The Appointment of Non-executive Directors in Non-profit Organisations in Australia

by
Marion Cornish

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Statement of Authentication

The work presented in this thesis is, to the best of my knowledge and belief, original except as acknowledged in the text.

I hereby declare that I have not submitted this material, in either full or in part, for a degree at this or any other institution.

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The recruitment and selection of a member to a board of directors is a largely unexplained and unquestioned process. Generally, non-executive board members in the non-profit sector are unpaid and often appointed via membership of a social network, without any formal recruitment or selection processes. These same board members also play an important and responsible role in the governance and sustainability of a socially responsible non-profit organisation. Hence, there is a real tension between the seemingly informal appointment process and the formal responsibility of such a position. This research aims to shed light on the recruitment and selection processes to Australian boards of directors for non-executive positions in the non-profit sector.

The research adopts an interpretivist approach through an analysis of empirical, primary data collected via surveying and interviewing non-profit board members.

A survey questionnaire collected demographic information from 65 board members from diverse non-profit organisations. Convenience sampling from publicly available lists of non-profit organizations and directors was used to deploy the demographic questionnaire. Interviews followed with eight board members of non-profit organisations. Thematic analysis was employed to allow for emergence of themes about perceptions of enablers and barriers to the appointment of board membership.

The questionnaire indicated that a combination of senior executive and corporate governance experience is a significant enabler of the non-executive recruitment appointment. There was argument against recruiting non-executive directors for their specialist skills alone. Generalist skills that employ strategic thinking are more desirable.

Other attributes seen as enablers are business acumen/experience, a capacity to bring a business focus to the non-profit sector and educational qualifications. Passion, to describe a general commitment to both the organisation, and the cause supported by that organisation, is essential. Serving as a non-executive director on a non-profit board is an opportunity to contribute to society in a way that is aligned with the individual’s value system, motivation, and passions.
Networking capability is a strongly preferred attribute of the non-executive director. There are other networks and network opportunities that may provide opportunity for board appointment.

The interviews supported the results of the questionnaire, with most interviewees appointed by word of mouth, at least on the first occasion. Despite some general discomfort regarding the lack of transparency with the word of mouth process that became apparent in the interviews, non-profits continue to use this method of recruitment and selection.

The initial recruitment processes, such as job descriptors, person descriptors and so on, utilised by the not-for-profit organisations to identify the key attributes required, reveal that often considerable effort is put into assessing the required attributes of the particular positions to fill board vacancies, prior to commencement of the selection process.

The selection processes utilised by these non-profit organisations also reveal that some effort goes into assessing the suitability of the applicants. This often occurs in a semi-formal way such as submission of resumes only, and informal interviews referred to as ‘chats’. Personal recommendation from board members regarding the actual ‘fit’ of the individual continues to be one of the main selection criteria in the appointment process.

There is a tendency to ‘trial’ potential non-executive directors by first recruiting volunteers to board sub committees or board advisory committees. Eventually these volunteers may move on to the board to fill vacancies if seen as appropriate in terms of individual attributes, and their overall ‘fit’.

The appropriateness of remuneration for non-executive directors in a typically voluntary task is also controversial amongst the respondents surveyed and interviewed. There is discussion in the sector to remunerate directors involved in more complex non-profit organisations as this affects the acceptance of positions on these boards. The amount of time required to fulfil the role of the non-executive director also restricts the capacity of individuals to accept these roles.
An additional obstacle to accepting an appointment includes an increasing external pressure for corporate governance requirements in non-profits. The increasing level of personal risk and damage to reputations because of adverse reactions to board decisions is a significant concern, and a deterrent to prospective directors.
1.1 Introduction

This research endeavours to clarify appointment processes used when appointing non-executive directors to non-profit boards in Australia.

There is a gap in the knowledge of the way directors’ social networks are activated during the appointment process. This is important since the enactment of directors’ social networks, by the use of certain barriers, has the potential to restrict the access of motivated individuals aspiring to non-executive board appointment. The critical literature on human resource management practices, and in particular critique of the normative process of appointment, is scarce (Legge, 1995). The lack of critical analysis of many human resource processes tends to restrict the ability of the function to look judiciously at some of the processes that relate to this field of organisational activity, such as board appointment.

The amalgamation of research conducted by Sheridan (Sheridan, 2001, 2002; Sheridan & Milgate, 2003, 2005) on gender issues during the appointment of directors, and Steane (Steane, 2001; Steane & Christie, 2001) on directors in non-profits in Australia, leads to an interest in the crossover between these two research areas. Extension of knowledge on the operation of director networks, beyond the fundamental physical mapping undertaken by social network analysts, is attempted in this thesis (Kilduff & Tsai, 2007; Murray, 2001). The overall research context intersects between corporate governance relating specifically to human resource management practices, in particular the appointment of boards of directors, and the way such practices relate to the operation of networks populated to the power elite. Power elites is defined as ‘particular individuals...authorised to issue orders and decisions, and they expect compliance or obedience from others’ (Scott, 2001).
1.2 Background to the research

1.2.1 The appointment process

The literature on company directors sidesteps the issue of the use of networks of power elites within the appointment context (Sexton, 2004). The assumption that equitable human resource management principles as applied elsewhere in their organisations apply automatically to directors may be false. For example (Searle, 2003), points to the use of psychological testing as a tool that organisations can use to filter the profiles of the staff being appointed. The adoption and support for such human resources practices by the boards of directors can be a powerful career blockage to individuals wishing to access director positions. A more critical review of human resource practices may reveal the role played by processes such as appointment, in filtering access to director appointment or other senior organisational positions, via certain career enablers. Examples of reported or observed barriers that act as filtering mechanisms could be the ‘correct’ individual psychological profile, or the development of certain individual attributes through organisational experience and skill development, or even covert processes such as the ‘glass ceiling’ that acts as a barrier to senior positions and directorships for women (Arfken, Bellar, & Helms, 2004).

Therefore, best practice in recruitment and selection appears not to be used for board appointments. Instead, there seems to be filters at work that limit opportunities for some.

Organisational appointments are generally made via a process of ‘rational’ or normative decision-making. This is where objective criteria are set, selection methodologies are utilised and decisions made based on a candidate with the most appropriate match of skills and expertise (King, 2001; Legge, 1995; Searle, 2003).

However, senior organisational members such as company directors, by the nature of their position as the organisational power elite, may consider themselves to be outside practices applied routinely in the organisations that they govern. This is an emerging ethical dilemma for boards of directors. While directors are accountable for corporate governance relating to organisations, application of the same processes and practices to board appointments may be shirked (Benn & Dunphy, 2007; Francis & Armstrong, 2003).
Nomination committees, when they exist, take responsibility for the appointment of board members. While they will apply some form of ‘rational’ appointment procedures (Vafeas, 1999), this may well mask the reality of the processes for the board and executive appointments they eventually make. For example, the use of recruitment consultants for board appointments, a seemingly overt method, may let political decisions to take place, a covert method. For example, the person descriptions and job criteria may still be written with a specific person in mind, thus directing the so-called ‘rational’ decision toward a predetermined outcome (Searle, 2003).

1.2.2 Corporate governance and the board of directors

Corporate governance, as undertaken by directors of any kind, implies that an overall body of some kind is monitoring the overall direction taken by that organisation.

*Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the organisation are set and achieved, how risk is monitored and assessed, and how performance is optimised.* (ASX, 2009, p.2)

The ASX guidelines suggest the main function of a board is oversight, but also to ‘structure the board to add value’ and to ‘promote ethical and responsible decision making’ as a core to sound corporate governance (ASX, 2009, p.9).

Critical review of traditional governance command-and–control hierarchies as represented by the boards of directors, and the decisions that they make, have been bought into question (Micklethwait & Wooldridge, 1996). With the collapse of large corporations in Australia such as HIH, One-Tel and Ansett (Easdown & Wilms, 2002; Unkles, 2001) and very public clashes of directors, such as those observed on the National Australia Bank board (Fox & Cornell, 2004; Sykes, 1998, 2004) societal scepticism with regard to boards of directors has increased. Broader concerns exist regarding the social responsibility applied by company directors in exercising their duties, whilst often being paid handsomely for the responsibility they carry. Access to boards in terms of appointment processes is generally missing in the discussions of corporate governance as it relates to company directors.
Corporate governance scandals, and scepticism regarding the motivations of company directors, are not new in the Australian context (Sykes, 1994, 1998). Changes in patterns of stock ownership, with superannuation funds becoming substantial institutional investors, has led to a more recent general view that all boards of directors need to be more accountable and transparent (Gillan & Starks, 2003; Green, 2003).

Australia has a fascinating heritage when it comes to the composition of its boards. One of the first companies in the colony of NSW was the Bank of NSW, which had as one of its first directors an ex convict. This director was limited in his director capacities because he was transported from England when found guilty of company fraud (Sykes, 1994, 1998). Rich stories of assorted rogues linked to company directorship have permeated the Australian psyche from the earliest to the very latest corporate scandals.

While the Australian company director has a rich history in the country’s corporate history, this role remains integral to the functioning of Australian organisations.

1.2.3 The company director

The role of company director is to be accountable for the strategic direction taken by a corporation, or non-profit organisation. Non-executive directors, a specific form of company directorship, are valued for their role in providing a level of objectivity and critical evaluation of strategic decision-making by boards (Clarke, Dean, & Oliver, 2003). The company director’s role, and ultimately their decision making, affects all stakeholders of that corporation, a position in itself which can be considered powerful in the social context (Chait, Ryan, & Taylor, 2005). For example, many aged care facilities operate as non-profit organisations and therefore the boards of these organisations decide the level of service provided to a relatively vulnerable group within society.

Company directors are executive or non-executive. Executive directors are currently employed and remunerated by the organisation and occupy a recognised and remunerated position in the organisation structure. However, non-executive directors
are external to the formal company structure. Often their election is by the voting of shareholders, or in the case of many non-profits, by voting of members at the Annual General Meeting. This is through direct voting, or by the adoption of recommendations made by committees appointed by the board of directors. The role played by director networks in ensuring that preferred applicants are successful through such appointment systems is unclear (Baxt, 1990, 1994, 1999; Burgess & Tharenou, 2002; Derek, 1996; Geoffrey Kiel & Gavin Nicholson, 2003; Geoffrey C. Kiel & Gavin J. Nicholson, 2003; Kiel & Nicholson, 2005; King, 2001; Marsh, 2000; Pettigrew & McNulty, 1995; Prentice & Holland, 1993; Spira & Bender, 2004). The review of appointment processes in this research will endeavour to clarify how the nomination of these applicants occurs in reality.

A large amount of the literature on company directorship in the Australian context emerges from writings produced and supported by the Australian Institute of Company Directors (AICD). For example, Hilmer (1998) provides insight into some of the poor decision-making processes of boards. Bosch (1995) argues that criticisms of corporate governance processes will more than likely have an impact on the perception that company directors have of their role. The complex nature of director role perception, and the link to appointment as explored in this thesis, will therefore highlight only some of the current role dilemmas faced by the ranks of non-executive directors. In particular, the paradox between the public perceptions and the private realities of non-executive directors, and how these perceptions are filtered as being acceptable via the social networks processes, are worthy of note.

1.2.4 The non-profit sector

The non-profit sector is a significant component of the Australian economy and includes the social sustainability of that economy:

*If we exclude government administration and defence, the residual NFP sector is believed to have a revenue of $112 billion in 2005-6, spread over 52,00 enterprises (but many more branches and establishments). This represents 4.1% of the nation’s revenue. Being more labour-intensive than most industries, the contribution to the economy in terms of value added was 7.2%.*
The NFP sector contains industries that have long been regarded as serving inalienable rights. These include health services, free or reasonably accessible education at all levels, subsidised public transport, pensions, unemployment relief, justice and law and order. (Ruthven, 2006, p.32)

The various types of non-profits and the various ways that these are structured make the non-profit sector complex (Steane, 2001). Not all non-profit organisations are considered charitable organisations, nor are they simply concerned with producing purely charitable outcomes. For example, the aged care and health research parts of the sector do not focus on purely charitable outcomes.

Charitable non-profits result from a struggle to access societal resources for a particular cause, linked with the work of a particular group or even individual (Frances, 2008).

Non-profit organisations have also been receiving considerable attention regarding corporate governance practices of recent times (Ferguson, 2005; Frances, 2008; Lyons, 2006; Lyons, McGregor-Lowndes, & O'Donoghue, 2006). While non-profit organisations may also often try to adhere to formal corporation’s law obligations, they have less rigorous obligations than the for-profit sector.

1.3 Research problem

The concern is that the appointment of members to a board of directors of a non-profit organisation is a largely unexplained and unquestioned process. Because of the lack of transparency, the relatively closed world of these company directors remains a mysterious one, not open to all who may wish to enter.

Additionally, there are few studies creating knowledge about the perceptions of individuals who have sought these appointments. This is particularly the case in terms of the perceptions of these directors to the apparent lack of transparency regarding their appointments. In the non-profit sector, current government initiatives to implement regulation are tending towards the requirement for increased transparency in the sector (Senate, 2008). This follows revelations that accountability
in the sector is almost nonexistent (Ferguson, 2005). Therefore, research into appointment processes of board members in non-profit organisations, is warranted.

The increased requirements for transparency that these proposed legislative requirements are attempting to address, may affect the ability of the sector to attract voluntary non-executive directors. The zeal of voluntary, unpaid directors in an increasingly regulated sector may be seriously affected by increasing regulatory and accountability requirements and the associated time commitments required for the role.

This research therefore aims to shed light on non-executive appointment processes to Australian non-profit boards.

1.3.1 Research questions

The overall question is ‘How are non-executive board members appointed to non-profit organisations?’

Sub questions, which emerge from the main research question, are:

- What are the perceived enablers to appointing non-executive members to non-profit boards?
- What are the perceived barriers to appointing, and accepting appointment to, non-executive positions on non-profit boards?
- What are the differences between reported and observed barriers and enablers?
- How do the perceived barriers and enablers affect the respondents’ perceptions of the overall recruitment process to a board of non-profit organisations?
- How do the barriers and enablers affect the respondents’ perceptions about future membership opportunities on any board?
- Can social networks related to the non-profit sector be identified and if so, how do these networks facilitate the recruitment of directors?
1.4 Justification for the research

The justification for this research lies in its contribution to understanding the effects of human resource practices on corporate governance principles, specifically in the context of networked appointment processes.

The non-profit sector faces increased government regulation that potentially makes non-executive director positions more difficult to fill due to the accompanying responsibilities and compliance requirements. The future focus of regulators is on increased transparency in the non-profit sector to ensure accountability to the various stakeholders of these organisations.

This thesis therefore begins the task of unveiling practices in non-profits, which have the capacity to block the ability of these organisations to adopt such open and transparent corporate governance principles.

Research into human resource processes, which are less obvious and often less well analysed, can reveal the realities and outcomes emerging from the exercise of the power elites within a social network (Legge, 1995). This thesis examines human resource practices that are covert, that being appointed via social networks to non-profit boards.

In addition to illuminating the relatively mysterious nature of recruiting board members to non-profits, this research demonstrates that the appointment and retention of competent non-executive company directors will be the challenge for all non-profit boards in the future (Johnson, 2002). First, access to these positions by those in this elite group may be at the expense of other stakeholders of non-profits. Whilst one of the main differentiators for non-profit organisation is their strong linkage with stakeholders (Steane et al., 2001), the challenge to recruit and retain is particularly relevant where the pool of company directors in Australia has traditionally been small, restrictive and underdeveloped (Fleming, Merrett, & Ville, 2004). Therefore, a closer examination of appointment processes of board members of non-profits is relevant, timely, and justified.
The appointment processes of board directors in the for-profit sector are the focus of several studies (Alexander, 2003; Brammer, Millington, & Pavelin, 2007; Burgess et al., 2002; Higgs, 2003; Johnson, Daily, & Ellstrand, 1996; Stiles & Taylor, 2001). However, many of these studies employ a quantitative mapping technique, referred to as social network analysis (Alexander, 2003; Stapledon & Lawrence, 1996). This mapping approach examines the concept of directors interlocking through some means of connectedness between organisations. Board appointments are one example of power elite connectedness that operates in such social networks. More importantly, exploration of the perceptions of the network members is explored in the context of this thesis.

Director interlock literature already maps how ‘elite’ groups of company directors occupy and replicate the ‘accepted’ networks to maintain their identified group as occupiers of these lucrative positions in the for-profit sector (Moore, Sobieraj, Whitt, Mayorova, & Beaulieu, 2002; Sheridan et al., 2003; Stapledon et al., 1996; Zajac & Westphal, 1996). However, to date, this research on the interlocking of the director power elite does not extend to the non-profit sector in Australia. This research aims to start this process by asking the specific research question: “Can social networks related to the non-profit sector be identified and if so, how do these networks facilitate the appointment of directors?”

Additionally, in the majority of the research on company directors, concentration is upon the stories and experiences of ‘successful’ company director appointees (Benn et al., 2007; Stiles et al., 2001). There is little research disseminated, other than research based on gender, regarding those who have experienced difficulty either accessing certain appointments, or those who have experienced difficulty moving from one sector to another (Sheridan, 2001, 2002; Sheridan et al., 2003, 2005). Such research is useful in identifying the filtering mechanisms used by the dominant groups to exclude those that they see as being not the right ‘fit’ for a particular company director role.

As a particular sub-set of non-profit directors, female directors receive attention in this thesis and form an integrated theme when analysing overall the non-executive directors in the non-profit sector. Therefore, discussion regarding the development of
women into various company director roles, while an interesting field of research in itself, will only be explored as a subtheme in this current research. However, the research on women accessing director positions has identified greater opportunities in the non-profit sector as an initial access point to director positions, as will be explored further in the literature review in Chapter 2.

Transparency in the non-profit sector has much to do with societal reputations. A non-profit’s ability to fundraise is linked to these societal reputations (DOCS, 2005; Dulewicz & Herbert, 2004; Erhardt, Werbel, & Shrader, 2003; Roberts, 2001; Sheridan, 2001; Singh & Vinnicombe, 2004). The sector is coming under increasing pressure to conform to regulatory control and provide levels of transparency in its operations and financial decisions to both stakeholders and donors (Senate, 2008).

This research aims to extend the knowledge regarding appointment by seeking illumination of current appointment practice to non-profit boards, and to qualify the preference of individuals to join boards of directors in the non-profit sector.

The current expectation is that most large non-profits, some of which already have corporation status, will align with those general principles and legislation constraining all Australian corporations. Guidelines for decision making are also suggested by government bodies such as the Australian Securities and Investment Commission (ASIC, 2009) and the Australian Stock Exchange (ASX, 2007). Additionally, international pressure for minimum requirements relating to corporate governance comes from bodies such as the OECD (ASIC, 2009; ASX, 2009; Gourevitch, 2003; Jesover & Kirkpatrick, 2005; Norburn, 2000).

Recent Australian government initiatives move towards tighter regulation of the sector (Senate, 2008). The report recommends that a national regulator and associated register be established with the aim of ensuring compliance with legislation and best practice standards, similar to those developed overseas. This best practice element of the recommendations has particular implications for this research regarding the appointments made to non-profit boards in Australia. Such regulation may provide long-term pressure for increased transparency of process in the appointment of non-profit directors, including the area of human resource practices.
This thesis examines the appointment of non-executive directors, in this case on non-profit boards and their supposed impartiality as they serve, often unpaid, on non-profit boards, for potentially philanthropic and personal reasons. Such non-profit organisations have as a basis for their governance a philosophy of social sustainability. Therefore, organisational transparency of process is of considerable significance within the sector, and to society in general.

This research starts the process of reviewing the potential for non-profits to adopt transparency of process into their improved corporate governance practices.

1.5 Methodology

The research procedures utilised an interpretivist approach and a qualitative methodology to interpret the results of both questionnaire and interview data.

Survey questionnaires were used to collect initial respondent information and to recruit for interviews. Questionnaires were followed by thematic analysis of questionnaire data. Convenience sampling from publicly available lists of non-profit organisations and directors, as well as the purposive sampling procedure to attract interviewees, was utilised.

Analysis of the questionnaire data assisted with the development of themes regarding non-executive company director appointment practices. These themes were explored in interviews. Data collected via survey questionnaires was therefore triangulated with data gathered via the semi-structured interviews.

The interpretivist approach also proved useful in analysing the way the participants in the appointments processes perceived the current and future appointment processes. As all interviewees were familiar with the appointment processes used, their experience and insight was valuable in interpreting the results of the questionnaire.
1.6 Outline of the thesis

Chapter One outlines the research background and justifies the importance of this topic. In addition, this chapter outlines the limitations and scope of the research, addresses the key assumptions, and clarifies the definitions of terms.

Chapter Two explores the literature on the appointment of directors. This includes the appointments literature, director attributes, social networks and power elites.

Chapter Three outlines the methodology used for this research. It explains and justifies the tools used for answering the research questions, including the sampling process, recruitment processes, data collection techniques, access issues, data analysis methods, and limitations to the methodology.

Since both deductive and inductive research has been undertaken, Chapter Four presents the results of the findings from the questionnaire and Chapter Five provides thematic analysis of the data emerging and applies it to the theoretical approach introduced in Chapter Two.

Chapter Six discusses the findings, concludes the analysis and discusses ramifications for practice. This chapter also makes suggestions for further research.

1.7 Delimitations of the research

Interlocking of directors and connectiveness is context and time-bound. Therefore, this study does not aim to be comparable with other contexts, including overseas countries. Nevertheless, this study will shed light on the current, generally unquestioned processes adopted when appointing non-profit board members in Australia (Bonn, 2004; Nicholson, Alexander, & Kiel, 2004).

