NFPs 2012-2020:

...Where Are We Now, Where Will We Be & How Will We Transition to 2020?
A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty

Winston Churchill
Contents

- Not For Profits Today…
  A Snapshot Of Key Statistics, Activities & Characteristics

- Not For Profits Tomorrow…
  Strategic Considerations For Your Board, Chief Executive Officer & Senior Management Team

- Mission Critical Strategies For Transitioning Your NFP To 2020

- Questions & Discussion
Not For Profits 2012...
A Snapshot Of Key Statistics, Activities & Characteristics
Snapshot 1: NFPs, A Vital Part Of Society

- NFPs have an important place in local, regional and national societies
- NFPs primarily deliver a social or community dividend, whilst private and public businesses deliver primarily a financial or economic dividend
Snapshot 2:
NFPs, Are A Vital Part Of An Economy

- NFPs are a vital part of an economy
- NFPs not only deliver services and products, they engage in economic development, regional development, community development activities and outcomes
## Snapshot 3: NFPs, Australia & NZ, Vital Statistics

<table>
<thead>
<tr>
<th>AUSTRALIA (figures are estimated)</th>
<th>NEW ZEALAND (figures are estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of NFPs</strong></td>
<td></td>
</tr>
<tr>
<td>* 600,000(^1)–700,000(^2)</td>
<td>* 97,000(^4)</td>
</tr>
<tr>
<td>(“58,779 economically significant”(^3))</td>
<td></td>
</tr>
<tr>
<td><strong>$ Contributed</strong></td>
<td></td>
</tr>
<tr>
<td>* 4.1% GDP(^5)</td>
<td>* 4.9% GDP(^6)</td>
</tr>
<tr>
<td><strong>Categories/Sectors</strong></td>
<td></td>
</tr>
<tr>
<td>* 35–37 industries/sectors</td>
<td>* 11 industries/sectors(^7)</td>
</tr>
</tbody>
</table>

---

1. Productivity Commission 2010
2. Dr Mark Lyons
4. Statistics New Zealand 2005
5. ABS Satellite Account 2006–2007
6. Statistics New Zealand 2005
7. Statistics New Zealand 2005
**Snapshot 3:**
**NFPs, Australia & NZ, Vital Statistics**

<table>
<thead>
<tr>
<th>Country</th>
<th>Employees</th>
<th>Volunteers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AUSTRALIA</strong></td>
<td><em>889,900</em></td>
<td><em>4.6 million volunteers (317,200 full time equivalent)</em></td>
</tr>
<tr>
<td><strong>NEW ZEALAND</strong></td>
<td><em>105,340</em></td>
<td><em>436,506 volunteers</em></td>
</tr>
</tbody>
</table>

---

8 (8.5% of total employment) ABS Satellite Account 2006–2007
9 Statistics New Zealand 2005
10 ABS Satellite Account 2006–2007
## Snapshot 3: NFPs, Australia & NZ, Vital Statistics

### Legal Types of NFPs

<table>
<thead>
<tr>
<th>Australia (figures are estimated)</th>
<th>New Zealand (figures are estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>* 74% unincorporated associations</td>
<td>* 61% unincorporated societies</td>
</tr>
<tr>
<td>* 23% incorporated associations</td>
<td>* 22% incorporated societies</td>
</tr>
<tr>
<td>* 2% companies limited by guarantee</td>
<td>* 15% charitable trusts</td>
</tr>
<tr>
<td>* 1% other organisations</td>
<td>* 2% non-charitable trusts and charitable companies</td>
</tr>
</tbody>
</table>
Snapshot 4:
So Who’s Who...In The Oz & NZ NFP Zoo?
Snapshot 5: The Changing Paradigms For NFPs

- Religious Paradigm
- Charitable Paradigm
- Welfare Paradigm
- Marketplace Paradigm
- Economic, Social & Environmental Paradigm

Historical periods: 1800s, 1900s, 1950s, 1970–90s, 2000, 2012/2015, 2025

© ASSPL
Snapshot 5: The Changing Paradigms For NFPs

- **Religious Paradigm**
- **Charitable Paradigm**
- **Welfare Paradigm**
- **Marketplace Paradigm**
- **Community Businesses (NFPs)**
- **Public Businesses**
- **Private Businesses**
- **Economic, Social & Environmental Paradigm**

Timeline:
- 1800s
- 1900s
- 1950s
- 1970–90s
- 2000
- 2012/2015
- 2025

© ASSPL
Snapshot 6: NFP Boards’ Mentality & Approach Is Changing

◆ The majority of Australian and New Zealand NFPs are now:

* not walking backwards into the future, looking back at their glorious past

* not in love with their shadow, only to find their shadow doesn’t reflect their true form

* operating with their heads and hearts connected

* recognising that they must govern the organisation whilst management must manage the organisation

