in the governance context, as boards are usually not open to the public and little is known about their processes. Much has been written about the hurdles to researchers accessing boards and the need to gain access to advance corporate governance research (see: Crow & Lockhart, 2014, pp.34-40).

A common criticism of participant observer methods of data collection is that they may change the dynamics of the phenomenon under study (Iacono, Brown & Holtham, 2009, p.43; Domenico & Phillips, 2010, p.6). As a result, the data collected by the researcher may not take the same form as it would if the researcher were not present. While this might be true in some settings, there is no evidence of this occurring in the case study undertaken. Evidence in support of this conclusion can be summarised in three categories. First, the amount of access granted to the researcher is notable. The researcher attended a total of 37 meetings, including 14 board meetings and 23 committee meetings. Second, the frequency of the researcher's attendance at board meetings, committee meetings and organisation events was likely

to mitigate any possible feelings of change or unfamiliarity on the part of the research participants. Greater time in the field also "...allows the researcher more time to acclimate to the environment and learn behaviours and customs" (Domenico & Phillips, 2010, p.6). Third, the continuing friendly attitude of all board members and senior managers strongly suggests that the researcher did not have a negative impact on the board's activities. The effectiveness of this approach is illustrated by a comment by one of the actors in the process:

*"It's been good to have you on board...I think it's been, you've been very unobtrusive to the process, and people have just been very open with you there, which is good to know, that you're trusted enough to be part of the process".*

The resource-intensive nature of participant observation is a criticism which is sometimes discussed in the literature (Crouch & McKenzie, 2006, p.495) Particularly in the case of longitudinal research, some argue that participant observer methods take a significant amount of time and use a considerable number of resources such as records of observations (often hardcopy notes and electronic copies). Expenses including as travel to and from the research site also has to be factored in the process. While these aspects might pose a problem for some researchers, these limitations have not been an impediment to the researcher undertaking this study. The researcher had the time to conduct the necessary fieldwork for the study. The researcher also had access to suitable record keeping facilities. Finally, the research site was accessible to the researcher for regular visits.

Another limitation sometimes expressed about participant observer methods is that the researcher might be absent when a crucial event occurs (McKinnon, 1988, p.38) Although this might have occurred, the probability of such an occurrence is likely to be small given the volume and frequency of meetings the researcher has attended. Importantly, the regularity with which the researcher attended board and committee meetings was able to reveal director roles and behaviours which were the norm and those that were unique. The benefit of conducting boardroom observations over the period of a year and six months is that there was the opportunity to catch up on any issues that were discussed in the researcher's absence. Attending both board and



committee meetings meant that there was some overlap with topics discussed by board members. If a topic was missed in the first instance, it usually became apparent in other meetings. Roulston (2010) explains that if the researcher spends a significant period at the research site, the quality of the research is likely to increase. In this study, the researcher spent 18 months in the field, collecting observation, interview and documentary evidence. This supports the notion that the research undertaken is authentic and plausible (Lukka & Modell, 2010, p.464).

Some argue that boardroom observations only capture the formal aspects of board process. As the literature suggests, the informal aspects of director behaviour are less obvious as they often take place outside the boardroom (Samra-Fredericks, 2000). The researcher was able to address this limitation by taking every opportunity to observe what occurred in informal exchanges between board members outside the boardroom. For example, upon arrival at the research site, the researcher would either speak with or observe board members and senior managers. She adopted the same approach when the board had a break at the halfway point in the agenda. The researcher also observed or spoke with board members after board or committee meetings finished. In addition, discussions at the board and committee meetings, at times, revealed informal correspondence that had taken place between the board members and senior managers. Finally, the access that the researcher had been given to the email correspondence between the board Chair and directors shed light on informal interactions between the board members.

### **Interviews**

Another method of data collection used in this study was interviews. A key feature of interview method is that it permits the researcher to “reach areas of reality which that would otherwise remain inaccessible such as people’s subjective experiences and attitudes” (Perakyla & Ruusuvuori, 2011, p.529). A combination of different types of interview questions - for example, open questions, probing questions, direct and indirect questions (Rubin & Rubin, 2012, p.6; Corbin & Strauss, 2008, p.72) were put to interview participants by the researcher. These questions are explained in more detail in this section shortly.

In this study, semi-structured interviews were used as they permit a balance between a planned structure and spontaneity (Singleton & Straits, 2005). Semi-structured interviews enable issues relevant to the study to be uncovered, while also allowing for explanation that might shed light on new or unexpected issues. The researcher devised a series of interview questions that were designed to address the study's RQs as well as focusing on key issues raised in board studies and the theoretical literature about accountability (Roulston, 2010, pp.203-204). The interview questions were reviewed by two senior academics and some minor adjustments made. During the three months of interviewing participants (May to July 2016 inclusive), the researcher refined some interview questions to a small extent. For example, it became apparent that a particular issue with respect to the structure of board meetings continued to arise. To collect more information about the change and its implications the researcher added two additional interview questions. Appendix 4 contains the original interview guide and amended interview guide used for board members and senior managers.

The purpose of the semi-structured interviews was to obtain board members' and senior managers' perspectives about director roles in the NFP context. The researcher commenced by asking participants to outline their role in the organisation and their experience. The questions that followed were divided into five sections. The first section asked interview participants to provide their own definition a board member. The second section inquired about the accountability and resource dependence aspects of directors' roles. Section three was designed to elicit discussion about the strategy role of board members. The fourth section explored the board members' control role and also incorporated a question about a recent governance change. Section five inquired about the enactment of the multiple roles of board members. The researcher concluded the interview by giving interviewees the opportunity to discuss anything that in their view the researcher did not cover. Such a technique is valuable in providing participants the opportunity to discuss any issues that they would like to contribute (King & Horrocks, 2010). Some important insights were achieved through this technique including comments about the ways in which the board had addressed various challenges in the NFP sector.

The interview questions were framed in such a way that they allowed participants to have a conversation with the interviewer (Kvale & Brinkman, 2009). For example,

many of the questions were open questions, allowing interviewees the freedom to articulate. In cases where responses were brief or unclear, the researcher encouraged participants to provide further explanation or examples to illustrate their point. All interview questions were audio recorded and transcribed.

A professional transcriber performed the transcription of the audio recordings from the 14 interviews. Reassurance of data confidentiality was attained through a Privacy and Confidentiality Policy that was part of the engagement process with the professional transcriber. This agreement can be seen at Appendix 5. Furthermore, to ensure security and confidentiality of data, the researcher requested that all Word document transcription files were purged from the transcription system upon payment. When the researcher received the transcription documents, care was exercised to check them against the original audio recordings. This enabled the researcher to make any corrections or complete text where the audio was indecipherable to the transcriber. This process was undertaken to ensure that the interview transcripts were reliable, valid and ethical (Rubin & Rubin, 2012, p.219). The 14 interviews generated a total of 212 pages of transcribed text.

While the focus of this study is on the directors, the researcher chose to also include senior managers in the interview process for two reasons. First, senior managers are in a position to provide a useful alternative perspective on directors' roles given they work closely with the board. Second, the literature supports the practice of obtaining interview data from other parties where possible (Huse, 2005; Finkelstein, 1992; Pettigrew, 1992; Roberts 1991; Stone, 1991; Houle, 1989). Additionally, this approach enhances triangulation by obtaining accounts from other people who are relevant to the subject under study (Roberts, 1991, p.361).

There was a slight difference in interview questions for senior managers compared to the board members. Kvale and Brinkmann (2009, p.134) explain that different participants might require different types of interview questions. In this study, a key point of difference in the interview questions was that senior managers were invited to reflect on the roles of board members and then explain how directors' roles compare to their senior manager roles. Apart from this principal difference, all other interview questions remained the same.

The number of interviews and the selection of interview participants has been a point of discussion. Reputable sample sizes have been said to be between six and 12 participants (Guest, Bunce & Johnson, 2006), five and 25 participants (Creswell, 1998) or two to 10 (Boyd, 2001). The caveat to these rules of thumb is that “saturation” of the data is reached (Glaser & Strauss, 1967 cited in Rubin & Rubin, 2012, p.63). “Saturation” is a term used to describe the point at which the researcher no longer finds any new themes or concepts from the data (Creswell, 2007). “Data replication” or “redundancy” are similar terms which support the idea that when the researcher continues to encounter the same data, saturation is reached. To achieve saturation, participants or new observations continue to be added to the data set until a complete picture is constructed (Bowen, 2008, p.140). Commensurate with recommendations of an appropriate sample size from the interview literature, this qualitative case study features 14 interviews. Nine were conducted with all board members and five were conducted with all senior managers. This means interviews were conducted with NFP directors from all levels in the entity, including the board members, Board Chair, senior managers and the CEO of the NFP organisation (Parker, 2007a, p.1462). Such an approach should provide “...complementary data to understand issues from different perspectives” (Hennick, Hutter & Bailey, 2011, p.170) and facilitate triangulation (Waddington, 2004, p.156).

Purposeful sampling was used in this qualitative study. In qualitative research, sampling is often purposive (Parker & Northcott, 2016, pp.1115-1116). It prioritises data quality and relevance to the project’s RQs rather than random selection and large numbers of respondents. In other words, “...participants are selected according to predetermined criteria relevant to a particular research objective” (Guest, Bunce & Johnson, 2006, p.61). This approach has been applied by Bowen (2008, p.142) who “...selected ‘*information-rich cases*’ for study in depth’ (as recommended by Patton 1990, p.169, emphasis in original). Selecting interview participants with knowledge and experience or those “who best represent” the phenomenon under study, significantly assists in obtaining an “appropriate sample” (Bowen, 2008, p.140). Arguably, the most significant factor to consider is the objectives of the study. As this is a board study, it is appropriate to select participants who work in the context of the board of directors. Therefore, board members were an obvious choice.

In this study, interviews were conducted with all directors in the organisation, the senior management team, the CEO and members of committees (who comprise board members and some senior managers) (Parker, 2007a, p.1462). The researcher arranged interviews with the board members and senior managers by advising them verbally at a board meeting that she would contact them by email to arrange a mutually convenient date and time for interview. Every board member and senior manager communicated with the researcher either by email or in person at meetings to arrange a time for a face-to-face interview. Interviews were held at a place that was convenient to the research participant. All interviews for board members were conducted in the capital city of the state in which the organisation operates. All interviews for the senior managers were conducted at the Head Office of the organisation.

In total, the interviews spanned 13 hours. The board was comprised of nine board members (including the Chair), all of whom were independent from the organisation and five senior managers (including the CEO). Independent directors were not remunerated for their services during the year 2015. A decision was made by the board in late 2015 to remunerate independent board members from January 2016. Of the independent directors, five were women and four were men. The senior managers comprised four women and one male. Interviews were undertaken during the period of May to July 2016 inclusive. The total length of interviews was 791 minutes (13 hours) with an average length of interviews being 56 minutes. No repeat interviews were conducted.

When conducting interviews, the researcher's ontological perspective was acknowledged and an assessment of how they were likely to influence interviews was made (Ahrens & Khalifa, 2013, p.8; Parker, 2008, p.73). In this study, the researcher reflected on her qualifications and experience in accounting and law. She considered that these factors were likely to heighten her perception of accounting and legal issues - perhaps more so than other issues such as administrative or operational issues. As mentioned previously with respect to participant observation, the researcher's presence appeared to have no significant impact on the interviews.

In order to mitigate the impact of the researcher on the interviewees, the researcher explained the purpose of the interview and reminded the participants that their interviews were confidential. The researcher also met interviewees at a place at which they chose, which has also been suggested to make interviewees more comfortable and likely to provide useful information (Patton, 2002) - including sensitive information (Grey, 2009). Additionally, all interview participants provided written and verbal consent to be interviewed and to have their responses audio recorded by an MP3 recording device (Sturges & Hanrahan, 2004, p.111). The interviewer explained to participants that she would also take notes during the interview to guard against the audio recorder failing. All participants agreed to the researcher taking contemporaneous notes.

Audio recordings were transcribed verbatim by a professional transcription service. The researcher reviewed all transcriptions and identified occasional places throughout some interviews that required amendments or adjustments (King & Horrocks, 2010). For example, completing missing content or correcting misspelt words. The researcher was mindful that tidying up interview transcriptions could in some cases jeopardise the quality of the transcription (King & Horrocks, 2010, p.144). This however does not apply to the current study, as minimal and only minor changes to the transcripts were required. The researcher was also able to overcome such risks by replaying the audio recording and referring to her handwritten notes taken at the time of interview. This gave the researcher the opportunity to capture what was said and also check the context by referring to her handwritten notes taken at the time of interview. Memo writing of significant issues raised in the interview was undertaken post-interview by the researcher.

The utility of interviews is that they can draw out rich detail. Interviews are able to obtain two important and related responses – the story (“what” happened) and the discourse (“how” it happened) (Parker, 2012, pp.66-67). The “what” and “how” questions are important to this study as outlined in the RQs section in the Introduction chapter. Additionally, interviews provide the researcher with a certain degree of control. For instance, the interviewer can ask questions where they are interested to obtain an explanation. Flexibility in re-visiting questions or further probing is another strength of interviewing.

There was a degree of flexibility in dealing with unexpected issues using the semi-structured interview model (Singleton & Straits, 2005). For example, the researcher was able to ask unplanned, spontaneous questions and obtain more data than previously anticipated (Charmaz, 2014, p.85). Another strength of this method of data collection is that the interviewer can gauge the interviewee's non-verbal response by observing their reactions, behaviour and body language (Sturges & Hanrahan, 2004, p.114). Therefore, interviews can extract interviewees' attitudes, beliefs, behaviour and nuances.

Limitations of interviews are generally directed at its costly nature in terms of time and money (Kvale & Brinkmann, 2009, p.168; Seidman, 2006, p.12). More specifically, conducting interviews is time consuming and the transcription of interviews is often costly. This weakness was addressed in this study by the ability of the researcher to conduct interviews with relative ease, as interviewees elected to be interviewed in places that were accessible to the researcher. In addition, the cost of transcription services was alleviated because the researcher obtained university funding for the service.

Another commonly cited weakness of interviews is failure on the part of the interviewer and/or the interviewee (Kvale & Brinkmann, 2009, p.168). For example, the interviewer may not be adequately prepared for the interview or they may have some bearing on the interviewee's responses. This could be either intentional through influence or unintentional through misinterpretation of responses. These weaknesses were mitigated by the researcher undertaking diligent preparation of interview questions in consultation with two senior academics as well as reading literature about interview method. Moreover, the potential for the researcher to have bearing on the interviewee's responses was mitigated by the researcher being reflexive about their potential impact on the interview, as well as the researcher seeking clarification if an interviewee's response was unclear. Clarification of responses was sought at the time, where possible, and all interviewees agreed to further follow-up clarification, if required. In addition, the researcher verified all interview transcripts by reviewing the audio recording to reduce the chance of misinterpretation of responses.

It has been argued that another limitation of interview method is that the interviewee may also affect the interview process to some degree. There is the possibility that the interviewee might make verbal claims which differ to their actual behaviour or opinions (Glesne, 2006; Horton, Macve & Struyven, 2004). A technique suggested to prevent this is to give the interviewee the choice of place of interview. By adopting this approach, it is more likely that the interviewee will be comfortable and will convey more accurate statements than if they felt constrained by their environment (Horton, Macve & Struyven, 2004). The researcher followed this advice and all 14 interviewees chose where they would like the interview conducted. Other techniques the researcher used to limit the likelihood of interviewees making verbal claims which were not congruent with their behaviour or opinions included: explaining the purpose of the interview, re-iterating its confidential nature and asking interviewees for their permission to audio record the interview. All participants agreed in writing and verbally to have their interview audio recorded.

### **Data analysis: coding and memo writing**

Data analysis followed a number of key steps and it is the repeated application of the data analysis steps of coding and memo writing which eventually leads to saturation. Coding is the process where the researcher identifies commonly recurring themes or categories from the data. Many qualitative researchers also use a “sensitising device” (Bowen, 2008, p.142; Charmaz & Belgrave, 2012, p.355). The sensitising device is a tool which is not only useful for heightening the researcher’s awareness of concepts or themes in the data, but it also prompts the researcher to consciously acknowledge “...the constructions – including preconceptions and assumptions – that inform their inquiry” (Charmaz & Belgrave, 2012, p.355). A sensitising device was used in this study, as recommended by Bowen (2008, p.142). However, the researcher was mindful that the sensitising device was not the only way that themes are acknowledged (Bowen, 2008, p.142).

The sensitising device was developed from the literature including board process studies and accountability studies. Themes were also acknowledged by taking “particular care” to allow new concepts to emerge when undertaking data collection



and analysis (Bowen, 2008, p.142). When this happened, the researcher amended the sensitising device so that themes particular to the field were incorporated. Guest, Bunce and Johnson (2006, p.67) explain that the development of codes is a dynamic process and is often subject to change or refinement throughout the data collection and analysis process. The researcher kept a record of themes (subjects and topics) that were evident from board and committee observations. The themes were later refined into codes which were designed to encapsulate or describe similar or related themes. Appendix 6 provides an example of some of the original themes and the refined codes.

When analysing interview transcripts, scholars usually recommend line-by-line coding and an iterative process, moving back and forward between the data and the codes to identify “similarities, differences, and general patterns” (Bowen, 2008, p.144; Charmaz & Belgrave, 2012, p.356). Seidman (1998) explains the researcher should often ask what they have learned from the transcriptions. In particular:

- What connective threads are there...?
- What do they understand now that they did not understand before...?
- What surprises have there been?
- How have their interviews been consistent with the literature? How inconsistent? (Seidman, 1998, pp.110-111).

The researcher applied this technique when analysing observational notes, memos and interview transcripts. Where documentary evidence was relied upon as a supplementary source of data, this technique was also used. This way, any gaps in the data could be addressed through theoretical sampling. Theoretical sampling means returning to the field, such as observing another meeting with “more focused, even pointed questions...” (Charmaz & Belgrave, 2012, pp.358-9). Gaps in the data can also be addressed by developing new categories and re-visiting other data sources with a view to locating the newly developed category (Bowen, 2008, p.144). In this case, the researcher did not have to conduct repeat interviews, but new categories were developed over time, as the data set became larger and more issues became apparent. The researcher also refined some previous categories, putting them under the headings: “strategy”, “control”, “resource dependence” and “accountability”.

Three types of coding have been applied in this study in the following order: open (initial) coding, axial and selective (focused) coding (see Charmaz & Belgrave, 2012, p.356 and Bowen, 2008, p.143). The open coding process occurs where the researcher begins the analysis of the data by mapping out codes or “preliminary concepts” that appear relevant to the phenomenon under study (Charmaz & Belgrave, 2012, p.356; Bowen, 2008, p.143). Axial coding is the process where “more abstract” data is identified as being linked to the concepts identified in the open coding process (Bowen, 2008, p.144). This entails the transition “...from descriptive to an interpretative and explanatory mode” (Bowen, 2008, p.145). The third type of coding is referred to as selective coding. Selective coding is the final process where the most frequently occurring codes (Guest, Bunce & Johnson, 2006, p.72) or the most significant codes are selected and linkages between the codes are examined (Bowen, 2008, p.145; Charmaz & Belgrave, 2012, p.357).

Data analysis in this study was undertaken manually and not electronically through computer programs such as *NVivo*. There are advantages adopting the manual process including the ability of the researcher to identify more specific categories and to analyse categories with contextual understanding. *NVivo* has been criticised for compromising data validity including leading researchers in a particular direction (Seidel, 1991 cited in Deakin, Wakefield & Gregorius, 2012, p.605) and prescribing particular categories to information which researchers might find difficult to alter (Robson, 2002 cited in Bergin, 2011, p.6). Certainly, a limitation of manual data analysis is that it is time consuming, however the researcher had sufficient time to undertake the task.

The researcher applied thematic data techniques to the observation notes, memos and interview transcripts. This involved the researcher being attuned to processes and concepts that emerged from the data. These processes and concepts were developed inductively and often re-visited throughout the data collection and data analysis process. Over time, the researcher developed more themes and re-assessed the previous themes. In some cases, themes were consolidated. For example, legal or governance issues were consolidated under the theme of “control”. Summaries of themes were progressively made and incrementally developed throughout the data collection and data analysis processes. The researcher also identified similarities and

differences in the data through the process which Strauss and Corbin (2008, p.298) call the “constant comparative method”.

The complex nature of boardroom operations called for data analysis to be undertaken at more than one level. As board members behave individually and make decisions as a group, it is necessary to understand the data at both the individual director level and the collective board level (Bezemer, Nicholson & Pugliese, 2014). This was especially necessary when analysing the observation notes and memos from board and committee meetings. To achieve this, the researcher coded meetings by agenda items relevant to the study (strategy, control, resource dependence and accountability) and identifying the group decisions attached to the three key director roles. The individual level processes were ascertained through board member behaviours which pertained to their strategy, control and resource dependence roles.

The codes pertaining to the three board roles and the accountabilities provided the researcher with a broad structure for the open coding analysis. Such a structure is logical because it follows RQs 1-3 as well as capturing relevant data that did not fit neatly into the three board roles. This structure was refined throughout the data analysis process where the researcher added inductively developed sub-codes. The sub-codes were designed to group and combine the codes developed in the open coding phase. Sub-codes were given a couple of words or a phrase to describe the activity which the sub-code represented. This process marked a point of consolidation of codes and made dealing with data analysis more manageable.

Equipped with the sub-codes, the researcher commenced a second round of data analysis – axial coding, to all board and committee observations and memos as well as the interview transcripts. This process was a refining of the broader process that took place with open coding. The researcher ensured that each sub-code related to the research question and/or the theoretical framework. This practice achieved two objectives. First, it assisted the researcher to focus on relevant data and not be overwhelmed by “data asphyxiation” (Pettigrew, 1990, p.281). Second, it allowed the researcher to not only code according to the literature and the three board roles, but it also produced insights that related to the theoretical framework of accountability.

The third phase of coding, selective coding was the final round of data analysis performed. At this point, the researcher further refined the sub-codes into a set of more discreet codes and the most significant or commonly recurring codes were then focused on so that they could form the subject of the findings chapter discussions. Throughout all three coding processes, the researcher moved iteratively between the codes and continued coding or refining codes until no new data emerged (Creswell, 2007).

The researcher selected the observational notes and memos as the first form of data to analyse. This is because the primary objective of the study is to understand board member roles and behaviours. Observations from the boardroom were most likely to provide this type of data. As data was collected from the board, committees and strategic planning days, the researcher commenced at the board level first, analysing board meeting observations. Once complete, the committee meeting and strategic planning day observations were analysed. The next stage of data analysis involved the researcher analysing all interview transcripts. She did this in conjunction with her own handwritten notes taken at the time of interview. The interview data was a valuable data source, providing insights on issues particular to the interview participant or clarifying aspects which might not have been clear in the observations. Finally, on occasion, data analysis was applied to board or committee documents such as agendas and minutes where the researcher required clarification or more information.

The researcher pursued assurance of data credibility through triangulation by using multiple sources of data including document analysis where clarification or context was required. The multiple data sources included: data from the researcher's observations during board and committee meetings, data from the perspective of participants during interviews, and data from documents produced by senior managers and board members. Assessments were also made as to whether the data is authentic and plausible (Lukka & Modell, 2010; Smaling, 2003; Shank, 2006). This was achieved by ensuring that sufficient contextual understanding was provided in the findings chapters. Additionally, the data was assessed in terms of its credibility and trustworthiness (Hammersley, 1992, 1995; Golafshani, 2003; Ihantola & Kihn, 2011). This involved the researcher assessing the data analysis and findings to ensure they

apply logic and provide a realistic interpretation (Golafshani, 2003). Data interpretation and trustworthiness is discussed further in the section below “Data interpretation and establishing trustworthiness”.

In the latter stages of data analysis (axial and selective coding), the researcher used Microsoft Excel to map all the codes and the linkages back to the original data sources. This enabled the researcher to have an electronic copy of the data to hand and assisted with retrieving electronic copies of observation notes, memos or interview transcripts. The other advantage of using Excel was to provide the researcher with a spreadsheet to “eyeball” the commonly and least commonly occurring themes in the data. An example of this process is provided in Appendix 7.

After observations and during the data analysis process the researcher wrote memos. The primary purpose of memo writing is to encourage the researcher to engage with the data by thinking, analysing and recording their thoughts about the data (Corbin & Strauss, 2008, p.118). Memos can range from “freewrites” to “tightly reasoned analytic statements” (Charmaz & Belgrave, 2012, p.357). Such a technique is valuable because it creates a traceable trail of the researcher’s thoughts at various points throughout the data collection process and therefore makes it much easier for the researcher to “...retrace the process by which researchers arrived at their final findings” (Corbin & Strauss, 2008, p.119).

Memo writing builds upon codes by expanding on the codes, giving evidence in support. Such evidence might be excerpts from interviews (Charmaz & Belgrave, 2012, p.358) and the researcher’s thoughts about a particular code (Wengraf, 2001 cited in Charmaz & Belgrave, 2012, p.357). Comparisons and connections were also recorded in memos – linking or distinguishing from previous “...data, codes, ideas and hunches” (Charmaz, 2014, p.162).

For this qualitative case study, memos were made of key categories in which the researcher identified various dimensions, contexts, relationships and meanings (Ryan & Bernard, 2000; Strauss & Corbin, 1990). Consequently, each category has observational and interview evidence in support. Next, various categories were compared to ascertain similarities and differences. As a result, the data and memos

provide a rich source of information, shedding light on relationships or behaviours relevant to the study.

### **Document analysis**

A form of secondary data used in this study was documents. Documents included minutes of meetings, agendas, board and committee papers, annual reports, and email correspondence between board members. Documents were examined for two key purposes. First, the documents augment the researcher's understanding of board processes and the issues under consideration (Bezemer, Nicholson & Pugliese, 2014, p.244). Second, the documents enhanced the researcher's understanding of the research site, settings and the people being studied. In this study, documents served a supplementary purpose, building on data collected from observations and interviews.

Some scholars who have used documentary analysis in their board studies include Bezemer, Nicholson and Pugliese (2014) who primarily use video observations as well as secondary data collection methods including document analysis techniques to collect data about board member interactions in two Australian companies. Parker (2008) is another scholar who uses board documents as a supplementary data source. Parker (2008) employs participant observer techniques as the primary method to assess operational and financial control in two NFP organisations. In a similar vein, this NFP case study uses document analysis as a secondary or supplementary source of data. Approximately 322 documents including board papers, handouts, committee papers, annual reports, budgets and email correspondence were collected and assessed. Table 3.2 on the following two pages outlines the category of documents inspected, number, period of time they cover, and average length of documents.

**Table 3.2 Document analysis**

Document category	Number per category	Period covered	Average length (pages)
<p><b>Board papers</b></p> <p>E.g.: Agenda, minutes of previous meeting, business arising, action items, Chair’s report, CEO’s report, strategic issues, items for decision, items for Discussion, items for Noting.</p>	<p>12 board papers (papers = a bundle per meeting)</p>	<p>August 2015 – December 2016 (16 months)</p>	<p>120 pages</p>
<p><b>Committee papers</b></p> <p>Finance &amp; Audit; Governance; Risk; Aged Care &amp; Property; Strategy Advisory, Community services; Aged Care &amp; Community Housing Strategies, and Strategic Planning Days.</p>	<p>22 committee papers (papers = a bundle per meeting)</p>	<p>August 2015 – December 2016 (16 months)</p>	<p>13 pages for all Committees except 100 pages for Finance and Audit Committee (due to accounting documents including budgets, financial reports and audits)</p>
<p><b>Handouts during board meetings</b></p> <p>E.g.: Strategic partnerships; CLG questions to ask Lawyers; Draft Strategic Plan 2017-2021 (mission/vision statement and commence KPIs to monitor progress against goals).</p>	<p>26 board handouts</p>	<p>October 2015 – December 2016 (14 months)</p>	<p>10 pages</p>

**Table 3.2 Document analysis continued...**

<b>Document category</b>	<b>Number per category</b>	<b>Period covered</b>	<b>Average length (pages)</b>
<p><b>Handouts during committee meetings</b></p> <p>E.g.: Risk Committee: KMPG Understanding and Articulating Risk Appetite: Advisory;</p> <p>Finance and Audit Committee: Investment Portfolio position;</p> <p>Governance Committee: Draft advertisement for two Board members.</p>	20 committee handouts	September 2015 – December 2016 (15 months)	10 pages
<p><b>Email correspondence</b></p> <p>E.g.: Calendar updates for meetings, documents and minutes of previous meetings.</p>	232 emails	August 2015 – December 2016 (16 months)	9 pages
<p><b>Invitations to organisation events</b></p> <p>E.g.: Fundraising events, information sessions and guest speakers for the organisation.</p>	10 events	August 2015 – December 2016 (16 months)	1 page



### Summary of the data sources

To summarise, primary data was collected from participant observation and semi-structured interviews. Secondary data in the form of documents were also collected. A summary of the data sources including the data collection technique and data objectives are outlined in Table 3.3 below.

**Table 3.3 Data sources**

<b>Method</b>	<b>Data type</b>	<b>Data source</b>	<b>Collection technique</b>	<b>Data objective</b>
Boardroom observations	Primary	14 board meetings 23 committee meetings	In person Field notes Memos Preliminary coding of director roles	Directly observe the behaviours, discourse and context of board and committee meetings.
Semi-structured interviews	Primary	9 board members 5 senior managers	In person Field notes Memos Audio recordings Transcriptions	Directly engage with individual board members and senior managers about the roles and functions of board members and senior managers.
Documents	Secondary	Board papers; Committee papers; Handouts; Email correspondence	In person By post Electronically by email	A supplementary technique used to give context and meaning to items for data analysis.

### **Data interpretation and establishing trustworthiness**

Qualitative studies acknowledge that it is not possible to achieve objectivity in research as it is laden with conceptions and interpretations. Ethnography is therefore “...an interpretative rather than a positivist perspective on the nature of social reality” (Hesse-Biber & Leavy, 2011, p.198). Instead of being seen as a hurdle to achieving sound data, qualitative techniques embrace complexity, tackling the “value-laden nature” of research by applying techniques such as reflexivity and rigor (Goulding, 2005, p.300). Reflexivity is the ability of the researcher to reflect critically on the impact of their experience, qualifications and beliefs on the phenomena being studied. The equivalent concept in quantitative research is construct validity (Thomas & Magilvy, 2011, p.154). Often reflexive practices mean considering “preconceptions and assumptions – that inform...[the researcher’s] inquiry” (Charmaz & Belgrave, 2012, p.355). As Carbaugh et al. (2011, pp.153-4) explain reflexivity involves the researcher having a sense of humility – an awareness of how they will be viewed by others, more than how they view others. Rigor in the context of qualitative research means the ability of the researcher to be consistent in their assessments of the data so as to establish confidence or trustworthiness in the findings (Thomas & Magilvy, 2011).

The researcher applied the techniques of reflexivity and rigor by recording memos about her qualifications, values and experiences that might inform the study. These notes were often written after observations and interviews during the data write-up process. The chance of any preconceptions or assumptions were also recorded in data write-up in square brackets so the researcher could quickly identify any possible areas where the data might be informed by the researcher’s views. The memo writing process is a method of directly and consciously acknowledging researcher biases, preconceptions or values (Ortlipp, 2008).

A key seminal paper about establishing trustworthiness in qualitative research was written by Lincoln and Guba (1985). They argue that there are four components to trustworthiness: (a) credibility, (b) transferability, (c) dependability and (d) confirmability. Each of these components will be defined. Credibility is concerned with whether the findings reflect reality and the concept is “similar to internal validity in quantitative research” (Thomas & Magilvy, 2011, p.152). Transferability is

whether the findings can be transferred to similar contexts and the equivalent concept in quantitative research is external validity (Lincoln & Guba, 1985, p.290). Dependability, known as reliability in quantitative research, asks researchers to consider whether their findings would be reproduced if the same study were undertaken again (Thomas & Magilvy, 2011, p.153). Confirmability requires qualitative researchers to ensure the findings of the study reflect the participants' preferences rather than that of the researcher and the related concept in quantitative research is objectivity (Thomas & Magilvy, 2011, p.154). Each of these components will be discussed below with reference to the methods used in this study to achieve trustworthiness.

#### ***(a) Credibility***

Triangulation is a technique qualitative researchers employ to provide confidence that the findings are credible. Triangulation, also known as “structural corroboration” (Pepper, 1942, p.48), is the process of using multiple sources to cross-check the data so that it matches or at least fits within reasonable parameters of what is evident in various sources of data. Beitin (2012, p.248) provides a list of sources that are often used in triangulation: “the combining of multiple methods, measures, researchers, theories, and perspectives”. By undertaking the triangulation process and ensuring the data matches or best fits the other data (Beitin, 2012, p.251), the reader's confidence can be increased with respect to the findings. This study uses triangulation, as multiple sources of data have been utilised to study an NFP board. By using observation, interview and document data in tandem, researchers are likely to gain a more accurate and fuller view of the phenomenon under study (Peck, 1995, p.154). Furthermore, triangulation allows data from different perspectives to be obtained and analysed. In this study, the researcher observed both board members and senior managers, obtained board members' and senior managers' perspectives during interviews, and viewed documents written by senior managers and board members.

Credibility of research was also established through peer scrutiny and feedback over the duration of the researcher's study. The researcher presented at three international Doctoral Symposia and three school research conferences at RMIT University. These forums provided the researcher with a range of feedback from colleagues and senior academics. Appendix 8 outlines the academic colloquia and conferences the

researcher attended. Finally, the researcher established credibility by having the Board Chair review the opening chapters, context, findings, discussion and conclusions from the study.

***(b) Transferability***

The researcher provides “thick description” or “dense description” to assist with the transferability of findings (Parker & Northcott, 2016, p.1103; Thomas & Magilvy, 2011, p.153) Thick or dense description is where the researcher provides contextual detail in the findings to enable the reader to have confidence in the conclusions drawn (Parker & Northcott, 2016). By providing rich descriptions of situations and contexts, there is also a practical implication. As Bowen (2008, p.148) asserts there is potential for, “...the findings...[to] be applied to new situations or experiences”. While this is possible to a degree in this study, it is important to acknowledge the limitation here. This is a single case study and therefore confined to a single organisation. The objective of this study is not to obtain a range of contexts that are transferrable to other situations or experiences, but to achieve a depth of understanding of the phenomena studied (Yin, 2009).

***(c) Dependability***

Dependability of the findings is enhanced if the researcher explains the processes involved in data collection and data analysis. This should enable other researchers to achieve similar results if the data collection and analysis were performed again in the same context (Shenton, 2004). Thomas and Magilvy (2011, p.153) explain that the researcher needs to describe: the purpose of the study, how and why the participants were selected, the data collection methods, the time period of data collection, how the data was analysed, the interpretation and presentation of findings, and the techniques used to establish trustworthiness of the data. To establish dependability, the researcher has followed this advice by providing detailed explanations and examples of the research methods of data collection and analysis used in the study.

***(d) Confirmability***

A strategy often used by qualitative researchers to achieve confirmability is reflexivity. Reflexivity “requires a self-critical attitude on the part of the researcher about how one’s own preconceptions affect the research” (Thomas & Magilvy, 2011, p.154). The researcher was reflexive in the memos she wrote about the data collected.

For example, in her field notes, she made comments in brackets or if it warranted more extensive discussion, she made a separate memo about her feelings or potential bias. The second strategy used by the researcher to enhance confirmability was to conduct interviews in a way that enabled the participants to contribute in an unconstrained and spontaneous manner. The researcher's use of open-ended questions and the semi-structured nature of the interview facilitated this process. Additionally, the researcher gave every participant the opportunity to raise any issues or questions for discussion. As a result, the data collected from the interviews is reflective of participants' views and experiences rather than those of the researcher. The final technique the researcher used to ensure confirmability was the inductive nature of the data analysis process. More specifically, the coding process was thematic and iterative, enabling the data to speak to the researcher rather than using a predetermined method of data analysis.

### **Methodology and theory**

There is a close link between methodology and theory. Theory is used either to inform the data collected or theory emerges from the data collected (Parker & Roffey, 1997). Research methodology often contributes to theory – whether it strengthens the existing theoretical foundation, adds to or changes it to some degree (Goulding, 2005, p.300). Willis and Trondman (2002, p.399) argue that research methods alone cannot explain phenomenon, neither can theory. Both methodology and theory are needed to provide evidence and explanation. For example, the ethnographic research style has become associated with sociocultural theories such as Critical Theory, Feminism, Marxism and Postmodernism (Angrosino, 2007, p.5). The present qualitative case study contributes to existing concepts and frameworks in accountability and enhances understandings of governance in the NFP sector (Williams & Taylor, 2013; Morrison & Salipante, 2007; Ospina, Diaz & O'Sullivan, 2002). The Literature Review chapter highlighted the need for more qualitative research, as there is a lack of understanding about how NFP boards work. Second, there is a need to contribute to the theoretical perspective of accountability as applied to interpret governance phenomena.

## **Conclusion**

This chapter has explained the data collection and data analysis techniques used in this study to answer its three RQs. To address the RQs, primary data was obtained from 37 meetings and 14 interviews. Secondary sources included board and committee papers, handouts during meetings and email correspondence.

The Methodology chapter opened by outlining the case for qualitative research and explaining the preliminary aspects of the methodology including the ethical aspects, data storage and how the case study organisation was selected. The chapter then explained the three methods of data collection as well as the strengths and limitations of each research method. The chapter also described the data collection and analysis techniques in detail including the coding and memo writing aspects. A summary of the data sources has been provided as well as assessments of and discussion about the trustworthiness of the data. The chapter concludes by explaining the link between methodology and theory and flags the upcoming discussion of concepts of accountability in the Theoretical Framework chapter.

## CHAPTER 4: THEORETICAL FRAMEWORK

### Introduction

This chapter begins by explaining the five levels of theoretical contributions that accounting qualitative studies can make to the literature. It then provides an overview of accountability in governance and the NFP context. It also explains the theoretical framework that will be applied in this study. The strengths and weaknesses of the theoretical framework will also be explored. The chapter then outlines the research agenda for the study including a synthesis of the key elements of the broad accountability framework that will be used. In closing, the chapter presents a summary outlining the reasons why broad accountability is suitable for this investigation.

Llewellyn's (2003) five levels of theorising illustrate the types of theoretical contributions that can be made in the qualitative accounting and management literatures. Llewellyn (2003) classifies the theoretical contributions into five levels. Level one is metaphor theories; level two is differentiation theories; level three is conceptualisation theories; level four is theorising of settings and level five is theorising structures (Llewellyn, 2003, p.667). These types of theorising will be discussed in this section.

Metaphor theorising is called level one theorising and is used by a researcher to illustrate a theoretical concept. In this case, the researcher uses a well-known scenario to explain how a theoretical point applies in that context. This way, the researcher is leading the reader through a familiar idea and then linking a new idea. This technique enables the researcher to effectively communicate their theoretical contribution. For example, Gibbon (2012) uses metaphor theorising to explain how NFP organisations deal with the challenge of generating social accounts. The technique of metaphor theorising that Gibbon (2012) applies is through her personal reflections on her two different approaches to and understandings of accountability in writing social accounts for an NFP organisation. It is through the reflection process where the reader can relate to the narrative. Gibbon (2012, p.201) calls this a "sense-making process".

Differentiation theories are considered theorising at level two and are employed when a researcher wishes to highlight the difference between the phenomenon under study and a contrasting phenomenon. While the two concepts are usually considered opposites, they usually have the same subject in common. For instance, the example of public-private. The subject both phenomena have in common is the sector. Or for another example, consider formal-informal. The subject the two phenomena share is the manner in which behaviour is conducted. Parker (2014) uses differentiation theory in his article “corporate social accountability through action” where he discusses the linked but different concepts of the business case and social accounting. Parker (2014) explains while the two concepts are generally not compatible, he argues they co-exist in his study.

Level three theorising is referred to as concepts theorising. It occurs when a researcher uses a practice such as accountability to explain a scenario and during this process, novel contributions to theory are made. For instance, Joannides (2012, pp.245, 255) explores the integration of social accounting into the Salvation Army’s mechanisms of accountability. In doing so, he contributes to the understanding of the concept “accounterability” coined by Kamuf (2007). Joannides (2012) also adds new insights to the critical accounting perspectives by scholars such as Messner (2009) and Roberts (2009). Joannides’ (2012) study also applies the concept of accounterability to a new setting so theorising at level four – theorising of settings – is also undertaken by the researcher.

At level four theorising is the theorising of settings. This occurs when a researcher analyses the contextual aspects which impact on how actors or entities pursue their goals. Researchers also exercise theorising of settings when they analyse behaviours or find relationships at different levels. For instance, when analysing board behaviour, the individual level might reveal certain behaviours that are different to those present at the collective level. This type of analysis is also evident in Ospina, Diaz and O’Sullivan’s (2002) study of how NFP leaders deal with the various and sometimes competing contextual factors to discharge their accountability to various stakeholder groups.

Finally, theorising of structures occurs at level five and happens when more abstract and broad theories are applied to “enduring structural aspects of experience”, which



are not limited to time or space (Llewellyn, 2003, p.678). Often called “grand theories”, this form of theorising is where a theoretical perspective is generally accepted to explain phenomena in multiple disciplines or settings. An example of grand theorising is Miller’s (2002) application of agency theory to NFP setting. Agency theory originally developed from the corporate context but has since been used in other contexts and time periods (Berle & Means, 1932). As Llewellyn (2003, p.664) notes, grand theories have been given the most attention in the accounting theory literature. More focus on theorising at levels one to four is encouraged by Llewellyn (2003).

This single qualitative NFP case study employs theorising as outlined by Llewellyn (2003) from levels two to four inclusive. Level two theorising – differentiation theories will feature as the broad accountability concepts of informal and formal accountability, negotiable and rule-based aspects, narrative and calculative, and individualizing and socializing aspects of accountability are taken into account (see section in this chapter “Broad accountability: synthesising concepts and the research agenda”). Concepts theorising at level three is particularly relevant to this study, as it applies accountability concepts contained in a framework of accountability (Llewellyn, 2003, p.680). Finally, investigating how governance is enacted in the NFP context is going to require level four theorising – theorising settings. The enactment of accountability at both the individual board member level and the collective board level will be considered. External and internal factors in the NFP environment will also be central to this study when examining the discharge of board member roles. This is because the objective of this study is not only to understand board members’ roles but also how they might be conditioned or influenced by the context in which the organisation is operating.

### **Accountability in corporate governance**

Two primary responsibilities of board members are: to hold the senior managers to account for their actions as well as being accountable as an individual to the board as a collective. O’Neal and Thomas (1995, p.79) argue this is achieved when the board member discharges their strategy, control and resource dependence roles. When these roles are exercised, in most cases, senior managers are held to account. Importantly, however, board members also are held to account by the board and their stakeholders.

As discussed in the Literature Review chapter, this is also known as “board accountability” and is achieved through mechanisms such as board performance reviews and governance reviews. At this stage, it is apparent that accountability acts in two ways with respect to the board. First, the board is responsible for keeping senior managers to account. Second, the board is also held to account by various stakeholder groups and also the board as a collective whole. In the present case study there is also a higher religious authority (please refer to Context chapter) to which the board must also consider. As revealed in interviews with board members and senior managers, this accountability is ‘soft’ in nature. In other words, rather than the hard, obvious rule-based accountability, the board has a more flexible and relaxed accountability to the higher authority. The higher authority only becomes involved if the NFP entity deviates from the ethos of the religious institution, otherwise it is granted considerable discretion in its operations.

Considering the subject of the study and the context of this research, there is a strong argument in favour of adopting a framework of accountability to analyse an NFP board. Roberts, McNulty and Stiles (2005) argue that the subject of the study often guides the researcher in their choice of theoretical perspective. In their study, Roberts, McNulty and Stiles (2005) examined 40 company directors in the UK. Roberts, McNulty and Stiles (2005) use accountability concepts to explain how boards operate. Holland (2002) applies a similar approach, examining board accountability in NFP organisations in the US.

There is also the argument that the context of the study influences the theoretical perspective (Collier, 2005). A considerable body of accountability literature exists in the NFP sector, much of which has been discussed in the Literature Review chapter. Scholars who adopt this view argue context is important for accountability as it can influence the manner and extent of accountability that operates (O’Leary, 2017; Young, 2002, p.3; Ebrahim, 2003; Gray & Jenkins, 1993; Parker, 1996).

In a similar vein to the studies outlined above, this study applies an accountability lens because the board and the NFP context are partial to accountability perspectives. It can be argued that accountability underpins board member roles and how they are enacted. Similarly, the conditions in which the board operates are likely to influence

the types of accountability relationships it has with its external and internal stakeholders and how accountability is discharged to their stakeholders.

### **Accountability: key elements and a definition**

There are numerous definitions of “accountability” in the accounting literature. The seminal work by Roberts and Scapens (1985) and Roberts (1991) are often cited as starting points (McKernan & McPhail, 2012, p.177). Accountability can be argued to embody “the giving and demanding of reasons for conduct” (Roberts & Scapens, 1985, p.447). Roberts (1991) asserts that accountability is a social activity in which people provide an account for certain activities. The challenge to agree on a universal definition of accountability is embodied in the article of Ebrahim (2003). Ebrahim (2003, p.194) explains that the dynamic and contextual nature of accountability adds to the difficulty of achieving consensus on a definition. Gray and Jenkins (1993, p.65) support this assertion, arguing that definitions of accountability are often value-laden “...which can affect the balance of advantage within the management process”.

According to Hoskin (1996, pp.267-268), “accountability” originated in the educational system in the 18<sup>th</sup> century and later became influential in the business sector. Tracking how accountability has changed over the 19<sup>th</sup> and 20<sup>th</sup> centuries, Hoskin (1996, pp.275-276) explains that initially accountability was backward looking and concerned with the past, however in North America during the 1830s, it came to embody notions of performance. Accountability developed to a point where it considered present and future issues as well as past issues, for example, budgeted items as well as actuals. Accountability in the accounting context may be thought of as being comprised of two components. McKernan and McPhail (2012, p.177) explain that these are “calculation and narration”. Calculation is concerned with accounting for phenomena using numbers and objective measures that simply report facts. Narration is often delivered in the written word and conveys subjective measures, which often involve the use of intuition and discretion (McKernan & McPhail, 2012, pp.178-9).

The many definitions of accountability in the literature over the years have led scholars to extract key elements of accountability common to definitions in an attempt to distil and simplify the concept. Gray and Jenkins (1993, p.55) argue: “In essence,

accountability is an obligation to present an account of and answer for the execution of responsibilities to those who entrusted those responsibilities”. Parker and Gould (1999, p.117) agree, identifying two key similarities with most definitions of accountability: “the account and the holding to account; and two parties – the accountor (or ‘agent’...) and the accountee (or ‘principal’...)”.

The implications of providing an account is also commonly discussed in the accountability literatures. Fuller and Roffey (1993) explain that accountability occurs when an entity provides an account to a party for their actions and the consequences of such actions. Similarly, Brown and Fraser (2006, p.107) assert that accountability entails the power of the constituents to “reward and sanction” or “praise and blame” those entrusted to represent constituents (Gray & Jenkins, 1993, p.55). Lindberg (2013, p.202) also recognises that consequences feature in accountability. Lindberg (2013) asserts accountability is:

- an agent giving an account;
- the account is given to a principal;
- the agent acts in a particular area of expertise;
- the principal has the right to demand an explanation from the agent; and
- the principal has the ability to sanction or reward the agent.

