



Te Kete Kāwanatanga

A Resource for Governing
High-Performing
Māori Organisations

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Prologue: He Kōrero

The phone rings. “Tēnā koe Erana, ko Aroha tēnei.”

You recognise Aroha’s voice straight away. She’s the receptionist at Te Waka Whaiora and everybody in the hapū knows her. “Kia ora Aroha. Kei te pēhea koe?”

“Kei te pai, kare, kei te pai. Uncle Sonny has asked me to call you with some good news, kare. You’ve been elected to the board.”

“Really? Oh. Thank you.” This is the last thing you expected. You can’t believe your whanaunga voted for you! Don’t they realise you’ve never been on a board before?

“Congratulations! I’m sure you’ll do a fine job.” Aroha’s voice is warm and genuine.

“Well, I’ll certainly try ...” You still can’t believe what you’re hearing.

“Now, Uncle Sonny wants to know if you’re available for a meeting on Monday next week.”

“Monday? Umm, I guess so.” It feels a bit rushed to you.

“That’s good. He says there are some pretty important decisions to make at the first meeting.”

“Okay. Where will the meeting be?”

“In the upstairs meeting room at our offices. The front door will be unlocked. Meetings start at 7:30 sharp.”

“Okay. Anything else I need to know?”

“No, just come along and everything will be explained at the meeting. Ka kite anō.”

“Ae, ka kite.”

You hang up, then just stand there for a few moments, staring at the phone.

Monday night arrives quickly. You’ve arranged for your father to accompany you, just in case there are formalities to deal with, although you haven’t been given any prior warning. You get there just on 7:30 and make your way to the meeting room. Your stomach is in a knot, but you put on your staunchest face and push open the door. It looks as though you’re the last to arrive — the room is almost full and there are only one or two spaces left at the table.

Uncle Sonny, the chairperson, sees you come in and motions you and Dad to sit in the empty spaces. Before sitting down, you and Dad shuffle around the table, greeting those who are already there. You know them all, of course — Te Waka is a

hapū-based provider of mental health services, so everyone in the room is related. Apart from Uncle Sonny, there are two kuia from further up the valley, Nanny Mavis and Nanny Edna, both of whom went to school with your mum. There's Eddie, who is permanently on ACC as the result of a motorcycle accident more than ten years ago, and who likes to be involved in every committee that's going, even though he talks too much and rarely makes any sense. There's Uncle Sammy, teina to Uncle Sonny, who is the opposite of Eddie and has very little to say. Then there are two 'consumer advocates', Puhi and Atawhai, who are on the board as former (or maybe current?) clients of Te Waka and whose role is to speak for the clientele. Finally, there's Aroha, the staff rep on the board — the one who called to say you'd been appointed. She's the most indiscrete person on the planet and it amazes you that she is allowed to hold a position that requires her to be privy to confidential information. Might as well put it all on a noticeboard outside the office than expect her to keep it confidential.

You and Dad take your seats at the end of the table, close to where you came in. Although it's gone 7:30, Uncle Sonny isn't getting the meeting under way — he's sitting with his hands folded across the top of his ample puku. Snippets of conversation about the weather and the kapa haka competition last weekend take place, but it's obvious everyone is waiting for something to happen.

The door opens and a woman about your age bustles in, briefcase in one hand and several folders under the other arm, hair in a mess. This is Hinewai, manager of Te Waka. Although she is whanaunga (the daughter of your mother's second cousin), you've never liked her. In her teens and twenties she was, in your opinion, a nasty piece of work, and you've never had any reason to change your mind. A few years back, she was accused of embezzling funds from the rugby club, though nothing was ever pinned on her. You've always had your suspicions about her.

Uncle Sonny responds to Hinewai's arrival with evident relief. "Glad you could make it, kare. How did the tangi go?"

"Ka pai, Uncle, ka pai. Bit late getting away, though."

Uncle Sonny clears his throat (*Why do kaumātua who are about to speak always do that? you wonder*) and pushes his chair back to stand. "Tihei mauri ora!"

His mihi is short and to the point. Uncle Sonny has never been much of an orator — never been much of anything, actually, according to your mum — but the sound of his voice nevertheless engages you as he makes the familiar references to "tō tātou Atua", "ngā mate kua haere", "ngā kanohi ora" and so on. Cadence and content combine to settle your nerves a little.

