EVALUATING APPROPRIATENESS OF ORGANISATIONAL GOVERNANCE©

by

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ABSTRACT

The term "organisational governance" is emerging as a response to the perception that corporate governance is tarnished by the protected interests of the Directors of private sector legal entities. The image of, and trust in, governance of the not-for-profit (public sector and third sector) organisations, qua organisational effectiveness, is urgently in need of a review to account for the reforms in corporations laws. This paper argues that Boards of Directors of not-for-profit organisations need to be better prepared for these changes, especially regarding their duties in monitoring and evaluation of the performance of their organisations in the interests of the stakeholders. In order to address the non-financial evaluation of the Boards of Directors, this paper suggests not only effectiveness but also appropriateness and transparency as criteria for the evaluation. It then reviews four models which attempt to integrate organisational performance information to facilitate research and practice on appropriateness and transparency of Organisational Governance for not-for-profit organisations.

INTRODUCTION

Why People Don’t Trust Government (Nye, Zelikow & King, 1997) "Can Public Trust in Nonprofits and Governments be restored?" (Herzlinger, 1996). Such glaring academic titles suggest that trust in large public organisations is beyond redemption, despite the credibility of any reply (see Coulson, 1998; Giddens, 1990; Misztal, 1992a, 1992b; Misztal & Tracy, 1992; Nye, 1997; OECD, 2000). The dominant school of thought (e.g., Carver 1997, 1999b; Herzlinger, 1994) asserts that the Boards of Directors of not-for-profit (public sector and third sector) organisations must act like their counterparts in the private sector, i.e., as the representatives of the owners of the assets of the organisation, and be accountable to economic performance criteria. Research on the degree of public confidence in Government has concentrated on customer satisfaction with the organisations and their services rather than on the perception of the executive or the effectiveness of corporate governance of the organisations (see Coulson, 1998; Ryan, 2000; Scissons, 2002). There has been little research on the perception of appropriateness of governance (see Ryan, 2000; Sharp, 2002), which is an important issue underlying trust (Coulson, 1998; Sharp, 2002).

One approach to this issue may be to examine the regulators charged with enforcing the Corporations Law (see Tomasic, 2001). However, there are barriers to measuring the results of, or evaluating the performance of, such regulatory action (Bosch, 1995; Tomasic, 2001). A second approach may be to review and develop models for evaluation of Boards of Directors with regard to various roles of Boards of Directors and in terms of various evaluative criteria of performance of Board of Directors (see Ingley, & van der Walt, 2002; Korac-Kakabadse, Kakabadse, & Kouzmin, 2001; Scissons, 2002). A third approach might be to improve the actual measurement techniques involved in the assessing of Board
performance (Scissors, 2002; Sharp, 1998a). This paper is focused on the second of these approaches, viz. Models of measurement of performance of Boards of Directors from the point of view of the evaluation of appropriateness and the transparency of the evaluation.

Before Boards of Directors can validly account for the measurement of organisational governance, it would be wise to address the evaluation process and the model of performance (see Caulley, 1995; Sharp, 2002). Before external scrutiny can provide a basis for trusting organisational performance there needs to be some recognised common basis for the transparent evaluation of such performance. As a prelude to evaluation of the appropriateness of corporate governance of Not-for-Profit organisations, this paper reviews some models which may be developed into an evaluative framework for transparency of organisational governance. It addresses the development of evaluation criteria (Caulley, 1995; Scriven, 1991) and maps out some key models and issues which might aid in the development of some common instruments and standards for measurement of organisational governance. These two steps are vital in understanding the role of performance measurement in the evaluation of organisational governance in public sector and not-for-profit organisations. Also in clarifying the evaluative criteria, it is important to recognise that they have both value and knowledge components (Caulley, 1995). This suggests the need to consider both the values and standards for judging merit or worth, and the models or theories which encapsulate the relevant knowledge of performance measurement and evaluation.