A useful discussion in the literature is the distinction between accountability and responsibility. Hoskin (1996, p.265) argues that accountability is wider “in its operation and scope” and it is ubiquitous. “Accountability ranges more freely over space and time, focusing as much on future potential as on past...Its reach runs both vertically and horizontally...” (Hoskin, 1996, p.265). Responsibility, on the other hand, is more confined and is simply being held to account for specified responsibilities. Parker and Gould (1999, p.117) support the demarcation between accountability and responsibility as expressed by Hoskin (1996), observing that accountability entails the additional element of performance. Parker and Gould (1999) contend that accountability should also entail “activities including setting goals, providing and reporting on results and the visible consequences for getting things right or wrong” (Core, 1993 cited in Parker & Gould, 1999, p.118).

While a definition of accountability has been outlined, it is important to recognise that the context in which accountability operates influences accountability as well. Fuller and Roffey (1993, p.151) highlight that definitions of accountability depend on the context, relationships with parties and mechanisms of accountability. With respect to the influence of context on accountability, it has been argued that with the advent of New Public Management (NPM) in the public sector, accountability has expanded so that efficiency and effectiveness needs to be demonstrated by public entities (Parker & Gould, 1999). NPM is also largely responsible for the increased focus on the customer/client (Fuller & Roffey, 1993; Lewis, O'Flynn & Sullivan, 2014). It can be argued that NPM features in the NFP sector as well, with the service delivery environment becoming increasingly more competitive (Stone & Ostrower, 2007, p.417; Young, 2002). Writing in relation to the NFP sector, Ebrahim (2003, p.200) states, "...accountability is relational in nature and can properly be understood only in the context of a nonprofit's interactions with members of its organisational environment". This includes the various stakeholder groups NFP organisations aim to satisfy such as donors, governments, clients and the community. It is important to understand the context of these relationships and the expectations from stakeholders. There is widespread consensus in the accountability literatures that accountability is context-dependent (for example see: Young, 2002, p.3; Gray & Jenkins, 1993; Sinclair, 1995; Parker, 1996; Ebrahim, 2003; Jayasinghe & Soobaroyen, 2009).

### **Accountability in the NFP board context**

A definition of NFP accountability is provided by Carver (1997, p.2) who argues, "nonprofit boards hold the "ultimate accountability" for organizational action". This single case study in an Australian NFP organisation examines the board to gain more insight into how board members enact their three roles using a lens of accountability. As discussed in the Literature Review chapter, NFP organisations possess many characteristics that are unique and have implications for governance. Some of these characteristics include: operating in a dynamic environment, complex organisational structures, multiple stakeholder groups, altruistic missions and objectives, and receiving profits. The accountability literature highlights the importance of taking into account contextual factors when analysing accountability.

There are many who argue that context is a significant factor to consider when assessing accountability. Ebrahim (2003, p.203) observes, "...accountability is highly contingent on relationships and on mechanisms put in place to ensure it". Young (2002, p.3) also argues that accountability in the NFP sector is contextual. "One needs to specify: "accountable to whom and for what?" Young (2002) explains that in the business and public sectors, answers to these questions are fairly straightforward. In contrast, the complex nature of the NFP sector makes answering these questions more challenging. This is because "Nonprofits are established for a wide spectrum of public-serving or collective purposes, they are financed in a variety of ways, and they involve many different but important stakeholder groups" (Young, 2002, p.4). Fuller and Roffey (1993, p.151) suggest that accountability differs depending on the sector, relationships with other actors and mechanisms of accountability. According to Parker and Gould (1999), how and when the mechanisms of accountability are used is critical. "While accountability systems provide structure and continuity over time, their use in practice is context dependent...different groups at different times perceive accountability and enact it in different ways" (Parker & Gould, 1999, p.128). Context remains as a critical element in accountability in more recent times. Lindberg (2013, p.211) also argues accountability depends on context, calling it "context-specific".

The foregoing discussion underscores the importance of considering context when using an accountability perspective. This Theoretical Framework chapter considers a select group of studies which argue that a framework of accountability is required when examining NFP phenomena. The section below will explain the concept of "broad accountability" and how it applies to the NFP context.

### **The concept of broad accountability**

The NFP governance literature strongly makes the case for applying a "broader accountability" (Shearer, 2002, pp.543, 569; Parker, 1996, p.9; Ebrahim, 2003; Stone & Ostrower, 2007; Fuller & Roffey, 1993; O'Leary, 2017). Broad accountability may be defined as the need to expand the scope of accountability so that it encapsulates phenomena such as the strategic and negotiable aspects of accountability involved in managing multiple stakeholder groups (Gibbon, 2012, p.202; Ospina, Diaz & O'Sullivan, 2002; Morrison & Salipante, 2007). Broad accountability also captures board effectiveness and the contextual nature of accountability in the NFP sector. By

contrast, traditional conceptions of accountability tend to be narrower in focus and favour examining the control aspects of governance or improving board composition including board size and structure. Coule (2015, p.84) categorises the broad and narrow conceptions of accountability as two governance “logics”: pluralist and unitary. Pluralist governance is that which takes into account stakeholders either by involving them in board decision-making or by generating narratives to reassure stakeholders that the philanthropic objectives of the organisation are being achieved. Unitary governance models tend to operate where control is discharged from the broad of the organisation downwards with the effect of creating hierarchical accountability relationships and marginalising stakeholders.

A spate of governance issues with NFP organisations has provided the impetus for the theoretical literature to shift in emphasis from a narrow view of accountability to a broader view (Ospina, Diaz & O’Sullivan, 2002, p.8). Narrow perspectives of accountability are typically concerned with increasing the transparency of boards and the responsibilities of organisational leaders such as board members (Roberts, 2009; Messner, 2002). While calls for increasing accountability in this respect might be justified in some contexts, it can be argued that viewing accountability from a narrow view overlooks other important features of accountability which broad accountability can embrace. For example, context (Ebrahim, 2003), strategic aspects such as managing multiple stakeholders (Morrison & Salipante, 2007; Balser & McClusky, 2005), different accountability relationships (Lewis, O’Flynn & Sullivan, 2014), the community as a stakeholder (Ospina, Diaz & O’Sullivan, 2002), informal as well as formal aspects (Roberts, 1991), social as well as conventional accounting practices (Boland & Schultze, 1996; Roberts, 1991; Collier, 2005), negotiable aspects (trust, judgment and discretion of organisational leaders) (Morrison & Salipante, 2007; Ospina, Diaz & O’Sullivan, 2002), and idiosyncratic accounting practices (Hardy & Ballis, 2013; Joannides, Jaumier & Hoque, 2015).

The shift in the theoretical literature from a narrow to a broad conception of accountability can be argued to parallel the development of governance perspectives from narrow views to a broader notion of governance (Shearer, 2002). In the FP context, governance in a narrow sense is where the board makes a profit for the shareholders of the company (Parker, 1996). However, a broader view of governance

appreciates that the board is accountable to a wider field of actors than just shareholders (i.e. stakeholders). In a similar way to narrow conceptions of accountability, narrow perspectives of governance have been criticised for being too focused on aspects of control and disregarding broader strategic aspects such as satisfying multiple stakeholders. Holland (2002, p.411) highlights the problems with applying a narrow perspective of governance to the NFP sector. He argues that simply tightening legislation and regulation pertaining to NFP boards is likely to have detrimental effects by encouraging board members and staff to focus on compliance rather than thinking at a higher, strategic and creative level.

The shortcomings of a narrow perspective of accountability mirror those of narrow conceptions of governance. Shearer (2002, p.570) argues that accountability needs to be broadened so organisational leaders are accountable to actors other than simply the owners of the company. Lewis, O’Flynn and Sullivan (2014, p.402) explain that the conventional, narrow view of accountability has been changed to encapsulate other components of accountability such that its “meaning and reach” have been expanded. This is particularly so in sectors which are dynamic and subject to change such as the NFP and public sectors (Parker & Gould, 1999). Ebrahim (2003, p.191) argues in a similar fashion, remarking, “an emphasis on external oversight and control misses other dimensions of accountability essential to nonprofit organizations”. Ebrahim (2003) suggests that internal contextual factors such as the leadership styles of the Board Chair, the life cycle of the organisation and the skills sets of the board members can also influence how accountability is enacted in NFP entities. More recently, Coule (2015) supports a framework of broad accountability to investigate governance practices in NFP organisations. The foregoing discussion illustrates why it is important to apply a broad framework of accountability to consider all three roles of the board member in the NFP context.

This study adds to a small, but growing area of research in the NFP sector, which is beginning to gather momentum due to the increasing number of governance issues inherent in the sector. For some recent examples, consider the governance issues in the RSL, issues with governance in the AFL and the Netball Australia Board (ABC 891 Radio Adelaide, 2017). Other examples of allegations of misconduct in NFP entities are present in other countries such as the US where the Red Cross, some



financing institutions and health care providers have been scrutinised for governance anomalies (Morrison & Salipante, 2007, p.196). These examples have encouraged an increasing emphasis on accountability of NFP leaders including the board and senior managers. A key reason for the increasing scrutiny is because confidence has been undermined in some NFPs. Many scholars explain how important it is for NFP entities to have trust from the community (see: Farwell, Shier & Handy, 2018; Balser & McClusky, 2005; Ebrahim, 2003; Holland, 2002). If trust in an NFP organisation is eroded, it tends to have a negative impact on the involvement of the community in NFP initiatives, events or fundraising activities (Hyndman & McDonnell, 2009, p.28).

Broad accountability is defined as accountability that flows upwards and downwards, as well as horizontally. Horizontal accountability is also known as “sideways” accountability (Ospina, Diaz & O’Sullivan, 2002, p.23). Upwards accountability occurs when an entity is accountable to a higher authority. In the case of the board in this study, it is accountable to the peak body of the religious institution and its associated advocacy and lobby group. An example of downward accountability is where an NFP organisation is accountable to its beneficiaries (O’Leary, 2017, pp.22-23). In the present study, beneficiaries include the consumers, their families and the community. In Collier’s (2005, p.948) study of a social housing agency transitioning into a complex business, downward accountability to the primary beneficiaries occurred but “the tenant, and to some extent the tax-paying public” was largely neglected. While upward and downward directions of accountability are well established in the theoretical literature, Lewis, O’Flynn and Sullivan (2014, p.402) highlight that more modern forms of governing like NPM, have introduced horizontal accountability relationships (Rhodes, 1997; Considine, 2002).

It has been argued that horizontal accountability relationships feature in the NFP context (Stone & Ostrower, 2007, p.417). For example, horizontal accountability features in the organisation’s ability to fulfil its mission (Ebrahim, 2003). This means that the board is responsible for ensuring the organisation does what it was designed to do. If the organisation’s mission is fulfilled, it often satisfies stakeholder groups who either partake in its activities or become involved through affiliated organisations that share a common mission. The example of horizontal accountability provided by Ospina, Diaz and O’Sullivan (2002, p.23) supports this idea, explaining sideways

accountability features in alliances or partnerships that an NFP organisation may have with another similar organisation(s).

Broad accountability expands notions of the context of accountability to include the informal ways of discharging accountability as well as the formal means (Ebrahim, 2003). Roberts (1991, 2003) highlights the importance of understanding formal and informal accountability. He explains that accountability is not only achieved in a formal sense such as reporting to stakeholders, but it also achieved in a less formal manner, such as through interactions with others. Stone and Ostrower (2007, pp.418-419) agree, arguing that governance has both constraining and enabling factors, including both formal and informal elements. Jayasinghe and Soobaroyen's (2009) dual case study of a Hindu and Buddhist temple in Mauritius and Sri Lanka revealed that informal accountability practices often featured when investigating accountability systems in both cases. According to Jayasinghe and Soobaroyen (2009, p.997), "...the accountability system in the religious organisations is largely visible as an informal and social practice rather than a stakeholder-oriented rational mechanism". Behaviours such as "trust, aspirations, patronage and loyalty relations, social status, power and rivalries" inform the religious practices and discharge of accountability (Jayasinghe & Soobaroyen, 2009, p.1021).

Informal accountability was also found to feature prominently in a large hybrid organisation studied by Hardy and Ballis (2013, p.539). Furthermore, Shenkin and Coulson's (2007, p.297) conceptual article has encouraged investigation of the informal aspects of accountability applying "Bourdieu's critical ethnography" (2007, p.311). Such an approach considers the "informal, non-institutional and non-administered forms of practice" and emphasises the need to focus on the community and how it impacts on accountability (2007, pp.299, 311). The need to look beyond formal accountability – where an organisation acts according to prescribed rules, and to consider informal means of accountability, is particularly relevant to this NFP study.

The benefit of a broad accountability framework is that it takes into account traditional views of formal accountability such as financial reporting, "internal controls, and regulatory compliance" (Ospina, Diaz & O'Sullivan, 2002, p.8) as well as the informal aspects including how an organisation is perceived by various

stakeholder groups in achieving its mission, vision and values. Morrison and Salipante (2007) also advocate the use of a broad accountability in the NFP context as it engenders a more sophisticated view of strategy. This is potentially relevant to the strategic role of board members. By examining “formal and emergent strategy”, as well as its “negotiable, not just its rule-based aspects” (Morrison & Salipante, 2007, p.196), broad accountability is well-suited to a board member operating in the NFP sector. Negotiable aspects of accountability are articulated by Kearns (1994) who explains that this form of accountability can exist in more subtle, but equally as powerful ways compared to rule-based accountability. Conventions or norms are examples of negotiable accountability that tend to feature in the operations of NFP organisations in addition to prescribed rules. Prescribed rules are often referred to as either rule-based or compliance based accountability (Morrison & Salipante, 2007, p.199; Kearns, 1994, p.188). Conventions or norms are modes of conduct that are not prescribed but are enacted by board members to achieve legitimacy. For example, an NFP board might communicate with stakeholder group A differently to stakeholder group B depending on their relationship, degree of dependence and other political factors (Ospina, Diaz & O’Sullivan, 2002).

Considering accountability from a broader perspective also means that the impact of multiple stakeholders on accountability can be assessed. Young (2002) notes the preoccupation of the literature with satisfying external stakeholder groups. Instead, Young (2002, pp.14, 18) argues that if NFP organisations increase their emphasis on internal accountability, i.e. “addressing...[the] ability to be accountable to themselves”, by understanding staff and client perceptions of mission, broader accountability is achieved.

Building on a small body of religious accountability research, Hardy and Ballis (2013) investigated how Sanitarium Health Food Company was accountable through informal account giving and how the accounts were perceived by its stakeholders. Hardy and Ballis (2013) found that Sanitarium had idiosyncratic ways of informal account giving and more research into this practice should be conducted in similar organisations (2013, p.559). A broad accountability approach has spawned other suggestions for dealing with a large set of stakeholder groups. Fuller and Roffey (1993, p.159) argue that having “iterative auditing processes as well as multiple

qualitative and quantitative measurement criteria” assists when an organisation has a large pool of stakeholders. In addition, Balser and McClusky (2005) note that the key challenge for organisations is the interpretation of stakeholders’ expectations, the application of discretion, the means of identifying expectations and aligning them with the organisation’s mission and values (Balser & McClusky, 2005, pp.295-296).

There are accountability studies that suggest the community is a principal stakeholder and such arguments often use concepts of broad accountability. Parker (2014) argues a broader perspective of accountability, which takes into account social action as well as financial and economic factors is necessary to view certain phenomena. In his historical study, Parker (2014) viewed the actions of the four leading British industrialists in the 19<sup>th</sup> and 20<sup>th</sup> centuries. He discovered that often the behaviours of the British industrial leaders comprised of social action which benefited the community in some way. Parker calls this practice “accountability through action” (Parker, 2014, p.632). The focus on community is a form of accountability which emerged in the 19<sup>th</sup> and 20<sup>th</sup> centuries and goes beyond traditional notions of economic or financial reporting, embracing moral responsibility (Parker, 2014, p.635; Roberts, 1992). Some contemporary examples of organisations that provide benefits to the community are museums and performing arts organisations (Rentschler & Potter, 1996). Carnegie and West (2005, p.910) discuss how services such as those provided by public museums benefit “...the community in accordance with the representations of their mission/objective statements”.

A broad perspective of accountability enables business leaders and researchers to consider both the social aspects of accountability and the traditional accounting aspects. Gibbon (2012, p.201) encourages researchers who are investigating the NFP sector to apply a broader theory of accountability which encapsulates the non-calculative aspects of accountability in addition to the “dominan[t]...calculative forms of accountability from the ‘business case’ perspective”. The notion of accountability through action argues that it is possible for business objectives and social objectives to be pursued simultaneously (Parker, 2014, p.639). Other scholars support this view, arguing the way to fulfil both the social mission of the organisation and to remain viable is achieved by adopting a broad view of accountability. For example, Carnegie and Tuck (2010, p.432) assert that universities need to engage in “broad scope

governance” to prevent a “narrow” focus on quantitative aspects and to allow the institutions to achieve their broader social agenda. Similarly, Rentschler and Potter (1996, p.101) explain that performing arts organisations and museums need “a broadened scope of accountability” to ensure they achieve their mission to community as well as being sustainable in the long-term.

A recent NFP multiple case study has shown that if pluralist perspectives of governance are followed, the organisation can achieve its strategic goals while also satisfying its stakeholder groups. Coule (2015) argues that two of the four NFPs she studied displayed a pluralist perspective of governance rather than a unitary form of governance. As a result, stakeholders of the NFP two organisations were involved or considered to a large extent in the board’s decision making. According to Coule (2015), one organisation involved its stakeholders by having them participate in decision-making at the board level. This was either through the election of trustees or co-option models where representatives from statutory bodies were involved. The other NFP entity focused on generating narratives that reassure its stakeholders that it was fulfilling its charitable mission. The present single case study will consider whether a pluralist governance perspective exists and how it is enacted.

Two groups of scholars who examine accountability in the NFP context argue that another benefit of the broad accountability framework is its ability to consider the rule-based and negotiable components of accountability (Ospina, Diaz & O’Sullivan, 2002; Morrison & Salipante, 2007). Rule-based accountability is accountability with respect to “finances, internal controls, and regulatory compliance” (Morrison & Salipante, 2007, p.197). Accountability in this sense is often measurable in a clearly defined way and the measures are normally easier to understand compared to the negotiable aspects of accountability (Morrison & Salipante, 2007, p.198).

Negotiable accountability, on the other hand, is mainly concerned with responsiveness to stakeholders, involves the exercise of judgment and discretion by leaders such as board members (Morrison & Salipante, 2007, p.197). Negotiable aspects of accountability are often not so commonly accounted for due to the challenges in measuring performance. “These involve more or less implicit and subjective standards of assessment” (Morrison & Salipante, 2007, p.197). It could be said that rule-based accountability is more focused on the quantitative aspects of

governance whereas the negotiable aspects of accountability are concerned with the qualitative perspectives. The shift from a narrow to a broad conception of accountability is largely attributable to the lack of well-defined, universal standards of regulation “or market forces (to create measurable goals for the [NFP] organization (Bowen, 1994)” cited in Ospina, Diaz and O’Sullivan (2002, p.8) (see also Parker & Gould 1999).

The negotiable aspects of accountability that broad accountability perspectives capture include considering the significance of trust in accountability relationships. To maintain legitimacy in the eyes of their stakeholders, many NFP organisations like to foster a relationship of trust. Stakeholders tend to be both internal and external to the organisation. In the NFP organisation that is the subject of the present investigation, internal stakeholders include staff and external stakeholders are consumers, the government and community. Ospina, Diaz and O’Sullivan (2002, p.9) characterise internal and external stakeholders as professional and political respectively.

According to Sasso (2003), trust is a crucial element in NFP accountability as it gives stakeholders of the organisation confidence that the mission of the entity is being fulfilled. Trust is equally critical for internal stakeholders as it facilitates effective and productive partnerships between the board and its senior managers and staff. Sasso (2003) comments,

Developing and sustaining trust between the director and professional staff is one of the most difficult challenges confronting a not-for-profit, yet this trust is essential to formulating and enforcing a standard of accountability that promotes the entity’s ongoing relevancy (Sasso, 2003, p.1488).

Trust may be an important aspect of accountability in this NFP case study.

While the case for trust between professional or internal stakeholders has been outlined, there is also a case for trust between the board and its political or external stakeholders. According to Ospina, Diaz and O’Sullivan (2002) this is especially the case with the community, given taxpayers’ money is often used to fund NFP activities (Ospina, Diaz & O’Sullivan, 2002, p.27). In their dual case study of a Hindu temple in Mauritius and a Buddhist temple in Sri Lanka, Jayasinghe and Soobaroyen, (2009)

found that trust was integral to how both faith-based institutions operated. Trust was argued to be an informal social practice exercised through religious rituals. These studies suggest trust is likely to play a role in accountability of the board to its external stakeholders in its political relationships and its internal stakeholders in its professional relationships. Broad accountability enables researchers to not only appreciate the role of trust with different stakeholders but also to understand it in different settings. Qualitative rather than quantitative, socializing rather than individualizing (Jayasinghe & Soobaroyen, 2009, p.1016), this broader appreciation of accountability enables researchers to understand how accountability is practiced in less conventional ways.

A broad framework of accountability enables researchers to find that accountability is sometimes achieved in unorthodox ways. In a qualitative NFP study conducted in the Salvation Army, Joannides (2012) “finds that individuals develop counter-abilities and counter-practices in resistance to the unattainable, impossible, demands of an ideal accountability” (McKernan & McPhail, 2012, p.181). In Joannides’ (2012) case study, he found that individuals developed practical alternatives to being accountable to God. What this suggests is that individuals in some NFP contexts are able to develop coping mechanisms if a significant or unrealistic accountability is expected from them. Roberts’ (2009) “intelligent accountability” which consists of “individualizing” and “socializing” accountability also permits the adaptation of accounting practices so that accountability is discharged.

“Individualizing accountability” takes place often in formal situations such as the workplace where there are established positions of influence and power, of varying degrees, depending on one’s place in the hierarchy. The effect of such a situation is that individuals often feel compelled to constantly compare themselves with others. Accounting information or performance measures such as KPIs are the ways in which an individual often compares themselves to others in this setting (Roberts, 1991, p.363). Individualizing accountability is linked with hierarchical accountability, as the hierarchy imposes discipline on those who are subordinate to a higher authority (Roberts, 1991, p.360). Remaining in the hierarchy is contingent on an individual’s utility (Roberts, 1991, p.359).

“Socializing accountability” on the other hand, is usually exercised informally and in a more egalitarian fashion compared to individualizing accountability. Socializing accountability takes place when individuals share their experiences and seek to obtain meaning from them. For example, discussions in the tea room between colleagues. As individuals discuss issues in this setting, the accountability is often subjective in nature. In addition, practices which are not prescribed and where people act according to convention are examples of socializing accountability (Roberts, 1991, p.362). It can be argued that the concept of broad accountability enables researchers to appreciate different practices of accountability that deviate from the conventional methods of accountability.

The above discussion strongly suggests that a theory of broad accountability is required to sufficiently and comprehensively address the accountability issues which boards encounter in the NFP sector. While there are many concepts of accountability, broad accountability is arguably one of the most holistic perspectives available. This is because of its ability to capture the stakeholder and performance dimensions which influence accountability. More specifically, these dimensions include: the multiple layers of accountability inherent in relationships with internal and external stakeholders, the impact of law, governance and public policy on the organisation, the influence of informal practices of accountability, and how the organisation performs in satisfying its mission and objectives (Hyndman & McDonnell, 2009, p.9). Gibbon (2012, p.201) supports this perspective, arguing that “a broader and more complex view of accountability” is needed to understand an NFP organisation.

Adopting a broad accountability perspective requires closer attention to the literature with respect to broad accountability in the NFP sector. Two groups of scholars stand out in this regard: Ospina, Diaz and O’Sullivan (2002) and Morrison and Salipante (2007). Both groups of scholars discuss the importance of applying broad accountability in the NFP context. They also explore some of the strategic approaches to addressing accountability issues unique to the NFP sector. Both highlight the importance of conducting future research into broad accountability in the NFP sector. The following discussion outlines the key concepts articulated by Ospina, Diaz and O’Sullivan (2002) and Morrison and Salipante (2007) and the areas for future research which they have identified.



### **Broad accountability: key findings from selected NFP studies**

Ospina, Diaz and O’Sullivan (2002) and Morrison and Salipante (2007) argue that accountability perspectives need broadening so that assessments can be made as to whether NFP organisations are achieving their missions and being responsive to their stakeholder groups (Valentinov, 2011, p.33). While united in their view of utilising a theory of broad accountability to study NFP organisations, Ospina, Diaz and O’Sullivan (2002) and Morrison and Salipante (2007) each bring unique and additional dimensions to broad accountability. Apart from a difference in research methods – Ospina, Diaz and O’Sullivan (2002) focused on senior managers whereas Morrison and Salipante (2007) examined the Board Chair and CEO, the two groups of scholars offer different contributions to broad accountability. It could be argued that these two groups of scholars provide theorising at levels three and four - concepts theorising and theorising settings, as espoused by Llewellyn (2003). This section will primarily focus on Ospina, Diaz and O’Sullivan (2002) and Morrison and Salipante’s (2007) accountability studies in the NFP sector. There will also be discussions of accountability from similar studies in the NFP sector.

Ospina, Diaz and O’Sullivan (2002) find that the community was a primary stakeholder in their study of four Latino identity-based NFPs in New York City. Broad accountability is argued to be one of the most appropriate lenses through which to understand an NFP organisation’s accountability relationship with its community. The community has an interest that NFP governance is sound and reputable (Parker, 1996). This is because many people from the community are taxpayers and government funding is often the main source of revenue for NFP organisations. In circumstances where an organisation is accountable to the community, it is often referred to as “social accountability” (Gray, 2000, cited in Shearer, 2002, p.543). Fuller and Roffey (1993, p.151) cite Waterford (1991) who argues that accountability definitions should be broadened to include the public. Similarly, Shearer (2002, p.543) argues that moral responsibility underpins accountability to the community. Accountability in this sense means providing account for one’s actions to not only oneself but for “...a wider scope of good than their own” (Shearer, 2002, p.546). In the present study, this would mean the board being accountable to itself and also to the community. Balsler and McClusky (2005, p.297) note that Ospina, Diaz and

O’Sullivan’s (2002) study “found that nonprofits viewed maintaining community relationships as essential for being perceived as accountable and legitimate by stakeholders...”

One mechanism through which community relationships are maintained by NFP organisations is by engaging in “two-way communication between community members and the organization...” (Balser & McClusky, 2005, p.297). This communication could be achieved by the organisation inviting the public to partake in information sessions, consultation or fundraising events. According to Ospina, Diaz and O’Sullivan (2002, pp.18, 28) other examples include: “regional conferences...[an] annual survey of its members...newsletter[s], data sheets, and reports, research and feedback through topical forums...[and] focus groups”. Young (2002) agrees that NFP organisations need to treat the public as a paramount stakeholder because NFP organisations require their trust to survive. “The generic challenge of nonprofit accountability” is to balance their mission and other objectives successfully so as to maintain public trust (Young, 2002, p.18). The question for the current study is whether the community is also deemed a central stakeholder in the religious NFP organisation.

“Strategic accountability” or the closely related concept of negotiable accountability (Ospina, Diaz & O’Sullivan, 2002, pp.8-10, 29) explains how managers in the NFP organisations satisfied their multiple stakeholders including the community. The scholars found differences between how the organisation defined their mission and how they presented or negotiated it with stakeholder groups. Ospina, Diaz and O’Sullivan (2002) found two definitions of mission – one that is geared toward satisfying the community and funders, the other which is focused exclusively on mission. Ospina, Diaz and O’Sullivan (2002) conclude that two of the four organisations studied negotiated their accountability with the community and funders. These two organisations displayed a more strategic and direct broad accountability approach to managing and maintaining their stakeholder relationships compared to the other two organisations which were focused solely on mission (Ospina, Diaz & O’Sullivan, 2002, p.22). Ospina, Diaz and O’Sullivan (2002) characterised the two organisations which focused only on their mission as representing an indirect broad accountability (Ospina, Diaz & O’Sullivan, 2002, p.22). In both types of organisation,

the scholars found that strategy underpins how negotiated accountability functions were discharged.

We find that managers develop strategic approaches to address the competing pulls exerted in the accountability environment and that the relationship with the community is indeed at the core of managers' strategy to achieve negotiated accountability (Ospina, Diaz & O'Sullivan, 2002, p.6).

Negotiated accountability is defined as NFP leaders' ability to be both accountable and responsive to their stakeholders (Ospina, Diaz & O'Sullivan, 2002, p.9).

Morrison and Salipante (2007) also discuss strategy with respect to broad accountability, but their strategic focus differs to Ospina, Diaz and O'Sullivan (2002). Rather than investigating how NFP entities communicate their achievement of mission to stakeholders, Morrison and Salipante (2007) focus on the forms of strategising that take place in an NFP organisation. In their participant observer study of the Chair and CEO of an NFP organisation, Morrison and Salipante (2007) use an example that illustrates broadened accountability. When discussing NFP board succession, the Chair and CEO engage in formal and emergent strategising. Morrison and Salipante (2007) assert that the formal aspect of strategy is the rule-based aspect of accountability, whereas the emergent strategising aspect is the negotiable aspect. In the scenario examined by Morrison and Salipante (2007), it is suggested that formal strategising is a form of "window dressing" designed to keep external stakeholders satisfied while the Chair and CEO navigate the less certain informal, emergent strategising territory (Morrison & Salipante, 2007, p.212; Parker, 2007a, p.1459). Morrison and Salipante (2007, pp.196, 208) call this process "blended strategising" which satisfies both negotiable and rule-based aspects of accountability in the organisation's pursuit of legitimacy.

The challenges in measuring NFP board effectiveness have been touched on by Ospina, Diaz and O'Sullivan (2002) and Morrison and Salipante (2007). Board effectiveness is how well a board performs including to what extent it is accountable to itself and others for its actions and decisions. Scholars such as Roberts, McNulty and Stiles (2005) have board effectiveness as a key consideration of their study of 40 company directors. Board effectiveness is highlighted as an area where research into accountability is required (Roberts, McNulty & Stiles, 2005). Effective accountability

is tied to board performance, which “is crucial to the health of every nonprofit organization” (Holland, 2002, p.409). Holland (2002, p.412) argues that while the board expects accountability from its executive (senior managers), it usually neglects attention to its own accountability to stakeholder groups and to the organisation.

While there is little dispute about the importance of board effectiveness to accountability, there are challenges in measuring board effectiveness (Herman, Renz & Heimovics, 1997, p.374; Stone & Ostrower, 2007, p.421). This is especially the case in the NFP sector where there are often aspects that are difficult to measure. For example, the degree of trust or confidence the community has in an NFP organisation. This could be argued to be the goodwill of an NFP organisation, which is often challenging to measure in numerical terms because it is usually classified as an intangible asset. Carnegie and Wolnizer (1995) discuss similar measurement problems with the assets and goodwill of public museums, which are often NFP organisations. Boland and Schultze (1996) and Lyotard (1979) (cited in McKernan & McPhail, 2012, p.177) identify two components inherent in accountability: a calculative and a narrative component. Such a perspective is cognisant of the fact that accountability has both objective and subjective elements. Kamuf (2007, p.253) supports this argument, encouraging us to “stop calculating and listen at another rhythm for...an incalculability and unforeseeability...” It could be said that this practice from broad accountability is well suited to the field of accounting, where qualitative as well as quantitative elements should be considered.

The difficulties in measuring board effectiveness are largely due to the lack of measures of performance devised or applied in the sector. Moreover, making assessments about board effectiveness is often based on subjective assessments – “although some studies use financial indicators, such as fundraising success or budget deficits” (Stone & Ostrower, 2007, p.433). Organisational effectiveness is often seen to be the extent to which an NFP organisation achieves its mission and values. With respect to board member effectiveness, Roberts, McNulty and Stiles (2005) argue that board effectiveness is achieved by the degree to which directors work individually and collectively, and engage in behaviours such as questioning, challenging, and exploring. By doing these things, board members generate accountability with respect to strategy and performance. This NFP study intends to investigate board behaviours

in the NFP context. As discussed in the Literature Review chapter and the Methodology chapter, this will be done through multi-level analysis – at both the board level and the individual director level.

### **Limitations of broad accountability**

At this point, it is important to acknowledge the limitations of a framework of broad accountability. While there is no doubt that NFP and FP governance issues have sparked an interest in increasing accountability, Stiles and Taylor (2001) note that simply increasing accountability might not be an adequate solution. In fact, some scholars take this argument further, contending that too much accountability can be detrimental and in some cases, can encourage delinquent behaviour. They argue that invoking more accountability is impractical. Messner (2009) draws upon the work of Butler (2005) and argues that despite calls for increasing accountability, accountability is to some extent limited in what it can achieve due to the ethical issues inherent in demanding a comprehensive account. Joannides (2012, p.247) agrees, contending that “accountability holds an unresolved contradiction: the morality of decisions implied by individual conduct is undermined, rather than supported, by the giving of an account”. For example, when accountants use accounting tools to provide reports in accordance with Accounting Standards, they are usually not able to provide a moral account, yet accountability also expects this (Joannides, 2012, p.247).

Roberts (2009, p.957) draws upon Butler’s (2005) work and argues that there is a need for an “intelligent” accountability “grounded in an ethic of humility and generosity” which recognises that there are limitations to giving an account. Such limitations are not only ethical. Sinclair (1995) outlines the challenge of defining and practising accountability due to the subjective and contextual nature of the concept. It is not surprising therefore the emphasis in the NFP literatures on explaining the internal and external factors as background to the accountability being studied.

In response to the above criticisms of accountability, it is important to consider that broad accountability does not invoke more accountability on actors. It means applying a broader perspective of accountability such that it is holistic in nature, taking into account multiple layers of accountability. Moreover, broad accountability is not a critical approach. Broad accountability has been devised to address the shortcomings

of narrow conceptions of accountability and governance. Therefore, by applying a framework of broad accountability, this study takes many of the positive aspects from the critical perspectives of accountability into account (Messner, 2002; Roberts, 2009; Sinclair, 1995). This means acknowledging that the practice of accountability is comprised of more than simply narrow conceptions that focus on responsibility and transparency. Board accountability captures the formal and informal aspects of accountability, upwards, downwards and sideways accountability, internal and external contextual factors, trust and negotiable accountability, individualizing and socializing accountability. However, a limitation of this study is the broad accountability framework adopted which will be described in more detail in the following section. This is because it covers 11 select broad accountability concepts and does not analyse all broad accountability concepts due to constraints in time and resources.

#### **Broad accountability: synthesising concepts and the research agenda**

As discussed above, broad accountability is a framework that has been applied in the NFP context. While it has strengths and some limitations, it is appropriate for the current study. As this single case study is investigating board roles in the NFP context, it can be argued that applying the broad accountability framework takes into account not only the internal and external stakeholder and performance perspectives of accountability, but also the types of board roles and how they are enacted (Hyndman & McDonnell, 2009). Therefore, the broad accountability framework is equipped to consider both the unique characteristics of the NFP sector as well as board member roles.

The synthesised accountability framework is outlined in Table 4.1 on the pages that follow. It is evident from the table that there are 11 key broad accountability concepts employed in this study. The concepts have been drawn from the literature about accountability in the NFP sector. The summary focus of each concept is described in the far right column and covers a broad range of accountability aspects including stakeholders, direction of accountability relationships and types of accountability.

**Table 4.1 Broad accountability framework for this study**

<b>Broad accountability concepts employed</b>	<b>Source reference</b>	<b>Summary focus</b>
Multiple stakeholders (external and internal)	Balsler & McClusky (2005); Fuller & Roffey (1993); Hardy & Ballis (2013); Hyndman & McDonnell, (2009); Morrison & Salipante (2007); Ospina, Diaz & O’Sullivan (2002); Roberts (1991, 2003); Young (2002)	This concept considers the external and internal stakeholder groups that NFP organisations often have including: government, donors, beneficiaries (consumers), staff and volunteers.
The community as a priority stakeholder	Hyndman & McDonnell (2009); Ospina, Diaz & O’Sullivan (2002); Parker (2014); Rentschler & Potter, (1996); Shenkin & Coulson (2007)	A particular stakeholder that is often focused on in the broad accountability literature is the community.
Upwards, downwards, horizontal	Ebrahim (2003); Hoskin (1996); Lewis, O’Flynn & Sullivan (2014); Ospina, Diaz & O’Sullivan (2002); Stone & Ostrower (2007)	The direction in which accountability relationships flow can be described using the terminology upwards, downwards or horizontal.

**Table 4.1 Broad accountability framework for this study continued...**

<b>Broad accountability concepts employed</b>	<b>Source reference</b>	<b>Summary focus</b>
Formal and informal	Ebrahim (2003); Hardy & Ballis (2013); Jayasinghe & Soobaroyen (2009); Parker (2007a, 2007b, 2008) Roberts (1991, 2003); Shenkin & Coulson (2007); Stone & Ostrower (2007)	Formal accountability is exercised through the tabling of documents, reports and discussions that occur in the board and committee meetings. Informal accountability encapsulates either verbal reports given at the board or discussions and dialogue, which takes place outside the boardroom including pre and post meeting discussions, telephone calls, emails, text messages and coffee meetings.
Individualizing and socializing accountability	Roberts (1991)	Individualizing accountability is where individuals continually compare themselves to others in a hierarchical environment. Remaining in the hierarchy is often contingent on the individual's utility. Success in this setting is often measured using objective standards such as accounting information or performance measures like KPIs. By contrast, socializing accountability is where individuals confirm their views through interactions with others. Such interactions are often exercised in informal settings. Alternatively, individuals may engage in socializing accountability practices in ways that are not formally prescribed such as following convention.



**Table 4.1 Broad accountability framework for this study continued...**

<b>Broad accountability concepts employed</b>	<b>Source reference</b>	<b>Summary focus</b>
Narrative and calculative accountability	Boland & Schultze (1996); Bruner (1986; 1990)	Accountability usually comprises both narration and calculation aspects. Bruner (1986, 1990) argues that there are two modes of human cognition: paradigmatic and narrative modes. Boland and Schultze (1996) assert that these two modes of human cognition create the conditions for hierarchical and socializing accountability (Roberts, 1991). Narration is usually expressed in the written word whereas calculation is generally expressed in numerical terms. Further, the narrative and calculative aspects of accountability take place in both formal and informal settings.
Negotiable and rule-based accountability	Morrison & Salipante (2007)	When organisational leaders balance and address the competing demands of multiple stakeholders, negotiable accountability occurs. Negotiable accountability is also about the communication techniques NFP boards use to reassure their stakeholders that the organisation is achieving its mission and values. Rule-based accountability is prescribed in legislation or regulations and carried out according to those rules.

**Table 4.1 Broad accountability framework for this study continued...**

<b>Broad accountability concepts employed</b>	<b>Source reference</b>	<b>Summary focus</b>
Trust (linked to negotiable accountability)	Jayasinghe & Soobaroyen (2009); Holland (2002); Ospina, Diaz & O’Sullivan (2002); Sasso (2003)	Fostering the trust of internal and external stakeholders is a key part of negotiable accountability. There are two types of relationships with stakeholders in this regard: professional (internal stakeholders) and political (external stakeholders).
Strategic accountability	Ospina, Diaz & O’Sullivan (2002)	Where NFP leaders navigate organisational politics, keeping stakeholder groups satisfied while also achieving strategic goals.
Blended strategising - formal and emergent strategising (to achieve negotiable accountability)	Morrison & Salipante (2007)	Where organisational leaders engage in conventional and non-conventional ways of strategising. For example, they strategise formally through a strategic plan and informally through spontaneous strategic ideas.

**Table 4.1 Broad accountability framework for this study continued...**

<b>Broad accountability concepts employed</b>	<b>Source reference</b>	<b>Summary focus</b>
Measuring effectiveness of board accountability (individual and collective levels)	Bezemer, Nicholson & Pugliese (2014); Balser & McClusky (2005); Carnegie & West (2005); Ebrahim (2003); Holland (2002); Hyndman & McDonnell (2009); Ospina, Diaz & O’Sullivan (2002); Parker (2014); Rentschler & Potter (1996); Roberts, McNulty & Stiles (2005); Valentinov, (2011); Young (2002)	This concept requires considering to what extent does the NFP organisation achieve its mission and values. It also involves an assessment of board performance at a multi-level perspective, considering both the individual board member level and the collective board level.

Ospina, Diaz and O’Sullivan (2002) and Morrison and Salipante (2007) outline an agenda for future research. Ospina, Diaz and O’Sullivan (2002) explain that horizontal (sideways) pulls of accountability deserve further attention. In addition, the performance aspects of accountability including to what extent does an NFP organisation achieve its mission and objectives is highlighted as an area for more research. Finally, Ospina, Diaz and O’Sullivan (2002) pose the question whether broad accountability is the key to resolving situations where public trust is diminished. This is because broad accountability encourages communication with all stakeholders, including the community. This should increase transparency and public scrutiny of the NFP organisation’s performance (Ospina, Diaz & O’Sullivan, 2002, p.27). Morrison and Salipante (2007, p.214) ask researchers to consider whether their

concept of blended strategising occurs in other NFP settings. Applying the broad accountability framework from Table 4.1, these areas for future research can be addressed. This is because the objectives of the framework, among other things, are to examine horizontal accountability relationships, consider performance through the concept of measuring effectiveness of board accountability, and to assess the role of trust as a specific type of accountability. Therefore, the current study aims to contribute to some of the areas for future research identified by Ospina, Diaz and O'Sullivan (2002) and Morrison and Salipante (2007). It also aims to uncover other aspects of broad accountability that are new to the literature.

### **Conclusion**

Broad accountability is suitable for this NFP board study for a number of reasons. Principally, accountability is the essence of the board member role. Accountability is about the board member making the organisation accountable and the board member being held to account. While it is well established that accountability is suited to the topic of corporate governance and boards, it is also appropriate for NFP context. The literature suggests that the concept of accountability that is most appropriate to apply is broad accountability. This is because of its ability to capture the layers of accountability inherent in NFP organisations as well as its multiple stakeholders and unique context. The challenges inherent in measuring performance can also be tackled using broad accountability.

This study has applied a broad accountability framework in an effort to understand board roles and how they are enacted in an NFP setting. There have been calls for using a framework of broad accountability since the mid-1990s (Parker, 1996). There are examples of scholars applying broad accountability to their studies and the argument in favour of such a theoretical approach continues today. O' Leary (2016, p.1) has called for "broader" accountability perspectives when examining NGOs and their beneficiaries. Similarly, Coule (2015), Ospina, Diaz and O'Sullivan (2002) and Morrison and Salipante (2007) mount strong arguments for broad accountability to apply in the NFP sector. Therefore, there is little doubt that broad accountability has utility in this study, having been discussed and used by accounting scholars for almost three decades.

## **CHAPTER 5: ORGANISATIONAL CONTEXT AND PROFILE**

### **Introduction**

This chapter will provide the background to the sector in which the NFP organisation of this study operates. This includes a brief overview of some of the key challenges and characteristics of the NFP sector in Australia which have implications for governance in the sector. The chapter will then explain the organisation that has been studied. The areas in which the organisation delivers services will be described as well as its mission, vision and values. The structure of the organisation, its composition, stakeholder groups, and consumer profile are also outlined. The chapter then turns to consider some of the partnerships that the organisation has with other entities that have a similar mission. The chapter closes by highlighting some areas that received considerable attention from the board of the organisation at the time the researcher was present.

### **The NFP sector in Australia: the challenges**

An NFP organisation can be defined as an entity that does not distribute a profit or create a “personal gain or other benefit of...its members, their friends or relatives” (ACNC, 2014; Our Community, 2018). If NFPs do make profits, they are usually restricted in the way they can treat the profit. For example, surplus revenues are kept as retained earnings or reinvested in the organisation in a way that is congruent with their purpose (Our Community, 2018). NFP organisations operate in many key areas of social progress such as “health, education, and social services (welfare)” (Young, 2013, p.9). Other common areas of operation include research, culture and recreation (QUT Business School, 2014). Some NFPs also have a religious component and accounted for 29% of Australian NFP organisations in 2014 (ACNC, 2014; QUT Business School, 2014, p.2). Some examples of Australian NFP entities include The Fred Hollows Foundation, Lifeline, Orange Sky Laundry and the AICD. International NFP entities include Save the Children, Action Against Hunger and the Sea Shepherd Conservation Society.

Political uncertainty is a common issue confronting many NFP organisations. Much of this stems from the fact that a large proportion of NFP organisations are reliant on

government support and funding. A recent study by the AICD (AICD, 2016, p.35) reveals that Federal and State Government funding accounts for 40% of income for NFPs. Changes in government policy and the areas where funding and resources will be provided creates “economic uncertainty and lack of confidence” (Stuart, 2016, p.50). In the current political climate, many NFPs in the aged care and disability sectors are keenly watching government policy to ensure they understand all regulatory requirements and funding implications. According to the AICD, improvements can be made in the area of government grants. In particular, funding for administrative expenses allocated to NFPs is often “unrealistically low” and reporting duties imposed on NFP organisations are often onerous (AICD, 2016, pp.29-30). For example, NFP organisations are often required to return unspent funds, have to adhere to strict requirements such as regular accreditation processes and random audits, and operate under contracts that are short-term in nature (Australian Productivity Commission, 2010). Additionally, the AICD suggests that NFP organisations need to better assess the cost of service provision from the outset and as last resort, be prepared to terminate “contracts that will place the organisation at financial risk” (AICD, 2016, p.30).

Two additional challenges facing NFP organisations are new funding models and regulatory change. For example, the change from block funding to fee for service models is having ramifications for NFPs in terms of the funds available, their consumer profile and competition with other providers. “NFPs must now compete with for-profit providers for government services and there has been a shift in government procurement of services towards commissioning for outcomes” (Stuart, 2016, p.51). According to the AICD (2016, p.4), changes in the way in which NFP organisations are regulated can encourage board members to focus on more short-term or operational issues to the detriment of higher-level strategic matters. At the same time, there are new funding models that call for NFP directors to consider and explore alternative sources of funding so they can remain financially and operationally sustainable. In some cases, however, this is difficult due to a conventional view in many NFP entities that profits and financial performance are secondary considerations.

Technological change is another factor that is placing pressure on NFP organisations. With the advent of technological platforms such as Facebook and Twitter, where consumers can report and rate their experiences with organisations, there is increasing scrutiny of the quality of services NFPs provide. It also promotes more competition, making NFPs fair game in the online environment. Furthermore, the Internet has enabled the rise of “vanity charities” – charities that have been established by lay people who wish to pursue a particular cause (Wynne, 2018a). It can be argued that vanity charities create unhelpful distractions for established NFPs, as donors might be attracted to a vanity charity rather than giving money to a reputable NFP organisation. Crowdfunding is a technique of fundraising often established on the Internet and used by people to raise money for their causes (Wynne, 2018a). Very recently, some crowdfunding websites have been revealed to be fraudulent (Wynne, 2018b). This only undermines public trust in fundraising activities (Hyndman & McDonnell, 2009) but it has also prompted more regulation in the online fundraising domain (Wynne, 2018b). These relatively recent phenomena create additional competition for established NFPs, which are already often stretched when it comes to funding. It appears the Internet has generated more areas that NFPs have to monitor and has created an additional space in which they have to compete.

Developments in technology have also meant that many NFPs are investing in Performance Measurement Systems (PMS) to measure and monitor their performance. Performance in this context means analysing areas of the organisation’s operations such as aged care. Performance can also refer to individual performance of staff members, senior managers and board members. The desire to monitor and measure performance appears to be in response to the technological improvements in the sector and calls in the sector for increased accountability from stakeholders (AICD, 2016, p.20). Information technology systems that provide PMS or Customer Relations Management (CRM) systems are usually costly in terms of the time and money needed to produce them (AICD, 2016, p.23). An advantage of these information technology systems is that they provide NFP leaders (the board and senior managers) with more sophisticated information about how the organisation is performing. The information produced can also help NFP leaders produce a narrative for their stakeholder groups. Recouping the benefits from investment in information technology systems such as PMS and CRM may not outweigh its costs in some cases.