Since access itself is through a similar network as the recruitment and selection network, the findings will be also limited to single networks, but by surveying directors from three Australian states, New South Wales, Victoria and Queensland,
the possibility of a single network was minimised. Interviewees were drawn from both Sydney and Melbourne in an effort to reduce these effects of network similarity.

### 1.8 Summary

In summary, this chapter has provided the background to the research in terms of the appointment process. The specific context of the company director and the non-profit sector is used as the focus for the research. The corporate governance and board of directors’ contexts are also recognised as they relate to the broader research field.

The overall research question and the sub questions emerging from this main question have been presented. The justification of the research is clarified in terms of the contribution to the human resource management field, the non-profit sector and the understanding of power elites as they operate in interlocking of directors.

Following the introduction of the methodological interpretive approach, the six chapters of the thesis have been outlined. Finally, the delimiters of the research have been explored.

The chapter that follows will explore in depth the literature that frames the research.
Chapter 2
Literature Review

2.1 Introduction

The aim of this research is to make explicit and critically assess the current appointment processes of non-executive board members within the non-profit sector.

This literature review will concentrate on a review of the links between the human resources recruitment, social networking and power elite’s literature as they relate to director appointment as outlined in the plan for this thesis (see Appendix 3).

The overall focus of this research is on director appointment through personal recommendations in social networks of power elites. The processes, through certain filters in the appointment process of social networks, may explain why access to non-executive positions may prove elusive for some individuals, often non-profit stakeholders, such as recipients of aged care services. While acknowledging the potential additions to extant literature in the fields of human resources management and corporate governance, research reported in this thesis creates a platform for further work adding to the body of knowledge of non-profit organisations, as discussed in Chapter 6.

2.2 Board appointment processes

This research makes explicit and discusses the current appointment processes for appointment of non-executive board members within the non-profit sector. Application of an interpretivist approach to review both overt and covert appointment processes and practices allows for clarification of the perceptions of individuals.

Overt appointment processes can include practices such as direct advertising, for example, via recruitment services such as the AICD and the Pathways annual
director recruitment drive, or executive recruitment firms (AICD, 2008, 2009a; Pathways, 2009). Those interested in the roles, and deemed capable of meeting the criteria described for the positions advertised, are able to apply for these positions through an online application.

Covert appointment processes are those which are less transparent (Searle, 2003). These may include practices such as a direct approach from company chairpersons or other personal recommendations via social networks. Contacting ‘suitable’ applicants to ensure they apply for the position may be one way that networks can operate to filter access to the role of non-executive director.

The processes of director appointment can include methods that simply imply a level of transparency. The power and ability of a board to filter or not filter candidates is evident in the following statement:

*In theory, director appointments are made by shareholders. In practice, however, shareholders simply ratify director candidates selected by the board itself. (Vafeas, 1999, p.205)*

This stage-managed approach to appointment is very different to the perception that appointments at this level occur in a transparent manner, with the best interests of the organisation a primary consideration. Accordingly, there is a possible discontinuity between the administrative duty of due process in appointments and requirement for some practical gain in the outcome. This discontinuity manifests itself through the development of certain enablers and barriers that are used within the context to either support or undermine an individual’s desire to serve as a non-executive director. Therefore, the individual is either enabled or blocked from the network of non-executive directors.

Normally, organisational appointments are made following a supposedly formal process of ‘rational’ decision making, whereby objective criteria are set relating to the capabilities and description of the role (Moodie, 2001; Searle, 2003). Following the description of the position, and the particular attributes required, recruitment methodologies are utilised and selection decisions are made based on a candidate
with the most appropriate match of skills and expertise required by the particular organisation in that particular role (Bilsbury, 1996; King, 2001).

The various stages of the position description process include profiling the required knowledge, skills, competencies, ability, and temperament. This first phase of the recruitment process is referred to as job analysis (Patrickson & Hartmann, 2001). When job analysis is completed, the vacancy is advertised and communicated in various ways. In more recent times the most popular medium for job advertisements has become the internet (Leichtling & Ploor, 2004).

Once applications are received then assessment of applicants against the job criteria takes place, commonly referred to as ‘short listing’. This then reveals the candidates that align as closely as possible with the job analysis.

The next stage is selection and uses various techniques and methodologies, such as interviews and job skills testing to choose the most desirable candidate for the position. These rational processes plan to encourage transparency, fairness, and equity, as underpinned by legislation (King, 2001; Legge, 1995; Patrickson et al., 2001; Searle, 2003). Such normative processes to recruit staff include the need for transparency, equity and competition. However, in the case of making board appointments, the recruitment process is not always transparent and therefore may not follow the due process of appointment described above.

There is little critique of this ‘idealised’ rationalised model which is the dominant model used to describe the appointment process in the human resource management literature (Legge, 1995). In fact, critique of appointments made using social networks are rarely discussed even when they are physically mapped by the director interlock researchers (Alexander, 2003). Appointment processes used in board-level appointments are less well covered in the literature, other than in this rationalist frame (Moodie, 2001).

The international literature related to corporate governance does touch on the issue of appointment, often in a less than direct way. For example, the Cadbury Report on Corporate Governance (Clarke et al., 2003), which reviewed United Kingdom
corporate governance principles, recommends that the process for the selection of company directors should mirror the general push for transparency in appointments to all senior organisational levels. There is a high risk of negative perceptions being developed if director appointments do not follow some ‘idealised’, transparent or rational approach. In addition to those in the wider community, these negative perceptions may also develop in other board members, already in the network, who may wish to see the appointment to boards as a competitive process.

Adrian Cadbury focused on the procedures necessary for the selection and appointment of non-executives in ways that are rigorous and will add value to the board...identify the gaps in experience, personality, age, and skills around the board table, and then decide what kind of person would best complement the attributes of the existing board members.

The next step is to institute a purposeful search for candidates who meet the agreed requirements, with stress on the importance of competition, and having more than one candidate to choose from, in order to find the best available candidate from the point of view of effectiveness, and because it gives confidence to directors in this way. They take their place at the board table on equal terms with their fellow board members. (Clarke et al., 2003, p.65)

The ‘purposeful search’ in the appointment of directors is part of the ‘black box’ of board processes which receive increasing attention in the literature (Zona & Zattoni, 2007). This attention is because such processes remain largely unexplained.

The contradiction between overt and covert recruitment processes in appointment is further highlighted when discussing the use of psychometric testing (Searle, 2003). Such testing, either on its own or in conjunction with other filters, may be used as a mechanism to find reasons, or observed barriers for interviewees, as to why certain types of applicants are not appointed.

I have encountered the company director who found it [psychometric testing] gave him a means of identifying and de-selecting those who saw the world differently and therefore ‘won’t fit in’. These are the other side of selection processes: people who have been labelled by the process and have had their dreams taken away, or those who now have a new tool in their armoury to perpetuate their biases and support their discrimination (Searle, 2003, p.1).
Board appointment processes therefore appear to switch away from the organisational processes usually utilised elsewhere within organisations. Some of the rationale for this may relate to a certain uniqueness relating to the candidates for the position of company director, which will now receive some consideration.

2.3 Appointment criteria

In the preceding section, the normal process of appointment was described in the form of a rational decision-making approach. For the appointment of board directors, applying such a frame may have sustainable consequences. For example, if an ‘idealised’ rational frame of the appointment process described above is employed, then clear linkages between those directors appointed and the performance of the board should be possible. For example, Bonn (2004) found that there was a link between the ratio of outside and female directors and the overall performance of the board.

However, the search for such clear and predictive attributes in current company director literature has proven largely elusive. When appointing non-executive directors to boards, ideally the goal is to find individuals who are likely to assist the overall performance of the board, through their own and the groups’ performance. Therefore, the choice of appointee, usually the person that best fits the selection criteria developed because of job analysis, becomes an important issue for the prediction of goal attainment.

Yet, if choice is constrained only to a narrow group of individuals from within a specific social network, then it becomes increasingly more difficult to establish that the board has engaged in a sustainable decision making process. Speculation on the exact recruitment processes of individuals has the potential of jeopardizing integrity of the recruitment process, the integrity of the convenor of the process and the integrity of the appointee. Therefore, investigating current appointment processes is important.
2.4 Director attributes

The research questions aim to explore the specific enablers to appointment of non-executive directors. Certain attributes, competencies, qualifications, or skills and experience that explain increased levels of success in seeking these roles, are explored in terms of performance parameters, personal attributes, qualifications or specific skills, knowledge or competencies.

2.4.1 Director performance

There are significant difficulties in establishing sustainable predictors of board or director performance. Many authors agree that there is positive impact on board performance by having greater numbers of external, independent (non-executive) directors than internal directors (Cornforth, 2001; Daily, Dalton, & Rajagopalan, 2003; Denis, 2001; Dulewicz & Herbert, 2004; Erhardt, Werbel, & Shrader, 2003; Wood & Patrick, 2003). Thus, there is a clear link established in the literature between external non-executive director involvement and board performance. Other links, such as the size of the board as this relates to performance, prove more difficult to establish (Bonn, 2004). This is because the issue of cause and effect between directors and organisational performance is not yet well described, nor well understood.

Despite the value of having a majority of independent board members, there is also a major problem in establishing any clear relationships between board processes and company performance (Cornforth, 2001; Dulewicz et al., 2004; Pye & Pettigrew, 2005). The assessment of board performance in terms of how the board behaves as individuals and a group is now starting to receive attention. Research on board performance such as norming processes, cognitive and affective processes, and conflict methodologies can predict improved board performance up to a point (Johnson, 2002; Ong & Wan, 2001). These behavioural approaches, however, all miss the very basic link between board performance and appointment of directors based on some form of merit principle related to the director. If there is a sloppy process of appointment, then all the efforts directed at getting directors to perform as a group become more challenging in the longer term.
Therefore, it is reasonable to say that when a candidate becomes available to boards through informal social networks and personal recommendations, it is extremely difficult to assess the potential ability of that individual to improve a board’s performance.

It is also still unclear just how director candidates are filtered through the ‘idealised’ rational appointment process when identified by personal recommendation. Such analysis has only been partially attempted in the analysis of women's entry onto boards (Sheridan, 2002), which will be explored in section 2.4.7.

Given the difficulty of identifying clear linkages between director attributes and board performance, this research will review certain enabling attributes such as competencies and/or education, as well as certain demographic criteria, identifiable during the appointment process in the non-profit sector.

### 2.4.2 Director personal attributes

Other than the information appearing in the literature on gender, director attributes tend to be largely prescriptive in nature (Petrovic, 2008). Terms such as integrity, wisdom, judgement and courage are scattered through the discussion of certain prerequisites (Coulson-Thomas, 2009). However, exactly how an assessment of such descriptive attributes is undertaken when appointing directors is not clarified in the literature.

Johnson (2002) agrees that, notwithstanding the rise in popularity of personality profiling, there could be some more readily identifiable personal attributes that are considered important for the role of director. In this research, the necessity of matching personal attributes with required attributes is acknowledged by asking research questions such as: ‘What are the perceived enablers to appointing non-executive members to boards?’
2.4.3 **Director qualifications**

The idea of a competency-based profession of company directors, with professional bodies, such as the AICD, providing all the significant training and skills appraisal of corporate directors, generally has limited support in the literature (Coulson-Thomas, 2009; Garratt, 2003). The view on competency requirements fails to recognise that this position creates entry barriers for those wishing to enter company directorship. Some of the criticisms of competency-based directorships include the levels of power associated with deciding what is taught, assessment of the competence and therefore who will enter the professions (Dulewicz et al., 2004). The only clear indication of education or training being a predictor of board appointment is when Sheridan and Milgate (2003) claimed that *'nine women (19 per cent) and seven men (15 per cent) cited experience and qualifications in law'*(Sheridan et al., 2003, p.150). While this information was interesting from a demographic perspective, it was not clear if this was a contributor to their original or subsequent appointments.

Steane argues that directors have high levels of expertise (Steane et al., 2001). However, specific educational qualifications or levels were not sought in the context of the research undertaken. The potential impact of backgrounds of directors relating to their current disciplines was not explored.

The power around professional sovereignty based on who enters and how they enter the profession (Fitzgerald, 2002), is held by specific professional bodies, such as The Australian Institute of Company Directors (AICD). The AICD views its role as being mainly representational and informational and tends to readily recognise the limits of its control in terms of board appointments (AICD, 2008). Nonetheless, the AICD has developed a recognised qualification in company directorship, which over time is effectively becoming valued in the decision to appoint directors within both Australia and internationally (AICD, 2009).

One advantage of specialised director training is that it may become the basis for the development of further social networks. Attendance at certain institutions, either sourced by the individual director, or recommended by the boards, extend the networking capacity of individual directors. Networking capacity has a strong
relationship to recruitment and selection is discussed in the following section and elaborated in the research findings in Chapter 5 Section 3.6 and Chapter 6 Section 2.6 where social networking is identified as an essential skill for non-executive directors in non-profit organisations.

2.4.4 **Director networking skills**

Thus far, the review of the literature has established that when appointing members to a board of directors, predictors of director performance such as personal attributes and qualifications are underutilised and under researched. An additional issue that has received little attention to date is an individual’s networking ability and performance. The talent to utilise ‘business contacts’ to gain board appointment highlights the requirement for a capacity to develop networks, at least during the initial phase of early directorship attainment (Maman, 2000; Sheridan, 2002). This means that board directors must display the characteristics of someone who can easily develop and maintain strong interpersonal relationships.

Networking skill has received more attention in the gender-based literature in an attempt to understand and possibly replicate the male skill of networking (Paul, 1985; Still & Guerin, 1986). The identification of director networks is an integral part of this research since the final questions to be asked is ‘Can social networks related to the non-profit sector be identified and if so, how do these networks facilitate the recruitment of directors’?

2.4.5 **Director knowledge**

Notwithstanding the lack of attention in the literature of the desired characteristics of appointees discussed previously, the literature does clearly describe the benefits of attributes such as knowledge and understanding of the business and the context in which the company operates (Coulson-Thomas, 2009; Forbes & Milliken, 1999).

The issue of some type of localised knowledge, for example experience with non-profits, may play some part in the appointment of non-executive directors who are than able to provide a stakeholder perspective to the organisation (Adams & Flynn,
This knowledge was the impetus for testing the extent of knowledge and understanding of the participants and drove the researcher to ask questions about the perceptions about future membership opportunities on boards.

### 2.4.6 Strategic competency

There is debate regarding the level of contribution that non-profit boards make in setting strategic directions (Chait et al., 2005; Schmidt & Brauer, 2006). This debate hinges on the overall role of the board in these types of organisations. Appointments should, in theory, link with the intended outcomes of board functions.

Research on non-profit directors, and the corporate governance and strategic issues which surround the sector, support the view that directors in the non-profit sector should be considered unique for a variety of reasons (Cornforth, 2001; Steane et al., 2001).

One reason given is the skills used on the non-profits on which they serve. Non-profit directors are seen often to take an operational role, delving more into the day-to-day issues than their counterparts in the for-profit sector. Steane (2001) suggests:

> While strategic issues feature significantly as a task of the non-profit board, they distinguish themselves from their corporate counterparts by engaging in operational management. The findings indicate that, in the main, directors on non-profit boards deliberate and operate in ways distinctive from their corporate counterparts. (Steane et al., 2001, p.50)

Whilst recognising the need to govern at the operational level, the literature on director attributes also points to the need for a more strategic perspective (Coulson-Thomas, 1992, 2009; Forbes et al., 1999; Pye et al., 2005). This links with the notion discussed by Sheridan (2002) that there is an increasing need for management skills to match this requirement for a strategic perspective.

The discussion is important to note, because it indicates there are contradictory views on the strategic role of directors in non-profits.
Strategic competency relates to experience at senior organisational, generally CEO, levels. Requiring strategic competence for directorships in the non-profit sector therefore automatically invokes an entry barrier for these positions, when in fact a more operational perspective may be required as suggested by Steane (Steane et al., 2001).

2.4.7 Director diversity

The discussion about the tension between operational roles and strategic roles also points to another issue to consider, namely that of board diversity. Board diversity is a broad term that aims to capture the differences in the profiles of the directors. Ample literature discusses arguments for diversity to assist in the decision-making processes of boards (Arfken et al., 2004; Cornforth, 2001; Geoffrey C. Kiel et al., 2003; Nicholson et al., 2004). The reasons for diversity on boards are varied and include stakeholder or customer representation. Some argue that diversity assists in the ethics of board decision-making with, potentially, broad moral views being represented on the board (Arfken et al., 2004). Hence, as contended by Ingley and van der Walt (2002) board diversity is important. They state:

*In the widest sense, the various types of diversity that may be represented among directors in the boardroom include age, gender, ethnicity, culture, religion, constituency representation, independence, professional background, knowledge, technical skills and expertise, commercial and industry experience, career and life experience. (Ingley et al., 2002, p.19)*

Diversity as defined above may appear logical, but in reality, the demographics described are not dissimilar. For example, whilst age is a sensitive topic (Kang, Cheng, & Gray, 2007), when looking at the demographics of Australian directors a preference for more mature male directors is clear. On the one hand, the older individuals are generally less flexible in their decision making and display a certain risk averseness (Bonn, 2004). On the other hand, there is an obvious link between age and experience. In addition, Kang, Cheng and Gray (2007) found a preference in terms of the age of directors, and that there was likely to be more age diversity in
consumer services and product industry groups. The age of directors in non-profits has received limited attention in relationship to the importance of this issue to the sector, and the possible link between age and the increased potential to volunteer as a director.

Gender is one of the few director diversity attributes to have received serious study in the literature. The research has shown that within the Australian context, females hold nearly nine percent of for-profit board directorships. Fifty percent of Australian companies have no women directors, and boards with two or more female directors represent only thirteen percent of all companies (EOWA, 2008). The most critical literature regarding board appointments is emerging from such gender perspectives because of the relatively poor representation by females on company boards (Adams et al., 2005; Arfken et al., 2004; Brammer et al., 2007; Singh & Vinnicombe, 2006).

The literature relating to female board appointments supports the view that board appointments come from recommendations within and from a circle of board members (Sheridan, 2001, 2002; Sheridan et al., 2003). In addition, Bonn (2004) predicted a link between increased numbers of female and external directors and improved board performance in Australia.

Some of the primary attributes that female directors credit to their success in Australia are:

1. a strong track record in one’s own field or occupation;
2. business contacts; and
3. a good understanding of business principles (Sheridan, 2002, p.206)

The term ‘business contacts’ implies a need for social networking, both in terms of opportunities and abilities. These networking skills seem to be an essential attribute for potential board members and may be as equally important to overall professional abilities.

Patterns for female company directors in Australia do change in terms of how the first and subsequent appointments to boards are made, with CEO participation in
Diversity proves an ambiguous predictor of appointment of company directors, despite the international mystery regarding the continuing imbalance on boards of female directors. Affirmative action, as legislated in some countries for organisations, also seems a long way off in the boardroom.

In summary, this section has sought to identify attributes which can be clearly identified to enable the appointment of individuals who possess such attributes to the position of company director. The following section endeavours to assess whether network membership could be considered as a consideration in the appointment of these non-executive directors.

### 2.5 Social networks of directors

Research shows that company directors function in sets of networks that operate as social and organisational linkages (Moore et al., 2002). Such networks are termed board or directorship interlocks. Alexander defines the concept of interlocks as ‘linkages between corporations’ (2003, p.230) and this is extended to directors to indicate the connections between directors, mainly on different corporations. Researchers using a method called network analysis (Alexander, 2003; Murray, 2001; Stapledon et al., 1996) have mapped such relationships between individuals on boards in Australia.

Company, board, and director interlocks trace membership of corporate or social networks to assess the strength of various linkages (Arfken et al., 2004; Kono, Palmer, Friedland, & Zafonte, 1998; Moore et al., 2002; O'Hagan & Green, 2003) Researchers readily acknowledge the criticisms of this largely quantitative research as not providing sufficient behavioural information relating to the operation of these interlocks (Maman, 2000; Mizruchi, 1996; Molm, 2001; Murray, 2001; Nicholson et al., 2004).
Some findings conclude that due to economic and social factors in Australia, corporate directorship is concentrated in a smaller number of directors than may be the case in other western countries (Alexander, 2003; Murray, 2001; Stapledon et al., 1996) It would be useful to attempt to understand director interlocks in the current context in terms of an affiliation network, which looks at both corporate and personal linkages and may affect the outcome in terms of director interlocks. This assists in explaining how the ‘self-organisation of the system’ operates both in corporate and personal circumstances when board members are recruited and appointed (Alexander, 2003).

A quantitative approach to social network analysis does not explain the societal or personal ramifications of network membership. Individual abilities in networking may play a substantial role in the relative power and prestige of particular networks (Kilduff et al., 2007). The motivations of network activity in the non-profit sector have not yet received attention in terms of research. This is particularly the case in understanding why these highly qualified, experienced and powerful individuals choose to serve mostly in a voluntary way on these non-profit boards.

The final research question explores whether social networks related to the non-profit sector can be identified during this research. Additionally, if such networks do operate in the non-profit sector then the way these networks facilitate the recruitment of directors will inform the operation of such networks in a context of the power elite.

2.6 Power elites

Any study of company directors, including how they are recruited and selected into elite groups, requires study within the context of social and corporate power. By virtue of the position they hold in control of the resources available to organisations, company directors can also be viewed as power elites (Pettigrew et al., 1995; Pettigrew, 1992). Farazmand (1999) highlights the research on power elites as they relate to non-profits:
The applicability of organizational elite theory in almost all organizations of public, non-profit, and private sectors is clear, in that power is exercised through organizations and organizations are institutional settings or arrangements through which policy decisions are made and carried out…. ‘Elites … form the power structure. Members of the power structure tend to develop a network of interlocks, which affects public policy and administration at all levels. (Farazmand, 1999, p.320)

The reason directors are therefore generally referred to as ‘elite’, is that they have a disproportionate ability to affect the outcomes in society.