### EVALUATING APPROPRIATENESS

In order to address the concerns regarding trust in organisation performance raised in the literature and by the polity, this paper suggests that measurement and evaluation of organisational governance should include the appropriateness of the corporate governance of the Nonprofit or public sector organisation. As an evaluative criterion, appropriateness can be defined in terms of the degree of match between the identified needs of stakeholders compared to the intended goals of the service (Sharp, Roffey & Lewis, 1993; Sharp, 1994; 2002). The measurement of appropriateness of Organisational governance, and performance of Boards of Directors, should be transparent, ie., it has to be appropriate, but also has to be seen to be appropriate (see Bertok, 2000; OECD, 1997; TI, 1999; Sharp, 2002). Any attempt to evaluate transparency and appropriateness would require performance measurement which not only serves organisational governance and delivery of client outcomes, but also external scrutiny (Korac-Kakabadse, Kakabadse, & Kouzmin, 2001). There is a literature which suggests that the more participation (or engagement, Ryan, 2000) of stakeholders in the process the more democratic and open it is likely to be perceived (Fetterman, 2001; Heron, 1996; Nye et al. 1997). Indeed Heron (1996) recommends that the more cooperative the inquiry is in involving the stakeholders, the more likely it is to meet democratic principles. Similarly, empowerment evaluation (Fetterman, 2001) aims to engage stakeholders in the evaluation process in making democracy and its Government more transparent to the citizens.

While this approach should not be a problem for the Not-for-Profit (public sector and third sector) which are supposed to uphold the democratic processes, obviously this is an area where the private sector may have some confidentiality issues and competitive barriers to such cooperative approach with stakeholders. Such issues raise the need for special consideration of the transparency and appropriateness in the evaluation of Not-for-Profit organisational governance. However, the contracting out of public sector service delivery to
private sector, or third sector organisations, has complicated that difference (Coulson, 1998; Ryan 2000) and obscured some the transparency.

What is appropriate to one set of circumstances for a group of stakeholders may not be acceptable to another set of circumstances or stakeholders. Boards of Directors, as stewards of the stakeholder's interests, have to determine what is appropriate and how to evaluate the organisation's performance accordingly.

The research on communication of risk suggests that the public often perceives the degree of risk in public enterprises differently from those professionals in the organisations that are managing the calculated risk (see Covello, Sandman & Slovic, 1988; Hance, Chess & Sandman, 1990; Ng & Hamby, 1997; Sandman, 1993). Public fear and outrage about the impact of risks, or failures to manage risk, is an important factor of due diligence in the 21st century which must be addressed by Boards of Directors. Researchers, such as (see Covello, et al. 1988; Hance, et al, 1990; and Sandman, 1993) have shown that there is a disparity between what a non-technical audience has the greatest fears about, versus the truly most dangerous aspect of a project. Sandman (1993) pointed out that "outrage" factors are as important to the general public’s perception of risk as the real hazard factors. He suggested these outrage factors explain that even though multiple hazards may have similar assessed risk, they can be perceived as potentially very different in terms of their impact. Boards of Directors need to analyze the specific outrage factors at work in a particular setting and design risk communication strategies which are appropriate to address them. Like risk management, trust is an important ingredient in effective risk communication. Various authors on the subject recommend risk communication should be based on a continuous dialogue between the risk taker organisation, and the stakeholders potentially affected by the failure of the project, or its unpleasant unintended consequences. (see Covello, Sandman & Slovic, 1988; Hance, Chess & Sandman, 1990; Ng & Hamby, 1997; Sandman, 1993). They argue that there is a greater expectation among the public that companies and agencies will acknowledge a risk and to explain exactly what they are doing to reduce it (eg, Hance, et al. 1990).

