

PASSING THE BATON: EMERGING LEADERSHIP VALUES, GOVERNANCE AND RESPONSIBILITY IN AUSTRALIAN CHARITIES

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Abstract

Changes in governance ideas within the Australian charity sector would be expected to reflect wider societal reorientations. It is therefore pertinent to ascertain how the leaders in this important sector might be responding to new outlooks, new expectations, and new regulatory requirements. Charities will not long remain untouched by social shifts if only because issues of donor trust and public confidence are crucial to the success (or otherwise) of philanthropic enterprises. This article presents, and critically analyses, empirical evidence on the views on governance duties as well as the key issue of conflicts of interest (within charity boards) to the extent they may diverge between younger emerging charity leaders (those aged under 45) and their older counterparts. The outlooks and opinions of emerging leaders may be an important indicator of the direction in which governance of the sector is headed.

I INTRODUCTION

It might seem trite to note how rapidly Australian society has changed over recent decades, particularly as concerns new views, opinions, conventions and standards. These changes necessarily impact organisational governance as entities – both private and public – react to new norms, new expectations, and inevitably new regulation. Charities are hardly exempt from these changes, particularly given that public trust and confidence are so important to the success of charitable entities and of the charitable sector generally. Given the reshaping of social and legal landscapes, this article explores the extent to which charity governance diverges according to the age of charity managers and leaders. Using empirical evidence from a survey of over 400 charity leaders, we examine key areas that guide leadership decision-making where these differ between older and younger leaders of Australian charitable organisations (known as ‘responsible persons’ or ‘responsible entities’¹), an indication, we propose, of the future face of charity governance.

Within our survey of charitable organisations published in an earlier issue of this journal we presented, and critically analysed, the views and opinions of responsible persons on governance and conflicts of interest.² Given that the survey also included selected demographic characteristics of respondents, we are able to analyse differences in opinions and practice between age groups.

¹ The term ‘responsible person’ is defined in *Australian Charities and Not-for-profits Commission Act 2012* (Cth) s 205-30 and includes, for example, directors of charitable companies, trustees of charitable trusts and management committee members of incorporated associations.

² Rosemary Teele Langford and Malcolm Anderson, ‘Restoring Public Trust in Charities: Empirical Findings and Recommendations’ (2023) 46 *University of New South Wales Law Journal* (forthcoming, July) (‘Restoring Trust’). There was also a counterpart survey for England and Wales – for details see Rosemary Teele Langford and Malcolm Anderson, ‘Charity Trustees: Governance Duties and Conflicts of Interest’ (2022) 28(7) *Trusts and Trustees* 673. For comparison of the results of the two jurisdictions see Rosemary Teele Langford and Malcolm Anderson, ‘Governance Duties and Conflicts of Interest in the Charities Sector: Australia and England & Wales Compared’ (2022) 28(1) *Third Sector Review* 18.

II CHARITY GOVERNANCE BACKGROUND AND RESEARCH QUESTIONS

The Australian Charities and Not-for-profits Commission ('ACNC') Regulations require a registered charity to take reasonable steps to ensure that responsible persons comply with duties relating to care and diligence; good faith and furtherance of purposes; proper use of position and of information; disclosure of perceived or actual material conflicts of interest; management of financial affairs; and the avoidance of insolvent trading.³ In addition, responsible persons are subject to multiple other governance duties arising from a number of sources.⁴ Of particular importance are duties relating to conflicts of interest and financial management.⁵ Concerns have been expressed that inconsistencies, incoherence, gaps in coverage and problematic interaction with other legislation – not to mention the sheer complexity of the regulatory framework – bedevil the capacity of responsible persons within charities to conform practice to the letter of the law.⁶ How these conundrums might affect, challenge (and confound) responsible persons would no doubt vary according to different levels of age and experience.

Our surveys tested two core elements of governance requirements, namely management of conflicts of interest and general financial management. Conflicts of interest can negatively affect public trust and confidence in the particular charity, as well as in the sector more generally. Moreover, understanding and management of conflicts of interest are arguably indicative of the degree of broader understanding and compliance. In this regard, testing of conflicts management is in some ways more straightforward than testing of compliance with other duties given the existence of an accepted first step, namely declaration or disclosure of the conflict of interest.

In addition to management of conflicts of interest, general financial management is paramount. Monitoring the charity's financial position is a vital aspect of governance duties, especially in light of the duty of care and insolvent trading obligations.⁷ Testing responsible persons' understanding of the charity's financial position is therefore significant, and indicative of responsible persons' understanding of, and compliance with, their governance duties. Sufficient care and diligence concerning financial aspects is also important in furthering charitable purposes given that inefficiency and waste may deprive charities of funds for pursuit of those purposes.⁸

The surveys also tested responsible persons' knowledge of the charity's purpose (or purposes) and how frequently such purpose (or purposes) was (or were) considered in decision-making in order to determine whether the practical reality of decision-making reflected the necessary centrality of purpose in charity governance. Establishment and pursuit of charitable purpose

³ Australian Charities and Not-for-profits Regulation 2013 (Cth) reg 45.25(2) ('Governance Standard 5').

⁴ See Langford and Anderson 'Restoring Trust' (n 1); Rosemary Teele Langford and Miranda Webster, 'Misuse of Power in the Australian Charities Sector' (2022) 45 *University of New South Wales Law Journal* 70.

⁵ For discussion see Langford and Anderson, 'Restoring Trust' (n 1) [pinpoints to be provided].

⁶ See, eg, Ian Ramsay and Miranda Webster, 'Registered Charities and Governance Standard 5: An Evaluation' (2017) 45(2) *Australian Business Law Review* 127.

⁷ See, eg, *Corporations Act 2001* (Cth) s 588G, Governance Standard 5 (n 3) para (g). Note also *Australian Charities and Not-for-profits Act 2012* (Cth) s 55-5.

⁸ See Michael D Connelly, 'The Sea Change in Nonprofit Governance: A New Universe of Opportunities and Responsibilities' (2004) 4(1) *Inquiry* 6.

are vital to initial and ongoing registration as a charity – the charity’s purpose (or purposes) therefore need to be at the centre of governance and strategy.⁹

In addition, the surveys tested motivations in order to develop a better understanding of compliance motives and perceived impediments to enhanced governance and compliance. Motives play a significant role in explaining and encouraging compliance, and therefore in regulatory frameworks. Understanding respondents’ motives for compliance is therefore vital in determining and evaluating regulatory and enforcement design, strategies and reforms.¹⁰

Our earlier article analysed how responsible persons have understood their governance duties, the extent to which they pay regard to the stated purposes of their entity, the reasons that motivate their compliance, and how they understand and manage conflicts of interest.¹¹ It is, however, of considerable interest to discover the state of affairs among the most recent generation – those we have termed *emerging charity leaders* – and whether they give these issues the same (or more or even less) attention to established, older, leaders. To these ends this article is directed.

In respect of the overall research focus, our empirical research centres on a suite of research questions that encompass the following. First, we investigated whether emerging charity leaders are more (or less) attentive and receptive to appropriate management of conflicts of interest and whether they are more (or less) focused on their charity’s purpose(s) than older responsible persons. Second, we probed whether emerging leaders are confident they possess a clear understanding of relevant governance duties, and whether have they received training in governance. In particular, are they both confident and diligent as to issues of *financial* management as compared to their older, established peers?

In addition to general awareness of their specific legal duties and responsibilities, we thirdly examined whether emerging charity leaders know *where to find out* what they need to know in terms of governance duties, as well as the particular factors that hinder them being informed and equipped (whether lack of time, complexity, or lack of guidance). Fourth we looked at what specific assistance younger (vis-a-vis older) charity leaders might value highly in acquiring a more complete understanding, such as training, mentoring, practical professional assistance, online guides, and formal codes. Our fifth question was what might be the leading factors that motivate compliance, including factors such as protection of their own personal reputation, defence of the good name of the organisation, respect for the law or to ensure efficient, optimal decision making.

We then focused in detail on identification and management of conflicts of interest, probing whether younger leaders have a different approach to conflicts management and the factors that influenced this approach as compared to older respondents. For example, we looked at

⁹ For discussion, see, eg Rosemary Teele Langford, ‘Purpose-Based Governance: A New Paradigm’ (2020) 43(3) *University of New South Wales Law Journal* 954.

¹⁰ See, eg, Vibeke Lehmann Nielsen and Christine Parker, ‘Mixed Motives: Economic, Social and Normative Motivations in Business Compliance’ (2012) 34(4) *Law and Policy* 428; Arie Freiberg, *Regulation in Australia* (Federation Press, 2017) 382-4. The ACNC cites several reasons for dealing effectively with conflicts of interest including reputation risk, the desire for accountability and transparency, avoidance of poor governance and ensuring harmonious board dynamics – see Australian Charities and Not-for-profits Commission, ‘Managing Conflicts of Interest: A Guide for Charity Board Members’ (Guide, November 2015).