You must have begun to daydream, because his greeting to you catches you by surprise. "Tēnei te mihi ki a koe, te kōtiro, e pā ana ki tō pikitanga ki te rōpu nei. Nau mai, haere mai ..." It's nice to be acknowledged, and you sense that his greeting is sincere.

In due course, Dad responds on your behalf with a few gracious words. The mihimihi are not elaborate or lengthy, but they do serve, along with a karakia from Uncle Sammy, to comfort you and remind you that you are among whānau.

The formalities over, Uncle Sonny speaks again, this time without standing. "Before we get under way with the business of the meeting, I want to congratulate my niece Erana on her appointment to the board. As you all know, we had four

nominations for one position, and Erana was the winner by a clear margin, so she has a solid mandate behind her.”

You manage a smile in response to his. Others mumble their congratulations, although you notice that Hinewai keeps her head down and doesn't acknowledge you.

“Okay, let's get on with the meeting,” Uncle Sonny turns to Hinewai. “Do we have an agenda for the meeting, e Hine?”

“Ae.” Hinewai fishes out a sheaf of papers from her briefcase and passes them around the table. You scan your copy. It's a short list of one- or two-word items comprising the usual fare: karakia/mihimihi; minutes; matters arising; correspondence; financial report; staffing; building project; karakia whakamutunga.

Uncle Sonny continues when everyone has a copy of the agenda. “Would someone like to move that we adopt the minutes of the last meeting?”

Hinewai responds quickly. “Aroha mai, Uncle, we haven't been able to get the minutes out this month. We've had three tangi and two funder audits, so we've been flat out just doing the day-to-day stuff. We'll send them out with the minutes of this meeting and you can adopt them both next month.”

“Okay.” Uncle Sonny doesn't seem too concerned, and continues. “I guess that makes it hard to have any matters arising.”

Eddie pipes up at this point. “Kia ora, Uncle. I know we discussed having a Property Committee last time and we were going to pick it up again this month because we ran out of time. Personally, from my point of view, I don't see how we can deliver on our kaitiaki responsibilities without having a committee to take care of our assets like that. I am quite happy to volunteer my services to look after that committee.”

“Well, I'm not sure — I mean, do we need to go into this again?” Uncle Sonny seems very reluctant to talk about the matter and turns to Hinewai with a look of appeal on his face.

“I agree, Uncle. I made my position clear last month. I don't think we need a committee. That's something management can look after.” Hinewai sounds adamant.

Eddie isn't put off. “With the greatest of respect, cuz, that's your view, but we have our fiduciary responsibilities as a governance body to consider and I definitely believe we need to be moving down this path, especially with this kōrero about a new building on the table.”

What on earth are fiduciary responsibilities? you think. It's doubtful that Eddie knows. Things start to feel a bit tense.

Uncle Sonny seems stuck in the middle, unwilling to move. “I'm not really sure where to take this kaupapa.”

Eddie is on a roll. “Well, Uncle, if that's the case, I'm prepared to move that we set up a Property committee.”

Hinewai looks up at the ceiling in frustration. Uncle Sonny fumbles with his pen. Eddie senses victory. No one else says boo.

Eddie continues. “I move that we set up a Property Committee comprising myself and ...” He pauses at this point and looks around the room. “Who else would like to be on the committee?” Everyone's eyes are looking down; no one wants to catch his gaze and get hauled onto the Committee.

“How about you, cuz?” Eddie addresses you. Like a possum in the headlights, you

freeze. “It would be a good way of coming to grips with the organisation,” he continues.

You manage to squeeze out a faint “okay”.

“And you, Nanny Mavis?” Eddie asks one of the silent nannies. She shrugs her shoulders in a disinterested way.

“I move that we set up a Property Committee comprising myself, Erana and Nanny Mavis,” Eddie says firmly.

Uncle Sonny is forced to respond. “Is there any more discussion about this before I put it to the vote? No? Well then, those in favour please say ‘Ae.’” There are a few soft mumbles that could be interpreted as affirmative votes.” “Against?” Silence. “That’s carried.”

“Thank you, Uncle.” Eddie sounds triumphant. Everybody else looks deflated.

“Let’s move on with the agenda.” Uncle Sonny brightens up a little, now that Eddie has been satisfied. “Is there any correspondence?”