The three evaluative criteria (effectiveness, efficiency and appropriateness), which are most relevant to address the performance measurement of organisational governance, can be defined in relation to Figure 1. In this simplified model of the components and relationships involved in the evaluation of organisational governance (adapted from Sharp, 1994), the following concepts are defined:

- **Efficiency** (as in technical efficiency) is a measure of project outputs per unit cost of the resources;
- **Effectiveness** is an estimate of relationship between the project outputs (or ultimately the organisational outcomes for the intended stakeholders) and the objectives of the project (or organisation depending on the terms of reference of the evaluation);
- **Appropriateness** is primarily an indication of the consistency or relevance of program objectives to organisational stakeholders' needs, and compatible with the legal, cultural and ethical norms which prevail in the circumstances.

But, as in the other criteria, there can be different foci of appropriateness depending on the terms of reference of the evaluation and the potential audiences (see Caulley, 1995; Sharp, 1994). Indeed, their usage may vary depending on the type of accountability expected in the evaluation and reporting of results. As Chess, Hance, and Sandman (1989) pointed out...
stakeholders may be considered in terms of three concentric circles of interests in, or potential audiences of, risk communications, namely: inner, middle and outer circles.

In this analysis it is assumed that an organisational performance measurement system's appropriateness depends on its focus on the interests as well as outcomes for the clients and other stakeholders (Patton, 1997; Sharp, 1994; Sharp, 1999; Winston, 1993). Similarly, transparency of the accountability of the Boards of Directors for organisational governance is assumed to be a function of the representation and participation of the various stakeholders in the organisation's outcomes (see MacDonald, 1999; McNamara, 1999; White, 1998a) and the degree of disclosure of the Board’s commitment to compliance with the various relevant laws (see AS 3806 -1998; Fels, 1999).

However, such analyses are still couched in terms of the strategic framework and values of the organisation. They are still pre-determining what is 'good' for the stakeholders, with little room for involvement of the stakeholders themselves.

Although these analyses do not in themselves resolve or constrain what organisational governance is intended to contribute in the not-for-profit organisations they do aim at a clearer and more acceptable concept of appropriateness in the context of organisational governance and the development of a valid measurement system to assess organisational governance once it is agreed. Figure 1 is an attempt to map these evaluation questions onto a simple model of a not-for-profit organisation (which shows a common model of evaluation developed by Sharp, 1994), so as to assist in both the definition of organisational governance and its evaluation.
This diagram (based on Sharp, 1994) gives a perspective on the relationship between the three main evaluation criteria, adapted to organisational governance.
Appropriateness identifies the relevance of the program’s or organisation’s objectives to stakeholders’ interests and needs. This criteria addresses the broader organisational, ethical, and social issues raised by the service (or products) and keeps focussed on the contribution in the organisation’s context (see Sharp, 1994). This is the check on the relevance of the Board of Directors’ duties to the end recipients of organisation’s outputs and their outcomes. Note the stakeholders are not just the face-to-face participants, but may include the senior management of the organisation (as inner circle stakeholders), its customers (as inner circles), the broader community who are connected with its customers (as middle circles) and the broader community who are not connected with its customers (as outer circles) in so far as they may be directly or indirectly affected by the risk or the potential changes in the organisation’s performance. So any measurement of appropriateness needs to account for the linkage between organisational governance and the needs of, and outcomes for, the clients. This is another test of transparency, viz: do the Board of Directors involve the inner and middle circles in the determination of the goals and expected outcomes? and do they report to external (including the outer circle) stakeholders in those terms?

Figure 1 suggests the relationships between these factors and the strategic versus operational processes of the organisational governance and external accountability to the internal accountability of the program logic and internal control of the organisation’s policy and processes to outcomes for participants. The roles of the fundors (e.g., purchasers of services) vis a vis the other stakeholders in the program of service, or projects performed by the organisation, are part of the external accountability of organisational governance. It is important to understand the derivations and usage of this key term.