¹¹ Langford and Anderson, ‘Restoring Trust’ (n 1).

whether younger charity leaders were more likely to have witnessed conflicts of interest being merely disclosed (as opposed to formally recorded) and whether they had witnessed conflicted board members absenting themselves from discussion as well as from voting. Further to this, we sought to ascertain what emerging leaders' *own* perspectives are on what ought to happen in board meetings when conflict of interest arises and what factors are determinative in management of conflicts of interest. We also surveyed differences in experience concerning whether board members or their associates were paid for work (such as legal, accounting or consultancy services) by the entity. This is of particular relevance in light of newly introduced related party reporting requirements.¹²

In probing attitudes to conflicts of interest, we looked at what relationships were seen as problematic when younger leaders confront possible conflicts of interest. In particular, we sought to ascertain whether these extended beyond just family members or partners to entities with which board members are associated or even to sports clubs. We examined whether emerging leaders took a different approach to understanding the term 'conflicts of interest'. A final suite of items examined how the concept and extent of conflict of interest differs between these two age groups when tested on three hypothetical scenarios.

And finally, we sought to probe whether the difference between established and emerging charity leadership is grounded in age alone (and therefore indicative of a novel cultural matrix for emerging leaders), or whether it related to their growing familiarity and experience in charity governance as expressed in how long they have been in their positions.

III THE SURVEY AND ITS METHODOLOGY

An interactive survey was created using SurveyMonkey. Participants were recruited by peak charity bodies (via newsletter or email to members) and charity sector contacts, as well as by direct approach to individual charities listed on the ACNC Charities Register. The online survey contained 26 core questions and took around 14 minutes to complete. It included both quantitative (including likert) items and qualitative (open ended questions) items together with a suite of demographic questions. Survey items probed respondents' understanding of their duties; barriers and motivations in relation to compliance; how conflicts are managed and respondents' understanding of the concept of conflicts of interest, including by way of hypothetical scenarios.

The complete number of useable responses totalled 419. Of these, the number answering individual items ranged from 397 to 418 for the demographic items and between 328 to 367 for the relevant likert questions (bearing in mind that there was no 'not applicable' option). Slightly less completed the survey to the end, so those answering the hypothetical ('scenario') examples (the last major section of the questionnaire) was a minimum of 310. For most of the analysis below we partitioned respondents into the larger *established* cohort aged 45 and over (350 individuals) and a smaller *emerging* group aged 18 to under 45 (55 individuals). Another 14 respondents, who did not indicate their age, were included in the overall totals. Where relevant (and of interest) we have also sought to differentiate development in opinions within the larger and older group: that is, distinguishing and comparing those aged 45 and up to under

¹² Australian Charities and Not-for-profits Commission Regulation (Cth) reg 60.30(2); Australian Charities and Not-for-profits Commission, 'Related Party Transactions' <<https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/reporting-annually-acnc/related-party-transactions>>.

55 (84 respondents) and those aged 55 and over (266 respondents).¹³ While it would have been more precise to partition the younger (those under 45) group into more targeted age groups, the limited sample sizes would have been unsuitable for analysis. However, we were able to make use of finer age breakdowns (in that there were six separate age groups, as shown in Table 1) by assuming linearity of response and employing the ‘age’ variable in regression analysis.

Respondents represented a range of demographic indicators (age of respondent; size and legal structure of entity; purpose of entity, etc) that were roughly consistent with what is known about charities in Australia at the time of the survey. This gave cause that the final sample is broadly representative of the target population. Smaller charities and religious charities appear to have been under-represented, but careful use of regression analysis reduced the bias where it was thought necessary. Besides regression analysis (including logistic regression), other statistical techniques included chi-square test of independence, reliability analysis, and principal components analysis.

IV DEMOGRAPHIC CONSIDERATIONS

As might be expected, those in younger age groups are less likely to be found holding responsible positions in Australian charities. However, it is surprising that less than 14% of the sample reported their age as being under 45. As Table 1 indicates, two thirds of our respondents were aged 55 or over (and, in fact, almost one third were aged 65 and over). This fact occasions some comment: if it were the case that older leaders in charities were more conservative in opinion and practice, then their overwhelming preponderance in leadership positions might imply a tendency for charitable entities – in the main – to lag in their responsiveness to social or legal expectations.

Table 1 Age Structure of All Respondents

Age Group	Percent
Aged 18 to 24	0.7
Aged 25 to 34	3.2
Aged 35 to 44	9.6
Aged 45 to 54	20.7
Aged 55 to 64	34.1
Aged 65 and over	31.6
Aged under 45	13.6
Aged under 55	34.3
Aged 55 and over	65.7

While more charity leaders were in the older age categories, it is notable that younger respondents were more likely to be holding *paid* positions. However, this is arguably unsurprising as it is no doubt more difficult to find younger volunteers who have the financial capacity to take on demanding, unpaid, senior positions in a charity (Table 2a). Nevertheless,

¹³ We are not aware of any reported data on the average age of responsible persons but anecdotal evidence suggests that a large number are in the over 55 category.

while one-third of respondents aged 18 to under 45 in the survey reported they were paid full time by their charity entity, such was the case for less than one-fifth of those aged 45 and over. This corresponds with the finding that the same proportion of young respondents (34.5%) was being employed in a senior or managerial capacity (compared with just 19.4% of the older group).

Voluntary, unpaid commitment to a responsible position was, as might be expected, well represented among the older group (55.4% being volunteer versus 41.8 of the younger). The more pronounced differential in the position-type, however, was reported *within* the older group: Table 2b indicates that the nature of employment position (within charity leadership) of those in the 45 to under 55 age group more nearly approximates that of their younger (aged under 45) peers. As might be wholly expected, the likelihood of an older respondent (aged 55 or over) being in a full-time paid position with their organisation diminishes rapidly with a converse sudden rise in the proportion found serving in a volunteer capacity.

It is also to be expected that younger respondents would not have been in their present position for the same stretch of time as their older counterparts. In fact, just over one in 10 of younger respondents had been in their position for more than 10 years. For the older group just over one quarter had held their positions for at least this length of time (Table 3). This differential raises the possibility that responses to questions may have much to do with *experience* rather than age as such. In this regard, we note that the 'experience' characteristic will be factored out in the regression analysis discussed below.

Finally, there was a discernible, though inconclusive, relationship between age of respondents and the size of the entity. Just over half (54.2%) of those aged between 45 and under 55, for example, were with organisations listing revenues above a million dollars annually. In contrast, the proportion within large organisations was lower either side of this age bracket: 46.3% of those aged under 45; 42.4% of those aged 55 and over.¹⁴

Since there is a preference among the younger group for being in full-time paid work with their charity, together with a predisposition toward inexperience (in the sense of length of time in present position), these two demographic factors may *confound* the true impact of age when testing differences in questionnaire items. It is entirely possible, for example, that it is the limited duration that a respondent has held their position that is driving the difference in questionnaire item responses – rather than just their age. To account for these possibilities, we ran exhaustive sets of multiple regressions (if the dependent variable was continuous – such as a likert scale) or logistic regressions (if the dependent variable was a binary – such as a yes/no answer). Given the likelihood of more ample resources and talents available in larger organisations impacting attitudes and opinions, we accounted for confounding potential of this factor also. In fact, *size of the organisation* turned out to be among the most frequent determinates of opinions and knowledge (while the characteristic of being either an unpaid volunteer, or in a full-time paid responsibility, was among the least impactful).

Other than these possible confounding items, there were no other important differences in demographic indicators between younger and older respondents. This included factors such as

¹⁴ In initial testing, the difference between the proportion working in large organisations within the 18-54 age group (51.1%) and those within the 55 and over age group (42.4%) returned a p-value of 0.0963 (Chi-square test of independence).

legal structure of the entity (ie. whether a company structure, or incorporated association); board size; or the purpose of the charity.

Table 2a Position of Respondent Within the Organisation.

('Which of the following best describes your position within your organisation?')

Position Category	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
Paid full time	21.4	34.5	**	19.1
Paid part time	8.6	9.1		8.6
Unpaid/Volunteer	53.4	41.8	+	55.4
Executive/Senior Manager	21.7	34.5	*	19.4
Other position	17.5	12.7		18.3

Note: Respondents answered for each of the five categories, so could indicate more than one position-type; totals may then add to over 100%. Statistical significance indicated by either one asterisk (if at the 0.05 level) or two asterisks (at the 0.01 level), while a plus sign (+) indicates *possible* significance (that is, 'significant' at the 0.10 level); Chi-square test of independence.

Table 2b Position of Respondent Within the Organisation.

Position Category	Age Under 45 (%)	Age 45 to Under 55 (%)	S2	Age 55 and Over (%)
Paid full time	34.5	35.7	**	13.9
Paid part time	9.1	11.9		7.5
Unpaid/Volunteer	41.8	39.3	**	60.5
Executive/Senior Manager	34.5	25.0		17.7
Other position	12.7	13.1		19.9

Note: Statistical significance indicated by either one asterisk (if at the 0.05 level) or two asterisks (at the 0.01 level); Chi-square test of independence. No statistically significant differences found between the first two columns. Column S2 reports statistical differences between the two older age groups.

Table 3 Length of Time Respondents Have Held Their Position

('How long have you held this position?')

