

STRATEGY IN THE NOT-FOR-PROFIT AND CHARITY SECTOR

**Trends, Challenges, and
Insights Report
2022-2023**



SUCCESS
GROWTH AND PURPOSE



Strategy in the Not-for-Profit and Charity Sector: Trends, Challenges, and Insights Report 2022-2023

NFP Success has worked with over 3000 Not-for-Profit (NFP) and charity organisations in since our inception in 2015. These organisations are in every corner of Australia, including cities, and rural and remote communities. It is our pledge to support small to mid-sized NFP's by offering available, affordable, and high-quality services wherever they are and whatever budget they have. As part of that pledge, we have continued our annual pro and low bono contribution to the sector to the value of \$30,000.

In addition, we routinely publish copious amounts of free content for NFP leaders on wide range of topics including Strategy, HR, Governance and Recruitment related topics to assist them on their journeys. Likewise, many NFP's support us by participating in our topical surveys. These surveys assist us in developing free material for the sector such as this report. This report builds on the back of the 2021-2022 Strategy in the Not-for-Profit and Charity Sector report, and we hope that it proves valuable for your organisation.

Please be sure to visit our website to access previous reports and subscribe to our mailing list to stay up to date with our emerging insights (www.nfpsuccess.com.au).

Executive Summary

The Strategy in the Not-for-Profit and Charity Sector: Trends, Challenges, and Insights Report 2022-2023 builds on our previous sector report by first analysing how strategic planning is being undertaken in the sector. This year we have expanded the report to include topical strategic themes. Our research and work in the sector have identified employment and IR changes coupled with CEO succession planning to be key strategic topics for many organisations. The report also examined how organisations are grappling with these issues as well other strategic issues such as quality reforms.

Our Methodology

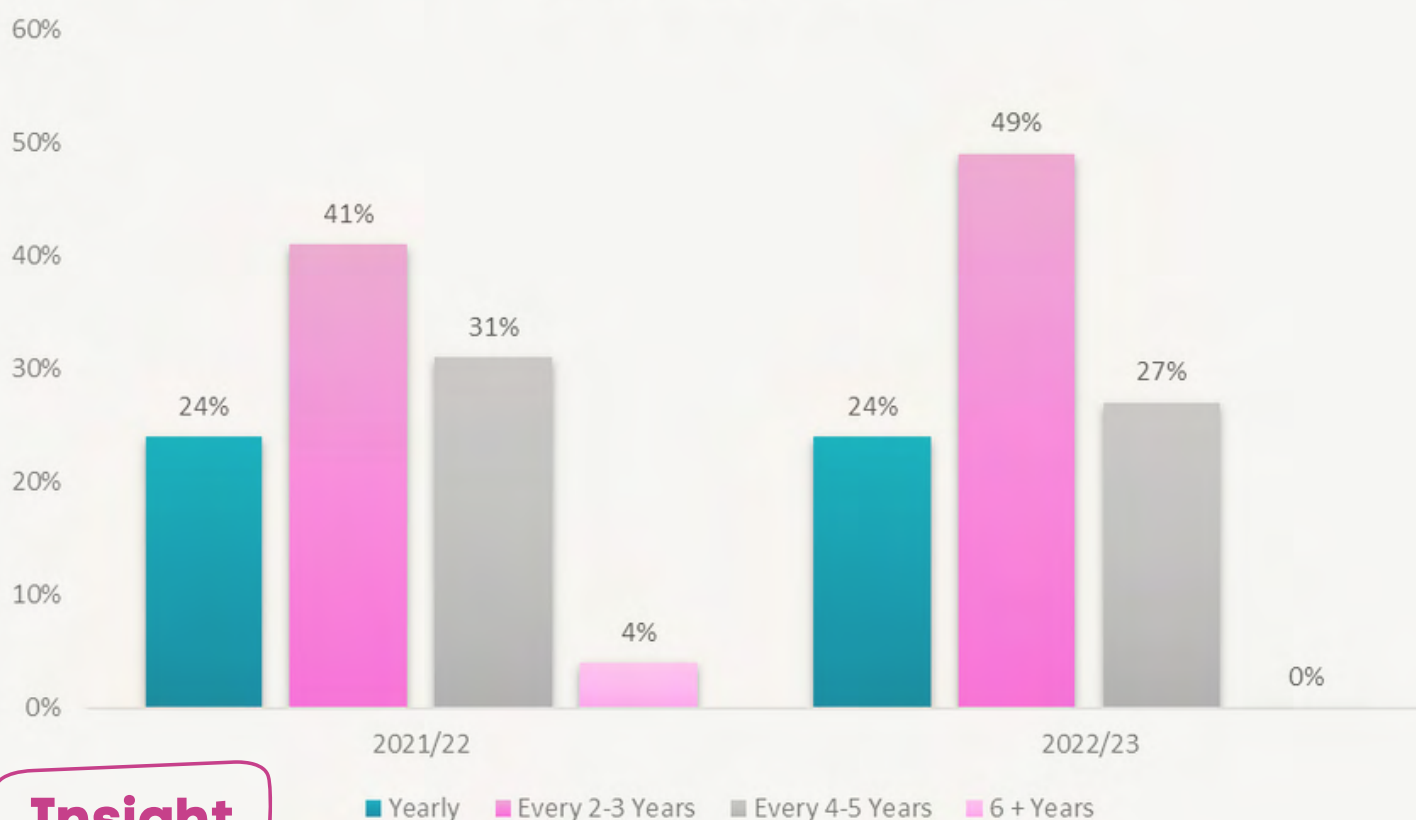
NFP Success conducts multiple surveys exploring NFP and charity issues. This report draws upon our surveys and observations. Collectively hundreds of small (<20 employees) and Medium sized (<100 employees) organisations participated in our surveys and programs. Our samples include most major sub sectors and many of our consultants routinely work across several specialist fields. We also draw upon the observation and feedback we receive from our customers. The diversity and coverage of our work and surveys reached all corners of the organisational landscape, including governance, strategy, business performance, funding, and human resources.



