

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

CORPORATE GOVERNANCE IN THE NEW ZEALAND PUBLIC HEALTH SECTOR

A 152.785 Research Report
Presented in partial fulfilment of the requirements of the degree of
Master of Management (Management) at Massey University

Kyle Daniel Mathijssen WHITFIELD (01011804)

2010

Word count: 10,548

Abstract

This research report considers corporate governance within the public health sector, an area which has undergone significant changes in terms of structures, focus, and demand for service and funding. As there has been little research conducted in this specific area, the report's major findings are based on a critical examination of the literature on governance in private and public sectors along with an analysis of the changes that have occurred in the New Zealand Health sector over time.

A review of the governance literature provides evidence that good corporate governance, if it is initiated and maintained properly, has benefits that can be organisation wide. The literature review provides evidence that effective governance can enhance the outcomes in the New Zealand health organisations that are part of a sector that has undergone four major restructures since 1989. It appears that these restructures have largely been driven by post-election political ideology and in most cases the changes have had little success in improving corporate governance within this sector.

This research report concludes that some small, but significant, changes are necessary if the effectiveness of District Health Boards is to be improved. This report suggests three key changes. The first is to improve the structure by introducing new governance positions within District Health Boards. This position is based at the executive level and offers impartial advice to the board on all corporate governance issues. The second suggestion is that boards need to increase their diversity in order to improve performance, especially in geographical areas which have a large proportion of Pacific and Asian communities. The final recommendation is that board members are offered individual remuneration linked directly to their attendance and performance. These three changes, in turn, will help District Health Boards to become more effective in the way they operate.

Acknowledgments

I gratefully acknowledge the guidance of my supervisor, Dr. Margot Edwards. Her help in developing my topic into something more logical than just thoughts floating around in my head was superb. For her availability and guidance and mostly importantly being able to answer all of my nagging questions.

I wish to acknowledge my friend Susan Maclean who was my 'chief proof reader'. Susan has supported and encouraged my education since an early age. Without all the help that Susan has given me over the years I know that I would not have reached the level of achievement that I have to date – so thank you.

I also wish to acknowledge the continued patience, encouragement and support of my family and friends during the completion of my University study. In particular the support of my wife Dr. Lisa Whitfield, who has been my rock through my 'student years'. Who just nodded and smiled when I got excited and started rambling on about corporate governance and the structure of the New Zealand health sector. Lisa is my harshest critic and my greatest supporter and I thank her for that.

Kyle Whitfield

Date: 31 May 2010

Table of Contents

Abstract	i
Acknowledgements	ii
Table of Contents	iii
List of Acronyms	v
Chapter One – Introduction	1
1.1 Background	1
1.2 Justification for Study	2
1.3 Research Objective	3
1.4 Structure of the Report	4
Chapter Two – Literature Review	5
2. Structure and Corporate Governance of District Health Boards	5
2.1 Introduction to Corporate Governance	6
2.1.1 Agency Theory	10
2.1.2 Board Effectiveness	12
2.1.2.1 Board Size	13
2.1.2.2 Board Composition	14
2.1.2.3 Board Structure	16
2.1.2.4 Board Remuneration	18
2.2 Corporate Governance in the Public Health Sector	20
2.3 History of the reforms in the Public Health Sector	25
Chapter Three – Discussion	36
3.1 Changes to Board Remuneration	36
3.2 Changes to Board Size	39
3.3 Changes to Board Diversity	41

Chapter Four – Conclusion	43
4.1 Corporate Governance	43
4.2 Corporate Governance in the Public Health Sector	43
4.3 Reforms in the Public Health Sector	44
Chapter Five – Recommendations	46
5.1 Political Involvement	46
5.2 Corporate Governance in the Public Sector	46
5.3 Board Remuneration in New Zealand	47
References	48
Reflective Journal	55

List of Acronyms

AHBs	Area Health Boards
CEO	Chief Executive Officer
CGO	Chief Governance Officer
CHEs	Crown Health Enterprises
CCMAU	Crown Company Monitoring Advisory Unit
DHBs	District Health Boards
DoH	Department of Health
DPMC	Department of Prime Minister and Cabinet
HFA	Health Funding Authority
HHSs	Hospital and Health Services
MoH	Ministry of Health
NGOs	Non Government Organisations
NZPHD	New Zealand Public Health and Disability Act 2000
OECD	Organisation for Economic Cooperation and Development
PBFF	Population Based Funding Formula
PHC	Public Health Commission
PHOs	Primary Health Care Organisations
RHAs	Regional Health Authorities
SACHSO	Special Advisory Committee of Health Service Organisation
SoEs	State Owned Enterprises
THA	Transitional Health Authority

Corporate governance in the New Zealand public health sector: a 152.785 research report presented in partial fulfilment of the requirements of the degree of Master of Management (Management) at Massey University, Albany, New Zealand

Whitfield, Kyle

2010-07-07T00:19:08Z

<http://hdl.handle.net/10179/1424>

26/09/2023 - Downloaded from MASSEY RESEARCH ONLINE