	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
One year or less	10.8	21.8		8.9
Between one and three years	26.4	34.5		25.1
Between three and five years	17.7	20.0		17.4
Over five years	20.7	12.7		22.0
Over ten years	19.0	10.9		20.3
Over twenty years	5.4	0.0		6.3
Five Years or Less	54.9	76.4	**	51.4
Over Ten Years	24.4	10.9	*	26.6

Note: Statistical testing just for the last two rows. One asterisk indicates statistical significance at the 0.05 level; two asterisks, significance at the 0.01 level; Chi-square test of independence.

Table 4 Annual Revenue of Organisation

('Which of the following describes the annual revenue of your organisation?')

Revenue	Aust ALL (%)	Age Under 45 (%)	Age 45 to Under 55 (%)	Age 55 and Over (%)
Less than \$50,000	12.6	9.3	10.8	13.0
\$50,000 to < \$250,000	17.7	16.7	15.7	18.7
\$250,000 to < \$1 million	24.6	27.8	19.3	26.0
\$1million to < \$10 million	26.4	27.8	30.1	25.2
\$10 million to <\$100 million	14.5	14.8	18.1	13.4
\$100 million or more	4.2	3.7	6.0	3.8
Large Organisation (Revenue \$1 million and over)	45.1	46.3	54.2	42.4

Note: Only the proportion working in large organisations (bottom row) tested: no statistically significant differences between any groups. There was also no statistically significant difference between the under 45 group and the last two columns combined (i.e., Age 45 and over).

In the Parts below we report empirical results of comparisons between emerging and established charity leaders concerning governance duties and conflicts of interest and propose an interpretation of the significance of these differences.

V RESULTS

A How Emerging Leaders Differ in regard to Consideration of the Entity's Purpose in Decision-Making

Given the appropriate centrality of purpose to decision-making in the charities setting, we begin by reporting which leaders reveal themselves to be, more responsive to their entity's stated purposes in decision-making. Overall, it appears that a significant majority of all respondents take it that the purpose of their organisation needs to be respected when it comes to decision-making. Table 5 reports that 95% of (all) respondents 'always' or 'usually' consider these purposes, meaning that both emerging and established leaders appear to be quite scrupulous. While the 'always' outlook predominates, the fact that nearly one-quarter of all respondents opted for 'usually' might be a cause for concern. It is also notable that this result ensues regardless of age.

However, there is an important contrast in that established leaders tend to be the far more heedful (96.0% 'always' or 'usually') in contrast to younger leaders who are inclined to be somewhat being less attentive to purpose. In fact, nearly 13% of emerging leaders of the younger group opt for taking more liberties in decision-making irrespective of the organisation's stated purposes (that is, either 'sometimes' or 'rarely'). A plausible interpretation is that consideration of purpose is slightly less important to a segment of, though not all, younger respondents.

Table 5 How Often the Organisation's Purpose Is Considered in Decision-Making

Likert Option	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
Always	71.1	61.7		72.3

Usually	23.9	25.5		23.7
Sometimes	2.9	8.5		2.1
Rarely	2.1	4.3		1.8
Never	0.0	0.0		0.0
Total 'Always' and 'Usually'	95.0	87.2	**	96.0

Note: Only the final row tested; Statistical significance indicated by two asterisks (at the 0.01 level); Chi-square test of independence.

B How Emerging Leaders Differ in regard to Understanding Governance Duties

There exist some important divergences when it comes to confidence in the understanding of governance duties (as shown in the next few tables). For these items it is, however, also necessary to factor out the *duration* respondents have been in their role within their organisation in that younger respondents may not have had time in the position to gain the experience to adequately comprehend the duties required of them. Table 6a reports the sum of 'strongly agree' and 'agree' to six propositions about governance. A major lacuna in knowledge as concerns emerging leaders centres on their more deficient *understanding of an entity's financial accounts* in that 88.4% of younger respondents find agreement to the proposition 'I understand the organisation's financial accounts'; versus almost all of the established leaders (96.0 %). More conspicuous is the deficiency of *training and guidance in governance duties* among emerging leaders (just 58% agreeing to the proposition 'I have received training and guidance in relation to my governance duties' as compared to three-quarters of established leaders).

Table 6a Understanding of Governance Duties (Percentage 'Strongly Agree' and 'Agree' Combined)
(Please indicate the extent to which you agree with the following statements')

Item	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
I have a clear understanding of the governance duties to which I am subject.	95.6	90.7	+	96.3
I understand the organisation's financial accounts (profit and loss/balance sheet).	95.1	88.4	*	96.0
I rely on someone else to take responsibility for the organisation's financial position.	25.9	34.9		24.8
The board is provided with regular updated financial information.	96.2	97.7		96.0
I have received training and guidance in relation to my governance duties.	72.4	58.1	*	74.2
I have read ACNC guidance on governance duties.	78.0	69.0		79.4

Notes: Figures sum 'strongly agree' with 'agree'. Statistical significance indicated by an asterisk (if at the 0.05 level), while a plus sign (+) indicates *possible* significance (that is, 'significant' at the 0.10 level); Chi-square test of independence.

The disparity in the understanding of governance duties is even more pronounced when comparing the proportion who strongly agree to the propositions. The same items are also presented in Table 6b – except that the percentages report the proportion *strongly agreeing* to each proposition. There are statistically significant differences between the older and younger groups for four out of the six propositions. For example, two-thirds of the older group strongly

agree that they 'have a clear understanding of the governance duties' as opposed to just two in five of the younger cohort. A similar disparity exists, as concerns the item asking whether they 'understand the organisation's financial accounts'. Responses to whether respondents' boards are 'provided with regular updated financial information' (58% of younger leaders; three-quarters of established leaders) could be interpreted as somewhat alarming.

Table 6b Understanding of Governance Duties (Percentage 'Strongly Agree')
(Please indicate the extent to which you *strongly agree* with the following statements')

Item	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
I have a clear understanding of the governance duties to which I am subject.	63.4	41.9	**	66.1
I understand the organisation's financial accounts (profit and loss/balance sheet).	64.6	44.2	**	67.2
I rely on someone else to take responsibility for the organisation's financial position.	7.4	11.6		6.8
The board is provided with regular updated financial information.	74.7	58.1	**	76.8
I have received training and guidance in relation to my governance duties.	41.8	25.6	*	43.8
I have read ACNC guidance on governance duties.	43.7	31.0	+	45.5

Notes: Figures presented for 'strongly agree' only. Statistical significance indicated by either one asterisk (if at the 0.05 level) or two asterisks (at the 0.01 level), while a plus sign (+) indicates *possible* significance (that is, 'significant' at the 0.10 level); Chi-square test of independence.

A question arises as to whether this deficiency in understanding of governance duties occurs due to age or simply because respondents have not been in the position long enough to acquire it. Table 7a reports multiple regression results for this item (that is, respondents' response to 'I have a clear understanding of the governance duties to which I am subject' as the dependent variable) as accounted for by three key explanatory variables – size of entity (by revenue), length of time in the job, and age. Of these three variables, the length of time in the job is *not* significant in the regression equation (indicating that experience has no effect on leader's responses). By contrast, age certainly is significant – the sign of the coefficient being positive (and statistically significant). Entity size is also significant (in that the larger the organisation, the more confident the respondent is about clarity concerning duties). We can conclude that age (the older the respondent, the more confidence regarding governance duties) is an important factor *independent* of length of time in the position (and incidentally, independent of entity size).¹⁵ The proposition as to whether respondents received training and guidance was also tested by multiple regression. Results are shown in Table 7b; and are roughly similar (with one interesting exception) to that found in Table 7a.¹⁶

A more sensitive indicator of respondent sentiment can be obtained by *averaging* strongly correlated items that also share similar grammatical meanings. Since all six items concerning the understanding of governance were, in fact, highly correlated, a mathematical scale was

¹⁵ We also tested understanding of the organisation's financial accounts by regression. While the overall regression returned a marginally less acceptable F-statistic (p-value of 0.0708), none of the three explanatory variables was significant – however the most likely was age, which indicated a t-stat of 1.942 with a p-value of 0.0530 (that is, significant at the 0.10 level).

¹⁶ However, in this regression *experience* ('how long position held') is both statistically significant and negatively signed. The presence of a counter-intuitive sign is discussed in relation to Table 12 below.

created which averaged the scores for these items (for one item – due to the way the question was posed – it was necessary for the scoring to be reversed). The items, together with their Principal Components Analysis factor loadings¹⁷ are shown in Table 8; while the resultant scale is regressed on the (same) three key explanatory variables (presented in Table 9).

On this analysis, although the duration of time in the position was not significant, age certainly was. In other words, if it were the case that the average duration in the job was identical for younger and older charity leaders, it would still be the case that the latter would be found to be more confident and prepared in their governance duties. The size of the relevant entity was also significant. However even if more competent governance practices obtained in larger entities than smaller (which evidently is the case), age is still an important determinant quite independent of entity size and length of service. The third column in Table 9 is the *standardised coefficient* and can effectively be used to compare or rank the *relative impact* of the explanatory variables: that is, the higher the figure, the more dominant is that variable in determining the change in the dependent variable (in this case, the average score of the four items in Table 6a).¹⁸ In this respect it is of interest that size of entity ranks as a marginally more important determinant (beta statistic of 0.2473) than age (beta statistic of 0.1802).