Stuart (2016, p.50) explains that the size and life cycle stage of the NFP entity are factors that need to be considered when contemplating such ventures. The AICD (2016, p.22) explains that some NFP entities monitor and review their information systems on a yearly basis “to ensure they are getting value for money”.

Some board members perceive NFP governance to be more complex than ever before with the pressure “to achieve both mission success and financial strength...” (AICD, 2016, p.5). Although the challenge of fulfilling missions that extend beyond profit is not unique to the NFP sector, as many FP entities fulfil social and environmental accounting objectives, NFP entities that operate in the charity sector tend to also have a philanthropic purpose. The philanthropic emphasis is likely to add an additional factor to the discharge of directors’ roles and accountabilities in the charities subset of the NFP sector.

The need to be more commercially viable as well as achieving a philanthropic mission has become a more recent factor that is demanding attention from NFP leaders. At first blush, achieving an altruistic mission as well as generating financial strength seem to be at odds. Misconceptions about generating profit in the sector reinforce such a view (AICD, 2016, pp.6-9). Nevertheless, it has been suggested that it is possible to achieve both NFP missions and financial success. According to the AICD, there are NFP directors who have the “motivation and ability to deliver” both the mission and financial success (AICD, 2016, p.6). These directors understand the importance of making profit for the long-term survival of the organisation. They are also of the view that NFP organisations should have an appetite for risk, displacing traditional views that NFP organisations should be risk averse. There are other factors that also influence the success or failure of NFP organisations to achieve their mission and financial success. These include the characteristics of the NFP organisation such as its size and the environment in which it operates (AICD, 2016, p.6).

The ability of NFPs to maximise their limited resources is major feature in the current NFP landscape. With a shrinking pool of funds from government and increased competition for funding, the ability of NFP leaders to “do more with less” will be tested (Stuart, 2016, p.51). Mission Australia is one example of a board that is conscious of the need to seek efficiencies in their organisation, harnessing its resources to “respond to emerging social need in innovative ways” and finding



alternative sources of funding (Stuart, 2016, p.51). Some NFPs are strengthening their position by either restructuring their operations or consolidating. For some NFP organisations the question of merger arises. The AICD (2016, p.17) found that 70 percent of the NFP entities they studied had collaborated to promote the rights of beneficiaries and 35 percent had discussed merging with other organisations. Primary reasons for merger are to better achieve the mission of the organisation, increase efficiencies and market share, and reduce costs. Other benefits of partnerships between entities in the NFP sector are that it assists some NFPs that are struggling to adapt in the dynamic environment and increases the attractiveness of the entity for funding. A director of the Australian Conservation Foundation and ChildFund Australia, Mary Latham, explains that mergers are especially possible for smaller NFP organisations like ChildFund (Stuart, 2016, p.51).

In addition, there is evidence that the number of and availability of volunteers is reducing. For many NFP organisations, having a volunteer base is critical. NFP leaders such as Tina Williams, CEO of Volunteering Western Australia, recognise the need to change their expectations of volunteers. Williams explains that people are more time poor compared to volunteers in years past and it is necessary for NFPs to provide more flexible volunteer roles (Wynne, 2018a). These changes in the workforce have meant that NFP organisations need to be adaptable and prepared to change their perception of volunteers so they remain relevant and successful.

### **Unique characteristics of the NFP sector**

There are social, economic and political justifications as to why investigating governance in the NFP sector is valuable. From a social perspective, NFP organisations deliver a broad suite of services and activities that affect the lives of many individuals of different ages, backgrounds and abilities. For example, NFPs operate in “health, social services, education, sport and recreation, arts and culture, the environment, animal welfare, human rights and religious practices” (ACNC, 2017).

Economically, NFP organisations contribute a sizable portion to the Australian economy in terms of the employment they create and the revenue they generate. The lack of data collected and the nature of the sector with its heterogeneous aspects

including variations in size and age of organisations, geographical position, legal status (e.g. Incorporated Association or Company Limited by Guarantee (CLG)), activities and services makes it a difficult sector to measure (ACNC, 2017). The most recent significant studies of the Australian NFP sector were conducted by the Australian Productivity Commission in 2010 and the Australian Bureau of Statistics (ABS) in years 2012-2013. The Australian Charities and Not-for-Profits Commission (ACNC) also conducted some research into the sector in 2014.

In years 2006-2007, 4.6 million people were working as volunteers in the Australian NFP sector. Volunteers declined to 3.8 million in 2010 (Australian Productivity Commission, 2010). More recently, estimates of volunteers in Australia have been pitched at 5.2 million people (ProBono Australia, 2014). In 2013, over 1 million people were employed by the Australian NFP sector (Australian Productivity Commission, 2010; QUT Business School, 2014, p.2). This was equivalent to 9.3% of Australia's workforce at that time (QUT Business School, 2014, p.2).

Insights into the remuneration of NFP board members have been provided by the AICD (2016), which found that of a sample of 1,160 board members 37% undertake their board work on a voluntary basis and 15% have their director fees paid. The remaining 48% of board members in the NFP sector have a combination of voluntary and paid work, for instance, voluntary with expenses paid (AICD, 2016, p.34).

In 2014, there were over half a million NFP organisations operating in Australia (QUT Business School, 2014, p.1). This is supported by research conducted by the Australian Productivity Commission (2010), which reports that the number of NFP organisations was over 600,000. More recently, it has been reported that the number of NFP organisations is doubling every two decades (Cooper, 2016, p.4). The ABS found that NFPs contribute approximately \$43 billion to Australia's Gross Domestic Product (GDP) (ABS, 2010). This increased to about \$55 billion in years 2012-2013 (ABS, 2012-2013). According to QUT Business School, this GDP contribution equated to 3.8% of Australian GDP. This is:

more than twice as large as the entire economic contribution of the state of Tasmania; and larger than the agricultural, forestry and fishing industries (2.4

percent) and the information, media and telecommunications and media industries (3 percent) (QUT Business School, 2014, p.1).

According to ProBono Australia (2014), Australian NFP organisations turned over \$100 billion Australian dollars a year.

Sources of funding for Australian NFP organisations have remained steady over the years, with Federal and State Governments being the principal sources. In 2012-2013, Federal and State Governments contributed over a third of income to NFPs (QUT Business School, 2014, p.3). In 2016, they contributed 40% of income sources (AICD, 2016, p.35). The QUT Business School (2014, p.3) observed that government funding increased over the years “from 30.2 percent of income in 1999-2000 to 33.2 percent in 2006-2007, and reaching 38 percent in 2012-2013”. While the most recent AICD figures from a study in 2016 supports the idea that government funding is at least stable, there is widespread discussion in the sector that this funding is reducing soon due to tighter government budgets and increasing competition in the sector (Stuart, 2016, p.51; Young, 2013, p.10; Cooper, 2016, p.4; Dolnicar & Lazarevski, 2009). In comparison to the US, Australian NFPs are under greater pressure to seek alternative funding sources because only 0.23% of Australian individuals donate to NFPs (as a percentage of GDP) compared to 1.44% in the US (Cooper, 2016, p.4).

Another factor that has a significant bearing on Australia’s NFPs is the country’s ageing population. Australia’s population is ageing faster on average compared to other countries such as the US (Dolnicar & Lazarevski, 2009, p.279). The implications of this demographic are that many NFP entities are finding it harder to attract and retain younger people (Cooper, 2016, p.4) as well as facing increased demands for aged care, housing and health services (Dolnicar & Lazarevski, 2009, p.279). These economic factors put NFP boards under greater pressure to seek alternative sources of funding, achieve better returns on investment and “do more with less” (Stuart, 2016, p.51). In addition, funders are calling for “greater transparency and better performance and value measurement frameworks” (Adams & Simnett, 2011, p.292). It has been suggested that one of the suitable ways forward for Australian NFPs is to partner with corporate entities, which can help shoulder the demand, as well as providing skills and efficiencies for NFP organisations (Cooper, 2016, p.4).

In the political realm, NFPs take a significant interest in policy developments and in some cases the strategic direction taken by an organisation is shaped by government announcements. Some NFP organisations also lobby the government to attain funding or subsidies and the right to deliver certain programs. The relationship between governments at both state and federal level with NFP organisations is one where the government can influence NFPs or be influenced by them.

The social, economic and political reasons for studying the NFP sector are explained further in the Literature Review chapter. The remaining paragraphs in this section address some of the unique characteristics of the NFP sector. These characteristics are described in more detail in the Literature Review chapter.

A unique characteristic of NFP organisations is their vision, mission and values. This is because in most cases, NFP missions and values are altruistic and not aligned with profit making motives. As government funding becomes more difficult to obtain due to the increasing number of actors in the NFP market, having a strictly altruistic mission can pose a challenge. The literature has flagged the potential for NFP boards to sacrifice the organisation's mission in preference to more commercial motives. This has been called "mission drift" (see O'Dwyer and Unerman, 2008, p.821) and is an issue that warrants further investigation. For instance, if mission drift occurs, what are the implications? If mission drift does not occur, why is that the case? To add complexity to the vision, mission and values, some NFP organisations have a faith-based element. For example, some NFP organisations have been formed by religious entities. This component suggests further factors for board members to consider when demands to be more financially and operationally sustainable are increasing.

Governance questions about the ownership of NFP entities and its hybrid nature are additional unique characteristics. Entities are classified as "hybrid organisations" when they have both NFP and FP characteristics (Shaoul, Stafford & Stapleton, 2012, p.213). Increasing pressure on NFP entities to be financially sustainable means that many are aiming to generate profits. Such a scenario muddies the waters in terms of how to treat their profits, who owns the NFP and to which stakeholder groups the organisation becomes accountable.

Accountability has been argued to be especially complex in NFP organisations, largely due to their broad stakeholder base and structure whereby no party has alienable rights to ownership of the entity. Accountability has become even more crucial in recent times as financial sources become more scarce and NFP organisations become increasingly reliant on either government funding or donations. One of the most challenging stakeholders has been identified as the community. This is because accountability to communities is not only broad in terms of the many different types of people involved, but questions also arise about characterising and fulfilling accountability in this sense. Commenting in relation to PPPs in the UK, Stafford and Stapleton (2016, pp.379-380) discuss phenomena that are similar to the NFP sector in Australia: "...the introduction of [government] contracting out [many of its services], and adoption of more managerial styles of leadership and performance management techniques" are all factors that have ramifications for accountability.

An additional layer of accountability to the current NFP organisation model is service contracts which regulate to some degree how NFP organisations operate. Many service contracts are often linked to funding or grants that are provided by the Federal and State Governments. This means that many NFP organisations watch policy developments with keen interest and submit tenders pitching to the preferences of the government of the day. While government contracts generally have positive outcomes, the reverse can be true when government programs cease or change. The demanding and unpredictable nature of service contracts for NFP organisations can create governance challenges for the board. Furthermore, the dynamic environment in which NFP organisations operate makes a board agenda challenging. For instance, changes to, delays or the withdrawal of funds can put NFP organisations at risk, the most significant of which is the risk of insolvent trading (Caneva, 2016, p.3).

The unpredictable nature of the NFP sector has been made more uncertain with the entrance of FP organisations such as Bupa and Woolworths into the service delivery market. This raises many questions for NFPs. For example, do NFPs focus on mission and values or do they become more aggressive in order to remain financially and operationally sustainable? How do NFPs strike the balance between the two objectives? There have been increasing calls from leaders in the NFP sector for NFP organisations to respond to increasing accountability and competition as well as

higher expectations around performance and outcomes (see for example: the “Board Report” ProBono Australia, 2016 or the AICD “NFP Governance and Performance Study”, 2016). While competition in the UK and US NFP sectors has also increased, the UK has an authority that regulates competition in the sector – the Charitable Commission of England and Wales (Dolnicar & Lazarevski, 2009, p.280). No equivalent centralised authority operates in the US and while Australia has the ACNC, it does not appear to have as much clout as its UK counterpart. This view is supported by survey results and interviews of NFP leaders in Australia, in a study conducted by Chelliah, Boersma and Klettner (2015). As a result, competition in the NFP sector is likely to be more intense in Australia and the US.

### **Background to the organisation studied**

The organisation that was selected for this Australian NFP study is one of the largest in terms of service delivery. At the time the researcher was present, it operated as an Incorporated Association, however a decision was made while the researcher was present, to make the organisation a CLG. The entity operates in both the aged care and community services sectors. Aged care constitutes 60 percent of the service delivery component of the organisation and community services comprise 40 percent. Aged care can be broken down into the following components: residential aged care homes, retirement living, home care services, transitional care services, and support for ethnic minority groups. Community services consist of mental health services, employment assistance, youth and family services, homelessness services, and affordable housing. The organisation operates in rural and regional areas of the state as well as in the metropolitan area. It is part of a larger network of faith-based organisations that are associated with a religious institution that operates throughout Australia.

The vision, mission and values of the organisation are largely founded on the religious teachings that underpin the faith-based institution. During the time the researcher was present, the board and senior managers reviewed the vision, mission and values and amended them so they were more relevant to community expectations and the environment in which it was operating. The mission became simpler and less specific about which people the organisation would serve. It explains that it provides services to the community and encourages people to reach their potential. It can be

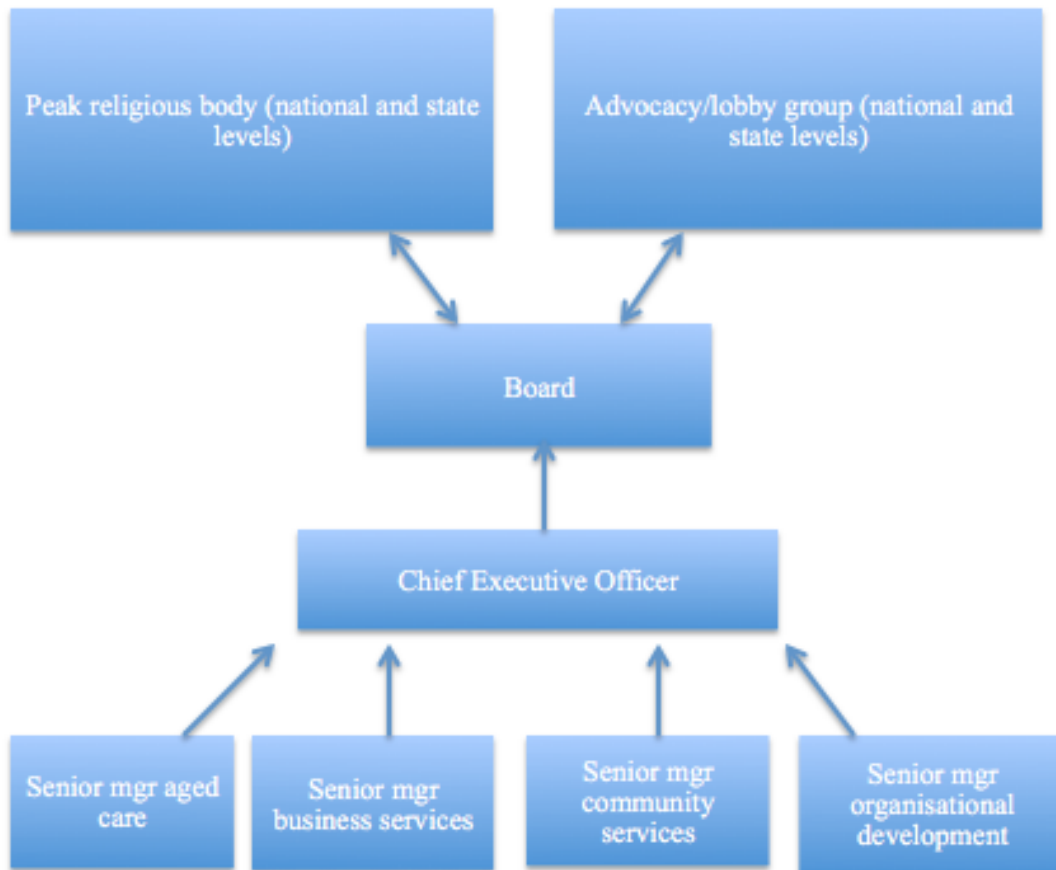
argued that this change enables the NFP entity to be more agile and adaptable in a dynamic environment. It provides scope to cater for different sectors of the community as and when appropriate. The values were also simplified so that it contained a total of four different words compared to several sentences with multiple meanings. Care and respect featured in the values, as well as words associated with honesty and tenacity.

The organisational structure is overseen by two larger entities. The paramount entity is the religious body of the state. This is followed by an advocacy and lobby group that represents the interests of the religious body and its affiliated entities such as the one in this study. The board represents the organisation, having the ultimate responsibility for the organisation. At the time the researcher was present, the board had nine independent board members. There were seven committees operating at the time the researcher conducted fieldwork. Two of the seven committees were short-term and established to guide the organisation through the strategic planning process. These were the Aged Care & Community Housing Strategies Committee and the Strategic Advisory Committee. The other five committees were long-term committees and were the Finance & Audit, Governance, Risk, Aged Care & Property, and Community Services Committees. The long-term committees were reduced from five to three as a result of the implementation of governance changes. The disbanded committees were the Aged Care & Property and Community Services Committee. The rationale behind the governance decision to dissolve two committees was that the board needed to be across aged care, property and community housing. Rather than confining these areas to two committees, the board should be discussing the areas at the board level.

Each committee has directors who operate in their areas of expertise. Director expertise featured in the following areas: finance and accounting, science, education, psychology, social work, and law. Notably, three of the nine board members were members of the religious entity from where the NFP organisation originated. Having a certain quota of members as part of the board was a constitutional requirement specific to the organisation. Each committee has its Terms of Reference, which stipulates how they operate. The CEO of the organisation is accountable to the board. The CEO is responsible for all senior managers who operate in four primary areas:

aged care, community services, business services and organisational development. An outline of the organisational structure of the NFP entity is shown in figure 5.1 below.

**Figure 5.1 Organisational structure of case study entity**

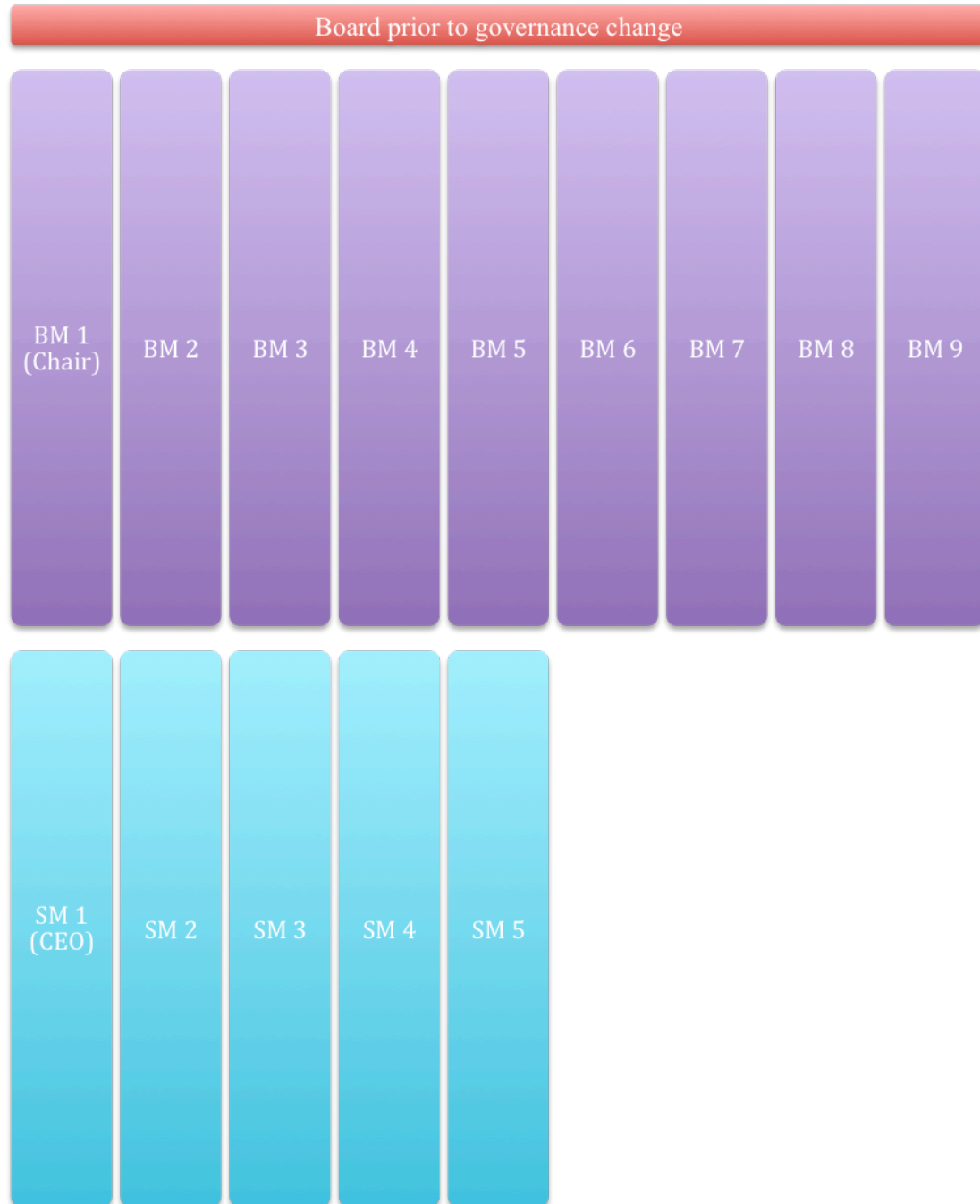


There were close to 1,000 staff employed at the organisation and over 150 volunteers who worked in aged care and community services. The staff comprised the CEO, five senior managers, nine board members, 29 service managers, 48 corporate employees, 250 community service employees and 581 aged care employees. Of the volunteers, 63 worked in community services and 86 worked in aged care. The board members, including the Chair and CEO, all possessed tertiary qualifications of varying descriptions. Qualifications ranged from accounting and finance, arts, education, law, psychology, science and social work. The board members also often had experience working in their respective fields of qualification or in related areas such as the religious institution to which the organisation is related. Two diagrams of the board composition and structure are below. Figure 5.2 illustrates the board as it stood prior to governance changes where senior managers would attend all board meetings with



the CEO. Figure 5.3 shows the composition of the board after the governance change pertaining to the structure of the board.

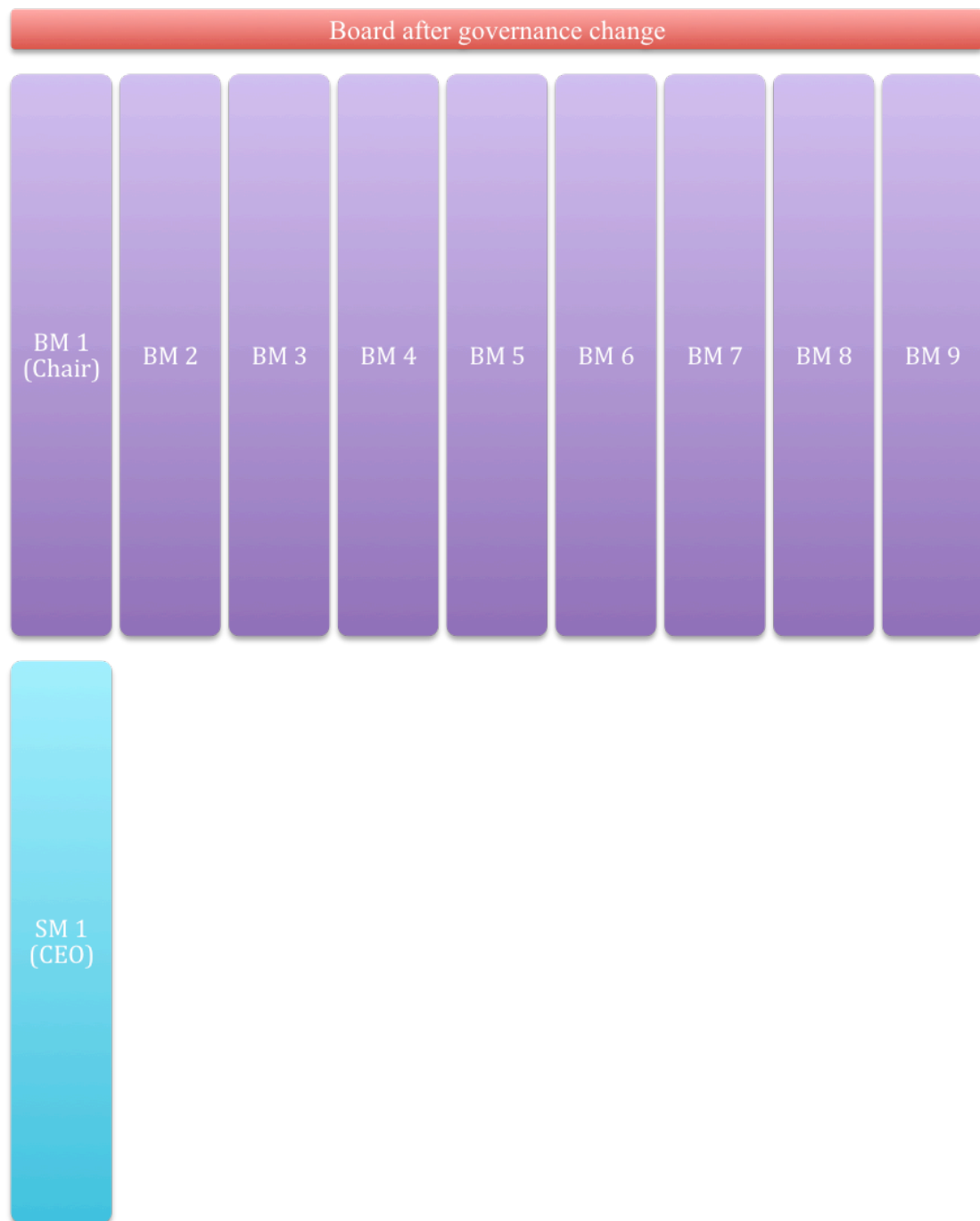
**Figure 5.2 Board prior to governance change**



BM = Board Member  
SM = Senior Manager

Purple represents independent board members who have a vote. Blue represents the CEO and the senior managers who are employees of the organisation and do not have a vote.

**Figure 5.3 Board after governance change**



BM = Board Member  
SM = Senior Manager

Purple represents independent board members who have a vote. In this case, blue represents the CEO who is an employee of the organisation and does not have a vote.

The stakeholder profile of the organisation is large, which has ramifications for its accountability and governance. Like most NFP organisations, the Federal and State Governments are stakeholders of this organisation due to the funding and service contracts they provide. The community is also a stakeholder given the organisation's vision, mission and values to serve the community. Additionally, the community is deemed a stakeholder because a significant amount of money the organisation receives is from taxpayers. Donors and sponsors of the organisation are stakeholders, as are other similar organisations that work in partnership with the organisation. The people the organisation serves – the clients – are also an important stakeholder group because without clients, there is no need for the services. The staff and volunteers of the organisation are additional stakeholders. Many employees and volunteers choose to work for the organisation because of its vision, mission and values. Finally, the peak religious body and the advocacy and lobby group are stakeholders, as it is in their interest that the organisation operates according to the ethos of the religious institution.

The organisation serves older people in the community, young people, people experiencing financial hardship, those with mental health challenges and ethnic minority groups. Having such a broad suite of clients is not significant only in terms of the organisation's impact on those individuals, but there are governance implications with respect to accountability and compliance. For example, aged care is an area of service delivery that requires strict compliance with national accreditation standards. Similarly, the services the organisation provides to vulnerable people is often subject to regulation and review.

The organisation also partners with dozens of leading organisations to deliver assistance to those in need in addition to its primary service offering. For instance, a project with Rotary International was designed to salvage disused assets from the organisation to send to people in developing countries. Partnerships with organisations who share a common mission enable NFPs to extend their reach beyond their current service offerings. This means that more innovative ways of helping people can be explored – often in ways that more conventional means do not permit. This extends the impact of the organisation in the community. During the time the researcher was present, the NFP organisation partnered with over 20 organisations to

deliver services or develop policy. Services were delivered to reduce homelessness, provide emergency relief, and to help young people and the elderly. Policy development was in the area of homelessness and involved the organisation partnering with several strategic action groups throughout the state.

Strategic issues and the financial and operational sustainability of the organisation in the medium to long-term were one of the main focuses when the researcher was present. This focus was partly instigated by policy developments such as changes to aged care funding and programs – especially with the advent of consumer directed care, and the NDIS. Strategic issues also arose due to decisions by the board and senior management to assist the organisation as it was making the transition to being a more efficient and adaptable organisation. Examples of these strategic changes included: implementing new accounting and information systems, upgrading the organisation's branding and market profile, changing to a CLG, and investing in its aged care and community services.

There were also two external reviews of the organisation during the time the researcher was conducting fieldwork. These were an Organisational Review and a Governance Review. The board adopted many of the recommendations from both reviews. For example, changes were made to the governance structures where the number of committees were reduced or consolidated, the structure of board meetings was changed so that senior managers no longer attended all board meetings, and board members were remunerated for their board services. The Organisational Review had ramifications for the strategic planning process particularly with regard to service delivery. The effects of the two reviews will be explored further in the findings chapters (chapters six, seven and eight). The findings and Discussion and Conclusion chapter will refer to the case study organisation as "Burgundy".

## **Conclusion**

There is a strong case for investigating how governance and boards operate in the NFP sector. This is particularly so given the dynamic and uncertain territory many NFPs in Australia are encountering. These factors as well as the unique characteristics of NFP entities have governance implications. In addition, there are social, economic and political justifications for undertaking research in the sector. The literature also

highlights that little is known about how boards of directors work in the NFP context. This single NFP case study contributes to the small number of qualitative studies in the sector. It uses observation, interview and document analysis methods and a lens of accountability to investigate how board members enact their three roles in one of the largest NFP organisations – hereafter called “Burgundy” – in one state of Australia.

## **CHAPTER 6: THE STRATEGIC ROLE OF BOARD MEMBERS**

### **Introduction**

The strategic role of board members was the dominant role exercised in Burgundy. This chapter addresses RQ 1, which asks how does board members' conception and approach to their strategic role reflect the unique NFP environment? There were many contextual factors both internally and externally that encouraged board members to be strategic. In this case study, there were external pressures, largely through legislative change, that were impacting on the organisation's ability to source funding. Other legislative amendments such as the move to a user-pays system in aged care changed the relationship between Burgundy and its clients. In response, the board and senior managers redefined clients as consumers. Viewing the client as a consumer had ramifications for the future of aged care service delivery for Burgundy. Legislative change regarding funding and the change to a user-pays system also had implications for the negotiable accountability of Burgundy to its stakeholders.

The strong emphasis on the board member strategic role can be argued to form part of the board's motive to demonstrate to external and internal stakeholders that it was accountable because it achieved its mission. As Sasso (2003, p.1487) argues, "The standard of accountability in the non-profit sector can be succinctly defined as compliance with the institutional mission". As will be described in this chapter, the board was very conscious of its mission and its stakeholders, but it also knew the importance of being able to assess its performance. The challenges identified (Sasso, 2003) in this regard are first, how to define mission and second, how should the performance of achieving mission be evaluated? The finding in this chapter about performance measurement confirms the arguments from Carnegie and Wolnizer (1995) and Parker (1996) who suggest that NFP performance measurement should be informed by mission first and consider "measures of performance and accountability" second. The current case study reveals and explores the additional challenge of the board having to balance the mission with the need to be sustainable in the medium to long-term.

The board wished to monitor and measure the performance of their services. The board made it clear that their use of KPIs, Key Result Areas (KRAs) and

benchmarking was primarily for internal use at that point in time. The new methods of measuring the performance of Burgundy in its areas of service delivery revealed narrative and calculative accountability in action. Narrative accountability is the explanatory or qualitative aspects of accounting whereas calculative accountability is the quantitative or measurable aspects of accounting. Kamuf (2007) argues that while accounting is typically geared toward the calculative aspects, narrative accountability is also required to give a more comprehensive picture of accounting (Shaoul, Stafford & Stapleton, 2012, p.213). This comprehensive outlook is argued to be pivotal for the dynamic and complex NFP context (Gibbon, 2012, p.202).

Another factor that conditioned board members to be strategic was the impact of a new Board Chair who encouraged a strategic approach. This chapter will examine two strategic initiatives encouraged by the Board Chair. First, the welcome item for every board meeting and the implications this had for accountability. Second, a governance change to the structure of the board will be analysed in terms of how it enabled a more strategic approach as well as increasing accountability.

This findings chapter explores the key external and internal factors that created the conditions conducive to the board's emphasis on strategy and accountability. In particular, the chapter shows that environmental changes impacted on the board in such a way that they became more involved in strategic topics and the strategic processes of strategy formulation and development. These findings are not an idealised view of the board's role in strategy from the literature or from the case study. The findings reflect what the researcher observed in the case study. The researcher witnessed the board shift up a gear in term of its strategic emphasis across strategy formulation, strategy development and strategic monitoring.

This chapter will firstly analyse the topic of legislative change with respect to funding NFP activities. It analyses how funding changes meant that the directors had to be more strategic in the ways that they source funds or gain access to resources. The following section examines the effect of the introduction of a user-pays system for services through legislative and market change and how this conditioned board members' roles in strategy. The next section turns to investigating the internal factors that encouraged a strategic approach. Examples from board and committee meetings and strategic planning days are provided and the strategic approach taken by the board

members is assessed. This assessment reveals the board's principal focus on balancing the mission of the organisation with its financial and operational sustainability, which is followed by insights into the board's transition to measuring its service effectiveness. The final section of the chapter describes the impact of the new Board Chair and the strategic initiatives they introduced including a welcome segment at the beginning of every board meeting and a structural governance change to how the board operated.<sup>4</sup>

### **Strategic responses to external changes in funding**

In the present case, funding changes meant Burgundy had to strike a balance between being sustainable and achieving its mission. It was decided that the most suitable way to position the organisation to obtain funding would be to change to a CLG. A key justification that underpinned the board's decision to become a CLG was that the Federal Government was showing a preference for providing funding to CLG entities rather than Incorporated Associations. Investing in aged care and fostering strong relationships with stakeholders for the future were also said to be primary factors that encouraged the change. The change to the user-pays system meant that Burgundy had to re-assess its aged care services and consider new and different ways of doing things in that space so that they were attractive to consumers. Moreover, many board members and senior managers discussed the need to invest in premium services in aged care so that the revenues generated could be re-invested in the services that did not generate profit, but were an essential part of the organisation's mission.

In response to changes in government funding flowing from new legislation, Burgundy's board and senior managers identified three strategic options: pursuing strategic alliances, becoming a CLG and seeking alternative sources of funding. The

---

<sup>4</sup> Please note that references to board members and senior managers throughout the findings chapters (chapters 6 to 8) will be made using the Phonetic Alphabet to protect their identities. While some aspects of the Phonetic Alphabet use names that are associated with gender such as "Juliet" or "Mike", this does not mean that the board member or senior manager is necessarily of the corresponding gender. The names from the Phonetic Alphabet have been allocated to board members and senior managers randomly starting from letter A for "Alpha" through to letter N for "November". Other references to people such as experts who have provided advice to the board have been allocated names from O for "Oscar" onwards.



board and senior managers decided to achieve a combination of the three options. Strategic alliances and partnerships were discussed for future services in aged care and community services. Critical to strategic alliances was the condition that the partnering organisation must share similar values to Burgundy. The majority of board members also agreed to update the status of the organisation from an Incorporated Association to a CLG so that the Federal Government would recognise Burgundy as a major player in the NFP sector. Alternative sources of funding were also discussed and this was to be achieved through “cross-subsidisation” where the revenues generated from one part of the organisation would be re-invested in another aspect of the organisation.

A key strategic reason underpinning the change to a CLG was that it would help secure funding from the Federal Government as Burgundy would be operating within the framework of Commonwealth legislation regulating companies. This reveals the board being responsive to rule-based accountability demands in the sector. As the legal advisor to Burgundy commented at a board meeting, the rationale behind the government’s preference to deal with CLGs is that they will then be treated on the “same level playing field”. The CEO, Delta, commented at a Governance Committee meeting that changing to a CLG would make Burgundy appear more serious, “more financially viable” and enable the organisation to “engage fully with the NDIS”. Other board members agreed. Echo said,

*“Becoming a CLG is an opportunity to show the community we’re a serious NFP...I think we need to seize the opportunity – it’s a very exciting time to change... There are advantages being a CLG over our current arrangement. If we are a CLG, we look more serious, stable and reliable as an organisation”.*

Echo’s comments highlight that the board was conscious of its image and how it would be perceived by its stakeholders. Another board member, Foxtrot, made a comment that supports this notion. Foxtrot explained that there were three key reasons why Burgundy should become a CLG:

*“First, purpose. We need to position ourselves in the best way possible to be ready for the changes (in aged care and community housing). It also*

*allows us to more easily form partnerships and alliances, strategically position ourselves with the parent body and gives us an increased status working with the Commonwealth framework of legislation regulating companies. Second, timing. It is better to decide on the process now rather than waste everyone's time on the issue. Third, capacity. Becoming a CLG means we can work across the state and secure federal funding. Being a CLG would also be beneficial from a Human Resources and budget point of view”.*

While the vast majority of board members including the Chair and CEO were in favour of Burgundy becoming a CLG, two board members were against the proposal. One of the two opponents was particularly vocal on the issue and voiced their strong view on many occasions that they did not see any drivers that justified the decision to change from the current Incorporated Association model. This board member, Bravo, was not only vocal at board meetings, making their position clear verbally, but also wrote a formal paper to the board outlining the case for no change in legal status, saying:

*“...as the board's only legal representative it is very important that I put my advice and recommendations on record”.*

The Chair, Alpha, acknowledged the position of the opposing board member, ensured it was recorded in the Board minutes and circulated hardcopies of their paper to the board. It is evident that there was the exercise of formal accountability here – where the board member's views were formally voiced in a paper tabled to the board and formally recorded in the minutes. The decision by the majority of the board to change to a CLG reveals negotiable accountability in action. The board wished to negotiate its organisational desire to grow and adapt along with the Federal Government's preference to fund CLGs. It could be argued that such an approach balances both unitary and pluralist logics (Coule, 2015). Unitary logics are narrow conceptions of accountability, in this case, rule-based accountability with the Commonwealth corporations legislation. Pluralist logics are those that favour more stakeholder oriented views of governance, in this case, the board considered their organisational perspective (internal stakeholders) and the perspective of the Federal Government, their external stakeholder.

## **Strategic responses to legislative and market change**

Another change that was often discussed at board meetings, strategic planning days and committee meetings was the change to the market in aged care, especially the consumer driven, user-pays approach. An analysis of competitors in aged care had board members discussing that other aged care providers already had a “continuum of care” where central phone numbers would provide consumers with access to all services from the organisation. This meant it was more likely that the consumer would stay with the organisation as all their needs were met by a single provider. This analysis of competitors in aged care prompted board members to ask questions such as why are for-profit competitors picking up the market in the West? These analyses also confirmed to board members what the consultants in aged care were explaining – that Burgundy can lose market share very quickly if the organisation is not agile and able to change in an appropriate way to service consumers.

Board members recognised the implications of the change to “consumer directed care” and engaged in discussions about how to best address the change. Suggestions such as making a current aged care facility “pet friendly” was an example of designing a facility with a difference – so it had a competitive advantage over current aged care providers. Board members also explored future projects in aged care that would address the consumer directed care model and provide a continuum of care for consumers. For instance, the Senior Manager for Financial Services Mike informed the board that Burgundy had been approached by a major land developer to build a multi-storey aged care complex. While the board members exercised their control roles with respect to the proposal, responding positively but cautiously, they also recognised the potential value of the project as potentially enhancing the public profile of the organisation. Additionally, board members could appreciate such an opportunity would enable Burgundy to transform their current aged care arrangements to meet present and future demand from consumers. For example, the bundling of aged care services with ‘hub’ style accommodation (a one-stop-shop) where pharmaceutical services and basic medical care could also be on site for residents. The strategic value of the proposal was recognised by directors such that the board requested a memorandum of understanding be signed between the organisation and

the land developer to secure the offer while the necessary checks such as feasibility studies and financing investigations were undertaken.

The changes in the aged care space prompted board members to think further afield than simply delivering aged care in a way that fulfilled the mission and values of the organisation. For instance, board members agreed that it was best for the medium to long-term survival of the organisation to provide for both disadvantaged people and the sector of the market that was more affluent. This approach was seen to strike a balance between Burgundy achieving the mission of the organisation while also generating a revenue stream, which would be re-invested in the activities of the organisation. In the aged care space, directors talked about aged care facilities in the context of the hotel chain “Ibis” (three-star accommodation) and “Stamford” accommodation (four-and-a-half-star accommodation). Such an approach meant that Burgundy could service both low and higher fee-paying consumers and profits would be re-invested to help those who were most disadvantaged. As a Foxtrot commented at a strategic planning day:

*“if we want profit, we need to provide premium services and cross-subsidise”.*

It was evident that all board members and senior managers formed the view that simply servicing low fee-paying consumers was no longer sustainable. It was this reasoning that the board members used to justify providing for an additional market outside the realm of its traditional mission. Negotiable accountability became relevant here, as the board struck a compromise between providing services for its traditional stakeholders – the disadvantaged people of the community as well as those who are more financially comfortable. Here it is evident that Burgundy was negotiating its accountability to the original base of external stakeholders (consumers who were disadvantaged) while also recognising that new strategies will also need to be adopted to remain viable, i.e. servicing a more affluent segment of society.

The issue of negotiable accountability became relevant as Burgundy tried to reconcile the organisation’s mission with being sustainable into the medium to long-term. The board came to the conclusion that this required a careful, considered approach. Two separate strategic planning days were dedicated to the board and senior managers

analysing Burgundy's vision, mission and values as well as its plans for the future. While most items on the agenda for the strategic planning days were roundtable discussions, there were occasions where the board and senior managers were split into small groups by an independent facilitator. For example, one group exercise involved groups discussing how they would improve the values of the organisation to take into account the strategic change which it was undergoing. One common theme identified by the independent facilitator was:

*"...the challenge is to say that you are an organisation to help the disadvantaged but in a way you also want to attract people with money".*

Similarly, in an interview, the Board Chair Alpha explained:

*"I think those challenges in terms of both retaining resources and earning money to deliver on our values commitment, is one of the biggest challenges we have".*

Careful re-wording of Burgundy's mission so that it was broader and enabled the organisation to service more consumers than the disadvantaged was agreed to be the appropriate approach at the strategic planning days. So while the wording was amended slightly to enable more flexibility in those the organisation served, the spirit and intent of the mission remained the same. All board members and senior managers decided that the wording needed updating to bring it in line with present day language and understanding. As board member Bravo explained in an interview:

*"To some extent the wording has changed. I think the core of what we do and what we stand for is the same. I guess just to bring it into current trendy lingo more than to change the meaning of it. For example we weren't back in the day involved in mental health but that has...we have captured that within our values without really needing to change too much."*

Part of the updating values exercise involved discussions between the board members and senior managers about addressing the tension between moral purpose and being more commercial. Foxtrot suggested adding the word "integrity" to the values. That way, they explained it suggested a balancing of the tension between the organisation

fulfilling its mission, being accountable and achieving financial and operational success. The board and senior managers agreed and the word integrity was added to the values statement. Ultimately, this example illustrates that board members were actively engaged in negotiating accountability in terms of its mission between internal (e.g. staff and board members) and external stakeholders (e.g. consumers and funders). This confirms the view of Sasso (2003, p.1485) that “the success of the not-for-profit corporation is defined by the efficacy with which it fulfils its mission”.

### **Internal strategic focus: balancing mission and sustainability**

In the foregoing paragraphs, it is evident that legislative changes prompted the organisation to assess itself internally, consider its mission and assess the long-term viability of its operations. This was done through board and committee meetings, strategic planning days and by engaging external consultants to report on the services delivered by the organisation. The board and senior managers spent considerable time analysing existing services and conducting feasibility studies about potential new and different services that would meet future demand.

An examination of the agendas from board meetings revealed the board’s strong focus on strategic topics. Aged care and community housing strategy, CLG, strategic and corporate plans, strategic KPIs and risk appetite were frequently featured in board agendas. A review of the board meeting agendas over the period during which the researcher was present showed that on average, strategic topics formed between one third and one half of the topics discussed by the board.

Strategic planning days, board and committee meetings highlighted the challenge of the board and senior managers of Burgundy to effectively balance the mission of the organisation with the increasing emphasis on being a sustainable organisation in the medium to long-term. For example, discussions were often had about meeting the needs of disadvantaged people in line with Burgundy’s mission, but board members and senior managers also recognised that there was a need to service higher fee paying consumers to enable revenue to be generated to sustain the organisation, especially given funding sources were becoming harder to access. The issue of negotiable accountability became relevant as Burgundy tried to reconcile the organisation’s mission with being sustainable into the medium to long-term. At a Risk

Committee meeting, striking the balance between maintaining a viable organisation and keeping stakeholders satisfied was expressed in the design of a risk appetite document to guide the board and committees with its decision-making. The committee report stated:

*“We therefore seek to balance our risk position between:*

*1. Investing in activities and/or projects with inherent risk that may drive substantial growth in the demand for aged care and housing, and*

*2. The need to remain a stable and sustainable organisation with the capacity to continue to work for our many stakeholders long into the future”.*

An informal interview with Delta, the CEO, at a strategic planning day sheds light on how the board and senior managers balance mission and remaining sustainable. In Delta’s view, defining boundaries and exercising discretion was the best approach. The CEO said that when assessing projects, it is vital to consider first, whether the mission of the organisation would be fulfilled and second, whether the proposal satisfies the efficiency and effectiveness requirements as required in the service contract. Delta explained that satisfying both requirements was not always achieved in which case the proposal would be rejected by the organisation. S(he) provided the example where the government offered funding for a site. The site was government land that they wished to donate to an organisation that was willing to accept the tender for providing residential aged care facilities at the site. Burgundy undertook a feasibility study of the proposal, which revealed that the wellbeing of internal stakeholders (staff) would be threatened if the project was accepted. In other words, staff would need to work long hours with minimal breaks to achieve the government’s efficiency and effectiveness requirements. Delta explained that Burgundy did not accept the government’s funding for this project because they did not want staff to be exploited, as it would contravene the values of the organisation.

In Delta’s example, it is evident that there were the conflicting interests of two stakeholders – the government and staff. The government invited Burgundy to provide service at a particular site, but Burgundy’s own investigations revealed their staff would not be treated fairly. As a result, Burgundy declined the offer of funding

from the government. This highlights negotiable accountability in practice. In this case, the mission of the organisation set the boundary of what would be an acceptable proposal. As the feasibility study revealed the staff of Burgundy (internal stakeholders) would be exploited, Burgundy rejected the proposal. The government's proposal failed the informing lens that Burgundy uses to assess whether undertaking a project would be both morally acceptable and helpful for the longer-term viability of the organisation.