ORGANISATIONAL GOVERNANCE

The epistemology of governance, from governor, shows it is derived from the same Greek roots as cybernetics, ie, from steersman: οὐβερνητός (Wiener, 1961, p. 11). At least two meanings have evolved for the term govern in the context of accountability and performance of organisations, viz: control and power over others, vs self-guiding and adjusting. With the recent interest in corporate governance there is a risk of neglecting the latter meaning with its implications for leadership in dynamic systems (Senge, Kleiner, Roberts, Ross, Roth & Smith, 1999). The investigation of the second (systems model) leads beyond the scope of the present paper to “governance learning” (see Sharp, Law, Lockyer-Scrutton & Shore, 2003). It is the former (control and power) issues which are the bases underlying the need for appropriateness and transparency and are the foci of this paper.

Corporate Governance has become associated with the management and control (see Barrett, 1999, 2000; Carver, 1997, 1999b; Donaldson, L. 1985, 1995; Finkelstein & Hambrick, 1996; Gay, 2002; Turnbull, 1995, 1997) of organisations especially in the private sector under the corporations laws of the country. Governance is often used in the public sector context to mean the Government’s legal and political representation and leadership of the polity (cf Barrett, 1999; 2000). For clarity, this might be better termed polity governance to distinguish it from the machinery of Government, which includes the organisational governance of the public administration. This is not to be confused with Carver’s (1999b) Policy Governance, which is an attempt to set principles for effective and efficient corporate governance and the behaviour of not-for-profit Boards of Directors.
This difference in usage has political significance regarding the different perceptions of the evolving management structures of not-for-profit organisations. The traditional emphasis of corporate governance is on directorship and shareholders' interests which, despite Herzlinger’s (1996, 1994) assertions, may not fit well with not-for-profit organisations (cf ACOG, 2000a, 2000b; Carver, 1997, 1999b). However, an emerging view is that stewardship is preferred as a more inclusive approach than directorship to represent the role of Boards of Directors (cf ACOG, 2000a; Block, 1993; Davis, Donaldson, L. & Schoorman, 1977; Donaldson, and Davis, 1991). Indeed one group has advocated that "organisational governance is not an end in itself but a means of exercising stewardship professionalism" on behalf of the organisation's stakeholders (ACOG, 2000a, p. 1).

In this attempt to develop an acceptable definition and measurement of organisational governance, it is not possible to review all the theoretical bases of accountability underlying corporate or organisational governance (see Carver, 1997, 1999b; Donaldson, L. 1985, 1995; Finkelstein & Hambrick, 1996; Gay, 2002; Turnbull, 1995, 1997).

The changes in Corporations Law internationally in the 1990s, are assumed to be as applicable to the public sector and Not-for-Profit or third sector, as they are to the private sector (e.g. see McPhee, 2000; 2001; Steane, 2001; Tomasic, 2001). With relatively few exceptions, which focus on the third sector or not-for-profit organisations (e.g., Green & Griesinger, 1996; McDonald, 1993, 1999; Steane, 2001; Steane, Christie, & Appla, 1998) the existing research and knowledge in this field is based in the experience of the private sector (e.g., Conger, Finegold & Lawler, 1998; Senge, Kleiner, Roberts, Ross, Roth & Smith, 1999). In response to the need for research and information for not-for-profit organisations the term ‘Organisational Governance’ is preferred as it puts emphasis on the organisation in the context of its stakeholders, rather than the “corporate” legal entity, and it raises expectations of the stewardship on behalf of the stakeholders’ interests, rather than Directorship and ownership of shareholders’ assets. (ACOG, 2000a, 2000b; McPhee, 2000, 2001; Sharp, 1998a,b; White, 1998a).

The four models reviewed were all established as performance measurement systems for organisational performance evaluation. However they all have value to add to the theory and practice of organisational governance, especially in terms of the knowledge component of the evaluative criteria (see also Sharp, 2002).

**ORGANISATIONAL GOVERNANCE: INTEGRATED FRAMEWORK**

The Institute of Internal Auditors of Australia's (IIA-A, 1998; White, 1998a; 1998b) responded to the rising corporate failures and international and national reviews of Corporations Law (e.g., see Bosch, 1995; Hilmer, 1993; Vinten, 1992), with an exposure draft of a radically different guide to internal auditing, titled the *Australian Control Criteria* (ACC).