Table 7a Multiple Regression Results for the Likert Item ‘I have a clear understanding of the governance duties to which I am subject’

Variable	Coeff	St Error	Beta	t-stat	Signif of t
Revenue of Entity	0.0696	0.0264	0.1385	2.635	0.0088
How Long Position Held	-0.0058	0.0058	-0.0548	-0.998	0.3191
Age	0.0106	0.0035	0.1680	3.066	0.0023
(Constant)	3.7624	0.2196		17.131	0.0000

Note: OLS (Ordinary Least Squares) regression returned a Multiple-R statistic of 0.19968 with an F-stat=4.9281 (Signif F=0.0023); df (regression)=3; df (residual)=356.

Table 7b Multiple Regression Results for the Likert Item ‘I have received training and guidance in relation to my governance duties’

Variable	Coeff	St Error	Beta	t-stat	Signif of t
Revenue of Entity	0.2736	0.0445	0.3115	6.150	0.0000
How Long Position Held	-0.0208	0.0097	-0.1139	-2.150	0.0322
Age	0.0171	0.0058	0.1560	2.955	0.0033
(Constant)	2.1976	0.3678		5.974	0.0000

Note: OLS (Ordinary Least Squares) regression returned a Multiple-R statistic of 0.33017 with an F-stat=14.5190 (Signif F=0.0000); df (regression)=3; df (residual)=356.

¹⁷ Principal Component Analysis (‘PCA’) is a mathematical technique for analysing datasets with many variables. The aim is to reduce the complexity (that is ‘number of dimensions’) by finding sets of highly correlated variables and replacing them with fewer (newly constructed) ‘factors’. These ‘factors’ are usually the *average* of those variables that are highly correlated. The *factor loadings* represent the correlation between the factor itself and its constituent variables.

¹⁸ In regression parlance this is known as the ‘beta’ figure. Standardised regression coefficients (or beta coefficients) are estimates where the original data has been standardised so that the variances of dependent and independent variables are equal to unity.

Table 8 Factor Matrix (Varimax Rotation) for All Governance Understanding Items

Item	Factor Loading
I have a clear understanding of the governance duties to which I am subject.	.84182
I understand the organisation's financial accounts (profit and loss/balance sheet).	.75475
I have received training and guidance in relation to my governance duties.	.73886
I have read ACNC guidance on governance duties.	.67388
The board is provided with regular updated financial information.	.65566
I rely on someone else to take responsibility for the organisation's financial position (scoring for this item reversed)	-.46165

Note: Just one factor extracted in the Principal Components Analysis (varimax rotation). Also note that the final item was negatively signed, but highly (negatively) correlated on the first (and only) factor (this the sign was reversed in calculation of the scale). Reliability analysis of the six items generated the following inter-item correlations: average 0.3717; minimum 0.0980; maximum 0.5750. Overall inter-item correlation for the six items returned an acceptable standardised Cronbach alpha statistic of 0.7802.

Table 9 Multiple Regression Results for the Governance Understanding Scale

Variable	Coeff	St Error	Beta	t-stat	Signif of t
Revenue of Entity	0.1182	0.0243	0.2473	4.726	0.0000
How Long Position Held	-0.0090	0.0053	-0.0906	-1.685	0.0928
Age	0.0108	0.0032	0.1802	3.362	0.0009
(Constant)	3.3005	0.2038		16.198	0.0000

Note: OLS (Ordinary Least Squares) regression returned a Multiple-R statistic of 0.2841 with an F-stat=10.4472 (Signif F=0.0000); df (regression)=3; df (residual)=357.

C How Emerging Leaders Differ in regard to *Difficulties* in Understanding Governance Duties

Against a background of this discernible difference between the two age groups in terms of knowledge and confidence, we next analysed the reasons that make governance duties difficult to understand – and especially so, for emerging leaders. In particular, do those reasons differ in any way from those of established charity leaders should they also disclose difficulties and deficiencies? Responses from a suite of items probing possible reasons are given in Table 10. The main divergences concern the complexity of governance duties, shortage of time to fully understand the duties, and limited guidance regarding the application of duties in practice. The younger cohort are twice as likely to complain of insufficient time to devote to understanding governance duties (15% citing this reason) than the older group (just 7.3%). Similarly, more than one in four emerging leaders reference insufficient guidance in how duties apply in practice (versus just over one in ten of the older group). Another problem concerned the sheer

complexity of governance issues: emerging leaders were more likely to complain that this factor impeded their understanding (more than one in four) than their older peers (just 14.6%).¹⁹

Again, it was the case that some measure of confidence or certainty separates the two groups. The proportion that agrees that they 'do not understand where to find an outline' of governance duties is roughly the same. Notably, however, the contrast in the proportions who *disagree strongly* with the proposition is more marked: only 22.5% of the emerging leaders are emphatic, disagreeing strongly. However, around one half of established leaders disagreed strongly with the proposition (50.6%).²⁰

Again, it would be expected that a respondent's level of experience in the position – measured by the length of time respondents have held their position – should have an impact. We tested this with a multiple regression on the *scale* that is formed by these six items. Table 11 lists the factor loadings reported by the Principal Components Analysis for the 'reasons that make it difficult to understand' items. All load quite highly, meaning all six items are highly correlated. This scale – the average of the scores of the six items – is regressed on the three leading explanatory variables. The regression results are presented in Table 12. Since all items are expressed in a negative grammatical sense ('I do not understand', 'I was unaware', 'I have insufficient' etc) we would expect the signs to change for the coefficients of the variables that are statistically significant.

Interestingly, in this case, all three explanatory variables are significant, meaning all three *independently* have an impact on reasons that make it difficult to understand governance duties. As might be expected, age and size of entity return negative (statistically significant) coefficients: the older the respondent, the less likely to cite any of the factors as difficulties (meaning that, relatively, they do not actually find the duties difficult). The same result is true as concerns size of entity (the larger the organisation, the less likelihood that difficulties arise, presumably because in large organisations there is a greater wealth of talent or experienced personnel to deal with problematic governance issues).

However, notably, the length of time a respondent has been in the position as a responsible person returns a positive (and statistically significant) coefficient. In other words, the 'lack of understanding' or awareness of the complexity, or level of complaint about insufficient time or guidance, *increases* the longer the person has been in their current position. This could be consonant with more experienced individuals being subject to new and increased responsibilities, giving rise to more difficulties. Such individuals may also become more aware of the multiple layers of governance duties and ensuing difficulties. The regression in fact demonstrates that it is not the length of time in the job that mitigates the difficulties (in fact, the contrary is true), but rather the youthfulness of the respondent. In other words, emerging leaders are struggling with governance issues because of their youth and not (just) their relative inexperience in the job. We might add that the standardised coefficient column ('Beta') also indicates that it is both age and entity size that impact roughly equally (and impact negatively) governance difficulties (with standardised coefficients of -0.2419 and -0.2336 respectively) – a respondent's time in the position is far less impactful (Beta of + 0.1754).

¹⁹ In an OLS regression, all three explanatories – age, experience, and size of entity – reported statistically significant t-stats.

²⁰ The tables for the 'strongly disagrees' are not shown: interestingly, of the six items (listed in Table 10), there was a statistically significant difference between the age groups in the proportion *strongly disagreeing* for five out of the six items.

Table 10 Reasons That Make It Difficult to Understand Governance Duties (Percentage ‘Strongly Agree’ and ‘Agree’ Combined)

(‘There may be a number of reasons that make it difficult for you to understand your governance duties. Please indicate the extent to which you agree or disagree with the following statements.’)

Item	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
I do not understand where to find an outline of my governance duties.	7.5	10.0		7.2
I was unaware that I had governance duties.	3.9	2.5		4.1
I feel that the governance duties are complex and difficult to keep up with.	16.0	27.5	*	14.6
I do not understand what the duties mean	2.8	2.5		2.8
I have insufficient time to understand my governance duties.	8.1	15.0	+	7.3
I have insufficient guidance as to how my governance duties apply in practice.	13.4	27.5	**	11.6

Notes: Figures sum ‘strongly agree’ with ‘agree’. Statistical tests reported in Column 3: significance indicated by either one asterisk (if at the 0.05 level) or two asterisks (at the 0.01 level), while a plus sign (+) indicates *possible* significance (that is, ‘significant’ at the 0.10 level); Chi-square test of independence.

Table 11 Factor Matrix (Varimax Rotation) for All Reasons That Make It Difficult to Understand Governance Issues Items

Item	Factor Loading
I do not understand what the duties mean.	.82846
I have insufficient guidance as to how my governance duties apply in practice.	.80628
I have insufficient time to understand my governance duties.	.80030
I do not understand where to find an outline of my governance duties.	.71693
I feel that the governance duties are complex and difficult to keep up with.	.67875
I was unaware that I had governance duties.	.65006

Note: Just one factor extracted in the Principal Components Analysis (varimax rotation). Reliability analysis of the six items generated the following inter-item correlations: average 0.4701; minimum 0.3118; maximum 0.6159. Overall inter-item correlation for the six items returned a (wholly acceptable) standardised Cronbach alpha statistic of 0.8418.