* focusing on making a profit/surplus in order to develop and deliver their vision, mission and/or core business
Snapshot 7: NFP Board Trends

- Small boards, 5–7 board positions, length of service 5–7 years
- Average age of boards 51–60 years
- Five males, two female directors
- 12–14% of NFPs remunerate board members, $10,000–$30,000
- Professionalised boards, directors fill board positions based on agreed competencies, skills, knowledge, qualifications and experience
- Boards are moving from paper to e-boardrooms
- A continued move to bi-monthly – quarterly board meetings and committee meetings in between board meetings

*Better Boards Remuneration Survey 2012*
Snapshot 8: NFP Chief Executive Officer, Executive & SMT Trends

- Smaller NFPs moving from service coordinator/manager to chief executive officer from within industry/sector
- Medium–large NFPs appointing:
  * commercial chief executive officers from external industry/ies
  * commercial, executives and senior managers from external industry/ies, eg: Prescare, Community Solutions
Snapshot 9: Establishment of NFP Leadership Teams

- An increasing number of NFP boards are establishing and operating leadership teams:
  * board of directors
  * chief executive officer
  * executive and/or senior management team
Snapshot 10: New NFP Governance Frameworks Are Emerging

- Boards are increasingly working within a governance framework:
  - Constitutional Documents
  - Board Culture
  - Agreements
  - Standards
  - Legislation
  - Governance System
Snapshot 11: Membership Is Moving In Different Directions

- **Membership Increasing**
  - Prestige Sport
  - Credit Unions
  - Private Schools
  - Private Health Insurance
  - Clubs

- **Membership Decreasing**
  - CWA
  - Unions
  - Rotary
  - Rural Youth
  - Churches

- **Low Membership Value & Benefit, Actual or Perceived**
  - Community Care
  - Employment Services
  - Health Care
  - Aged Care

- **High Membership Value & Benefit, Actual or Perceived**
  - Advocacy Groups
  - Social Causes
  - Sporting Organisations
  - Environmental Groups

- **Growing Membership**
  - Prestige Sport
  - Credit Unions
  - Private Schools
  - Private Health Insurance
  - Clubs

- **Disengaging Membership**
  - CWA
  - Unions
  - Rotary
  - Rural Youth
  - Churches

- **Membership Proposition**
  - Prestige Sport
  - Credit Unions
  - Private Schools
  - Private Health Insurance
  - Clubs

© ASSPL
Snapshot 12: Incorporated Associations To Companies Limited

Unincorporated or Incorporated Associations

A Few Are Staying As Incorporated Associations
State Associations, Incorporation Acts

Many Are Changing To Companies Limited By Guarantee
Corporations Act

© ASSPL
Snapshot 13: Companies Limited Establishing Other Companies

- Some boards of companies limited by guarantee are establishing other companies, foundations or trusts
- For example, Community Solutions, www.communitysolutions.org.au
Snapshot 14: Community Democracy To Privately Owned NFPs
Snapshot 15: Changing Government Roles, Cause NFP Growth

- **Legislate & Regulate**
  - State & Commonwealth (Australia) & National (NZ) Governments

- **Monitor & Review**
  - Service Delivery

- **Fund & Finance**
  - Private Businesses
  - Public Businesses
  - Community Businesses (NFPs)
Snapshot 15: Changing Government Roles, Cause NFP Growth

- In the past, State and Commonwealth (Australia) and National (NZ) governments, legislated and regulated, funded and financed, monitored and reviewed and undertook service delivery.

- Over recent years, State and Commonwealth (Australia) and National (NZ) governments have moved, or are moving, to legislate and regulate, fund and finance and monitor and review, leaving service delivery to public businesses, private business and community businesses (NFPs).

- In so doing, State and Commonwealth (Australia) and National (NZ) governments focus on their core roles and responsibilities and aim to reduce their risk, costs, liabilities and political exposure.
Snapshot 16: Transitioning From A Service To An Organisation

Stage I
- ‘We Are A Service’
- Strong Operationally
- Weak Organisationally
- Few Services/Products
- A Manager Of A Service

Stage II
- ‘Are We A Business, Are We A Service?’
- Stronger Operationally
- Fitter Organisationally
- Several Services/Products
- Manager Transitioning To Manager/Leader

Stage III
- ‘We Are A Community Business’
- Strongest Operationally
- Strong Organisationally
- Integrated Services/Products
- Leader & Developer Of An Organisation
Snapshot 17: From A Solid Cube To A Rubik’s Cube

Specialist Niche NFP… one–two services

Multi-Service NFP… from “a service” to an organisation
Snapshot 18: Many NFPs Are On A Quality Journey

- Codes of Practice, Customer Guarantees, Service Guidelines
- Standards, Elements & Indicators
- Assessment, Accreditation & Certification, Registration
- Business Excellence, Best Practice, Best Value etc.
- Continuous Improvement
- Organisational Development