Research on how company directors may enhance their positions within both the social and director interlocks suggests that directors can extend their overall influence and reputation by seeking positions on the highest profile charities/foundations or policy determining organisations within the non-profit sector (Moore et al, 2002). Social networks that cross the boundary into the non-profit sector may therefore bring with them very powerful social networks, which then influence social policy (Farazmand, 1999).

This is a particularly important issue in the non-profit sector where social policy decisions can influence the direction of resources applied to various types of non-profit organisations (Senate, 2008). This could mean that the strength of the available social networks that non-profits access over time influences their ability to appoint social powerful elites to their boards. Appointments to these boards then possibly become a predominantly political decision, with other issues relating to the suitability of various candidates almost irrelevant.

Kim and Cannella (2008) further define the concept of power elites as invoking ‘social capital’. This term is used to describe not only the relationships between directors, but the resources that arise as a result of those relationships (Kim & Cannella, 2008). Such resources in the non-profit context are likely not only to include financial or fundraising resources, but opportunities to access external resources such as local communities and ‘important bank officials’ (Kim et al., 2008).
Social networks, consisting of power elite directors operating in the non-profit sector, are significant to the outcomes of this research. How the power elites filter entry to their network is central to understanding how this may inhibit attempts to increase transparency in the sector through increased regulation and accountability.

2.7 Summary

This literature review has concentrated on a review of the links between the human resource recruitment, social networking and power elites literature as they relate to director appointment. Appointment processes continue to be described as following a defined process, with no acknowledgement that appointments often occur, particularly at the board level, through social networks.

Specific attributes that can predict appointment as a non-executive director also remain elusive in the literature. Clear relationships between director attributes and the performance of the boards on which they serve also prove difficult to pinpoint.

The chapter that follows provides an outline of the methodology chosen to test the somewhat limited perspectives on attributes which enable appointment to non-executive positions.

This includes the testing of some of the attributes identified during this review of the literature, as well as seeking explanation why these individuals who are representative of the power elite, choose to recruit through networks.
Chapter 3
Methodology

3.1 Introduction

This chapter sets out the overall methodological approach used for the research and then expands on the methods and tools employed. The paradigm in which this research is undertaken falls under the broad heading of social science fieldwork. In obtaining a better understanding about recruitment practices of non-executive members of non-profit boards, an interpretive frame is applied. The data collected was qualitative in nature, and directed at reflecting the perceptions of participants towards the appointment on non-executive directors. The views of the participants presented in the data required interpretation, through comparison, to better understand and be capable of analysing the real life experiences of the participants.

The research tools used included a survey questionnaire to gather demographic data about appointment processes experienced, their frequency and the perceptions found regarding such processes. In addition, the questionnaire was used to recruit participants for semi-structured interviews by attaching a separate form to the end of the questionnaire. Potential interviewees were asked to indicate their interest in being interviewed.

An analytical framework for this thesis is attached in Appendix 3, which outlines the relationship between the research questions and the methodology, justification and protocols used in data gathering.

One limitation of this research is the special considerations required due to the research subjects being part of a group generally considered societal elites. As executive board members, participants are thought of as privileged leaders, a select few in their position that is quite influential. This posed certain unique challenges, particularly in terms of access. In addition, the vast majority of directors in the non-profit sector provide their services voluntarily and so the time they had available to
provide input to this research was constrained. Nevertheless, eight directors agreed to be interviewed and were generous with their time and opinion sharing.

Another limitation of the methodology is that the research findings are context bound to the particular group of non-executive directors at a particular time in their non-profit organisations. Such a context is in a constant state of flux, with membership of non-profit boards constantly altering when directors finish their designated term as director or do not seek reappointment. It is emphasised that this research is context and time bound. Nevertheless, the findings provide improved insight into recruitment processes of non-executive directors.

3.2 Research paradigm: Interpretive approach

The interpretive approach investigated the appointment processes used by non-profit organisations to select and recruit non-executive directors for their governing bodies. The research utilises qualitative and inductive research techniques to observe and interpret social actions of board directors when appointing non-executive directors in the non-profit sector.

An interpretive approach provided a better understanding of meaningful or purposive social action, as first put forward by Weber cited in Neuman (2003) and is often linked to the symbolic interactionist school of sociology:

‘He embraced Verstehen (empathic understanding)...we must learn the personal reasons or motives that shape a person’s internal feelings and guide decisions to act in particular ways’ (Neuman, 2003p.75).

In this approach, the social actor’s reasons for action are accounted for, as is the social context of the action. Context and actions combine into a system of shared meanings and enable interpretations to be socially relevant (Neuman, 2003). In this research, the purposive social actions are the non-executive director appointments made in the non-profit sector.
Another reason for adopting the interpretive approach during this research is that the interviews conducted aim to understand the perceptions of the actors about the construction of the social context of non-executive director networks. As Neuman (2003) explains:

_The social world is largely what people perceive it to be. People construct it by interacting with others in ongoing processes of communication and negotiation. They operate on the basis of untested assumptions and taken-for-granted knowledge about people and events around them_ (Neuman, 2003, p.48).

The interpretive model is useful when seeking explanation about the way that social systems function in various domains (Denzin & Lincoln, 2003). The need to understand the perceptions of the respondents concerning the appointment process; clearly supports the use of the interpretive approach in this research.

Additionally the interpretive approach helps to explain the relevance of the research in the overall social system in which the individuals operate. The social system, which is the focus in this research, is the networks of non-executive directors.

### 3.3 Researching elites

The choice of research subject provided challenges in the research design. Authors who write about elites in organisations (Kiel et al., 2005; Larcker, Richardson, Seary, & Tuna, 2005; Pettigrew et al., 1995; Pettigrew, 1992) support the view that this group has certain characteristics, which make them difficult to research. For example, corporate governance is a controversial topic of recent times and therefore interviewees could provide defensive responses, especially because of media training, which commonly is provided to senior members of organisations. Due to this possibility of defensiveness, the interview questions (see Appendix 2) were designed to gain some level of comfort by telling their own appointment stories at the beginning of the interview (Kvale, 1996). For whatever reason, little defensiveness was apparent during the interviews.
Further, a flexible approach is needed when interviewing social elites in order to obtain the rich data needed to answer the research questions. A qualitative methodology allows for a more flexible approach to the interview data being collected. Therefore, the decision to conduct semi-structured interviews was consistent with the suggested approach in interviewing organisational elites (Herrod, 1999).

Additionally, access to company directors can be difficult, and, therefore, interviewing them can be difficult. For example, in this research the names of the non-executive directors were not available on the Pathways website used to identify the non-profits. Neither did the non-profit organisation website reveal the names of the individual directors. This is why the chairpersons of the organisations needed to be the prime contact and filter for access.

Furthermore, recognising that access to elites would be challenging, the survey questionnaire was selected for early data collection. Its facelessness and assurance of confidentiality potentially elicited more accurate responses. The questionnaire also provided for an excellent recruitment strategy for self-nomination for interviews.

3.3.1 Accessing non-executive elites by questionnaire

Initially the snowball sampling method was seen as an opportunity to follow the company director networks through recommendations for interviews. The main advantage of this is that a set of network members could be clearly identified. (Martin & Dean, 1993). However, snowball sampling by direct approach was viewed as problematic for several reasons. The main disadvantage was the potentially skewed nature of the replies from respondents and interviewees. This similarity of responses from respondents could limit the applicability of the findings to a few fairly tightly knit networks who came from a very close homogeneous group (Brace-Govan, 2004).

The decision to include a questionnaire to support a revised interview recruitment strategy and to sample more broadly came after evaluation of snowball sampling as a
generally inappropriate strategy as the findings may be limited. Snowball sampling was therefore abandoned.

The chosen method to access elites for interview was a direct mail-out to organisations within a specific industry grouping. This was encouraged by Sheridan (Sheridan, 2001) who states that in her research on gender issues relating to appointment of non-executive directors in for-profit organisations, that this method provided surprisingly good results (Sheridan, 2002). In addition, Stiles and Taylor’s work (2001) prompted a shift to the use of a questionnaire as a data gathering exercise as well as an overall interview recruitment tool. Hence, the decision was made to distribute a survey questionnaire to non-executive directors in the non-profit sector in order to access a potentially more diverse group of research subjects.

An additional reason for the questionnaire was to gather data on which to base potential interview questions. The collection of basic demographic data in conjunction with interviews would have taken away a significant amount of time from the collection of the potentially more valuable interview data (O'Leary, 2004).

Therefore, a demographic questionnaire was designed and piloted (see Appendix 1). The process of development and pilot is described in the next section.

### 3.4 Questionnaire development

This section will introduce briefly the key components of each of the sections of the questionnaire provided in Appendix 1 and specify what was finally included following extensive feedback from both supervisors and eight trial participants.

As outlined above the survey questionnaire had a dual purpose to assist in the answering of the research questions. First, it sought demographic data that would have otherwise taken valuable interview time and second, it served as a recruitment tool for semi-structured interviews. Finding an opportunity to gather demographic data required the development of a questionnaire tool. The following sections outline
the development of the various questionnaire components. Several options were
provided in each section, with space provided for ‘other’ options to add qualitative
information in the form of comments if the respondent thought it necessary.

3.4.1 Identification of currently held non-executive
director positions

The questionnaire requested information regarding the non-executive directorships
currently held by respondents and the length of appointment.

The experience levels of non-profit directors were seen as important in establishing
the validity of the data being collected. The experience meant they would have had
an opportunity to be involved in the appointment process at some time. Interviewees
provided information directly about their involvement in appointment processes.
These questions also aimed to indicate the length of commitment of the participants
to these types of boards and to the sector (Steane, 2001).

3.4.2 Recruitment and selection criteria in appointment
decisions

Questions were asked relating to the processes used for recruitment and selection for
all non-executive positions held. These questions were at the core of gathering the
data on the actual processes used. A set of general processes and criteria used for
appointment, as identified in the literature review (Moodie, 2001; Patrickson &
Hartmann, 2001; Searle, 2003), was developed to assess the level of rationality
applied to these positions.

3.4.2.1 Recruitment methods and processes

Information was sought from respondents on both the recruitment methods and
processes that they had experienced. Participants identified the processes they had
encountered in any of their appointments from a list of potential recruitment methods
and processes identified during the literature review (Patrickson et al., 2001,
Moodie, 2001). An option for ‘word of mouth’ recruitment to indicate recruitment
through a network was the final option in this section of the questionnaire (Murray, 2001).

If they had been approached through ‘word of mouth’ then participants identified who contacted them and the number of times this process was used. Several options, including chairperson, a current or former colleague, or another contact were provided. Questions of this type were essential to ascertain the level of networking that was occurring for the respondents in their appointments.

The identification of the level of job analysis was important in providing some insight into the level of analysis undertaken by the boards prior to the start of the recruitment processes.

3.4.2.2 Selection methods and processes of successful candidates

Participants were asked to identify selection methods and processes that they had encountered in their own selection process. Questions regarding this issue were at the core of discovering what activities the boards engaged in to assess the suitability of any identified suitable candidates. There is a great deal of effort expended by the human resource profession and literature on defending the validity of various selection methods. This is directed at obtaining what is considered the best appointee from the pool of potential candidates (Patrickson et al., 2001).

3.4.2.3 Specific experience, knowledge and skills

The questions regarding specific experience, knowledge or skills that were requested for their current positions, and which had become apparent as being important in the decision to appoint them, lies at the centre of understanding the individual attributes the respondents believed had contributed to their appointment.

The skills sets were broken into three alphabetical groupings for ease of answering. This allowed sets to be broken up into the various components of experience, knowledge and skills.
The first set of specific skills enquired into business development, crisis management, communication, community engagement, and cultural diversity skills. The second set dealt with financial, fundraising, health promotion, human resource and insurance or risk management skills. The third set covered leadership, legal, lobbying, marketing, negotiation, research, strategic planning, team or any other specific skills.

These lists were established in the following way. Firstly, the discussion of certain preferred attributes became evident from the literature review conducted. For example, Sheridan (2001) had identified general management, financial, legal, marketing and human resource expertise identified by respondents in her research.

Amendments and additions were made to the questionnaire following discussions about the proposed research to colleagues and supervisors. Finally, the group of trial questionnaire respondents provided valuable additions, such as the social type groupings of Rotary and Lions organisation membership, which they saw as valuable networking opportunities.

The reason for making available so many options was to make it easier for respondents to complete the questionnaire. Rather than leaving this as an open-ended question, adding multiple “options” is more likely to engender a response.

### 3.4.3 Current ambitions for more or different directorships

Participants identified their current ambitions to acquire more or different directorships than those currently held and whether they had been actively seeking directorships in the previous twelve-month period. Respondents noted their expectations of the selection process and their perceptions regarding what they were likely to encounter in that process.

The issue of espoused ambitions was important in discovering whether the motivations and perceptions of the respondents appeared to differ in terms of their future development in the non-executive directorship role. This related to the research question regarding differences between reported and observed barriers and
enablers. That is, whether they were interested in further non-executive positions due to their perception of possible enablers and barriers.

### 3.4.4 Other or personal demographics

Background diversity information became one of the most difficult areas to phrase in terms of outcomes. Broad demographic information to provide data on the backgrounds of the responding board members was requested, such as place of birth and parents’ place of birth. In addition, whether the respondents spoke another language other than English was an indication of diversity amongst these board members. Demographic diversity, including gender or any other characteristics, has been cited as being a predictor of board performance (Erhardt et al., 2003), and therefore it was seen as necessary to include elements of diversity in the questionnaire.

Gender information was sought from the respondents to check against other research regarding the different gender make up of non-profit boards. Gender had emerged as an area of interest in the governance literature, with the level of participation of females in the director role proving problematic (Arfken et al., 2004; Burgess et al., 2002; Daily, Certo, & Dalton, 2000; Sheridan, 2001; Singh & Vinnicombe, 2004). Another reason to seek information on gender was that Steane (2001) predicted this to be higher in non-profit boards.

Respondent year of birth information provides a general demographic overview regarding the type of generational groups currently represented in the non-profit boards. Clustering of particular groups in terms of their demographic backgrounds may indicate a general lack of heterogeneity, hence the potential for poor board performance (Erhardt et al., 2003).

### 3.4.5 Pilot testing of the questionnaire

The questionnaire was piloted by asking nine non-executive directors to complete it. This pilot was from volunteer contacts such as colleagues. Adjustments were made to the questionnaire following feedback on changes that were needed. The pilot group
suggested additions to the questionnaire such as particular groups to which the non-executive directors may belong. The pilot group also provided suggestions on forms of experience, skills and knowledge, which may present amongst the non-executive directors.

The number of times that the recruitment and selection methods were encountered was included at the suggestion of my supervisor. Some checking of linkages to research questions, aesthetic adjustments, and formatting changes were also made to the questionnaire after suggestions regarding the ease of filling out the document.

This pilot test was very useful because of the nature of the participants and awareness that the respondents to the questionnaire, who have volunteered for interview, would be giving valuable time to answer the questionnaire. In addition, if the questionnaire was not user friendly then the rate of questionnaire returns would be negatively affected.

3.5 Sampling procedure

A sample was taken from a public listing of non-profit organisations, provided by the Pathways organisation. Pathways are an organisation providing consulting services and training to non-profits. Non-profits pay a membership fee and any additional services, such as training or human resources advice, is provided for a fee,

Pathways’ Mission is:
‘to provide information and management support to Not-For-Profit organisations and link them with potential supporters’ (Pathways, 2005)

Pathways also claim to have one of the most comprehensive databases of non-profit organisations and resources in Australia. Other peak non-profit bodies, similar to Pathways in terms of services provided to non-profits, are Good Company, Our Community, Volunteering Australia and ProBono Australia. None of these organisations makes available the amount of data on their websites as Pathways does, a fact that supports the use of the Pathways organisation for this research.
Pathways advertise their member organisations in newspapers on an annual basis; non-profit organisations nominate themselves as wishing to be on this public list. Pathways also provide detailed information on their member organisations on their public website. This information of openly publicised lists of their members provided an excellent means for recruitment of research participants.

There are many forms of governance other than the board of directors in non-profit organisations. For example, the types of legally incorporated organisations include incorporated associations, public companies limited by guarantee, organisations established because of an Act of Parliament or government agencies. The decision was made to include only non-executive directors of non-profit companies utilising some form of legally incorporated structure identifiable on the Pathways website. The reason for this was that non-executive directors of these organisations replicated more closely the research already undertaken elsewhere in Australia (Alexander, 2003; Murray, 2001; Sheridan, 2001). Organisations not clearly identified as incorporated were not utilised for this research, as they were unlikely to have a readily identifiable board of directors.

Additional critical information initially gathered on the Pathways website was the main type of service provided, which was used to devise colour coding of questionnaires to relate to the different service types. Service types were community, welfare, health, religious, international aid and development, education, environmental, animal welfare, sporting or recreation and arts or cultural organisations. The data returned identified by colour was linked as the source of comments on the questionnaire. Therefore, in the findings in Chapter 5, questionnaire responses link to the type of organisation from which these comments emerge.

This coding system was important to ensure that return questionnaires could be identified as being returned from one of these types of organisations in order to assess general response rates from different sorts of organisations. Therefore, colour coded questionnaires acted as a broad identifier and classification type for data analysis.
All of the above information was entered into an Excel spreadsheet to provide the main questionnaire data source for the current research (refer Appendix 4).

3.6 Questionnaire distribution

At time of sampling, there were 488 organisations registered with the Pathways organisation in Queensland, NSW, and Victoria. Of these, 259 organisations were classified within the organisation types outlined above. The total sample size was identified as 2,416 directors in 259 non-profit organisations.

Of these 2,416 directors, at least two directors on each board were assumed to be executive directors, namely a Chief Executive Officer and Chief Financial Officer, and received some type of remuneration.

The total population of Pathways directors in targeted organisations was 1,898. Questionnaire dissemination of this size, as O’Leary (2004: 106) explains, fails the ‘do ability test’. This is not only because this is an expensive exercise, but response follow-up could also prove very difficult.

Each organisation had a range between four (4) to twelve (12) directors listed as the number of board members. By sampling every second organisation, a total sample size of 1,003 directors remained. This number is higher than fifty percent of population because some of the remaining organisations had a larger number of directors listed against them on the Pathways list. The final sample size would therefore represent over fifty percent of the total population of Pathways directors in targeted organisations, which was possibly representing a reasonable confidence level suggested by O’Leary (2004).

Stiles and Taylor (2001) mention that directors resist completing questionnaires. Therefore, distribution modes needed to be considered carefully as way of distribution may affect response rate. Having reviewed the major research projects on company directors from 1971 to 1999, Stiles and Taylor (2001) pushed the preference of this group primarily for interviewing, rather than any form of surveying such as questionnaires. Although the questionnaire was mainly seen as a recruitment
tool for interviews, the questionnaire was viewed as a useful exercise in data gathering and interview recruitment. Once the decision was made to distribute the questionnaire, the distribution method was chosen.

The technology to provide the questionnaires electronically was at the stage of early adoption at the time of questionnaire dissemination. (Andrews, Nonnecke, & Preece, 2003) Expected electronic response rates were deemed possibly comparable to the distribution of hard copies in some of the literature reviewed (Andrews et al., 2003; McMahon et al., 2003; Shannon & Bradshaw, 2002). Further factors, such as advice from trial participants that directors potentially lacked comfort with technology, made this option doubtful, particularly in light of supporting evidence presented by Stiles and Taylor (2001).

The option to email questionnaires directly to participants was potentially attractive due to the lower costs involved (McMahon et al., 2003), although gaining access to the email accounts of the non-executive directors was problematic in practical and ethical terms. The age of participants was a demographic issue identified in decreasing the response rate of participants to electronic questionnaires or email (Andrews et al., 2003), therefore the decision again was made to continue with the hard copy option. The trial group supported this preference for hard copy questionnaires. Most felt that the questionnaire would be more likely to be resisted in electronic form.

Another concern of electronic distribution was the ability to maintain anonymity which is also a concern for ethics approval (Shannon & Bradshaw, 2002). Therefore, a mail-out of hard copies was the final preferred option for questionnaire dissemination to board members.

The postal address from the Pathways website was used to distribute the questionnaires to the chairperson of each organisation identified from the sampling procedures described above.

A reminder letter was sent one month after the questionnaires were originally distributed. This appeared to have little effect as only ten of the final sixty-five
questionnaires arrived after the reminder and it was unclear whether these resulted from the reminder letter.

The response rate was 6%, with 65 questionnaires returned. This would support the view of Stiles and Taylor (2001) that questionnaires and surveys can generally be seen to be resisted by directors. The decision to not address the questionnaires to each non-executive director individually may have also had an impact on the response rate. This meant that distribution and follow up of the questionnaire was reliant on the chairperson, and this reliance may have affected the response rate.

Twenty five (25) respondents agreed to be interviewed. Of these interview responses fourteen (14) were from welfare organisations, seven (7) from community organisations, two (2) from research and health based organisations, and one each from arts and sporting organisations.

### 3.7 Interviews

Prior to interview, interviewees were provided with a short summary of the initial questionnaire findings, which had delineated the topics to discuss in the interviews. The decision to refresh the interviewees with the questionnaire content was aimed at providing a richness of responses by interviewees. This refreshing of the responses in their questionnaires outweighed any potential risk of biasing the interview responses.

Eight interviews were conducted out of a possible pool of 25 volunteers. All twenty-five volunteers were contacted but only eight responded as being available during the period when interviews were conducted. As previously explained, interviewees volunteered via returned questionnaires, where they nominated their willingness to participate by indicating this on a separate form and returned in a separate envelope. This separate response for interview was to ensure confidentiality was not breached when returning the survey questionnaire. Volunteers were then contacted by email to organise interviews.