Strategic Planning in the NFP and Charity Sector a Year-on-Year Comparison

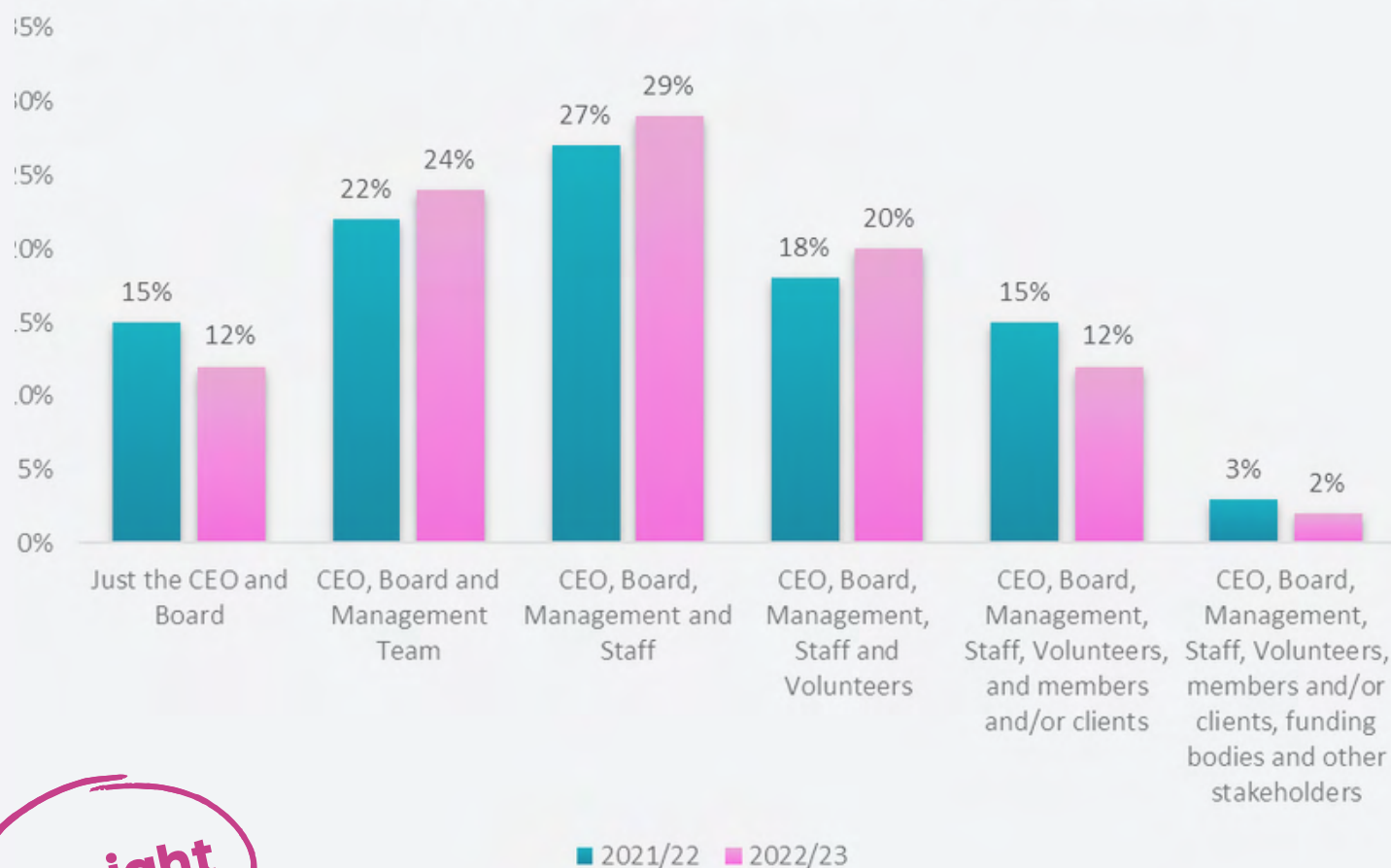
In last year's report "Strategy in the Not-for-Profit Sector 2021-2022" we looked at the way in which NFP's were undertaking strategic planning. Robust strategic planning is arguably the most indicative sign of an organisations maturity level and serves as a reliable marker for future success. As NFPs seek to achieve their purpose, grow, and diversify, the discipline and sophistication of strategic planning becomes increasingly more valuable. In this section we conduct a year-on-year comparison on how NFP's approached their strategic planning process and analyse the trends we see emerging across the sector.