© ASSPL
Snapshot 18: Increasing NFP Accreditations & Registrations

- Proposed Standards & Quality Systems
- Australian Quality Training Framework
- Emergency Services Standards
- Palliative Care National Standards
- Pharmacy Quality Care Standards
- Aged Care Standards & Accreditation
- QICSA Community Services Accreditation
- APRA Credit Union Standards
- EQUIP Standards
- ACH Standards
- GPA Accreditation & Standards
- Australian Business Excellence Framework
- ISO Standards & Certifications
- OH&S Certification & Standards
- JAS-ANZ Standards & Certifications
- Correctional Services Standards
- ISO Standards & Certifications
- HACCP Food Handling Standards
- State & C’wealth Disability Standards
- AGPAL General Practice Accreditation & Standards
- Emerging Standards & Quality Systems
- Other Quality Systems
- Other Industry or Gov’t Standards
- Other Codes of Practice
- Local Government Standards
- Accountancy National Standards
- APRA Credit Union Standards
- General Practice Accreditation & Standards
- OH&S Certification & Standards
- QIAS Childcare National Standards
- Other Legislation & Regulation
- Other Codes of Practice
- APRA Credit Union Standards
- General Practice Accreditation & Standards
- OH&S Certification & Standards
- QIAS Childcare National Standards
- Other Legislation & Regulation
- Other Codes of Practice
- APRA Credit Union Standards
- General Practice Accreditation & Standards
- OH&S Certification & Standards
- QIAS Childcare National Standards
- Other Legislation & Regulation
- Other Codes of Practice
- APRA Credit Union Standards
- General Practice Accreditation & Standards
- OH&S Certification & Standards
- QIAS Childcare National Standards
- Other Legislation & Regulation
- Other Codes of Practice
- APRA Credit Union Standards
- General Practice Accreditation & Standards
- OH&S Certification & Standards
- QIAS Childcare National Standards
- Other Legislation & Regulation
- Other Codes of Practice
- APRA Credit Union Standards
- General Practice Accreditation & Standards
- OH&S Certification & Standards
- QIAS Childcare National Standards
- Other Legislation & Regulation
- Other Codes of Practice
- APRA Credit Union Standards
- General Practice Accreditation & Standards
- OH&S Certification & Standards
- QIAS Childcare National Standards
- Other Legislation & Regulation
- Other Codes of Practice
Snapshot 19: Government Reports...Creating New Paradigms

◆ It is not by coincidence that in both Australia and New Zealand Commonwealth Government/ Productivity Commission (Australia) and National Government (NZ) reports have/will all come together at the same time, creating:

* new paradigm/s of service delivery
* new environment/s in which NFP organisations will need to adapt and operate
Snapshot 19: Government Reports In Summary

◆ In a nutshell, all Commonwealth Government/Productivity Commission (Australia) reports come down to:

* **National Strategies:** to reinvent services, eg: NFPs, aged care, hospital and health, allied health, disability, natural resource management

* **New Structures:** are being established and used, eg: Medicare Locals, Local Health Networks

* **New Systems:** the development and use of new systems, eg: e-Health system, DoHA Gateway, individualised funding

* **New/Redeveloped Services:** an opportunity for your organisation to redevelop its existing services and research and develop new client/customer focused services
Snapshot 19: Australian & NZ Government Reports
Snapshot 20: NFPs Past, Present & Future

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>PAST</th>
<th>PRESENT</th>
<th>FUTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFP Paradigm Shifts</td>
<td>Charitable to welfare paradigm</td>
<td>Welfare to market paradigm</td>
<td>Market to social, economic &amp; environmental paradigm</td>
</tr>
<tr>
<td>NFP Legal Entities</td>
<td>Unincorporated or incorporated associations, few companies</td>
<td>Incorporated associations, more companies</td>
<td>Predominantly companies ltd, fewer incorporated associations</td>
</tr>
<tr>
<td>NFP Members, Staff &amp; Volunteers</td>
<td>Many members, few staff, more volunteers</td>
<td>Declining membership &amp; volunteers, increasing staff</td>
<td>Few members are directors or directors are members. Many staff, more volunteers</td>
</tr>
</tbody>
</table>
Snapshot 20: NFPs Past, Present & Future

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>PAST</th>
<th>PRESENT</th>
<th>FUTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFP Revenue, Resources, Reserves</td>
<td>Revenue limited, Resource poor, Reserve poor</td>
<td>Revenue growing, Resources growing, Reserves building</td>
<td>Revenue Secure, Resource Secure, Reserve Secure</td>
</tr>
<tr>
<td>NFP Service/Business Models &amp; Mentality</td>
<td>Service mentality &amp; approach</td>
<td>We’re a service, we’re a business, or we’re a community business</td>
<td>Community business mentality &amp; approach</td>
</tr>
<tr>
<td>NFP Branding &amp; Awareness</td>
<td>Limited branding, Low brand awareness</td>
<td>Brand management, increasing brand recognition</td>
<td>Strong, well known &amp; reliable brands</td>
</tr>
</tbody>
</table>
### Snapshot 20: NFPs Past, Present & Future