### **Internal strategic focus: analysing service effectiveness**

A key aspect of strategic discussions on the board and its committees was a desire to analyse the effectiveness of Burgundy's responses to the external and internal changes it was encountering. Service contracts provided by funders such as the government demand the monitoring and measurement of performance (Stafford & Stapleton, 2016). Additionally, with more "managerial forms of accountability" penetrating hybrid organisations, there has been more of a focus on applying performance measurement techniques to the areas in which the organisation operates (Stafford & Stapleton, 2016, p.380). Analysis of the effectiveness of Burgundy's services in aged care and community services was the primary means by which this was done. It was suggested at meetings that performance measuring was for primarily for internal use.

Performance measurement was undertaken in a variety of ways. One example was where aspects of Burgundy's aged care and community services were benchmarked against those of other similar NFP providers. For instance, the occupancy levels in aged care was one area of focus, as some board members took a strong interest in ensuring the organisation maintained a high occupancy rate. This was the first time Burgundy participated in a yearly benchmarking study with a leading national organisation in NFP benchmarking.

Benchmarking analyses revealed to board members and senior managers in an unprecedented and quantifiable way how Burgundy was performing compared to similar organisations in the sector. Such information was said by board members to be valuable in their assessments of the services they provide. For instance, the use of agency staff in residential aged care was an area in which board member Charlie, who had expertise in aged care, focused during board meetings. Charlie compared



Burgundy's usage of agency staff with that of similar organisations providing aged care. Charlie noted that Burgundy had some way to go in improving agency usage in order to reach the lower benchmark figure. He explained that high agency levels are not good for Burgundy as agency staff cost the organisation money that otherwise would not be spent if Burgundy's own staff were rostered instead. This insight prompted discussion at a board meeting between board members and the Senior Manager of Aged Care, November. In response, an initiative was outlined to address the agency issue including a timeframe with the aim of meeting the agency benchmark by mid-year the following year. The board member Echo who was the Chair of the Finance and Audit Committee asked for the target to be re-worded so that the board could measure it. It became evident that the agency benchmark instigated accountability not only at the board level but also the committee level – given the financial ramifications of high levels of agency use.

Another means by which Burgundy wanted to enhance its understanding of its operations was through investments in Information Technology Systems (ITS). Burgundy harnessed improvements in their own internal ITS to better understand the organisation's client base and consumer profiles. When the researcher first commenced fieldwork in Burgundy, there was a fragmented, out-dated accounting ITS which produced hundreds of budgets and reports. While there were no complaints from the board about the quality of the financial reports, they did form the view that the system could be more efficient. This would have the advantage of making the workload more manageable for the Senior Manager Finance and less costly for the organisation. The board also discussed that the added benefit of an updated accounting ITS was that more sophisticated financial reports could be produced. As a result, a decision was made by the board to invest in a major upgrade to the accounting ITS. In addition, the board agreed to finance a new consumer database so consumer profiles could be more efficiently stored and retrieved. It was evident in board and committee meeting discussions that the rationale behind the new consumer database was so the board could measure and monitor consumer demand to analyse their services in a more sophisticated and accountable fashion. As board member Juliet commented at a strategic planning day,

*“With respect to operational strategy 2.1.3: use impact and outcome*

*measurement and reporting - we need a framework to measure and monitor because this speaks to accountability too”.*

The Senior Manager Organisational Development, Lima, reassured Juliet and the other board members that:

*“We have built up a lot of tools in our new customer service ITS which provides us with a lot of very rich data...It also means that we’re more efficient so that consumers don’t have to tell their story 1,000 times”.*

Such techniques involved the use of narrative and calculative accountability. The researcher was present long enough to see the new accounting and customer service ITS operate and how the data from those systems was being used. For example, the researcher compared annual reports published on Burgundy’s website prior to the ITS upgrades and after the upgrades. It was evident that the new ITS could produce more sophisticated and accurate data insights. Since the operation of the new ITS, accurate figures of the number of people the organisation serves, the areas in which services were provided and demographic profiles of consumers could be provided.

At a board meeting, board members discussed Burgundy’s corporate plan and strategic KPIs, which involved the exercise of broad accountability concepts. Narrative and calculative accountability again featured. As the Board Chair Alpha commented,

*“Now, the board has been saying ever since I’ve been around, we want a clearer focus on KPIs, and what I’m pushing for is a strategic plan for the next five years, that will have high-level KPIs that can be measured in both outcome and, what’s the term? In both qualitative and quantitative terms”.*

Some time later, the board received a draft corporate plan from senior management that featured a matrix with KRAs that will be achieved by certain KPIs. One board member asked how often the KPIs and KRAs would be reviewed. The CEO replied every six months. Another board member inquired with respect to who will oversee the process. The Chair replied, the CEO. It was apparent that board members were asking such questions to ensure appropriate processes were in place to monitor and

review the corporate plan and strategic KPIs. The Chair formalised the process by asking for the corporate plan to be added to the record of minutes and the board agenda for six months' time. Board members spent time reviewing and making some revisions to the corporate plan document so that the board would receive strategic reports from senior managers about the plan and not operational reports. This change in reporting structures aimed to increase the accountability of senior managers to the board in a formal, upwards accountability fashion so that management reporting to the board was improved. Such changes appeared to be intended to increase the efficiency of the board so that they did not waste time with routine operational matters and could focus on the higher level activities. Moreover, it encouraged the strong strategic focus that the Board Chair was advocating.

### **Internal strategic focus: the new Board Chair and strategic initiatives**

A new Board Chair commenced at the time the researcher started fieldwork in Burgundy. Many board members and senior managers in the interviews made reference to the Chair as being far more strategic than the previous Board Chair. Board member Juliet said:

*“...it’s just a different way of running the board. And I can understand, like the previous Chair of the Board had actually been the CEO of the organisation prior, so I suppose there was always a danger with them...of not being able to step away from the management role into the board role, whereas the current Board Chair hasn’t been the CEO, so s(he) does see it as quite a separate thing”.*

Board member Foxtrot contended that the time was ripe for change when the new Board Chair commenced:

*“...there was a move towards greater appreciation and commitment to the Board as a governing body. So when the new Chair came in, this person saw that pretty quickly. That came through their meetings with board members, s(he) had a back understanding of all of that, had the experience. So s(he) cut to the chase pretty quick and made it really clear”.*

Another board member, Golf contrasted the approach of the previous Board Chair with the new Chair:

*“...until very recent times...the previous chair, has been uncomfortable about the concept of growth, uncomfortable to consider and therefore, to consider/explore the concept of growing. This is sort of linked a bit to the modest, safe, do what you can mentality, but I think that in this world that you just get left behind very quickly”.*

Two examples of the Board Chair’s more strategic approach will be provided and analysed. First, the welcome item at the start of every board meeting will be explored, including its accountability ramifications. Second, the change in board structure where senior managers no longer attended board meetings unless they were invited or delivering a presentation to the board will also be examined. Insights into board members’ and senior managers’ perspectives about the Board Chair’s strategic approach will also be provided, as it sometimes had ramifications for accountability at both the individual and collective levels.

An example of the strategic focus encouraged by the Chair was the welcome item at the start of every board meeting. The first formal item on the agenda for every board meeting was the item “Welcome by [board member’s name]”. Board members took turns to provide a welcome presentation to the board. The subject of the welcome was one of the organisation’s values, which was allocated to the board member before the meeting so they could prepare their presentation. The welcome item gave board members, including the Chair, the opportunity to provide their perspective on a particular value from the organisation’s mission. Welcome items generally lasted for an average of between five and ten minutes.

Often thought-provoking and personal, board members would share their perspective of what a value meant to them, how the value might be perceived by the community and what it meant for the organisation. For example, board member Juliet referenced a newspaper article from journalist Andrew Bolt, saying that although often not agreeing with his views, they found themselves in agreement with his recent column about people’s innate worth. Juliet also linked their reflection to the welcome presentation from another board member at the previous board meeting where that

director had discussed a value relating to innovation. It is evident that such an exercise not only prompted the individual board member to reflect meaningfully on a certain value of the organisation, but it also sensitised the other board members to the values of the organisation.

The welcome technique appeared to strengthen the board's understanding and appreciation of Burgundy's values and mission. It can be argued that socializing accountability was therefore exercised at both the individual level and the collective level with the welcome item for each board meeting. Socializing forms of accountability tend to occur in instances where an individual adopts a less conventional form of accountability. While exercising accountability, the individual acknowledges the effect their accountability has on others (Roberts, 1991). In the present study, it can be argued the welcome segment is an unconventional form of accountability where a chosen individual board member expresses their perspective about a particular aspect of the organisation's mission and values. By sharing their personal account of the mission and values with the rest of the board, accountability is discharged at the individual board member level but it also involves thought and often dialog with the board as a collective whole.

Another significant strategic change implemented by the Board Chair, following the advice of an external governance expert, was to remove the senior managers from the board meetings. The reasons for this were three-fold. First, it would enable the board and senior managers to concentrate on their own areas as the board has a different role to the senior managers, although it is somewhat related. Second, the new format facilitated discussion about issues that might otherwise be sensitive to the senior managers. For instance, reviewing the performance of a particular senior manager. Third, it enabled a more manageable, smaller group that would foster more participation from board members. It appeared that this was an attempt to increase the formal accountability of the board in a downward accountability fashion and the senior managers in an upward accountability sense.

The researcher was present before and after the change was introduced. Board members' and senior managers' attitudes to this change were elicited during the interviews. Most board members were in favour of the change as it allowed more free and frank discussion but some had reservations about the impact on the flow of

information between the board and the senior managers. This was because the structure of the board had gone from a forum where all senior managers were present and exposed to the context of board requests, to a forum where only the CEO would be present and would convey board requests to senior managers. One board member Golf said:

*“I would like more assurance that the CE was able to give a really good sense of the feeling of the responses to the board agendas, etc. to the senior managers which would imply directly, I think, that they have regular meetings including just after the board meeting. And I’m still really left unclear...”*

A similar view was voiced by board member India:

*“I’m not sure how much the CEO would be feeding that back, and that’s the other issue, is that not having senior managers there relies entirely on the CEO to feed back what happens at the board meeting, and I assume they can read the minutes”.*

While some board members expressed doubts about whether it was appropriate for the CEO being entirely responsible for conveying the context of board requests, one board member, Bravo, was against the change. Bravo argued that the change reduced the sense of camaraderie between board members and senior managers:

*“It’s not a change that I’m in favour of...I’ve always been an advocate of strong relationships between senior managers, CEO and board members. And I think that it’s actually damaged the relationship making that change. I think we now have only the CEO reporting snapshots of the board meetings...”*

With the CEO becoming the sole party responsible for conveying requests from the board to the senior managers, some expressed views that it had ramifications for the flow of information between the board and senior management. For some senior managers, this governance change also had the effect of making report writing for the board difficult. A senior manager, Kilo, explained:

*“I think from my perspective the report writing issue is one of them because the board will ask for a report and then the CEO will task me with writing a report but the requirements of the board in relation to the content of that are not really clear which makes it very hard to respond”.*

Board members were also cognisant of the challenges the new governance format presented. This became evident at times in board meetings where papers tabled at board meetings from senior managers in some cases did not meet the board’s expectations. In the cases when this did occur, it was generally because the paper was operational in nature and did not have enough of a higher level strategic focus as far as the board was concerned. The submission of one board paper in particular caused considerable concern for board members and the senior manager involved. The paper was to be about the future of community services and the board expected the content to be forward-looking and proposing an agenda for how the services might be in 5-10 years’ time. Unfortunately, the senior manager responsible did not view her task in that way and instead provided a general report on the operations of community services. In the first instance, the board did not approve the report and returned it to the senior manager for amendments so it met their expectations. It was re-submitted to the board again but many board members still felt it was not what they required to make a decision. Exasperated, board member Echo said:

*“It’s unfortunate that the Senior Manager says it is not their job to be strategic. The Board needs something which is not general. It needs to be articulated so we have a target. For example, use the data to find gaps in service delivery. Identify the areas of need and then quantify them into a future direction!”*

Other board members agreed, voicing similar views. The Board members tried to work out a way to deal with correcting the issue. It was suggested by Bravo (in a similar way to Foxtrot) that feedback could be provided to the Senior Manager about what the Board thinks of the current document and what it needs (what it was lacking). Echo said s(he) doubts whether that course of action would produce what the board was seeking. However, the other board members decided to follow Bravo and Foxtrot’s suggestion – note the paper and request further information. This example illustrates negotiable and strategic accountability in action. The example of

the board providing guidance and engaging in negotiable accountability with the senior manager shows the board working with senior managers to adjust to the change. It also shows the collective decision of the board to tactfully address a difference of opinion between the senior manager and the board. Individual board members expressed discontent with the paper. As a collective whole, the board decided on a course of action that would tactfully address the misunderstanding so the senior manager would not be embarrassed or feel inadequate.

Expressing their opinion in an interview, senior manager Mike explained the value of having an ally on the board or a committee who can assist with providing context:

*“...that’s where my conversations and regular contact with the Chair of the Finance and Audit Committee is important as well, because that probably helps me get an understanding of what the board is thinking – the board perspective”.*

Mike’s comment about the value of having an ally in a board member was expressed in a similar way by board members who recognised that it was helpful to foster communication with senior managers. Often, such conversations took place in an informal, socializing accountability sense – outside the boardroom. For instance, Juliet said:

*“Occasionally I’ll follow up things that I don’t understand outside the board meeting; I might get on to Mike or somebody for something financial or whatever...”*

Board director India made a similar comment during her interview:

*“Echo and Mike are both really great with answering any questions that you have, so that’s useful too, having people who you can ask questions of and because sometimes there’s things you don’t need to hold up the board meeting with, it’s just little nuances that you don’t quite understand”.*

It can be argued that the broad accountability concepts of formal and informal accountability also became relevant with the change in board structure. In a formal



sense, the CEO and board had to work on achieving a strong, effective way of communicating. In addition, papers tabled to the board from senior managers had to be pitched at a higher level. The board as a collective showed a preparedness to help outline the expectations of board paper content during the adjustment period. Other techniques of communication were informal and showed socializing accountability in action. Board members and senior managers would communicate informally outside of the boardroom if they required further context than what the CEO conveyed. The informal communications that took place were sometimes mentioned during the course of board meetings or committee meetings; otherwise, interviewees explained this behaviour during interviews.

There was much evidence that the new Board Chair certainly encouraged the board's focus on strategy and accountability. With the advent of the welcome item at the start of every board meeting and its focus on the values of the organisation, there was socializing accountability exercised at both the individual board member and collective board levels. Such accountability appeared to put board members in the correct strategic mindset prior to the board meeting so they could operate at the higher level. In addition, the governance change where the senior managers would no longer attend board meetings could be said to make the roles more clear between the two parties. It would also facilitate more free and frank discussion between board members and it enabled a more manageable, smaller group that would foster more participation from board members. While formal accountability is inherent in these reasons for the governance change, it was the ramifications from the change that revealed some additional accountability insights. For example, there was evidence that the two-way flow of information between the board and senior managers was somewhat compromised. In some cases, this meant that senior manager reports that were written for the board did not match what the board was seeking. Negotiable and strategic accountability was exercised in these cases to strategically manage the relations between the senior managers and the board. Informal accountability also featured while the board members and senior managers were adjusting to the governance change. For instance, if a senior manager required extra context or clarification, they might contact a board member with whom they had a good rapport.

## Conclusion

This findings chapter has explored the strategic role of the board members of Burgundy. The contextual factors that encouraged a strategic focus were discussed, including the impact of legislative change in funding and the user-pays system in aged care. These external factors created a tension between a need for Burgundy to remain financially and operationally sustainable, but the board also recognised the paramount importance of fulfilling the mission of the organisation. Many discussions were had at board and committee meetings and strategic planning days about striking a balance between the viability of the organisation and achieving its mission. The broad accountability concept of negotiable accountability enables us to see what Ospina, Diaz and O'Sullivan (2002, p.9) point out - negotiable accountability consists of being accountable to internal and external stakeholders. It often consists of negotiating between two types of parties: "professional relationships" and "political relationships". The former relationship is where negotiations took place within the organisation (between board members and senior managers) about striking the balance between being commercial and fulfilling the mission. The latter relationship is where Burgundy presented a particular image to its external stakeholders. In this case stakeholders were mainly consumers and the image was one of organisational legitimacy – i.e. that the mission of the organisation would be fulfilled.

Narrative, calculative and formal accountability featured in the organisation's efforts to measure the effectiveness of its services. With the external pressures to change to a more serious NFP outfit, the organisation could see it needed updated means of measuring its services. By participating for the first time in a national NFP benchmarking study and investing in major ITS upgrades, the board had some more tangible data to work with that could assist in analysing the effectiveness of its responses to change. The board also requested a draft corporate plan with KPIs and KRAs from senior managers. This also meant that senior managers were held to account in a more rigorous way than before the benchmarking and ITS upgrades were implemented. Therefore, formal and upward avenues of accountability were also strengthened.

The new Board Chair also signalled a new era for the board and senior managers. Comments from board members and senior managers revealed the Chair's leadership

was more strategic than the previous Chair. With the new Chair's focus on welcome segments at the beginning of each board meeting, board members were sensitised to the vision, mission and values of the organisation. This showed socializing accountability in action at both the individual and the collective levels. A change in the governance structure of the board also heralded an emphasis on making the strategic roles of the board and senior managers clear while also increasing formal accountability. The ramifications of the governance change showed additional broad accountability concepts operating in response. For instance, negotiable accountability took place in the early adjustment period when some senior managers were trying to work out what the board expected in board papers. As another example, the board exercised negotiable and strategic accountability to finesse the conflict between a senior manager's view and the board's view. Other implications from the governance change to some extent could be argued to affect the two-way flow of information between the board and senior managers. Some senior managers and board members harnessed the technique of using an ally to provide them with additional context in an informal, socializing setting – outside the boardroom. This revealed the exercise of informal accountability to address a deficiency in information as a result of the governance change.

In summary, this findings chapter has explained why there was a significant emphasis on the strategic role in the case study organisation, Burgundy. Many examples have been provided that illustrate how the board members exercised their strategic role and the accountabilities inherent in the enactment of the role. This chapter illustrates the value of a framework of broad accountability in understanding and analysing the strategic role of directors and the ramifications for accountability.

## **CHAPTER 7: BOARD MEMBER ROLES – LIMITING OPERATIONAL DRIFT**

### **Introduction**

This chapter addresses all three RQs as it explores the strategy, control and resource dependence roles and how they were enacted in the NFP context. The challenge for board members to distinguish between their roles and senior managers' roles has been recognised in the board literature. When a board member strays into the senior manager role performing tasks in the senior manager realm, it is often referred to as "operational drift" (Cornforth & Edwards, 2001, p.357). The essence of the transgression is that board members, either unconsciously or consciously, spend board time on the detailed and routine aspects of business rather than focusing on the higher level "uncertainties or dilemmas" facing the organisation and assessing how the organisation is performing (Cornforth & Edwards, 2001, p.357).

While the literature shows board members are often cognisant of operational drift, little has been written about how board members limit the slippage into senior manager territory. While it is useful to know that most board members are aware of the practice and they are capable of acknowledging it (Parker, 2007a; 2008), we do not know how board members prevent it from occurring. This study is able to contribute to the board process studies literature by explaining how board members in Burgundy respect the line between their roles and senior manager roles.

The following section provides further explanation and background about operational drift. It also highlights the key issues to be addressed. The subsequent section explains why the primary focus of this findings chapter is on operational drift in strategising. It then considers the techniques board members use to prevent operational drift including the broad accountability concepts that are inherent in the exercise of the techniques. Table 7.1 sets out the techniques board members use to manage operational drift as well as the broad accountabilities that result from such techniques. The paragraphs after table 7.1 explain the techniques and accountabilities in more detail using the heading names from the table. The chapter then explores how board members manage operational drift in the control role and how the resource dependence role may assist board members in preventing operational drift.

## **Background to operational drift**

The board literature notes the potential for board members to stray into senior manager roles in all three aspects of strategy, control and resource dependence. This is because board members and senior managers both discharge roles in the three areas. The distinction between the board member and senior manager is the level at which they operate. Senior managers exercise strategy, control and resource dependence roles at an operational, detailed level compared to board members who operate at a higher level where there is less detail but more broad thinking required.

The data from the present study mainly shows how board members limit operational drift in strategising. There are two reasons for the strategic focus. First, as discussed in the previous chapter, there was a significant focus on the strategic role in board meetings, strategic planning days and committee meetings. It is not surprising therefore that most of the data illustrates instances where board members are respecting the boundaries between their strategic role and senior managers' strategic role. Second, the nature of the NFP organisation lent itself to the tendency to require a board that was proactive with respect to strategy. This was because there was a general consensus among the organisational leaders that there was a need for the board and its senior managers to become more strategic to continue to operate a successful organisation.

While a rationale for a primary focus on the strategic role has been outlined, it is important to consider the other areas in which operational drift can occur. Considering the resource dependence role, Stiles and Taylor (2001) highlight the overlap between board members' and senior managers' roles in "boundary spanning" – where networks and alliances are formed between the organisation and external parties.

The control role is another area where board members can exercise roles that are in the senior manager domain. For example, this might occur where a board member focuses on the detailed aspects of legislation relevant to a higher level discussion about regulation. Whether it is the strategy, control or resource dependence roles, the key take-home message is that the detailed aspects of these roles is in the realm of senior managers. The higher level aspects of the three roles are reserved for the board

members. Sasso (2003) notes that neither board members nor senior managers can do without the other:

The breadth of knowledge and specialized skills needed in the boardroom to make informed strategic business decisions on an ongoing basis demands a careful blending of their unique competencies and perspectives...(Sasso, 2003, p.1513).

The findings from this study contribute significantly to the existing literature as these findings shed light on the practices board members use to limit operational drift. On the occasions that operational drift occurred in the case study organisation, the researcher observed it happening without reference to s198A of the *Corporations Act 2001* (Cth). When operational drift occurred, it happened when directors would try to make decisions with respect to routine, daily operations of the organisation. In some cases, the Board Chair would identify operational drift and in other instances, the board members recognised it. The identification of operational drift was a multiple, interactive individual and group decision process.

The techniques board members use to prevent drifting into senior manager roles are common across the exercise of all three key board member roles. Certain aspects of broad accountability help explain how board members reduce operational drift. These include trust (negotiable accountability), accountability enacted at both individual and collective levels, and formal and informal accountability.

Observational and interview data reveals that board members consider the following factors as key in preventing operational drift: the two-way flow of information between the senior managers and the board, individual awareness of operational drift and accountability, a strong rapport between board members and senior managers (trust), experience, being clear on board member roles and scope (to operate at the higher level), being clear on senior manager roles and scope (to operate at the detailed level) and having appropriate systems in place to make the distinction clear. These findings confirm those of Roberts, McNulty and Stiles (2005) and Cornforth and Edwards (2001) and also add new, additional insights.

A principal finding from the present investigation is the techniques board members harness to respect the line between their roles and the duties of senior managers.

Concepts of broad accountability are helpful in explaining the ways in which board members stay on the correct side of the line between their roles and those of senior managers. This section will explore the techniques board members use to respect the line including trust (negotiable accountability), accountability enacted at both individual and collective levels, and formal and informal accountability. The insights from these findings are novel. While the board literature notes the challenge for board members to observe the line, the literature does not explore in any great depth the techniques directors exercise to observe the line.

### **Operational drift in strategising**

A common theme from interviews was that strategy was the most challenging role where the line between board member and senior manager roles was hardest to distinguish. This appeared to be the case due to two factors. First, both the board and senior managers were heavily involved in strategy. As outlined in the previous chapter, this was largely due to the external and internal changes Burgundy was encountering and the life cycle stage at which the organisation was at the time. Second, the board wished to change the emphasis of Burgundy from that which focused on the operational or general management issues to a more strategic, forward looking organisation. Each of these two factors will be investigated in more detail below.

The first factor, the strategic focus, was challenging in terms of distinguishing between board member and senior manager roles because both the board and the senior managers were, to a large extent, involved in the organisation's strategising. For example, drafting strategic plans and corporate plans was a shared task between the board and senior managers. As explained in the previous chapter, the stage at which the organisation was at made it essential for the board to understand their role in strategy. Recall that the board was driving the transition from the organisation's previous NFP model to a strategically refocused model. Board member Bravo commented:

*“I think it's important for the organisation and for the relationship between senior managers and board members to know where that line is and the board and the board members to be operating at that higher*

*strategic level”.*

The second factor that added to the challenge for board members to distinguish their strategic role from those of senior managers was a conscious decision on the part of the board to develop a strategic approach different to the historical operational and management focus of the board. As discussed in the prior chapter, the need for a more strategic emphasis was identified by an independent governance expert and encouraged by the new Board Chair. There were also external factors including legislative changes in funding arrangements and the introduction of a user-pays system in aged care that contributed to the board adopting a more strategic orientation. The governance expert argued Burgundy would be more efficient if board roles were distinguished from those of senior management. Board member Charlie explained:

*“...in response to the latest major consultation we’re saying we want to change the ethos of the organisation, we want to move it from a laid back dad’s army effort into a highly professional outfit that’s going to mix it with the for-profits”.*

The outcome of the governance review was that not only the board, but also of some the senior managers needed to be more strategic in their dialogue, written reports and activities. In an interview, board member Golf commended the senior managers for being excellent operationally but recognised that some senior managers were not comfortable with strategising. The Board Chair, Alpha, expressed a very similar view in their interview and informally to the researcher after a board meeting. The CEO, Delta, explained why some senior managers struggled to distinguish between being operational and working at the strategic level:

*“Senior managers may need to deal with the operational level and then again at the strategic level, and I think some are more comfortable in the operational level rather than the strategic level”.*

Board member Golf attributed the lack of strategic focus by both the senior managers and board members to the history of the organisation, “which is very modest, to just do good works and not expect a reward”. According to Golf, another contributing factor was some reluctance of both board members and senior managers to tackle



strategy, either due to an inability to strategise (as suggested by Delta above) or a lack of confidence. The leadership from the previous Board Chair was also cited as a factor that encouraged the operational approach.

Senior manager Mike shed more light on the previous Board Chair's *modus operandi* and how that had impacted on the strategic approach of the current CEO. Mike suggested that the previous Board Chair had been dominant with respect to strategy and the current CEO was not able to take a leadership role in strategy. With the new Board Chair Alpha, the CEO became more involved in strategy because the new Board Chair was prepared to share the strategic role with the CEO. Mike observed,

*“...there are a lot of organisations out there where the CEO will be the leader around strategy, so they'll be the ones that drive the strategy and the direction and the ideas, and I think in that case...the board needs to be probably a bit more of the—maybe of the conservative nature of the oversight nature, whereas if you've got a CEO who's probably less inclined that way then I think the board has a role to be more strategic...I think we're probably more the latter”.*

Mike suggested that the context in which the organisation was operating could also impact on the dynamics between the CEO's leadership style and that taken by the board. CEO Delta provided a similar view, contending that the context in which board members and senior managers operate can condition the strategic role:

*“I think the strategy is to look broadly across the organisation, broadly assess the environment in which we work, which sounds fairly easy, but in fact in our business it is quite difficult because the environment in which we work is constantly changing”.*

Board member India drew upon their experience as a board member in a statutory authority and compared it to that of Burgundy. India explained that in the statutory authority, strategy was driven by the senior managers and the board played a more passive, approval or disapproval role. In Burgundy, India explained that it was almost the opposite. The board in Burgundy was actively involved in developing and driving strategy with the senior managers. Hence, there was the particular challenge for the

board members to observe their strategic roles in Burgundy to ensure they did not encroach on roles belonging to senior managers.

Board member India attributed the differences in board involvement in strategy largely to the structure of the organisation and its mandate. For instance, in the statutory authority, there were more formal roles and personnel who had the capability to strategise. India explained that the mandate of the statutory authority was also more specific compared to Burgundy. On the other hand, in Burgundy, an absence of formal strategic structures and a much broader mandate made it more challenging for the board and senior managers to strategise. It was therefore more critical that the board members in Burgundy identified and respected the line between their roles and those of senior managers.

India's comparison of Burgundy's board with the board of the statutory authority highlighted that the locus of strategy either largely rests with the board or the senior managers depending on the structure of the organisation and its mandate. India's perspective was similar to that provided by an external strategic consultant who was engaged by the board to assist with strategic planning days. This consultant will be referred to as Papa. In an informal interview between the researcher and Papa, Papa explained that there is usually a principal difference between a corporate board and an NFP board. They said in their experience, a corporate board would not be so involved in strategy as an NFP board. This is because corporate firms have the funds and resources to employ a staff member to deal with the high level strategic issues. On the other hand, in the NFP sector, this is generally not the case as funding and human resources are more scarce. Consequently, the NFP board is more involved in high level strategy. For example, analysing the vision and values of the organisation and working out what the organisation should aim to achieve.

As the examples from India and Papa illustrate, the dichotomy between the strategic role the NFP board and its senior managers can be far less clear in an NFP organisation compared to that of a statutory authority or corporate board. This is especially so when there are additional contextual factors such as those in the case of Burgundy that meant both the board and the senior managers needed to exercise a

strategic role. Board member India illustrated the fine line between board member and senior manager roles in Burgundy,

*“...the senior managers give us the information that helps us to make a strategic decision, that they can't just rely on the board to think strategically, because we're not close enough to the information. We can interrogate that and we can push that thinking, and think beyond that, but we need a starting point from them”.*

Senior manager November expressed a similar sentiment to India in their interview. November argued that senior managers were generally in a better position to think strategically because they are closely involved with the organisation on a daily basis. November also contended that there was a role for board members in strategy too. November distinguished between the strategic roles of senior managers and board members by commenting that senior managers provide the ideas or information with respect to strategy and the board members operate at a higher level. Board members exercise a higher level strategic role by either deciding to act on the advice or information from senior managers or they might decide to do something else. November explained in their interview,

*“While senior managers can make a recommendation or provide advice and information, it's really up to them [the board] to make that final direction. I think it's really important than when the board decides on strategic direction that senior management is actively involved in that, because we have a sense of what is and isn't possible”.*

The interviews shed light on why there was a challenge to distinguish between the board member strategic role and the senior manager strategic role in Burgundy. Observations of board meetings, committee meetings and strategic planning days reinforced this challenge, as it was evident that there was a strong emphasis on strategy from both board members and senior managers.

Despite the significant emphasis on strategy from both the board and senior managers, observations revealed the occasions on which operational drift occurred were few. For

example, only during a handful of board and committee meetings did senior managers spend time on aspects that were deemed too detailed by the board. In every case, either the Board Chair or a board member would step in and in a respectful manner, point out that such conversations were operational and alerted the senior manager for the need to lift their analysis to the higher strategic level. A similar leadership approach to prevent operational drift was taken by the board members with respect to formal reports tabled to the board by some senior managers. For instance, a customer service charter drafted by some senior managers and staff was returned to the senior managers because it was not pitched at the strategic level the board required. Also across board meetings observed, very rarely did the researcher observe board members venturing into operational discussions. On the rare occasion that a board member did, the Chair Alpha would take an active role in preventing time being spent on the issue and Alpha would request that such conversations take place outside of the board meeting.

Observations of board and committee meetings and strategic planning days showed accountability was exercised at the individual board member level or the collective board level when managing operational drift. Individually, for example, the Chair would take an active role to prevent operational drift. Other board members exercised a similar role if the Chair did not acknowledge it. Alternatively, accountability at the collective level was exercised where more than one board member agreed that a discussion was becoming too managerial or a board paper needed to be pitched at a higher level for the board.

### **Preventing operational drift through broad accountability**

Board members and senior managers held common views about how they respect the line between their roles and the roles of senior managers. The techniques discussed by board members were often not mutually exclusive. For example, trust between board members and senior managers was usually linked to the technique of gathering information. Table 7.1 below is divided into three groups of the techniques and associated accountabilities that board members use to reduce operational drift. Each of the three techniques and accountabilities are explained in more detail after the table using section headings that correspond with the techniques.

**Table 7.1 Techniques and accountabilities to reduce operational drift**

<p><b>Board member and senior manager perspectives that support the techniques and accountabilities (from interviews)</b></p>	<p><b>Techniques/themes used to prevent operational drift (from observations and interviews)</b></p>	<p><b>Associated broad accountability concepts</b></p>
<p><u>Board members</u></p> <p>Juliet, Echo, Bravo, Charlie, Golf, India, Foxtrot</p> <p><u>Senior managers</u></p> <p>Mike, November, Lima</p>	<p><b><i>Trust.</i></b></p> <p>Developing good relationships with senior managers through informal and formal accountability relationships. Trust in the abilities of each to communicate effectively and provide appropriate information.</p> <p><b><i>Information.</i></b></p> <p>Provision of the appropriate amount of information and accurate information. Understanding the two-way flow of information between the board and senior managers through the CEO. Upwards and downwards flow of information. A two-way obligation on both board members and senior managers with respect to the information provided and received.</p>	<p><b><i>Negotiable accountability.</i></b></p> <p><b><i>Upwards and downwards, formal and informal accountability.</i></b></p>

**Table 7.1 Techniques and accountabilities to reduce operational drift continued...**

<p><b>Board member and senior manager perspectives that support the techniques and accountabilities (from interviews)</b></p>	<p><b>Techniques/themes used to prevent operational drift (from observations and interviews)</b></p>	<p><b>Associated broad accountability concepts</b></p>
<p><u>Board members</u> Foxtrot, Alpha, Juliet, Echo, Golf, Bravo</p> <p><u>Senior managers</u> Mike, November, Delta, Kilo</p>	<p><i>Being clear on board member and senior manager roles and scope.</i></p> <p>The board role is setting the broad, strategic direction. The board operates at the higher level. The senior manager role is implementing the strategic direction set by the board. The senior managers operate at the detailed, routine, day-to-day level.</p> <p><i>Knowledge and experience from the resource dependence role.</i></p> <p>Knowledge gained through training courses and research. Experience in both formal board settings and informal settings with board members and senior managers.</p>	<p><i>Individualizing and socializing accountability, formal and informal accountability.</i></p>

**Table 7.1 Techniques and accountabilities to reduce operational drift continued...**

Board member and senior manager perspectives that support the techniques and accountabilities (from interviews)	Techniques/themes used to prevent operational drift (from observations and interviews)	Associated broad accountability concepts
<p><u>Board members</u></p> <p>Juliet, India, Echo, Alpha</p>	<p><i>Individual and collective accountability.</i></p> <p>Asking appropriate questions such as, “is this something I or we should be talking about?”</p> <p>Being cognisant of the mission of the organisation and asking questions such as “who are we serving?”</p>	<p><i>Individualizing and socializing accountability.</i></p>

**Limiting operational drift: how trust and information assist**

One of the most commonly occurring themes discussed in the interviews was the concept of trust between board members and senior managers. The broad accountability literature cites trust as an aspect of negotiable accountability (Jayasinghe & Soobaroyen, 2009; Sasso, 2003; Holland, 2002; Ospina, Diaz & O’Sullivan, 2002) however; the ways in which trust operates are not expressed in much more detail. While mentioned briefly in the broad accountability literature, this study gives the aspect of trust more attention and provides examples of trust in action. This responds to the comments from Sasso (2003, p.1489) that call for more theoretical and empirical research into trust in NFP governance. Sasso (2003) argues trust is critical in effective NFP boards and one way of achieving greater trust might be by increasing the number of inside directors that is, senior managers, on the board. Sasso (2003) acknowledges however that simply increasing inside directors on the NFP board is not sufficient. She explains that there also needs to be strong “internal working norms” that facilitate positive and constructive dialogue between the board and senior managers, which generates trust (Sasso, 2003, p.1541).

The significance of providing and receiving the appropriate amount of information was also a technique that was commonly suggested in interviews to combat operational drift. There was a consensus between board members and senior managers that communication of information was a mutual responsibility and the negotiable accountability aspect of trust was often linked to information. For instance, many interviewees said trust was important in relation to information in terms of being able to trust that sufficient information was provided and that the information was accurate. Board member India said,

*“...a board is only as good as the information it’s given, and it’s very easy to deceive a board, that’s my own personal view, because, as I said, coming from the other side and being someone who’s written papers for a board, the board is trusting...”*

Information has also been cited in the board literature as a crucial element. Sasso (2003) argues,

How effective the not-for-profit is...is ultimately driven by what information is presented in the boardroom and how the directors use that information to strategically position the institution within its operating environment on an ongoing basis (Sasso, 2003, p.1486).

It became especially evident in interviews with board members and senior managers that having a trusting rapport between the two parties was essential to respecting each other’s roles. This trust related to the notion that each party could competently and reliably discharge their roles, that the information communicated was sufficient and accurate, and appropriate questions were asked when necessary.

According to board member Echo, trust in the senior managers reduced the workload of board members so that they could focus on their roles, which operate at a higher level than senior managers. Echo also shared how board members exercise their role at a higher level by explaining that the board focuses on outcomes, not on the way that things get done by the senior managers:

*“The biggest issue to me is trust in the management ability. If you don’t have trust in the management to do their job, you’re then in a situation*



*where you're overseeing almost everything they do, whereas if you trust what they're doing, well, all the rest of it actually disappears, because you can say, what's the outcomes? If the outcomes are what you are looking for, well, it doesn't really matter how they do it".*

Trust is relevant to the level of confidence the board members have in the senior managers to discharge their role competently. As Echo said, it does not really matter how the senior managers discharge their role, the board members are more interested in the outcomes. If it becomes apparent to the board that there are problems with how a senior manager reached an outcome, then the board members will look into it further. Senior manager November made a similar comment in their interview:

*"So I think that we're accountable to the board on not so much how we do it - I think it's more the outcome so that we get the outcomes that we should be getting...if we don't meet the vision and values of the organisation with the services that we provide, then it's the role of the board to be saying, 'You've not met that. Now we need to know what you're doing and how you're doing it..."*

To senior manager Mike, trust between senior managers and board members was essential because it enabled board members to make an assessment as to whether the organisation is being managed in an appropriate fashion:

*"...there's that sort of trust element that needs to happen between senior management and directors to ensure that they're obviously comfortable that the management is managing the business appropriately".*

When trust is present between board members and senior managers, board member Juliet highlighted that it gives board members the confidence that they do not have to worry about the more detailed aspects of the organisation:

*"And I guess developing good relationships with management too, so they can almost say, "Well, that's my job. I'll make sure that happens. Don't you worry about that".*

As explored in the preceding paragraphs, trust enabled the board members and senior managers to respect their roles because it instilled confidence in both parties that the requisite roles were being exercised by the appropriate people. Senior manager November explained that a prerequisite to board members effectively exercising their roles is that they rely on information provided by the senior management team and then they ask the appropriate questions.

*“And of course, to do that [exercise their roles], they need to, I believe, rely heavily on the senior management team in giving them that information to assist them do that”.*

Board member Echo highlights the importance of board members asking the right questions from information that has been provided to them:

*“The thing is to know what questions to ask. If you don’t know what questions to ask, that’s the old story, it’s not what you know, it’s what you don’t know”.*

It is incumbent on board members have to ask appropriate questions, including obtaining further information if necessary to inform their decision. There is also an obligation on senior managers to provide the appropriate amount of information as well as information that is accurate. Senior manager Mike argued while senior managers are responsible to a fair extent for the provision of information to the board, the responsibility also rests with the board to request the appropriate and relevant information from senior managers:

*“I think an important part of the board’s job is to get the information they need to make sure that the organisation’s in a good position...it’s really important that there’s some control aspect going the other way in terms of making them [the board] accountable or responsible for what they want and why and being really clear about what they want”.*

The ways in which board members requested further information occurred formally at a board meeting or informally outside of the boardroom. This highlights the exercise of formal and informal accountability. While board members are responsible for seeking more information, the structural governance change to the board explained in

the previous chapter had an effect on information from the senior manager perspective. Many comments were made by senior managers in interviews that they felt the connection with the board had been diminished as they were removed from board meetings and relied solely on the CEO to provide information to them from board meetings. Most senior managers not only expressed frustration with the change but also explained how they managed the new structural arrangement. It became evident that they adopted coping techniques. These coping techniques were about fostering good relationships with board members so that if context or clarification was required, they could contact the board member to check. For instance, senior manager Mike commented,

*“...if you can have an ally, you know, you then – it makes it easier to go to a board meeting or a subcommittee meeting with a proposal or whatever, or to make sure you’re on the right track”.*

Having a trusted colleague on the board where senior managers could clarify things appeared to work in a similar way for board members. Board member India displayed a similar sentiment to senior manager Mike about having trust in senior managers and board members to help with issues that directors might not understand or in which they might not have much experience:

*“...so [the Chair of the Finance and Audit Committee] and [Senior Manager Finance] are both really great with answering any questions that you have because sometimes there’s things you don’t need to hold up the board meeting with it, it’s just little nuances that you don’t quite understand as opposed to issues that you have”.*

It became evident that senior managers and board members valued positive working relationships as it enabled questions to be asked or clarification sought when required. This worked in both directions: from senior managers to board members and board members to senior managers.

Both comments from Mike and India show informal accountability being exercised by a senior manager and board member respectively. Informal accountability in this instance is asking questions from trusted colleagues in an informal setting. Informal settings include telephone conversations or coffee meetings. Usually informal

meetings were had so either a senior manager or board member can gain more context to help with communication or decision-making. This can be argued to be socializing accountability in action.

On some occasions, it became apparent during meetings that informal meetings had been had between board members and senior managers. For example, during discussion of an item about work, health and safety (WH&S), the relevant senior manager declared that they and the CEO had discussions with a board member on a number of occasions about WH&S reports. They said the discussions were conducted over the telephone and email. Another example of informal accountability being exercised was acknowledged during a committee meeting where the Chair of the Aged Care and Property Committee said that they had had “informal conversations” with another board member about the Risk Appetite Framework. Such informal accountability practices not only help board members or senior managers clarify or ask more questions, it also has the additional benefit of saving board time for other agenda items by not holding up the meeting with questions about a specific item.

Some board members and senior managers provided the view that by engaging in informal activities outside the boardroom, trust and camaraderie between both parties would be increased. This supports the notion of socializing accountability in action. For instance, senior manager November explained that when she took the new Board Chair on a site tour, she found the time spent to be valuable as it generated a rapport between her and the Chair:

*“When Alpha took on as the chair of the board, I actually spent a day with Alpha and took Alpha around to some of our sites, and we sat down and had a chat, and then we took off and visited sites. That was really, really good. You know, I felt that helped build a relationship with Alpha. And you know, I feel reasonably comfortable chatting with Alpha”.*

Board member Bravo viewed relationships with senior managers to be valuable in fostering trust. Bravo argued that building a rapport between senior managers and board members could also occur formally, in the boardroom. Bravo provided the example prior to the governance change where the structure of the board was such

that senior managers also attended. Bravo said that she preferred the previous structure as it:

*“...fostered the camaraderie and the joint roles that we each have”.*

With the governance change and the structure of the board changing, it was evident that board members and senior managers adapted by engaging in more informal activity outside of the boardroom. For example, Mike and India’s comments above about exercising informal and socializing accountability by contacting their trusted colleagues to ask further questions or request more information.

Board member Golf argued that good relationships between board members was vital. Golf gave the example of a suggestion from the Board Chair who mentioned that the board members could occasionally go out for dinner after board meetings had concluded. Golf was very supportive of the idea because:

*“I think you just need to know each other and be able to laugh with each other and converse, and it’s really to keep building the relationships. We don’t have to be best friends, in fact we shouldn’t be best friends...”*

The data shows that information to the board from the senior managers and information requested from the board is a two-way role and it is most effective when there is trust between both parties. For example, trust eliminates suspicion from board members that they are not receiving adequate or accurate information. Trust also encourages dialogue with senior managers, usually in the form of questions, if board members need to clarify an aspect of information that has been provided.

Trust is an aspect of negotiable accountability. With regard to trust and information, it is evident that there is accountability that is being negotiated between the board members and the senior managers. According to Ospina, Diaz and O’Sullivan (2002, p.9), this type of relationship can be characterised as professional. This is because the rapport between senior managers and board members is the board negotiating accountability with its internal stakeholder – its senior staff. The two-way responsibility between board members and senior managers could also be expressed as upwards and downwards accountability. The upwards accountability is exercised

by the senior managers reporting upwards to the board through the CEO. The downwards accountability is exercised by the board members who are responsible for communicating any questions or requesting any further information to help them make a decision. Finally, accountability of board members and senior managers is exercised both formally (individualizing) and informally (socializing) when it comes to trust and information. In formal settings, questions are asked at board and committee meetings. In informal settings, questions are usually asked either at a coffee or lunch meeting or on the telephone. In summary, there are several aspects of broad accountability that operate to facilitate trust and information between board members and senior managers.

### **Limiting operational drift: knowledge and experience aids understanding roles and scope**

Understanding the roles and scope of board member and senior manager roles was another common technique raised in interviews to observe the line between board and senior manager roles. Many board members and senior managers showed they understood the distinction between the two roles. In interviews, it was often said that board members exercise a higher level role compared to senior managers. This higher level thinking requires board members to look at present and past information, to assess outcomes and to plan for the future. Senior managers on the other hand, are responsible for exercising a role that covers the day-to-day operations of the organisation. Board members explained in interviews that they gained this understanding through knowledge and experience.

The findings from this study confirm those of Cornforth (2001) with respect to managing operational drift. Cornforth (2001, p.217) argues that board effectiveness in NFP organisations is achieved by having clearly defined board roles and senior manager roles and ensuring that board members have “the time, skills and experience to do the job”. The current study highlights the importance of board members acquiring knowledge and experience. Board members explained in interviews that knowledge and experience was often gained through exposure to board work, governance training and research about how the board members and senior managers work together. The present investigation also found that many board members had a strong view that it is important to be clear on board members’ and senior managers’

roles and scope, as this could limit operational drift. This study underscores the importance of having board members who possess the knowledge and experience about roles in governance, as it enables them to challenge how meetings are being run (Cornforth, 2001, p.355).

It became evident both in interviews and observations that board members had to draw upon the aspects of the resource dependence role of the board member to manage operational drift. Recall that the resource dependence role of board members requires them to possess appropriate skills, knowledge, networks and experience. The aspects of resource dependence that were harnessed to prevent operational drift were knowledge and experience. Knowledge appeared to be acquired through training. For instance, there were opportunities available to directors to up-skill through the AICD courses to equip board members with knowledge about how their roles function. The CEO sometimes mentioned upcoming AICD courses to directors in board meetings. On some occasions, the CEO would provide handouts to board members outlining the AICD training opportunities available. Furthermore, it was discovered through interviews with some board members that there were in-house training courses available from the parent body that oversees Burgundy. Board members remarked that such training programs were valuable. Board member Juliet gave examples of the courses available including:

*“...training sessions you can do on the role of a board or board membership, financial accountability and the ethos of the [parent body]”.*

Board members explained that knowledge could also be gathered by undertaking research, asking questions and being exposed to board and committee meetings.

Many board members shared the view held by board member Bravo about knowledge and training. Bravo explained that it is largely an individual responsibility to pursue knowledge and training. If however, more than one board member neglects this responsibility, it also has a negative effect on the board as a collective whole. Bravo outlined the opportunities available for board members to learn new things:

*“...there are opportunities, I think, to train and up-skill board members in some of those more complex areas. Having said that, it's important to*

*inform yourself as well and to ask questions and to speak with people who can assist if you're struggling with a particular area. We have had board members that have done AICD courses and that sort of thing, and of course [Burgundy's parent body] runs some training programs”.*

Bravo's comment above also highlights the individualizing aspect of accountability inherent in knowledge and training. Bravo suggested that it is incumbent on the board member themselves to know their limitations and assess their weaknesses, and if necessary, ask more questions or seek assistance from those who can help.