“Not this month, Uncle,” Hinewai replies.

“Then our next item is ...”, Uncle Sonny pauses and checks his agenda, “... the financial report. Hinewai?”

Hinewai reaches into her briefcase and pulls out a substantial sheaf of papers and passes them around the table. The document is headed ‘Financial Report for November’. It’s now February. The document runs to about 12 pages. It might as well be written in Greek, for all you can make of it. You haven’t the slightest idea what ‘Statement of Financial Performance’ means, which is the heading on one of the pages, nor ‘Statement of Financial Position’ a couple of pages later. The last part of the document is a schedule listing the 87 cheques written out by Te Waka during the previous month. It strikes you as ironic that one is to the local stationery shop for the amount of \$6.47 with the notation “rubber stamp”, while the very next on the list is for \$45,679.43 with the notation “new van”.

Hinewai speaks to the report. “You’ll see from the numbers this month that we’re tracking more or less according to budget. There’s nothing major to report. We’ve overspent in a couple of areas, but I’ve given staff an instruction to pull their heads in and I expect those numbers to be back in line within the next three months. I’m happy to answer any questions.”

At this point in the meeting you’re starting to feel a bit concerned. Nothing makes sense to you, and no one is bothering to explain anything to you. No one has any questions, either. The group’s procedures, such as they are, seem a bit suspect, but, as the new trustee on the block, you’re reluctant to speak up.

When Uncle Sonny moves from the chair (*What does moving from the chair mean?* you wonder) that the financial report be accepted, you dutifully say “Ae” along with the others, at the same time hoping like crazy that Te Waka has a good accountant who has a handle on things.

The meeting moves on to the next item: staffing. Hinewai explains in serious tones that she has employed another two full-time staff, and this means Te Waka has more staff than can be justified by its contractual income. She assures the board, however, that natural attrition will bring the staffing figure into line by the end of the financial year, and that it is necessary to have the staff on board now to make the most of “once-in-a-lifetime opportunities”. Once again, you say “Ae” when the matter is put

to a vote, even though you have no idea why the staff are required, or what “natural attrition” means, or how real the opportunities are.

You become increasingly aware of the dynamics between Hinewai and Uncle Sonny. It feels as though Uncle Sonny is constantly fishing for Hinewai’s approval, even though he is the chairperson, and as though he dare not challenge anything she says.

This is especially so when the subject of the new building is raised. Hinewai leads the discussion. “As you know, the building project gets under way next month. If we approve the final tender tonight, we’ll be able to get the earthworks completed before the resource consent requires us to stop for the winter. I strongly recommend that we do so.” This last comment is accompanied by an appealing look at Uncle Sonny, who nods seriously. “And our funders are very keen for us to improve the quality of our premises.”

Sounds like a done deal to you. Uncle Sonny asks, “Can you tell us about the process you went through to select the final tender, kare?”

“It’s the same process that we’ve used for other projects, Uncle. We advertise for tenders from the local building companies — there are only two in the valley, as you know — and I base my decision on a combination of price and how I think they’ll perform on this particular contract, using our past experience as a guide.”

“And that process is okay with our auditors?” Uncle Sonny inquires.

“As far as I’m aware,” she replies, “they’ve never had a problem with it.” *That’s because the auditors don’t know you’re hitting it off with the foreman of one of the companies, you think, sarcastically.*

“Well, it seems to me that we should probably go ahead and approve it.” Uncle Sonny looks quickly around the table. “Any objections?” *He’s not seriously expecting anyone to object, is he?* you think.

“Then I’ll put the motion that we approve the tender. All those in favour please say ‘Ae.’”

The same soft chorus of approval is heard. You don’t know much at all about good business practice, and even less about proper meeting procedures, but this feels like a sham. *Surely this isn’t how we should operate as a board? If it is, I’m wasting my time being here.*

Mercifully, the meeting is fairly short. Uncle Sonny and Hinewai seem pleased with themselves at the end of it. You can’t wait to get home, and you avoid contact with any of the other board members as you make a beeline for the carpark. Dad is strangely silent on the way home and you sense that he shares your concerns.