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>PAST</th>
<th>PRESENT</th>
<th>FUTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Geographic Spread</strong></td>
<td>Mainly local. Few regional, fewer national</td>
<td>Few national, increasing multi-state &amp; multi-regional</td>
<td>National, multi-state or multi-regional Few local/regional</td>
</tr>
<tr>
<td><strong>Service/Product Diversity</strong></td>
<td>1–2 services/product types</td>
<td>Multi service/product types</td>
<td>Integrated services/products. Service depth, Service breadth</td>
</tr>
<tr>
<td><strong>Performance &amp; Benchmarks</strong></td>
<td>Very limited performance management or benchmarking</td>
<td>Increasing performance Benchmarking</td>
<td>Performance management Benchmarking is widespread</td>
</tr>
</tbody>
</table>

**Geographic Spread**
- **Mainly local.** Few regional, fewer national
- **Few national, increasing multi-state & multi-regional**
- **National, multi-state or multi-regional Few local/regional**

**Service/Product Diversity**
- **1–2 services/product types**
- **Multi service/product types**
- **Integrated services/products. Service depth, Service breadth**

**Performance & Benchmarks**
- **Very limited performance management or benchmarking**
- **Increasing performance Benchmarking**
- **Performance management Benchmarking is widespread**
Snapshot 21: NFPs Go International

- There are many non-government organisations, NGOs operating overseas work, eg: Red Cross, Oxfam
- There are, and will continue to be, an increasing number of NFPs which develop and deliver services internationally
- An increasing number of NFPs, particularly in the human services industry are winning overseas contracts
Snapshot 22: In Essence, NFPs...Are Making A Paradigm Leap

Current Paradigm
Current Position & Characteristics of Australian & New Zealand NFPs

Future Paradigm
Future Position & Characteristics of Australian & New Zealand NFPs

Strategic Direction

Transition

Time


In Essence, NFPs...Are Making A Paradigm Leap

Snapshot 22:

In Essence, NFPs...Are Making A Paradigm Leap
Not For Profits Tomorrow...
Strategic Considerations
For Your Board, CEO & SMT
Consideration 1: NFPs Will Be United By Vision, Driven By Mission
Consideration 2: Client Demand & Expectations Will Increase

◆ For the majority of NFPs, client/customer requirements and expectations, together with demand, will continue to increase

◆ Clients/customers will be increasingly aware of:
  * their rights and responsibilities
  * their financial/service entitlements
  * price and performance
Consideration 3:
Client Profile Of 2020

◆ Attuned to choice, options and decision making processes
◆ Low–nil brand loyalty
◆ High expectations and needs
◆ Rights and responsibilities oriented
◆ World views, world travel and a multicultural attitude
◆ Independent, self managing
◆ Accumulating wealth versus significantly disadvantaged
◆ More people with tertiary/VET qualifications and careers
Consideration 4: Client Funding, Client Choice, Client Mobility

- With the introduction of new funding models such as Individual Support Programs (ISP) in Disability and Consumer Directed Care (CDC) in Community Care, *client funding* *client choice* *client mobility* are set to become the norm

- These policies are just the start of putting the power into the hands of clients. Similar models of funding will spread to other human service organisations
Consideration 5: The Big Get Bigger, The Small Go Niche Specialist

- **2012**
  - International Providers
  - National Providers
  - Multi State Providers/Emerging National
  - Statewide Providers
  - Regional/Multi Regional Providers
  - Small Providers

- **2015-2020**
  - Few International Providers
  - More National Providers
  - Fewer Emerging National, Multi State Providers
  - More Statewide Providers
  - Less Regional/Less Multi Regional Providers
  - Few Specialists/Niche Rural & Remote Providers

Amalgamations, Mergers, Organic Growth
Consideration 5: The Big Get Bigger, The Small Go Niche Specialist

- With “client/customer choice” and market forces prevailing, boards, chief executive officers and senior management teams need to discuss and develop serious strategies to enable their organisations to adapt to their organisation’s new paradigm and environment/s in which they operate.

- The number of NFP amalgamations, mergers, sales and closures will continue to increase.