This research utilised semi-structured interviews with questions that were ‘broad and general so that the participants can construct the meaning of a situation’ (Creswell,
The choice of using semi-structured interviews was influenced by the findings of Stiles and Taylor (2001) who had found that directors had a distinct preference for interviews.

Semi-structured interviews allowed the interviewer to begin with some loosely defined questions and allowed for a more ‘conversational’ form so that answers would flow normally and questions would appear as part of a discussion. A semi-structured format also allows for the development of interesting themes as they emerge (O’Leary, 2004).

The questions for interview (Appendix 2) were generated from the literature review as well as by following an initial analysis of the results of the questionnaire. In addition, from the comments made by respondents in questionnaires, certain themes, such as remuneration, began to emerge that were utilised to inform some of the questions prepared for interviews.

As discussed in the next section, a regular review and revision of the relationship between the interview and research questions was also undertaken. This regular review ensured that the interviews were providing data that highlighted any differences in terms of appointment enablers and barriers. This review was necessary to reflect on the research question regarding potential differences between the reported and observed enablers and barriers.

### 3.8 Data analysis

Questionnaire results were entered into Excel. Results from the questionnaires were put into frequency tables and transposed into histograms (Bryman & Cramer, 1990) to create visual representation of the data for analysis.

Analysis was then undertaken on the potential enablers and reported barriers to non-profit non-executive appointments from the graphical representations.

The demographic data and director career information gathered in the questionnaire were analysed using descriptive analysis such as frequencies and means. The output
was then compared with the literature to see if there are any significant comparisons available that linked the collected data with other research conducted into the sector. For example the age, gender and average number of years of service were checked against the findings of other Australian researchers to ascertain the parallels of the returned questionnaires with previous research conducted on similar topics (Steane, 2001).

The textual comments from the questionnaire were collated in a Word document and were analysed with the assistance of Leximancer to establish content themes emerging from the respondents’ comments. Leximancer is a software platform for textual documents that identifies structured relationships between words (http://leximancer.com). Use of this content analyses tool confirmed themes identified in the literature and allowed for the discovery of emergent themes, including remuneration, time constraints and risk to be explored in a deeper analysis of the data.

After establishing broad content themes in Leximancer, further thematic ordering was undertaken by using NVivo. The frequency of the various themes in the qualitative data collected from both the questionnaire and the interviews was compared to ensure that these had been covered in the findings emerging from the data. (Bazeley, 2007; Maddern, 2004).

3.9 Ethical considerations

Ethics clearance was sought and approved by the UWS Ethics Committee.

All participants were provided with a written summary of the proposed research in the introductory letter with clear guidelines regarding consent (see Appendix 1).

Interview participants were provided with a consent form, with participants agreeing to either sign this form or indicate consent via email communication. Interviews were taped for analysis purposes only and anonymity was protected by personal details not appearing in any raw data or in any written reports.
Participation was voluntary. Return of questionnaires was deemed to be implied consent. In addition, if a participant had changed his or her mind regarding their contribution to the research, then they were able to withdraw at any stage and have the information they provided destroyed or returned to them. Participation or non-participation was indicated to have no adverse effects on the current or future employment of the participants, particularly as a non-executive (independent) director of these organisations.

The letter attached to the questionnaire offered the participants a synopsis copy of the final findings of the research if they emailed the researcher direct. No requests were received by email despite this being offered on the opening letter on the front of the questionnaire.

The requirement for the de-identification of the data to ensure respondent privacy and confidentiality (O'Leary, 2004) meant that the only direct contact details made available to the researcher were those of interview participants. Interview participants were sent a short summary of the research findings to date as a precursor to the questions asked in the interviews (O'Leary, 2004).

3.10 Limitations of the methodology

The limitations of the interpretive approach must be recognised.

One of the well-recognised limitations of the interpretive frame, particularly at the level of analysis of individual meanings, is that the research is context and time bound. Qualitative research and interpretivism are recognised for their lack of ‘totalization’ in terms of application of results from data (Denzin et al., 2003). In the current research, it is evident that the findings and the perceptions of the individuals are limited to the boards and networks of the participants. The findings of the questionnaire and interviews refer to the findings of this group of non-executive directors only. Therefore, there is no attempt to make overgeneralisations regarding the research findings.
The interpretive approach does not view respondent bias, in terms of the perception or justifications of their actions, as a limitation per se. Individual realities, and the way these are constructed, form the dominant driver for much of the interpretive research undertaken (Denzin et al., 2003). The concept of ‘analytical bracketing’ and ongoing interplay between meanings being produced by the researcher and the researched (Denzin et al., 2003) is inevitable in interpretivism. This is why the questionnaire was pilot tested and feedback received to incorporate suggestions for change and minimise potential bias. Further validity was achieved by sending the interview transcripts to the interviewees to validate that their responses were not time dependent and to give them an opportunity to make further comment, or clarify comments.

Researcher bias is also a limitation when interpreting qualitative data. The use of two tools, Leximancer and NVivo, to review and reflect on the qualitative data assisted in the minimisation of any bias in analysis.

### 3.11 Summary

In the review of how non-executive directors are appointed in the non-profit sector, a qualitative methodology was utilised to interpret the results of both questionnaire and interview data. This proved invaluable in seeking to discover the predominant attributes and processes that are used across organisations in this sector.

The interpretive approach was used, within the limitations indicated above, to examine current recruitment and appointment processes for non-executive directors. This approach analyses how the participants perceive their current appointment processes and makes projections regarding future issues for non-profit boards seeking non-executive directors.

This chapter has discussed the interpretive approach adopted for this research, and considered its usefulness in terms of conducting qualitative research into
power elites. This approach and the methodological choices discussed above proved to be very effective in the analysis of the perceptions of current non-profit directors concerning their recruitment and appointment processes. The results of analysis using these techniques are presented in the following chapters in order to answer the research questions described in Chapter 1.
4.1 Introduction to findings

This chapter describes the results of the questionnaire and explores how the respondent non-executive board member appointments occurred in non-profit organisations.

As indicated in the previous methodology chapter, sixty-five respondents returned the questionnaire. These respondents were from non-profits belonging to the Pathways organisation in Victoria, New South Wales and Queensland.

The main aim of the questionnaire was to gather information on respondents’ experiences in order to begin the analysis of indications of enablers and reported barriers in the non-executive recruitment process. In addition, the questionnaire acted as a recruitment opportunity for interviews as well as pointing to specific questions to ask in interviews. Questionnaire respondents provided information on the overall transparency of the recruitment and selection processes experienced in their open-ended comments made on the questionnaire. Further discussion of these questionnaire respondent perceptions is included with those of the interviewees in Chapter 5.

Respondents provided some demographic details, which aimed to provide their general profile. Additionally, participants provided information on the recruitment or selection processes and techniques they encountered when being appointed to their positions as a non-executive director. Respondents supplied views on their ambitions regarding directorships and supplied details of memberships of particular networks. Respondents also indicated specific attributes in terms of experience, knowledge or skills they believed had enabled their appointments. Finally, their educational qualifications and remuneration were provided.
This demographic questionnaire therefore provided the basis for the initial identification of enablers and reported barriers for recruitment of board members. Such identification provides insight into the focus of this research being recruitment processes that support or hinder the appointment and acceptance of appointment by certain individuals to non-executive director position in non-profits.

### 4.2 Respondent information

Demographic data on the non-profit director respondents is shown in Tables 4.1 to 4.3. The main reason for gathering this data was to ascertain some diversity identifiers of the respondents and relate to some of the diversity literature that has been identified as possible recruitment barriers in the literature (Erhardt et al., 2003). This was mostly in terms of gender, age and cultural background of the respondents.

#### Table 4.1: Gender, cultural background, age, family background and directorship information

<table>
<thead>
<tr>
<th>Demographic of questionnaire respondents</th>
<th>% of all respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of appointments per respondent</td>
<td>1.95</td>
</tr>
<tr>
<td>Average years in directorships</td>
<td>11 yrs</td>
</tr>
<tr>
<td>Average age of respondent</td>
<td>55 yrs</td>
</tr>
<tr>
<td>Female respondents</td>
<td>n=25</td>
</tr>
<tr>
<td>Male respondents</td>
<td>n=39</td>
</tr>
<tr>
<td>Respondents born in Australia</td>
<td>n=56</td>
</tr>
<tr>
<td>Respondents having both parents being born in Australia.</td>
<td>n=45</td>
</tr>
<tr>
<td>Respondents with another language other than English</td>
<td>n=11</td>
</tr>
<tr>
<td>Respondents with dependent children</td>
<td>n=20</td>
</tr>
</tbody>
</table>

This table indicates there is a ratio of four female respondents to every six male directors which, amongst other indicators, is very similar to the male-female ratio found in surveys conducted by Steane (2001).

Respondent non-executive directors held an average of two non-executive positions on non-profit boards. The average length of service on non-profit boards was eleven years, which, in conjunction with the age of the respondents, indicates a long-term commitment to these non-executive directorships.
Diversity of the directors on boards was identified in the literature review as a significant positive aspect of positive board performance (Carter, Simkins, & Simpson, 2003).

In the case of director gender, diversity also is a significant barrier to these positions in the for-profit sector as the gender and diversity literature clearly shows. (Corsun & Costen, 2001). However, approximately forty percent of the non-executive directors responding to the questionnaire were female.

The respondents’ birthplace was an indicator of diversity in this context. The majority of questionnaire respondents were born in Australia or had parents who were also born in Australia. Although this possibly showed a lack of diversity in the respondent directors, it is difficult to extrapolate a clear view of what this means in terms of the directors’ overall cultural background. It does, however, indicate that many respondents are at least second generation Australians. A small number were from an apparently obvious multicultural background as indicated by another language spoken. Of course, some of these respondents could have learned another language independent of their cultural background.

There were also a large number of questionnaire respondents with dependent children. This information provided on dependent children indicated that respondents had a significant level of existing family commitments. It is interesting to note since a large number of the respondents had dependent children, that none of the questionnaire or interview respondents mentioned family commitments as a constraint on their non-executive directorships. Work related issues received considerable mention in the interviews, as did the amount of time spent in the non-profit roles. Since appointment, and not work-life balance issues, were the focus of this research it was decided that this theme would not be pursued with the interviewees.
Respondents to the questionnaire provided information regarding their overall educational level. Educational level has been found to be a potential enabler to the position of non-executive director (Steane et al., 2001). The results appear in Table 4.2 below.

**Table 4.2: Educational qualifications of respondents**

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Frequency</th>
<th>% of all respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate degree</td>
<td>n=25</td>
<td>39%</td>
</tr>
<tr>
<td>Masters/postgraduate degree</td>
<td>n=20</td>
<td>31%</td>
</tr>
<tr>
<td>Doctorate</td>
<td>n=4</td>
<td>6%</td>
</tr>
<tr>
<td>Total with tertiary qualifications</td>
<td>n=49</td>
<td>75%</td>
</tr>
</tbody>
</table>

The questionnaire respondents provided information on their highest tertiary qualification achieved. The questionnaires were checked to ensure that multiple degrees were not listed against each respondent in order that the findings indicate the highest, not all, of the educational qualifications of respondents.

There are seventy five percent of respondents with tertiary educational qualifications. This represents a significant percentage with tertiary qualifications and would point to this group of respondents being considered well educated as against the normal distribution of these types of qualifications in the normal population. Many of these qualifications would enable respondents to belong to professional groups, for example accounting bodies. These professional networks relating to the qualifications above will be further explored in section 4.5 on professional membership networks and in Chapter 5.

The questionnaire also sought information on the crossover between directorships in the non-profit and for-profit sectors. This is important in the context of this research to establish whether there are networks which span the non-profit and for-profit
sectors. Respondents indicated their current appointment to for-profit (remunerated) directorships. These results appear in Table 4.3 below:

Table 4.3: For-profit (for-profit) director positions

<table>
<thead>
<tr>
<th>Respondents occupied the following positions in for-profit sector</th>
<th>% (all respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive director positions held by respondents. n=18</td>
<td>28%</td>
</tr>
<tr>
<td>Non-executive positions were held by respondents n=15</td>
<td>23%</td>
</tr>
<tr>
<td>Average number of years in these directorships</td>
<td>23 yrs</td>
</tr>
</tbody>
</table>

Approximately half of the respondents also operated at director level in paid for-profit directorships. This means that a significant number of the respondents held concurrent positions in the for-profit and non-profit sector. The average period that they had held these for-profit positions was also longer than the average non-profit directorship. With half of the respondents operating in both sectors, it may well be that the differences between the profile of the two groups may not be as great as Steane (2001) suggests.

The fact that this group of non-executive director respondents operate in both arenas also has implications regarding the potential for individual directors to be capable of operating from a different perspective when moving from a for-profit to a non-profit decision-making emphasis on the different boards. Steane (2001) is of the view that non-profit boards operate from a predominant stakeholder view and that for-profit boards operate from a predominant shareholder stance. The influence of the more for-profit ways of operating on boards may have long-term implications for the non-profit boards. Since this crossover between the sectors was an important issue for the operation of the non-executive director networks, the implications of this receive coverage in the next two chapters.

While the average age of respondents was 55 years of age, a significant number also had dependent children. The respondents also represented an above average educational level of tertiary qualifications. Other diversity parameters, such ethnic diversity, were not significant in this group of non-executive directors.
While likely to hold more than one non-executive directorship in non-profits, these directors also had served an average of eleven years in this role. There was also a high probability that these well-educated non-executive directors held either another executive or another non-executive position on a for-profit board.

### 4.3 Recruitment and selection processes

This research aims to explore the appointment processes of non-executive directors to non-profit boards. Insight into the demographic characteristics of the respondent non-executive directors now leads to the appointment experiences of this group of directors.

As indicated in the literature review, appointment can be broken into two separate phases, being the recruitment and the selection stages. The recruitment phase is when the job analysis of the vacancy takes place to assess the attributes currently required by the board. This job analysis forms the basis of the information provided to potential applicants as a clear indication of the position requirements. Various methods of conveying this information to potential candidates are available to the boards. Once potential candidates are sourced, then the board needs to make a decision about the relative merit of the candidates by using various selection techniques, such as interviews.

The next section displays the respondents’ recollections of their own appointment processes. While the processes as reported by questionnaire respondents below are important in themselves to establish the potential enablers and barriers for entry to this group of directors, the views and perceptions of the implications of these appointment processes provided by the interviewees are explored in the next chapter, Chapter 5.
4.3.1 Recruitment processes

The respondents provided information regarding recruitment processes that were used to attract them to their positions as non-executive directors in non-profit organisations. The results appear in Table 4.4 below.

Table 4.4: Recruitment processes frequency

<table>
<thead>
<tr>
<th>Recruitment Process</th>
<th>Frequency</th>
<th>% (all responses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Word of Mouth</td>
<td>n=56</td>
<td>86%</td>
</tr>
<tr>
<td>Print media</td>
<td>n=6</td>
<td>8%</td>
</tr>
<tr>
<td>Executive recruitment firm</td>
<td>n=2</td>
<td>3%</td>
</tr>
<tr>
<td>Recruitment site</td>
<td>n=2</td>
<td>3%</td>
</tr>
</tbody>
</table>

The questionnaire results showed that word of mouth is the dominant recruitment method for these non-executive directors. Despite undertaking analysis for the positions including job and person descriptors (see Table 4.5 below), the vast majority of the appointments occurred primarily through this word of mouth recruitment.

Recruitment through jobs websites is also low despite the increasing use of electronic recruitment to replace printed advertisements in the media (Coleman, 2006; Minton-Eversole, 2007). Websites such as Pathways and Good Company (www.goodcompany.com.au) are recognised in the sector as attracting volunteers to the not-for-profit sector. The AICD also provides an electronic recruitment option for its members (www.aicd.com.au), which might have meant that electronic recruitment featured more frequently in the questionnaire results. Again, it is surprising that these boards appear to ignore this type of option for the recruitment stage of appointment.
If an individual made a direct approach to a respondent to consider an appointment as a non-executive director, respondents indicated specifically which individuals had made the original approach. The results appear in Table 4.5 below.

**Table 4.5: Approach to non-executive directors**

<table>
<thead>
<tr>
<th>Recruitment by individual approach by:</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairperson</td>
<td>n=41</td>
</tr>
<tr>
<td>Current colleague</td>
<td>n=38</td>
</tr>
<tr>
<td>Former colleague</td>
<td>n=32</td>
</tr>
<tr>
<td>Other</td>
<td>n=10</td>
</tr>
</tbody>
</table>

The results indicate that the chairperson is the dominant first contact for appointment. The results indicate that either the current or a former colleague of the potential non-executive director follows closely behind the chairperson as the dominant first contact in the recruitment process.

When ‘Others’ were indicated on the questionnaire, the participants were referring to the CEO, the relatives of a chairperson, an executive recruiter, a government minister or head of government department, and a current employee of the organisation.

The fact that the chairperson made the most frequent approaches relating to appointment, in conjunction with a dominant word of mouth process, indicates that there was some sort of network activity and personal recommendation occurring. The colleagues of the director making an approach regarding an appointment, again in conjunction with word of mouth recruitment, also indicate the operation of the network in the appointment processes.

The next section of the questionnaire aimed to test the methods used by the non-profits following the decision to recruit. Logically, the methods used to select board members would support the recruitment processes used to analyse the vacancies in
the first place. This appears not to be the case, as the descriptions of vacant positions were made available to the potential candidates. The results appear in Table 4.6 below:

Table 4.6: Recruitment methods used to analyse the vacancies

<table>
<thead>
<tr>
<th>Recruitment methods experienced were</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Person descriptor</td>
<td>n=48</td>
</tr>
<tr>
<td>Call for applications</td>
<td>n=23</td>
</tr>
<tr>
<td>General job description provided</td>
<td>n=20</td>
</tr>
<tr>
<td>Competency based job description</td>
<td>n=20</td>
</tr>
<tr>
<td>Application package</td>
<td>n=10</td>
</tr>
</tbody>
</table>

The recruitment techniques utilised by the non-profit organisations reveal that there is considerable effort put into assessing the requirements of the particular board vacancies. This is surprising, given that the mostly formalised recruitment processes encountered and disclosed by the participants lead into a mainly informal recruitment process. This informal recruitment process is predominantly word of mouth. Little direct advertising to attempt to recruit from a broader pool of potential candidates is apparent. There is an apparent inconsistency in the effort to analyse the position and the endeavours by the board to find the most well suited and qualified candidate. In terms of internal consistency of the appointment and decision making process, it could be expected that there would be some internal stability among all three decisions, job analysis, recruitment and selection, made by the board during the appointment process. However, analysis of the questionnaire responses suggests that this may not be the case.

The next factor to consider was the selection processes that were used to support the results of the recruitment processes and methods described.
4.3.2 Selection processes

In an effort to check the consistency of the appointment process, the questionnaire asked respondents to indicate what selection methods they encountered in the appointment to their positions as a non-executive director. The results appear in Figure 4.1 below:

Figure 4.1: Selection methods

Most applicants provided some form of documentation to the board relating to their levels of skills, knowledge and experience. This was provided by applicants through a document referred to as a curriculum vitae or resume. Given the word of mouth process discussed, it was also surprising that approximately half of the directors were required to provide references, as well as an almost equal amount submitting written applications.

Less than one third of the directors had exposure to the more formal selection processes of an interview with a formal panel, or a behaviourally based interview. Even fewer directors were aware of the checking of their references. Very few
received notification that they had actually been unsuccessful at some stage of the appointment process.

The selection processes utilised by the non-profit organisations reveal that there was less effort put into assessing the appropriateness of the applicants, than in deciding what attributes the board was seeking in the appointment process. This, between the recruitment processes and methods indicated and the actual selection processes that took place, leads again to the view that the decision-making by the boards is inconsistent.

In summary, it is surprising that there is a significant disconnect between the effort put into assessing the requirements of the boards and establishing the best possible candidates for the position. It is also surprising that there is so little apparent effort put into expanding this pool of potential candidates considered for board vacancies.

As discussed earlier, it would appear that while formal processes applied at the beginning and end of the appointment process, however the rest of the process disappeared into a ‘black hole’ in terms of both process and transparency. This then makes the clear identification of enablers and barriers to appointment difficult when there is such a lack of apparent transparency in the process. It was decided to explore the reasons for this inconsistency during the interviews as discussed in the next chapter, Chapter 5.

### 4.4 Ambitions of directors

Respondents provided information relating to non-executive director ambitions to acquire more or different directorships than those currently held. Respondents included in their response any type of directorship, in any type of organisation.

Less than one third of respondents were seeking to extend their non-executive positions beyond those currently held. Those who were seeking further appointments appeared active in doing so, and most expected a formal process of recruitment and selection.
When asked about their expectations of having to engage in formal appointment processes when applying future directorships, the responses varied. The breadth of the expectations ranged from the experiences to date, to ethical and value type statements based on what the process ‘should’ be.

Perhaps the majority of those ambitious non-executive directors seeking further appointments had little experience of the operation of the social networks. It may well be that they only experienced a more formal process during their current appointment. Alternatively, respondents may have felt uncomfortable supporting the more networked approach that was the reality of what occurred. Again, there was the opportunity to explore this in the analysis of the interviews and qualitative responses discussed in Chapter 5.