Back home, you crash on to the sofa. Questions flood your mind. *Are we supposed just to rubber-stamp the manager’s recommendations like that? Why do I feel so unhappy about the way things went tonight? Who’s the boss there — Uncle Sonny or Hinewai? How can I summon the courage to make myself heard? Is such a dysfunctional group ever going to learn how to work together properly, or are we a lost cause?* It’s a mess, and you know it. You think seriously about calling Uncle Sonny tomorrow and resigning. *Why on earth did I ever let my name go forward?*

The last question is the one that troubles you most. You know very well why you let your name go forward. The pictures of your whanau on the mantelpiece answer the question: a mother whose life was blighted by chronic depression, a sister with



bipolar disorder and a nephew who took his own life at just 15 years of age. It took many years and many tragedies before Te Waka was set up so that the tāngata whaiora of Ngāti Mea could access reasonable services in their own hapū setting, and it will take the continuing involvement of good people like you to keep it going. In your heart of hearts, you're committed to making a difference. That's why it didn't take much to persuade you to stand for the board when you were approached.

Make a difference! That's what you really want to do. Something deep inside you believes that you can make a difference. Yes, tonight's meeting was a disaster from your point of view, but you're not a quitter, you're a fighter. There must be a better way of doing things — and if there is, you'll find it.

You look up at the pictures of the whanau on the mantelpiece, going back five generations, and you begin to think about the generations to come. *That's who it's all about. I'm in it for them.*



Introduction

This is a book about governing Māori organisations. It is aimed at those who govern all kinds of Māori organisations, from the largest tribal structures to the smallest whānau entities, and everything in between. It is especially aimed at those, like Erana, who believe the organisation they govern is capable of far better performance and who desire to understand the role of governance in making this happen.

The book sets out a complete system of governance. It begins with a theoretical discussion about governance and a definition of the term, then moves progressively towards a practical description of how the governance system actually works and an explanation of how to implement it. The book also describes a number of tools that are designed to be integrated into the system.

The system described in the book is not the result of my own thinking; it is the work of Dr John Carver, whom I regard as the preeminent thinker about governance alive today. Without Dr Carver's contribution over the past four decades, our understanding and practice of governance would be very much the poorer. Dr Carver calls the system 'Policy Governance'[®] for reasons which will become clear as the book unfolds.¹ My contribution has been to apply the thinking of Dr Carver to Māori organisations and to develop policies, practices and tools to operationalise his thinking.

Most of the illustrations and examples in the book centre on Ngāti Mea, the fictitious hapū to which Erana belongs. All of the examples are drawn from real-life situations, although each has been altered in some way to disguise the true identity of individuals and organisations. The organisation most often referred to in the book is Te Waka Whaiora o Ngāti Mea, to whose board Erana was appointed. For ease of use, the organisation's name is shortened to 'Te Waka'. By the end of the book, you will have a detailed understanding of how the Policy Governance system is applied within Te Waka, and you will have all of the knowledge, information and tools necessary to implement the system in your own organisation.

If you're picking up the book for the first time, you may be tempted to conclude from first impressions that governing Māori organisations is a complex and difficult task. Please don't jump to that conclusion. I want to make this point very clear at the outset: **good governance is simple.**



I have worked as a consultant and advisor in the field of governance for about 20 years. In this time, I have worked with a wide variety of Māori organisations, ranging from the largest rūnanga through healthcare and social service providers, land-owning incorporations, mandated negotiation bodies, post-settlement entities, commercial entities, marae and marae collectives to a small housing cooperative and a Māori theatre company. I have been an advisor to several Crown entities and departments on the subject of governing Māori organisations. I have also had the privilege of being CEO of three Māori entities. On the basis of this experience, I state confidently that good governance is simple.

Note carefully, though, what I am not saying: I am *not* saying that good governance is *easy*. It isn't. Good governance requires knowledge, energy, persistence, selflessness, courage and discipline. It can be very hard work. If you were to ask the fictional Erana to describe the work that was involved in transforming the board of Te Waka from the dysfunctional mob you've just read about in the prologue to the sophisticated, high-performing group you will read about in the rest of the book, she would tell you that it has been very hard work.

But good governance is actually simple. The concepts and principles underlying good governance are relatively few in number and easy to grasp. There are fewer 'rules' for good governance than there are for rugby or netball.² The handful of tools and practices that flow from these concepts and principles can be made as simple as necessary for your organisation.