“Effective internal control is defined as a state of mind and competency in self committed control as compared with a traditional view of effective processes to manage risks. Control competencies required for self committed control include performance measurement and monitoring, risk assessment, control design, operation, self review and reporting” (White, 1998a, p. 7).
Although primarily focused on developing an Australian model for effective control, this approach dealt with performance in that it identified effective corporate governance as the Board's responsibility. According to White (1997; 1998a, b) this could be done by the Board leading management to establish a performance oriented organisational culture, to ensure that management installs suitable processes, and that all staff and the Board have the necessary competence to attain their organisational goals. This model had a number of improvements on the traditional models of corporate governance, and it can be applied to not-for-profit organisations. However, there is still much to be developed to establish this model as a basis for performance evaluation for not-for-profit Boards.

To complement this approach there would need to be specific financial and non-financial performance systems in place and an increase in competence of all concerned in all aspects of the interpretation of such information in terms of the Boards of Directors’ evaluation responsibilities. Indeed, some accounting professionals (e.g., Jenkins, 1998) have begun to realise that the effects of globalisation, the increased strategic significance of intangible assets (e.g., corporate knowledge) and new technology (specifically the Internet and the WWW) are likely to cause Companies and Company Boards of Directors to re-examine the reliance on financial measurement of performance for corporate reporting.

Feedback about the ACC, both nationally and internationally, supported the need for a more strategic systems view of organisational governance and profession neutrality (White, 1998b). The Framework provides an outline of a governance system that supports directors in their attempts to adopt a strategic performance focus, as well as balance with their need to review current operations (conformance) whilst at the same time exercising due diligence. The Framework also describes how not-for-profit organisations should interact with their environment to create stakeholder value. Also the ACOG’s Framework developed a competency based Governance System Assessment and Accreditation which aims to assist directors, managers, advisers and auditors to conduct a strategic self assessment of governance system effectiveness including a scorecard showing the typical evolution by organisations in achieving stewardship effectiveness and Standards of Professional Practice for Stewardship

The ACOG’s (2000a, 2000b) Framework encourages transparency of performance measurement so that directors and stakeholders may participate and contribute to defining effective governance and linkages to effectiveness, failure avoidance and due diligence.

**BALANCED SCORECARD**

The ‘balanced score card’ is an aggregation of the whole of the organisation’s accountability measures in a single glance (Kaplan and Norton, 1996). They recommend that the performance measurement be focused on four strategic questions. For example, it would address appropriateness of corporate governance by focusing on customer satisfaction measures, in response to the following:

“To achieve Our Vision how should we appear to Our Customers”?

Apart from the difficulties in terms of the measurement of customer satisfaction as the primary evaluation tool (Bayley, 2001; Ryan, 2000; Sharp, 1998a) the key questions posed by Kaplan and Norton (1992, 1996) relate to the insider strategic perspective. Such thinking encourages management and their Board to see customers as outsiders, to whom we have to appear in some way differentiated from the Board’s own ‘vision’ of the organisation. With such a strategic values framework, it would seem anathema to be transparent or to engage the
customers (clients) within such an organisational culture.

Like any system of performance measurement based on aggregated performance indicators, there is a risk that there will be goal displacement, i.e., focus on those measures which are convenient for management rather than those relevant to the clients’ needs (see Winston, 1993).

**TRIPLE BOTTOM LINE**

Along with the decline in public confidence in Government, or any big organisations, there have been rising concerns about sustainability and environmental inter-generational equity issues, as well as quality of social and environmental aspects of business (see Elkington, 1997). The response to the developing need for accountability measurement in this area has prompted the establishment of the so-called “triple bottom line” measurement system, viz. accountability for an organisation’s financial, social and environmental performance (see Elkington, 1997).