Analysis of these results may also lead to the conclusion that the questionnaire respondents were not a particularly ambitious group. Over two third of respondents did not wish to extend their current non-executive positions. However, of the sixty-five respondents, thirteen had placed thirty-one expressions of interest in the last twelve months, nine had submitted twenty-eight formal applications in the last twelve months, and seven respondents had attended interviews nineteen times in the last twelve months. This would therefore appear to translate into a small group of active pursuers of non-executive directorships. This is important as this group may indicate that network activity is evident for a small percentage of these non-executive directors. The identification of network and network activity is important since this is one of the major outcomes of the current research.
4.5 Membership networks

The final research question presented in Chapter 1 indicates that the identification of networks as part of the appointment process is one of the main objectives of the research. Therefore, the questionnaire asked respondents to indicate their membership of various networks. The results appear in Figure 4.2 below:

**Figure 4.2: Memberships**

Information on the various networks that the questionnaire respondents belonged to indicates that some networks seem more apparent in this group of non-executive directors. As indicated in the literature review, networks are the linkages that an individual gains during opportunities for social interaction in all contexts such as those provided by the various professional associations listed in the questionnaire (Appendix 1).

Twelve of the respondents stated they belong to a professional body and an almost equal number of respondents stated they belong to an accounting body. Therefore, approximately one third of respondents had professional qualifications that, as a prerequisite to membership, entitled them to belong to a peak professional body. This would appear to be consistent with the overall results of the educational qualifications of this group discussed earlier. It would also indicate that this group of non-executive directors has obtained significant education prior to their appointments as a director, as discussed in the demographic section 4.2.
Another ten belonged to some community organisation, other than the ones for which they were non-executive directors. Six were Rotary members, another two were members of Apex, and one was a Lions member. Approximately one third of this group of directors belonged to a community-based organisation with a mandate to support the community and the non-profit sector.

In summary, many board members tend to belong to professional and community networks. Board members may engage with several of these identifiable networks, perhaps to enhance their overall reputation and networking capabilities as a director. Being capable of recommending other suitable directors to the boards on which they serve is part of the networking seen as necessary on a board, which is discussed in the next chapter, Chapter 5. The reasons for the network activity indicated in the questionnaire provided the opportunity to explore during the course of the interviews the network activity, which takes place in the non-profit sector. This network activity is explored further in the next chapter where the qualitative analysis of the interviews and questionnaire is undertaken.

As indicated in section 4.3, the fact that non-profits undertake significant analysis of board requirements prior to the start of the appointment process means that attributes required by potential non-executive directors are assessed. Therefore, the following section of the questionnaire endeavours to establish what attributes the questionnaire respondents believe enabled their appointments.

### 4.6 Non-executive director attributes

The term ‘attribute’ is used here to mean the experience, knowledge, skills or training that were sought during the appointment of non-executive directors who responded to the questionnaire and interviews. The information gathered on director attributes were those related directly to appointment to a position. The following sections will discuss the findings related to specific experience, knowledge and skill or training that enables appointment.
4.6.1 Specific experience

The important issue was to determine any specific experience that respondents believed had contributed to their appointment as a non-executive director. If the boards had undertaken the extensive job analysis prior to the search for the new non-executive director, then it would be likely that this identified the experience preferred.

Respondents to the questionnaire provided information on what specific experience had been sought in their appointment to non-executive director. The information provided is summarised in Figure 4.3 below:

**Figure 4.3: Specific experience**

The results of the questionnaire indicated that senior executive experience and corporate governance experience combined may be enablers for non-executive appointment, as the literature indicates is the case (Schmidt et al., 2006). Non-profit sector experience, possibly in a stakeholder capacity, may also be an enabler for appointment.
4.6.2 **Specific knowledge**

It was necessary to establish if there was any specific knowledge which the respondents required for their appointment as a non-executive director. Again, if the boards had undertaken job analysis prior to the search for the new non-executive director, then it would be likely that the board preferred certain types of knowledge. Analysis of this is undertaken in Chapter 5 following exploration of this issue in the interviews.

Respondents to the questionnaire provided information on the specific knowledge sought in their appointment to non-executive director. The information provided is summarised in Figure 4.4 below:

**Figure 4.4: Specific knowledge**

![Bar chart showing specific knowledge categories](chart)

The results of the questionnaire indicated that organisation specific, non-profit sector, and corporate governance knowledge enabled appointment to these non-executive positions occupied by the respondents. The results of the types of knowledge required for these positions are unsurprising at first glance. The importance of the link between a director's knowledge and the way this enables appointment to the boards of these organisations is, however, critical. In the
following chapter, this link is explored as an important factor in the perceptions of potential non-executive director appointees, an individual’s ‘passion’.

4.6.3  Specific Skills

The identification of certain skills required by the board would be identifiable from a review of the skills that the board itself lacked.

Respondents to the questionnaire provided information on specific skills sought in their appointment to non-executive director. The information provided is summarised in Figure 4.5 below:

Figure 4.5: Specific Skills

According to the respondents, skills of a particular nature are enablers of appointment to non-executive director positions in these organisations. This is in response to the extensive job analysis that the non-profits appear to undertake in the section 4.3 on recruitment and selection.

Business development, marketing, and team or negotiation skills appear to be somewhat more important enablers than fundraising, human resources, or lobbying skills. Marketing and negotiation skills may have links to both lobbying and fundraising imperatives that form a large part of many non-profit processes.
Interestingly, compliance skills such as risk management, diversity management and legal skills are, according to some respondents, less sought after by boards. Both personal risk and increased corporate governance requirements emerge in the following chapter as important themes in barriers to acceptance of non-executive directorships for the respondents. The lack of risk management and legal skills recruited to boards may have implications for future non-executive appointments as major changes in the sector, such as increased regulation, emerge. Further discussion of this shortfall will be reviewed in the next and final chapter.

4.7 Remuneration

Respondents also provided information on their approximate income per year from all non-executive directorships, regardless of the organisation.

Financial reward of these directors was, largely, not evident. Three quarters of the respondents received no salary for the non-profit non-executive positions that they currently held. Of those who did receive remuneration, the majority (11, 17%) of all respondents received less than $50,000 per annum overall. A small number (5-8%) of all respondents indicated that they received more than $50,000 per annum from all their directorships.

With only a small percentage of non-executive non-profit directors receiving any remuneration from any appointments, this brings into question the relative importance of this issue as a clear barrier to appointment. If the majority of the respondents are comfortable giving their time voluntarily to these boards, then remuneration may not be an issue for the sector. This of course depends on the sector’s ability to continue attracting high calibre, well-educated, non-executive directors who are prepared to undertake the role in a voluntary capacity. The next chapter explores the views of the respondents on future directions in the appointment process and includes discussion of the controversial area of director remuneration.
4.8 Summary

In summary, the profile of a non-executive director in the non-profit sector emerging from this study is somebody aged approximately 55 years of age, more likely an English-speaking Australian-born male, currently serving on two non-profit boards. The director will also have been a director on this or other boards for at least eleven years. There is also a reasonable chance that this director also serves on a board in the for-profit sector.

Their recruitment is most likely to be by word of mouth, or in other words personal recommendation. The position they occupy will have been analysed in terms of the skills, knowledge experience required by the current board. The person who contacts them first will usually be someone whom they know as a current or former colleague. Often, the first they know that they have a possible board position to consider is when the chairperson of the particular board contacts them.

Once identified, and if they are prepared to consider the position, they are unlikely to be required to undertake a rigorous selection process. They will, however, be asked to provide some basic information, usually via a curriculum vitae or resume, to the board members. They may have to provide additional referees who may, or may not, be contacted for their opinions.

Membership of social networks is, as would be expected by the nature of networks, patchy. There is a reasonable chance that they belong to the AICD, or some community based group, which may have affiliation to the non-profit directorships they hold. It is more likely that their educational background will link them to membership of some type of professional or accounting body.

Particular attributes that this group of directors were likely to share were senior executive, corporate governance and non-profit experience. Certain types of non-executive director knowledge were frequently sought in the recruitment and selection process. These were either organisation specific, non-profit sector or corporate governance knowledge. Business development, marketing, team or negotiation skills are targets for prospective non-executive directors.
The suggested enabling attributes appear to point to individuals who may be more likely to provide either overall strategic guidance to the non-profits. Attributes related to the main activities of non-profits, such as fundraising for or marketing the organisation. Lobbying activities undertaken by non-profits could also be assisted by this set of attributes.

Whilst directors generally hold two or more positions, they are also seeking and applying for additional board memberships. If more directorships are on the individual’s agenda then the individual will likely be part of a small group of active pursuers of non-executive directorships.

The majority of the respondent non-executive directors received no financial remuneration for the role that they played on boards of non-profit organisations. This is of interest given the significant levels of skills, experience, and knowledge that they brought to these roles. These well-educated professional individuals gave voluntary support to these non-profits where it would appear that financial compensation was not a factor.

As indicated earlier, the questionnaire provided the basis for the initial identification of enablers and barriers to appointment of non-executive board members in non-profits. The perceptions and experiences of the questionnaire and interview respondents that link the current practices described to views of the future of these non-executive appointments, are explored in the chapter that follows.
Chapter 5
Qualitative findings and discussion

5.1 Introduction

This chapter reports on, and analyses the board-level recruitment and selection experiences of the participants, and uses data collected through open-ended questions either on the questionnaire or in interviews. After reviewing the perceptions of the enablers and barriers presented in the previous chapter, current and future issues relating to non-executive director appointments in the non-profit sector are explored.

Enablers to appointment in terms of attributes such as generalist skills, strategic thinking and individual alignment through ‘passion’ and commitment are examined.

The networks that exist in the non-profit sector to enable appointment are also considered.

Barriers to appointment are also analysed. Emerging from the questionnaire findings, the issue of risk to person and reputation of non-executive directors in non-profits emerged as an important theme. This risk, as well as the themes of remuneration and time constraints, surfaced as important to all respondents and were identified as potential barriers for acceptance of appointment as non-executive directors.

As outlined in the introduction and the research questions, the issue of transparency in the appointment is at the core of this research. Respondent perceptions collected via interview or questionnaire are used to consider factors affecting transparency of the appointment process.

Changing pressures in the regulation of non-profits and the clear lack of training supporting this increased regulation, is predicted by respondents to impact in major ways on the sector in the future.
5.2 Appointment experiences of respondents

During the analysis that follows, the term ‘Respondent’ indicates an interview respondent. Where a particular sector is indicated, for example Health or Housing, then this comment was made on the questionnaire and the questionnaire respondent served in a non-profit board in the particular sector indicated.

Interview participants recalled their own appointment experiences to non-executive director positions in the non-profit sector. This was part of the triangulation process aimed at verifying the initial findings emerging from the questionnaire data as described in Chapter 4. Initial analysis of questionnaire data (Chapter 4), suggested that the appointment process was predominantly word-of-mouth contact followed by an informal or semi-formal recruitment and selection process.

The interviewees supported the results of the questionnaire, in that the majority of their appointments used word of mouth, at least for their first appointment. One interviewee, approached by a CEO regarding possible Board appointment, stated:

Certainly an informal process and not like a structured process (Respondent 1).

In the health sector, the process was similar. The level of informality of selection process did not appear to differ from other appointments discussed by respondents. The interviewee from the health sector stated:

...I had worked on and off (with) the CEO... so my name came up...first of all the CEO approached me for a discussion about whether I’d be interested or not, then I had lunch and interview with the then Chair of Board and two or three other members of the Board along with the CEO. And then I was invited to go onto that board, and that’s the way ... that’s been done with subsequent appointments to that board. General discussions, names come up, tentative approach, and then...two or three members of the executive would speak to the individual. (Respondent 3)
Another interviewee commenced his career as a non-executive director in the for-profit sector and described the appointment process in that sector as also being rather informal and through networks:

\[I \text{ got on to that board (commercial board) as an invitation, direct invitation through and originated by what was basically the old school tie type of things...the Chairman of the company identified I had some skills, we had a long chat one day, and introduced me to other directors. The other director, said, you should come and talk to our board. (Respondent 2)}\]

However, the same interviewee later identified that he had also placed his details on the AICD recruitment site and felt that this may also have influenced this invitation on to a for-profit board.

The appointment process combined an initial informal approach with a more formalised follow-through. The formal part of the process, which included the skill requirements of the vacant position, preceded the distribution of responsibility and accountability by the chairperson, or CEO, to other board members to recommend suitable candidates. The chairperson was then involved in the selection process. The interview findings supported the process identified in Chapter 4, where the chairperson was the dominant first contact.

There was also on each occasion a reasonable certainty that the interviewee had a current interest in considering board membership. This may mean that, for potential board members, it is important to be “out there” and make their interest in directorships known. This is an obvious, yet requisite, enabler to becoming a non-executive board member in non-profit organisations. The issue of the use of certain networks and networking to ensure consideration for appointments is explored in section 5.3.6.
In addition to both informal and semi formal processes described, one interviewee had been encouraged by colleagues to nominate through a more formal nomination process established by the constitution of the organisation. He stated:

...I initially applied to join the (non-profit) Board. And that is an interesting process of itself...this type of an organisation, which really appeared to be a democratic process... notice of annual general meeting came out and they said we are looking for committee of management or board members... I was involved in some advocacy groups. Therefore, they (my colleagues at the time) said, “B you should get on that”...so I just wrote in and put my name forward...appropriately seconded it and so on. (Respondent 4)

He subsequently went on to discuss what resulted from this application. A member of the current board contacted him and asked to reconsider his application. There was concern expressed by board members that his nomination would generate the need for a vote amongst the membership, and that the current board members may then not be re-elected. In his words:

...I got a phone call from an agitated board member... they were worried that ...there was going to be a formal election and some of the existing, long standing board members might finish up missing out and would I like to reconsider ...and they offered me an alternative, that they were forming an advisory council, which seems to be very well suited to my capability, because I’ve sent in my CV and everything else (Respondent 4)

He was offered an alternative advisory role to the board instead. Considering the implications that a political battle for board positions may have for the non-profit, he withdrew his nomination and took an advisory position. Hence, the seemingly formal appointment process of membership voting fell down by the covert informal selection process, being the status quo. In reality, another informal and politically motivated selection process was utilised. This abuse of transparency in the process generated a level of resentment in the interviewee with that organisation. He indicated this took a long time to resolve personally. He elaborated on his disenchantment with the lack of transparency of the appointment process:
...I was somewhat cheesed off I must say and I discussed it with the people that nominated me, and they said, “Ah, we are not very happy about this, but you decide what you want to do”. So I said, “Well you know not much point joining an organisation on you know with immediate dissent, so I took the advice that I’d been given by the board member and withdrew my application (Respondent 4)

He subsequently went on to become chairperson of the organisation. During his time as chairperson, he has been at considerable pains to increase the level of transparency in the appointment processes of the organisation. While realising the resentment, which his experience had created for him personally, his board now recruits from established advisory panels of volunteers formed to assist the operation of the non-profit board. Identifying non-executive directors from members of these panels, however, places yet another stage, or barrier, in the development of non-executive directors in this particular non-profit.

The earlier literature review discussed that the appointment process for a first board position is often different from subsequent board appointments (Sheridan, 2001). This difference in subsequent appointments potentially indicates the activation of a networking process when sourcing suitable candidates currently serving as non-executive directors on non-profit boards. The majority of interviewees confirmed that their subsequent appointments resulted from some kind of network activity, particularly when their reputation was more established.

In summary, the appointment experiences of the interviewees supported the appointment methods indicated in the questionnaire in Chapter 4. Although Sheridan (2001) was researching for-profit boards, these findings support that a similar appointment process to that described by Sheridan exists in the non-profit sector.

While the questionnaire respondents had indicated that they anticipated a more formal process in subsequent appointments, the interviewees confirmed a less formal process was the experience of the majority of non-executive directors in all appointments. The research questions sought to clarify this difference between the
rhetoric and reality of the appointment process. There is therefore a difference in the reported and observed appointment processes of non-executive directors in the non-profit sector.

Since the literature review identified the apparent scarcity of literature on the appointment of non-executive directors, these findings clearly support the more informal network processes identified by Sheridan (2001). In addition, the operation of networks, and potential director interlocks (Alexander, 2003) in the appointment of non-executive directors in non-profits is supported.

5.3 Enablers to non-profit appointment

The research questions driving this research related to the enablers and barriers to the appointment of non-executives in non-profits. Below are the specific attributes, which emerged as clear enablers to appointment through the questionnaire and the interviews.

5.3.1 Generalist skills

One of the main requirements of the non-executive director that emerged from the required senior executive experience is possession of generalist, rather than specialist, skills. One interviewee was very clear about the need for generalist skills:

We are not looking for more finance people, more lawyers; we are looking for people who can bring specific gifts... And those ...are then translated into governance actions (Respondent 2)

Business acumen/experience and a capacity to bring a business focus to the non-profit sector is a theme that emerged in the findings on the experience, knowledge or skills preferred of a non-executive director covered in Chapter 4. Interview respondents see this capability as particularly useful when needing to take business type decisions on a non-profit board. One interviewee from the health sector explained:
...hardnosed business school are very useful for the board...we need to 
sometimes look carefully at cost effectiveness of what we do, because sometimes 
the passion and the needs of the children get in the way of making... business 
like decisions... (Respondent 3)

Therefore, there is a preference emerging from the questionnaire and the interviews 
for appointees to be capable of applying strategic business skills to the decision 
making of these non-profit boards. The issue of decision making on boards links to 
the issue of risks identified in section 5.4.1.1. This relationship between the skills and 
risk of the non-profit director may have to do with the increasing calls for 
transparency in the sector and the tightening of regulation in the sector (Senate, 
2008). The requirement for more strategic thinking skills (Bonn, 2005) in terms of 
generalist and strategic skills is contrary to the view that non-profit boards tend 
towards a more operations perspective (Steane et al., 2001).

Further, if the requirement of senior executive experience identified in Chapter 4 
leads to more generalist skills and strategic thinking capacity, then both become 
desirable when considering non-executive director appointment. Section 5.3.2 
elaborates on this important issue in terms of the findings.

It is also important to note that this preference for generalist, strategic and senior 
management skills and experience then also acts as a barrier to appointment. Not all 
candidates, especially those providing a stakeholder role on the non-profit boards, 
would necessarily have held positions where the development of these skills, and this 
type of experience, is observable.

5.3.2 Strategic thinking capability

Linked to the generalist skills and discussions is the capacity for strategic thinking by 
individuals at the board level. Respondents indicated this is due to non-profit boards 
increasingly facing challenges at the strategic, rather than operational level. As 
indicated earlier, this preference for strategic thinking on non-profit boards that 
emerged during this research is counter to the findings suggested by Steane, (2001).
Steane indicated that there was a preference on non-profit boards to be much more hands-on and operational at the board level.

Comments made on the questionnaire and during interviews support a trend away from Steane’s (2001) view of non-profit boards engaging in operational type decisions. An interviewee suggested that this requirement to shift to an increased strategic perspective creates significant challenges for non-profit boards:

The process of the board is strategic and often – It is a hard thing to accept in a Non Profit organisation, when members are volunteering their time, they want to get interested in the activities at the day-to-day operations. So shifting that board away from that day to day operations to a strategic board looking at acquisitions to five and ten years down the track, is very difficult, because it takes a while to get an Age Care facility up and going. (Respondent 2)

Indeed much of the data emerging in this research on non-profits appears to relate to the importance of this strategic focus of non-profit boards and their directors. This indicates a potential shift in skills requirements by non-profit boards over time and is contrary to the dominant view of non-profit boards in Australia as presented by Steane (2001).

5.3.3 Specific skills

Analysis of the specific skills needed to gain access to boards via their non-executive directors appears almost redundant following support for more generalist business and strategic thinking skills.

There was significant argument against recruiting non-executive directors for the specialist skills alone. Access to non-executive director positions appear then to be restricted to those with only functional experience, such as human resource management (Coulson-Thomas, 1991). While generalist skills are more desirable overall than the specific skills of directors that they may also possess, these skills may, however, be utilised if specific expertise is required for a very particular reason. As one interview respondent explains:
If you bring a specific person to fit a specific role on the board, and they hold themselves out as having unique knowledge in that area, you are abrogating the responsibilities of the directors to actually participate... when a topic comes up that touches their area they take over...even now in legal cases you find that if a director included in a case that has specific knowledge... the courts are saying, this guy had a greater a high level of duty or responsibility in the role... (Respondent 2)

Add the requirements for strategic thinking and team building skills to the importance of non-profit and board ‘fit’, and the profile of the non-executive director evident in respondents’ minds begins to emerge. A respondent clarifies the importance of their ability to work as part of a team on the non-profit board:

Again, it’s a part of the appointment process to ensure that they are not a domineering type person in that specific area. A good professional would able to adapt quickly, and say, “Look I have got a good understanding of this area, there is a couple of issues”, whereas someone else a dominant person will come on and say, this is the way it’s got to be done… (Respondent 2)

As discussed in Chapter 4, the questionnaire indicated the lack of a requirement for risk management and legal skills in the recruitment of respondent directors. Discussion of this in the interviews checked the perceptions of respondents to this finding. In the first instance, discussions on this led to the comments that generalist rather than specialist skills were preferred. In addition, the general issue of risk management or legal skills not being sought by non-profit boards triggered many of the views put forward on the problems associated with risk on non-profit boards. These issues of risk are highlighted separately in section 5.4.1.1 on personal and reputational risk.