- Remember, as big trees grow, there is plenty of room in the forest for medium sized trees, shrubs, bushes and even fungi; it’s a case of survive by adaption...or die.
Consideration 6: If You’re Into Care…Care Is On The Move

◆ If your NFP provides any form of care services, eg:
  * Disability Services
  * Day Services
  * Health Care
  * Mental Health
  * Child Care
  * Drug/Alcohol
  * Massage Services

consider the adjacent model and the following model
Consideration 6: As Care Levels Increase...Everything Else Increases
Consideration 7: From Isolated Services To Integrated Services

Example Isolated Services

- Residential Aged Care Services
- Community Care Services
- Employment & Training Services
- Hospital & Health Services

Example Integrated Services

- Aged Care Services
- Allied Health Care Services
- Mental Health Services
- Hospital Services
- Client

Networking
Partnerships
Service Agreements
Client Agreements
Consideration 8: Increasing Use Of External Expertise

Small to Medium Organisations

We Operate With Limited External Advice

Legal, Financial & Insurance Advisors

Medium to Large Organisations

We Focus On What We Do Well & Seek External Advice

Advisors

Consultants & Contractors

Other Service Providers

Strategic Alliances

Partnerships

Tender Writers

Brokers

Legal, Financial & Insurance Advisors

© ASSPL
Consideration 9: 2020 A New World, New Relationships

- The new paradigms and environments of each NFP industry/sector will bring new players
- Therefore new relationships will need to be created and nurtured, eg: Medicare Locals, refer adjacent model
Consideration 10: Market Forces & Competition Will Prevail
Consideration 11: Collaboration – Cooperation – Competition
Consideration 12: Preferred Providers Will Rule The New World

Where services have been privatised and private businesses, public businesses and community businesses (NFPs) compete for market share, service delivery and clients/customers, the principles and practices of the “Market Bell Curve” prevails.
Consideration 12: Preferred Providers Will Rule The New World

Case Study Employment Services Industry

- Pre Market Bell Curve 700 SkillShares
- Entry Phase 300 providers
- Qualifying Phase 200 providers
- Preferred Provider Phase 100 providers

- Only 70 of the original 700 SkillShare organisations were part of the 300 Entry Phase providers. Via the Entry Phase, 230 new entrants gained a foothold in the Employment Services Industry
Consideration 12: Preferred Providers Will Rule The New World
## Consideration 12: The Rise Of Preferred Providers…The Evidence

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Services Providers</td>
<td>700+</td>
<td>300</td>
<td>200</td>
<td>101</td>
<td>50–100 (est)</td>
</tr>
<tr>
<td>(only 70 of original 700, 230 new entrants)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disability Employment Providers</td>
<td>13+</td>
<td>240</td>
<td>260</td>
<td>214</td>
<td>50–100 (est)</td>
</tr>
<tr>
<td>Pathology Providers</td>
<td>340</td>
<td>300</td>
<td>120</td>
<td>30</td>
<td>20–25 (est)</td>
</tr>
<tr>
<td>Private Health Insurance Companies</td>
<td>N/A</td>
<td>48</td>
<td>44</td>
<td>37</td>
<td>20–30 (est)</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>841</td>
<td>350</td>
<td>200</td>
<td>100</td>
<td>67–72 (est)</td>
</tr>
<tr>
<td>Residential Aged Care Providers</td>
<td>2,200</td>
<td>2,900</td>
<td>1,600</td>
<td>1,200</td>
<td>400–500 (est)</td>
</tr>
<tr>
<td>Community Care Providers</td>
<td>500–3,000</td>
<td>3,000–4,000</td>
<td>4,000–4,500</td>
<td>4,500–5,500</td>
<td>500–1,000 (est)</td>
</tr>
</tbody>
</table>
Consideration 12:
The Rise Of Preferred Providers...The Evidence

- All NFP industries/sectors have been consolidating over many years.
- The previous table not only provides evidence of industry/sector consolidation, but also reinforces the "Market Bell Curve" and the power of market forces, competition, declining government funding and client choice.
- Amalgamations, mergers, sellouts and closures have been a feature of all NFP industries/sectors and will continue to be so until 2015–2020, and thereafter.
### Consideration 13:
Where Price Is Constrained...Watch Out

<table>
<thead>
<tr>
<th>Service Volume</th>
<th>Service Margin</th>
<th>Business Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Volume</td>
<td>High Margin</td>
<td>Low Risk</td>
</tr>
<tr>
<td>Low Volume</td>
<td>Low Margin</td>
<td>High Risk</td>
</tr>
<tr>
<td>High Volume</td>
<td>Low Margin</td>
<td>High Risk</td>
</tr>
<tr>
<td>High Volume</td>
<td>High Margin</td>
<td>Low Risk</td>
</tr>
</tbody>
</table>
Consideration 13: Where Price Is Constrained…Watch Out

- In the new world of NFPs:
  - Volume …client numbers
  - Margin …knowing the true cost, margin and price of a unit of service delivery or product
  - Business Risk …that is a result of the two aforementioned elements

- Practically, NFPs which are price constrained, have small client numbers and long distances to travel will struggle to survive financially in the new paradigms/new environments, unless they are “block/contract” funded, or have alternative revenue streams
Consideration 14: New Paradigms, New Rules, New Positions For NFPs