Recognising the need to revise accountability measurement, the Institute of Chartered Accountants in Australia (ICAA, 1999) took up this theme with the formation of the Triple Bottom Line Issues Group (TBLIG, formerly Environmental Accounting Task Force). The Chair of this ICAA group, Deegan (1999, p. 3) pointed out that:

“Sound triple bottom line performance requires longer-term vision. It is imperative that the corporate governance structure of the business includes formal mechanisms for monitoring not only the economic but also the social and environmental performance of the entity. The key concepts of sustainability must be embraced at the boardroom level.”

The triple bottom line (3BL) approach is not yet at the stage of a “model”, nor a consistent set of performance measures. However, the ISO 1400 standards for environmental management systems, are a force for the establishment of such an approach.

While a concerted effort is mounting among various professional groups, there is still much to be done to establish this approach and to prove these measures as valid and useful. For example it is unclear how this model measures and accounts for the client outcomes? and so how would the Board of Directors use this approach to report to external stakeholders in those terms? How can we evaluate appropriateness without comparing intended outcomes (goals) with identified needs?

**NAGASAT STRATEGIC EVALUATION MODEL**

In this context of the top level of an organisation’s governance, evaluation of strategic organisational performance would have to be an eclectic approach to build the mix of evaluation tools and knowledge within the organisation to complement the roles of the Boards of Directors and top management (Sharp, 1998a, b; 1999). An attempt at such strategic evaluation prompted the development of a minimal performance measurement system, referred to as the NAGASAT model.

One factor which is associated with the Balanced Scorecard and triple bottom-line is that they are established through a top down process. No doubt there would be some stakeholder
participation in the development of the application and data collection for such strategic questions. But the involvement of some participation of staff or select customer representatives is hardly conducive to transparency of organisation effectiveness evaluation. Indeed according to one established assessment of participatory processes (Heron, 1999) such an approach would be regarded as "directive" (the lowest level of participation). In effect the Balanced Scorecard only allows participation in the implementation of a very constrained framework of questions and limited scope in terms of appropriateness of data.

By contrast the NAGaSAT© model of performance measurement for evaluation aims to be much more participatory, by involving not only the staff in the strategic goal setting, but also the "customers" clients and other stakeholders in identifying their needs in that goal setting process. In Heron's (1999) classification, there is an attempt to encourage level 3 participation in the creation of options among the stakeholders. The data collection and interpretation in this model is more likely to be perceived as open to transparency, because the stakeholders were involved in the determination of the data collection framework at each of the four steps along the evaluation process.

Boards of Directors of various public sector and third sector human services organisations in Australia have requested integrated performance measurement systems for evaluation. For example, the Australian Youth Foundation (AYF & Sharp, 1996) and the Multi-Purpose Services for health and aged care in rural and remote areas (Andrews, Dunn, Hagger, Sharp, & Witham, 1995). They have used an effectiveness oriented performance measurement model called NAGaSAT (Sharp, 1998a,b) where the following performance information was regarded as essential for accountability and to complement the financial aspects of accountability, from the stakeholders’ (i.e. including Directors, Managers, staff and those with a strategic interest in the organisation, as well as customers) points of view:

- **Needs Assessment**
- **Goals Attainment and Client Outcomes**-focused performance information (e.g., Goal Attainment Scaling)
- **Satisfactions Assessment** (e.g. customer satisfaction; staff satisfaction) and
- **Transfers** (e.g. succession planning for competence, skills development, knowledge, value-added).

As the model emphasises a close linkage between the client needs and outcomes, it meets one aspect of transparency in terms of the inner circle of stakeholders (Sharp, 2002).

**LIMITATIONS OF MODELS OF PERFORMANCE MEASUREMENT**

Table 1 is an attempt to draw together some of the strengths and weaknesses of these four models, especially with regard to their usefulness and appropriateness for Boards of Directors to evaluate organisational governance.