How often does your organisation develop or renew its Strategic Plan?



In line with best practice research, it appears that organisations are moving towards shorter time horizons when developing or renewing strategic plans. Although it should be noted that the drivers for shorter timeframes may be a result of frequent leadership changes, instability in the market and lack of confidence. Irrespective, the trend is a positive one and it may be anticipated that more organisations will be shortening the renew timeframe down to less than two years and perhaps undertaking lighter research phases using shortened processes and document formats to support this quick turnaround.

When developing your last Strategic Plan, how widely did you consult your organisation in its development?

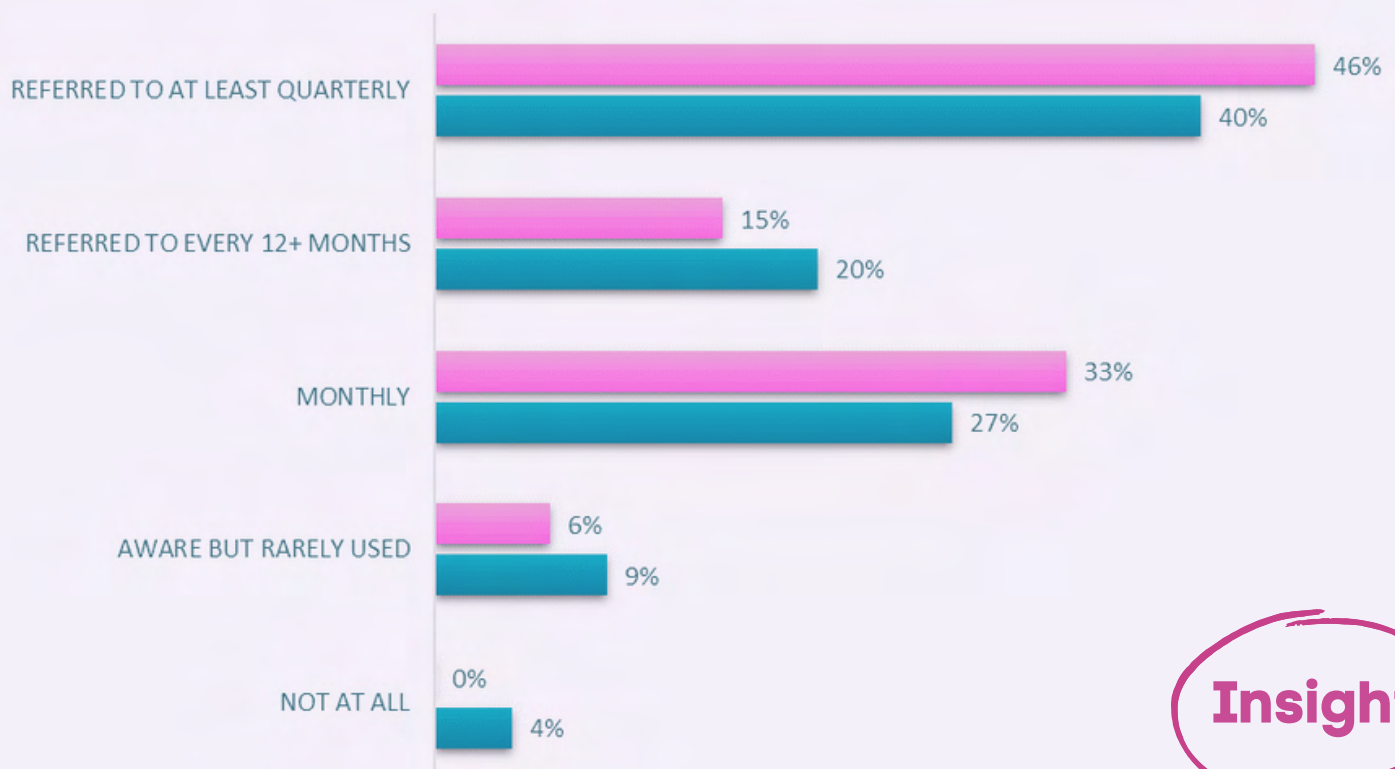


Insight

A slight shift can be noticed towards broader consultation in NFPs. When it comes to strategic direction setting and how widely organisations consult, it can be argued that organisational leadership will generally take a course that is