- **Most Likely Initial Position For NFPs**
  - Slow Transition
  - NFP Organisations Are Here Now

- **Best Position/Best Option for NFPs**
  - Speedy Transition
  - Research & Innovation

- **Existing Services/Products**
  - Amalgamate
  - Sell or Close

- **New Services/Products**

- **DANGER**
  - Not Possible, Not A Future Position/Option

© ASSPL
Consideration 14: New Paradigms, New Rules, New Positions For NFPs

- The previous axis model provides four service positions/moves that NFPs can consider/make.
- Before making a decision on any one of these positions/moves, your leadership team (board, chief executive officer, senior management team) will need to undertake a serious and robust scenario planning стратегический planning process.
Consideration 15: Changing Paradigms...Watch The Gap

Charitable Paradigm
Welfare Paradigm
Market Paradigm
Economic, Social & Environmental Sustainability Paradigm

Following Organisations
Leading Organisations

© ASSPL
Consideration 15: 
Changing Paradigms...Watch The Gap

- The backdrop to all not for profit organisations development and growth has been 1–2–3 paradigms; either singly or a combination of charitable paradigm, welfare paradigm, market paradigm or economic, social and environmental sustainability paradigm

- Each paradigm has a unique set of characteristics, elements and behaviours that provide a framework within which each provider operates

- However, “The Gap” between leading organisations and following organisations is what clients will exploit, governments will exploit and competitors will exploit
Consideration 16: Go Market Breadth Or Market Depth Or Both

◆ Many Australian and New Zealand NFPs, no matter what industry/sector they are in, are:
  
  * growing and developing their horizontal market/s and their vertical market/s, organically or via amalgamations or mergers, or
  
  * just gaining depth and breadth in their existing vertical market/s, or horizontal markets, or
  
  * researching and/or developing new horizontal or vertical markets
  
  * determining if they are a “market taker” or a “market maker”

◆ An example of horizontal and/or vertical market development can be seen on the next page: eg: an aged care organisation
Consideration 16: Go Market Breadth Or Market Depth Or Both

Horizontal Markets

Community Care
Residential Care
Independent Living

Vertical Markets
Palliative Care
Dementia Care
Transitional Care
Sub-acute Care
Outreach Residential Care
Fee-for-Service

© ASSPL
Consideration 17: Organisational To Individual Funding, Secure Funding To Preferred Providers
Consideration 18: Your Banker...Your Mortgage...Your Accountability

1. Take Nil or Limited Government $...
   Less Contracts, Accountability, Audits Standards & Outcomes etc.

2. Take More Government $...
   More Contracts, Accountability, Audits Standards & Outcomes etc.

3. Rise of Self Funded Community Businesses... Limited & Little Government Intervention
Consideration 19: Go Beyond Standards, Go On A Quality Journey

- Standards are minimum, all NFP that deliver government services must meet them and they are of no competitive advantage.
- Moving beyond a “compliance/accreditation mentality” is critical.
- The quality journey of continuous improvement and organisational development is paramount to the future success of those NFPs that wish to become a Preferred Provider in their new industry or sector paradigms or new environments.
Consideration 20:
An Increasingly Dynamic Risk Profile For NFPs
Consideration 21: Apply The Triple R Principles & Practices

- NFPs will need to be viable, sustainable and profitable in the future
- If they are to deliver their vision, mission and values into the future they need to be:
  * revenue secure
  * reserve secure
  * resource secure
Consideration 22:
A More Rigorous Framework,
A “Free/Managed” Market

Today
A Constrained Market Place…
eg: Residential Care
Community Care
Disability Services
Natural Resource Management
Sport & Recreation

Tomorrow Transitioning To
A “Free” Managed Market Place
eg: Residential Care
Community Care
Disability Services
Natural Resource Management
Sport & Recreation
Consideration 23: Societal Change Will Continue

Past Social Causes
* Disability Services
* Personal Development
* Civic Development, eg: Lions, Rotary, Apex
* Rural Support, eg: CWA

Current Social Causes
* Environmental, eg: Landcare
* Private Education
* Private Health
* Sport & Recreation
* Causes, eg: Get Up

Me & My Tribe Phase?

© ASSPL

1940 1960 1980 2000 2020 2040
Consideration 23: Societal Change Will Continue

**Community Development Phase**
- People came together post WWII
- Need for infrastructure, buildings and facilities post WWII
- People grouped around social causes, eg: creation of Disability Services
- Commonwealth taxation provided support and funding to community infrastructure projects and established services
- Rise of the welfare paradigm

**Me & My Tribe Phase**
- Demand for specialised service development, eg: private health
- Significant uptake of social media, eg: Facebook, Twitter
- Gen X, Gen Y; very different value sets to Baby Boomers
- Traditional post Victoriana, post WWII values, decline of traditions, philosophies, institutions, eg: churches, Freemasons
- Focus on me and my tribe
Consideration 24: Reflect On The Organisational Life Cycle

NFP Organisational Lifecycle

Mission Mode

Growth Phase

Maturity Phase

Maintenance Mode

Decline Phase

Muddling Mode

Time

© ASSPL
Consideration 24: Organisational Life Cycle = Who’s Where?

