

# NOT-FOR-PROFIT SECTOR HUMAN RESOURCE LEADERS' ROUNDTABLE

"Becoming Commercial Without Losing What Makes Us Unique"

## KEY FINDINGS

January 2017

### INTRODUCTION

The Not-for-Profit (NFP) sector is experiencing unprecedented and challenging change.

ACU recently facilitated two Roundtable Forums involving 70 leaders representing major NFP organisations. The two roundtables explored "*becoming commercial without losing what makes us unique*".

The first event took place in Sydney on December 7, the second in Melbourne on December 8, 2016.

The Roundtable discussion covered three questions:

1. What is stopping us from becoming more commercial?
2. What has worked?
3. What to do next?

This White Paper captures key findings from this discussion.

### PARTICIPATING ORGANISATIONS

Alzheimer's Australia	Life Without Barriers
Association of Children's Welfare Agencies	Lifestyle Solutions
Australian Red Cross	MacKillop Family Services
Autism Spectrum Australia (Aspect)	Marist Youth Care
BaptistCare	Melbourne City Mission
Barnardos	Mission Australia
beyondblue	Northcott
Cabrini Health	Opportunity International
Calvary Care	Redkite
Care Connect Group	Relationships Australia
Caritas Australia	Sir Moses Montefiore
Catholic Church Insurance	Jewish Home
Catholic Mission	Special Olympics Australia
CatholicCare	St John Ambulance
Cerebral Palsy Alliance	St Vincent de Paul Society
Diabetes Australia	Starlight Children's Foundation
Foodbank	Surf Life Saving
Girl Guides	Villa Maria Catholic Homes
Heart Foundation	Vision Australia
House with No Steps	Wesley Mission
JewishCare	World Vision
KU Children's Services	YMCA

# WHAT IS STOPPING US FROM BECOMING MORE COMMERCIAL?

## 1. "BEING COMMERCIAL" IS VIEWED AS CONFLICTING WITH "SERVING OTHERS"

Some see a commercial focus is in conflict with the purpose of NFP organisations. This view regards words such as "revenue", "marketing", "efficiency" or "profit" as a way to privatise a call to service. Individuals joined the sector to make a difference, and are not motivated by a profit or cost focus. Resistance to being commercial is greatest at the frontline where staff are committed to clients rather than concerned about funding or cash flow shortages.

## 2. THE PHRASE "NOT-FOR-PROFIT" GIVES THE WRONG MESSAGE

The words "Not-for-Profit" implies the organisation has no concerns with financial matters. This is made more difficult as the previous model (where governments directly funded service providers) created a perception that the services were at no charge. Alternative descriptors such as "social purpose" or "third sector" organisation seem more appropriate\*.

## 3. LACK OF COMMERCIAL CAPABILITY ACROSS THE ORGANISATION

NFP Boards, management and frontline staff, particularly of small and medium organisations, generally have strongest expertise and experience in service delivery. More commercial capability – such as marketing, sales, customer experience, accrual accounting, unit costing and managing for performance - have not traditionally been regarded as important. However, these are skills required for future sustainable success.

## 4. CHALLENGE OF ATTRACTING AND RETAINING PEOPLE FROM COMMERCIAL COMPANIES

An attractive value proposition is required to off-set NFP sector salaries that are typically below those offered in government or commercial companies. External appointments particularly from commercial companies who are hired to help create a more commercial culture may also face the challenge of internal resistance to change or may create significant disruption by trying to change too much too quickly. Both scenarios can drive high attrition for external appointments.

## 5. INADEQUATE SYSTEMS AND PRACTICES

In addition, existing marketing, client management, fundraising, human resource and financial systems and practices are often inadequate to support management and staff in decision making, operational efficiencies and continuous improvement. Many organisations have not invested in these areas because of lack of funds and also a belief that constrained funds should be allocated to customer services.

\*This document also uses the phrase "social purpose organisation" instead of "not-for-profit organisation" as this is increasingly being used as a more accurate description of the sector."

# WHAT HAS WORKED IN BECOMING MORE COMMERCIAL WITHOUT LOSING WHAT MAKES US UNIQUE?

## 1. MANAGE THE CHANGE PROCESS AS A MAJOR CHANGE PROJECT

The NFP sector is experiencing a major disruptive shift. Organisations that will be able to continue to provide service levels, while being commercially sustainable, will need to implement changes to their structure, systems, practices and culture.

Successful organisations are using change models and frameworks to support this process. Senior leaders are actively communicating the need for change in a variety of formats such as "Ask the CEO" town hall sessions, Yammer online forums, short targeted workshops and frequent email updates. Executives and frontline managers are having honest, direct conversations with staff, volunteers and external stakeholders about the need to do things differently. Implementing these changes is difficult. Providing managers with change tools and training, and assisting staff build resilience, have proven to be effective.

## 2. PUBLICLY RECOGNISE THAT HAVING A MISSION AND BEING COMMERCIALY SUSTAINABLE MUST CO-EXIST

Social purpose organisations are communicating different variations of the "no margin, no mission" theme. There is a clear message that sound governance and management, good marketing and sales activities, and making commercial decisions, are now part of their organisational DNA if they are to remain a sustainable provider.

Successful NFP leaders align "head and heart" by role modelling how to be both mission-centric and commercially-oriented. They continue to connect people to their mission. However, they also communicate financial results more openly and frequently, and draw a clear link between these results and their ability to perform their mission. There is a common understanding organisation-wide about key financial concepts such as unit costs and managing within a budget.

NFPs are becoming commercial social purpose organisations.