Table 12 Multiple Regression Results for the Reasons That Make It Difficult to Understand Governance Issues Scale

Variable	Coeff	St Error	Beta	t-stat	Signif of t
Revenue of Entity	-0.1188	0.0260	-0.2336	-4.560	0.0000
How Long Position Held	0.0185	0.0056	0.1754	3.274	0.0012
Age	-0.0155	0.0034	-0.2419	-4.533	0.0000
(Constant)	2.9807	0.2172		13.725	0.0000

Note: OLS (Ordinary Least Squares) regression returned a Multiple-R statistic of 0.3196 with an F-stat=13.274 (Signif F=0.0000); df (regression)=3; df (residual)=350.

D How Emerging Leaders Differ in regard to Assistance Measures

When it came to probing the best kind of assistance each group would value in understanding and complying with governance duties, age proved to be an important factor. However, there were *no* statistically significant differences between those aged under 45 and respondents aged 45 and over. Rather, the material differences were evident *within* the older, established cohort. Table 13 presents the propositions that were put to respondents together with the percentages agreeing ('agree' plus 'strongly agree') in respect of type of assistance they would welcome. For *all* of the eight propositions, those aged 45 to under 55 (Column 3) welcomed the entire raft of assistance measures much more than the senior group (aged 55 and over) (Column 5).

This may, of course, partly reflect the likelihood that the more senior charity leaders feel less need for such assistance. Four of the (eight) propositions were statistically significant. What this demonstrates is that assistance measures such as training on duties, mentoring, professional advice and access to ACNC advice extend well past the emerging group and into the next age decade. It is only those aged 55 and over who maintain confidence in their ability and knowledge and therefore feel less in need of assistance.

To test whether it was age alone that swayed these responses (as might be expected) or whether time in the job was determinative we ran further regressions on two scales that were formed out of the 'understanding and complying with governance' items.²¹ In both cases, age *alone* independently predicted the need for assistance (the younger the age, the more likely to agree to the propositions regarding the need for assistance); time on the job or size of entity were not significant.

Table 13 What Would Help Respondents Understand and Comply with Governance Duties (Percentage 'Strongly Agree' and 'Agree' Combined)

('Would the following help you to understand and comply with your governance duties?')

Item	Aust ALL (%)	Age Under 45 (%)	Age 45 to Under 55 (%)	S2	Age 55 and Over (%)
Training on the governance duties	71.8	81.1	83.3	**	66.5

²¹ Three items made up the 'Tools and Assistance' Scale. These comprised: '[a] Charity Governance Code that sets out general principles for accepted modern practice of good governance'; '[a] Charity Governance Code combined with a diagnostic (i.e. self-evaluation) tool for board members to fill in concerning their organisation's performance'; and '[a] detailed online guide that sets out all the governance duties of board members, with an optional self-evaluation tool'. The scale for three returned an excellent Cronbach alpha statistic of 0.8300. In the subsequent Ordinary Least Squares regression, only age returned a significant t-stat (significant at the 0.05 level). The coefficient was negative indicating that the older the age, the less likely respondents would agree to the propositions. Ordinary Least Squares regression returned a Multiple-R statistic of 0.1740 with an F-stat=3.51934 (Signif F=0.0154); df (regression)=3; df (residual)=338.

Four items made up the 'Practical and Mentoring Scale'. These comprised '[m]ore guidance from the ACNC on the governance duties'; '[a]ccess to professional advice'; 'practical examples and scenarios showing how the duties are applied'; and '[m]entoring'. The scale for three returned an excellent Cronbach alpha statistic of 0.8053. In the subsequent (OLS) regression, only age returned a significant t-stat (significant at the 0.05 level). The coefficient was negative, indicating that the older the age, the less likely the respondent would agree to the propositions. Ordinary Least Squares regression returned a Multiple-R statistic of 0.1740 with an F-stat=2.96473 (Signif F=2.0.0322); df (regression)=3; df (residual)=337.

A Charity Governance Code that sets out general principles for accepted modern practice of good governance	76.2	78.9	80.8		74.2
A Charity Governance Code combined with a diagnostic (i.e. self-evaluation) tool for board members to fill in concerning their organisation's performance	77.0	76.3	82.4		75.3
A detailed online guide that sets out all the governance duties of board members, with an optional self-evaluation tool	79.5	84.2	83.8		77.4
More guidance from the ACNC on the governance duties	45.2	47.4	56.8	*	41.4
Access to professional advice	63.4	71.1	73.0	*	58.9
Practical examples and scenarios showing how the duties are applied	76.0	73.7	82.4		74.7
Mentoring	53.3	68.4	66.2	**	47.0

Notes: Figures sum 'strongly agree' with 'agree'. No statistically significant differences between the second column (age under 45) and third column (age 45 to under-55). Statistical tests reported in fourth column between the two older groups. One asterisk indicates statistical significance at the 0.05 level; two asterisks, significance at the 0.01 level (Chi-square test of independence).

E What Motivates Emerging Leaders to Want to Comply

Table 14a below indicates the strength of 'importance' (here summing 'very important' with 'fairly important') to propositions concerning motivations for compliance with governance duties. In short, the results were indistinguishable between the age groups - with one exception. The only outlier was the proposition whether '[m]y personal ethical or social values' constituted a motivating reason: almost all of the older group agreed that this was important while a (statistically significant) lower proportion of emerging leaders (89.5%) thought it important. However, it is possible that '[m]y personal ethical or social values' could reflect different language usage across demographics, possibly evidencing an era-related language aspect.

Closer scrutiny reveals more detail: Table 14b reports the proportion citing 'very important' to the motivating factors. This indicates fairly clearly that older respondents (those aged 45 and over) are far more concerned about liability or sanctions for the organisation (four in five, as against just 63.2% for the younger set) and maintaining optimal decision-making (approximately three-quarters of the established group as against just over half of the younger). In addition, nearly four in five of the established respondents class as 'very important' respect for the law, as compared to under two-thirds of the emerging leaders.

In general, the ranking of the reasons according to the proportion citing 'very important' is the same for both groups, with concern for the organisation's reputation or liability ranking well ahead of personal reputation or personal liability.

Table 14a Factors That Motivate Respondents to Want to Comply with Governance Duties (Percentage 'Very Important' and 'Fairly Important' Combined)

('What factors motivate you to want to comply with your governance duties? Please indicate how important the following motivations might be')

Item	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
Concern for my personal liability	84.1	89.5		83.4
Concern for my personal reputation	85.3	81.6		85.7
Concern about liability or sanction for the organisation	97.1	100.0		96.7
Concern about the organisation's reputation and public perception of the organisation	98.3	97.4		98.4
My personal ethical or social values	96.5	89.5	*	97.4
To enable optimal decision-making within the organisation	96.8	92.1	+	97.4
Respect for the law	96.3	92.1		96.8

Notes: Figures sum 'very important' with 'fairly important'. Statistical tests reported in third column. Significance indicated by an asterisk (if at the 0.05 level), while a plus sign (+) indicates *possible* significance (that is, 'significant' at the 0.10 level); Chi-square test of independence.

Table 14b Factors That Motivate Respondents to Want to Comply with Governance Duties (Percentage 'Very Important' only)

('What factors motivate you to want to comply with your governance duties? Please indicate how important the following motivations might be')

Item	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
Concern for my personal liability	51.3	42.1		52.3
Concern for my personal reputation	56.4	47.4		57.3
Concern about liability or sanction for the organisation	78.2	63.2	*	80.0
Concern about the organisation's reputation and public perception of the organisation	86.5	81.6		87.0
My personal ethical or social values	83.9	73.7	+	85.1
To enable optimal decision-making within the organisation	70.5	52.6	*	72.6
Respect for the law	77.5	63.2	*	79.2

Notes: Figures are for those opting for 'very important' only. Statistical tests reported in third column. Significance indicated by an asterisk (if at the 0.05 level), while a plus sign (+) indicates *possible* significance (that is, 'significant' at the 0.10 level); Chi-square test of independence.

F How Emerging Leaders Differ in Their Experience of the Management of Charity Board Conflicts of Interest

The background demographics collected for this research included an item asking whether a respondent's organisation had a conflicts of interest policy.²² Overall, 80.5% answered in the affirmative, while just 12.8% revealed that their entity did not have such a policy (another 6.7% did not know). Interestingly, emerging leaders tended to belong to entities that did not have a conflict of interest policy (65.8%), while established leaders represented entities that did (82.3%). It should be noted – perhaps also with disquiet – that over 13% of emerging leaders just 'did not know' whether their organisation had such a policy or not (Table 15).

²² Note that conflict of interest procedures and rules may be contained in an organisation's governing document.

Similarly, we sought an estimate of the number of occasions (in the past three years) that a board member had declared or discussed a conflict of interest. In this respect there was no difference between the experiences of established and emerging leaders (for both groups, some 33.7% recalled ‘five or more times’ over the past three years). However, it was of interest that a sizeable number of the emerging leaders ‘did not know’ (10.5%) – the corresponding figure for established charity leaders was just 3.6%.²³

Table 15 Whether Organisation Has a Conflict of Interest Policy

	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
Yes	80.5	65.8	*	82.3
No	12.8	21.1		11.8
Don’t know	6.7	13.2		5.9

Notes: Only the figures for those opting for ‘yes’ tested. Statistical test reported in third column. Significance indicated by an asterisk (if at the 0.05 level); Chi-square test of independence.