NFP Organisational Lifecycle

Mission Mode
- Social Causes
- Environmental
- Group Training
- Aged Care
- Health Care
- Private Schools
- Credit Unions

Maintenance Mode

Muddling Mode
- Apex
- Churches
- Freemasons
- CWA
- Rural Youth
- Unions

Time
Consideration 25: Remember Services Come, Services Go

For those boards, chief executive officers or senior managers who have been operating one or more of the NFP industries or sectors you may have noticed:
* government policies come and go
* government services come and go
* government funding comes and goes

One of the best examples of this phenomenon is mainstream employment services and disability employment services.
Consideration 25: Remember, Services Come, Services Go

- Red Scheme came, Red Scheme went…
- NET/CYSS came, NET/CYSS went…
- Skillshare came, Skillshare went…
- ESRA came, ESRA went…
- JobNetwork came, JobNetwork went…
- JSA came, JSA will go…

- CETPs and ISJs came, CETPs and ISJs went…
- Enclaves came, Enclaves went…
- Open Employment came, Open Employment went…
- DEN Capped/Uncapped came, DEN Capped/Uncapped went…
- DES, ESS and DMS came, DES, ESS and DMS will go…

…so what’s the message???
Consideration 26: Product & Service Life Cycles Will Continue

- All services or products have a life cycle: birth, growth, maturity, decline, death; even those delivered by NFPs
- The trick is to leverage off one life cycle to the next, before the first one dies, eg: Disability Employment Services
Consideration 27: 2020...A Consolidated NFP World

- Each NFP industry/sector is a journey of consolidation
- What do these trends mean for your organisation and what strategies has your board put in place to:
  * secure services for current/future clients
  * secure services in the region/communities in which they operate
  * ensure the long term sustainability of the organisation
Consideration 28:
The ‘Four S’ Model Will Be Robustly Applied
Consideration 20: Strategic Plans – Strategies Will Be Linked

<table>
<thead>
<tr>
<th>Strategic Intent &amp; Activity</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 2006</td>
</tr>
<tr>
<td>Alcheringa</td>
<td></td>
</tr>
</tbody>
</table>

Strategic Plan
June 2007 – Dec 2010
Version: Final, Date: 19 April 2007, © Australian Strategic Services
Consideration 30: Environmental Change…Climate Change

◆ NFP Leadership Teams will increasingly understand the issues and facts about environmental change…climate change

◆ Consequently they will develop and implement governance sustainability policies and procedures and approve:
  * sustainability policies and procedures
  * sustainability projects
  * budgets for sustainability training
  * the adoption of sustainability standards
Consideration 30: Sustainability Principles & Practices Will Prevail

- Economic Sustainability
- Social Sustainability
- Environmental Sustainability
- Vision, Mission, Values & Core Business
- Constitution
- Legislation
- Standards

© ASSPL
Consideration 31: Stakeholder Engagement & Contribution

- Stakeholder engagement and contribution will increasingly be sought by boards

- Consequently an increased number of NFP boards will request their chief executive officers to develop, implement and report against Stakeholder Plans
Consideration 32: NFPs & Regional, Economic & Community Development

- NFPs make an important contribution to regional, economic and community development processes.
- Developing a greater understanding and practical engagement/contribution to regional, economic and community development processes and projects will become a defining characteristic of leading NFPs.
Consideration 33: Looking Back From 2020, What Will Have Really Happened To NFPs?

- Standing back from the various industries/sectors in 2020 in which NFPs operate, it could be strongly argued that many NFPs have been or are being:
  * Commercialised
  * Corporatised
  * Privatised
Consideration 34: NFP’s In 2020

- NFPs will hold an even more important place in society and the economy
- NFPs will be making an even greater contribution to individuals, families, communities and countries
- NFPs will be increasingly recognised and utilised by governments, albeit only Preferred Providers
Mission Critical Strategies For Transitioning Your NFP To 2020
Mission Critical Strategy 1: Adopt A Robust Leadership Position

◆ Boards will increasingly need to adopt a more robust leadership position and undertake even more robust:
  * strategic discussions
  * strategic thinking
  * strategic decisions

◆ These activities will enable the development, implementation and monitoring of robust strategies, strategic plans

◆ Weak, laid back, comfortable or lazy boards will have no future
Mission Critical Strategy 2: Get Out Of The Boardroom