Everything you need to understand about how to be a good governor is set out in this book. All of the resources and tools you need to govern well are explained and are available on the companion website, www.tekete.co.nz.

The book begins by going right back to first principles in chapter 1 and looking at why organisations exist at all. We discover that there are three fundamental truths about every organisation. These lead us to the definition of governance stated at the close of the chapter. In chapter 2, this definition is translated into a job description for the board. This description is then methodically analysed in chapters 4 to 8 and the resulting parts fitted together into an integrated system of governance. Chapter 3 introduces the concept of ownership; not just legal ownership, which most of us are familiar with, but also moral ownership, which is important in relation to certain kinds of Māori organisation. Chapter 9 describes five tools that are essential for supporting the board's governance activities, and chapter 10 explores the sometimes difficult area of financial governance. Chapter 11 contains practical advice for boards that choose to implement the system of governance described in the earlier chapters.

There are two conventions used in the book that I should explain. Firstly, the term 'CEO' is used to refer to the most senior managerial position in an organisation. In reality, the person holding this position might have the title 'Manager', 'General Manager', 'Tumuaki', 'Executive Officer', 'Kaiwhakahaere', 'Executive Director', 'Managing Director', 'Kaihautū' or any one of a host of possibilities, including iwi-specific terms. To simplify things, the term 'CEO' covers all of these positions.

Secondly, the term 'board' is used to refer to the governing body of an organisation. The reality is that governing bodies go under a range of names, including 'Board of Trustees', 'Board of Directors', 'Management Committee', 'Rūnanga', 'Board of



Governors, 'Taumata', 'Committee of Management' and many others, again including iwi-specific terms. I haven't tried to distinguish between these various types in the book. I have also chosen not to capitalise the term 'board' in the book, except in instances where the name of the governing body includes the word 'Board'.

A few words about legal matters. Firstly, you are welcome to use any of the diagrams for non-commercial purposes, provided you use exactly the same attribution as is used in the book. A number of the diagrams have been drawn from, or based on, the work of other authors and it is important to respect those authors' rights. If a diagram has no attribution, then this book must be acknowledged as the source.

Secondly, there is a great deal of practical advice and guidance in the book. Some of this is of a quasi-legal nature. It is very important that you *do not* regard the book as legal advice and that you seek proper advice on any legal matters. This is especially so in relation to the constitution of your organisation.

Thirdly, one of the hazards — and benefits — of having been a consultant for many years (well over 30, in my case) is that one accumulates a treasure-trove of resources, illustrations, diagrams, examples, stories and the like. As far as possible, I have tried to attribute correctly any such items in the book that are not my own, but I cannot be certain that I have succeeded in every instance. If, therefore, I have inadvertently used anything inappropriately, please accept this apology and let me know; I will correct the mistake in future editions.

My desire is that you regard this book as a hands-on resource, and I'll be delighted if you take this literally. If I were to walk into your home or office tomorrow and thumb through your copy of the book, nothing would please me more than to find it covered with your own notes and comments. The format of the book has been designed to enable you to engage with its contents as much as possible. Make it your own.

Having said that, there's lots of ground for us to cover, so let's get started.

1

Defining Governance

Every organisation exists to make a difference. Every organisation exists to make the world a better place in some way, to bring about some kind of desirable change. That's why we create organisations.

Sometimes it's hard to tell at a glance what this difference is for any given organisation, but we can soon work it out when we ask questions such as:

- If this organisation didn't already exist, why would we create it?
- How will the future be different because the organisation exists?
- What specific impact on our part of the world would we like the organisation to make?

Many of us work for organisations without really thinking about these deeper questions. The saying comes to mind, "When you're up to your armpits in alligators, it's hard to remember that you're there to drain the swamp." Those alligators can be quite distracting from the bigger picture. However, from a governance perspective, the answers to the questions are of fundamental importance. In this chapter, we'll see how thinking carefully about these questions leads us to a definition of governance.

Results and recipients

Let's say our hapū, Ngāti Mea, has formed a small charitable trust to enable us to better care for our koroua and kuia. We've decided to call the trust Te Korowai Aroha o Ngāti Mea. Our main purpose in forming the trust is to enable our old people to remain in their own homes for as long as possible, surrounded and supported by whānau — we don't want them placed in residential care.

We could express Te Korowai Aroha's purpose like this:

Te Korowai Aroha o Ngāti Mea exists so that our koroua and kuia remain in their own homes, with appropriate support, for as long as possible.