Experience was also said to be a crucial element in assisting board members to observe the line between their roles and those of senior managers. Experience could be gained through exposure to the current board or experience in other board settings, as many of the board members had been or were also members of boards for other organisations. The youngest board member India, explained how experience over the years on Burgundy's board has helped them distinguish between the operational and the higher level aspects:

*“I've worked this out more over the years, is which things that I can just email and ask, and which things I'd rather raise at the meetings, it might be a broader issue for other people. That takes a bit of working out, really, which things are just operational, and what does this mean?”*

India's comment also reveals how board members work out whether a question is worth raising formally at the meeting or informally through avenues such as emailing the relevant senior manager. This illustrates the exercise of formal and informal accountability in preventing operational drift. It appeared that the exercise of this role required judgment, as it might not always be appropriate to ask questions in the formal context of a board meeting. As India suggested, raising a question in an informal setting might be more appropriate if it was an area where the board member felt they were not comfortable and perhaps required more detail to understand it compared to other board members.

Most of the interviews with board members and senior managers revealed that experience could also be attained through working in the sector. This could be in another capacity as a senior manager or a consultant. Experience could also be



attained through business. It became evident that experienced board members were not only confined to experience in board activities. If they came from a managerial role for example, this would help them appreciate the operational aspects and they were likely to be more attuned to distinguishing between operational roles and higher level roles. Board member Echo shared their view that instead of seeking board members with specific skills such as an Accountant or a Lawyer, in their view, it is more suitable to have board members who:

*“...actually know, have got some really good industry knowledge, I think, people who have been good business people, people who really know the skills of running a business, because that’s what we’re talking about...As long as we’ve got people who really understand how to run a business, you can always go out and get someone to advise you on the specific skills that you really need”.*

The above quotation from Echo also illustrates the board member being required to operate at a level higher than the detailed management level of senior managers. In the interview with Echo, they explained that in their view, there is a common misconception that board members need specific skills. On the other hand, Echo suggested that the specific skills could be a limitation as it might encourage the board member to become managerial in their approach rather than considering the broader issues. This example shows that board members again can limit operational drift by drawing upon their experience in ways that broadens a board members’ ability to be able to think at a higher level.

### **Limiting operational drift: using aspects from the resource dependence role**

While some aspects of the resource dependence role have been shown to prevent operational drift, it is important to recognise that there are aspects of the role where operational drift can occur. As Stiles and Taylor (2001) point out, the boundary spanning aspect of the role, which has also been referred to as the networks and resources aspects, can encourage operational drift due to closeness of the roles in both the board and management realms. While the researcher observed both board members and senior managers exercising boundary spanning – where they would suggest strategic partnerships and alliances with other organisations – there were no

notable instances where this generated a conflict between senior managers' roles and board member roles. As there was little evidence of operational drift in the resource dependence realm, perhaps future studies can examine this aspect more closely.

The following example outlines how board members exercised their resource dependence role, by confining their role to the higher level aspects of strategic alliances and partnership analysis. For example, at a board meeting, a strategic KPI reporting document from senior managers was tabled which outlined 82 strategic alliances and partnerships Burgundy had with similar organisations. Some brief detail about the outcomes of the alliances and partnerships was also provided. The board examined the document and requested further information about how the outcomes had been met. The board members also suggested that one aspect of the document be presented to the board in detail. A decision was made that the CEO would present on the topic of the consumer directed care model for aged care at a board meeting in two months' time.

After two months elapsed, the CEO provided a paper to the board that they wrote with another senior manager and the Chairs of the Risk Committee and Aged Care and Property Committee. Some of the principal aspects of the paper covered key performance areas and risk appetite descriptors for the consumer directed model of aged care. The CEO also provided a verbal report to the board detailing the strategic KPI reporting for the new model of consumer directed aged care. As the analysis of strategic alliances and partnerships was then at the outcomes level that the board expected, the item for discussion was noted and accepted by the board.

The interviews and observations revealed that board members value knowledge and experience as two techniques from the resource dependence role that they can draw upon to limit operational drift. Inherent in knowledge and experience is an individualizing accountability aspect where it is incumbent on the board member themselves to assess their weaknesses or areas where they feel they are lacking. Documents tabled at the board meeting such as the yearly review of board member skills helped board members make this assessment. Another concept of broad accountability was revealed in the resource dependence aspect of experience. This concept was socializing accountability. It occurred when a board member would determine whether they ask further questions in a formal setting at a meeting or

request more information informally outside of the boardroom. Such a process could be characterised as socializing accountability as board members would engage in face-to-face discussions or dialog through telephone conversations about topics the board member deemed important to pursue.

While other aspects of the resource dependence role such as resources and networks can be said to create the conditions conducive to operational behaviour, the board members in Burgundy showed a strong understanding of their roles and scope and rarely appeared to encounter difficulties in observing the line. The board members had also showed an ability to work together in a similar realm with senior managers such as strategy. This ability to work closely with senior managers in both the resource dependence and strategic roles was facilitated by the use of techniques previously outlined in table 7.1 above. This includes exercising techniques that foster trust between directors and senior managers, assessing information and determining how to acquire more if necessary, acquiring knowledge through training and experience, and exercising accountability individually and collectively.

### **Limiting operational drift individually and collectively**

Having an awareness of the roles expected from a board member and a sense of individual accountability was a technique used by directors to make the distinction between the higher level and the operational aspects of board work. A common question posed by board members during board and committee meetings and strategic planning days was “who are we serving?” According to Sasso (2003, p.1508) such questions are important in facilitating trust: “...if it is not clear what purpose(s) the board is serving, there is no basis for trust...”

The board began to ask questions such as “who are we serving?” with increasing frequency after a report from external consultants was tabled to the board which encouraged the board members to frequently consider their mission and who they were serving. The question “who are we serving?” was often asked in two contexts. One of these contexts was when the board engaged in analysis of their current services. The other context was when board members assessed the capacity of the organisation to provide services in the future. It appeared that active and vocal questioning enabled the board to focus on its mission and values, allowing this to

inform decision-making as to whether current services were appropriate or whether service delivery in other areas was required.

The question about the people the organisation was serving was also raised when the finances of the organisation were reviewed for current services. It appeared that the use of this questioning technique appeared to keep the board members focused on the mission of the organisation so that analyses were not as simplistic as making a quantitative assessment that a service was underperforming. For example, when analysing financial reports of aged care services during a Finance and Audit Committee meeting, the Board Chair and the Chair of the Finance and Audit Committee acknowledged that one aspect of their home care packages was not generating any profit. The Chair said the way to view the figures for the service was to consider whom that home care package was serving. In other words, was the home care package servicing a part of the market that was congruent with Burgundy's mission? If so, that would prevent the committee from making a recommendation to the board to discontinue its services. The Chair of the Finance and Audit Committee agreed and commented that in some cases a profit might not be made for activities. The example of board members questioning who Burgundy was serving has illustrated the use of individual and collective awareness and accountability. This technique of thinking aloud had an individual effect but it also had a collective accountability effect where it would prompt other board members to analyse the situation using a similar lens. These two effects can be argued to be individualizing and socializing accountability in action.

Some board members said that they found asking themselves questions about the relevance of board discussions was an effective way of preventing the drift into management roles. Like the question "who are we serving?", this was a form of individualizing accountability in action. Board member Juliet described in an interview how s(he) respected the line between their role and that of senior managers:

*"I think that's something that you've always got to be asking yourself, "Is this something we should actually be even talking about?" or just expressing a view to management that we're interested in that and we'd like to see a report on it or something, but not getting too involved in that. There's a bit of a fuzzy line, I suppose, between what people*

*consider strategic and what people consider, no, that's what management are there for, not us. So just at least being aware of that and making sure that we don't cross over the line too much".*

In summary, accountability was exercised both at the individual level and the collective level when it came to managing operational drift. Observations of meetings showed that accountability occurred where board members would think aloud by posing questions or they would ask themselves the question. In the cases where board members would think aloud at meetings, this showed accountability being exercised at the individual level and also the collective level. It appeared when board members asked questions vocally, it also had a collective effect on the other board members, prompting them to consider the question if they had not already done so. Such a practice has both a individualizing and socializing accountability effect. Alternatively, if a board member asked themselves questions, it could be said this was a form of individualizing accountability. If enough board members asked the appropriate questions of themselves, this could be argued to have a collective accountability effect too.

### **Operational drift in control and the resource dependence role**

To this point, the current chapter has addressed how board members manage operational drift when exercising their strategic and resource dependence roles. This section will explore how board members observe their roles and those of senior managers when exercising the control role.

There is a common set of techniques board members use to stay on their side of the line with respect to exercising their three principal roles. As explained earlier in this chapter, the techniques include: trust and information, understanding the roles and scope of board members and senior managers through knowledge and experience, and individual and collective accountability. When board members exercised their control roles, they also used these techniques. Control in the context of the present study can be classified as financial control, risk management and control monitoring (Parker, 2007a).

There was strong engagement in control monitoring in the present investigation. This was especially evident in the areas of financial control where board members would generally ask questions of financial reports and budgets in board meetings and committee meetings. An example of such a question was from a board member who asked:

*“How come so much was budgeted for a branding specialist and we’ve only used a portion of it?”*

The response from the CEO was that senior manager Lima took on the role instead, saving money for Burgundy. An example of another question was:

*“Why is the revaluation so lumpy?”*

The senior manager responsible, Mike responded,

*“We do it every four years. It’s standard procedure. We can do it more regularly, say every year or two years but there is a cost involved”.*

Risk management and operational control were other areas of control exercised by board members during board meetings and committee meetings. The following example shows board members working collectively to prevent a decision being made on a proposal to redevelop an existing aged care site.

The proposal was submitted to the board by senior manager Mike and consisted of a written report to the board detailing the proposed redevelopment plan, timetable, budget, financial evaluations, and potential demand. The board also heard a verbal report from Mike. More than half of the board members (six out of nine) expressed concern about the project in terms of risk and finances. Board member India was unsure about the projected demand for the redeveloped site. India commented,

*“There are operating losses for every aged care site projected by the consultants on p.xx of their report. This is staggering. How can this be?”*

Some board members explained this was due to the capital and operational improvements that had been made to aged care. Another board member Golf exclaimed,

*“Eight million dollars for redeveloping the site is a lot of money”.*

Senior manager Mike responded by saying,

*“The proposal is consistent with the consultants’ report to redevelop and to expand the organisation’s market share”.*

Golf asked whether the Board would receive a Business Case. Mike replied,

*“If required, sure”.*

Mike continued:

*“The redevelopment of [the site] will be like [another recent redevelopment for an aged care site] therefore the documentation will be similar”.*

Board member Echo agreed with Golf’s concerns and said that in their opinion

*“The decision is premature”.*

Echo was Chair of the Finance and Audit Committee. Echo contented:

*“It is advisable that there is a task force to consider this proposal”.*

Foxtrot supported the position of their fellow board members, stating:

*“The benefits and risks of moving straight away [on this decision] need to be better assessed. It is clear we have to move on this but perhaps we have a strategy to dictate how we move forward?”*

Board member Charlie agreed and expressed their view that the proposal should be considered at the Strategic Planning Day in a month’s time.

What this example illustrates is that by exercising financial control, risk management and operational control, most board members collectively worked to postpone a

decision on the proposal until they could receive more information and consider the plan in more detail. It was evident that the cost and scale of the project warranted the board receiving a greater level of detail and more time to analyse the proposal before it would approve the redevelopment plans.

The above example shows board members exercising the questioning technique and seeking more appropriate information from senior managers. The type of broad accountability present in this scenario is upward accountability, where the board members are questioning senior managers and seeking more appropriate information from them. It could also be argued that trust is present in the questioning and seeking of more information because the manner of such questions and information requests were conducted in a respectful manner. Therefore, negotiable accountability existed in this scenario between the two parties – board members and senior managers.

Interviews with board members highlighted the ways that knowledge and experience helps them distinguish between the operational and the higher level aspects of control. For example, board member Foxtrot described that board members work at the higher level of management control systems to ensure and monitor that the organisation is compliant with legislation, contracts, accounting standards and accreditation.

*“Well, you don’t get involved in the management of it but you might, so as we do, have an annual report around the organisation’s strategic risk framework. Or you might have a report around the health and safety committee, so that you have a mechanism for ensuring that those controls are in HR [Human Resources] practices or work, health and safety”.*

The senior managers also demonstrated that they appreciated the difference between the higher level aspects of control and the operational aspects. It can be argued that it was also essential for senior managers to understand the distinction between their roles and board roles. A shared or mutual understanding between the senior managers and board members of their roles appeared to increase the efficiency of the work from both parties. Senior manager Mike provided an example to underscore the difference in how senior managers exercise control compared to the board members:



*“If I’m looking at property or IT [Information Technology] then I’m looking at what are our security levels like and customer service levels and risk and all that sort of stuff, so I’m making sure that from a day to day perspective that we’ve got all those things in place. Whereas the board just needs to make sure that something is actually in place. So I think there’s a lot of similarities but I think the board needs to look at the overall framework and make sure the framework is right, and therefore they’re getting regular reports on that framework and the success of that...”*

Senior manager November explained that while there are similarities between the board member and senior manager roles with respect to control, they could be distinguished by the level of control that is exercised. November remarked that from a board member perspective, this is done by looking at the outcomes of controls in areas such as risk management, WH&S, and quality. Observations confirmed that the Risk Committee and the board were the main forums where the board members made assessments about the outcomes of controls. Interviews of senior managers revealed that the operational aspects of controls are exercised at various levels in the organisation from the staff and middle managers’ level up to the senior managers. With respect to operational control matters, November commented,

*“...the board can't know all these things. They have to rely on senior management. Senior management has to rely on managers, you know, like, it's - you know, we're all reliant on each other”.*

The aspect of reliance in November’s comment above reveals the theme of trust between management and the board. Trust in this context means board members and senior managers trust each other to competently carry out their designated roles. In addition, if trust is present between board members and senior managers, it operates to facilitate the effective two-way exchange of appropriate information. Broad accountability aspects of negotiable accountability and upwards and downwards accountability feature in this example. Trust is derived from negotiable accountability and is present in the exercise of board and senior manager roles in control. Upwards and downwards accountability occurs in the two-way exchange of information

between the senior managers up to the board and the board downwards to the senior managers.

It was often argued by board members that it was somewhat easier to distinguish board member roles in control from those of senior managers. This was due to the more clearly defined rules and regulations in the control realm. The perspective from board member Golf illustrated the common feeling among the board members:

*“I think this is more an area where having defined directions and accountabilities, we should be a much lighter touch”.*

The Board Chair, Alpha, provided a similar perspective about board member roles in control. In their view, Alpha saw the board member control role as “very clear”. Alpha explained that board member roles in control revolve around monitoring financial and service operations, managing risks and evaluating outcomes. Observations of meetings enabled the researcher to provide examples in the areas listed by Alpha. An example of financial monitoring is where board members keep track of expenditure and investments. An example of monitoring service operations is evaluating the organisation’s performance in service delivery. Risk management usually occurred in the board’s evaluation of proposals to undertake new projects. Evaluating outcomes was central to assessing the results of annual audits, the outcomes of accreditation processes, and WH&S reports.

In their comment about the control role of board members, Board Chair Alpha highlighted an aspect of the control role that belongs to senior managers:

*“I suppose are the reports that come to the board around our accreditation processes, so that every time a service is accredited there should be in place a continuous improvement loop, in terms of learning from that. Now, that’s a management task, and really all the board wants to know in terms of control is around managing the risks, so I think the risk framework which we have is a very good checklist in terms of a lot of those controls and making sure that those controls, whether they’re financial or service-operation oriented, are managed properly”.*

The risk framework document referred to by Alpha was a high level document that originated from the Risk Committee and was designed by the Chair of the Risk Committee and the relevant senior manager with input from the Risk Committee. The researcher witnessed the draft risk management checklist being circulated among the other committees and the board to obtain their view of the document and seek further input. After some changes and refinements, the risk framework document was finalised by the Risk Committee and approved by the board. The risk framework was a tool used by board members to keep thinking about risk at the higher level. This tool served many purposes but the relevant one in this context is that it prevented operational drift with respect to risk discussions and decisions.

The examples so far have shown how board members use the techniques of trust, information and understanding roles and scope to limit operational drift. This section will now explore the technique of individual and collective accountability and consider how this was exercised in the board member control role.

The interview with board member India revealed the use of the technique of individual accountability when exercising control. In comments about the governance change to the board meetings, India shared personal hopes and trepidation about the change. To eliminate the unease being experiencing with respect to the change, India decided to exercise a degree of control by undertaking research and making his/her own assessments outside of the boardroom. India explained that (s)he contacted the senior managers who could no longer attend the board meetings,

*“...just to talk to them about, to get their views on what they think the opportunities are coming up, what are the risks for the organisation. I met individually with each of them and I found that really useful, that was something I just wanted to do for myself, but I think that picks up some of that control. So, I suppose for me, how I exercise that control is to try and have a fairly good understanding of the organisation”.*

India’s perspective reveals that the discretion that board members have with regard to following up on a particular issue is a form of control. Revisiting the section in this chapter about being clear on roles and scope using knowledge and experience, it will

be recalled that judgment was exercised by board members when deciding whether to follow up on an issue formally or informally. The exercise of judgment or discretion can be argued to be an aspect of the control role just as the exercise of knowledge and experience can be argued to come from the resource dependence role. The significance of this finding is that certain aspects of board member roles can assist in preventing operational drift. Previous analysis has explained how knowledge and experience from resource dependence limit operational drift. Similarly, the exercise of judgment or discretion in determining whether to follow up on an issue and in what way is an aspect of the board member control role being exercised to respect the line between working at a lower or higher level.

### **Conclusion**

The findings in this chapter address the three RQs for this study. The strategic role, control role and resource dependence role are all covered in this analysis of how board members prevent operational drift when exercising their three roles. The chapter opened by explaining why the strategic role was one of the most challenging roles for board members to prevent operational drift from occurring. Observations from meetings and interviews with board members and senior managers revealed that in the recent past Burgundy had a propensity to focus on lower level operational aspects but there was a strong desire for change. This desire was encouraged by a review of the organisation by a governance expert and supported by the new Board Chair as well as most board members and senior managers. The focus on lifting to a more strategic emphasis at both the board and organisational levels meant that both the board and senior managers had to discharge strategic roles to a large extent. Therefore, it was vital that board members and senior managers took particular care not to drift into each other's respective roles with respect to strategy.

The ways in which board members prevented transgressing into senior manager roles in strategy, control and resource dependence was found to consist of using various techniques. These were: trust, information and accountability, being clear on board members' and senior managers' roles and scope through knowledge and experience, and exercising individual and collective awareness and accountability. Data analysis has found that inherent in the exercise of these techniques were a number of broad

accountabilities including trust (negotiable accountability), upwards and downwards accountability, individualizing and socializing accountability, and formal and informal accountability practices.

In addition to identifying the techniques which board members used to prevent operational drift, this chapter finds that aspects of the resource dependence and control roles can assist in preventing operational drift. This is a novel contribution. More specifically, the knowledge and experience aspects of the resource dependence role provide board members with the tools to identify if operational drift is occurring and how to prevent it. In addition, the action of following up and the exercise of judgment and discretion as to how the follow up will be exercised is an aspect of the board member control role that works to deal with operational drift in an appropriate manner. For instance, if a specific board member feels they need more detail for their own peace of mind, they can exercise discretion to follow the issue up with the appropriate people informally without using time at a board or committee meeting.

## CHAPTER 8: THE CONTROL ROLE OF BOARD MEMBERS

### Introduction

This study reveals board members frequently enacting formal and negotiable accountability when exercising their control role. This chapter addresses RQ 2 which asks what is the board member control role and how is it enacted in the NFP context? The areas of control exercised by board members were financial control, risk management and operational control (Parker, 2008). This chapter argues that the enactment of control often involved the exercise of formal and negotiable accountability. Formal and negotiable accountability were usually enacted so that board members could demonstrate to stakeholders that the organisation was financially and operationally sustainable as well as achieving its mission and values. By communicating this narrative with supporting evidence, Burgundy was able to project an image of the board and organisation being reputable, thereby instilling confidence in its stakeholders. Trust is suggested to generate confidence, which in turn, facilitates effective relationships (Sasso, 2003). Relationships in this context are professional or political (Ospina, Diaz & O'Sullivan, 2002, p.9). Professional relationships were those the board had with internal stakeholders such as managers and staff. Political relationships included those the board had with external stakeholders such as the government.

Additionally, it became evident that the combination of formal and negotiable accountability practices served another purpose – it helped the board limit mission drift. By increasing the formality of the organisation as well as being conscious of how the organisation's mission and values were achieved, the effect was that control and strategic discussions were often brought back to the core values of the organisation. This practice prevented the board members slipping into a purely commercial mode to the detriment of its NFP mission and values. The researcher witnessed a strong focus on both control and strategy being exercised by board members as well as the discharge of formal and negotiable accountability practices.

There were a number of external and internal drivers that underpinned Burgundy's desire to project an image of a responsible entity with a good reputation. Internally, there was a strong sense that Burgundy needed to update its NFP model from an out-

dated form of operations to a more contemporary NFP model. References to this phenomenon will also be framed as the “old NFP model” and the “new NFP model”. Conversations at board and committee levels, strategic planning days, interviews and meeting documents all revealed the board’s desire to lead a change from the organisation’s previous NFP model to a strategically refocused model. The need to be more strategic was encouraged by external factors such as government policy change, increases in the demand for services and the trend for NFPs to formalise their governance and accountability processes in response to increasing community expectations from NFPs. Internal factors that encouraged the strategically refocused model included the effect of a governance review, recommendations about the future of the organisation’s services and the new Board Chair.

The combination of negotiable accountability and formal accountability exercised by board members produced a practice that the researcher calls “blended control”. In other words, control was blended with strategy and its exercise incorporated formal and negotiable accountability practices. Blended control is a new finding that adds to and goes beyond the findings of Morrison and Salipante (2007) with respect to blended strategising. Blended control is discussed further in this chapter with examples from meetings and interviews in support.

The chapter commences by analysing observations of board members and associated documentation that reveals Burgundy’s transition from a former NFP model to a more contemporary strategic model. The section that follows considers how the external environment encouraged the change to the strategically refocused model. The subsequent section describes the internal factors that also drove the change to the strategically refocused model, while the following section provides the example of board member remuneration to illustrate the change from the previous NFP model to the strategically refocused model. The next section then reports the finding that formal and negotiable accountability occurred when board members exercised their control role. It analyses the reasons why there was a focus on formal and negotiable accountability including the need to generate trust and confidence among Burgundy’s stakeholders, as well as preventing mission drift. The subsequent section describes the phenomenon of blended control that was observed to take place in the present study. It provides the example of how the board wished to increase its legitimacy through

improved communication and monitoring of its accreditation and compliance standards. A more detailed example of the practice of blended control is evident in the example of Burgundy's branding and organisational profile change in the next section. Another section considers the challenges that arose from the transition to the strategically refocused model and how this was managed through change management. The chapter closes with a section about board members who "champion" particular control topics (Parker, 2007a, p.1468) and the exercise of individual and collective accountability that was observed to occur as a result of the championing practice.

### **Old to new: from the previous NFP model to a strategically refocused model**

Conversations at board and committee meetings revealed a shift from a former style NFP organisation that was operationally focused to a more contemporary, strategic and accountable NFP entity. This will also be referred to as the transition from the "old NFP model" to the new "NFP model". Formal accountability was exercised by the board's focus on ensuring relevant rules and standards were met. For example, all board members had to complete compulsory WH&S training. Negotiable accountability featured when the board would use various mediums to communicate with external and internal stakeholders during the transition to a more contemporary NFP entity.

Document analysis and observations revealed that the board would communicate with its stakeholders through different mediums. Communication to external parties was mainly through public publications such as a quarterly magazine produced by the organisation or annual reports. Communication to internal parties was often through memoranda or meetings. Burgundy's communication with their stakeholder groups was a way of reassuring stakeholders that their funds were being applied in accordance with the organisation's mission. The present investigation confirms Ospina, Diaz and O'Sullivan's (2002) similar findings with respect to the considerable value NFP organisations place on communication with stakeholder groups.

A comment from the CEO, Delta, illustrates the common perspective shared by senior managers and the board that they are accountable to their stakeholder groups, largely



for the funds they receive and how they are applied. Delta explained in an interview that they believe giving the community access to the CEO through an “open door policy” helps foster trust and confidence in the community with respect to the organisation’s services. Delta remarked,

*“The community includes taxpayers, and a lot of the money that we run our services with is taxpayer money”.*

An important part of the narrative to stakeholder groups was the reassurance that the NFP entity is accountable not only for the resources stakeholders provide but it is also accountable for its mission and values. Burgundy’s focus on communicating its mission and values seemed especially warranted during the transition it made from its previous NFP model to a strategically refocused model. During an interview with board member Foxtrot, they argued that NFPs and FPs are similar in their practices of governance and management, but differ with respect to their stakeholder groups, the priority given to them and the mission and values of the entity. Foxtrot’s perspective is representative of the view of most board members in the present study. Foxtrot argues what makes an NFP distinctive is:

*“it’s not there to make money for its shareholders...[it’s] who it’s there to serve. And that comes back to the expression of that through its mission and constitution. And that comes back to its accountability to itself”.*

As outlined in the Literature Review chapter, a primary difference between NFP organisations and FP entities is their mission and values. Unlike FP entities, NFP missions and values are often philanthropic and not geared toward making a profit. Therefore, an NFP board has an additional challenge of ensuring it is accountable for discharging its mission and values as well as being operationally and financially sustainable.

The challenge to balance Burgundy’s mission with the need to be more commercial was evident in board and committee meetings. For example, at a Risk Committee meeting, a draft risk appetite document was being reviewed. While reviewing the risk

appetite document, the CEO argued that there needed to be an important addition to the document. This addition was:

*“...a checklist for the board...that shows that we are: first, true to our values, second, [financially and operationally] sustainable, and three, innovative”.*

The CEO continued by explaining that “these three factors should be part of the board’s lens” and while achieving all three is not always possible, all three should always be considered. All members of the Risk Committee agreed and it was decided that the Chair of the Risk Committee and the relevant senior manager should add the checklist into the risk appetite document. It was further decided that after the CEO had reviewed the change, it will be sent to the board for approval. This example illustrates the essence of the strategically refocused model. It meant the board needed to fulfil its values, ensure operational and financial sustainability and innovation.

Internal and external documents produced by the board and committees showed the directors’ focus on being accountable in more formal ways. Documents often contained references to the mission and values of the organisation. Internal documents revealed a formal emphasis with the development of tools such as the risk appetite document to guide the board with high level risk assessments and decisions. The risk appetite document was accompanied by assessments of the values of the organisation. Externally, the board worked hard to discharge accountability in a formal sense through its annual reports. There was an emphasis on improving the reporting so that they contained formal accounts of control topics such as quality and accreditation. The report on its control activities also addressed how Burgundy fulfilled its value-based objectives over the course of its reporting period. From the strategic perspective, the board also worked to enhance its formal reporting of activities such as growth and redevelopment. Strategic initiatives were also reported in the context of its mission and values.

### **External factors that encouraged the strategically refocused model**

The external context in which Burgundy was operating included one of policy change, increases in the demand for services, pressure to strengthen accountability and

improve governance processes. There were also increasing media reports of NFP organisation malpractice and irregularities: for example, the recent allegations of financial misconduct in the RSL in New South Wales, Victoria and South Australia and the subsequent investigations by the ACNC (Dayman, 2017). Such media scrutiny whipped up community sentiment for increasing the accountability of NFPs. In an interview, board member Echo commented:

*“I think there is a real [sense], within the community generally, I think there’s probably too much emphasis on the personal liability of directors generally...”*

Despite the view from Echo that there was pressure on directors to be accountable, there was recognition from them and the other board members that changes in Burgundy were required, given other factors such as policy change and demand for services. Other board members described the need to change from the former NFP model to a contemporary model in interviews. Board members explained the previous NFP was generally perceived as a more relaxed and informal board of dedicated volunteers who may or may not have the necessary skills to function as a board. The former NFP model was not necessarily accountable and board members tended to focus on the operational aspects of the organisation to the detriment of higher level and strategic issues. According to Cornforth and Edwards (1999), the way that board meetings were run and agendas designed could create conditions conducive to an operational approach by directors.

Board and committee discussions revealed a consensus among board members that the strategically refocused NFP model would be better equipped to address the changes in the sector and enhance its accountability. The same theme arose in interviews. For instance, in an interview with the Board Chair, Alpha explained,

*“We are trying to get the organisation to move into what is a current-day not-for-profit mode, from what was the old contracting out of government, which started thirty years ago. So, accountability demands have increased hugely in that period of time, in terms of standards of services, in terms of financial accountabilities in terms of, now there’s this whole new evaluation model impact statement stuff”.*

### **Internal factors that encouraged the strategically refocused model**

An internal factor that conditioned the change from the organisation's previous NFP model to a strategically refocused model was the presentations and reports to the board by external consultants. The consultants were tasked with providing advice and guidance to the board with regard to the future of aged care and community services. The presentations and formal reports to the board galvanized the board's sentiment for improving the efficiency and accountability of the organisation. For example, comments were made by board members that "synergies" needed to be found in the organisation and that the "siloing" of operations needed to cease.

The content of the consultants' presentations and reports outlined the potential impact of policy changes, increases in the demand for services, as well as pressure to strengthen accountability and improve governance processes. The consultants hired by the board recognised the environment in which Burgundy was operating:

*"The combined impact of these changes, along with the emergence of an increasingly articulate and aware consumer group, will require organisations to have a clear plan for operating in an increasingly market driven sector".*

During some presentations, the consultants posed questions to board members challenging them to think, explain or discuss certain aspects of the organisation. For instance, the consultants asked board members whether growth fulfils Burgundy's mission and values. One of the consultants said to the board:

*"You seemed very ambivalent about answering this question last workshop".*

The Board Chair responded:

*"It is a serious question. It needs a lot of consideration before we answer it".*

The consultants suggested some areas where they believed Burgundy had capacity to grow. The consultants guided the board members and recommended the answer to the question is considering the areas where growth was possible while also asking:

*“What are we getting out of this? What are we achieving? And this means consulting Burgundy’s set of values”.*

The above comment from one of the consultants to the board illustrates that the answer to the strategic question of growth lies in Burgundy’s values. This example shows the interplay between the board’s control role in weighing the risks of growth with the board’s strategic role in assessing benefits of growth.

Governance changes instigated by a governance review also encouraged the movement to the new NFP. Shortly before the researcher commenced fieldwork in Burgundy, the board had agreed to a governance review by an external governance specialist. This became evident in discussions at board meetings while the researcher was conducting fieldwork. The governance review took place while the researcher was present and the recommendations of the report were released when the researcher was in the field. The board agreed to adopt many of the recommendations from the governance specialist including the change previously discussed where senior managers would no longer attend board meetings unless they were giving a formal presentation. Another governance change included making board meetings more regular so they were monthly instead of bi-monthly. This was done as the governance expert was of the view that the board needed more time to address the complex issues and change it was encountering. The recommendation for a leaner committee structure was also adopted by disbanding two of the five committees. Comments made by board members to the researcher in interviews captured the sense of change from the previous NFP to the strategically refocused NFP. For example, board member Golf commented that the board was:

*“...trying to raise the level of governance in the organisation at a time when I’m seeing the organisation’s in a time of great change in moving from a good, very well operating service delivery organisation to one that needs to be in a much more strategic space”.*

There was evidence to support the narrative that the strategically refocused Burgundy was a contemporary board that was aware of its responsibilities. An examination of the board agendas revealed a clear strategic and control focus. Strategic topics often comprised between a third to half of the agenda items and control topics consisted of

about a third of board agendas. Agendas with a clear focus are argued to assist in limiting operational discussions by board members (Cornforth & Edwards, 1999).

The strategically refocused board aimed to recruit board members who were able to strike a balance between being strategically and operationally focused. This objective was evident in discussions of the Governance Committee and the board about the recruitment of two new board members to replace two existing members who were due to retire. Part of this process involved the Governance Committee and the board assessing the board member skills matrix document to identify the areas where skills would need replacing once the two members retired. Amendments were made by the Governance Committee to the attributes list in the matrix to guide the board with the future identification of suitable members for the board. Additionally, the board invited the governance specialist to review the skills matrix and refine it further. Such processes were designed to formally assist the board in their decision-making process when it came to the selection and recruitment of new board members.

#### **The strategically refocused model in practice: an example of directors' remuneration**

The decision by the board and its Governance Committee to remunerate its board members in line with governance developments in the sector was an example of an internal change designed to move Burgundy into the present day NFP mode. This decision was influenced by research undertaken with respect to remuneration models in similar NFP organisations, the AICD (2016) NFP Governance and Performance Study and recommendations from Burgundy's own governance review. It appeared that the decision to change from an Incorporated Association to a CLG also supported the need to remunerate the board members from Burgundy. This is because with the change to a company structure, there was an increase in directors' liabilities under the *Corporations Act 2001* (Cth). Therefore, trends in the NFP sector as well as an increase in rule-based accountability encouraged the movement to remunerating board members.

Requests were made by some board members to formally record the decision to remunerate Burgundy's board members. The rationale behind recording the decision

was that it was the first time in Burgundy's history that board members would receive remuneration. Board member Bravo suggested:

*“We should spell out how we wish to remunerate directors in a similar way to how [a similar NFP organisation] has done it”.*

In supporting Bravo's input to formally record the decision, board member Golf said that in their view, the importance of the decision warranted a record of the decision and the context in which it was made. The other board members agreed and the CEO was charged with the task of writing the formal statement. This example illustrates the move to the strategically refocused model as well as formal accountability to record and justify the decision.

### **Balancing control and strategy: the role of broad accountability**

A key finding from the present investigation is that when board members exercised their control role, they frequently enacted formal and negotiable accountability to project an image of legitimacy to the organisation's stakeholders (Hardy & Ballis, 2013; Jayasinghe & Soobaroyen, 2009). Projection of the image of legitimacy was often communicated to stakeholders using formal means of accountability. For instance, external stakeholders could access annual financial reports that contained accompanying narratives explaining the key projects that the board undertook. The narratives included references to the organisation's mission. Internally, key projects were communicated through memoranda, presentations and workshops to the staff. These forms of communication also contained references to the mission and values of the organisation. Some examples will be explored later in this section.

Examination of Burgundy's annual reports revealed a balance between a control focus (e.g. financial reports and compliance) and a strategic emphasis on its values. In the board's annual report, financial and operational accounts were usually nested in terms of the mission and values of the organisation. The formal aspect of accountability in this context was the written and numerical publication of data for stakeholders. This constituted the narrative and calculative aspects of accountability as it contained non-financial and financial information (Shaoul, Stafford & Stapleton, 2012). The narrative aspects of the annual reports that referred to Burgundy's values were an additional dimension to the calculative aspects that were designed to meet the

expectations of stakeholders. The marriage of the narrative and calculative aspects of accountability could be said to constitute negotiable accountability. This is because, taken together, the financial and non-financial aspects of the report were able to reassure stakeholders that Burgundy was achieving its philanthropic objectives as well as being a going concern. This in turn was designed to generate trust and confidence among its stakeholders. For example, narratives of Burgundy's investments in growth were explained in the annual report and justified as part of the organisation's mission to deliver high quality services to the people it serves.

The exercise of negotiable accountability by board members is common to the principal literatures about the communication of an image of legitimacy to stakeholders. Morrison and Salipante (2007) find organisational leaders exercise negotiable accountability to reassure stakeholders that good governance is taking place and the mission and values are being fulfilled. Ospina, Diaz and O'Sullivan (2002) find communications with the community are central to negotiable accountability practices in their multiple NFP case study. Coule (2015) argues that NFP organisations that involve their stakeholder groups in decision-making are able to negotiate their accountability with them. Holland (2002) argues how an NFP organisation is perceived by external stakeholders is largely dependent on the degree of trust they have in the entity. Similarly, Sasso (2003) argues trust between internal stakeholders (i.e. the board and senior managers) facilitates board effectiveness. The present case study confirms negotiable accountability being exercised by the board to its internal and external stakeholder groups. It affirms findings from the above literatures that fostering trust and confidence is part of the process of communication. The present investigation also corroborates the emphasis on mission and values in the communication.

The present research goes beyond the findings of previous board literature, as it finds that formal and negotiable accountability were often performed together. These broad accountability concepts facilitate the communication of the achievement of philanthropic objectives as well as financial and operational sustainability. Terminology from Burgundy's annual report and its external publication – its magazine – illustrates the organisation's simultaneous focus on sustainability and discharging its values. Investigation of these documents shows the use of terminology



such as “sustainability”, “operational compliance”, “upgrades”, “redevelopment” and “expansion” which support the narrative of financial and operational sustainability. References to Burgundy’s mission and values were communicated through language such as “high quality care”, “to help people in need”, and “increasing our impact”. An example that illustrates the discharge of both sustainability and values is contained in the annual report using words to the effect of [paraphrased to protect the identity of Burgundy]:

We remain committed to responding to the needs of individuals, their loved ones and the community. This is achieved by investing in the areas we serve.

Another example of the dual discharge of sustainability and mission is in a statement about Burgundy’s decision to invest in information technology systems to monitor the work it is achieving in the sector. There is a comment in the annual report along the lines of [paraphrased]:

Our new information technology systems will enable us to assess and measure the impact we are having in the work that we do.

The board’s emphasis on legitimacy was not only to generate trust and confidence among its stakeholders, but also to manage the potential for mission drift. As outlined in the Literature Review chapter, mission drift was a potential issue for an NFP organisation such as Burgundy that was coming to terms with the need to adapt to a more commercial market while also maintaining its focus on mission and values. By enacting a combination of control and strategy, and exercising formal and negotiable accountability, it appeared the board had clear a purpose that prevented the drift away from its mission. This is a key finding from the present investigation that goes beyond the current literature.

There were two principal methods that the board used to prevent drifting away from its mission. One of these methods was where the CEO and Board Chair often provided verbal cues or reminders to board members about Burgundy’s values. This demonstrated a form of control being exercised by the organisational leaders. Such actions were especially apparent when discussions were focused on strategy or control. The second method used by the board was the welcome item at the start of

every board meeting. Recall findings chapter six about strategy and that the welcome focused on a chosen value of Burgundy. Board members had to present their interpretation of the value to the board. The effect of this was both individual and collective, as the individual had to report their reflections to the board and the board as a collective considered the value in response. The two methods used by the board to limit mission drift acted as sensitising devices or tools to remind board members of the primary purpose of Burgundy.

### **Blended control: balancing formal and negotiable accountability**

A primary contribution this study can make to the literature is the concept of “blended control”. When enacted by board members, blended control was the bridge between the control role and the strategic role. For example, strategic risk management contained elements of control and strategy. Other examples of blended control characteristics included control activities such as compliance and financial control that also took into account strategic aspects such as the operational and financial sustainability of the organisation. Blended control occurred in instances where the control and strategic roles of board members were interrelated and not executed separately. The researcher also found that when blended control was enacted, accountability was also inherent in the practice. Blended control often featured formal and negotiable accountability. The control component was often associated with the formal accountability and the strategic component was usually related to negotiable accountability.

The phenomenon of blended control is inspired by three key literatures about the strategic role of directors. The seminal work by Mintzberg and Waters (1985) identifies formal and emergent strategising in directors’ and managers’ behaviour. Morrison and Salipante (2007) build on Mintzberg and Waters (1985) work and find that deliberate and emergent strategising occurred in their study of interactions between a CEO and Board Chair. Hendry and Kiel (2004) argue that strategy can be comprised of strategic control and financial control. These findings suggest that strategy can occur in tandem with control aspects. The work by Morrison and Salipante (2007) will be outlined further, as it not only confirms the link between strategy and control, but also identifies the crucial role accountability performs in the process.

Morrison and Salipante (2007) found that organisational leaders in an NFP engaged in both formal and emergent strategising which also incorporated aspects of broad accountability. The formal strategising practices were usually enacted to reassure stakeholders that well-established forms of strategising were being followed such as a strategic plan. At the same time however, strategic discussions between organisational leaders revealed emergent strategy. This occurred when unexpected outcomes from strategic and corporate plans were analysed and then integrated into the formal strategic planning process. Broad accountability was found to facilitate this deliberate and emergent strategising process. Rule-based and negotiable accountability were the two broad accountability concepts the scholars found in their identification of “blended strategising”. The finding of blended control from the present investigation is similar in the sense that it is comprised of more than one aspect of control. It contains two aspects of the board member role – control and strategy and two forms of broad accountability.

In summary, blended control contains elements of formal and negotiable accountability as well as control and strategic aspects. A comment from board member Foxtrot during an interview revealed a perspective that was shared by many board members:

*“Accountability isn’t just about compliance with controls, the accountability’s tied to fundamentally the success of the organisation in achieving its purposes, its mission and its delivery of strategy”.*

This comment encapsulates the essence of blended control. Control is exercised to achieve accountability in a formal sense following well-established practices such as accreditation and compliance standards, but strategic aspects also underpin the enactment of control because of the board’s focus on the organisation’s mission. Negotiable accountability is related to the strategic component of blended control where the board communicates the narrative to stakeholder groups that the mission and values are being fulfilled (Coule, 2015). Communication to stakeholders was enacted externally through mediums such as annual reports and Burgundy’s magazine or exercised internally through memoranda or presentations to staff.

## **Blended control in practice: the example of accreditation and compliance standards**

An example where the board wished to make its operations more transparent was the accreditation and compliance standards it fulfils. During a board meeting, the CEO Delta provided a verbal report to the board about the accreditation processes the organisation is required by law to satisfy in order to provide its services. Delta explained that the accreditation processes are rigorous and contain a number of important compliance measures, all of which Burgundy satisfies. The CEO also reported that a KPI for 100 percent accreditation had been formally implemented in the strategic plan of the organisation. Board member Golf asked: “how do people know that Burgundy has full accreditation?” Delta explained that the certificates of accreditation are present at the sites where services are delivered. After Golf’s question, other board members began asking questions. They argued that the achievements of the organisation needed to be marketed in a more effective way. Board member Echo commented, “people in the industry know what accreditation means, but others might not know”. Echo was making the distinction between internal stakeholders such as staff and senior managers who would know what accreditation means and external stakeholders such as potential clients and their families who might not know. The board and CEO agreed a statement should be written and published so external stakeholders were aware of the high standards of quality and compliance Burgundy achieves. This was subsequently made public in Burgundy’s annual report and on their website.

The above example highlights the practice of blended control. This is particularly evident in the compliance KPI for 100 percent accreditation that was discussed by the CEO and the board. The compliance KPI illustrates a topic that cuts across both strategy and control. It contains elements of strategy as it is a KPI from the strategic plan but it also is comprised of elements of control, as it pertains to the issue of the organisation’s compliance with accreditation standards for service delivery. The following paragraph will assess the elements of broad accountability inherent in the enactment of blended control in this example.

Formal accountability is present in the example because a formal means of measuring accreditation had been implemented in Burgundy’s strategic plan through the KPI.

Formal accountability also occurred where the board agreed that a written statement about the accreditation, quality and compliance procedures that the organisation fulfils should be contained in the annual report. The public statement about accreditation also shows negotiable accountability in action as the board wished to communicate to its external stakeholders what accreditation was and the high standards of compliance and quality that the organisation achieved. Furthermore, the public statement reassures stakeholders that Burgundy was both operationally sustainable and meeting its philanthropic objectives.

### **Blended control in practice: the example of branding and organisational profile change**

While the previous section explored an example of blended control being enacted in relation to accreditation and compliance, this section will consider a more detailed example. The change to Burgundy's branding and organisational profile illustrates blended control as board members endeavored to achieve both formal and negotiable accountability for key stakeholder groups. The principal stakeholders affected by this decision were the staff from Burgundy and similar organisations in the sector.

As previously outlined, internal professional relationships and external political relationships were apparent in board conversations about control. For instance, the board's unanimous decision to update the branding and organisational profile of the organisation was one that had to be handled carefully. The board was conscious that the change to their name would help them gain a competitive advantage in the market, but other organisations that operate in the sector might disagree with the use of the name because of its significant impact. In meetings, the board members and senior managers showed they were cognisant of the potential effect of the change. Discussions were had around the perceptions of staff and similar organisations operating in the same service delivery space.

There were frequent conversations at board and committee levels, as well as strategic planning days, about how to handle the branding change. Risk management came into play as board members navigated internal professional relationships. They decided that keeping the staff closely involved in the branding process by seeking their input and keeping them regularly updated would be an effective, accountable means of

managing the transition. This means of negotiable accountability is argued to be an effective way of handling sensitive topics (Coule, 2015). It became apparent that involving staff in the branding process was designed to mitigate any negative feelings or mistrust. This was because they had a forum where they could ask questions, contribute or be heard.

Board members used strategic risk management techniques with respect to navigating its political relationships with external stakeholders. In particular, two similar NFP entities that provided services in the sector raised concerns about the proposed branding change for Burgundy. They had reservations about the proposed change of name for Burgundy, arguing that if the branding change went ahead, Burgundy would gain an unfair advantage in the sector. These concerns had been raised both formally in writing to the board and at informal meetings between the leaders of the entities and the Board Chair and CEO of Burgundy. The board treated these reservations seriously and spent time devising strategies to handle the branding change to minimise discontent among fellow NFP organisations in the sector.

After many board meetings and much research, the board members agreed that alternative branding names were not suitable. There was a consensus among the board that they could adequately justify why they decided to use a particular name to update their brand. While aware that it was likely to create some discontent among some external stakeholders, the board members engaged in cost-benefit analysis and concluded that the benefits of proceeding with the branding change outweighed the costs. In order to keep discontent at a minimum, Burgundy worked “quietly” with organisations that did not oppose the name change to secure their place in the market. For example, a similar NFP organisation had the ownership rights to the name and web address that Burgundy required to launch its updated brand and website. Burgundy contacted this organisation to arrange the transfer of ownership for the web address. The other organisation cooperated with the request and transferred the ownership rights to Burgundy.

The board’s cost-benefit analysis and quiet approach in securing its new name illustrates strategic accountability in action. While ultimately the two fellow NFP entities would find out about Burgundy’s name change, the board had engaged in thorough research and the exploration of alternatives to feel confident in its decision.

To formalise its decision, a board member suggested a record of the reasons for the decision be recorded in the board meeting minutes “so that if anybody in the future wishes to re-visit the decision, they can understand why the decision was made”. The steps taken by the board to carefully manage the transition to a new name and brand profile illustrates strategic, negotiable and formal accountability in action.

### **Accountability to internal stakeholders through change management**

While the reasons underpinning the transition from Burgundy’s previous NFP model to a strategically refocused model have been discussed, there were also challenges that arose from the change. In particular, the board and senior managers were cognisant of the need to present the change in a way that would be accepted by its internal stakeholders. The phrase that was often used at the board level to describe handling this change was “change management”. This meant managing the change from the previous NFP model to a strategically refocused model in a sensitive and careful way. For instance, the board was aware that a strategically refocused model might not sit well with staff who had worked at the organisation for a considerable period of time and were accustomed to the processes under the previous NFP model. The consultants making recommendations for the future of aged care and community services remarked at a board meeting:

*“The people in the organisation who deliver – the frontline staff need to notice a change of process...The personnel need to recognise that culture requires engagement”.*

The comment above illustrates the need for negotiable accountability during the process of organisational change. The consultants encouraged the board and senior managers to work closely with staff during the transition. The CEO also made it clear that they were aware that the organisational change was likely to unsettle staff who were accustomed to the old NFP model. The CEO explained to the board that organisational change needed to be implemented with care. This created much discussion as the board tried to work out ways that the change could be managed to keep parties satisfied both within the organisation and external to the organisation.