- Identify & Build New Contacts & Networks
- Undertake Applied Research or Investigation
- Continuously Gather Business Intelligence
- Strategically, Plan & Develop
- Measure Performance & Benchmark Internally & Externally
- Discover or Generate New Ideas, Concepts & Opportunities

© ASSPL
Mission Critical Strategy 2: Get Out Of The Boardroom

- Understand the emerging/future big picture of your NFP’s industry/sector

- Get out and about to:
  * build contacts and networks
  * gather new ideas and seek opportunities
  * collect business intelligence
  * strategically plan and develop
  * benchmark/compare
  * undertake applied research
Mission Critical Strategy 3: Appoint Younger, Dynamic Directors

- Appoint younger Gen X and Gen Y directors
- Boards need to be configured with younger, more dynamic and diverse board members
- They bring a new way of thinking and operating and are not bound by traditional structures, processes or tools
- Their social contribution/social corporate responsibility will increase significantly
Mission Critical Strategy 4: Engage Politicians & Government

- Engage politicians and senior government bureaucrats
- Be proactive in seeking their understanding, support and resourcing of your NFP
- Strive for greater public recognition and acknowledgement of your NFP’s true value and benefit
- Leverage off your political and government contacts and networks
Mission Critical Strategy 5: Technological Advantage Will Be Vital

- If boards are to adapt to the new world of NFPs they need to adopt and use technology
- If this is to occur, board members need a key desire to improve their governance system, structure, processes and tools
# Mission Critical Strategy 6: Paper Out...e-Boardroom In

## Work
- Annual Program of Work
- Board Agenda
- Board Minutes
- Video Meeting

## Tools
- Governance Tools
- Governance Documents
- Governance

## Documents
- Strategic Plan
- Constitution
- Annual Reports
- Terms of Reference
- Position Descriptions

## Contacts
- Directors’ Details
- CEO & SMT Contacts
- Other Contacts

## Measurement
- Key Performance Indicators
- Reports
- Benchmarks

## Governance
- Principles
- Policies
- Procedures
- Indicators

## Learning Resources
- Articles
- Presentations
- Videos
- Manuals

## Archive
- Reports
- Minutes
- Documents
- History

## Links
- Video Link
- Government
- NFP Websites
- Other Providers
**Mission Critical Strategy 7: Drive Organisational Change…People Change**

- Organisational change can be either:
  * proactive or reactive
  * evolutionary over time, or
  * revolutionary in a short time

- New paradigm/s will require taking all your people on a journey of change

<table>
<thead>
<tr>
<th>Mode</th>
<th>Approach</th>
<th>Proactive</th>
<th>Reactive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evolutionary</td>
<td></td>
<td>• Planned</td>
<td>• Unplanned</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Engaging</td>
<td>• On the back foot</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sequential</td>
<td>• Spasmodic</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Over time</td>
<td>• Adequate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Successful results</td>
<td>• Limited Results</td>
</tr>
<tr>
<td>Revolutionary</td>
<td></td>
<td>• Planned</td>
<td>• Limited planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Holistic</td>
<td>• Ad hoc</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Focus mentality</td>
<td>• Crisis mentality</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Short time frame</td>
<td>• Poor timeframes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Good results</td>
<td>• Poor results</td>
</tr>
</tbody>
</table>
Mission Critical Strategy 8: Determine The True Cost, Margin & Price

- The majority of NFP boards today operate against an annual budget
- Very few boards operate using a 3–5 year Strategic Financial Management Plan aligned to their Strategic Plan
- Boards will seriously need to:
  * determine the true cost, margin and price of a ‘unit of service’
  * use, robust industry financial key performance indicators and benchmarks
Mission Critical Strategy 9: Understand The New Environments… Develop Robust & Realistic Scenarios

- Many board’s strategic plans are in essence either ‘operational’, ‘motherhood’ or lack any robust strategies to ‘shift and lift’ their organisations to the next step or stage of development
- Given all the previous considerations and evidence provided about the changing world of NFPs, boards will need to develop and drive robust and realistic scenarios and strategies if their organisations are to remain relevant
Mission Critical Strategy 10: Excellent Board, Excellent CEO, Excellent SMT

- An excellent board will recruit and retain an excellent chief executive officer; an excellent chief executive officer will recruit and retain and excellent senior management team

- Remember…recruit for excellence, only train for incremental change
Mission Critical Strategy 11:
Have Fun…Life’s A Journey
“There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success than to take the lead in the introduction of a new order of things because the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new”...

Machiavelli
Metropolitan, Rural & Remote NFPs... Your Future Is In Your Hands
Further Information

For further information, a copy of this presentation, other presentations, or to discuss your board’s requirements contact:

Michael Goldsworthy
Principal Consultant
Australian Strategic Services

03 5429 6331
0418 130 581

office@asspl.com.au
www.asspl.com.au