However, in the cases where a conflict of interest arose, the *management* of conflict of interest was roughly identical between the two groups (Table 16a). Interestingly, members of the older group were far more likely to have witnessed (either ‘always’ or ‘frequently’) a conflict being recorded in the entity's conflicts register (80.7% versus 54.5% for the younger group).

The divergence in age groups, however, was more apparent *within* the established group – namely those aged 45 to under 55, on the one hand, and those aged 55 and over – for two key items. When we isolate those who reported (only) ‘always’ (Table 16b), we find a more substantial divergence in respect of board voting and discussion in circumstances where the conflicted member is still present in the meetings. Nearly four in five of the older (55 and over) age group affirmed that the conflicted member *always* abstained from voting (as against 61.7% of those in the 45 to under 55 group). In addition, it was evident that there was a clear difference between these subgroups on the proposition that the conflicted board member *always* abstained from *even participating* in discussions. Some 53.4% of older established charity leaders (those aged 55 and over) ‘always’ attested to this as opposed to just over a third (37.7%) of the emerging leaders.

Table 16a Where a Board Member Had a Conflict of Interest, How Often Had It Been Managed: Combined Percentages Answering ‘Always’ or ‘Frequently’

(‘Where a board member has had a conflict of interest, how often has it been managed in the following ways?’)

Item	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
The conflicted board member disclosed the conflict to the board.	89.9	96.3		89.2
The conflicted board member abstained from participating in discussion on the matter.	67.7	61.5		68.4
The conflicted board member abstained from voting on the matter.	86.6	76.9		87.7
The conflicted board member or the board sought authority from members.	49.3	37.5		50.7
The conflict was recorded in the organisation’s conflicts register (or register of interests).	78.3	54.5	**	80.7
The board obtained independent expert advice.	5.5	8.3		5.2

²³ No table is shown for this breakdown.

The conflicted board member resigned.	0.8	0.0		0.9
The board sought guidance from the ACNC.	0.4	0.0		0.5
Disclosure of conflicts of interest is a standing item on the agenda of meetings of the board.	74.1	64.3		75.2

Notes: Figures sum 'always' with 'frequently'. Statistical tests reported in third column. Two asterisks indicates statistical significance at the 0.01 level; Chi-square test of independence.

Table 16b Where a Board Member Had a Conflict of Interest, How Often Had It Been Managed: Percentages Answering 'Always' Only

('Where a board member has had a conflict of interest, how often has it been managed in the following ways?')

Item	Age Under 45 (%)	Age 45 to Under 55 (%)	S2	Age 55 and Over (%)
The conflicted board member abstained from participating in discussion on the matter.	38.5	37.7	*	53.4
The conflicted board member abstained from voting on the matter.	57.7	61.7	*	78.3

Notes: Figures report 'always'. Statistical tests reported in third column. One asterisk indicates statistical significance at the 0.05 level; (Chi-square test of independence).

G How Emerging Leaders Differ in regard to Importance of Factors Determining How Conflicts of Interest Should Be Managed

We next examined factors that might strike emerging leaders themselves as important in the management of conflicts of interest. Eight propositions were put to respondents (each, five-option likert items running from 'very important' to 'not at all important'). There were no statistically significant differences between the responses of the two groups. Table 17a reports the sum of percentages answering 'very important' or 'fairly important'. The only difference concerned the item that probed the role of the entity's governing document or conflict of interest policy. The proportion answering just 'very important' differed appreciably between the emerging group, with 43.2% considering the governing document 'very important' in determining how a conflict of interest should be resolved as against 63.0% of those aged 45 and over (see Table 17b).

Table 17a Importance of Factors in Determining How a Conflict of Interest Should Be Managed (Summing Percentages 'Very Important' and 'Fairly Important')

('Please indicate how important the following factors are, in your opinion, in determining how a conflict of interest should be managed')

Item	Aust ALL (%)	Age Under 45 (%)	Age 45 and Over (%)
Whether the conflict is serious or minor	78.5	75.7	79.2
The extent to which the conflict affects the board member's ability to decide the matter in the best interests of the organisation	94.2	94.6	94.1
Whether the conflicted board member or an associated person or organisation stands to gain a benefit	93.6	94.6	93.5

The provisions in the organisation's conflicts of interest policy or governing document	86.1	83.8	86.3
Whether there is a perception of conflict (in the sense of whether an outsider or member of the public might think that the decision might be affected by the conflict of interest)	91.2	86.5	92.1
Whether the conflict will affect the charity's reputation	93.0	94.6	92.8
Whether the conflict could affect trust or free discussion between board members	94.8	91.9	95.2
Whether the conflicted board member is regularly affected by this conflict of interest	83.8	78.4	84.5

Notes: Options ran from 'very important', 'fairly important', 'neither', 'not important' to 'not at all important'. Figures in the table sum 'very important' with 'fairly important'. There were no statistically significant differences between the two age groups; Chi-square test of independence.

Table 17b Importance of Factors in Determining How a Conflict of Interest Should Be Managed (Percentage 'Very Important')

('Please indicate how important the following factors are, in your opinion, in determining how a conflict of interest should be managed')

Item	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
The provisions in the organisation's conflicts of interest policy or governing document	60.9	43.2	*	63.0

Notes: Figures in the table give only the percentage for 'very important'. Statistical tests reported in third column. One asterisk indicates statistical significance at the 0.05 level; Chi-square test of independence.

H How Emerging Leaders Differ in their Experience and Definition of Potentially Conflicted Relationships

The importance of appropriate management of conflicts of interest in the governance of charities cannot be overstated.²⁴ Consequently this strand was central to the survey project and comprised the basis for many key items to be tested. We first asked respondents a question of fact: whether there were any board members or their associates, partners or relatives who were paid for work (such as legal, accounting or consultancy services) by the entity. As Table 18 reports, it appears that younger leaders were far more familiar with such arrangements in their own organisation – in fact almost twice as likely than was the case with established leaders. Overall, it was a minority of respondents who volunteered the presence of such related party transactions in their organisation (15.4%), but it was more normally witnessed by emerging leaders (just over a quarter) than established leaders (13.9%). Whether they might *approve* of such arrangements was asked in the 'scenario' items outlined below.

We sought to determine whether this experience of evidencing such paid work was determined by age, by the duration a leader had been in the position, or by the size of the organisation. As the logistic regression (reported in Table 19) shows, size of entity and experience in the position were not determinative – it was *age* alone. Furthermore, the age variable impacts negatively. This interpretation substantiates the result in Table 18: the older the respondent, the less likely they have witnessed such paid work within their organisation.

²⁴ See Langford and Anderson, 'Restoring Trust' (n 1) [pinpoints to be added].

Table 18 Consulting Item

(‘Are any of the board members of your organisation or persons or entities associated with a board member (such as family members or entities that the board member works with or has an ownership interest in), paid by your organisation for other work (for example, for legal, accounting or consultancy services’)?)

Option	Aust ALL	Age Under 45	Stat	Age 45 and Over
Yes	15.4	25.5	*	13.9
No	83.3	72.7		85.0
Don’t know	1.2	1.8		1.2

Notes: Only the first row (proportion optioning 'yes' to the question) is tested. Statistical test reported in third column. The single asterisk indicates statistical significance at the 0.05 level; Chi-square test of independence.

Table 19 Consulting Item (Logistic Regression)

(‘Are any of the board members of your organisation or persons or entities associated with a board member (such as family members or entities that the board member works with or has an ownership interest in), paid by your organisation for other work (for example, for legal, accounting or consultancy services’)?)

Variable	Coeff	St Error	Wald	df	Sig	R	Exp(B)
Revenue of Entity	-0.0097	0.1054	0.0084	1	0.9268	0.0000	0.9904
How Long Position Held	0.0247	0.0277	1.1838	1	0.2766	0.0000	1.0250
Age	-0.0366	0.0123	8.7795	1	0.0030	-0.1412	0.9641
Constant	0.2008	0.7439	0.0729	1	0.7872		

Note: Logistic regression returned a cross-tabs of 84.56% predicted correct; -2 Log Likelihood=339.951; Model Chi-square statistic=8.6474 (df=3) p-value=0.0340

It would be of significant practical relevance and concern if this result were to indicate a developing trend among younger charity boards. However, a question arises as to whether this would also translate – among the emerging leaders – as a signal that it was a more *acceptable* practice among the young. To begin answering this question, we sought to test what sort of relationships respondents characterised as conflicts of interest if their board committed the entity to a transaction in which a potentially conflicted person (or organisation) benefited. Table 20a indicates that both emerging and established charity leaders were generally unanimous that each were problematic transactions (some more serious, others less so). Again, the nature of language *use* between younger and older respondents might be connected to this result. However, the overall impression is that there is no great difference here between the groups on what sort of arrangements do or do not constitute a conflict of interest.

