

NOT-FOR-PROFIT SECTOR ROUNDTABLE WHITE PAPER

Building Operational Excellence

KEY FINDINGS

May 2017

INTRODUCTION

RESPONDING TO DISRUPTIVE CHANGE

The shift to the consumer-driven model has been a disruptive force that has changed the landscape of the NFP sector.

This disruption has produced positive outcomes. Clients now have a broader range of service options. Government divesting of service delivery and sector consolidation have delivered growth opportunities to some organisations. Skilled and motivated staff have more opportunities to help others and make a difference.

There are also challenges. Reduced government funding and increased competition has created revenue uncertainty. There is greater pressure to do more with less. Managers are trying to navigate a course to become more commercial without losing what makes them unique.

In this time of disruption, many organisations are focusing on building Operational Excellence as it supports two critical objectives:

1. **To achieve the mission** – through being able to meet customer needs and improve the customer experience
2. **To be sustainable** – through productivity improvements and staff engagement.

KEY ELEMENTS OF OPERATIONAL EXCELLENCE

ACU Executive Education recently facilitated two Roundtable Forums to explore “Building Operational Excellence”. These sessions took place in Sydney on May 9 and Melbourne on May 11, 2017 and involved 90 leaders representing 50 major NFP organisations.

This Whitepaper summarises key findings around three important elements of Operational Excellence:

1. Managing People for Performance
2. Commercial Acumen and Metrics
3. Partnering with Other Organisations.

PARTICIPATING ORGANISATIONS

Association of Children’s Welfare Agencies
Baptcare
Black Dog Institute
Brotherhood of St Laurence
Cabrini Health
Calvary Retirement Communities
CanTeen Australia
CareConnect
Caritas
Catholic Church Insurance
Catholic Healthcare
Catholic Mission
CatholicCare
Cerebral Palsy Alliance
Deaf Services Queensland
Diabetes Australia

Family Planning Victoria
Feros Care
HammondCare
IRT Group
MacKillop Family Services
Marist180
Melbourne City Mission
Mission Australia
Northcott
Opportunity International
Oxfam Australia
Ozcare
Redkite
Relationships Australia
Royal Far West
RSL Lifecare
Sacred Heart Mission

Settlement Services International
Sir Moses Montefiore Jewish Home
Special Olympics Australia
St John Ambulance
St Vincent de Paul Society
Starlight Children’s Foundation
Surf Life Saving NSW
The Centre for Volunteering
The Disability Trust
The Fred Hollows Foundation
Translators without Borders
Uniting
VACRO
Warrigal
Wesley Mission
World Vision
YMCA

1. EFFECTIVE PEOPLE MANAGEMENT IS KEY FOR SUCCESS

The sector is fortunate in having a motivated workforce. The mistake is believing that the cause alone will drive individuals towards excellence. Good intentions – on their own – are no longer sufficient.

The more competitive environment needs managers who set clear directions, engage and coach, monitor performance and hold their team to account. This creates a performance culture with a sense of urgency to deliver outcomes.

2. SET CLEAR EXPECTATIONS

In times of change, nothing is more important than role clarity. Staff need to know the expected outcomes of their role or KPIs, and how this is aligned with the organisation's objectives and strategies. Without this clarity, staff can focus on tasks which may be important to them but are not aligned with the organisation's priorities.

Participants also highlighted that NFP managers are reluctant to have “difficult” performance conversations with direct reports, and may avoid the issue or abdicate responsibility to HR. Effective managers know they must intervene early when expectations are not met.

3. STRUCTURED 1:1 MEETINGS ARE MORE IMPORTANT THAN PERFORMANCE APPRAISALS

The traditional annual performance appraisal process requires improvement. Suggested changes included quarterly reviews, simplifying or automating the process, and an increased focus on assessing behaviours (not just results).

Structured 1:1 meetings were more effective at achieving both behaviour changes and results delivery. Effective 1:1 meetings were scheduled in advance (and rarely cancelled); reviewed activities from last week, this week and next week and related back to agreed targets; had a structured agenda but a conversational format; focused on issues important to the direct report; and provided opportunities for the manager to provide feedback or suggest focus change.

Practical tools mentioned included agreeing on what to “start, stop, continue”, identifying “speed bumps” (what is getting in the way) and a traffic light model to allow easy visual identification of progress.

The shift to more frequent reviews is also being accompanied with a more outcomes based approach in assessing progress of staff on key tasks, activities and projects.

4. GET THE HR FUNDAMENTALS IN PLACE

The NFP sector's capacity building approaches of "recruit, build or hire" are often implemented in an ad hoc or informal basis due to the lack of systems and practices.