It would appear, however, that risk management and legal skills may be increasingly required by non-profit boards as they face increased regulation of the sector. If they are in short supply in the sector, sourcing these skills in non-profit boards may prove to be a challenge for these director networks when using mostly an informal or semi-formal process of appointment.
5.3.4 An individual’s alignment, or ‘fit’

This issue of individual alignment or ‘fit’ reflects a preference to source from the existing networks. This issue of ‘fit’ is consistent with the views held of senior management positions where a continuation of the organisational culture was seen as important (Still, 2006). To align with this concept of ‘fit’, the interviewees indicated as shown in section 5.2 a tendency to trial potential non-executive directors in a voluntary advisory capacity. One respondent also justified this trial process in terms of the lack of transparency of the appointment process:

_We have not (gone to more transparent processes) had to because we always had sort of people sitting there wanting to come on to the board, but happy to wait for a vacancy._ (Respondent 5)

These individuals identified as potential non-executive directors are initially asked to serve on board sub-committees or advisory committees. Observing potential non-executive directors provided the organisation with the opportunity to assess their suitability and ‘fit’ for a future board position. Eventually these potential director volunteers may move on to the board to fill vacancies, if seen as suitable.

Interview respondents saw this informal succession planning as important to the long-term viability of non-profits. Succession planning is used in an adjunct capacity to appointment to identify the replacement of senior executives (Patrickson et al., 2001). Interviewees explained the critical issue of board succession in non-profits:

_... the big question would be expectations of directors, joining Not for Profit boards and how long they expect to be on and off Not for Profit board...and then a lot of boards should review the succession crisis of the boards._ (Respondent 2)

_...all sort of problems with original founders and long serving directors who have agendas that affect the overall governance of the organisation._ (Respondent 6)

Interview respondents indicated that their appointments were often seen as open ended, with no clear period attached. If the tenure of directors was not clear then this
also made it difficult to refresh the board members, and the overall performance of the board, on a regular basis.

This succession planning, by clearly trialling future potential board members who align with the non-profit, is a perhaps a slightly more transparent method by which to identify non-executive directors. The issue of passion and commitment, which follows, can be tested also in the time that they are trialled in advisory positions.

5.3.5 An Individual’s passion and commitment

During the interviews, an ongoing theme based around the passion, commitment, and values appeared to be of great significance in appointment to non-profit boards. Respondents who explained this requirement clearly indicated:

...if you get a top person it is often because one of their family is affected by something- it is usually about a passion of some kind (Respondent 1)

There is the need for the directors to have a particular vision and have been involved in some way and committed to the NFP organisation (Respondent 6)

The concept of the requirement for the right ‘passions’ to be identified and aligned to the non-profit is an interesting one for possible further research into director motivations. The intersection between personal characteristics and values, combined with life experience to ignite this ‘passion’ for contribution to seemingly worthy causes, is only starting to emerge in the literature on giving and philanthropy (DOCS, 2005; Lyons et al., 2006) In the context of this research this alignment of the individual’s ‘passion’ becomes an enabler to acceptance of an appointment.

However, the requirement for a demonstrable organisational commitment may also become a barrier for those apparently without the required ‘passion’. For example, those using the non-profit sector as training for movement to the more lucrative for-profit sector may be seen as questionable in terms of their motivations. This point continues in the particular context of women’s networks discussed in section 5.3.6.2.
5.3.6 Networking

The literature review revealed that power elites tend to operate in networks (Pettigrew, 1995). However, the role that networks play in the non-profit sector in Australia is largely unknown.

The role of networks did have a clearly identified place in the questionnaire through the identification of membership of certain organisations. The results of this are summarised in section 4.5 in the previous chapter.

The non-executive directors, both in their own and subsequent involvement in the appointment of others, considered capacity for networking an essential attribute of the non-executive director in non-profits. This would indicate that director interlocks would become evident if traced in the non-profit sector in a similar fashion to what has been done in the for-profit sector (Murray, 2001).

The interviews indicated the capacity to network as a desirable attribute of non-executive directors. Respondents stated:

*We would use a network first. (Respondent 2)*

*Previous involvement as a long-term volunteer in a not-for-profit social service organization operating at a fairly senior level facilitated the development of a good network in similar organizations (Welfare)*

Accessing networks to advantage the non-profit organisation in some way is also seen as an enabler in non-profit appointment. One interview reflected on the importance of networks in the role of non-executive director in non-profits particularly:

*I think the part of it is you being expected to have networks... particularly in the not-for-profit around that whole area of fund raising...there’s a real role you need to be able to bring in some networks, so bring in some dollars, I think that*
also...if you get a wide range of people on a board, everybody’s got contacts somehow or another...bringing in some extra resources, whether it be resources in kind or whether it will be actual dollars. (Respondent 5)

Surprisingly, only one interviewee referred to the personal networks that provided an opportunity to undertake non-executive director positions:

...so we touched paths over the years through both of our individual children from time to time.... (Respondent 3)

In this cohort, family connections, children, sport club memberships etc did not feature highly when interviewees were asked about their connections in terms of networked appointments. This was a little surprising because the literature reveals that personal networks often facilitate connections to opportunity (Kilduff et al., 2007).

The final research question in this research relates to establishing the existence of director networks in non-profits. Also, in the literature review it was found that network analysts are endeavouring to look for explanations of networks that operate under either goal attainment or serendipitous principles, to find explanations in differing patterns of interactions in the networks (Kilduff et al., 2007).

From the findings, the view emerges that there are some obvious networks that operate in particular contexts in the non-executive director context. While focusing on those operating in the non-profit sector certain obvious networks emerged from both the questionnaire and the interviews. The main networks that emerged during the findings are presented below in three groups: developmental, women’s and government networks.
5.3.6.1 Developmental networks

There are opportunities provided for director training in the non-profit sector such as director training provided by the Victorian government. Some of these development opportunities provide the chance to extend the networks and the potential pool of directors. One interviewee stated:

*It is about who is known, who is passionate and often times attending the same seminars and through a process of careful observation (Respondent 6)*

The state of Victoria has an established group specifically focused on providing well-trained non-executive directors to the non-profit sector. As one respondent explained:

*Leadership Victoria ... they also (have a) very, very good seminar on not-for-profit boards for people who want to go into boards, and so the expectation is when these people become what’s called a ‘Williams fellow’ that they then go and be on a not-for-profit board...go to what’s called the ‘Skills bank registrar’(register?) ... (Respondent 5)*

Thus, it seems there is a concerted effort by the Victorian government to provide potential board members with the requisite director training. This same group provides an integrating role for the appointment of potential directors to non-profits in Victoria. Undertaking the director training with Leadership Victoria, at no expense to the individual director, requires the non-executive director to commit to service to the non-profit sector.

Another developmental opportunity relates to the Australian Institute for Company Directors (AICD). Only fourteen percent of the questionnaire respondents indicated membership of the AICD as shown in Section 4.5. The AICD does provide development training for the internationally recognised director accreditation in Australia. The AICD would therefore be an obvious source of networking in terms of director appointment. The AICD also has a recruitment register for those interested in appointment.
Several interviewees commented on their experience belonging to the AICD:

...so I got on that board as a direct enquiry through our AICD, the chairman at the time did an enquiry through AICD...and my name and another name came up and we met with them the same day, they were looking for two directors, and both of whom joined that board. (Respondent 2)

...the director’s trainings for the AICD... were extraordinary helpful to me…
(Respondent 3)

In summary, networks are directed at forming focused opportunities for those who wish to join a network to assist their appointment as a non-executive director. There would seem to be few barriers to joining any of these networks; however, gender based networks by their nature exclude males. In addition, membership of the AICD is restricted to those in existing director positions, or those who have completed the accreditation through the AICD.

Director training and education appear to be another significant enabler of non-executive director appointment in the non-profit sector.

5.3.6.2 Women’s networks

The establishment of gender-based networks is an active attempt to copy opportunities from a more established, predominantly male, network (Burgess et al., 2002; Corsun et al., 2001; Paul, 1985). As one male interviewee stated:

...that’s one of the really interesting things about women’s issues isn’t it, what sort of networks do have women have to compare to the very powerful networks that the men have had over so many years? (Respondent 3)

One of the reasons for the development of such networks is to encourage women to apply for director positions (Adams et al., 2005). On for-profit boards, the percentage of women represented in the director ranks fluctuates around 8 percent (EOWA, 2008). Certainly there is support for the experience that female non-profit non-executive director are able to bring to boards.
Boards need to reach out to a wider range of potential directors. Women who are highly experienced in community agencies in particular should be sought out for their skills and experience. (Health and Housing)

In the non-profit sector, the rate of female directors accounts for around forty percent of all directors (Steane, 2003). While some may argue that this is due to the voluntary unpaid nature of non-profit appointments, the experience and access to networks in the corporate sector would make this non-profit position an ideal training experience. Additionally, in sectors such as aged care where the service is provided to a greater female population of stakeholders, then gender representation on the board may become an even more important issue.

The interviews revealed somewhat of a contradiction regarding networks that are established to assist with women obtaining non-executive director positions, such as the ‘Women on Boards’ network. The key motivation of eventually obtaining the more lucrative non-executive director positions may not suit the rationale regarding non-profit directorships. One female interviewee commented on the women's based Victorian AICD activities as follows:

...it’s very much ... ‘let’s get what we can out of it’, type of attitude in the couple that I’ve been to... It just too much personal promotion.... (Respondent 3)

Another female interviewee expressed concern about the probable alternative motivations of belonging to women’s networks:

when I’ve been to the event, obviously there’s a mix [of] people that are doing [development] for career reasons and others that aren’t, so I suppose it’s increasing the risk of getting people doing this role possibly not for the right reason. (Respondent 2)

In the opinion of this interview with one female respondent, some women are members of these networks for furthering their own careers. In the non-profit sector, it seems that there is some suspicion by current directors regarding the prime motivation of joining non-profit boards as a career option.
Interviewees were asked about their opinion of the current trend of specific networks, such as gender-based networks, to utilise non-profits as a training ground for the eventual move onto for-profit boards.

The main requirement of ‘fit’ with the non-profit, and commitment to what the organisation was trying to achieve, was still evident. The interviewees were at pains to explain that appointment was mainly about ‘fit’ and ‘passion’:

*There would be the need for an insightful interview that was based on establishing whether there was a true interest in the organisation.*

*(Respondent 6)*

The advantages gained from experience of non-profit organisations by such career-motivated individual remains debatable. One argument is that the potential change in the individual attitudes to non-profit goals and social issues in general, was one possible advantage. Undertaking this voluntary activity, mainly in an effort to advance their career, may however achieve little in altering an individual’s attitudes to social issues. What is certain is that their motivations for undertaking these roles, without the requisite passion for the non-profit, may lead to suspicion of them as a non-executive director on non-profit boards.

Another view was that this practice had possibly been evident for many years anyway and so this was nothing new, and that this is a complex issue on which sound conclusions are not possible. One interviewee indicated a possibly irrelevancy that the issue does not affect the successful functioning of the non-profit board anyway:

*They are ‘blow-ins’ but in all of that it may help change their attitudes- there might be 2-3 that it broadens their horizons and they end up staying there- others probably have it on their CV so have used it in one way or another for their job/ career also…* *(Respondent 1)*

Also, the motivation to undertake non-profit non-executive roles for social status is seen as not in the best interests of the non-profit board. One questionnaire respondent stated:
Another issue that irks me is the social status seeker that seem to be attracted to high profile community NFPs and in smaller communities is sometimes devalues the work of the board in general.’ (Disabled Employment and Training Services)

The prime agenda of women’s networks is pursuing the placement of more women on to boards (Arfken et al., 2004). Organisations, such as ‘Women on Boards’ take opportunities to draw attention generally to the lack of female directors in Australia. As the findings in this research indicate, the passion and commitment of the individual to the particular goals of the non-profit are crucial. Other members of non-profit boards may therefore view individuals undertaking these roles for career reasons with scepticism. An interesting area for potential further research is the value and effectiveness of utilising the non-profit sector as a potential training ground to gain the experience to launch into the more lucrative remunerated positions.

5.3.6.3 Government registers

The next network to provide enabling opportunities for aspiring non-executive directors is governmental registers. Responses in the questionnaire and the interviews highlighted that an enabler to non-government (NGO) board appointments is by registration of interest on government-based websites. A female interviewee explained:

...I am on the women’s register and I am always ...getting about three things [job vacancies for females on boards]... a week (Respondent 3).

In addition, belonging to government committees is an enabler for appointment to non-executive board membership. One questionnaire respondent, who was keen for the government appointment issue to be included in further research in the area of appointment transparency stated:

I sit on/am member of four other committees, two of which are National Advisory and two of which are government task forces. The connections and relationships that people have improve their ability to be effective on NFPs. (Indigenous development, Education/Environmental Conservation/ University Ethics Committee)
What is not clearly understood is that the selection process for these non-executive directors from government appointments to non-government organisations (NGOs) may also be predominantly informal and lacking transparency. Such quasi-governmental appointees have significant access to policy decision making in terms of direct recommendations provided to government (Moore et al., 2002; Zajac et al., 1996). Respondent examples of appointment to NGO boards were illuminating in terms of both transparency and process, as one NGO board member stated:

.. in the end, I think it’s probably the chair of the board getting in to see the Ministers to say, “Look I want her” …I think the interview should explore your capacities as a contributor and they just take my CV and thought, ‘ah, you must be ok’. (Respondent 3)

It would appear that decisions based on some form of merit criteria might also be lost in the heady political world of government. It is important to remember that the non-profit sector includes non-government organisations (referred to as NGOs) and that the drives for increased transparency in the sector will impact equally on these types of organisations.

In summary, there are significant contradictions in terms of understanding the network barriers that exist in the appointment of non-executive directors in non-profits. While it is apparent that networks operate in the non-profit sector, which networking is the most successful in terms of the level of success in gaining appointments remains unclear.

The final research question asks about the identification of networks in the non-profit sector. Networks clearly exist in the non-profit sector and assist non-executive directors to fulfil their role. The operation of these networks is complex and continues to remain unclear. The operation of networks in the non-profit sector is a potentially fruitful area for future research.
5.4 Barriers to non-profit appointment

The research questions driving this research related to the barriers to the appointment of non-executives in non-profits. During the research, it became clear that barriers took two distinct forms. The first were barriers to the appointment process. These mainly related to the lack of specific attributes for the individual director aspirant. The second type of barriers was constraints on acceptance of positions as non-executive director. Such constraints were the personal and reputation risk involved with certain boards, the lack of remuneration and the time constraints of volunteering for these types of positions.

The enablers to appointments covered in section 5.3.6 are discussed in terms of the networking that is available to, or may be undertaken by, individual non-executive directors. In some instances, there are barriers in place to restrict access to these networks. For example, membership of the AICD is not open to anyone wishing to join. Members need to be directors of a company already or have undertaken AICD training. Therefore, while the network enablers in this case to AICD membership are apparent, access to the network is restricted by certain criteria that may not be met by the individual.

The picture of the non-profit non-executive director that begins to emerge is of a highly skilled individual, with significant business ability and experience. Such experience and skill starts to filter out those who may be considered unsuitable, at least by the networks and current incumbents, for this type of position. Those not meeting the experience and skill profile face a barrier, which is neither made explicit nor is transparent.

In addition, respondents indicated that perceptions of the types of skills required of a director might lead to a lack of confidence and misunderstanding of the role of the board of directors by stakeholders. Contributions that individuals have to make to these bodies, due to a perceived lack of skills, may be lost. As the respondent explained:
...they have a set of volunteers too, a member set of volunteers..., and maybe some of those volunteers could be quite good on the board. However, I think many people in the NP sector, are very timid about the role of the board....
(Respondent 1)

Much of the emphasis emerging in the non-profits above appears to relate to the importance of the strategic focus of non-profit boards and their directors. This then leads to a preferred set of attributes, which remain elusive for many of the stakeholders of the non-profit organisations who wish to have input into board decisions.

Interviewees provided their opinion on the personal barriers to undertaking the role of non-executive director. The risks involved in being a non-executive director, both to their person and reputation was a major consideration of respondents in the decision to accept and/or continue in the role.

While the barriers to appointment are therefore apparent when considering the high-level skills that are increasingly being demanded by the sector, additional barriers, in terms of risk, the lack of remuneration and the time required for the position, emerged during the research. These additional barriers identified by the interview respondents are examined in more detail in the following sections.

5.4.1. Barrier to acceptance: Personal risk

Increasingly, non-profit boards and their non-executive directors are becoming more aware of the personal risk that is attached to being a non-executive director on a non-profit board:

Lots of directors believe that they are just covered by insurance under director’s policies...you can have directors [being] individually sued for activities on boards–(Respondent 2)

One of the interviewees was invited on to a board primarily due to his reputation in the area of legal board compliance:
Until I explained to each of them as directors under the corporation act, and that board went from 13 to 6 in three months, (Respondent 2)

The recognition of personal risk from non-profit board appointment emerged from both the questionnaire and the interviews as an area of concern since this has not received much attention by boards in the sector.

Reputation risk for this group of directors is seen as significant in the way their role is carried out in non-profit organisations (Frances, 2008). Personal risk, such as reputation, is seen as more important than the risk of financial penalty. Perhaps since the non-profit sector lacks clear regulation then the financial risk is perceived as less relevant than other types of risk.

...directors are saying, ‘I don’t want to be involved with a company where there’s risks, that it may affect me personally, either by reputation which I think would be a fair amount of percentage of that risk or by financial risk for themselves personally...I think the majority of directors would say that their risks are more personal, reputational than financial...I think there is an underlying personal reputation type risk then there is secondary to that is probably that financial risk. (Respondent 2)

The decisions made as a board member can have implications for the director in terms of potential personal or reputation level of risk (AICD, 2009) These risks then become a personal barrier to considering and continuing in the role of non-executive director in non-profits. Company directors are liable for the sound corporate governance of organisations and are constantly required to assess levels of risk, not only for the organisation but also for the individual director (Bosch, 1995).

5.4.2 Barrier to acceptance: Remuneration

A core issue for non-executive directors volunteering in non-profits is the understanding that these positions generally do not receive any remuneration. Lack of remuneration thus becomes a further barrier to entry, which assists the more elite in society to be in a position to consider these types of non-executive director appointments.
Interestingly the views expressed in the interviews on this issue were complex. Generally, the view regarding remuneration for non-executives in non-profits was that this was contextual. The size of the organisation, and the financial income, would tend to dictate whether remuneration is appropriate for these positions.

A reason given for remuneration to be relevant was the value that this could bring to the organisation in terms of scarce skills. Some skills, such as those of an accredited company secretary, may be sufficiently scarce to consider remuneration almost essential in non-profit organisations. Respondents indicated that remuneration becomes more important when positions, such as treasurer, are hard to fill.

In addition, once an organisation is involved in multi-million dollar operations, the time required for the non-executive director to fulfil the duties of the role, may mean remuneration is required.

Not for profit Boards of organisations that provide significant community services e.g. turnover greater than $2 million or number. of employees, greater than 5(?) should be provided with some remuneration. (Twice Mental Health, Health, Welfare, Professional accounting organization).

One non-executive director with legal qualifications agreed that there was a point at which it could be appropriate for remuneration to be considered in the non-profits, especially when operating in a more regulated and risky context.

However with the Age Care one...professional people sitting around that board table and they are giving up of their professional time... you have to compensate them in some way shape or form. (Respondent 2)

Others clearly believed that participation, as a director in the non-profit sector was primarily a voluntary activity. As such, the position came with a form of social obligation:

I mean people are putting back into their community via that [role on non-profit Boards]. (Respondent 5)
Remuneration is not generally discussed at the recruitment stage, as it is largely a volunteer activity… in the longer term it is about the question of sourcing skilled directors when the issue of possible remuneration becomes the issue (Respondent 6)

Remuneration of non-executive directors in non-profits is a critical issue in terms transparency. The Australian Senate report on governance regulation in non-profits (2008) considered disclosure regimes as essential to maintaining the reputation of non-profits. Any payments made to non-executive directors in non-profits are directly reducing the funds available to the organisation through contributions made by individuals, businesses and government. The effect of remuneration of non-profit directors and disclosure of these payments made to potential donors is again another are for future fertile research.

5.4.3 Barrier to acceptance: Time constraints

A recurring theme in terms of barriers for questionnaire and interview respondents was the issue of ‘time’ in various forms. The level of time commitment to boards was considerable. For example, board papers and financial analysis is a time-consuming board activity.

*It is often difficult to find people willing to give up their free time to become board members, so the idea of people applying under a weight of interview systems is quite novel. (Education)*

*...to be able to do the appropriate work that needs to be done and reading and then to be kept on top of things – that for me one board was enough. I think time is a concern... (Respondent 5)*

One interviewee, who currently held the position of chairperson on a non-profit board, was at pains to indicate that this senior board role on non-profits held significant time related issues.
I spend more time with that board than the others do, mainly because I am the chairman…it is a lot more activity. Constant contact with the CEO, CEO does need someone to sound off with (Respondent 2)

With the proposed increase in regulation of the sector, time constraints may be an increasingly important concern for the continuation of non-executive director positions by individuals. Time constraints emerged as a considerable personal barrier when considering appointment to non-profit boards.

5.5 Increased transparency of the appointment process

The debates and controversies on transparency of the process of appointing non-executive directors to boards obviously did not escape the notice of members of this group. The lack of transparency of the process was of considerable concern due to the apparent lack of any transparent ‘democratic’ process in virtually any director appointment context.

...I never really thought too much, about how board members were appointed, and then I went to some annual general meetings of some companies ...Commonwealth Bank and first tranche of Telstra...I realised that the way it was normally done is, you had to be in the network and the board itself, renominated itself...occasionally people would stand from the floor and they would invariably get shot in the knees and vanish from the scene, and didn’t matter what organisation you looked at, they all seem to work the same way...So board members are not really elected in a democratic fashion regardless of what they say.(Respondent 4)

Most respondents stated that they were expecting a more formal approach in the non-profit board appointment process in the future. Increasing pressure for transparency of the process was due to either increased regulatory intervention or other reputational issues for the organisation. Several respondents identified changes occurring in the sector, for example:
The selection process I underwent (or didn’t) has since become systematic, targeted and rigorous (Health).