A discussion that board members had at a strategic planning day was exploring the possibility for a “change strategist” to be employed by Burgundy. Board members said a change strategist could identify the “skills mix in people, systems and structures required to drive the change”. The conversation about employing a change strategist showed the board thinking of ways to control and accomplish change management. At a subsequent board meeting, a decision was made to employ a senior manager to assist with managing the change. It was agreed that this approach was likely to bridge the gap between the board’s desire to be more strategic while also respecting manager and staff perspectives. The strategic planning day facilitator explained communication of the change to internal stakeholders is very important. The facilitator said:

*“It’s a gradual process. It’s about the development of the organisation – not a contraction of services. Opportunities for change are not a need for change. Saying it that way implies a deficit. It all about how it’s put to the staff and managers”.*

An additional strategy to manage the change was having workshops for the staff to talk about organisational change and how they would continue to fulfil the values of the organisation. It became evident that the organisation could adapt to the new demands in its environment as long as the values and mission would remain “front and centre” of what Burgundy does. This example illustrates the perspective that involving stakeholders in decision-making is a way of achieving negotiable accountability (Coule, 2015).

### **Championing control topics and enacting blended control**

As most board members were conscious of the need to be more accountable during the transition from the previous NFP model to a strategically refocused model, many of them were “champions” (Parker, 2007a, p.1468) of particular topics. This occurs when a board member adopts and drives a certain topic or issue of interest to them, demonstrating “ownership and leadership” of that issue (Parker, 2007a, p.1468). A board member who exercises the role of champion is often vocal at meetings or they take an active informal role in conversations outside of board meetings. They are usually heavily involved in drafting papers for board and committee meetings. For



instance, some board members liked to advocate the need to increase accountability on a particular topic and to communicate this with staff and external parties. Other board members highlighted the value of utilising new information systems to produce meaningful data for the benefit of internal planning and control. This desire to increase internal and external accountability was enacted at the individual board member level and the collective board level.

One board member, Golf, had a particular focus on accountability and this was generally enacted when control issues were discussed at the board. The following example shows how Golf generated negotiable accountability from an operational control issue. At a board meeting, a senior manager reported the results from the staff survey for the year. After the senior manager's presentation, Golf explained that there is value, in their view, in communicating with the staff. Golf argued that it would be a "nice touch" if the board could send a statement back to the staff thanking them for participating and encouraging them to participate in future surveys. Golf commented that there should also be an explanation to staff about how the information is valuable to the board. The motivation underpinning Golf's motivation to communicate with staff was that they believed there was a need for more communication between the board and staff. Increasing communication with the staff in their view meant less of a disconnect between the organisational leaders and the personnel. The board was persuaded by Golf's argument. A decision was made that a statement should be drafted and when approved by the board, circulated to the staff. The Chair, having identified Golf as the champion of this topic, suggested that Golf liaise with the CEO and the senior manager to draft the statement. Once the statement was drafted and approved by the board, it was sent to the staff along with the results from the survey. This example illustrates the exercise of formal and negotiable accountability at both the individual and collective board levels.

Financial and operational control was also exercised by Golf. This also showed their focus on formal accountability. Golf made a comment at a board meeting about the value of investing in multiple new ITS. The new information systems were in the areas of accounting, finance and customer service. Golf remarked that after the challenging time the previous year with some contracts not being renewed and staff leaving the organisation, the new ITS - while "large scale and confronting for some,

will create a greater sense of accountability”. The Board Chair supported this comment, explaining that how staff spend their time will be more visible through the software. These comments reveal the change from a less formal system of staff monitoring to a more formal, measurable sense of accountability through Burgundy’s new software systems. Having the ability to measure and monitor financial and operational performance gave the board more confidence in the accountability of the organisation. The new ITS had the added benefit of producing more timely reports to the board and committees such as the Finance and Audit Committee. Such an approach complemented the board’s desire for formal planning and control systems.

Monitoring staff productivity was valuable as the board could assess where improvements needed to be made or corrective action taken in their value chain to maximise the efficiency and quality of the services they provide. While this is mainly an example of formal accountability being exercised, it also shows a degree of negotiable accountability, as the ITS enabled the board to understand why certain targets in contracts might be challenging to meet. This understanding would give the board the opportunity to negotiate with its contract providers in the event certain aspects of service delivery might be challenging to meet. This form of negotiable accountability between the organisation and its contract providers could potentially open avenues for alternative measures or strategies.

Another board member, Charlie, championed financial control issues with respect to aged care. Charlie was the board’s expert in aged care and demonstrated a keen interest in aged care issues by taking an active, vocal approach at board meetings. For instance, when the board reviewed a report on service delivery from the Finance and Audit Committee, Charlie assessed the financial results and made comments such as:

*“[site 1] is still dragging its feet. We are still not at full occupancy. There are 10 beds remaining”.*

Charlie’s comments and leadership on the issue alerted other board members to the issue and they too often asked questions. The CEO reassured the board that the financial result was likely to improve because there was a merger with another site still to take place. While Charlie accepted this, Charlie continued to monitor the aged care financial results at future board meetings. This scenario shows an individual

board member taking the lead on accountability for aged care, which also prompted other board members to ask questions or make comments. Therefore, similar to a previous example, the exercise of individual accountability on a certain topic prompted a collective response.

Charlie demonstrated concern not only for the occupancy rates in aged care but also for the levels of agency staff usage. Charlie explained to the board that agency staff were expensive and added to the organisation's expenses in an area where the organisation's own staff could work and reduce costs. This comment sensitised other board members to the issue and some took the lead at future board meetings to follow the issue. For instance, board member Juliet commented at the next board meeting that resources should be invested in "training our own staff instead".

Charlie also championed monitoring a major project in aged care where one of the key sites of Burgundy underwent a major redevelopment. The essence of the control role enacted in this scenario was financial control and risk management. Charlie often asked questions at board meetings inquiring about the progress of the aged care project. While Charlie appeared satisfied receiving verbal responses at board meetings, Charlie suggested that the board would benefit if there was more formal and regular reporting from senior managers about the progress of the redevelopment. Charlie's request was supported by other board members who agreed that a frequent high level progress report on the aged care project would be beneficial so that financial targets could be monitored and risks could be identified and managed, if necessary. The formalisation of this process was evident in the board papers in future board meetings, with a specific standing item created for an update about the major development. From this point onwards, the CEO provided a brief, high level progress report to the board about the major redevelopment project. The enactment of formal accountability at both the individual and collective board levels is evident in this example.

Board member Hotel was interested in risk management issues and worked largely through informal avenues outside of the board and committee meetings. Hotel would telephone or email the senior manager responsible and the CEO for a more detailed and regular report to the board about significant WH&S issues that affected the

organisation. The informal meetings and conversations Hotel had with senior managers became apparent at board meetings. This was often because Hotel would mention their informal meetings with senior managers on the topic. In other cases, the CEO acknowledged Hotel's work to create a regular report on WH&S issues for the board. At one board meeting, Hotel explained the reasons why they were pursuing the issue:

*"...such a serious issue is often not adequately reported on at board meetings. We only ever get a one page report with about a sentence or two".*

The motivation for Hotel championing the WH&S issue was because they were dissatisfied with the irregular and brief reporting to the board about the issue. Other board members agreed with Hotel and a decision was made that a more formal and detailed WH&S report should be provided to the board. The board members and CEO negotiated a timeframe for the more regular formal reporting practice and it was agreed that once every three months was prudent in addition to the current reporting practices. This example reveals the effect of Hotel's request for the formalisation of WH&S reporting practices. The pattern of an individual championing a particular control issue and being supported by other board members is again apparent in this example.

While championing of certain issues generates a form of accountability exercised at the individual level, the board members demonstrated that they understood they were also collectively accountable for decisions made as well. As illustrated in the examples above, although a board member might champion an issue, whether it was successful depended on the level of support they received from fellow board members and the Chair and CEO. In an interview, board member Juliet remarked,

*"I think it's the responsibility of everyone on the board...even if you've got someone who's specified as the strategic planning monitor or champion...I think we're all responsible for...monitoring, making sure that there's processes that monitor the various initiatives from the strategic planning to see that they are moving along, ask questions if*

*they're not, follow up with the appropriate people if I want more detailed information”.*

This finding about individual board members championing particular issues and whether such an issue is successful at the collective level complements the findings of Parker (2007a). With respect to the collective level, Parker (2007a, p.1476) remarks that it is a contextual, dynamic and political process. The impact of contextual factors and the interplay of political processes was evident in the researcher's observations of board and committee meetings. This finding addresses Parker's (2007a) comment that more participant observer studies need to be undertaken to confirm or challenge his findings. The present study goes beyond Parker's (2007a) findings by discovering that board members often enacted blended control when topics were championed.

### **Conclusion**

This chapter has mapped the external and internal context in which Burgundy was operating and shown how it encouraged the exercise of formal and negotiable accountability. A key challenge for the board was the need to change from the organisation's previous NFP model to a strategically refocused model without compromising its mission and values. One way in which the board of Burgundy was able to strike the balance between changing but also remaining true to its moral purpose was by increasing its formal accountability practices and communicating this to its stakeholders. At the same time, it also retained a strategic focus. What this chapter has identified is that blended control was comprised of control and strategy as well as the enactment of formal and negotiable accountability.

In most cases, formal and negotiable accountability aspects worked together producing a form of blended control, which showed the organisation was serious about achieving its moral purpose as well as adapting to the demands in the sector. The primary purpose behind blended control was to illustrate to Burgundy's stakeholders that organisational and board legitimacy existed. In other words, the organisation was fulfilling its values while also remaining financially and operationally sustainable.

The other benefit of blended control was that it appeared to curb the potential for mission drift to occur. The board demonstrated a disciplined approach to balancing operational and financial sustainability as well as its values. This was evident through observations as well as document analysis. This control and strategic balance had the effect of limiting a drift away from Burgundy's mission. Other examples are provided throughout the chapter where blended control operated to manage change. The examples of Burgundy's updated branding and organisational profile, and change management, illustrate how board members enacted blended control to assist in the transition from the previous NFP to the strategically refocused model.

This chapter has also explored the instances where board members champion certain topics about control and enact blended control. Board members might champion a particular issue associated with financial control, operational control or risk management. The present investigation confirms the findings of Parker (2007a) that the championing of topics by board members does occur. Where the present study goes beyond the findings of Parker (2007a) is the finding that often in the process of championing, formal or negotiable accountability was exercised. Moreover, it was discovered that the success of a topic that was championed was contingent on the collective board support it received. In the present investigation, often one individual would champion a control topic in the first instance. If other board members agreed, they often exercised accountability also. This illustrates the enactment of broad accountability at the individual director level and the collective board level.

## **CHAPTER 9: DISCUSSION AND CONCLUSION**

### **Introduction**

This chapter maps the key findings from the longitudinal case study in Burgundy. The three RQs from the study will be revisited and the corresponding findings from the investigation will be set out. The chapter will then turn to explain the theoretical contributions that the study makes. The findings will be discussed in relation to the relevant literature, outlining what is new and significant. Theoretical contributions will be discussed in two sections. The first section will illustrate the theoretical findings with respect to the framework of broad accountability. The second section will cover the theoretical findings that pertain to board studies. Limitations of the study will be outlined and explained. Recommendations for areas of future research are then identified and discussed. The chapter will conclude by summarising the objectives of the study, recapping briefly how it was conducted and the primary findings and contributions it makes.

### **Summary of the key findings**

Findings chapters six, seven and eight each contribute distinct findings in relation to the three RQs. Each will be outlined and discussed in this section. The three findings are:

- Broad accountability concepts were present in the exercise of the board member strategic role. There was a significant focus on strategy by the board in response to a number of external and internal factors. The board was cognisant of the fact that it needed to balance the need to be financially and operationally sustainable as well as achieving its mission and values. Many of the strategic decisions it made were with this balance in mind.
- Operational drift rarely occurred in the exercise of the three board roles. The techniques board members used to limit operational drift were usually common across all board roles. Inherent in the exercise of such techniques were aspects of broad accountability. Contrary to a widely held view in the literature that board

roles create conditions conducive to operational drift, aspects of the control and resource dependence roles were found to prevent operational drift.

- External and internal factors influenced to a considerable extent how board members exercised their control role. Unpinning these factors was a general consensus and consciousness among the board that there was a need to change from the organisation's previous NFP model to a strategically refocused model. The challenge for the board was to balance the need to be financially and operationally sustainable with the need to fulfill the mission and values of the organisation. The communication of this to internal and external stakeholders revealed the exercise of blended control as well as practices to limit mission drift.

The first findings chapter (chapter six) focuses on the strategic role of board members and answers RQ 1. It finds that board members exercised a significant and active strategic role in this case study. This supports the arguments of scholars such as Lauenstein (1982), Zahra and Pearce (1989), Demb and Neubauer (1992), Hyndman and McDonnell (2005) and Crow, Lockhart and Lewis (2014). These scholars argue the board should be actively involved in strategy. The present investigation goes beyond the scholars' arguments because it finds it is the effect of contextual factors at the time of analysis that will largely influence the extent to which a board is involved in strategy. The strong emphasis on strategy in the case study of Burgundy was in response to several principal contextual factors including the impact of legislative change with respect to funding and the change to a user-pays system. Responses to these external influences encouraged the board to exercise a highly strategic approach to its activities including updating the legal status of the organisation from an Incorporated Association to a CLG model.

A key challenge for board directors in this context was balancing the mission of Burgundy with the need to project an image of a financially and operationally sustainable organisation. The board worked hard to support its narrative with measures of success such as the results from benchmarking studies, outcomes from its new IT systems and measuring outcomes against the attainment of KPIs. Broad accountability concepts played an important role in this strategically focused board work. One area where narrative, calculative and formal accountability (Kamuf, 2007;



Roberts, 1991) was exercised was the board's evaluation of its service delivery. Among the internal contextual factors that fostered a strategic approach, most notable was the new Board Chair and their preference for a strategic approach to board work. Broad accountability featured in the techniques used by the board and senior managers to adjust to the new Board Chair. Formal and informal accountability as well as negotiable accountability were exercised (Roberts, 1991; Ospina, Diaz & O'Sullivan 2002). The major theoretical finding from this chapter is that as this NFP organisation was experiencing significant changes externally and internally, it required a strategic approach by board members to be adaptable while also remaining true to its values.

The second findings chapter (chapter seven) explores the practice of operational drift. It addresses RQs 1, 2 and 3, as the inquiry is relevant to all board roles of strategy, control and resource dependence. Revisiting RQs 1-3, it can be seen that central to each question is the nature of the board roles of strategy, control and resource dependence and how the role is enacted in the NFP context. The chapter argues that operational drift can occur with respect to the exercise of all board roles, but the primary focus of the chapter is on the strategic aspect of the board member role as this formed a significant part of board work while the researcher was present.

A key finding from chapter seven is the techniques board members used and the associated broad accountability concepts directors enacted to limit operational drift. The chapter argues that the techniques board members use to keep their roles in check are applicable not only to the exercise of the strategic role but also to the other roles of control and resource dependence. Some examples are given in these other two realms of board member roles. The chapter also explains that certain aspects of the resource dependence and control role can help prevent operational drift. Notably, the knowledge and experience aspects of the resource dependence role limit operational drift. Similarly, the practice of further inquiry and follow up are aspects of the board member control role that tended to limit operational drift. The main theoretical finding from this chapter is the contribution it makes in terms of explaining how board members prevent operational drift, as the literature is yet to address this aspect adequately (Cornforth & Edwards, 1999; Parker, 2007a).

Exploring how the control role of board members was exercised in the NFP environment was the primary focus of the final findings chapter (chapter eight). It answers RQ 2 from the study's RQs. It finds that external and internal factors influenced how board members enacted their control role and its associated accountabilities. A considerable number of external factors appeared to sensitise board members to the need to be more transparent and accountable. Policy and legislative changes, an increasingly competitive market for services and demands to strengthen accountability and governance are some examples. Internal factors including the new Board Chair, a governance review and presentations by external consultants about the future of aged care and community services encouraged board members to transition from the organisation's previous NFP model to a strategically refocused model (Parker, 2008). In essence, this transition was signalling farewell to a more informal and operationally based approach to governance and heralding a new era of an NFP organisation that is financially and operationally sustainable while also maintaining its focus on the organisation's philanthropic values.

Achieving a balance between being sustainable and fulfilling the altruistic values of the NFP entity was made possible through the exercise of blended control practices. A major theoretical finding of this chapter is the concept of blended control and its role in the control function of the board. This concept makes a contribution to understandings of the control role of the board. Morrison and Salipante (2007) found blended strategising practices took place in an NFP entity. Similar practices with respect to the exercise of control by board members have been found in this case study. It was found that during control processes such as financial control, board members enacted formal and negotiable accountability to convey the image of a legitimate NFP organisation to its stakeholders (Hardy & Ballis, 2013; Jayasinghe & Soobaroyen, 2009). In addition, blended control practices were found to be helpful for the board in limiting mission drift (O'Dwyer & Unerman, 2008; Tuckman & Chang, 2006; Dolnicar, Irvine & Lazarevski, 2008). Finally, Parker's (2007a, p.1476) discovery of board members championing particular control topics was confirmed and added to, as it was discovered that the success of a topic that was championed by an individual was contingent on the collective support it received from the board.

## **Theoretical contributions for broad accountability**

This study has made theoretical contributions to the literature at three primary levels. Bearing in mind the different levels of theorising discussed by Llewellyn (2003), this study has engaged in theorising at levels two to four inclusive. These levels are:

- level two: differentiation theories
- level three: concepts theorising
- level four: theorising of settings.

### ***Contribution to differentiation theories***

Starting with the first theoretical contribution at level two, differentiation theories feature within the framework of broad accountability that the researcher used for the study: for example, the concept of formal and informal accountability. The data collected often reflected the practice of two related but different concepts of broad accountability. For instance, the finding that both formal and informal accountability feature in board member behaviour is an example of differentiation theories that feature in the findings of this thesis. While the concepts of formal and informal are opposites of each other, they are related in the sense that they are both types of accountability. Such a synergy between different concepts is also argued to exist by Lindkvist and Llewellyn (2003). Similarly, the finding that there is narrative and calculative accountability exercised and individualizing and socializing accountability enacted in this case study illustrates other examples of differentiation theories. The identification of these differentiation theories and explanations of how they apply in the present investigation contributes to understandings of the broad accountability concepts in these areas.

### ***Contributions to concepts theorising***

The second theoretical contributions are at level three – concepts theorising. This is applied in the present investigation by the creation of a broad accountability framework and its application to the data collected. This study has produced further insights into conceptual understandings of broad accountability concepts. For example, a primary finding was with respect to the theme of trust from negotiable accountability and how trust was vital for an NFP entity concerned with

demonstrating that it is achieving its philanthropic mission and values while also being financially and operationally sustainable.

While trust has been touched on in the board literature about accountability, the findings from the present investigation add further new insights about how trust helps mitigate problems with operational drift, information asymmetry and mission drift. Prior studies about trust in the literature argue it is a vital element for a board that effectively discharges its legal duties (Sasso, 2003), but they do not address the practical issues of operational drift, information asymmetry or mission drift in the amount of detail that this study does.

The governance literature that considers trust in the NFP sector is generally focused on trust between the NFP entity and its stakeholders (Coule, 2015; Jayasinghe & Soobaroyen 2009; Holland, 2002; Ospina, Diaz & O'Sullivan, 2002; Young, 2002). Particular attention is given to examining trust between an NFP entity and its external stakeholders (Young, 2002). A recent example of research conducted by Farwell, Shier and Handy (2018) supports this argument as it is focused on trust between members of the community and Canadian NFPs. The present study contributes to findings about external stakeholders but also adds to the literature with respect to internal stakeholders. The present investigation finds that the board was highly conscious of its need to communicate with its internal and external stakeholders about how it was fulfilling its values as well as remaining sustainable financially and operationally. This study extends understandings of the board's methods of communicating legitimacy to professional and political stakeholders (Ospina, Diaz & O'Sullivan, 2002, p.9; Hardy & Ballis, 2013) and preventing mission drift. Of particular note are the findings that pertain to internal stakeholders – such as how trust is one of the factors that mitigates operational drift and information asymmetry between directors and senior managers.

Another new theoretical insight at level three that this investigation offers is the concept of blended control which builds on the existing concept of blended strategising expressed by Morrison and Salipante (2007). The finding that formal accountability is often enacted with negotiable accountability shows Burgundy's efforts to project an image of legitimacy to its external stakeholders using established measures such as financial reports with supporting narratives. One of the primary

rationales behind such behaviour is that if the organisation and its board are seen to be legitimate, it usually fosters trust between the stakeholders and the organisation. Trust between stakeholders and the NFP is “roughly equivalent to enhancing shareholder value in the for-profit sector” (Sasso, 2003, p.1528). In addition, the present research confirms the related notion of “pluralist” perspectives of governance outlined by Coule (2015). It supports the argument that NFP organisations that have a pluralist approach to governance tend to work to appease stakeholders either by involving them in decision making or providing accounts to stakeholders reassuring them that the organisation is fulfilling its mission (Coule, 2015; Balser & McClusky, 2005; Ospina, Diaz & O’Sullivan, 2002). The data from the present case study revealed that Burgundy was focused on providing accounts to both internal stakeholders (Sasso, 2003) and external stakeholders (Holland, 2002) to reassure them that it was achieving its mission and values. This emphasis on fulfilment of mission and values is evident in the Chair and CEO’s report published in the annual report for the organisation. In addition, conversations at the board level revealed a high degree of consciousness with respect to how the organisation was perceived by the government and its clients – some of Burgundy’s external stakeholders.

The concept of pluralist governance is related to the concept of blended control and blended strategising because of its focus on stakeholders and how the board negotiates accountability with them. According to Coule (2015, p.93), pluralist styles of governance contain aspects of “negotiable accountability to a broad range of stakeholders” because it “is often seen as central to organizational mission and legitimacy within society”. Findings chapter eight (about the board control role) provides examples where board members exercise formal and negotiable accountability to convey an image of legitimacy to stakeholders. Such findings are also similar to those from Hardy and Ballis (2013, p.553) who argue in their case study of Sanitarium Health Food Company that informal, socializing accountability was enacted by organisational leaders to “give legitimacy to Sanitarium’s charitable status”. Another comparison can be made with Parker’s (2014) research. He argues that industrial leaders of the 19<sup>th</sup> and 20<sup>th</sup> centuries exercised “accountability through action” where they balanced the philanthropic mission of the organisation with business and social objectives. The present investigation confirms the findings of Coule (2015), Hardy and Ballis (2013) and Parker (2014), all of which suggest that it

is possible for organisational leaders to strike a balance between moral and business objectives. The practice of a board working conscientiously to achieve a balance between commercial and moral objectives can be argued as their way of preventing or managing mission drift.

### ***Contributions to theorising of settings***

The third theoretical contribution is at level four theorising – the theorising of settings. Theoretical contributions to the theorising of settings have been made in two respects. First, this study sheds light on the effect of contextual factors on the exercise of board member roles. Second, the enactment of board roles and accountability has been analysed at multiple levels.

Considering the first contribution to theorising of settings, the influence of internal and external contextual factors was a key focus of the researcher while analysing the three primary roles of the board member. It was often found that internal and external factors had some bearing on board member behaviour and the enactment of accountability. According to Shaoul, Stafford and Stapleton (2012), making assessments of the context in which the organisation is operating is essential to understanding how accountability operates. Similar arguments are made by Pugliese, Nicholson and Bezemer (2015), Machold and Farquhar (2013), Ostrower and Stone (2006) and Ebrahim (2003) about the importance of context in board studies and accountability.

The second contribution to the theorising of settings is the multi-level approach adopted by the researcher in their analysis of board member behaviours. Following the recommendation of Bezemer, Nicholson and Pugliese (2014), this study has adopted the view that confining analysis to a single level such as the individual board members is limited in understanding the multiple factors in board work. As a result, the researcher theorises at two different levels – the individual board member level and the collective board level. Arguably, this study considers a third level of theorising – at the organisational level. This is because the researcher often considered of the effect of contextual factors on the organisation. For example, the age of the organisation and the sector in which it was operating. Such factors were often taken into account to the extent that they may condition the exercise of board roles. In addition, the data collected and analysed from observations, interviews and

documents from senior managers provided the researcher with insights at the organisational level.

The analysis of factors at multiple levels requires further explanation to illustrate how the multi-level approach was applied to the data and the key factors that were considered. In their article, Bezemer, Nicholson and Pugliese (2014, p.252) provide a table with examples of factors at the multiple levels of analysis in board studies. The scholars group the factors into themes that describe the broad topic for the factors. At the individual director level, the themes of: human capital, structural position, personality and motivation were considered in this study. For example, with respect to human capital, factors such as board member expertise and skills were considered. This was especially apparent in the findings pertaining to the exercise of the board member control role where some individuals were champions of particular issues. The theme of structural position was also analysed by the researcher in the present investigation. For example, the effect of the new Board Chair and their impact on the board as well as the perspectives of other board members with regard to strategy was analysed. The themes of personality and motivation were also taken into account in the present study as factors such as experience, active participation and conscientiousness of individual board members were explored especially with respect to how individual board members managed information asymmetry and operational drift.

Analysis of factors at the collective board level covered the themes identified by Bezemer, Nicholson and Pugliese (2014, p.252) including meeting routines, boardroom culture and balance of power. The observation in board meetings that the welcome item was designed to explore an aspect of Burgundy's mission and values reveals meeting routine. It also uncovers an aspect of the boardroom culture where the board wished to keep its mission and values as a primary consideration. Further analysis of the meeting welcome item revealed that it had the effect of accountability at both the individual and collective levels. This was because the individual board member's reflection generated accountability at their level but it also often involved the board as a collective. Another theme that became apparent at the board level was the balance of power on the board. Observations revealed a strong Chair and board that had a very good rapport with the CEO. Interviews confirmed that at the time that

the researcher was present, the balance of power was “board-dominated” more than “CEO-dominated” (Bezemer, Nicholson & Pugliese, 2014, p.252).

Factors at the organisational level that were analysed in this study can be summarised by the themes of: legal status, firm characteristics, environment and national context (Bezemer, Nicholson & Pugliese, 2014, p.252). The decision by the board to change from an Incorporated Association to a GLG analyses the reasons why a decision was made to change its legal status and what the likely ramifications were for the organisation. Firm characteristics including the age and size of the organisation (Ebrahim, 2003) were important considerations in assessing the organisation’s shift from the old NFP to the new NFP model. One such example was the branding and organisational profile change, which was largely in response to the dynamic environment in which it was operating. Finally, the organisation and board’s focus on its internal and external stakeholders (Sasso, 2003; Holland, 2002) illustrated the national context in which the organisation was operating. The board worked hard to satisfy and communicate with its stakeholders by delivering a narrative of legitimacy (Coule, 2015; Hardy & Ballis, 2013; Jayasinghe & Soobaroyen, 2009) where its mission and values were achieved as well as the financial and operational sustainability of the entity. The board ensured that its narrative was supported by information or data that added credence to its claims. This had the effect of reassuring stakeholders that despite the turbulent, uncertain and increasingly commercial environment, the organisation was in control and still achieving its mission and vision.

### **Theoretical contributions to broad accountability concepts**

The first finding discussed in chapter six revealed an emphasis on strategic accountability to stakeholders and narrative and calculative accountability when board members exercised their strategic role. This was evident at both the individual and the collective board member levels. The use of narrative and calculative accountability practices by Burgundy supports the suggestion from Shaoul, Stafford and Stapleton (2012) that hybrid organisations might need to resort to more comprehensive reporting techniques to discharge their accountability to their stakeholders.



The second finding in chapter seven discovered that trust (negotiable accountability), and formal and informal accountability were present when board members took steps to avoid venturing into senior manager operational roles. Again, this was enacted at both the individual and collective levels.

The third finding analysed in chapter eight found an emphasis on formal accountability often meant board members discharged strategic accountability to external stakeholders (usually consumers and government) and internal stakeholders (in most cases staff). Moreover, accountability was often exercised at both the individual and board levels where board members championed a specific topic and it was considered collectively as a group at the board level. Collectively, board members exercised formal accountability by either adopting a supportive role where they echoed what the individual board champion proposed or they might ask questions or make inquiries as a group, where more than one board member engaged in dialogue. This dialogue was often in the form of polite questioning, seeking more information or making comments.

A review of the findings from this study reveals that broad accountability concepts were particularly evident in the strategy and control roles because this is where most of the data accumulated. In the smaller number of occasions that the resource dependence role was exercised, concepts of broad accountability were also found to occur. This finding confirms the discoveries of Roberts, McNulty and Stiles (2005) that accountability drives board effectiveness and leads to an enhanced understanding of board processes. In other words, using a lens of accountability to understand board processes shows that when the board roles are exercised, accountability occurs as part of the process, albeit in different ways and as the result of a number of factors. As the board process literature suggests (Collier, 2005; Pye & Pettigrew, 2005; Roberts, McNulty & Stiles, 2005; Stiles & Taylor, 2001), boards that are accountable are effective boards in that they are conscious of their roles and responsibilities and discharge them appropriately.

Although broad accountability concepts were present in the enactment of all three board roles in this case study, it would be inaccurate to conclude that simply having a board that discharges the three roles will create an effective board. In addition to the conscious decision of the organisation to improve its accountability due to a number

of external and internal factors, this study finds that board member effectiveness is also contingent on the extent to which board members enact accountability at both the individual and collective levels. This is a key finding from the present research. It is the combination of the processes of accountability through individual, collective and organisational efforts as much as the board roles that encourage accountability. It is important to note that there needs to be the conditions that generate an emphasis on accountability at the organisational level. Accountability also needs to be enacted at the individual board member level and the collective level – the board as a group. This finding adds to and goes beyond those of Pugliese, Nicholson and Bezemer (2015, p.17) who argue that board member effectiveness is “multidimensional” and context-dependent. Therefore, the context in which the board members are operating, the processes including the will of the board members to improve accountability and the skill of the board members to enact accountability are vital ingredients to create an effective board.

The findings from the present study build on those from Roberts, McNulty and Stiles (2005) as they provide insights into accountability in the NFP sector in Australia. As mentioned previously, Roberts, McNulty and Stiles (2005) undertook board process research into a select group of companies in the UK. In addition, the present investigation complements the findings of NFP board process studies such as that conducted by Machold and Farquhar (2013). Machold and Farquhar (2013) found the resource dependence role to be less pervasive and not as obvious compared to the board roles of strategy and control. A similar finding was apparent in the present research. The researcher is cautious not to overgeneralise here though. It has been commented in the literature that the emphasis on board roles can depend on many factors including the age and size of the entity, at which point the organisation is in its life cycle and the effect of external and internal factors, as some examples (Machold & Farquhar, 2013; Ebrahim, 2003). The potential influence of these factors is why the researcher chose to adopt the multi-level analysis technique when analysing data. Such an approach enabled the researcher to consider individual board members, the board as a collective group and organisational factors. This multiple level analysis enabled the researcher to understand why the board in Burgundy was focused largely on strategy and control. The findings chapters aim to analyse and discuss the impact of such factors on the exercise of board roles.

The finding that accountability was inherent in all three board member roles supports the reason why the researcher chose a framework of broad accountability concepts to understand board roles and how they were enacted. As discussed in the Introduction and Literature Review chapters, there is a strong case in the literature for using a framework of accountability, as it is able to help explain governance phenomena. For example, accountability perspectives can contribute to understandings of board process and effectiveness. It can also provide insights into accounting practices such as how a board accounts for action taken or decisions made. Roberts, McNulty and Stiles (2005) argue that accountability is a valuable theoretical lens in board studies as it can shed light on how a board operates effectively as well as challenging the paradigm that board roles conflict and can impede the effective discharge of multiple roles. Roberts, McNulty and Stiles (2005) contend,

Developing accountability as a central concept in the explanation of how boards operate effectively enables...[research] to both challenge the dominant grip of agency theory on governance research and support the search for theoretical pluralism and greater understanding of board processes and dynamics (Roberts, McNulty and Stiles, 2005, p.S5).

The framework of broad accountability applied in this study, with its ability to take into account the positive, enabling factors and the negative, constraining factors of governance, has enabled the researcher to uncover positive and effective aspects of board work as well as the potential negative and challenging aspects of board roles. Significantly, this perspective is more holistic than narrow or more traditional conceptions of governance. Rather than engendering fear or panic about the discharge of board roles (e.g. that the roles conflict or that information asymmetry is detrimental), this case study analyses board roles and processes from multiple levels and considers a broader spectrum of factors. Consequently, governance can be viewed in a more balanced way. While there are arguments for applying a broad accountability approach in governance, the present study is one of very few that employs a broad accountability framework to examine the three board roles of NFP directors.

## Theoretical contributions for board studies

### *Reassessing role conflict*

The findings from the present investigation refute a number of arguments from the literature that applies a narrower perspective of accountability such as agency theory. For example, the study finds that all three board roles usually work together harmoniously with one complementing the other. Such a finding is in contrast to the conventional or narrow view of governance that role conflict exists for directors (e.g. Stiles & Taylor, 2001; Hooghiemstra & van Manen, 2004a; Demb & Neubauer, 1992). The findings from this research support the school of thought that board roles are complementary (for example: Kirwan & Brennan, 2017; Tricker, 2009; Roberts, McNulty & Stiles, 2005; Sundaramurthy & Lewis, 2003). This finding answers calls from scholars such as McNulty (2013) who argues that more research needs to be conducted in boards to understand whether board roles conflict or work together.

The present research revealed that on the rare occasion that conflict arises between the roles, board members are equipped to exercise their judgment and discretion and choose which role should prevail. This is most effective if board members exercise their discretion individually and also as a group, explaining to other directors why they believe a particular course of action is suitable. Due to the complexities inherent in board work such as the impact of contextual factors on the exercise of board roles, it appears difficult to create a rule-based approach to governance dictating how to prevent role conflict, as the agency theory perspectives tend to suggest. As things stand, it appears board members are enabled by their multiple roles, flexibility moving between them depending on the circumstances. This perspective is radically different to that which asserts that role conflict exists and that it constrains board members in performing their duties.

Observations and interviews confirmed that board members and senior managers were united in the view that the three board roles of directors are necessary for governance. Observations showed board and committee meetings generally struck a balance in covering strategic, control and resource dependence issues. Board and committee agendas revealed the same attempt to cover a spread of board roles. Common to all interviews was the view that the roles are interdependent. It was often said that for one role to operate such as strategy, it needs control to be exercised in the

form of monitoring to ensure the strategy is being enacted and achieving the organisation's objectives and values. Similarly, interviewees commonly said that the resource dependence role was important for board members to bring appropriate knowledge, resources and networks to the organisation. Such skills were often argued to be of assistance especially during a time of increasing competition, accountability and performance.

Some board members explained that some directors may favour one role over the other, but as long as the board works collectively and acts as a check on the balance of roles, it can work effectively. It was highlighted by some directors that having the necessary skills and understanding of governance should equip board members to appreciate the value of the strategy, control and resource dependence roles. Other board members suggested that the topics which confront the board can sometimes encourage directors to spend more time on one role than others. As flagged in the findings chapters, the external and internal contextual factors at the time the researcher was present did encourage board members to generally focus on strategy. This supports the argument from Ostrower and Stone (2006) that the contextual factors can influence the preference given to particular board roles. In the present investigation, while there were times that the strategic role was given more emphasis compared to the others, the other roles were still discharged, as they were necessary to ensure that strategic objectives were achieved. For example, KPIs were part of the strategic planning process so that the success of strategic goals could be measured and monitored. In addition to the control role featuring, the resource dependence role was also performed when the board considered forming strategic alliances in its service delivery to increase efficiencies and reduce costs in its value chain.

### ***Broad accountability in board roles***

Broad accountability aspects featured when board members enacted their strategic role. In this case study, strategy was often exercised so that the board was accountable to the original purpose of the organisation and respecting the ethos of the overarching religious bodies (the religious institution and the advocacy/lobby group). This was evident in the board's focus on the vision, mission and values of the NFP organisation. The board's consciousness of its mission and values during a period of considerable change and challenges showed its diligence in discharging horizontal

accountability to itself and downwards accountability to its internal and external stakeholder groups. The examples of the change to CLG, the use of information technology systems to account for performance and a new Board Chair who was strategically inclined were factors that fostered a forward looking focus for the board and the organisation. Narrative, calculative and formal accountability were exercised during this strategic process. Despite these topics generating a focus on strategy and topics such as funding, competitive ability and growth, the board often had conversations about the importance of remembering its mission and values. This practice helped the board strike a balance between being financially and operationally sustainable and fulfilling its mission to satisfy its internal and external stakeholders. The balancing of Burgundy's mission and values with performance measurement revealed the form of NFP performance measurement discussed in the literature by Carnegie and Wolnizer (1995) and Parker (1996). This study also found negotiable accountability was central to the process where the board communicated a reassuring narrative to its stakeholders that it was satisfying its mission and values.

Broad accountability was also exercised when board members enacted financial control, operational control or risk management. When the control role was exercised, it was usually enacted with the purpose of making senior managers accountable in an upwards fashion at the organisational level and the board members horizontally accountable at the collective board level. The board members were also individually accountable on occasions, for example, when a skills matrix was compiled of each board member's skills and circulated to the board. Control was also linked to ensuring the organisation delivered quality services and that its audit, accreditation and WH&S requirements were met.

The board's focus on increasing formal controls comes through strongly in the data, which reflects the move from informal means of accountability to more formal. For instance, the decision to remunerate board members in line with developments in the sector to recognise board members for their services. Another example was the implementation of recommendations from a governance specialist to restructure the board so that it operates in a more formal manner, where senior managers no longer attend board meetings unless they are delivering a formal presentation and answering questions from the board.

Another theme that strongly emerges is the board's focus on communicating a narrative to its internal and external stakeholders that it is fulfilling its mission and values. Such behaviour underscores the board's consciousness of its original purpose, thereby preventing mission drift. The reassuring narratives were also designed to give stakeholders confidence in the organisation and to nurture trust between the board and its stakeholder groups.

The exercise of the resource dependence role revealed that broad accountability was also often being performed. When board members enacted the knowledge and experience aspects of the role, individualizing and socializing accountabilities often emerged. For example, on the rare occasion that there was a conflict between board roles, observations and interview data show that the board member would exercise a degree of discretion by assessing the board roles and accountabilities and analysing which was most important in the circumstances. Drawing upon skills, experience and expertise from the resource dependence role helps board members make the choice if there is a conflict between their roles. In this particular case study, the resource dependence role performed a subtle, but important role. Rather than being perceived as a major role such as strategy or control, the resource dependence role often overlapped with elements of the strategy and control roles, which usually assisted the exercise of strategy and control. For instance, the resource dependence role often helped board members exercise strategy: by bringing resources, links or knowledge to the organisation. The resource dependence role also helped board members exercise their control role by: giving board members the ability to liaise with senior managers to tackle financial, operational and risk issues facing the organisation. Board members would often do this through respectful questioning processes, providing their opinions or following-up on certain topics.

The findings from this longitudinal case study confirm the findings from similar board process studies where the scholars have concluded that issues such as internal and external contextual factors, the type of organisation and the life cycle stage of the organisation, the time allocated to board tasks and the particular skill sets of the individual board members all have a bearing on the discharge of board member roles. The scholars that argue these factors are important conditioning factors include Pugliese, Nicholson and Bezemer (2015), Machold and Farquhar (2013), Ostrower

and Stone (2006) and Ebrahim (2003). This single case study contains a number of significant contextual factors. Other NFP organisations might face similar contextual circumstances in which the present study can shed light on how board members may react to such conditions. Alternatively, the study may reveal a different approach to other NFP organisations operating in a similar environment.

### ***Managing information asymmetry***

The present research confirms that information asymmetry does exist in board processes, but like Brennan, Kirwan and Redmond (2016) argue, it is not detrimental to governance. Using a process-based approach to governance as well as an accountability perspective reveals a more balanced and comprehensive view of how board practices operate. While this study confirms that information asymmetry exists in line with governance literatures that apply a narrow approach to accountability, it diverges with respect to the finding about the impacts of information asymmetry. Rather than discovering that information asymmetry has a negative effect on board members, the present study finds it is beneficial because it encourages inquiry and questioning. Moreover, bearing in mind the distinction between the operational aspects of organisational work exercised by senior managers and the higher level aspects of board work, such a difference in information facilitates efficiency in the exercise of board roles. This finding supports and adds to the findings from Brennan, Kirwan and Redmond (2016) because it finds information asymmetry does not compromise board roles and it could be argued it makes the roles more effective than if no asymmetry of information existed.

Where this study goes beyond the current literature is that it finds that board members adopt alternative ways of verifying or obtaining information if they feel the information at the disposal is not appropriate. They do this by harnessing their skills, knowledge and experience from the resource dependence role to address any perceived deficiencies in information. This process could be characterized as informal and socializing accountability practices. Moreover, the present investigation underscores the importance of trust between board members and senior managers. Trust is an element of negotiable accountability and where this exists, it works to mitigate any feelings of suspicion or doubt between board members and senior managers. What this study highlights is that if accountability is operating, it generally



enables board practices to overcome or manage issues that might be seen as potential problems.

### ***Limiting operational drift***

The findings from this study about operational drift also highlight the impact of using a broad accountability framework and a process based approach to investigating governance processes. In contrast to the more traditional view that director roles are challenging to observe because they are similar to senior manager roles, this study finds that certain aspects of the board member roles can prevent operational drift. For example, the knowledge and experience aspects of the resource dependence role assist in preventing operational drift. This is because they help the board member to maintain clarity concerning their roles and scope and those of senior managers. The present investigation identified other techniques and accountabilities that board members used to manage operational drift. These included ensuring adequate information was provided by exercising upwards or downwards accountability and obtaining it in a formal or informal fashion, having confidence in the information provided by senior managers by fostering trust (negotiable accountability) between the two parties, and working individually and collectively as a board asking questions through individualizing and socializing accountability processes. The present case study appears to be one of very few studies that analyses how board members prevent operational drift as it identifies the techniques they use to manage operational drift. This adds to and goes beyond the existing literature about operational drift which generally investigates it only to the extent that board members are either unaware of the practice or they acknowledge it (Parker, 2007a; 2008).

### ***Preventing mission drift***

The techniques board members use to prevent or manage mission drift, also known as mission creep, are also addressed in the findings for this study. The board's consciousness and diligence in balancing the mission and values of the organisation with the need to be commercially viable and operationally sustainable was a strong theme in the chapters about the board member strategy role and the control role. The common accountability exercised in the management of mission drift was negotiable accountability. The findings chapters explain that negotiable accountability is about how the board negotiates or presents their accounts to internal and external

stakeholders. The key reason for exercising negotiable accountability from the board perspective was to reassure stakeholders that a balance was struck between the organisation being financially and operationally sustainable as well as fulfilling its mission and values. This reassurance was necessary to foster trust between the organisation and its stakeholders. Trust operated to generate confidence that the funds and resources provided to the organisation were being applied in a responsible manner. These findings support and add to those from Morrison and Salipante (2007), Ospina, Diaz and O’Sullivan (2002) and Coule (2015) who all contend that negotiable accountability is enacted by organisational leaders when conveying an image of legitimacy to stakeholders and managing the potential for mission drift. The focus on negotiating accountability had the effect of sensitising board members to the need to keep the organisation’s mission and values central with respect to actions taken and decisions made. Observations of and documents for strategic planning days, board and committee meetings revealed this to a large extent.

The present investigation provides much needed insight into how a board interacts with its internal stakeholders. Young (2002) notes that the board literature frequently considers the board’s rapport with its external stakeholders but the board’s interactions with its internal stakeholders is largely neglected. The present case study contributes to knowledge in this area by providing valuable insights into how board members handle their internal stakeholders – staff and senior managers. For instance, the second findings chapter (chapter seven) analyses how board members operate to limit operational drift between them and senior managers. The third findings chapter (chapter eight) discovers the practices board members used to manage the changes Burgundy was undergoing to maintain good working relationships with its staff. Similarly, the chapter considers how directors prevented mission drift, which had the benefit of appeasing internal stakeholders as well as external stakeholders.

### **Limitations**

Both the Methodology chapter and the Theoretical Framework chapter discuss the limitations of this study. Limitations of the research can be categorised into two groups:

- limitations with regard to the research methods used; and

- limitations with respect to the theoretical lens applied.

The methodological limitations expressed in the first dot point will be explored first, followed by the theoretical limitations. Limitations discussed in this section will not be repeated from the Methodology and Theory chapters, as some of the limitations identified in those chapters have been addressed or mitigated. This section will only therefore explore the limitations that remain.

One limitation with respect to the research method is the single case study. Single case studies are often criticised for being too narrow in focus and a more limited basis from which to draw comparisons or generalisations compared to a multiple case study. This however is not necessarily a drawback from the perspective of qualitative researchers (Parker & Northcott, 2016). Generalisability is not always required in qualitative research. Case studies that are different, rare or confined to a specific setting are often considered just as insightful and valuable to qualitative researchers as those from which comparisons or generalisations might be drawn (Parker & Northcott, 2016). While some generalisations can be made from this study regarding board roles, accountabilities and the impact of contextual factors, these generalisations may be somewhat limited due to the influence of internal and external contextual factors as well as the complex layers of accountability enacted at organisational, individual and collective levels. There are positive aspects with respect to generalising from a single case study however. As Parker and Northcott (2016) contend, the conventional ways of generalising through quantitative methods can overlook the value of findings from a single case study. It might be the findings from the single case study that changes the way research in the field might be perceived. Whether the case is typical (similar) or atypical (different) in its findings, it provides a basis from where future research can grow. Furthermore, case studies can provide insights into future events, behaviours and phenomena, which are likely to be suitable for informing accounting practice and policy.

Another limitation of the research method used in this study is the time at which the study was undertaken by the researcher. This is because the conditions under which the organisation was operating at the time of fieldwork are likely to have since changed, making it difficult to replicate the study even if a researcher followed the

research methods in the same fashion. Nevertheless, the fact that this research was contingent on certain factors is common to most case studies. The case study is designed to provide a picture of what happens inside an NFP board from a rare and privileged position. Although the study is contingent on certain contextual factors, it helps add to and go beyond understandings of the processes of NFP governance and reveals the nature of accountability discharged by Burgundy's directors when exercising their roles.

Finally, while the researcher attempted to construct a comprehensive broad accountability framework, it might not be exhaustive in terms of considering all types of broad accountability in NFP governance. The researcher constructed the framework using relevant concepts that emerged from the empirical data and the literature of similar board studies that had been conducted. Future research may extend this seminal analytical framework.

### **Suggested areas for future research**

This study has paved the way for a new approach to study the accountability of the board of directors. In this way, it contributes to the board literatures for governance in every sector. The most obvious contribution is to the NFP sector and the insights it provides for NFP governance. There is the possibility for this type of research to be conducted in a range of NFP organisations ranging across education, health, welfare, sport and charities, thereby broadening our understanding of NFP governance. With the changes that are taking place in the sector, it would be worthwhile examining whether the governance mechanisms in the NFP sector are sufficient to reflect the needs of the sector (Stafford & Stapleton, 2016, p.379). In particular, more research could be focused on examining and improving performance measurement in non-profit entities. Gamble and Beer (2017, p.454) explain measuring performance in NPFs is deficient yet critical to assessing how NFP organisations achieve their social and commercial objectives.

The present investigation also opens up the possibility for accountability research of this nature to be conducted in the public and private sectors. As Heemskerk, Heemskerk and Wats (2015, p.418) suggest, "empirical studies of board processes and internal dynamics" need to be undertaken in the NFP sector and applied in other

sectors. Investigating how directors are accountable when they exercise their roles in other sectors will enrich understandings of how governance operates in different contexts.