As a brief overview of some of the ledger of issues which can be identified with any type of performance measurement model, Table 1, leads to concern about the general difficulty of developing appropriate measures of appropriateness of Organisational Governance. Indeed there is a great need for analytical work and research on these issues and models, especially as they relate to transparency.
The Australian Control Criteria and the Balanced Scorecard models emphasise the need to improve accountability mechanisms for Boards of Directors to be able to develop effective corporate governance. However, neither is particularly developed as a basis for actual performance measurement and data collection, especially in terms of client outcomes (except the Balanced Scorecard suggests that there should be a measure of how "we appear to our customers"). For example it is unclear how this model measures and accounts for the client outcomes (other than perhaps the gross measure of customer satisfaction). So how would the Board of Directors of a not-for-profit organisation use this approach to report to external stakeholders in terms of client outcomes?

Both the Balanced Scorecard and the Australian Control Criteria point out the need for organizational cultural change. Both attempt to identify strategic information gathering and utilisation rather than relying solely on financial information for the evaluation of effective corporate governance. However, they both need to be complemented by more sophisticated forms of data collection to facilitate appropriateness and transparency (see Sharp, 1998a, b; 1999).

There is no necessary exclusivity of these models. Perhaps the triple bottom-line or NAGASAT models which focus on performance measurement for evaluation and accountability, may be useful in tandem with the ACOG’s Framework or the Balanced Scorecard. Similarly the NAGASAT model of performance measurement for evaluation could complement the Balanced Scorecard and Australian Centre for Organisational Governance models, by providing a data collection and analysis in an evaluation of organisational governance (Sharp, 2002). When implementing a Balanced Scorecard for reporting management still have to develop the actual measurement system to collect the data. The NAGASAT model not only actually identifies the type of data, but also advocates a client-oriented method for data collection (Sharp, 2002).

An eclectic strategic evaluation approach is needed to provide a mix of evaluation tools to complement the Board’s roles in strategic management and performance evaluation. It addresses the transparency criterion by facilitating stakeholder participation around prioritising needs and strategic goals.
TABLE 1
SUMMARY OF APPROPRIATENESS & ORGANISATIONAL GOVERNANCE (OG)
ISSUES IN THE MODELS

<table>
<thead>
<tr>
<th>MODEL</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACOG’s Organisational Governance:</td>
<td>* A simple guide to Control interpreting USA &amp; UK models in the Australian context</td>
<td># very new and still to be proven</td>
</tr>
<tr>
<td>Integrated Framework</td>
<td>* Addresses needs and goals of inner circle</td>
<td># requires organisations and Boards to develop:</td>
</tr>
<tr>
<td></td>
<td>* makes a practical guide to the CLERP Acts &amp; business judgement rules affecting OG</td>
<td>- competencies of various OG advisors</td>
</tr>
<tr>
<td></td>
<td>* Provides a measurement framework similar concept to an Organizational Capability Maturity Model being developed</td>
<td>- OG policies in organisations</td>
</tr>
<tr>
<td></td>
<td>internationally by the Project Management Institute (see OPM3; 1999)</td>
<td>- thorough self-assessment of competencies</td>
</tr>
<tr>
<td></td>
<td>* Addresses the organisational context surrounding Australian Control Criteria and strategic functions of Boards of Directors.</td>
<td># unclear regarding needs and goals of inner, and middle circles.</td>
</tr>
<tr>
<td></td>
<td>* stakeholder oriented</td>
<td></td>
</tr>
<tr>
<td>Balanced Score Card</td>
<td>* Simplified framework linking internal strategic and performance measurement of financial and non-financial factors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* useful for Boards of Directors to monitor the organisational performance</td>
<td># Focus on internal view of the 4 factors for performance measurement</td>
</tr>
<tr>
<td></td>
<td>* widely used and extensive databases being developed</td>
<td># danger of assuming that the four areas are causally linked (when it is extremely difficult to control the intervening variables)</td>
</tr>
<tr>
<td></td>
<td>* addresses needs and goals of inner circle</td>
<td># Elements of fadism and fanaticism in uncritical applications of the private sector approach</td>
</tr>
<tr>
<td></td>
<td></td>
<td># requires organisations and Boards to develop &amp; monitor:</td>
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<tr>
<td></td>
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<td>- various non-financial measures</td>
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<td></td>
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<td>- often not understood by financial advisors</td>
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<td></td>
<td></td>
<td>- thorough self-assessment of several measures</td>
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<tr>
<td></td>
<td></td>
<td>- may not be understood or actionable by subordinate staff</td>
</tr>
<tr>
<td></td>
<td></td>
<td># presumes inners circle's</td>
</tr>
</tbody>
</table>
### Appropriateness of Organisational Governance