One interviewee also highlighted some difficulties associated with voting processes:

You get people who are quite black and white and you know should be transparent, and I agree, it should be transparent, but I think that also if you get to a vote, you can have all sorts of different reasons why people are voting for somebody and not somebody else (Respondent 5)

There is also an apparent recognition, not only of the increasing difficulty of attracting suitable directors, but also in ensuring the sustainability of the sector in general. Concern for non-profit sustainability was evident:

... but I do have a strong interest in the appropriate people being recruited to join boards of NFPs for the ongoing professional development of these organizations' (Welfare, education, Scouts)

The desire to find a candidate that fits both the board requirements and board culture and aligns with the overall goals of the non-profit organisation also means that a more conservative approach to appointment continues to be taken.

Unless there is urgency... you probably tend to seek and source and get someone that can work with the board, understand ... what the board does doing...you tend to wait to find someone who suits. (Respondent 2)

The reasons given by respondents to continue to use relevant networks to identify potential directors have been presented. Additional difficulties in changing the current semi or non-transparent processes relate to the time taken to appoint through advertising and the threat to the reputation of the non-profit by publicly releasing the fact that the organisation is having difficulty in attracting directors.

The extensive time and effort required to search for suitable directors is a disincentive, even when established means are in place to do this. One interviewee explained the problems incurred:
...we went through AICD, it took us 12 months to do that exercise, and yet we were looking every couple of months putting enquiry in and getting five or six responses to it. However, it takes up time. All you are doing is getting from that enquiry, you’re just getting what they’ve sent, that’s all you get. (Respondent 2)

Reputation of the non-profit organisation within the sector was also a consideration for deciding whether to advertise a non-executive director position.

Advertising for directors in an open arena may also have something to say about organisation’s reputation which in the NFP is important to be maintained at a high level. (Respondent 6)

While this research has found that the respondents support transparency in the appointment process, there appear to be very few incentives for non-profit boards to change current recruitment practices. Such incentives may become evident when regulation of the sector increases (Senate, 2008). The current changes in the governance of non-profits are highlighted in the section that follows. The ability of non-profits to continue to appoint by informal word of mouth and network process in the future is not clear. Sustainability of organisations through the adoption of transparent processes that encourage confidence in their corporate governance could mean that this needs to be reviewed in the longer term.

5.5.1 Changing non-profit governance requirements

As outlined in the literature review, non-profit organisations are exempt from many of the constraints of corporation law. In the for-profit sector, and certainly for public companies, organisations are encouraged to identify the qualifications, experience, and other details of each company directorship in their annual reporting process (Collett and Hrasky, 2005). Regulatory recommendations for increased transparency in the non-profit sector released recently (Senate, 2008) are projected to align with international initiatives in the governance of non-profits (Steane, 2001).

During interviews, increasing pressure for non-profit organisations to align with the governance requirements being placed on for-profit organisations was evident (Anderson, 2006; Ferguson, 2005; Lyons et al., 2006). One interviewee explained:
Some organisations in the non-profit sector follow the guidelines applied to for-profit organisations (ASX, 2009). However, this is not always the situation. One respondent highlighted the differences in the practices adopted between the non-profit and for-profit sectors:

*Most of the processes to board appointment are non-professional for not for profit boards, whereas listed company boards go to extraordinary processes and background checks for appointment (Community and twice Health).*

As discussed in the literature review, increased governance requirements in the sector means increased transparency in non-profit organisational processes are no longer optional (Senate, 2008).

Currently proposed regulation of the sector (Senate, 2008) means that improved governance requirements are now firmly on the agenda of non-profit organisations.

### 5.6 Summary

Networks are the main enabler to appointment for non-executive directors on non-profit boards. There are various forms of networks that operate in the non-profit sector. The data emerging from the questionnaire and the interviews indicate that these networks include non-executive directors in for-profit organisations as well as non-profit organisations.

Specific skills that enable non-executive director appointments are less clear. Specific skills may be required from time to time by the board, which could be perceived as an enabler. The more generalist type skills obtained from senior
executive experience act as a clear barrier to being considered suitable for appointment.

Being male or female does not appear to be a significant barrier to attaining the role of non-executive director in the non-profit sector, compared with the for-profit levels of representation. This view emerged in the findings of the questionnaire in Chapter 4, where thirty nine percent of the respondents were female, and is supported by the literature (Steane et al., 2001). Networks based on gender seek to increase the overall rates of female non-executive directors in any sector. Their level of success in utilising non-profit boards as training is yet to be determined.

One of the clearest enablers to emerge from these findings is individual interest as some type of stakeholder or volunteer of the non-profit organisations. The interests of the individual becomes critical in terms of a match, or ‘fit’, between the board and the motivations, termed ‘passions’, of this individual. ‘Fit’ with the non-profit organisation and the need to be able to bring a level of ‘passion’ to the position is therefore a significant criterion in the choice of non-executive directors.

There are various types of barriers to accepting the role of non-executive director in non-profits. The most significant concern is for the individual’s personal risk in terms of reputation. This is particularly the case when they have a well-established status as a director.

Remuneration of non-executive directors in non-profits emerged as a major controversy and barrier to acceptance in the sector. The view regarding remuneration was that this was contextual. The general view, however, was that the size and income of the organisation would tend to dictate whether it was appropriate that these positions were remunerated in some way.

Another major issue, linked to that of the lack of remuneration above, relates to the amount of time taken to fulfil the voluntary role of non-profit non-executive director. Individual constraints regarding the amount of time spent in these directorships formed a major barrier to acceptance when considering more appointments.
Despite pressure to do otherwise in terms of transparency of the sector, many of the non-profit boards continue to recruit by word of mouth through networks. The most significant rationale for this is the strong desire for an alignment between the goals of the non-profit organisation and the values (or passions) of the individuals on the boards.

The implications of these findings are covered in the final chapter where the research questions are answered and opportunities are examined for further research.
Chapter 6
Conclusions

6.1 Introduction

This research has clarified the processes used when appointing non-executive directors on to non-profit boards in Australia and has identified enablers and barriers to such appointments as revealed by non-executive directors serving on non-profit boards.

The research adopted an interpretivist approach and used qualitative procedures to gather and interpret the data in order to answer to the research questions listed in Chapter 1 and below.

The overarching research problem ‘How are non-executive board members appointed to non-for profit organisations?’ generated the following sub questions:

- What are the perceived enablers to appointing non-executive members to boards?
- What are the perceived barriers to appointing, and accepting appointment to, non-executive positions on non-profit boards?
- What are the differences between reported and observed barriers and enablers?
- How do the perceived barriers and enablers affect the respondents’ perceptions of the overall recruitment process to a board of non-profit organisations?
- How do the barriers and enablers affect the respondents’ perceptions about future membership opportunities on any board?
- Can social networks related to the non-profit sector be identified and if so, how do these networks facilitate the recruitment of directors?

According to the data collected, appointments to non-executive positions in non-profits are mostly a result of personal word of mouth recommendations based on individual social networks. A widespread use of an informal network appointment process was surprising, given the increased pressure on the sector to conform to
sound governance (Senate, 2008). The lack of transparency in the appointment processes therefore points to weaknesses in the corporate governance of non-profits.

6.2 Conclusions to each research question

This research investigated enablers and barriers to board appointments. There are certain clear enablers for non-profit non-executive director appointment. However, barriers to such appointments were manifested in two distinct forms. The first was the barriers based around the absence of certain attributes for the individual. The second related to barriers to accepting non-executive director positions, which operated in terms of individual constraints. There are also differences between what is espoused as the appointment process, and what respondents observe. Networks have also been clearly identified as enablers of non-executive board appointment.

6.2.1 Perceived enablers to appointment of non-executive members to boards

Enablers to board appointment are those personal attributes, which lead to a greater probability of appointment to a non-executive position. To be considered for appointment as a non-executive director to a non-profit board, the boards were looking for several desirable characteristics. For example, this research found that senior executive experiences, combined with a great deal of corporate governance knowledge, are significant enablers for appointment. Specifically, according to the non-executive directors interviewed, one essential criterion is the possession of generalist, rather than specialist skills. This is mainly because appointees with generalist management skills displayed a developed level of strategic thinking (Bonn, 2005). The view was that while this is required at senior levels of all organisations, non-profit boards also need a strategic, rather than operational, perspective.

Therefore, specialist skills alone do not enable the individual’s appointment as a non-executive director. Where skills are in short supply, for example accounting or company secretary skills, organisations may seek individuals with these specific skills. In addition, specific skills can be utilised if required for advice and guidance.
on identifiably functional issues, such as marketing or human resource problems, confronted by the board. However, according to the respondents to this research, the contribution of specialist skills to a board is less useful than a level of strategic competence.

In addition to generalist skills and strategic thinking, respondents indicated that experience in the non-profit sector, as some form of stakeholder was also a desirable attribute. This stakeholder experience therefore emerged as an enabler to appointment. It became apparent during the research that a non-profit board is the place where personal interests, and the desire to serve as a non-executive director, intersect. The non-executive appointment then leads to the support of existing individual passions while providing service to a board in an area of interest.

Additional to strategic skills and experience as a stakeholder, business acumen/experience and a capacity to bring a business focus to the non-profit sector are enablers to appointment. Non-profit organisations do not operate in the same way as profit oriented enterprises. While this view is slowly changing (Frances, 2008), the concept of non-profit boards making mainly profit based decisions is increasingly credible. Whilst the main outcomes of non-profits are considered ‘social’ rather than ‘profit’ oriented, outcomes are vulnerable if not managed with corporate and financial skill.

The capacity of individuals to distinguish between the very different social outcomes and context of non-profits from those in the for-profit sector remains the challenge for the non-profit boards and the individuals who serve on them. In addition, the challenge is to shift seamlessly from one context to another, when individuals serve on for-profit boards at the same time as being a non-profit director.

Further to the strategic skills identified above, business development, marketing, team and negotiation skills appear for these non-executive directors to be enablers that are somewhat more significant. Business development relates to the business acumen indicated above as preferred experience for directorship. There is little point in having business insight if this does not lead to a capacity for business development. There is a link between these two in terms of enablers of directorship.
The desire to recruit board members with other specialist skills, such as marketing, may relate to the core requirement of non-profits to survive mostly through fundraising efforts and donations. The relative importance of this skill for the board, and whether marketing skills are considered important enough to recruit for this specialist skill, will depend on the non-profit’s reliance on fundraising.

Potential board members also possess a certain level of educational qualifications and are linked with professional networks, for example, accounting professional bodies identified in Section 4.5. Well-educated individuals appear more likely to be appointed to non-executive director positions on these non-profit boards than those who do not have such demonstrable attributes. Despite the evidence of well educated directors, the link between education and directorship, as it relates to specific competencies required for these types of positions, has received limited attention in the academic literature (Sheridan, 2001). The high percentage of well-educated non-executive directors identified in this research supports the view that educational standards are an enabler to non-executive appointment.

The link between this educational attainment and social networks is therefore a possible area of further research in the area of social networks and director interlocks and is discussed in Section 6.5.

The most significant attribute of a non-executive director is their networking capacity. Membership of networks, either to gain directorship or to continue to develop a career as a director, requires networking skills and capabilities. The ability to display networking skills both before and after obtaining a position as a non-executive director is an essential enabler to appointment. Networking skills also link with the identification of social networks that operate around non-executive directors and are the subject of the final research question discussed in section 6.2.7.

In summary, the enablers to the appointment of non-executive directors in non-profits are strategic thinking capacities, which are often reflected in senior executive experience, generalist skills and business acumen. Knowledge of corporate governance is also desirable. Experience and individual commitment as a stakeholder of the non-profit is an essential enabler to appointment. The chances of gaining a
non-executive appointment are far greater with tertiary educational qualifications. Aspiring non-executive directors must also have excellent networking skills, not only to support the goals of the non-profit organisation but also to effectively perform in the role.

6.2.2  *Perceived barriers to appointing, and accepting, non-executive director positions*

Barriers represent themselves as obstacles that lead to a lower probability of appointment to a non-executive position. The barriers are those conditions or attributes perceived by an individual as making it difficult to be successful in seeking the role of non-executive director, and are often less visible, or covert.

In discussing barriers, it should first be recognised that the lack of a specific enabler normally creates a barrier to appointment. For example, strategic thinking emerges from the opportunity to think broadly within an organisational or industry context (Bonn, 2005) and therefore not all aspiring directors may have had the opportunity to develop such capacity. Arguably, only those with senior executive experience have the opportunity to develop and enhance these types of skills sets.

Therefore, skills developed by potential directors at the specialist level, regardless of how well developed these skills may be, are a barrier to appointment if such skills cannot be transposed into a broader strategic context.

It is relevant also to note that the barriers to appointment of women to boards in the for-profit sector (Arfken et al., 2004; Burgess et al., 2002) appear less significant in the non-profit sector. This is supported in section 4.2 by the membership of approximately forty percent of women holding directorships on non-profit boards surveyed. While not classified here as an enabler to appointment, this percentage of female directors is statistically very different from the experience of female directors in the for-profit sector (EOWA, 2008).

One barrier to appointment to emerge during this research relates to the link between the passion and individual interests of a potential non-executive director and their
perceived ‘fit’ with the current board. This barrier is less tangible than other barriers, which are based on certain attributes that a director holds. Nonetheless, this ‘passion’, or lack thereof, for the organisational goals is a potential barrier to appointment.

Barriers to appointment in this research emerged not only in terms of individual attributes, but also in the context of barriers to accepting non-executive director positions. These barriers to acceptance relate to lack of remuneration for non-executive directors in non-profits when considerable time is needed to be devoted to the role. The concerns regarding remuneration and time required of the role became heightened when the personal and reputational risks involved in the directorship role were considered.

As revealed in Chapters 4 and 5, remuneration of non-executive directors is becoming a controversial area in the non-profit sector. There are arguments for remuneration when serving on boards of multimillion dollar non-profits (Frances, 2008). However, paying directors from donations by individuals, businesses or government funds is likely to increase the scepticism of the community and the reputation of the non-profit. The motivation to provide significant personal time to non-remunerated positions in the non-profit sector is likely to be an ongoing debate in the sector in the future and may be a fruitful area for future research.

All respondents indicated that the time required to fulfil the role of a non-executive director was the main barrier to considering more appointments additional to those they currently held. These same interview respondents also indicated that if there was no salary attached, then the rationale of time constraints was a well-understood factor in declining additional non-executive director roles.

Time taken in the role of director emerged as a major barrier during the analysis of the data for the findings in the previous chapter, then this becomes a significant barrier both at the individual level and for the non-profits. At the same time, this barrier of time constraints on existing non-executive directors opens opportunities for the consideration of others by the board, perhaps in the broader pool of potential
directors. This may mean that the non-profit may then seek to expand the pool of possible candidates and may look at alternative sources of directors.

Risks, both personal and reputational, are one of the more significant barriers in the decisions of individuals in non-profit director appointment. From the findings presented in the previous chapter, both personal and reputational risks are seen as more important than personal financial risk. Such risks include breaches of statute law or personal liability for legal remedies such as fines and imprisonment (AICD, 2009; Bosch, 1995). Since the level of risk is likely to increase over time with increased regulatory interventions (Senate, 2008), then personal risks of non-executive directors in non-profits are also likely to increase over time.

Those individuals who are ‘investing’ their time in non-profit sector to gain a better-paid for-profit board position in the longer term further complicate understanding of non-executive director motivation in accepting a position. Motivation in these instances was frequently perceived by respondents as not linking directly with a passion and individual commitment to the non-profit. Respondents displayed a level of suspicion of such individuals as not having the levels of altruism necessary for the sector. This, of course, is debatable, as motivation is unlikely to receive extensive consideration by the board for an unpaid position.

In summary, the barriers to appointment relate to particular attributes that the individual does not possess and that therefore become a barrier to appointment for example, the lack of senior management experience with the related skills developed in strategic thinking capacity. Another set of barriers emerge in terms of accepting the role of non-executive director on non-profit boards. Barriers such as a lack of remuneration, the amount of time needed to fulfil the role, and its accompanying responsibilities create a requirement for individuals to think about the significant impact of accepting the offer of appointment. Finally, the potential risks to person and reputation relating to regulatory requirements for sound corporate governance and legal obligations create significant concerns when accepting these roles.
6.2.3 Differences between reported and observed enablers and barriers?

There were no significant differences between the reported and observed enablers and barriers of non-executive directors on non-profit boards. Word of mouth process and personal recommendation used social networks to appoint non-executive directors in the non-profit sector.

However, it became evident that the use of *ad hoc* practices created a potential dilemma for non-profit individuals and boards of directors. The dilemma emerges when these boards and individuals clearly do not act in the way they preach to those they govern. Directors charged with governance of organisations seek reasons for not applying the same appointment processes and practices to their own appointments as apply in other parts of the organisation.

Therefore when directors are engaged in practices which create a disjuncture between what they are comfortable reporting and what they observe happening in their own non-profits, a dilemma emerges for both the individual and the organisation.

In the context of this current research, it means that there was little difference between what are reported as enablers and barriers and what is observed as occurring by the same directors. The difficulty emerges when the concept of transparency emerges because of the perception of future needs in the sector discussed in sections 6.2.5 and 6.2.6.

6.2.5 The effect of perceived barriers and enablers on the overall recruitment process

This question sought the rationale of the difference between what directors thought should happen in appointment, and what happens in reality. The perceptions were that the networks and word of mouth process could generally deliver an adequate pool of non-executive directors.
As indicated in section 6.2.3, there was a strong sense of internal conflict with the interviewees that there was a difference between what ‘should’ happen, and what actually happens. Interviewee respondents indicated knowledge regarding the more rational view if appointment is seen as based on merit in a transparent fashion. The majority of interviewees indicated sound reasons for actually doing otherwise, hence the conflict of rhetoric versus the reality in the appointment of non-executive directors in non-profits.

The findings presented in Chapters 4 and 5 suggested several reasons for recruitment processes not being completely transparent. The concept of putting potential non-executives through a rigorous recruitment process was seen as novel since their position was unpaid. The amount of time taken to undertake an extensive process was another reason to support the current system of networked appointment. The trialling of potential non-executive directors in advisory capacities to the board seemed to be supported as a more reliable predictor of performance, ‘fit’ with the board, and a display of a sufficient level of passion for the particular cause.

There was some difficulty, even discomfort, indicated in the findings with those who utilise these directorships for governance experience and career advancement. Utilising experience and networks gained in the non-profit sector to move to the more lucrative boards in the corporate sector is a complex, yet interesting dilemma. This is an important issue for those network groups, such as ‘Women on Boards’, using this as a career development strategy.

There is also a level of risk for all those involved in the recommendation for a board position. Taking the next step and advertising these non-executive directorships in addition to personal recommendations by incumbent directors, does have the potential to produce levels of dissatisfaction in candidates. As discussed in section 5.2, advertising broadly puts at risk personal networks that can be affected when the nominee is unsuccessful, that is ‘voted off’.

The overall perception of the appointment process was that the existing networked process achieved what the organisations needed, within the constraints of not being in a position to remunerate the directors involved. This lack of remuneration required a
`trade-off’ between transparency and organisational constraints. This trade-off operated through the network processes that supported the linking of motivated and interested individuals with an organisation that supported these individual interests and motivations.

In summary, it would appear that the perception was that currently the sector is able to attract suitable directors within the environmental constraints that the organisations operated. The sector is also in an interesting situation with increased demands for transparency of governance processes. Such demands potentially threaten the sustainability of the current recruitment processes used in the sector.

6.2.6 The effect of barriers and enablers on perceptions about future membership opportunities on any board

The perceptions of the non-executive directors were an important factor in signalling and changes or trends occurring in non-profit appointment. The views from both questionnaire and interview respondents on the future of non-executive recruitment in non-profits are presented in Chapters 4 and 5. The perceptions were that at this point in time the networks and word of mouth process could generally deliver a sufficiently large enough pool of non-executive directors.

Steane comments on the fact that non-profit boards tend to have a more operational focus than other boards (Steane, 2001). The reasons to become more strategically focused at the board level, rather than operational, may drive the increased need for non-executive directors with strategic skills and experience, particularly as an organisation increases in size and regulation increases. The findings discussed in the previous chapter indicate that increased levels of regulation could mean that the skills required on the boards relate increasingly to strategic thinking capacity. This then potentially makes it more challenging to locate non-executive directors with this skill set for non-profit organisations.

With approximately forty percent of women holding non-executive positions in non-profits (Steane et al., 2001), the number of women appointed to these boards could reduce as there were concerns expressed during the research that women not
experienced in business might feel they lack the skills and knowledge for more strategic roles, non-executive director positions.

Regulatory pressures in the area of compliance on the sector, which is currently being driven by an Australian review of the non-profit sector (Senate, 2008), means that increased demands are being placed on non-profit organisations in terms of director accountability. Formalised recognition of this, and the inclusion of clauses where directors are able to seek separate legal advice on their role, means that over time accountability of all directors of non-profits is likely to become more onerous and risky (AICD, 2009). This may mean that these individuals also become harder to attract to the non-profit sector.

Alternately, frameworks to assist the assessment of risk to non-profits may emerge over time. In Chapter 4, Figure 4.5, individuals with risk or legal qualification were seen to be in short supply in the non-profit sector. Given the issue of personal and reputational risk that also emerged in Chapter 5, risk for non-profits is perceived as a problem by these respondent directors for the sector.

In summary, the perceptions of the respondents to the questionnaire and interviews reflect concern for sustainability for the non-profit sector to attract high calibre non-executive directors on to boards into the sector through networks only.

6.2.7 Social networks and the recruitment of directors

The question in this research relating to social networks was: ‘Can social networks related to the non-profit sector be identified and if so, how do these networks facilitate the recruitment of directors?’