familiar to them, agreeable to the culture and most efficient. While broader stakeholder consultation does present some risks, it offers much more in terms of uncovering harsh realities that would otherwise emerge unexpectedly. By consulting broadly, the strategic plan is likely to be more robust and reflective of stakeholder needs. These insights generally form part of an overall competitive edge, and by increasing risk acceptance and adopting clever approaches, wider consultation can be achieved without compromising decision making hierarchy or breaking the budget.

How often does your leadership team (Board and CEO) refer to the Strategic Plan?

2022/23 2021/22

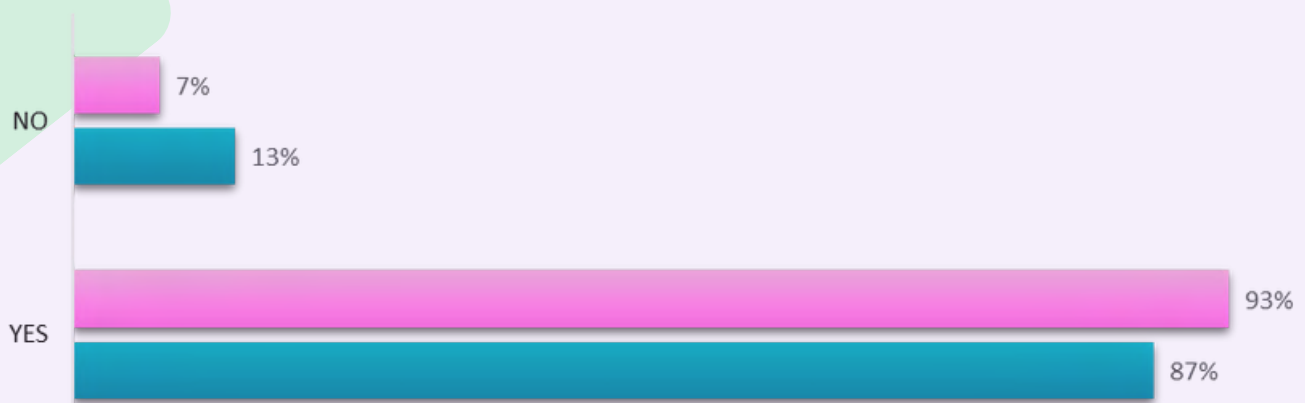


Insight

A significant shift towards more frequent use and reference to the strategic plan is noted. This is a positive trend and may be indicative of increased value and focus being placed on the document and achieving outcomes more broadly.

Does your Strategic Plan clearly outline your organisation's purpose, objectives and goals for the upcoming period?