The present study is one of few that investigates NFP board practices in Australia. Further field research into board practices is needed both in Australia and globally. Horton Smith, Moldavanova and Krasynska's (2018) edited book has recently been released and is likely to spark academic discussion and research into NFP governance structures and challenges in Eastern Europe, Russia and Central Asia. Comparative studies of board roles and accountabilities across countries would be valuable. This could yield insights on different, additional or more limited concepts of broad accountability within the NFP context or among NFP directors.

More research with respect to the new finding of blended control practices should be undertaken to confirm or refute whether other NFP boards adopt similar behaviours. Furthermore, it appears that understandings of blended strategising are still limited (Morrison & Salipante, 2007). The reason for recommending more academic inquiry in blended control and blended strategising is that these findings need to be developed further to give researchers more confidence in the generalisability of the findings.

The present investigation conducted multi-level analysis at three levels: the individual director level, the collective board level and the organisational level. Additional research could be conducted at other levels of multi-level analysis, as suggested by Bezemer, Nicholson and Pugliese (2014, p.250-251). This includes research conducted at the agenda item level and meeting levels. It would also be valuable to see more research conducted at the individual board member, collective board and organisational levels. Cumberland et al. (2015, p.461) suggest future research at the individual, organisational and societal levels to determine the effect they have on the emphasis given to board roles. Examining the different levels in governance should generate richer understandings of board processes, roles and board performance in NFP organisations.

One area that remains to be addressed is that of board member recruitment, skills and training in the NFP sector. It is likely to be helpful knowing how NFP directors are chosen for their board member roles and how a board assesses where board skills are

required and addresses any perceived voids. Chelliah, Boersma and Klettner (2015) have begun to shed light on board member recruitment in the NFP sector, finding that boards can be constrained by their constitutions in director recruitment. For example, NFP entities that have membership requirements sometimes recruit board members who may not necessarily possess the most appropriate skills. The contributions from the present study to board member recruitment, skills and training are more optimistic than those from Chelliah, Boersma and Klettner (2015). Further research into these phenomena would help provide clarity on the topic.

The researcher also suggests that there could be more focus on uncovering the resource dependence role in the NFP board. The boundary-spanning role of the board member and how it interacts with the senior manager's role is one example. Such research is likely to build on or better explain the finding in the present study that the resource dependence role tends to be performed more as a supportive role, enabling the other roles to function, as well as managing practices such as operational drift and information asymmetry.

### **Conclusion**

This longitudinal single case study has set out to investigate the three primary roles of the board member in the unique NFP environment using a theoretical lens of broad accountability. Data obtained from observations, interviews and documents has enabled the researcher to gain valuable insights into how the board members in an NFP organisation<sup>5</sup> performed their roles in a complex NFP environment. The framework of broad accountability has enabled the researcher to consider not only the accountabilities inherent in the exercise of the board roles, but also to take into account the external and internal contextual factors that faced the board and the organisation. In addition, the multi-level approach has provided the researcher with the tools to analyse the multiple layers of accountability at the individual board member level, collective board level and the organisational level.

Data analysis has uncovered significant theoretical findings including contributions to Llewellyn's (2003) five levels of theorising with findings pertaining to levels two to four inclusive (level two: differentiation theories, level three: concepts theorising and

---

<sup>5</sup> This is particularly relevant to the charities segment in the NFP sector.

level four: theorising of settings). In addition, this study offers significant new understandings to the concepts of broad accountability. A primary finding is that broad accountability underpins the exercise of all three board member roles. Examples have been given illustrating how this occurs for each of the three roles.

Additionally, this study refutes the position taken by some studies that the three board roles conflict. This study finds the contrary – that the roles tend to work in a complementary fashion and accountability helps facilitate the effectiveness of board roles. In the event of role conflict, board members draw upon their skills from the resource dependence role to exercise judgment in reconciling the conflict. This research adds to the existing literature that finds that board roles and their accountabilities are conditioned to a fair extent by contextual factors. The environment in which the board is operating can influence the amount of emphasis or priority given to board roles.

The present study confirms that information asymmetry does occur between the board and senior managers, however it is found to be a necessary element for effective governance. This finding contrasts with traditional perspectives that view asymmetry as an impediment. Moreover, the investigation of information asymmetry in the NFP case study revealed new insights about how board members obtain more information if they feel the information at their disposal is not appropriate. New and significant findings with respect to operational drift and mission drift have also been made by the present investigation. This study is one of the very few that investigates operational drift and mission drift and identifies the techniques board members harness to limit the practice.

A standout broad accountability theme present in all three topics of information asymmetry, operational drift and mission drift is that of trust, derived from negotiable accountability. Trust was shown to play a major part in mitigating distrust between internal stakeholders with respect to information asymmetry and operational drift. Trust was also central to reassuring external and internal stakeholders with regard to the organisation achieving its mission and values while also remaining financially and operationally sustainable. Similarly, trust and negotiable accountability was central to the enactment of the three board roles. This was because the exercise of the three board roles in some way involved either professional or political relationships.

Negotiable accountability helped lubricate professional relations between internal stakeholders such as staff and political relations with external stakeholders such as consumers and the government.

In summary, the broad accountability framework applied in this single qualitative case study has enabled the researcher to appreciate the effect of many contextual factors on the discharge of the three board roles. The multi-level analysis has provided additional perspectives from which the researcher can assess the enactment of accountability. The study has contributed new and significant insights both theoretically with regard to broad accountability and practically with respect to the enactment of board roles in the NFP context. It challenges dominant perceptions about board roles being in conflict. It finds board roles and practices are effective if aspects of broad accountability are present in their enactment. This is because broad accountability comprises of constraining and enabling aspects. Such flexibility was necessary for the board to address and adapt to the dynamic contextual conditions in which it was operating.



## REFERENCE LIST

- Aguilera, RV 2005, 'Corporate Governance and Director Accountability: An Institutional Comparative Perspective', *British Journal of Management*, vol. 16, pp. S39-S53.
- Ahrens, T 1996, 'Styles of Accountability', *Accounting, Organizations and Society*, vol. 21, no. 2/3, pp.139-173.
- Ahrens, T & Khalifa, R 2013, 'Researching the lived experience of corporate governance', *Qualitative Research in Accounting and Management*, vol. 10, no. 1, pp. 4-30.
- Andrews, KR 1979, 'Appraising Director and Board Performance Against Rising Standards of Competence and Responsibility', *Harvard Business Review*, May/June, pp. 46-56.
- Andrews, KR, 1980, 'Directors' Responsibility for Corporate Strategy', *Harvard Business Review*, Nov/Dec, pp. 30-42.
- Andrews, KR 1981, 'Corporate Strategy as a Vital Function of the Board', *Harvard Business Review*, Nov/Dec, pp. 174-184.
- Angrosino, M 2007, *Doing Ethnographic and Observational Research*, Sage Publications Ltd, London.
- Aram, JD & Cowen, SS 1986, 'The Directors' Role in Planning: What Information do They Need?', *Long Range Planning*, vol. 19, no. 2, pp. 117-124.
- ABC 891 Radio Adelaide, Australian Broadcasting Corporation (ABC), *The morning show with Ali Clarke: interview with Elizabeth Proust, Chairman of the Australian Institute of Company Directors (AICD)*, radio program, 20 April 2017, viewed 24 April 2017, <<http://www.abc.net.au/radio/people/ali-clarke/7951602>>.
- Australian Bureau of Statistics (ABS) 2006-2007, Commonwealth of Australia, *Australian National Accounts: Non Profit Institutions Satellite Account, 2006-07*, cat. no. 5256.0, ABS, Canberra, viewed 12 October 2017, <<http://www.abs.gov.au/Ausstats/abs@.nsf/7d12b0f6763c78caca257061001cc588/005ce887d8764523ca257d04001293f1!OpenDocument>>.
- Australian Bureau of Statistics (ABS) 2012-2013, Commonwealth of Australia, *Australian National Accounts: Non Profit Institutions Satellite Account, 2012-13*, cat. no. 5256.0, ABS, Canberra, viewed 12 October 2017, <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/5256.0>>.
- Australian Charities and Not-for-profits Commission (ACNC) 2014, *Background to the not-for-profit sector*, viewed 12 October 2017, <[https://www.acnc.gov.au/ACNC/About\\_ACNC/Research/Background\\_NFP/ACNC/Edu/NFP\\_background.aspx](https://www.acnc.gov.au/ACNC/About_ACNC/Research/Background_NFP/ACNC/Edu/NFP_background.aspx)>.

Australian Institute of Company Directors (AICD), 2016, *NFP Governance and Performance Study: Australia's NFP Sector - Raising the Bar*, pp.1-44, viewed 6 December 2016, < <https://aicd.companydirectors.com.au/advocacy/research/2016-nfp-governance-and-performance-study-raising-the-bar>>.

Australian Institute of Company Directors (AICD) 2017, *The 5 main challenges facing today's not-for-profit boards*, viewed 9 February 2018, <<https://aicd.companydirectors.com.au/membership/membership-update/the-5-main-challenges-facing-todays-not-for-profit-boards>>.

Australian Institute of Company Directors (AICD) 2014, *NFP Governance and Performance Study: Examining Governance Practices and Opportunities in Australia's NFP Sector*, viewed 26 November 2014, <<http://www.companydirectors.com.au/~ /media/resources/director-resource-centre/nfp/2014-nfp-governance-and-performance-study-sept14-a4-pg-web.ashx>>.

Australian Institute of Company Directors (AICD) 2013, *Good Governance Principles and Guidance for Not-for-Profit Organisations*, viewed 11 April 2015, <<http://www.companydirectors.com.au/~ /media/cd2/resources/director-resources/nfp/pdf/nfp-principles-and-guidance-131015.ashx>>.

Australian Productivity Commission: Australian Government 2010, *Contribution of the Not-for-Profit Sector*, viewed 12 October 2017, <<http://www.pc.gov.au/inquiries/completed/not-for-profit/report>>.

Balser, D & McClusky, J 2005, 'Managing stakeholder relationships and nonprofit organization effectiveness' *Nonprofit Management & Leadership*, vol. 15, no. 3, pp. 295-315.

Barratt, R & Korac-Kakabadse, N 2002, 'Developing reflexive corporate leadership: the role of the non executive director', *Corporate Governance: The International Journal of Business in Society*, vol. 2, no. 3, pp. 32-36.

Baxter, J & Chua, WF 2008, 'Be(com)ing the chief financial officer of an organisation: Experimenting with Bourdieu's practice theory', *Management Accounting Research*, vol. 19, pp. 212-230.

Baysinger, B & Hoskisson, RE 1990, 'The composition of boards of directors and strategic control: effects on corporate strategy', *Academy of Management Review*, vol. 15, no. 1, pp. 72-87.

Berle, AA & Means, GC 1932, *Private Property and the Modern Corporation*, Macmillan, New York.

Behn, R 2001, *Rethinking Democratic Accountability*, Brookings Institution, Washington, DC.

Beitin, B 2012, 'Interview and interview sampling: how many and whom', in JF Gubrium, JA Holstein, AB Marvasti & KD McKinney (eds.), *The SAGE Handbook of Interview Research: The Complexity of the Craft*, 2nd edn, Sage Publications, Thousand Oaks, California, pp. 243-254.

Benbasat, I Goldstein, D & Mead, M 1987, 'The case research strategy in studies of information systems', *MIS Quarterly*, vol. 11, pp. 369-386.

Benjamin, LM 2008, 'Account space: how accountability requirements shape non profit practice', *Nonprofit and Voluntary Sector Quarterly*, vol. 37, no. 2, pp. 201-223.

Bergin, M 2011, 'NVivo 8 and consistency in data analysis: reflecting on the use of a qualitative data analysis program', *Nurse Researcher*, vol. 18, no. 3, pp. 6-12.

Bezemer, PJ, Maassen, GF, Van den Bosch, FAJ & Volberda, HW 2007, 'Investigating the development of the internal and the external service tasks of non-executive directors: the case of the Netherlands 1997-2005', *Corporate Governance: An International Review*, vol. 15, no. 6, pp. 1119-1129.

Bezemer, PJ, Nicholson, G & Pugliese, A 2014, 'Inside the boardroom: exploring board member interactions', *Qualitative Research in Accounting & Management*, vol. 11, no. 3, pp. 238-259.

Bies, A 2001, 'Accountability, organizational capacity, and continuous improvement: findings from Minnesota's nonprofit sector', *New Directions for Philanthropic Fundraising*, no. 31, pp. 51-80.

Boeije, H 2010, *Analysis in Qualitative Research*, Sage Publications Ltd, London.

Bowen, GA 2008, 'Naturalistic inquiry and the saturation concept: a research note', *Qualitative Research*, vol. 8, no. 1, pp. 137-152.

Bowen, WG 1994, *Inside the boardroom*, John Wiley, New York.

Boyd, CO 2001, 'Philosophical foundations of qualitative research' in Munhall, PL (ed), *Nursing research: A qualitative perspective*, 3rd edn, pp. 65-89, Jones & Bartlett, Sudbury, MA.

Boyd, T 2018, 'ABC exposes governance crisis', *The Australian Financial Review*, September 28, 2018, p.40. Available online: viewed 1 October 2018, <<https://www.afr.com/brand/chanticleer/abc-calamity-exposes-crisis-of-governance-20180927-h15y9j>>.

Bradshaw, P Murray, V & Wolpin, J 1992, 'Do nonprofit boards make a difference? An exploration of the relationships among board structure, process, and effectiveness', *Nonprofit and Voluntary Sector Quarterly*, vol. 21, no. 3, pp. 227-249.

Brennan, N 2010, 'A review of corporate governance research: an Irish perspective', in F Hogan, PF Donnelly & BK O'Rourke (eds.), *Irish Business & Society: Governing, Participating & Transforming in the 21st Century*, Gill & Macmillan, pp. 133-154.

Brennan, NM & Cullen, MM 2017, 'Differentiating control, monitoring and oversight: influence of power relations on boards of directors – insights from

investment fund boards’, *Accounting, Auditing & Accountability Journal*, vol. 30, no. 8, pp. 1867-1894.

Brennan, NM Kirwan, CE & Redmond, J 2016, ‘Accountability processes in boardrooms: a conceptual model of manager-non-executive director information asymmetry’, *Accounting, Auditing & Accountability Journal*, vol. 29, no. 1, pp. 135-164.

Brennan, N & McDermott, M 2004, ‘Alternative perspectives on independence of directors’, *Corporate Governance: An International Review*, vol. 12, no. 3, pp. 325-336.

Brennan, NM & Solomon, J 2008, ‘Guest Editorial – Corporate governance, accountability and mechanisms of accountability: an overview’, *Accounting, Auditing & Accountability Journal*, vol. 21, no. 7, pp. 885-906.

Brewer, JD 2004, ‘Ethnography’, in C Cassell, C & G Symon (eds.), *Essential Guide to Qualitative Methods in Organizational Research*, SAGE Publications, London, pp. 312-322.

Brown, J & Fraser, M 2006, ‘Approaches and perspectives in social and environmental accounting: an overview of the conceptual landscape’, *Business Strategy and the Environment*, vol. 15, pp. 103-117.

Brown, LD 2008, *Creating credibility: Legitimacy and accountability for transnational civil society*, Kumarian Press, Sterling, VA.

Brown, WA & Iverson, JO 2004, ‘Exploring Strategy and Board Structure in Nonprofit Organisations’, *Nonprofit and Voluntary Sector Quarterly*, vol. 33, no. 3, pp. 377-400.

Caneva, L 2016, ‘Directors Put Case for NFP Reform’, *The Board Report*, ProBono Australia, pp. 1-16.

Cooper, E 2016, ‘Australia’s Charity Sector at Highest Ever Concentration’, *The Board Report*, ProBono Australia, pp. 1-16.

Carbaugh, D, Nuciforo, EV, Molina-Markham, E & van Over, B 2011, ‘Discursive reflexivity in the ethnography of communication: cultural discourse analysis’, *Cultural Studies – Critical Methodologies*, vol. 11, no. 2, pp. 153-164.

Care Insights 2018, *How to survive and thrive in the new NDIS era*, viewed 9 February 2018, <[www.careinsights.com.au/how-to-survive-and-thrive-in-the-new-ndis-era](http://www.careinsights.com.au/how-to-survive-and-thrive-in-the-new-ndis-era)>.

Carmona, S & Ezzamel, M 2006, ‘Accounting and religion: a historical perspective’, *Accounting History*, vol. 11, no. 2, pp. 117-127.

Carnegie, GD & West, BP 2005, ‘Making accounting accountable in the public sector’, *Critical Perspectives on Accounting*, vol. 16, no. 7, pp. 905-928.

Carnegie, GD & Wolnizer, PW 1995, 'The financial value of cultural, heritage and scientific collections: an accounting fiction', *Australian Accounting Review*, vol. 5, no. 1, pp. 31-47.

Carver, J 1997, *Boards that make a difference*, 2nd edn, Jossey-Bass, San Francisco.

Charmaz, K 2014, *Constructing Grounded Theory*, 2nd edn, Sage Publications Ltd, London.

Charmaz, K & Belgrave, L 2012, 'Qualitative interviewing and grounded theory analysis', in JF Gubrium, JA Holstein, AB Marvasti & KD McKinney (eds.), 2012, *The SAGE Handbook of Interview Research: The Complexity of the Craft*, 2nd edn, Sage Publications, Thousand Oaks, California, pp. 347-366.

Chelliah, J, Boersma, M & Klettner, A 2015, 'The role of a national regulator in developing solutions to governance challenges in the not-for-profit sector', *The Journal of Developing Areas*, vol. 49, no. 6, pp. 449-458.

Clarke, T 1998, 'Research on corporate governance', *Corporate Governance: An International Review*, vol. 6, pp. 57-66.

Clemens, ES 2006, 'The constitution of citizens: political theories of nonprofit organisations', in PD Hall, WW Powell & R Steinberg (eds.), *The Non-profit Sector – A Research Handbook*, 2nd edn, Yale University Press, New Haven, CT, pp. 207-220.

Cohen, JR Krishnamoorthy, G & Wright, AM 2008, 'Form versus substance: the implications for auditing practice and research of alternate perspectives on corporate governance', *Auditing: A Journal of Practice and Theory*, vol. 27, no. 2, pp. 181-198.

Collier, PA 1992, *Audit Committees in Large UK Companies*, Research Board of the Institute of Chartered Accountants in England and Wales, London.

Collier, PM 2005, 'Governance and the quasi-public organisation: a case study of social housing', *Critical Perspectives on Accounting*, vol. 16, no. 7, pp. 929-949.

Community Council for Australia (CCA) 2016, 'Submission in relation to: AASB Exposure Draft ED 270 August 2015: Reporting Service Performance Information', pp. 1-7.

Considine, M 2002, 'The End of the Line? Accountable Governance in the Age of Networks, Partnerships, and Joined-Up Service', *Governance: An International Journal of Policy, Administration, and Institutions*, vol. 15, no. 1, pp. 21-40.

Corbetta, G & Salvato CA 2004, 'The board of directors in family firms: one size fits all?', *Family Business Review*, vol. 17, no. 2, pp. 119-134.

Corbetta, P 2003, 'Participant observation', in P Corbetta (ed.) *Social research: Theory, methods and techniques*, Sage, London, pp. 235-264. [Online] viewed 15 March 2015, <<http://dx.doi.org/10.4135/9781849209922.n9>>.

Corbin, J & Strauss, A 2008, *Basics of Qualitative Research*, 3rd edn, Sage Publications, Ltd., Thousand Oaks, California.

Core, P 1993, 'Accountability in the public sector', in J Guthrie (ed.), *Australian public service: pathways to change in the 1990s*, IRR Conferences Pty. Ltd., North Sydney, pp. 48–53.

Corley, KG 2005, 'Examining the non-executive directors' role from a non-agency theory perspective: implications arising from the Higgs Report', *British Journal of Management*, vol. 16, pp. S1-S4.

Cornforth, C 2001, 'What makes board effective? An examination of the relationships between board inputs, structures, processes and effectiveness in non-profit organisations', *Corporate Governance: An International Review*, vol. 9, no. 3, pp. 217-227.

Cornforth, C 2003, 'Introduction: the changing context of governance – emerging issues and paradoxes', in C Cornforth (ed.), *The Governance of Public and Non-Profit Organizations*, Routledge, London, pp.1-21.

Cornforth, C & Edwards, C 1999, 'Board roles in the strategic management of non-profit organisations: theory and practice', *Corporate Governance: An International Review*, vol. 7, no. 4, pp. 346-362.

Cornwall, A, Lucas, H, & Pasteur, K 2000, 'Introduction: Accountability Through Participation: Developing Workable Partnership Models in the Health Sector', *IDS Bulletin*, vol. 31, no. 1, pp. 1–13.

Coule, TM 2015, 'Nonprofit governance and accountability: broadening the theoretical perspective', *Nonprofit and Voluntary Sector Quarterly*, vol. 44, no. 1, pp.75-97.

Creswell J 1998, *Qualitative inquiry and research design: Choosing among five traditions*, Sage Publications, Thousand Oaks, California.

Creswell, JW 2007, *Qualitative Inquiry & Research Design: Choosing Among Five Approaches*, Sage Publications, Thousand Oaks, California.

Creswell, JW 2014, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, 4th edn, Sage Publications, Thousand Oaks, California.

Creswell, JW & Miller, DL 2000, 'Determining validity in qualitative inquiry', *Theory into Practice*, vol. 39, no. 3, pp. 124-130.

Crouch, M & McKenzie, H 2006, 'The logic of small samples in interview-based qualitative research', *Social Science Information*, vol. 45, no. 4, pp. 483-499.

Crow, P & Lockhart, J 2014, 'The crucial importance of access to the advancement of governance research', in P Dover, S Hariharan & M Cummings (eds.), *Proceedings of the 2<sup>nd</sup> International Conference on Management, Leadership and Governance ICMLG 2014*, Academic Conferences and Publishing International Limited, pp. 34-40.

Crow, P Lockhart, J & Lewis, K 2014, 'Towards a re-conceptualisation of governance, via strategic decision-making and performance', in P Dover, S Hariharan & M Cummings (eds.), *Proceedings of the 2<sup>nd</sup> International Conference on*

*Management, Leadership and Governance ICMLG 2014*, Academic Conferences and Publishing International Limited, pp. 52-58.

Cumberland, DM, Kerrick, SA, D'Mello, J & Petrosko, J 2015, 'Nonprofit board balance and perceived performance', *Nonprofit Management & Leadership*, vol. 25, no. 4, pp. 449-462.

Dalton, DR & Daily, CM 1999, 'What's wrong with having friends on the board?', *Across the Board*, vol. 36, no. 3, pp. 28-32.

Davis, F 1973, 'The martian and the convert: ontological polarities in social research', *Urban Life and Culture*, vol. 2, no. 3, pp. 333-343.

Dayman, I 2017, 'RSL SA to retain charity status if regulatory requirements met', *ABC News*, 24 August 2017.

Deakin, H, Wakefield, K & Gregorius, S 2012, 'An exploration of peer-to-peer teaching and learning at postgraduate level: the experience of two student-led NVivo workshops', *Journal of Geography in Higher Education*, vol. 36, no. 4, pp. 603-612.

Dees, JG & Anderson, BB 2003b, 'For-profit social ventures', in ML Kourilsky & WB Walstad (eds.), *Social Entrepreneurship*, Senate Hall Academic Publishing, pp. 1-26.

Dees, JG & Anderson, BB 2003a, 'Sector blending: blurring lines between nonprofit and for-profit', *Society*, pp. 16-27.

Demb, A & Neubauer, FF 1992, 'The corporate board: confronting the paradoxes', *Long Range Planning*, vol. 25, no. 3, pp. 9-20.

Denscombe, M 2010, *The Good Research Guide: For Small-Scale Social Research Projects*, 4th edn, Open University Press, Maidenhead.

Denzin, NK 1978, *The research act: A theoretical orientation to sociological methods*, 2nd edn, McGraw-Hill, New York.

Denzin, NK 1989, *Interpretive interactionism*, Sage, Newbury Park, CA.

Denzin, NK & Lincoln, YS 1994, 'Introduction: Entering the field of qualitative research', in NK Denzin and YS Lincoln (eds.), *Handbook of qualitative research*, Sage, Thousand Oaks, CA, pp. 1-17.

Di Domenico, ML & Phillips, N 2010, 'Participant observation', in AJ Mills, G Durepos & N Phillips (eds.), *Encyclopaedia of Case Study Research*, Sage, Thousand Oaks, pp. 653-656. [Online] viewed 7 July 2015, <<http://dx.doi.org/10.4135/9781412957397.n244>>.

Dimitrov, R 2008, 'The strategic response: an introduction to non-profit communication', *Third Sector Review*, vol. 14, no. 2, pp. 9-50.

Dolnicar, S Irvine, H & Lazarevski, K 2008, 'Mission or money? Competitive challenges facing public sector nonprofit organisations in an institutionalised environment', *International Journal of Nonprofit and Voluntary Sector Marketing*, vol. 13, pp. 107-117.

Dolnicar S & Lazarevski, K 2009, 'Marketing in non-profit organizations: an international perspective', *International Marketing Review*, vol. 26, no. 3, pp. 275-291.

Drucker, PF 1989, 'What business can learn from nonprofits', *Harvard Business Review*, vol. 67, July-August, pp. 88-93.

Ebrahim, A 2003, 'Making sense of accountability: conceptual perspectives for northern and southern nonprofits', *Nonprofit Management & Leadership*, vol. 14, no. 2, pp. 191-212.

Ebrahim, A 2010, 'The many faces of nonprofit accountability', in DO Renz (ed.), *The Jossey-Bass Handbook of Nonprofit Leadership and Management*, John Wiley & Sons, Inc., San Francisco, pp. 101-122.

Edwards, M & Hulme, D 1995, *Non-Governmental Organisations - Performance and Accountability (Beyond the Magic Bullet)*, Earthscan Publications, London.

Eriksson, P & Kovalainen, A 2008, *Qualitative Methods in Business Research*, Sage Publications Ltd, London.

Fama EF & Jensen, M 1983, 'Separation of ownership and control', *Journal of Law and Economics*, vol. 26, no. 2, pp. 301-325.

Farwell, MM Shier, ML & Handy, F 2018, 'Explaining trust in Canadian charities: the influence of public perceptions of accountability, transparency, familiarity and institutional trust', *Voluntas*, [Online] viewed 2 November 2018, <<https://doi-org.ezproxy.lib.rmit.edu.au/10.1007/s11266-018-00046-8>>.

Finkelstein, S 1992, 'Power in Top Management Teams: Dimensions, Measurements and Validation', *Academy of Management Journal*, vol. 35, pp. 505-536.

Flack, T & Ryan, C 2005, 'Financial reporting by Australian nonprofit organisations: dilemmas posed by government funders', *Australian Journal of Public Administration*, vol. 64, no. 3, pp. 69-77.

Fry, RE 1995, 'Accountability in organizational life: Problem or opportunity for non-profits?', *Non-profit Management and Leadership*, vol. 6, pp. 181-195.

Fuller, D & Roffey, B 1993, 'Improving public sector accountability and strategic decision-making', *Australian Journal of Public Administration*, vol. 52, no. 2, pp. 149-163.

Gabrielsson, J 2003, *Boards and Governance in SMEs: An Inquiry into Boards' Contribution to Firm Performance*, Lund University Press, Lund.



- Gabrielsson, J & Huse, M 2004, 'Context, behavior, and evolution: challenges in research on boards and governance', *International Studies of Management & Organization*, vol. 34, no. 2, pp. 11-36.
- Gamble, EN & Beer, HA 2017, 'Spiritually informed not-for-profit performance measurement', *Journal of Business Ethics*, vol. 141, no. 3, pp. 451-468.
- Geertz, C 1973, *The interpretation of cultures*, Basic Books, New York.
- Gibbon, J 2012, 'Understandings of accountability: an autoethnographic account using metaphor', *Critical Perspectives on Accounting*, vol. 23, pp.201-212.
- Giddens, A 1984, *The Constitution of Society: Outline of the Theory of Structuration*, University of California press, Berkeley.
- Glaser, B & Strauss, A 1967, *The discovery of Grounded Theory*, Chicago, IL: Aldine.
- Glesne, C 2006, *Becoming a Qualitative Researcher: An Introduction*, 3rd edn, Pearson, Boston.
- Golafshani, N 2003, 'Understanding reliability and validity in qualitative research', *The Qualitative Report*, vol. 8, no. 4, pp. 597-607.
- Golden-Biddle, K & Rao, H 1997, 'Breaches in the boardroom: organizational identity and conflicts of commitment in a nonprofit organization', *Organization Science*, vol. 8, no. 6, pp. 593-611.
- Goulding, C 2005, 'Grounded theory, ethnography and phenomenology', *European Journal of Marketing*, vol. 39, no. 3/4, pp. 294-308.
- Goodin, RE 2003, 'Democratic accountability: the distinctiveness of the third sector', *Archives Europeennes de Sociologie*, vol. 44, no. 3, pp. 359-396.
- Gray, A & Jenkins, B 1993, 'Codes of accountability in the new public sector', *Accounting, Auditing & Accountability Journal*, vol. 6, no. 3, pp. 52-67.
- Grey, D 2009, *Doing Research in the Real World*, Sage, London.
- Gray, R 2000, 'The Social Accounting Project and Accounting Organizations and Society: Privileging Engagement, Imaginings, New Accountings, and Pragmatism over Critique?', paper presented at the AOS 25th Anniversary Conference, Oxford, July 26-29, 2000.
- Gray, R 2002, 'The social accounting project and accounting organizations and society: Privileging engagement, imaginings, new accountings and pragmatism over critique?', *Accounting, Organizations and Society*, vol. 27, pp. 687-708.
- Grix, J 2002, 'Introducing students to the generic terminology of social research', *Politics*, vol. 22, no. 3, pp. 175-186.

- Guest, G, Bunce, A & Johnson, L 2006, 'How many interviews are enough? An experiment with data saturation and variability', *Field Methods*, vol. 18, no. 1, pp. 59-82.
- Hambrick, DH & Mason, PA 1984, 'Upper Echelons: the Organization as a Reflection of its Top Managers', *Academy of Management Review*, vol. 9, pp. 193-206.
- Hammersley, M 1992, *What's Wrong with Ethnography?* Routledge, London.
- Hammersley, M 1995, *The Politics of Social Research*, Sage, London.
- Hardy, L & Ballis, H 2013, 'Accountability and Giving Accounts: Informal Reporting Practices in a Religious Corporation', *Accounting, Auditing & Accountability Journal*, vol. 26, no. 4, pp. 539-566.
- Hartley, J 2004, 'Case study research', in C Cassell & G Symon (eds.), *Essential Guide to Qualitative Methods in Organizational Research*, SAGE Publications, London, pp. 323-333.
- Heemskerk, K, Heemskerk, EM & Wats, M 2015, 'Behavioral determinants of nonprofit board performance: the case of supervisory boards in Dutch secondary education', *Nonprofit Management & Leadership*, vol. 25, no. 4, pp. 417-430.
- Helmig, B Jegers M & Lapsley, I 2004, 'Challenges in managing nonprofit organizations: a research overview', *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, vol. 15, no. 2, pp. 101-116.
- Hendry, K & Kiel, GC 2004, 'The role of the board in firm strategy: integrating agency and organisational control perspectives', *Corporate Governance: An International Review*, vol. 12, no. 4, pp. 500-520.
- Hennick, M, Hutter I & Bailey, A 2011, *Qualitative Research Methods*, SAGE Publications, London.
- Heracleous, LT 1999, 'The Board of Directors as leaders of the organisation', *Corporate Governance: An International Review*, vol. 7, pp. 256-265.
- Hermalin, BE & Weisbach, MS 2003, 'The role of boards of directors in corporate governance: a conceptual framework and survey', *Journal of Economic Literature*, vol. 48, no. 1, pp. 58-107.
- Herman, RD Renz, DO & Heimovics, RD 1997, 'Board practices and board effectiveness in local nonprofit organizations', *Nonprofit Management & Leadership*, vol. 7, no. 4, pp. 373-385.
- Hesse-Biber, SN & Leavy, P 2011, *The Practice of Qualitative Research*, 2nd edn, Sage Publications, Inc., Thousand Oaks, California.
- Higgs, D 2003, *Review of the Role and Effectiveness of Non-Executive Directors*, Department of Trade and Industry, HMSO, London.

- Hill, S 1995, 'The Social Organisation of Boards of Directors', *British Journal of Sociology*, vol. 46, pp. 245-278.
- Holland, TP 2002, 'Board Accountability: Lessons from the Field', *Nonprofit Management & Leadership*, vol. 12, no. 4, pp. 409-428.
- Hooghiemstra, R & van Manen, J 2002, 'Supervisory Directors and Ethical Dilemmas: Exit or Voice?', *European Management Journal*, vol. 20, no. 1, pp. 1-9.
- Hooghiemstra, R & van Manen, J 2004a, 'The Independence Paradox: (im)possibilities facing non-executive directors in the Netherlands', *Corporate Governance: An International Review*, vol. 12, no. 3, pp. 314-324.
- Hooghiemstra, R & van Manen, J 2004b, 'The Independence Paradox: (im)possibilities facing non-executive directors in the Netherlands', *Corporate Governance: An International Review*, vol. 12, no. 3, pp. 314-324.
- Hooghiemstra, R & van Manen, J 2004b, 'Non-executive Directors in the Netherlands: another expectations gap?', *Accounting and Business Research*, vol. 34, no. 1, pp. 25-41.
- Horngrén, CT Datar, SM Rajan, MV Wynder, MB Maguire, WAA & Tan, RCW 2016, *Cost Accounting: A Managerial Emphasis*, Frenchs Forest, Pearson Australia, 2014.
- Horton, J, Macve, R & Struyven, G 2004, 'Qualitative research: experiences in using semi-structured interviews', in C Humphrey & B Lee (eds.), *The Real Life Guide to Accounting Research: A Behind the Scenes View of Using Qualitative Research Methods*, Amsterdam, Elsevier Ltd, pp. 339-348.
- Horton Smith, D, Moldavanova, A & Krasynska, S 2018, *The Nonprofit Sector in Eastern Europe, Russia, and Central Asia: Civil Society Advances and Challenges*, Brill, Leiden, The Netherlands.
- Hoskin, K 1996, 'The 'awful idea of accountability': inscribing people into the measurement of objects', in R Munro & J Mouritsen (eds.), *Accountability: power, ethos and the technologies of managing*, International Thomson Business Press, London, pp. 265-283.
- Houle, CO 1989, *Governing boards: their nature and nurture*, Jossey-Bass, San Francisco.
- HRSCFPA (House of Representatives Standing Committee on Finance & Public Administration) 1990, *Not Dollars Alone: Review of the Financial Management Improvement Program* AGPS Canberra.
- Hughes, O 1992, 'Public management or public administration?', *Australian Journal of Public Administration*, vol. 51, no. 3, pp. 286-296.
- Hume, C & Hume, M 2008, 'The strategic role of knowledge management in nonprofit organisations', *International Journal of Nonprofit and Voluntary Sector Marketing*, vol. 13, pp. 129-140.

Huse, M 2005, 'Accountability and Creating Accountability: a Framework for Exploring Behavioural Perspectives of Corporate Governance', *British Journal of Management*, vol. 16, pp. S65-S79.

Huse, M & Gabrielsson, J 2004, 'Past, Present and Future Challenges in Research on Boards and Governance: A Review of Major Management Journals between 1990–2002'. Paper presented at the EURAM conference at St. Andrews, 5–9 May.

Hyndman, N & McDonnell, P 2009, 'Governance and charities: an exploration of key themes and the development of a research agenda', *Financial Accountability & Management*, vol. 25, no.1, pp.5-31.

Iacono, J, Brown, A & Holtham, C 2009, 'Research methods – a case example of participant observation', *The Electronic Journal of Business Research Methods*, vol. 7, no. 1, pp. 39-46. [Online] viewed 12 August 2016, <[www.ejbrm.com](http://www.ejbrm.com)>.

Ihantola, E-M & Kihn, L-A 2011, 'Threats to validity and reliability in mixed methods accounting research', *Qualitative Research in Accounting and Management*, vol. 8, no. 1, pp. 39-58.

Inglis, S & Weaver, L 2000, 'Designing agendas to reflect board roles and responsibilities: results of a study', *Nonprofit Management & Leadership*, vol. 11, no. 1, pp. 65-77.

Jacobs, K & Walker, SP 2004, 'Accounting and accountability in the Iona Community', *Accounting, Auditing & Accountability Journal*, vol. 17, no. 3, pp. 361-381.

Jayasinghe, K & Soobaroyen, T 2009, 'Religious "spirit" and peoples' perceptions of accountability in Hindu and Buddhist religious organizations', *Accounting, Auditing & Accountability Journal*, vol. 22, no. 7, pp. 997-1028.

Joannides, V 2012, 'Accountability and the problematics of accountability', *Critical Perspectives on Accounting*, vol. 23, pp.244-257.

Joannides, V Jaumier S & Hoque, Z, 2015 'Patterns of boardroom discussions around accountability process in a nonprofit organisation', in Z Hoque and L Parker (eds.), *Performance Management in Nonprofit Organizations: Global Perspectives*, Routledge, New York, pp.234-260.

Johnson, JL Daily, MD & Ellstrand, AE 1996, 'Boards of directors: a review and research agenda', *Journal of Management*, vol. 22, no. 3, pp. 409-438.

Kamuf, P 2007, 'Accountability', *Textual Practice*, vol. 21, no. 2, pp. 251-66.

Kearns, KP 1994, 'The strategic management of accountability in nonprofit organizations: an analytical framework', *Public Administration Review*, vol. 54, no. 2, pp. 185-192.

Kearns, KP 1996, *Managing for accountability: Preserving the public trust in public and nonprofit organizations*, Jossey-Bass, San Francisco.

King, N 2004, 'Using Interviews in Qualitative Research', in C Cassell & G Symon (eds.), *Essential Guide to Qualitative Methods in Organizational Research*, Sage Publications, London, pp. 11-22.

King, N & Horrocks, C 2010, *Interviews in Qualitative Research*, Sage, London.

Kirkbride J & Letza, S 2005, 'Can the non-executive director be an effective gatekeeper? The possible development of a legal framework of accountability', *Corporate Governance: An International Review*, vol. 13, no. 4, pp. 542-550.

Kirkbride, J Letza, S & Sun, X 2005, 'Corporate governance: towards a theory of regulatory shift', *European Journal of Law and Economics*, vol. 20, pp. 57-70.

Kirwan, CE & Brennan, NM 2017, 'Guardians not Watchdogs in the Boardroom: Conceptualising the Role of Non-Executive Directors', *57th Accounting & Finance Association of Australia and New Zealand (AFAANZ) Annual Conference*, Adelaide, Australia, Presented by NM Brennan.

Koppell, JG 2005, 'Pathologies of accountability: ICANN and the challenge of multiple accountabilities disorder', *Public Administration Review*, vol. 65, no. 1, pp. 94-108.

Kreander, N, McPhail, K & Molyneaux, D 2004, 'God's fund managers – a critical study of stock market investment practices of the Church of England and UK Methodists', *Accounting, Auditing & Accountability Journal*, vol. 17, no. 3, pp. 408-441.

Kvale, S & Brinkmann, S 2009, *Interviews: Learning the Craft of Qualitative Research Interviewing*, 2nd edn, Sage Publications, Thousand Oaks, CA.

Lang, JR & Lockhart DE 1990, 'Increased Environmental Uncertainty and Changes in Board Linkage Patterns', *Academy of Management Journal*, vol. 33, no. 1, pp. 106-128.

Langley, A Smallman, C Tsoukas, H & Van de Ven, A 2013, 'Process studies of change in organization and management: unveiling temporality, activity and flow', *Academy of Management Journal*, vol. 56, no. 1, pp. 1-13.

Lauenstein, M 1982, 'The Strategic Side of Dividends', *The Journal of Business Strategy*, vol. 3, no. 2, pp. 80-82.

Lavoipierre, A 2017, 'RSL Branches to be investigated by ACNC', *Australian Broadcasting Corporation (ABC)*, Thursday 30 March 2017.

Leblanc, R & Schwartz, MS 2007, 'The Black Box of Board Process: gaining access to a difficult subject', *Corporate Governance: An International Review*, vol. 15, no. 5, pp.843-851.

Lecy, JD, Schmitz, HP & Swedlund, H 2012, 'Non-governmental and not-for-profit organizational effectiveness: a modern synthesis', *Voluntas*, vol. 23, pp.434-457.

Lehman, G 1996, 'Environmental accounting: pollution permits or selling the

- environment’, *Critical Perspectives on Accounting*, vol. 7, no. 5, pp. 667–676.
- Le Mire, S & Gilligan, G 2013, Independence and independent company directors’, *Journal of Corporate Law Studies*, vol. 13, pp. 443-475.
- Lewis, JM O’Flynn, J & Sullivan, H 2014, ‘Accountability: To whom, in relation to what, and why?’, *Australian Journal of Public Administration*, vol. 73, no. 4, pp. 401-407.
- Lievens, F, Sanchez, JI & De Corte, W 2004, ‘Easing the inferential leap in competency modeling: the effects of task-related information and subject matter expertise’, *Personnel Psychology*, vol. 57, pp. 881-904.
- Lincoln, YS & Guba, EG 1985, *Naturalistic inquiry*, Sage Publications, Newbury Park, CA.
- Lindberg, SI 2013, ‘Mapping accountability: core concept and subtypes’, *International Review of Administrative Sciences*, vol. 79, no. 2, pp. 202-226.
- Lindkvist, L & Llewellyn, S 2003, ‘Accountability, responsibility and organization’, *Scandinavian Journal of Management*, vol. 19, pp. 251-273.
- Llewellyn, S 2003, ‘What counts as “theory” in qualitative management and accounting research? Introducing five levels of theorizing’, *Accounting, Auditing & Accountability Journal*, vol. 16, no. 4, pp. 662-708.
- Lockhart, J 2012, ‘Strategy and the board: a division of labour’, in J Mueller & P Wells (eds.), *Governance in action globally – strategy, process and reality*, Rossie Smith Academic Publishing, Oxford, pp. 247-265.
- Long, T Dulewicz, V & Gay, K 2005, ‘The Role of the Non-executive Director: findings of an empirical investigation into the differences between listed and unlisted UK boards’, *Corporate Governance: An International Review*, vol. 13, no. 5, pp. 667-679.
- Lukka, K & Modell, S 2010, ‘Validation in interpretive management accounting research’, *Accounting, Organizations and Society*, vol. 35, pp. 462-477.
- Machold, S & Farquhar, S 2013, ‘Board task evolution: a longitudinal field study in the UK’, *Corporate Governance: An International Review*, vol. 21, no. 2, pp.147-164.
- Maitlis, S 2004, ‘Taking it from the top: How CEOs influence (and fail to influence) their boards’, *Organization Studies*, vol. 25, pp. 1275–1311.
- Mashaw, JL 2006, ‘Accountability and institutional design: some thoughts on the grammar of governance’, in MW Dowdle (ed.), *Public Accountability: Designs, Dilemmas and Experiences*, Cambridge University Press, Cambridge, pp. 115-156.
- McDonald, ML & Westphal, JD 2010, ‘A little help here? Board control, CEO identification with the corporate elite, and strategic help provided to CEOs at other firms’, *Academy of Management Journal*, vol. 53, no. 2, pp. 343-370.

- McKernan, JF & Kosmala, K 2004, 'Accounting, love and justice', *Accounting, Auditing & Accountability Journal*, vol. 17, no. 3, pp.327-60.
- McKinnon, J 1988, 'Reliability and validity in field research: some strategies and tactics', *Accounting, Auditing & Accountability Journal*, vol. 1, no. 1, pp. 34-54.
- Messner, M 2009, 'The limits of accountability', *Accounting, Organizations and Society*, vol. 34, pp. 918-938.
- McKernan, JF & McPhail, K 2012, 'Accountability and accountability', *Critical Perspectives on Accounting*, vol. 23, no. 3, pp. 177-182.
- McNulty, T & Pettigrew, A 1996, 'The Contribution, Power and Influence of Part-time Board Members', *Corporate Governance: An International Review*, vol. 4, no. 3, pp. 160-179.
- McNulty, T & Stewart, A 2015, 'Developing the Governance Space: A Study of the Role and Potential of the Company Secretary in and around the Board of Directors', *Organization Studies*, vol. 36, no. 4, pp.513-535.
- Mintzberg, H 1994, 'The Fall and Rise of Strategic Planning', *Harvard Business Review*, Jan/Feb, pp. 107-114.
- Mintzberg, H & Waters, JA 1985, 'Of strategies, deliberate and emergent', *Strategic Management Journal*, vol. 6, no. 3, pp. 257-272.
- Miller, JL 2002, 'The board as a monitor of organizational activity: the applicability of agency theory to nonprofit boards', *Nonprofit Management & Leadership*, vol. 12, no. 4, pp. 429-450.
- Morrison, JB & Salipante, P 2007, 'Governance for Broadened Accountability: Blending Deliberate and Emergent Strategizing', *Nonprofit and Voluntary Sector Quarterly*, vol. 36, no. 2, pp. 195-217.
- Nichol, M & Duffy, M 2017, 'Performance-enhancing drugs, sport and corporate governance – Lessons from an Australian football club', *Common Law World Review*, vol.46, no. 2, pp.83-111.
- Oakes, LS, & Young, JJ 2008, 'Accountability re-examined: Evidence from hull house', *Accounting, Auditing & Accountability Journal*, vol. 21, no. 6, pp. 765–790.
- Ocasio, W 1999, 'Institutionalised Action and Corporate Governance: The Reliance on Rules of CEO Succession', *Administrative Science Quarterly*, vol. 44, pp. 384–416.
- O'Dwyer, B, & Unerman, J 2008, 'The paradox of greater NGO accountability: A case study of Amnesty Ireland', *Accounting, Organizations and Society*, vol. 33, pp. 801–824.
- O'Leary, S 2017, 'Grassroots accountability promises in rights-based approaches to development: the role of transformative monitoring and evaluation in NGOs', *Accounting, Organizations and Society*, vol. 63, pp. 21-41.

O'Neal D & Thomas, H 1995, 'Director networks/director selection: the board's strategic role', *European Management Journal*, vol. 13, no. 1, pp. 79-90.

Ortlipp, M 2008, 'Keeping and using reflective journals in the qualitative research process', *The Qualitative Report*, vol. 13, no. 4, pp. 695-705.

Ospina, S Diaz, W & O'Sullivan, J 2002, 'Negotiating accountability: managerial lessons from identity-based nonprofit organizations', *Nonprofit and Voluntary Sector Quarterly*, vol. 31, no. 1, pp. 5-31.

Ostrower, F & Stone, MM 2006, 'Governance: research trends, gaps and future prospects', in PD Hall, WW Powell & R Steinberg (eds.), *The Non-profit Sector – A Research Handbook*, 2nd edn, Yale University Press, New Haven, CT, pp. 612-628.

Our Community, 'The Australian not-for-profit sector: an overview – the community sector', [https://www.ourcommunity.com.au/general/general\\_article.jsp?articleId=103](https://www.ourcommunity.com.au/general/general_article.jsp?articleId=103) accessed 10 February 2018.

Parker, LD 1996, 'Broad scope accountability: the reporting priority', *Australian Accounting Review*, vol. 6, no. 1, pp. 3-15.