Notice that we've been very clear about two things, namely, the actual difference we want to make (that is, our old people remaining in their own homes, with appropriate support, for as long as possible) and the people we want to make it for (that is, the koroua and kuia of Ngāti Mea). For our purposes, we'll call these two elements **results** (the difference we want to make) and **recipients** (for whom we want to make it).

Regardless of what kind of organisation we are dealing with, we can always — and that means *always* — identify these two elements. Here are some more examples.

Te Kura Tuarua o Ngāti Mea

Students at Te Kura Tuarua o Ngāti Mea become well-rounded, responsible citizens, grounded in their own language and culture, with the knowledge and abilities necessary for personal, academic, social and workplace success.

Te Waka Whaiora o Ngāti Mea

Te Waka Whaiora exists so that members of Ngāti Mea with mental health challenges, substance abuse problems and developmental disabilities function at their highest potential in an accepting whānau, hapū and iwi context.

Te Rohe-ā-Mea District Council

Te Rohe-ā-Mea District Council exists so that its residents and ratepayers enjoy a safe, sound and healthy community.

Ngāti Mea Commercial Holdings Ltd

Ngāti Mea Commercial Holdings will generate a favourable return on equity for its shareholders.

Ngāti Mea Land Incorporation

Families and/or trusts with a legal interest in the incorporation's lands will enjoy a positive rate of return on assets.

Notice how in each of these examples we have clearly stated the difference we want to make and the people or groups for whom we want to make it. The same information is set out in Table 1.

We could include any other type of organisation in the table and the pattern would hold true.

Specifying worth

The third element of making a difference is the cost or worth of doing so.

Let's assume we've set up Te Korowai Aroha, gained the support of our whanaunga in Ngāti Mea, identified the koroua and kuia we want to serve, and sourced some funding from Te Rohe-ā-Mea District Health Board to help pay for the services we deliver to our old people.

TABLE 1 | RESULTS AND RECIPIENTS

Organisation	Results	Recipients
Te Korowai Aroha	remaining in their own homes, with appropriate support, for as long as possible	koroua and kuia of Ngāti Mea
Te Kura Tuarua	well-rounded, responsible citizens, grounded in their own language and culture, with the knowledge and abilities necessary for personal, academic, social and workplace success	students at Te Kura Tuarua
Te Waka Whaiora	people functioning at their highest potential in an accepting whānau, hapū and iwi context	members of Ngāti Mea with mental health challenges, substance abuse problems and developmental disabilities
Te Rohe-ā-Mea District Council	a safe, sound and healthy community	residents and ratepayers of Te Rohe-ā-Mea
Ngāti Mea Commercial Holdings	a favourable return on equity	shareholders of the company
Ngāti Mea Land Incorporation	a positive rate of return on assets	families or trusts with a legal interest in the incorporation's lands

A year goes by and the venture seems to be a great success. However, when we prepare a set of accounts at the end of the year, we find that it has cost us far more than we thought it would. In fact, as the result of an audit of our services commissioned by the District Health Board, we discover that it has cost us five times as much to care for our old people as it would if we had placed them with a mainstream provider of residential care.

In other words, we're making the right kind of difference for our old people, but at a huge cost.

This highlights the third element of what we need to know about the difference our organisation exists to make. Not only do we need to be clear about the specific results we intend to achieve and the recipients for whom we intend to achieve them, we also need to be clear about the **worth** of these results.

Calculating the worth of our results is a new idea to many people involved in governing organisations, so let's take some time to unpack it.

We live in a world of finite resources. No organisation has limitless funds or resources to do whatever it likes. Choices have to be made about what gets spent where. Priorities need to be determined and sometimes hard decisions need to be made.

As members of Ngāti Mea, we want to provide caring, wrap-around services for our old people. We want to see them remaining in their own homes, among their whānau, for as long as possible. This is incredibly important. But what if it actually costs us five times as much as a mainstream provider to achieve this? Would we still do it? What about ten times as much?

The point is simply that, much as we might want to do it regardless of the cost, the harsh reality of life in a money-oriented economy is that there are limits to the cost we are willing (or able) to bear, or the resources we are willing to consume, to achieve any given outcome.