Interestingly however, there was a slight difference *within* the older established group, that is, between those aged 45 to under 55 and those aged 55 and over. Table 20b reports four items that were either statistically significant (or nearly so) as between respondents in these two older aged groups. The result that is arguably most concerning is whether an advantage occurring to 'a friend' of someone on the board constituted a conflict of interest. The greater majority of those aged 55 and over were clear that an advantage to a friend constitutes a conflict of interest; just 87.1% of those aged 45 to under 55 agreed.

Table 20a Which Relationship/Entity Classifies as a Conflict of Interest if Committing the Organisation to a Transaction in Which They Benefit.

(‘Which of the following would you classify as a conflict of interest? You are committing your organisation to a transaction which results in a benefit to...’)

Item	Aust ALL	Age Under 45	Age 45 and Over
Your sibling	99.1	100.0	99.0
Your spouse	99.1	100.0	99.0
Your friend	92.6	91.7	92.7
Your nephew	96.6	97.2	96.5
The football team you support	56.3	50.0	57.0
Another entity whose board you serve on	95.7	100.0	95.1
Another entity of which you are a member	84.1	94.4	82.7
Your daughter	98.8	100.0	98.6
Your daughter’s boyfriend	93.6	97.2	93.1
The person or organisation that appointed you	79.1	75.0	79.6
Your employer	85.7	86.1	85.6
A business in which you are an investor	95.1	97.2	94.8

Notes: Figures present proportion ticking ‘yes’ to each item. No statistically significant differences between the two age groups (the difference between the groups in the seventh row – ‘another entity of which you are a member’ - was merely ‘indicative’ with a p-value under 0.10).

Table 20b Which Relationship/Entity Classifies as a Conflict of Interest if Committing the Organisation to a Transaction in which They Benefit.

(‘Which of the following would you classify as a conflict of interest? You are committing your organisation to a transaction which results in a benefit to...’)

Item	Age Under 45	Age 45 to Under 55	S2	Age 55 and Over
Your sibling	100.0	97.1	+	99.5
Your spouse	100.0	97.1	+	99.5
Your friend	91.7	87.1	*	94.5
The football team you support	50.0	45.6	*	60.6

Notes: Figures present proportion ticking ‘yes’ to each item. Statistical tests reported in third column between the two older sub-groups. Significance indicated by an asterisk (if at the 0.05 level), while a plus sign (+) indicates *possible* significance (that is, ‘significant’ at the 0.10 level); Chi-square test of independence.

To further probe the definitional aspect of conflict of interest, the survey presented three hypothetical scenarios. The first involved an indirect financial benefit to a de facto partner; the second a non-pecuniary conflict involving a family member and the third a (direct) financial benefit to a related party.

In the first example, the CEO of a charity seeks to award a contract to a company run by her de facto partner. Table 21 outlines in more detail the hypothetical situation together with the percentage of respondents agreeing to propositions about the arrangement. There was, on these items, no difference at all between younger and older respondents except as concerns the final option that asked for agreement (or disagreement) to the proposition ‘It depends on other factors – more information is needed to make a decision on this scenario’. For this item 51.4% of emerging leaders agreed that more information was needed, while just over 30% of

established leaders assented. Given that respondents were near to unanimous in their responses to most of the propositions about this hypothetical scenario, this (final) item seemed to function as an ‘escape clause’ just in case there were extenuating circumstances. The difference between the two age groups on this item is therefore arguably not of great significance.

Table 21 Hypothetical Example on Conflict of Interest I

Rachel is a CEO of ‘Rising Suns’, a charity that runs ballet classes for children with mental health issues. The windows of the charity’s premises have been badly damaged in a thunderstorm. Rachel’s de facto partner, Zac, runs a successful window company. Rachel has no involvement in the company. The board is considering whether to engage Zac’s company to fix the windows. The charity obtains three quotes from window companies, including one from Zac’s company. Please indicate which of the following statements you agree with.

Item	Aust ALL (%)	Age Under 45 (%)	Stat	Age 45 and Over (%)
Rachel should declare a conflict of interest.	99.1	97.1		99.3
Rachel should abstain from being involved in discussions and voting.	94.2	91.4		94.5
Rachel does not have a conflict of interest because she does not have a direct interest in Zac’s company – she can therefore participate in the decision.	3.7	2.9		3.8
If Zac’s company provides the lowest quote, then the contract is on arm’s length terms and there is no need for Rachel to declare a conflict.	3.4	2.9		3.5
It depends on other factors - more information is needed to make a decision on this scenario.	33.0	51.4	*	30.8

Notes: Figures present proportions agreeing to each item. Statistical tests reported in third column. One asterisk indicates statistical significance at the 0.05 level; Chi-square test of independence.

In the second scenario, a board member of a charity employing counsellors in suicide prevention wishes to have her brother engaged for no financial benefit – rather, the ‘benefit’ is that the brother gains practical experience counting toward course accreditation. Overall, most respondents recognised that the situation did constitute a conflict of interest (Table 22a), though they were prepared to acknowledge some leeway here, especially when compared to the preceding scenario (in Table 21). Although there were no statistically significant differences between the two age groups for *any individual items*, there was an interesting aspect to the results. Overall, older respondents recorded a more generous acceptance of the arrangement than did younger for all six propositions. In other words, emerging leaders tended to think that the situation involved a conflict of interest.²⁵

Table 22b examines more closely the responses of two age subgroups within the older established cohort. This analysis indicates that the age difference in how a non-financial benefit is viewed is more pronounced between those aged 45 to under 55, on the one hand, and the more senior charity leaders who are aged 55 and over. The age variable, in other words, is not linear. There is a ‘bump’ in the age profile centering on this 45 to under 55 group who are fairly sharp in their views in respect of this hypothetical scenario. The older group (aged 55 and

²⁵ In other words, the chance that younger respondents reported a more conservative view on whether there was a conflict of interest in this scenario (even though none of the individual items were statistically significant) is significant overall on a probability test (one in 2⁶ – giving a p-value of 0.0156).

above) were markedly more relaxed about classifying the board member's action as a conflict of interest. It might be possible to characterise this result as indicating that both the emerging (under 45) group come to similar conclusions as the more senior (aged 55 and over group). However, it is probably true that they may be more relaxed for different reasons. In sum, age is quite a decisive factor where a non-financial benefit was in view: the older the respondent, the less likely it was viewed as conflict of interest.

However, it is important to ascertain whether age itself was the actual driving factor. We tested each of the six items with logistic regressions incorporating the explanatory of age, experience (length of time in the job), and size of entity. Table 23 gives a shortened summary of the five logistic regressions; the last three columns in the table report the coefficients, respectively, for entity size, experience, and age. A coefficient is *only* reported in the table if it was actually statistically significant in the logistic regression equation. Perhaps surprisingly, age was only a driving factor as concerns one proposition, namely, whether 'a member of the public might perceive that [the board member] has a conflict and she should therefore declare the conflict of interest'. The coefficient for age in this equation shows that the older the respondent, the less likely they were to agree that public perception was problematic. In other words, younger leaders were more attuned to public perceptions of the entity's behaviour.

However, age was apparently *not* the principal determinant for the other four items (first four rows in Table 23). In fact, it emerges that *experience* was a statistically significant driver for all four items. In addition, the coefficient for all four items was positive for experience (the number of years in the position). In other words, charity leaders who had been in their positions *longer* were *less likely* to find the behaviour of the (hypothetical) board problematic in regard to conflict of interest. The size of the entity – again, independent of age or experience – was also significant for two of the items in that the larger the organisation, the less likely the respondent was to take a benign view of the situation.

Table 22a Hypothetical Example on Conflict of Interest II

The charity, 'Listening for Life', has decided that it should seek the services of additional counsellors. Caroline is a board member of Listening for Life. Her brother, Edgar, provides counselling to individuals affected by suicide. During a board meeting Caroline offers to ask Edgar to provide counselling services to the charity for free. Although Edgar will not be paid for the counselling services he provides, he will benefit from the practice hours, which will go towards his course accreditation. Please indicate which of the following statements you agree with.

Item	Aust ALL	Age Under 45	Age 45 and Over
Caroline has a conflict of interest.	87.3	91.4	86.8
Caroline does not have a conflict of interest because the charity is getting something for free.	10.8	8.6	11.1
Caroline does not have a conflict of interest because she is not getting any benefit personally.	14.2	11.4	14.6
Caroline does not have a conflict of interest because a potential benefit to Edgar is unlikely to affect her decision-making.	14.2	11.4	14.6
Caroline does not have a conflict of interest because there is no financial benefit involved.	13.6	8.6	14.2
A member of the public might perceive that Caroline has a conflict and she should therefore declare the conflict of interest.	92.4	97.1	91.8

Notes: Figures present proportions agreeing to each item. No statistically significant differences between the two age groups (Chi-square test of independence).