Parker, LD 2003, 'Financial management strategy in a community welfare organisation: a boardroom perspective', *Financial Accountability & Management*, vol. 19, no. 4, pp. 341-374.

Parker, LD 2007a, 'Boardroom Strategizing in Professional Associations: Processual and Institutional Perspectives', *Journal of Management Studies*, vol. 44, no. 8, pp. 1454-1480.

Parker, LD 2007b, 'Internal Governance in the Nonprofit Boardroom: a participant observer study', *Corporate Governance: An International Review*, vol. 15, no. 5, pp. 923-934.

Parker, LD 2008, 'Boardroom Operational and Financial Control: an Insider View', *British Journal of Management*, vol. 19, pp. 65-88.

Parker, LD 2011, 'University corporatization: driving redefinition', *Critical Perspectives on Accounting*, vol. 22, pp. 434-450.

Parker, LD 2012, 'Qualitative management accounting research: Assessing deliverables and relevance', *Critical Perspectives on Accounting*, vol. 23, pp. 54-70.

Parker, LD 2014, 'Corporate social accountability through action: contemporary insights from British industrial pioneers', *Accounting, Organizations and Society*, vol. 39, pp. 632-659.

Parker, L & Gould, G 1999, 'Changing public sector accountability: critiquing new directions', *Accounting Forum*, vol. 23, no. 2, pp. 109-135.

Parker, LD & Northcott, D 2016, 'Qualitative generalising in accounting research: concepts and strategies', *Accounting, Auditing & Accountability Journal*, vol. 29, no. 6, pp. 1100-1131.



Parker, LD & Roffey, BH 1997, 'Back to the drawing board: revisiting grounded theory and the everyday accountant's and manager's reality', *Accounting, Auditing & Accountability Journal*, vol. 10, no. 2, pp.212-247.

Patton, MQ 1982, 'Qualitative methods and approaches: what are they?', *New Directions for Institutional Research*, vol. 34, pp. 3-15.

Patton, MQ 2002, *Qualitative Evaluation and Research Methods*, Sage Publications, Thousand Oaks, CA.

Payne, G & Williams, M 2005, 'Generalization in qualitative research', *Sociology*, vol. 39, no. 2, pp. 295-314.

Pearce, JA & Zahra, SA 1992, 'Board composition and strategic contingency', *Journal of Management Studies*, vol. 20, pp. 410-438.

Peck, E 1995, 'The performance of an NHS trust board: actors' accounts, minutes and observation', *British Journal of Management*, vol. 6, pp. 135-156.

Pepper, SC 1942, *World Hypotheses*, Berkeley, University of California Press, California.

Peräkylä, A & Ruusuvuori, J 2011, 'Analysing text and talk', in NK Denzin & YS Lincoln (eds.), *The Sage Handbook of Qualitative Research*, Los Angeles, Sage Publications, Incorporated, pp. 529-543.

Pettigrew, AM 1987, 'Context and Action in the Transformation of the Firm', *Journal of Management Studies*, vol. 24, pp. 649-670.

Pettigrew, A 1990, 'Longitudinal field research on change: theory and practice', *Organisation Science*, vol. 1, no. 3, pp. 267-292.

Pettigrew, A 1992, 'On Studying Managerial Elites', *Strategic Management Journal*, vol. 13, pp. 163-182.

Pettigrew, AM 2013, 'The conduct of qualitative research in organizational settings', *Corporate Governance: An International Review*, vol. 21, pp. 123-127.

Pfeffer, J 1972, 'Size and composition of corporate boards of directors: The organization and its environment', *Administrative Science Quarterly*, vol. 17, pp. 218-228.

Pfeffer, J 1973, 'Size, composition, and function of hospital boards of directors: A study of organization-environment linkage', *Administrative Science Quarterly*, vol. 18, pp. 349-364.

Pfeffer, J & Salancik, GR 1978, *The external control of organizations: A resource dependence perspective*, Harper & Row, New York.

ProBono Australia 2014, *State of the Not for Profit Sector*, ProBono Australia.

- ProBono Australia 2016, *The Board Report*, ProBono Australia.
- ProNed, 1992, *Research into the Role of the Nonexecutive Directors*, ProNed, London.
- Pugliese, A Bezemer, PJ Zattoni, A Huse, M, Van den Bosch, FAJ & Volberda, HW 2009, 'Boards of directors' contribution to strategy: A literature review and research agenda', *Corporate Governance: An International Review*, vol. 17, no. 3, pp. 292-306.
- Pugliese, A Nicholson, G & Bezemer, PJ 2015, 'An observational analysis of the impact of board dynamics and directors' participation on perceived board effectiveness', *British Journal of Management*, vol. 26, pp. 1- 25.
- Pye, A 2001, 'Corporate boards their investors and their relationships: accounts of accountability and corporate governing in action', *Corporate Governance: An International Review*, vol. 9, no. 3, pp. 186-195.
- Pye, A 2002, 'Corporate Directing: governing, strategising and leading in action', *Corporate Governance: An International Review*, vol. 10, no. 3, pp. 153-162.
- Pye, A & Pettigrew, A 2005, 'Studying board context, process and dynamics: some challenges for the future', *British Journal of Management*, vol. 16, pp. S27-S38.
- Quattrone, P 2004, 'Accounting for God: accounting and accountability practices in the Society of Jesus (Italy, XVI-XVII centuries)', *Accounting, Organizations and Society*, vol. 29, no. 7, pp. 647-683.
- Queensland University of Technology (QUT) Business School, 2014, ACPNS Current Issues Information Sheet 2014/4 – August 2014: The Not for Profit Sector in Australia: Fact Sheet', prepared by Professor Myles McGregor-Lowndes, The Australian Centre for Philanthropy and Nonprofit Studies, School of Accountancy, QUT, pp. 1-7.
- Rentschler, R & Potter, B 1996, 'Accountability versus artistic development: The case for non- profit museums and performing arts organizations', *Accounting, Auditing & Accountability Journal*, vol. 9, no. 5, pp. 100-113.
- Rhodes, RAW 1997, *Understanding Governance*, Open University Press, Buckingham.
- Roberts, J 1991, 'The possibilities of accountability', *Accounting, Organizations and Society*, vol. 16, no. 4, pp. 355-368.
- Roberts, J 2001, 'Corporate governance and the ethics of narcissus', *Business Ethics Quarterly*, vol. 11, no. 1, pp. 109-125.
- Roberts, J 2003, 'The manufacture of corporate social responsibility; constructing corporate sensibility', *Organization*, vol. 10, no. 2, pp. 249–265.

- Roberts, J 2009, 'No one is perfect: the limits of transparency and an ethic for 'intelligent' accountability', *Accounting, Organizations and Society*, vol. 34, pp. 957-970.
- Roberts, J, McNulty, T & Stiles, P 2005, 'Beyond Agency Conceptions of the work of the Non-executive Director: Creating Accountability in the Boardroom', *British Journal of Management*, vol. 16, pp. S5-S26.
- Roberts, J & Scapens, R 1985, 'Accounting systems and systems of accountability-understanding accounting practices in their organisational contexts', *Accounting, Organisations and Society*, vol. 10, no. 4, pp. 443-456.
- Roberts, RW 1992, 'Determinants of corporate social disclosure: An application of stakeholder theory', *Accounting, Organizations and Society*, vol. 17, no. 6, pp. 595-612.
- Robson, C 2002, *Real World Research: A Resource for Social Scientists and Practitioner-Researchers*, 2nd edn, Blackwell Publishers, Oxford.
- Romzek, BS 1996, 'Enhancing accountability', in J Perry (ed.), *Handbook of Public Administration*, 2nd edn, pp. 97-114, Jossey-Bass, San Francisco.
- Romzek, BS & Dubnick, MJ 1987, 'Accountability in the public sector: Lessons from the Challenger tragedy', *Public Administration Review*, vol. 47, no. 3, pp. 227-238.
- Rosen, M 1991, 'Coming to terms with the field: understanding and doing organizational Ethnography', *Journal of Management Studies*, vol. 28, no. 4, pp. 1-24.
- Rosenstein, J 1987, 'Why Don't U.S. Boards Get More Involved in Strategy?', *Long Range Planning*, vol. 20, no. 3, pp. 30-34.
- Roulston, K 2010, 'Considering quality in qualitative interviewing', *Qualitative Research*, vol. 10, no. 2, pp. 199-228.
- Rubin HJ & Rubin IS 1995, *Qualitative interviewing: The art of hearing data*, Sage, Thousand Oaks, CA.
- Ruckle, JE 1993, *Distinctive Qualities of Third Sector Organisations*, Garland Publishing, New York.
- Ryan, GW & Bernard, HR 2000, 'Data management and analysis methods', in NK Denzin & YS Lincoln (eds.), *Handbook of Qualitative Research*, 2<sup>nd</sup> edn, Sage Publications, Thousand Oaks, CA, pp. 769-802.
- Samra-Fredericks, D 2000, 'Doing 'Boards-in-Action' Research - an Ethnographic Approach for the Capture and Analysis of Directors' and Senior Managers' Interactive Routines', *Corporate Governance: An International Review*, vol. 8, pp. 244-257.
- Salamon, LM 2010, 'Putting the civil society sector on the economic map of the world', *Annals of Public and Cooperative Economics*, vol. 81, no. 2, pp. 167-210.

Sasso, P 2003, 'Searching for trust in the not-for-profit boardroom: looking beyond the duty of obedience to ensure accountability', *UCLA Law Review*, pp. 1485-1546.

Seidel, J 1991, 'Methods and madness in the application of computer technology to qualitative data analysis', in NG Fielding & RM Lee (eds.), *Using Computers in Qualitative Research*, Sage, London, pp. 107-116.

Seidman, I 1998, *Interviewing as Qualitative Research: A Guide for Researchers in Education and the Social Sciences*, 2nd edn, Teachers College Press, Columbia University, New York.

Seidman, I 2006, *Interviewing as Qualitative Research: A Guide for Researchers in Education and the Social Sciences*, 3rd edn, Teachers College Press, Columbia University, New York.

Shank, GD 2006, *Qualitative research: a personal skills approach*, 2nd edn, Pearson Education, Inc., Upper Saddle River, New Jersey.

Shaoul, J, Stafford, A & Stapleton, P 2012, 'Accountability and corporate governance of public private partnerships', *Critical Perspectives on Accounting*, vol. 23, pp. 213-229.

Shearer, T 2002, 'Ethics and accountability: from the for-itself to the for-the-other', *Accounting, Organizations and Society*, vol. 27, pp. 541-573.

Shenkin, M & Coulson, AB 2007, 'Accountability through activism: learning from Bourdieu', *Accounting, Auditing & Accountability Journal*, vol. 20, no.2, pp. 297-317.

Shenton, AK 2004, 'Strategies for ensuring trustworthiness in qualitative research projects', *Education for Information*, vol. 22, no. 2, pp. 63-75.

Simons, R 1995, *Levers of Control*, Harvard University Press, Boston, MA.

Sinclair, A 1995, 'The chameleon of accountability: forms and discourses', *Accounting, Organizations and Society*, vol. 20, no. 2/3, pp. 219-237.

Singleton, RA & Straits, BC 2005, *Approaches to Social Research*, 4th edn, Oxford University Press, New York.

Smaling, A 2003, 'Inductive, analogical, and communicative generalization', *International Journal of Qualitative Methods*, vol. 2, no. 1, pp. 52-67.

Smith, M 2014, *Research Methods in Accounting*, SAGE Publications. London.

Spradley, JP 1980, *Participant Observation*, Holt, Rinehart & Winston, New York.

Stafford, A & Stapleton, P 2016, 'Examining the use of corporate governance mechanisms in public-private partnerships: why do they not deliver public accountability?', *Australian Journal of Public Administration*, vol. 76, no. 3, pp. 378-391.

Steane, PD & Christie, M 2001, 'Nonprofit boards in Australia: a distinctive governance approach', *Corporate Governance: An International Review*, vol. 9, no. 1, pp. 48-58.

Stiles, P 2001, 'The impact of the board on strategy: an empirical examination', *Journal of Management Studies*, vol. 38, no. 5, pp. 627-650.

Stiles, P & Taylor, B 1993, 'Benchmarking corporate governance: the impact of the Cadbury Code', *Long Range Planning*, vol. 26, no. 5, pp. 61-71.

Stiles, P & Taylor, B 2001, *Boards at Work: How Directors View their Roles and Responsibilities*, Oxford University Press, Oxford.

Stone, MM 1991, 'The propensity of governing boards to plan', *Nonprofit Management & Leadership*, vol. 1, no. 3, pp. 203-215.

Stone, MM & Ostrower, F 2007, 'Acting in the public interest? Another look at research on nonprofit governance', *Nonprofit and Voluntary Sector Quarterly*, vol. 36, no. 3, pp. 416-438.

Strauss, AL & Corbin, J 1990, *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*, Sage Publications, Newbury Park, CA.

Stuart, D 2016, 'Forecast for 2017: Not-for-profit boards', *Company Director*, vol. 32, no. 11, Australian Institute of Company Directors, pp. 50-51.

Sturges, JE & Hanrahan, KJ 2004, 'Comparing telephone and face-to-face qualitative interviewing: a research note', *Qualitative Research*, vol. 4, no. 1, pp. 107-118.

Subramaniam, N, Stewart, J, Ng, C & Shulman, A 2013, 'Understanding corporate governance in the Australian public sector: A social capital approach', *Accounting, Auditing & Accountability Journal*, vol. 26, no. 6, pp. 946-977.

Sundaramurthy, C & Lewis, M 2003, 'Control and collaboration: paradoxes of Governance', *Academy of Management Review*, vol. 29, no. 3, pp. 397-415.

Taylor, B 2004, 'Leading the boardroom revolution', *Corporate Governance: An International Review*, vol. 12, no. 4, pp.415-425.

Thomas E & Magilvy, JK 2011, 'Qualitative rigor or research validity in qualitative research', *Journal for Specialists in Pediatric Nursing*, vol. 16, no. 2, pp. 151-155.

Thyer, BA 2001, 'Participant Observation', in BA Thyer (ed.), *The handbook of social research methods*, Sage, Thousand Oaks, pp. 333-344. [Online] viewed 15 May 2015 <<http://dx.doi.org/10.4135/9781412986182.n19>>.

Tricker, RI 1978, *The Independent Director: A Study of the Non-executive Director and of the Audit Committee*, Tolley, Croydon.

Tricker, RI 2009, *Corporate Governance: Principles, Policies and Practices*, Oxford University Press, Oxford, United Kingdom.

Townley, B 2001, 'The Cult of Modernity', *Financial Accountability and Management*, vol. 17, no. 4, pp. 303-10.

Treichler, CM 1995, 'Diversity of board members and organizational performance: an integrative perspective', *Corporate Governance: An International Review*, vol. 3, no. 4, pp. 189-200.

Tucker, BP & Parker, LD 2013a, 'Managerial control and strategy in nonprofit organizations: doing the right thing for the wrong reasons?', *Nonprofit Management & Leadership*, vol. 24, no. 1, pp. 87-107.

Tucker, BP & Parker, LD 2013b, 'Out of Control? Strategy in the NFP Sector: The Implications for Management Control', *Accounting, Auditing & Accountability Journal*, vol. 26, no. 2, pp. 234-266.

Tuckman, HP & Chang, CF 2006, 'Commercial activity, technological change, and nonprofit mission', in PD Hall, WW Powell & R Steinberg (eds.), *The Non-Profit Sector – A Research Handbook*, 2nd edn, Yale University Press, New Haven, CT, pp. 629-644.

Unerman, J & O'Dwyer, B 2012, 'Accounting and accountability for NGOs', in T Hopper, M Tsamenyi, S Uddin & D Wickramasinghe (eds.), *Handbook of Accounting and Development*, Edward Elgar Publishing, pp.143-161.

Valentinov, V 2010, 'Internal organisation and governance', in DR Young & BA Seaman (eds.), *Handbook of Research on Nonprofit Economics and Management*, Edward Elgar, Cheltenham, UK, pp. 208-219.

Vicknair, D Hickman, K & Carnes, KC 1993, 'A note on audit committee independence: evidence from the NYSE on "grey" area directors', *Accounting Horizons*, vol. 7, no. 1, pp. 53-57.

Waddington, D 2004, 'Participant observation', in C Cassell & G Symon (eds.), *Essential Guide to Qualitative Methods in Organizational Research*, Sage Publications, London, pp. 154-164.

Walker, SP 1998, 'How to secure your husband's esteem: Accounting and private patriarchy in the British middle class household during the nineteenth century', *Accounting, Organizations and Society*, vol. 23, nos. 5/6, pp. 485-514.

Waterford, J 1991, 'A bottom line on public sector accountability', *Australian Journal of Public Administration*, vol. 50, no. 3, pp. 414-417.

Watson, TJ 2011, 'Ethnography, reality, and truth: the vital need for studies of 'How things work' in organizations and management', *Journal of Management Studies*, vol. 48, no. 1, pp. 201-217.

Wengraf, T 2001, *Qualitative Research Interviewing*, Sage, England, London.

Williams, AP & Taylor, JA 2013, 'Resolving accountability ambiguity in nonprofit organizations', *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, vol. 24, no. 3, pp. 559-580.

Willis, P & Trondman, M 2002, 'Manifesto for ethnography', *Cultural Studies – Critical Methodologies*, vol. 2, no. 3, pp. 394-402.

Wynne, E 2018a, 'Charities challenged to attract donations of time and money from a compassion-fatigued public', *ABC News*, 1 March 2018, viewed 2 March 2018, <<https://www.abc.net.au/news/2018-03-02/charities-face-challenges-in-crowded-market/9498940>>.

Wynne, E 2018b, 'GoFundMe changes policy to protect donors from sham causes', *ABC News*, 25 October 2018, viewed 26 October 2018, <<https://www.abc.net.au/news/2018-10-25/gofundme-policy-changes-protect-donors-from-shams/10428180>>.

Yin, RK 2009, *Case Study Research: Design and Methods*, 4th edn, Sage Publications, Thousand Oaks, California.

Young, DR 2002, 'The influence of business on nonprofit organizations and the complexity of nonprofit accountability: looking inside as well as outside', *American Review of Public Administration*, vol. 32, no. 1, pp. 3-19.

Young, DR 2013, *If Not for Profit, for What?*, Faculty Books (Online edition), Lexington Books, Lexington Massachusetts, viewed 10 February 2018, <<https://scholarworks.gsu.edu/facbooks2013/1/>>.

Young, MN, Ahlstrom, D, Bruton, GD & Chan, ES 2001, 'The resource dependence, service and control functions of boards of directors in Hong Kong and Taiwanese firms', *Asia Pacific Journal of Management*, vol. 18, no. 2, pp.223-244.

Zahra, SA & Pearce, JA 1989, 'Board of directors and corporate financial performance: a review and integrative model', *Journal of Management*, vol. 15, no. 2, pp. 291-334.

Zattoni, A & Cumo, F 2010, 'How independent, competent and incentivized should non-executive directors be? An empirical investigation of good governance codes', *British Journal of Management*, vol. 21, pp. 63-79.

## APPENDIX 1<sup>6</sup>



Business College Human  
Ethics Advisory Network  
(BCHEAN)

Building 108, Level 11  
238 Bourke Street  
Melbourne VIC 3000

GPO Box 2478V  
Melbourne VIC 3001  
Australia

### Notice of Approval

Date: 11 August 2015  
Project number: 19445  
Project title: *The accountability-control role and the advisory-strategic role of the Non-Executive Director (NED) in Not-For-Profit entities: An untenable task or a viable combination?*  
Risk classification: Low Risk  
Principal Investigator: Prof Lee Parker  
Student Investigator: Miss Jennifer Fuller  
Other Investigator: Prof Garry Carnegie  
Project Approved: From: 6 August 2015 To: 2 March 2019

Tel. +61 3 9925 5555  
Fax +61 3 9925 5624

#### Terms of approval:

- Responsibilities of the principal investigator**  
It is the responsibility of the principal investigator to ensure that all other investigators and staff on a project are aware of the terms of approval and to ensure that the project is conducted as approved by BCHEAN. Approval is only valid while the investigator holds a position at RMIT University.
- Amendments**  
Approval must be sought from BCHEAN to amend any aspect of a project including approved documents. To apply for an amendment submit a request for amendment form to the BCHEAN secretary. This form is available on the Human Research Ethics Committee (HREC) website. Amendments must not be implemented without first gaining approval from BCHEAN.
- Adverse events**  
You should notify BCHEAN immediately of any serious or unexpected adverse effects on participants or unforeseen events affecting the ethical acceptability of the project.
- Participant Information and Consent Form (PICF)**  
The PICF must be distributed to all research participants, where relevant, and the consent form is to be retained and stored by the investigator. The PICF must contain the RMIT University logo and a complaints clause including the above project number.
- Annual reports**  
Continued approval of this project is dependent on the submission of an annual report.
- Final report**  
A final report must be provided at the conclusion of the project. BCHEAN must be notified if the project is discontinued before the expected date of completion.
- Monitoring**  
Projects may be subject to an audit or any other form of monitoring by BCHEAN at any time.
- Retention and storage of data**  
The investigator is responsible for the storage and retention of original data pertaining to a project for a minimum period of five years.

Associate Professor Penny Weller  
Chairperson  
RMIT BCHEAN

<sup>6</sup> Dr Giulia Leoni was the replacement Associate Supervisor from 2017 onwards. She therefore became the Other Investigator from 2017 – 2018.



## APPENDIX 2

### Participant Information and Consent Form (PICF)

#### *INVITATION TO PARTICIPATE IN A RESEARCH PROJECT*

Dear Burgundy Board Member / Executive Management member / staff member,

You are invited to participate in a research project being conducted by RMIT University. Please read this sheet carefully and be confident that you understand its contents before deciding whether to participate. If you have any questions about the project, please ask one of the investigators.

#### *Who is involved in this research project? Why is it being conducted?*

The research is being conducted by Jennifer Fuller as part of her Doctoral studies in Accounting – PhD (Accounting). The research project is being supervised by Professor Lee Parker as Principal Supervisor and Professor Garry Carnegie as Associate Supervisor.<sup>7</sup>

This project has been approved by the RMIT Human Research Ethics Committee.

This research is being conducted to examine the accountability-control and advisory-strategic roles of the Non-Executive Director (NED) in Not-For-Profit (NFP) organisational governance.

Our knowledge about directors - especially NEDs, is limited - particularly in the NFP sector which is important socially, economically and politically, especially as government is downsizing and outsourcing much service provision to them. NFPs typically have complex business structures including: many stakeholders consisting of volunteers, donors and employees, a vast number of assets, various resources and multiple agendas that present challenging corporate governance issues. Research into NFP organisations and their unique missions and features is relatively recent, with the roles of NEDs largely neglected. Furthermore there continues to be a lack of clarity with respect to the discharge of their corporate governance roles and responsibilities.

NEDs' importance in the NFP sector is also due to their often being in the majority on NFP organisation boards. Moreover, NEDs are often unpaid or paid little in comparison to NEDs in the profit sector, despite the fact that they usually encounter the same types of issues in their work. Therefore the social, economic and political

---

<sup>7</sup> Dr Giulia Leoni was the replacement Associate Supervisor from 2017 – 2018.

significance of NFP organisations and their reliance on NEDs calls for attention to NED roles and responsibilities with a view to enhancing the quality of NFP organisational governance.

The focus of this project will be on the NED in the NFP context, involving a case study of a single organisation. This study is also likely to be relevant for directors in the profit sector given the similar issues they encounter. The study aims to examine the role(s) of NED's in their control and advisory capacities with a view to more clearly elucidating the roles and responsibilities of the NED and to provide NFP Boards with reflections upon and opportunities for further enhancing the roles of NEDs and the performance of the NFP Board.

***Why have you been approached?***

You have been approached because you are a Board Member / Member of Executive Management / staff member in a NFP organisation. Your position and contact details have been obtained from the Burgundy website. We believe that you are ideally suited to provide us with the necessary information for the project because of your position and experience as Board Chair / Board Secretary / Board Treasurer / Board Member / member of Executive Management / staff member of Burgundy.

***What is the project about? What are the questions being addressed?***

The key research question is:

The accountability-control role and the advisory-strategic role of the Non-Executive Director (NED) in Not-For-Profit (NFP) entities: An untenable task or a viable combination?

Associated research questions are geared towards achieving the following objectives:

1. Identify the spectrum and balance of roles currently undertaken by NEDs.
2. Investigate the legal and accounting dimensions of NED roles and responsibilities.
3. Map the influences on how NEDs approach their responsibilities.
4. Understand how they execute their roles and accountabilities.

We are seeking to have all members from the Burgundy Board; all members from Executive Management and some Burgundy staff participate in the research. Therefore, it is expected that there will be a total of at least 14 participants in this project.

***If I agree to participate, what will I be required to do?***

On-site observations

Attend and participate at in Burgundy activities as usual. For example, Board meetings, sub-committee meetings (where applicable) and informal meetings such as the meal prior to the Board meeting. Jennifer will be the only researcher on-site and will only take notes of meetings.

The Board has granted permission for such observations to take place, subject to the following conditions:

- (a) The functions of the researcher as meeting-observer are made explicit and discussed with the Board;
- (b) The Board reserves the right to withdraw from the research if it concludes that the research is impeding the Board or the Organisation's effectiveness;
- (c) The Board reserves the right to hold parts of the Board or Committee meetings without the presence of the researcher as it determines necessary.

Protocols have been designed to safeguard the interests of participants and the Organisation. These protocols are:

- (a) Jennifer will attend Burgundy bi-monthly Board meetings and selected Sub-committee meetings with permission from the Board Chair. Jennifer is happy to adopt a role which best suits Burgundy. For example, it might be decided that it is best that Jennifer sits nearby but not at the Board table. Jennifer is happy to discuss her observation arrangements with the Board, if required.
- (b) Individuals or the Board can opt out of observations if it is concluded that the research is impeding the Board or the Organisation's effectiveness.
- (c) Jennifer is willing to leave Board meetings or Committee meetings when requested. Alternatively, if Directors wish to exit Board meetings or Committee meetings, Jennifer is also willing to comply with this form of action.

Interviews

Participate in an interview which is expected to be between 1-2 hours in duration. The interview will be conducted at a time which is convenient to you. Jennifer will negotiate with Board members where they would prefer their interview is undertaken.

The interview will only be attended by Jennifer Fuller and it will be audio recorded. Please advise Jennifer if you do not wish this to occur. There will be no visual recording of interviews.

You might be invited to participate in follow-up interviews.

### Documentation

The researchers would be grateful if you would provide any relevant organisational documentation to Jennifer to assist in the research, provided that approval from the Board Chair is granted. Examples of such documentation include: the organisation's Board and sub-committee agendas, reports, minutes, and related financial and management reports.

### ***What are the possible risks or disadvantages?***

There is a time commitment of approximately 1-2 hours for the interview(s). Additional time might be needed for a follow-up interview.

Interviews will be audio recorded. Please advise Jennifer if you do not wish this to occur.

There are no other perceived risks or disadvantages associated with participation in this project.

If you are unduly concerned or if you find participation in the project distressing, you should contact Jennifer Fuller using the contact details on page one as soon as convenient. Jennifer is happy to discuss your concerns with you confidentially and suggest appropriate follow-up, if necessary.

### ***What are the benefits associated with participation?***

It is expected that the research will yield the following benefits to participants:

- Report and briefing to the Burgundy Board Chair early in 2017.
- Reflections and advice (such as debriefing, recommendations, training) to the Board as and when required.

The research is intended to provide useful information to you as a Board member in a NFP organisation with respect to your accountability-control role and your advisory-strategic role. It is expected that the findings from this project will help inform NEDs of their roles and their responsibilities and whether any changes to current practices are required. In the event that change is required, recommendations as to how change could be implemented will be suggested. This should facilitate more effective

organisational governance for NFPs and should also have relevance for entities more generally, such as in the profit sector.

### ***What will happen to the information I provide?***

#### Confidentiality

The data gathered from observations, interviews and document analysis will be stored electronically on the RMIT University network system. The computer system is password protected. Hard copy data will be stored in a locked office and upon completion of the project will be kept securely at RMIT University for a period of 5 years after publication, before being destroyed.

Any information that you provide can be disclosed only if: (1) it is to protect you or others from harm, (2) is specifically required or allowed by law, or (3) you provide the researchers with written permission.

Other safeguards in place to facilitate confidentiality include:

1. Jennifer Fuller is the only researcher involved in the on-site observations.
2. Confidentiality of all Burgundy documentation is preserved. The organisation will not be named in the Doctoral thesis or any related research papers.
3. First draft thesis chapters and papers will be supplied to the Burgundy Board Chair for scrutiny – regarding any misstatements of fact or any confidential or sensitive issues.
4. Resulting thesis and papers will preserve the confidentiality of the organisation, its board members and officers.
5. Sensitivity of data will also be mitigated by the lengthy time period between data collection, data analysis, write-up, thesis completion and any papers designed for research conferences and journals.

Data will be only accessible to the researcher, Jennifer Fuller and to a lesser extent, by her two Supervisors, Professor Lee Parker and Professor Garry Carnegie.

#### Anonymity

Results of the research will be disseminated in a thesis, published journal articles, progress seminars and conference papers. Of the list of publications - all publications, save for progress seminars, are publicly accessible. For example, the thesis will

ultimately be published in the RMIT Library Repository, which is a publicly accessible online library of research papers. Your name will not be used in our research findings.

### Data

The data used will be potentially identifiable. It will be coded data. Where data is used in the thesis and associated publications such as journal articles, the upmost care will be used to make the data non-identifiable, using pseudonyms in place of actual names.

### ***What are my rights as a participant?***

As a participant, you have the following rights:

- The right to withdraw from participation at any time.
- The right to request that any recording cease at any time.
- The right to have any unprocessed data withdrawn and destroyed, provided it can be reliably identified, and provided that so doing does not increase the risk for the participant.
- The right to have any questions answered at any time.

### ***Whom should I contact if I have any questions?***

If you have any questions regarding this project, please contact Jennifer Fuller using the contact details provided on page one.

### ***What other issues should I be aware of before deciding whether to participate?***

We do not believe there are any other issues which you should be made aware before you decide to participate in this research project.

### ***What do I do if I have a complaint?***

If you have any complaints about the conduct of this research project, please contact the Chair, RMIT Business College Human Ethics Advisory Network, GPO Box 2476V, Melbourne, 3001, telephone +61 3 9925 5596, email [bcbean@rmit.edu.au](mailto:bcbean@rmit.edu.au). Details of the complaints procedures are available at <http://www.rmit.edu.au/browse;ID=2jqrn7hnpyo>.

Yours sincerely

---

*(Signature)*

Jennifer Fuller

Master of Accounting (University of South Australia)

Honours Laws and Legal Practice (Flinders University)

Bachelor of Arts (University of New England)

---

*(Signature)*

Professor Lee Parker

Senior Supervisor

Doctor of Philosophy (Accounting/Management) (Monash University)

Master of Philosophy (Accounting) (University of Dundee)

Bachelor of Economics (Commerce) (University of Adelaide)

Certified Professional Manager (Australian Institute of Management)

FAIM Fellow (Australian Institute of Management)

F.C.A. Fellow (The Institute of Chartered Accountants in Australia)

F.C.P.A. Fellow (CPA Australia)

---

*(Signature)*

Professor Garry Carnegie

Associate Supervisor

Doctor of Philosophy (Flinders University)

Master of Commerce (Deakin University)

Bachelor of Commerce (Deakin University)

Diploma of Business Studies (Gordon Institute of Technology)

## **PARTICIPANT'S CONSENT**

### ***Project Title***

The accountability-control role and the advisory-strategic role of the Non-Executive Director in Not-For-Profit entities: An untenable task or a viable combination?

### ***Name of participant:***

---

1. I have had the project explained to me, and I have read the information sheet.
2. I agree to participate in the research project as described.
3. I agree to:
  - be interviewed;
  - have my voice audio recorded;
  - participate in follow-up interviews;
  - be observed while undertaking organisational activities such as Board meetings, sub-committee meetings and informal meetings, for which the Board has given permission; and
  - provide relevant organisational documentation such as the organisation's Board and sub-committee agendas, reports, minutes, and related financial and management reports, provided that approval from the Board Chair is granted.
4. I acknowledge that:
  - (a) I understand that my participation is voluntary and that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied (unless follow-up is needed for safety).
  - (b) The project is for the purpose of research. It may not be of direct benefit to me.
  - (c) The privacy of the personal information I provide will be safeguarded and only disclosed where I have consented to the disclosure or as required by law.



- (d) The security of the research data will be protected during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be provided to the Burgundy Board Chair. Any information which will identify me will not be used.

*Participant's Consent*

Participant:

Date:

\_\_\_\_\_  
*(Signature)*

**Participants should be given a photocopy of this PICF after it has been signed.**

## APPENDIX 3

### An example from the record of key themes from observations

- Strategy
- Business case
- Aged care and community housing
- Challenges and opportunities
- Timelines (for decision making)
- Corporate governance
- Change (including uncertainty, challenges and opportunities)
- Government (State and Federal. Includes policy)
- Funding
- Efficiency
- Skills matrix
- Risk appetite
- Synergies
- Benchmarking
- Reputation
- Accreditations
- Innovation
- Competition, competitors
- Commercialisation (including becoming more business-like)
- Alliances/partnerships
- Branding
- Control (including financial control, operational control, risk management)
- Accountability
- Agenda
- Complexities
- Legal change potential: Company Limited by Guarantee (CLG)
- Mission/values/objectives
- Value for money
- Value-adding

## **APPENDIX 4**

### **Interview guide**

#### **Introduction: role & background**

Thank you for making the time to attend this interview.

Reminder of the purpose of the study.

Would you kindly tell me your name and position?

Tell me about your work in this organisation and tell me a bit about yourself.

#### **Definitions board members (BMs) and senior managers**

BMs: Could you describe to me your role and how you see it?

or

Senior Managers: What do you see to be the role of directors?

Senior Managers: Do you see any difference between the Senior Managers and the BMs, and what is the difference?

#### **Accountability**

How would you define accountability?

To whom are you accountable?

For what are you accountable?

Who do you think are the priority stakeholder groups? Is there any particular order? Why did you answer that way? (You've listed xx groups, any reason why?)

What role and importance do you see legislation, the Constitution, ccc and ddd in your thinking about the board's accountability?

How do you exercise your accountability role(s)?

## **Strategy**

BMs: What is your strategic role?

or

Senior Managers: What do you see to be the strategic role of the directors? How do you compare it to your role?

How do you approach strategy (including strategic thinking and strategic decision-making)?

Do you conceive your strategic role as an “approval house” or being actively involved in strategy, or somewhere in between, i.e. continuous strategising.

## **Control**

When you think about organisational control in your organisation, how would you define it?

What types of control are present? E.g., financial control, operational control, risk management?

How do you exercise your control role(s)?

*[Inserted additional Q]* I’ve heard about the change to board meetings where Senior Managers no longer sit with BMs. Can you tell me more about that?

*[Inserted additional Q]* What’s your view about the change?

## **Resource dependence**

Consider the BM roles we discussed earlier – accountability, strategy and control...

BMs: How do you view and manage the balance between these multiple roles and responsibilities?

or

Senior Managers: How does it compare to your roles?

Do you think BM roles are inter-related?

If so, why? If not, why not?

BMs: Of the various roles you have as a BM, do you see them constituting tension or as a workable combination? Why or why not?

or

Senior Managers: Of the various director roles, do you see them constituting a tension or a workable combination? Why or why not?

BMs only: Are there any factors which influence how you carry out your work? For example: time, information, resources at your disposal?

BMs only: Are there any issues or problems with the roles of the BM, in your view? Why are you saying that's a problem? Could you explain a bit more?

Given what we've talked about, is there anything you think I should ask you about, that you think I should? (Are there any other roles for the directors that you see relevant, that we haven't talked about?)

If I need to speak to you again, which may not be the case, would you be available?

## APPENDIX 5



# OUTSCRIBE

## Privacy & Confidentiality Policy

*December 2016*

OutScribe has a firm commitment to Privacy and maintaining the confidentiality of personal and client information in keeping with the legislation and guidelines of the Privacy Act 1998.

This Privacy & Confidentiality Policy outlines the types of information gathered and used by OutScribe and informs you of our efforts to ensure that the information we keep is secure, accurate, and where possible, up-to-date.

### Encrypted Data Transfers

To ensure privacy and security, all audio files and documents uploaded and downloaded by both OutScribe clients and OutScribe staff is done via our website at <https://secure.outscribe.com.au>. This traffic to and from <https://secure.outscribe.com.au> is encrypted using High-grade 256bit SSL technology.

### Intellectual Property & Confidentiality

OutScribe understands that information supplied by our clients (i.e. contact information, personal details, organisational relationships, financial data, etc.) is the private property of our clients and is considered privileged, sensitive and highly confidential by OutScribe. Therefore, we are committed to do everything in our power to protect the confidentiality and privacy of that information.

### Use of Information

Any information collected is solely used to provide and support transcription services for our clients. We guarantee that your audio files and documents are treated in the strictest of confidence. All of OutScribe's staff, sub-contractors and third parties have signed Confidentiality & Non-Disclosure Agreements that protects and defines the acceptable use of all client data and intellectual property exclusively for the use of providing a transcription service for the specified client. OutScribe will only ever disclose confidential client information if required by law.

### Privacy Compliance

In providing transcription services, OutScribe commits to compliance with the relevant and applicable privacy laws and codes which govern the collection, handling, disclosure and use of personal and sensitive information supplied by our clients and as such has opted in to comply with the Australian Privacy Principles of the Privacy Act. For further information, please refer to:

<https://www.oaic.gov.au/privacy-law/privacy-act/australian-privacy-principles>

### File Retention

Upon completion of the transcript and all financial transactions related to a given job, all files associated with that job (audio files and Word documents) are deleted from our system. Audio files uploaded by the client are often deleted prior to this in order to conserve storage space on our systems.



PO Box 269  
Littlehampton SA 5250  
ABN: 69 860 510 321  
ACN: [158 883 197](https://www.158883197.com.au)

08 8121 2062  
[info@outscribe.com.au](mailto:info@outscribe.com.au)  
[www.outscribetranscription.com.au](http://www.outscribetranscription.com.au)

## APPENDIX 6

### Original themes and refined codes: some examples

Original themes	Refined codes
<p><b><u>Strategy</u></b></p> <ul style="list-style-type: none"> <li>- Challenges, opportunities and change</li> <li>- Competition and competitors</li> <li>- Benchmarking</li> <li>- Reputation</li> <li>- Commercialisation (including more business-like)</li> <li>- Vision, mission and values</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic conditioners</li> <li>- Strategic role</li> <li>- Strategic inputs</li> <li>- Strategic focus</li> </ul>
<p><b><u>Control</u></b></p> <ul style="list-style-type: none"> <li>- Corporate governance</li> <li>- Timelines for monitoring and decision-making</li> <li>- Accreditations</li> <li>- KPIs and KRAs</li> <li>- Financial control</li> <li>- Operational control</li> <li>- Risk management</li> </ul>	<ul style="list-style-type: none"> <li>- Formal controls</li> <li>- Financial control</li> <li>- Operational control</li> <li>- Risk management</li> <li>- Control leadership</li> <li>- Governance review and organisational review</li> </ul>
<p><b><u>Resource dependence</u></b></p> <ul style="list-style-type: none"> <li>- Alliances and partnerships</li> <li>- Value for money</li> <li>- Value adding</li> <li>- Skills matrix</li> <li>- Reputation</li> </ul>	<ul style="list-style-type: none"> <li>- Internal accountability (individual and collective levels)</li> <li>- External accountability (to external stakeholders)</li> <li>- Knowledge</li> <li>- Enhance position of organisation</li> <li>- Resources</li> </ul>
<p><b><u>Accountability</u></b></p> <ul style="list-style-type: none"> <li>- Internal and external accountability to stakeholders</li> <li>- Formal and informal accountability</li> <li>- Accountability exercised individually and collectively</li> <li>- Accountability through action that goes beyond the business case</li> <li>- Upwards, downwards and sideways accountability</li> <li>- Accountability to whom, for what and how?</li> </ul>	<ul style="list-style-type: none"> <li>- Internal and external stakeholders</li> <li>- Formal and informal accountability</li> <li>- Negotiable accountability (inc. trust)</li> <li>- Measuring effectiveness of board accountability</li> <li>- Accountability exercised individually and collectively</li> <li>- Upwards, downwards and horizontal</li> </ul>

## APPENDIX 7

### Excel spreadsheet used to map key themes and codes in the data: an example

	A	B	C	D	E	F	I	J	K	L	M	N	O	
1	Code/theme						Document	Page reference				Total occurrences	Sum	Average
2	a.	Strategic Role					Board obs		3, 3, 8, 8, 9, 9, 10, 10, 11, 11		11			
3	b.	Strategic focus					Board obs		2, 5, 6, 6, 7, 9, 11		7			
4	2.	Influencing factors												
5	a.	Strategic inputs					Board obs		2, 2, 4, 4, 8, 8, 9, 9, 10, 10, 10		11			
6	b.	Strategic conditioners					Board obs		2, 2, 3, 4, 4, 5, 5, 6, 6, 6, 7, 8, 9, 10, 11		15			
7	3.	Processual Features												
8	a.	Strategic Documents					Board obs		1, 1		2			
9	4.	The Strategic Conversation												
10	a.	Strategic Language					Board obs		1, 1, 7, 7, 7		5			
11	b.	Strategic Discourse					Board obs		2, 2, 3, 6, 7, 7, 8, 8		8			
12	5.	Strategy Informed Decision-making												
13	a.	Strategic Evaluations					Board obs		3, 4, 5, 11		4	63	7.875	
14														
15														
16	a.	Financial control (including audit/accred)					Board obs		12, 13, 18, 18		4			
17	b.	Risk management					Board obs		13, 13, 13, 17, 18		5			
18	d.	Operational control (24 Oct 17)												
19	2.	Control Approaches												
20	a.	Control inputs					Board obs		17, 17		2			
21	b.	Control monitoring					Board obs		12, 17		2			
22	c.	Control leadership					Board obs		12, 12, 14, 14		4			
23	d.	Proactive control					Board obs		12, 13, 19		3			
24	e.	Board control over organisation (snr mgrs)					Board obs		12, 13		2			
25	f.	Board control over own governance process (performance reviews, governance reviews)					Board obs		13, 13, 13, 18		4			
26	3.	Interacting Factors							19, 19, 19, 19, 19, 19		6			
27		NIL												
28	4.	The Control Conversation												
29	a.	Control behaviour					Board obs		13, 13, 17		3			
30	b.	Control discourse					Board obs		13, 17		2			
31	5.	Control Informed Decision-Making												
32		NIL										37	3.364	

	A	B	C	D	E	F	I	J	K	L	M	N	O	P
33														
34														
35	a.	Enhance position of organisation					Board obs		21, 21, 21, 24, 24, 25, 25, 26		8			
36	b.	Knowledge					Board obs		20, 20, 21, 21, 21, 22, 24, 24, 24, 24, 25, 25, 25, 26		14			
37	c.	Resources					Board obs		20, 21, 21, 21, 21, 24, 24, 25, 26		9			
38	d.	Networks					Board obs		21, 21, 21, 21, 24, 25, 25, 26, 26		9			
39	2.	NFP Contextual Factors												
40	a.	Internal accountability					Board obs		12, 12, 12, 12, 13, 13, 14, 19, 19, 22, 22, 22, 23, 23, 23, 19, 19, 19		19			
41	b.	External accountability					Board obs		12, 12, 13, 13, 17, 17, 17, 18, 18, 22, 22, 22, 23, 23, 24		16			
42	3.	Processual Features of Institutionally Driven Decision-Making												
43	a.	Institutional Documents					Board obs		21, 21, 21, 21, 22, 26		6			
44	b.	Institutional Leadership					Board obs		20, 20, 21, 22, 26		5			
45	c.	Institutional Expertise					Board obs		20, 26, 26		3			
46	d.	Institutional Processes					Board obs		21, 21, 24, 26, 26		5	94	9.4	
47														
48														
49		Multiple stakeholders (external and internal)					Board obs		3, 5, 6, 6, 7, 9, 17, 18, 19, 19, 20, 21, 22, 23, 23, 23, 23		17			
50		The community as a priority stakeholder					Board obs		3, 4, 5, 6, 7, 22		6			
51		Upwards, downwards, horizontal					Board obs		1, 1, 2, 3, 3, 4, 4, 4, 4, 5, 6, 6, 7, 7, 8, 10, 10, 12, 12, 12, 13, 13, 13, 17,		39			
52		Formal and informal					Board obs		1, 1, 2, 3, 3, 5, 7, 8, 8, 9, 10, 10, 10, 12, 12, 12, 12, 12, 12, 12, 12, 12, 13, 13, 13, 13, 14, 1,		59			
53		Narrative and calculative accountability (social and conventional accountability)					Board obs		3, 5, 17, 19, 20, 20, 21		7			
54		Negotiable and rule-based accountability					Board obs		9, 17, 26		3			
55		Trust (linked to negotiable accountability)					Board obs		2, 18, 21		3			
56		Strategic accountability					Board obs		3, 6, 8, 18, 18, 24, 26		7			
57		Measuring effectiveness of board accountability					Board obs		2, 2, 2, 3, 4, 4, 5, 6, 6, 7, 8, 9, 13, 19, 19, 19, 20, 21, 22, 22, 22, 23, 2		26			
58		Individual accountability					Board obs		4, 6, 7, 12, 12, 13, 13, 14, 18, 18, 19, 20, 21, 23, 24, 25, 26		17			
59		Collective accountability					Board obs		5, 7, 23		3			
60														
61														
62														
63														
64														
65											256	PLUS	59	
66												PLUS	66	
												EQUALS	381	



## APPENDIX 8

### Academic colloquia and conferences attended

#### ***RMIT University Higher Degree Research (HDR) Students' Summer Conference***

***6 – 9 February 2018***

At this Conference, I presented my Third PhD Milestone to a panel of senior academics on Tuesday, 6 February 2018.

#### ***Accounting & Finance Association of Australia and New Zealand (AFAANZ) Doctoral Symposium and AFAANZ Conference***

***2 – 4 July 2017***

I was selected as RMIT University's PhD student representative from the School of Accounting to attend the 2017 AFAANZ Doctoral Symposium in Adelaide. I delivered a paper from my Doctoral thesis at the Symposium as well as acting as a Discussant for a PhD student in a similar field of accounting.

#### ***RMIT University HDR Students' Summer Conference***

***14 – 17 January 2017***

At this Conference, I presented my Second PhD Milestone to a panel of senior academics on Wednesday, 15 February 2017.

#### ***8<sup>th</sup> Asia-Pacific Interdisciplinary Research in Accounting (APIRA) Emerging Scholars' Colloquium and Conference***

***13 – 15 July 2016***

I presented a paper from my PhD thesis at the July 2016 Emerging Scholars' Colloquium and was appointed Discussant for a paper at the Conference.

#### ***RMIT University HDR Students' Summer Conference***

***15 – 18 January 2016***

I presented my First PhD Milestone to a panel of senior academics at the HDR Students' Summer Conference on Tuesday, 16 February 2016.

*Accounting & Finance Association of Australia and New Zealand (AFAANZ)  
Doctoral Symposium and AFAANZ Conference*

*5 – 7 July 2015*

I was invited by the Head and Deputy Head of School of Accounting at RMIT University to be one of two representatives from RMIT to attend the AFAANZ Doctoral Symposium and Conference in Hobart in July 2015. I presented a paper to the Doctoral Symposium attendees and Senior Academics about my research. I was also a Discussant for a colleague's paper in the Management Accounting group.