| Triple Bottom Line | * addresses the ISO 1400 standards  
|                    | * potentially integrates external social and environmental accountability with internal accountability.  
|                    | * could integrate measurement of client needs and outcomes  
|                    | * strongly represents intergenerational equity, and needs of middle and outer circles  
|                   | perceptions of "how we appear" is sufficient to represent interests of middle and outer circles  
|                   | # relatively new and complex  
|                   | # danger of assuming that the three areas are causally linked (when it is extremely difficult to control the intervening variables)  
|                   | # potential resistance by some businesses as giving in to external pressure of community lobby groups, as it seems to reduce the accountability to inner circle?  
|                   | # may be strategic concerns about external exposure to competitors in acquiring 3BL social and environmental data  
| NaGaSaT            | * attempts to relate OG performance measurement to client needs, outcomes and satisfaction  
|                    | * attempts to relate OG performance measurement to frontline staff satisfaction and competency related factors (ie. bottom up approach rather than top down)  
|                    | * develops measures of non-financial factors  
|                    | * strategically grounded in the client/staff/organisational interactions  
|                    | * accountability to inner and middle circles  
|                   | # danger of assuming that the four areas are causally linked (when it is extremely difficult to control the intervening variables)  
|                   | # requires a clear program logic and effort in developing appropriate measures to tailor to a bottom up approach  
|                   | # may be less meaningful to Board and top management data needs  

**CONCLUSION**

This paper has attempted to provide a clearer base for the identification of, and measurement of the appropriateness, as well as transparency, of organisational governance for not-for-profit organisations. Four models, or approaches, were examined in the trend towards broadening the concept of corporate governance to be more inclusive of not-for-profit organisations and making the concept of Board effectiveness more accountable for appropriateness and transparency.
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It is argued that the concept of transparency is the foundation for understanding, and evaluation of, appropriateness of these models to organisational governance in not-for-profit organisations. It is suggested that there are at least three types of stakeholders to whom transparency may mean different levels of participation, viz: the inner, middle and outer circles. One aspect of transparency identified, especially for the inner circle, is the direct involvement of the clients or their representatives in the measurement of needs and outcomes of the target clients/customers of the organisation.

However, there is still much to be done in the research on the appropriateness and transparency of effective organisational governance. But there is an inherent philosophical problem with the research:

“… the dilemma for Government is that open systems with free access to information may result in public dissatisfaction with performance but closed systems that conceal or manipulate information are likely to contribute to a long-term decline in public trust in Government institutions as knowledge of these deceptions becomes apparent” (Ryan, 2000, p. 12).

In some way this suggests that the “cooperative inquiry” (Heron, 1996) is likely to be a useful methodology for investigation and development of transparency in the non-financial evaluation of the performance of Boards of Directors. Researchers need the participation of the stakeholders to be able to assess how they perceive appropriateness of governance.

In the search for approaches which promote measures of appropriateness of organisational governance, Stewardship, as well as strategic evaluation are areas highlighted for development as professional competencies of Boards of Directors for not-for-profit organisations to meet the requirements of the new Corporate Law Economic Reform Program’s business judgement rule.

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