Appointments occur mostly within social networks in the non-profit sector since this is where motivation or ‘passion’ and opportunity intersect for both the individual and the organisation (Lyons et al., 2006). Appointments of non-executive board members in non-profits are mostly determined by the societal affiliation of the board with the individual, via an exclusive set of acquainted connections operating in networks.
The appointment process operates by the board firstly identifying the needs of the current board and the skills or attributes required of the new director. The findings of this thesis presented in Chapters 4 and 5 indicate that the current directors then make recommendations of individuals who suit the current criteria, at least to the best of their knowledge. The potential board member is then approached by the individual considering recommending them to their board and seeks information regarding their preparedness to be considered for this position. They will usually provide some evidence through submission of curriculum vitae or resume to the chairperson.

The potential director will then meet with the chairperson who will discuss their suitability, or otherwise, for the position of director. Subject to agreement by the board, the opinion of the chair leads to the appointment of the preferred candidate.

As indicated in Chapter 5, those potential candidates who are not immediately successful may be requested to serve in some advisory capacity to the board and they will be assessed subsequently for a position, which arises later.

In summary, there are enablers and barriers that can be identified when appointing non-executive directors to non-profit boards. In terms of the barriers found during this research, there exist both barriers to appointment, such as strategic competence, and barriers to acceptance of positions, being the lack of remuneration, the time devoted to the role and the level of personal risk involved.

There was little difference between the barriers that were reported and those that were observed during the course of this research. While the nature of the appointment was essentially the same when reported and observed, the lack of transparency in the process created a dilemma for both questionnaire and interview respondents. This dilemma was heightened by the knowledge that pressure exists from both donors and regulatory bodies, for increased transparency of corporate governance process in the sector.

Additionally, there is uncertainty as to whether the pressures on the sector for transparency will allow the appointment of non-executive directors to operate through the networks and informal word of mouth processes currently existing.
6.3 Contribution

This research has contributed to human resource recruitment, social networking and power elites literature related to the appointment of company directors. The concept of networked appointment, where appointment takes place through informal networks, has also been demonstrated in the non-profit context. This enhances an understanding of the theory on power elites and the way social networks perpetuate the position of power elites at the apex of organisational contexts.

This research has also confirmed that some relationship exists between the research conducted by Sheridan (Sheridan, 2001, 2002; Sheridan et al., 2003, 2005) on the appointment of directors, and Steane’s research (Steane, 2001; Steane et al., 2001) on the distinctive nature of directors in non-profits in Australia. Additionally, there are implications emerging from this research and the research conducted by Steane (2001) in terms of differences in the gender representations on the non-profit and for-profit boards. Understanding the barriers to appointment, not only in terms of gender, skills or knowledge, but also in terms of the commitment of individuals, raises questions that relate to the motivations of non-executive directors in general.

Another contribution has been the questioning of the strategy utilised by certain groups, such as ‘Women on Boards’, to utilise the non-profit sector as a potential training ground for those wishing to enter the more profitable for-profit boards.

This research identifies social networking as a viable method for appointing company directors. Therefore, questions remain for human resource recruitment practice as to why networked recruitment receives no recognition for finding suitable applicants for other appointments should networking be an effective strategy.

This research also challenges the views put forward in the research conducted by Steane (2001) and Steane and Christie (2001) that non-profit boards operate mostly in the operational, rather than strategic mode. The increased demand for strategic thinking emerging in the sector, which has become evident from the findings discussed in Chapters 4 and 5, supports this challenge.
During the course of this research, the relevance of networks in the non-profit sector has been established. How these networks operate to appoint non-executive directors in non-profit organisation has been explained within the context of these director respondents.

It is also important to note that the inconsistencies that emerged during the research means that the multiple methods used for this research were necessary to enable a more valid set of contradictions to be explicit. This research continues the work of Stiles and Taylor (2001) on the value of these multiple methods in undertaking research on company directors.

6.4 Limitations

In addition to the methodological limitations described in Chapter 3, the main limitation to this research is the lack of access to unsuccessful directors. In this research, existing board members were interviewed about recruitment processes. The research may have been more complete by finding those who were not successful and remain largely unidentified. However, many respondents also had been unsuccessful in some appointments and/or knew of others who had been unsuccessful. Based on multi perspectives, the researcher is confident this research is as complete as possible.

Another limitation may be the validity of interview data. Stiles and Taylor (2001) warn that findings must be interpreted with caution in case the interviewees viewed their participation in this research as an opportunity for a public relations exercise. However, the ‘passion’ and motivations to contribute to this research was evident from the respondents in their answers. Their willingness to contribute to both their current non-profit board, and the sector in general, meant that these directors wished to provide input. This was demonstrated by the ease of access provided by those who volunteered for interview.
6.5 Further research

The relationship between the interests of a non-profit non-executive director and how this links with the invitation to join a non-profit board as an unpaid volunteer may have a contribution to make in understanding the social elite.

Non-executive directors and their board service in the non-profit sector may be seen as a ‘good’ thing, or even the ‘right’ thing to do, which enhances the individual director’s sense of community engagement and contribution. There is also enhancement of the reputational component (Zajac and Westphal 1996:508) whereby their reputation enhances their overall human and social capital for both their current boards and future boards to which they may aspire. The link between educational attainment and community engagement through directorship is another interesting area of possible future research.

One area for research would be to investigate motivations of board members for membership on different boards, including both for-profit and non-profit boards. A change from board membership as an unpaid ‘job on the side’ to pursuance of board memberships as a paid career would have implications for appointment of all board members. Other implications would be the skill and professional development of those wishing to develop into these types of positions.

New and innovative ways of incorporating stakeholder concerns will also require trialling in the non-profit sector. The proximity of the non-profit boards to the operations of their organisations is a distinctive feature in this sector (Steane et al., 2001), particularly when individual ‘passions’ and interests are involved. To this end, one organisation involved in interviews required fifty percent of those on the board to have been in a similar position as the people the organisation is endeavouring to support. This is in the original constitution to establish and maintain a link to the stakeholders in the organisation. Having non-executives on the boards without this link may, or may not, prove to be problematic.
While there may be some predictors of appointment processes, further social network research has the potential to reveal the social impact of elitism and forms of sub-cultural elitism operating in the non-profit sector.

Most of the literature deals with what the ‘successful’ do once they are part of this company director network. Once the individual has gained access then there is increased opportunity to grow in personal involvement in the overall network. The current research has included barriers to appointment in an attempt to include the voice of those who may wish to become a director and never seem to bring that dream to fruition.

Non-profit organisations have as their basis outcomes centred on assisting a civil society to support particular groups within that society. It would be naive to think that power and powerful elites and networks, which after all are present in the society, would not engage in the non-profit sector. This is why the continuation of the current research is important.

6.6 Summary

There are clear and evident enablers when seeking appointment to a non-profit board in Australia. The attributes that are sought in appointees relate to their capacity to assist in the development of the strategic direction of the non-profit organisations. Such attributes are not well developed in all individuals and therefore these same attributes act as a barrier to many, less qualified stakeholders of the organisation wishing to be involved in the board activities of non-profits.

Board appointments in the non-profit sector are generally made through a network of informal recommendations. This process of appointment is well accepted in the sector where the non-executive director role remains predominantly unremunerated, time consuming and risky.

Given the preferred method of appointment, it is not surprising that the findings of this research suggest the necessity for personal networking by a non-executive director to enable their appointment to a non-profit board.
This situation may, however, change in the future. The 2008 Senate report on regulation of the sector implies that regulation will lead to more transparent processes and practices in non-profits. This is a result of stakeholders such as individuals and corporations, while providing various resources such as money and staff, also demanding ever-greater levels of information on the operations of non-profits.

Until this occurs, appointment processes in the non-profit sector remain largely perpetuated ‘myths’, where access to these sometimes powerful positions relies not on what you know but who you know. The danger for non-profits in supporting such myths is organisational and risks their reputation and long-term sustainability in terms of the support of their stakeholders and society in general.


2004 Registering for not-for-profit or charitable organisations, Australian Stock Exchange, Sydney.


Stapledon, G., & Lawrence, J. 1996. Corporate governance in the top 100: An empirical study of the top 100 companies' boards of directors. Melbourne: Centre for Corporate Law and Securities Regulation, University of Melbourne.


Appendix 1: Contents of questionnaire: Questionnaire covering letter, Questionnaire and Invitation for interview

June 9, 2006
Parramatta Campus,
Building EJ
Mobile: 0412 280 929
Phone: 02 9685 9984
Fax: 02 9685 9593
Email: m.cornish@uws.edu.au

Dear Director

I am conducting a study by questionnaire on non-executive director appointments and, in particular, the recruitment and selection experiences of these directors in the not-for-profit sector.

The aim of this study is to examine the criteria applied, and methods used, by boards and nomination committees during the appointment process. Experiences and views individuals have, relating to their appointment as a non-executive director, will assist in evaluating the effectiveness of current appointment strategies of organisations such as yours.

A major aim of this study is to provide recommendations on not-for-profit organisations improving opportunities to access both skilled and valuable non-executive directors. Recruiting individuals, such as you, is proving a major challenge to most organisations, and this is predicted to increasingly be the case in the not-for-profit sector. The final results and recommendations of the study will be provided to your organisation.

I would be grateful if you would agree to participate by answering questions about your current and past appointment to boards of not-for-profit organisations on the attached questionnaire. Some demographic information has also been sought as
background knowledge. Please place the completed questionnaire in the large return envelope for return as soon as possible.

The information provided in this questionnaire will be treated in the strictest confidence and will be used for analysis purposes only. Your anonymity will be protected by your personal details not appearing in any raw data or in any written reports, or released to any other group or person.

Enclosed is also an invitation for interview.

Please consider agreeing to add further to this study at a 30-40 minute interview in person or by telephone, and/ or recommending another non-executive director who may be interested in being interviewed. Please place this invitation in the smaller separate envelope, to ensure the anonymity of your responses.

Marion Cornish
For your information:

Did you want to contact the researcher about any issue?

This study is conducted to meet the requirements for the Masters of Commerce Honours in Management under the supervision of Dr Anneke Fitzgerald of the School of Management, Organisational Studies, University of Western Sydney.

I am personally held accountable by the University of Western Sydney for the security of all the above information and data that you provide. Both will be held at a secure location at the University of Western Sydney for a period of 5 years after the study has finished.

Participation, non-participation or withdrawal from the research will also not affect your board membership status in any way. Should you withdraw, the previous data collected from you will not be used in the data analysis unless you have given permission for its inclusion. Without this permission, the data will be returned to you or destroyed.

This study has the approval of the University of Western Sydney Ethics Committee Protocol No 05/058.

If you have any complaints or reservations about the ethical conduct of this research, you may contact the Ethics Committee through the Human Ethics Officer (tel: 02 4736 0883). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.

Marion Cornish
University of Western Sydney
Locked Bag 1797
PENRITH SOUTH NSW 1797
c/- Marian Paap
Blacktown Campus, Building U9
All the information you are about to provide in this questionnaire relates to:

Non-executive director experience
of appointment to
Not-for-profit boards.

Please list ALL non-executive director positions you have held in not-for-profit organisations, now and in the past:

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The following questions relate to the processes used for RECRUITMENT and SELECTION for all non-executive positions you have held.

The following was applied during the RECRUITMENT stage for any position:
(please tick ✓ as many as applicable, if more than one please indicate how many times):

- Executive Recruitment Firm advertisement (which firm/s? __________________________) ___ times
- Recruitment website advertisement (which website/s? __________________________) ___ times
- Print media advertisement (which newspaper? __________________________) ___ times
- Word of mouth ___ times

I was approached by (please tick ✓ as many as are applicable, if more than once, please indicate how many times):

- Current colleague ___ times
- Former colleague ___ times
- Chairperson ___ times
- Other __________________________, ___ times

Processes included (please tick ✓ as many as are applicable, if more than once, please indicate how many times):

- Call for applications (with a closing date) ___ times
- Application package with information made available ___ times
- General job description provided ___ times
- Competency or skills based job description provided ___ times
- Person descriptors (or desirable criteria) made available ___ times

The following applied during the SELECTION stage for any position:
(please tick ✓ as many as applicable, if more than once, please indicate how many times):

- Written application ___ times
- Curriculum Vitae or Resume required ___ times
- Other documentation required (what information was requested?) __________________________, ___ times
- References required ___ times
- References checked ___ times

AND/OR

- Specific behaviourally-based interviews with at least 2 people ___ times
- Formal (other than behaviourally-based) interview with at least 2 people ___ times
- Psychometric tests (name of test/s?) __________________________, ___ times
- Formal notification of success ___ times
- Formal notification if unsuccessful ___ times
- Other (what was requested?) __________________________, ___ times
The following relates to the KNOWLEDGE and SKILLS that have been sought for ANY POSITION

The following were specific experience/ knowledge or skills that were requested for any position ( please tick ✓ as many as applicable):

Specific Experience
- Corporate governance experience
- Not- for- profit sector experience
- Senior Executive experience
- Benchmarking/quality management experience
- Other ______________________

Specific Knowledge
- Organisation specific knowledge
- Not- for- profit sector knowledge
- Corporate governance knowledge
- Other ______________________

Specific Skills
- Business development
- Crisis management
- Communication
- Community engagement
- Cultural diversity
- Financial
- Fundraising
- Health Promotion
- Human Resource
- Insurance/ risk management
- Leadership
- Legal
- Lobbying
- Marketing
- Negotiation
- Research
- Strategic planning
- Team
- Other ______________________
The following relates to your current ambitions to acquire more or different directorships than those you currently hold.
Answers to the following questions can include any type of directorship in any type of organisation.

Are you actively seeking directorships?  □ Yes  □ No
If No, please go to the next page

How many expressions of interest have you submitted in the last 12 months?

____________________

How many written (formal) applications or resumes have you submitted in the last 12 months?

____________________

How many interviews have you attended in the last 12 months?

____________________

Please list the boards you are interested in joining in the future?
(If more room required please use back of this page)

1)  
2)  
3)  
4)  
5)  

What is the selection process you are expecting to have to go through?
Please tick ✓ and comment.

□ Formal  □ Informal  □ None

Please indicate what your answer is based on, and why?
e.g. Past history, relationships, other

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
Please provide the following information that relates to your demographic profile: (Please tick √)

- [ ] Male  [ ] Female  
  Year of birth  

- Were you born in Australia?  [ ] Yes  [ ] No
- Were both your parents born in Australia?  [ ] Yes  [ ] No
- Do you speak any languages other than English?  [ ] Yes  [ ] No
- Do you have any dependant children?  [ ] Yes  [ ] No

Approximate income per year from all Non-executive Directorships: $  

Are you a member of any Professional Groups? (please tick √ as many as applicable):

- [ ] Australian Institute of Company Directors (AICD)
- [ ] Institute of Chartered Accountant in Australia (ICAA)
- [ ] Australian Institute of Management
- [ ] Australian Human Resources Institute
- [ ] Women on Boards
- [ ] The Sydney Institute
- [ ] The Pacific Institute
- [ ] The CEO Institute
- [ ] ProBono

- Others?: please list
  - [ ]
  - [ ]
  - [ ]

Are you a member of any other charitable or other relevant organisations?  
Please list...

- [ ] Rotary
- [ ] Apex
- [ ] Lions Club
- [ ] Others?: please list
  - [ ]

If more room required, please use back of page or add an additional page.

Educational Qualifications

Please tick your highest qualification:

- [ ] Doctoral degree
- [ ] Masters degree
- [ ] Undergraduate degree
- [ ] Diploma in Company Directorship
- [ ] TAFE qualification
- [ ] Higher School Certificate

If tertiary, specialisation/major/sub major:

__________________________________________

Other qualifications (please list):

__________________________________________
Could you please indicate if you have been any type of director (executive or non-executive) on ANY FOR-PROFIT boards? Please specify:

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<th>Industry Sector? OR Name of organisation?</th>
<th>Number of years in this directorship?</th>
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You may wish to comment on how you believe the information you have provided has contributed to your success in gaining appointments to boards.

AND/OR

Please feel free to make any general observations or raise any questions about the research topic or the questionnaire.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
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________________________________________________________________________
________________________________________________________________________

Thank you for taking the time to complete this questionnaire. Please now place it in the large prepaid envelope.
Please place in the attached return prepaid envelope.

You may feel that you can provide considerable insight regarding this research
If so, please consider taking part in a

Personal Interview (45 minutes approx)
at a location and time convenient to you (telephone also).
If agreeable, complete the “invitation to interview” form attached

The invitation needs to be returned in the separate small prepaid envelope
to maintain your anonymity when you completed the questionnaire.

Invitation for interview
Yes, I would be prepared to be interviewed.

Name: __________________________________________

Contact telephone 1 ____________________________
Contact telephone 2 ____________________________
Contact telephone 3 ____________________________

Email: _______________________________________

Many thanks! I will contact you soon to arrange an appointment.

Yes! I know another director who may be prepared to be interviewed!
Name: _______________________________________

Contact telephone 1 ____________________________
Contact telephone 2 ____________________________
Email: _______________________________________
Appendix 2: Interview questions

The interview guiding questions used by the research and not provided directly to interviewees were:

Have you been involved in appointing non-executive directors in the non-profit sector?

Tell me about the last three appointments that you have been involved in?

What, if any, recruitment and selection processes were used?

Research in the for-profit sector shows that how you get your first board position often differs from how you get your subsequent board appointments.

Was how you obtained your first appointment different from subsequent appointments?

How have you found certain board appointments (i.e. the first) to be either enablers or barriers to getting further board appointments?

Remuneration of non-executive directors in the non-profit sector is a contentious issue at the moment. Do you have any views on this issue?

Time spent on board matters is another issue with increasing government reporting requirements. Is time an issue in the decision to accept board appointments?

Responsibility for board decisions is another issue which is emerging. Is responsibility and/or risk an issue in the decision to accept board appointments?

Are there any other constraints that stop you taking on more volunteer non-executive positions?

Why do non-profit organisations appear to put considerable effort into describing the person they need and yet not recruiting more broadly by e.g. recruitment sites such as Pathways, Good company etc?

How important are networking activities when fulfilling the role of non-executive director? And why are the important?

Are there any debates around transparency in the appointment processes on non-profit boards you would like to comment on?

Were there any positions you were interested in but were unsuccessful?

Why were you interested in the position?
Were you told why you were unsuccessful?

Did you agree with the reasons that were given for you not getting the directorship?

Is there anything you wanted to put forward at this interview which I forgot to ask you?
## Appendix 3: Thesis map

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<thead>
<tr>
<th>Philosophy of knowledge/ key questions</th>
<th>Theory</th>
<th>Questions</th>
<th>Context</th>
<th>Methodology/ Justification and probes</th>
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<tbody>
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<td><strong>Power/power elites frame</strong></td>
<td>Appointment</td>
<td>How are non-executive board members <em>appointed</em> to non-for profit organisations?</td>
<td>Corporate governance Nomination committees? NEDs (subjectivity?) NP sector and pressures</td>
<td>Interpretivist Qualitative: frequency and interviews</td>
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<td>What is the issue?</td>
<td>Appointment</td>
<td>What are the perceived enablers to appointing non-executive members to boards?</td>
<td>1.Questionnaire: qualitative frequency 2.Qualitative Interviews</td>
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<td>How serious is it?</td>
<td>Appointment</td>
<td>What are the perceived barriers to appointing, and accepting, non-executive positions?</td>
<td>1.Questionnaire: qualitative frequency 2.Qualitative Interviews</td>
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<tr>
<td>How is it solved?</td>
<td>Appointment</td>
<td>What are the differences between reported and observed barriers and enablers?</td>
<td>1.Questionnaire: qualitative frequency and comments 2.Qualitative Interviews</td>
<td></td>
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<tr>
<td>What are the working assumptions made to obtain the solution?</td>
<td>Appointment</td>
<td>How do the perceived barriers and enablers affect the applicants' perceptions of the overall recruitment process to a board of not-for-profit organisations?</td>
<td>1.Questionnaire: qualitative frequency and comments 2.Qualitative Interviews</td>
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</tr>
<tr>
<td>What is the originality in the solution?</td>
<td>Appointment</td>
<td>How do the barriers and enablers affect the applicants' perceptions about future membership opportunities on any board?</td>
<td>Corporate governance: Risk 1.Questionnaire: qualitative frequency and comments 2.Qualitative Interviews</td>
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</tbody>
</table>
| What is the originality in the solution? | Social networks | Can social networks be identified? | 1. Questionnaire: qualitative frequency and comments  
2. Qualitative Interview |
|----------------------------------------|-----------------|----------------------------------|---------------------------------------------------|
| How does it add to existing theory?    | Power Elites    | If social networks can be identified, how do these networks facilitate the recruitment of company directors? | Further sampling and tracking of NEDs in NFP using network analysis? Social network extension to include power and power elites recruited in the NFP by the operation of social networks.  
1. Questionnaire: mixed quantitative and qualitative  
2. Qualitative Interview |
| Does it really matter?                 | Why does recruitment in social networks in this context seem an issue in the NP sector? | Corporate Governance plus org and social sustainability of NP organisations and sector | Qualitative Interview |
Appendix 4: Sample data of non-profits used for questionnaire distribution

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<th>No in this sample</th>
<th>No. in total sample</th>
<th>Organisation Name</th>
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<th>Type</th>
<th>Total No</th>
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<th>Welfare</th>
<th>Res &amp; Health</th>
<th>Over Aid</th>
<th>Education</th>
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<td>VACRO (Vic Assoc for the Care &amp; Resettlement of Offenders)</td>
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<td>245</td>
<td>Villamanta Legal Service</td>
<td>VIC</td>
<td>Disability Services</td>
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