Take one of the other organisations referred to earlier. Te Rohe-ā-Mea District Council is committed to providing its residents and ratepayers with a safe, sound and healthy community. If the safety of schoolchildren as they travel to and from school is a key concern for the community, then the council will take reasonable steps to create a safe environment for them. It will paint pedestrian crossings in appropriate places, or place warning signs on all key routes, or lower the speed limit in areas of heavy traffic, or sponsor walking-bus initiatives, or do all of these things. But it won't build a pedestrian overbridge on every street in the town. Why not? Because we live in a world of finite resources where choices have to be made. The residents and ratepayers of Te Rohe-ā-Mea will accept reasonable expenditure on road safety initiatives. But a pedestrian overbridge on every street would be, metaphorically speaking, a bridge too far.

So, there is always an element of worth — or cost, or value, or priority — that affects the decisions we make as we govern any organisation.

Returning to our earlier example, therefore, the board of trustees of Te Korowai Aroha might choose to qualify its statement of the difference it is seeking to make by adding a third element, as follows.

Te Korowai Aroha o Ngāti Mea exists so that our koroua and kuia remain in their own homes, with appropriate support, for as long as possible, **at a cost comparable to other providers.**

In chapter 4 we will discuss in more detail how the various elements of a statement like this are actually formulated and applied, but for the moment the key point to note is that we have been specific about what we regard as an acceptable use of the resources of our hapū. On the one hand, we very much want to achieve the results we have described for our old people. On the other hand, if we know that another provider can achieve the same results for half the cost, we are duty-bound to take a hard look at whether or not we should continue to provide this service.

The same is true for the other organisations we looked at earlier. An expression of worth can be added to each of the statements we looked at, as shown in Table 2.

There is no set formula for these statements of worth; they vary from organisation to organisation, even if those organisations are relatively similar. This is because such statements can reflect a wide range of factors that are of varying significance to the owners of the entities.

TABLE 2 | RESULTS, RECIPIENTS AND WORTH

Organisation	Results	Recipients	Worth
Te Korowai Aroha	remaining in their own homes, with appropriate support, for as long as possible	koroua and kuia of Ngāti Mea	at a cost comparable to other providers
Te Kura Tuarua	well-rounded, responsible citizens, grounded in their own language and culture, with the knowledge and abilities necessary for personal, academic, social and workplace success	students at Te Kura Tuarua	at a results-to-costs ratio comparable to other decile 2 kura
Te Waka Whaiora	people functioning at their highest potential in an accepting whānau, hapū and iwi context	members of Ngāti Mea with mental health challenges, substance abuse problems and developmental disabilities	to an extent that justifies the expenditure of available funds
Te Rohe-ā-Mea District Council	a safe, sound and healthy community	residents and ratepayers of Te Rohe-ā-Mea	for a fair and equitable rates burden
Ngāti Mea Commercial Holdings	a favourable return on equity	shareholders of the company	at least 5% greater than the risk-free rate of return
Ngāti Mea Land Incorporation	a positive rate of return on assets	families or trusts with a legal interest in the incorporation's lands	comparable to similar entities in the district

Making a difference in the right kind of way

The fourth and final element of making a difference is understanding the limits to making the difference.

Imagine the following: Eru Tamihana has just been appointed manager of Te Korowai Aroha. As a hapū, we have made a list of the hundred or so koroua and kuia whom we want to enable to remain in their own homes. It's Eru's job as manager to achieve this result. So, on the first Saturday after his appointment, he organises a group of his mates to meet at the local Mitre 10 branch. Eru arrives in



a rented truck, which he and his mates proceed to load with lengths of 4x2 timber, boxes of nails, and hammers. The group then drives to the home of every koroua and kuia on the aforementioned list and proceeds to nail lengths of 4x2 across the windows and doors of the home. By the end of the day, the mission is accomplished: the koroua and kuia of Ngāti Mea will most definitely be remaining in their own homes!