## 3. IMPLEMENT MANAGEMENT PRACTICES WITH A GREATER FOCUS ON CLIENTS AND OUTCOMES

Social purpose organisations are now using marketing models and tools to better understand their clients. They are creating and communicating a more powerful brand, and increasing both awareness and service selection. Human resource leaders are implementing more commercial practices such as better position descriptions, psychological testing and recruiting against new organisational values. Continuous improvement or LEAN techniques are being used to challenge and improve practices. Financial budget responsibility is being devolved lower down the organisation.

There is an increased focus on reducing silos and improving both internal and external collaboration. This has led to greater flexibility and responsiveness to client needs.

Organisations are increasing their focus on measurements to track the impact of their initiatives. Managers are having honest and direct conversations with their direct reports about performance.

## 4. STRENGTHEN MARKETING AND COMMERCIAL CAPABILITY REQUIRED FOR FUTURE SUCCESS

Many social purpose organisations have identified the need to strengthen skills in marketing, sales, fundraising, customer service, commercial acumen and managing for performance. This has been achieved by external appointments and internal training. Organisations also identified the importance of equipping staff with change management skills and building resilience.

## 5. BECOME MORE OUTWARD FOCUSED

There has been a consistent theme on introducing new ideas and practices from outside the organisation.

Most social purpose organisations have used external recruitment to quickly access required capability at the Board, management and staff levels. Some organisations recognise the challenges facing external appointments and provided additional transition support to avoid the risk of new hire attrition.

External board reviews recognise the change journey must be led from the top. This can be a catalyst to change the Board structure and introduce new skills required for future success.

There has also been a greater focus on networking with other organisations, increased collaboration and corporate partnerships to introduce new ideas.

## 6. IMPROVE SYSTEMS (CLIENT MANAGEMENT, FINANCE AND HUMAN RESOURCES) WITH A MEASUREMENTS FOCUS

In many social purpose organisations, there has been a focused investment on strengthening systems to support decision making, operational efficiencies and outcomes measurement.

## 7. ENGAGE WITH CLIENTS, STAFF AND VOLUNTEERS

There has been a deliberate engagement focus on frontline managers, staff and volunteers. These areas have a major impact on service delivery, as well as identifying new opportunities and cost savings. Treating volunteers in the same way as staff, with stronger alignment to culture, was considered positive. There has been a renewed focus on identifying, supporting and developing high performers / high potential managers who have a significant impact on the organisation.

Organisations are endeavouring to better understand clients' needs, and the impact of their actions on client outcomes.

# WHAT TO DO NEXT?

## 1. IMPLEMENT, OR RE-ENERGISE, A MAJOR CHANGE INITIATIVE

The Roundtables confirmed what many social purpose organisation leaders already know: their organisation will need to be transformed to continue to sustainably deliver on its mission.

This requires significant organisational change that achieves the following objectives:

- clearly communicate the need to be both caring and commercial
- ensure the organisation stays true to its mission

This initiative is likely to include both structural change (for example, moving from a federated to national model) and new organisational strategies (for example, new governance model, outcome based services and financial management strategies).

## 2. FOCUS ON WHAT IS IMPORTANT

Significant change can be overwhelming, at both an organisational and personal level. Amidst this noise and distraction, leaders need to have a clear focus on what is important. There is a lot to do, and NFPs have constrained budgets and resources.

It is important for them to recognise that sustained success requires a mission-focussed, customer-centric and commercial mind-set.

## 3. RENEW EMPHASIS ON LEADERSHIP, CAPABILITY DEVELOPMENT AND OUTCOME MEASUREMENT

Effective leadership is essential in times of disruptive change. Social purpose leaders need to be clear about what is expected of executives and managers, support their development and provide them with the tools to be effective.

A commitment to caring for others and service delivery will always be critical capabilities for any social purpose organisation. However, this needs to be complemented by strong capability in areas such as marketing, commercial acumen, innovation and change leadership.

A desire to do good, on its own, will no longer be sufficient for sustained success. In this new world, success is measured by outcomes. Organisations will need to strengthen their focus on measuring outcomes.

The Not-for-Profit sector continues to have a meaningful, social purpose focus. Australian Catholic University's Executive Education department supports the sector through facilitating a Community of Interest Group – a forum for NFP leaders to network, collaborate and share ideas.

ACU also supports NFP sector capability development through providing programs for high potential managers and leaders (such as the Graduate Certificate in Management of Not-for-Profit Organisations) as well as in-house and consortium programs to strengthen team capability.

For more information about how ACU Executive Education can assist please contact us on:

E: [acuexecutiveeducation@acu.edu.au](mailto:acuexecutiveeducation@acu.edu.au)  
T: +61 2 9739 2652

# THE GRADUATE CERTIFICATE IN MANAGEMENT OF NOT-FOR-PROFIT ORGANISATIONS

With the Third Sector being challenged by unprecedented change there is a real need for contemporary education programs that combine practice and theory, as well as using the expertise and experience of industry leaders.

The program is designed for current and aspiring leaders of NFP organisations.

The faculty is a truly exceptional and unique team of globally renowned experts. Benefit from their extensive theoretical knowledge, their academic rigour, their impressive practical skill sets, and their absolute dedication to their discipline.

The program is comprised of four units. Each unit is delivered over two intensive weekends.

Face-to-face delivery encourages group discussion and knowledge sharing among participants, who also undertake work-based projects to ensure that learning is integrated into the workplace.

The Graduate Certificate in Management of Not-For-Profit Organisations will commence in March 2018.

**Unit 1 Governance in the Not-For-Profit Sector**

**Unit 2 Human Resource Management**

**Unit 3 Accounting for Decision Making**

**Unit 4 Marketing Management**