The Roundtable emphasised the importance of developing key fundamentals such as clear Position Descriptions, a consistent recruitment process, jointly developed KPIs that provide focus, an effective on-boarding process to help new starts achieve acceptable performance quickly, and a clear work plan.

Implementing these fundamentals will reduce variance and uncertainty around managing for performance.



*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."

COMMERCIAL ACUMEN

1. NO MARGIN, NO MISSION

The Roundtable highlighted that a commercial mind-set, and delivering a financial surplus, is required if organisations are to have a greater impact. Not for profit organisations need to think “not for loss”.

Participants emphasised that a commercial mind-set is just as important as service-delivery experience. NFP managers require fundamental commercial acumen skills such as unit costing and breakeven analysis, managing a budget and understanding the importance of cash flow. Tools such as the balanced scorecard can be used to ensure a focus on delivering against multiple priorities.

Financial literacy skills are not naturally found in the sector and may need to be developed. Access to volunteers can also be an effective way to access key areas of expertise and professional support.

2. MEASURE WHAT IS IMPORTANT

The sector is becoming more outcomes-focussed. Governments are divesting service delivery to external organisations and using outcome measurements to track progress. This can be a challenge as many outcomes are qualitative and difficult to measure.

Managers talked about the need to track both lead and lag indicators. Areas mentioned included revenue (new business win/loss rate tracking), program (cost to income ratio, service provision), customer satisfaction (expectations vs. experienced), standard of care, productivity (time and attendance tracking) and staff engagement (sick leave, staff turnover).

It is critical to identify the right metrics to track. Be rigorous in how they are measured, monitored and reviewed. Some creativity may be required to convert qualitative activities into objective measurements.

Finally, analysis is critical. What is the data telling us? What trends are we seeing? The “so what” test drives key insights. “What next” converts insights into actions.

3. PROCESS MAPPING DRIVES CONSISTENT CUSTOMER EXPERIENCE AND COST EFFICIENCIES

Organisational restructuring and process improvement are being used to find more effective ways to improve the customer experience and also deliver cost efficiencies.

Some organisations are using process mapping tools to assess major tasks in core roles to create standardised work instructions. This drives service consistency and eliminates non-value adding activities.

4. USE COMMERCIAL ACUMEN IN DECISION

MAKING

Commercial acumen is more than just understanding financials. It is a mind-set to ensure that all decisions and actions consider the broader impact on the organisation. Managers ask, “is there a better way to do this?” “Are there other resources we can use to achieve the same outcome?”

The commercial mindset prompts managers to translate ideas into a set of assumptions which can then be allocated a cost. Management actions – whether a business case for a major initiative or daily decisions about allocating resources – benefit from having to meet the rigour of scrutiny through creating a strategic rationale and financial justification.



PARTNERING WITH OTHER ORGANISATIONS

1. PARTNERSHIPS ALLOW GREATER IMPACT WITH CONSTRAINED RESOURCES

The Roundtable emphasised the importance of partnerships in adding more value to clients through accessing a wider range of services and expertise. Partnerships are also vital in responding to tenders. NFP organisations can achieve more together, than they can on their own.

2. HAVE A STRUCTURED PROCESS WITH CLEAR EXPECTATIONS

Partnerships are important as they can have a significant impact on an organisation's revenue, reputation and operational efficiencies. However, participants also highlighted challenges such as "co-opertition" (where competing NFP organisations work together on a tender or a project) and partnering with for-profit organisations (who may not share the same values).

The Roundtable emphasised the need for a structured process that defines the organisation's value proposition, strengths and weaknesses; and identifying key roles and how success will be measured. Be clear about resources provided by each organisation, engage as equals and identify shared values.

3. STRONG RELATIONSHIPS ALLOW DIFFICULT CONVERSATIONS

Effective partnerships need to achieve two things - deliver organisational outcomes and maintain a working relationship. Pushing too hard on one priority will damage the other.

The key to achieving both these objectives is to have strong relationships at different levels between the organisations. This also allows the ability to have difficult conversations when differences occur.

4. GOVERNMENT PARTNERSHIPS REQUIRE A DIFFERENT APPROACH

The Roundtable highlighted the importance of developing a partnership mindset in working with government agencies. However, it is not a natural partnership of equals as the government provides funding and assesses performance.

Suggested best practices included an emphasis on measuring outcomes and building trust before the procurement process commences.



THANKS

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HOW ACU CAN ASSIST

ACU Executive Education supports the Social Purpose sector through facilitating a Community of Interest forum for NFP leaders to network, collaborate and share ideas.

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

Email acuexecutiveeducation@acu.edu.au to request more information about how ACU Executive Education can support you and your organisation.

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

With the Social Purpose 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.

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Governance in the Not-For-Profit Sector

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Human Resource Management

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Accounting For Decision Making

04

Marketing Management