You get the point, I'm sure. For every result we want to achieve, there are usually a number of ways of achieving it. Some of these ways will be acceptable, and some won't — *even if they are highly effective in achieving the result.*

Think for a moment about the Global Financial Crisis, which began around 2008 and continues to affect the world economy. The crisis first emerged in the United States in what was known as the sub-prime mortgage market. Banks are for-profit organisations. The difference they exist to make is to increase the wealth of their shareholders. To do this, they need (in very simple terms) to lend money to a continuous stream of borrowing customers at a reasonable margin over their cost of funds. When, as happened, the number of creditworthy borrowers began to dry up, the banks began looking for other customers on the fringes of their traditional markets. They loosened their lending criteria and began to lend money to customers with little or no equity, whose creditworthiness depended on rising real estate prices. The banks were able to continue to report profits to their shareholders. However, when the market stumbled and real estate prices began heading south, it quickly became apparent that the banks' profits were built on imprudent business practices. The rest is history. For quite a while, though, banks were making the difference they set out to make: increasing the wealth of their shareholders. It's just that they were doing so in imprudent ways. (The film *The Big Short* does a great job of portraying how the crisis began.)

Notice again that the methods chosen in both cases (Te Korowai Aroha and the banks prior to the GFC) were *effective* but *unacceptable*. The old people remained in their own homes, and the banks delivered profits to their shareholders. It's just that the ways these results were achieved were unacceptable.

If we were to examine a range of scenarios where the methods chosen were unacceptable even though they produced the intended results, we would find that all of these methods fall into one of four categories: unreasonable, unethical, imprudent or unlawful.³ It was unreasonable of Eru as manager of Te Korowai Aroha to nail shut the windows and doors of the old people's homes. It was imprudent of the banks to lend to uncreditworthy borrowers.

The point is that there are always limits to how we can go about making a difference. The right kind of difference can be made, but in the wrong kind of way.

The significance for the governance of organisations is that the board of an organisation has a responsibility to be very clear about acceptable and unacceptable methods. The board needs to be clear that just because a method is effective, it is not necessarily acceptable. By being clear about this, the board puts in place boundaries or limitations that spell out the limits of acceptable managerial behaviour. (We'll look at how a board does this in chapter 6.)

Whose values?

The last point — that there are always limits to what may be done — raises another question: who has the right to set these limits? Who has the right to say what is acceptable and what is unacceptable? For that matter, who has the right to say what difference the organisation exists to make?

In the case of Te Korowai Aroha, who has the right to say how we should or shouldn't go about making a difference for our old people? Do the members of Ngāti Mea have that right? Do the koroua and kuia themselves have that right? What about the organisation's main funder, the District Health Board? Or the Ministry of Health? The staff? The Health & Disability Commissioner? The health unions to which staff belong?

This leads to a crucial concept in governance: the concept of **ownership**.

Every organisation has owners. This is the group to whom the board is accountable for the governance of the organisation. The members of this group have the right to expect the organisation to be governed according to their values and aspirations.

From a governance perspective, there are two kinds of owners: legal owners and moral owners. We'll explore the concept of ownership in more depth in chapter 3, where we take a closer look at these two categories. For the moment, though, the key point is that the owners of an organisation, regardless of whether they are legal or moral owners, are entitled to have the organisation governed on their behalf.

In the case of Te Korowai Aroha, the owners are the hapū of Ngāti Mea: they set up the organisation and have the right to have their values and aspirations reflected in the governance of the organisation. Because there are too many hapū members for them all to be directly involved in governing the organisation (let's assume the hapū has about a thousand members), they chose a small, manageable subset of themselves to govern Te Korowai Aroha as their agent. This is the board. The owners delegated responsibility to the board for governing the organisation, and they now expect from the board regular and meaningful accountability.

SUMMARY

Here's a summary of the points that have been made so far in this chapter.

1. Every organisation exists to make a difference.
2. This difference can always be expressed in terms of results, recipients and worth.
3. There are always limits that must be observed in making a difference, which can be expressed in terms of reasonableness, ethics, prudence and lawfulness.
4. Every organisation has owners, whose values the organisation should reflect.

It's hard to overstate the importance of these four points. Despite their apparent simplicity, they are crucial to a sound understanding of governance. They also form the basis of the definition of governance that we will be using throughout this book, as shown in Table 3.



TABLE 3 | DEFINITION OF GOVERNANCE

Governance is the system for ensuring, on behalf of an identified group of owners, that an organisation makes the difference it is supposed to make, within the limits of reasonableness, ethics, prudence and lawfulness.

We'll refer to this definition many times in the pages that follow. Much of the remainder of the book involves carefully 'unpacking' this definition in order to understand its implications and to see what these look like in practice.