Table 22b Hypothetical Example on Conflict of Interest II (Comparing Two Older Age Groups)

Item	Age Under 45	Age 45 to Under 55	S2	Age 55 and Over
Caroline has a conflict of interest.	91.4	91.3		85.3
Caroline does not have a conflict of interest because the charity is getting something for free.	8.6	4.4	*	13.2
Caroline does not have a conflict of interest because she is not getting any benefit personally.	11.4	7.4	+	17.0
Caroline does not have a conflict of interest because a potential benefit to Edgar is unlikely to affect her decision-making.	11.4	5.9	*	17.5
Caroline does not have a conflict of interest because there is no financial benefit involved.	8.6	7.4	+	16.4
A member of the public might perceive that Caroline has a conflict and she should therefore declare the conflict of interest.	97.1	97.1	+	90.1

Notes: Figures present proportions agreeing to each item. Statistical tests reported in third column. Significance indicated by an asterisk (if at the 0.05 level), while a plus sign (+) indicates *possible* significance (that is, 'significant' at the 0.10 level); Chi-square test of independence.

Table 23 Hypothetical Example on Conflict of Interest II: Summary of Logistic Regressions

	Cross-tabs Predicted Correct	-2 Log Likelihood	Model Chi-square	Signif (Model Chi-Sq)	Coeff for Revenue (Size of Entity)	Coeff for How Long Position Held (Experience)	Coeff for Age
Caroline does not have a conflict of interest because the charity is getting something for free.	89.68	205.910	15.703	0.0013		0.0816	
Caroline does not have a conflict of interest because she is not getting any benefit personally.	86.13	249.621	17.530	0.00205	-0.2753	0.0700	
Caroline does not have a conflict of interest because a potential benefit to Edgar is unlikely to affect her decision-making.	86.13	249.621	15.862	0.0012		0.0767	
Caroline does not have a conflict of interest because there is no financial benefit involved.	87.14	242.490	23.338	0.0000	-0.4415	0.0636	
A member of the public might perceive that Caroline has a conflict and she should therefore declare the conflict of interest.	92.60	164.053	9.116	0.0278			-0.0678

The third and final scenario tests the case of a more direct financial benefit to a party related to a board member (Table 24). There were no statistically significant differences between emerging and established leaders on the propositions presented in this scenario.²⁶

Table 24 Hypothetical Example on Conflict of Interest III

The charity ‘Teachers for Change’ requires specialist advice on hiring casual teachers. One of the charity board members, Tran, is an expert in relation to hiring casual teachers and runs a successful company which advises on this issue. The board of the charity decides to engage Tran’s company to provide expert advice. Tran’s company is one of a number of companies that specialise in the area and it provides the expert advice at the going rate. Please indicate which of the following statements you agree with.

Item	Aust ALL (%)	Age Under 45 (%)	Age 45 and Over (%)
There is nothing that Tran needs to do because the advice is provided at the going rate – there is therefore no conflict of interest that needs to be declared.	3.2	5.7	2.9
It is enough for Tran to enter her involvement in her company in the charity’s register of interests.	23.2	31.4	22.3
The charity should get quotes from at least two other companies to determine which is the best value.	94.3	97.1	93.9
Tran should declare her interest in her company at the meeting at which the charity’s board decides which company to engage to provide the services	97.2	97.1	97.1
Tran should withdraw from discussion during the meeting.	81.5	85.7	80.9
Tran should not vote on the decision as to which company is engaged to provide the services.	97.8	100.0	97.5
It would be helpful to have Tran’s insight and thoughts during the board meeting at which the decision is made as to which company to engage to provide the services - Tran should therefore participate but she should not vote.	50.5	50.0	50.4
It depends on other factors - more information is needed to make a decision on this scenario.	36.4	34.3	36.9

Notes: Figures present proportions agreeing to each item. No differences between age groups were statistically significant (Chi-square test of independence).

VI CONCLUSION

Given that the values and experiences of emerging charity leaders are likely to be indicative of the governance philosophies of the future, it is highly instructive to identify the differences, if any, in attitudes and outlooks between this group and their older established peers. The following key differences arise. The first concerns the alignment between board decision-making and a charity’s purposes. The fact that a small, yet significant, segment of emerging leaders ‘sometimes’ or ‘rarely’ take their organisation’s purpose into account (as against virtually none of the older charity leaders) might indicate that a more permissive role for decision-making may be set to characterise a section of charities into the near future.

²⁶ There was also testing between two established groups, those over 45 and under 55, and those 55 and over. There were no statistically significant differences between these groups for any of the items in Table 24; Chi-square test of independence.

Second, it could be surmised that emerging leaders would still be growing in their understanding of, and confidence in, governance. This was certainly true in that they were less likely to report *strong* agreement to propositions relating to understanding of governance duties. We note that this lack of confidence is largely independent of experience: an interpretation would be that maturity in understanding governance issues does not come with experience (as in number of years in the position) but is more directly characteristic of the age group, a portent that a new cultural outlook may be appearing. It was also clear that emerging leaders appear to have received less training in relation to governance duties. The most serious deficiency among younger leaders, however, relates to a self-assessed poorer comprehension of their entity's financial accounts.

Emerging leaders complain that they are more impeded in gaining adequate understanding due to insufficient time, insufficient guidance and the spectre of complexity that attends governance responsibilities. As might also be expected, emerging leaders were more likely to welcome training, guidance from the ACNC, access to professional advice and mentoring. However, this need for training, guidance and mentoring was felt *beyond* just the emerging leader group, extending also to those aged between 45 and under 55. An alternative interpretation is that older charity leaders (those 55 and over) are more averse to such seeking such assistance. The difference in motivations for compliance was particularly evident when comparing what respondents thought 'most important': emerging leaders were less concerned with their personal reputation, and somewhat less bothered about respect for the law or the enabling of optimal decision-making than their older peers. Overall, a more relaxed outlook on motivations was characteristic of younger respondents.

Both emerging and established leaders experienced roughly the same frequency of conflicts of interest arising in board meetings. Younger respondents were somewhat less likely to have witnessed a conflicted board member 'always' abstaining from discussions or 'always' abstaining from voting (relative to the experience of their older colleagues). Emerging leaders were quite similar to their established peers in respect of particular factors that determined how conflicts of interest were identified. However, younger respondents were less guided by what was outlined in the entity's conflicts of interest policy or governing document (to determine conflict of interest). Interestingly, emerging leaders seemed much more familiar with board members or their associates being paid for other work (as compared to established leaders).

Our final analysis related to emerging leaders' attitudes to (hypothetical) situations where conflict of interest might be identified. Responses to questions relating to the *nature of the relationship* between a board member and a connected party gaining from a transaction were virtually identical between the two age groups. However, a more distinct difference was notable *within* the older established group. Where a compromised situation involved a direct or indirect *financial* gain, both age groups thought alike. Where the 'gain' was *non-pecuniary*, emerging leaders, marginally, still tended to regard such conflicts as problematic. However, there was a sharp distinction *within* the older established group: those aged 55 and over were tangibly more relaxed about such situations. However, this finding was moderated by the fact that experience (in the sense of the amount of time in the position) was a far more significant predictor in determining whether conflict of interest was present in a scenario where the gain was non-pecuniary. Where there was a direct financial benefit to a party closely related to a board member there was no question about the existence of conflict: emerging and established thought alike.

These results are also significant in suggesting the direction which regulatory guidance and strategies could take. In previous publications we have suggested ways in which complexity in governance and regulation of Australian charities could be reduced, including via practical assistance.²⁷ These include, first, provision of five central purpose-based governance principles based in the fiduciary paradigm, together with development of an online workbook linking the myriad statutory and other governance duties of responsible persons to these central principles. Second, we propose development, introduction and promotion of ‘Five-Minute Guides’²⁸ and short animated podcasts on governance and other matters essential to running a charity, as well as targeted marketing of these resources to responsible persons most in need of them (as determined by empirical research). Ideally such guides should be linked to other, more detailed ACNC guidance and to other resources, such as the central governance principles and workbook proposed above. Specifically as concerns conflicts of interest, there is a need for clearer and firmer guidance in relation to management of conflicts of interest. Whilst acknowledging the diverse nature of conflicts of interest and of appropriate management techniques, stronger guidance arguably needs to be provided advising abstention (from voting and discussion) by conflicted responsible persons as the baseline standard.²⁹

We recommend that consideration be given to introduction of such measures in order to assist emerging charity leaders – and, indeed, all responsible persons – with their governance duties, and to make them aware of these duties and of the guidance available to them.

²⁷ See Langford and Anderson, ‘Restoring Trust’ (n #); Andrew Godwin and Rosemary Teele Langford, ‘Charities, Corporations and Financial Services – Regulatory Complexity and Coherence’ (2023) *Australian Journal of Corporate Law* (forthcoming).

²⁸ Such guides have proved successful in England and Wales – for details see <https://www.gov.uk/government/collections/5-minute-guides-for-charity-trustees>.

²⁹ In fact, there have been calls for Governance Standard 5 to be revised to require management of conflicts of interest (rather than mere disclosure) – see, eg, Australian Charities and Not-for-profits Commission, Submission to Treasury, *Review of Australian Charities and Not-for-profits Commission Legislation* (19 January 2018) 64; Queensland Law Society, Submission to Treasury, *Review of the Australian Charities and Not-for-profits Commission Legislation* (28 February 2018) 12.