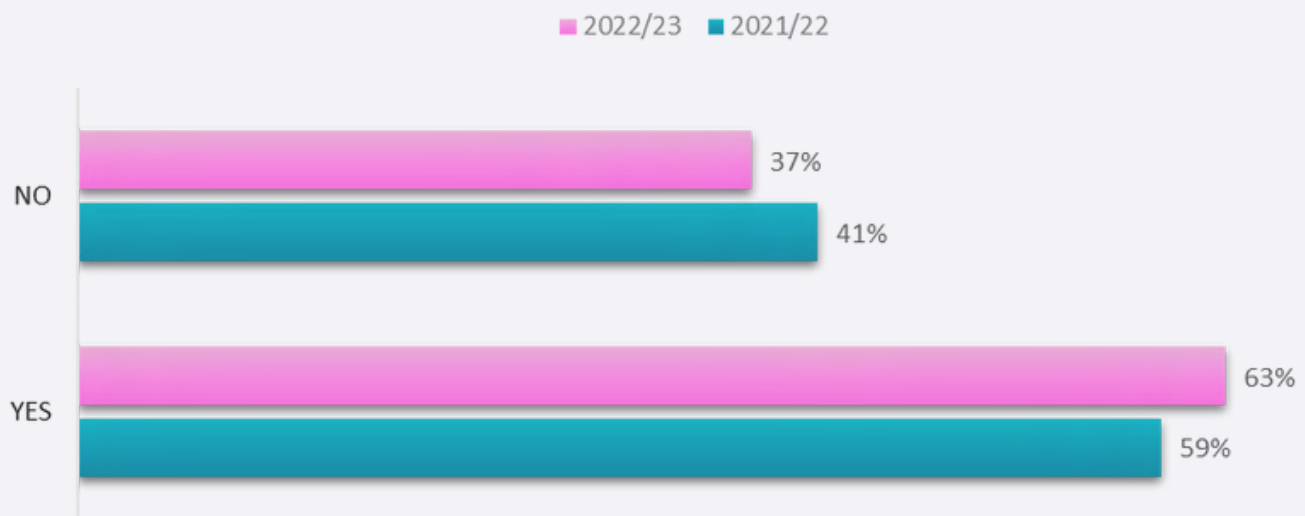
2022/23 2021/22



Insight

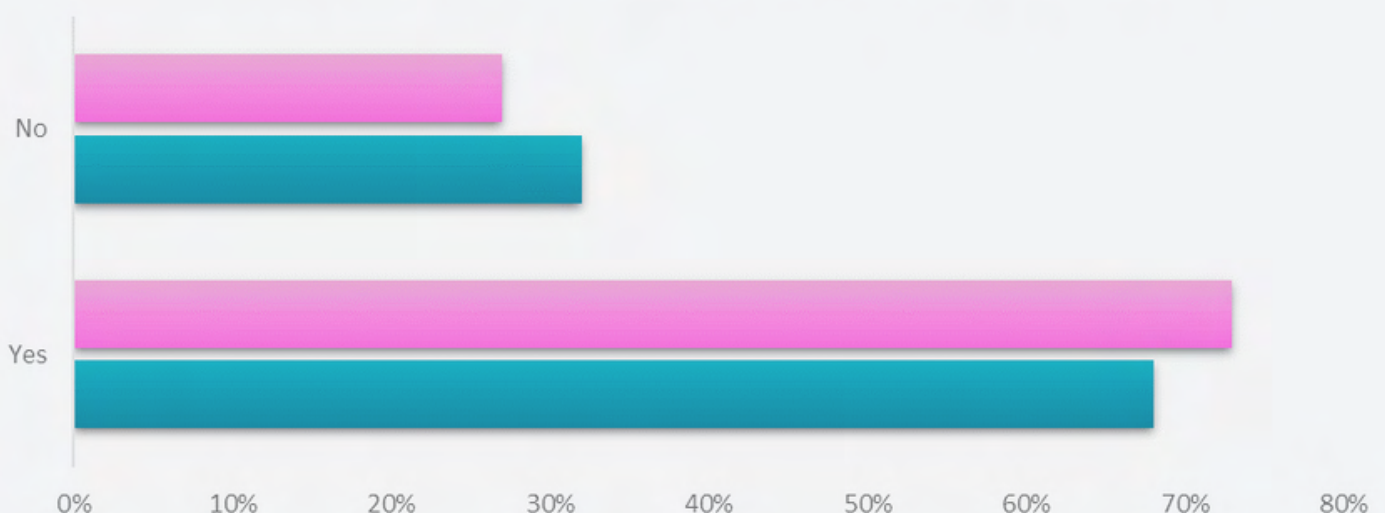
Most organisations are keenly aware of the need for strategic plans to clearly outline their purpose, goals, and track progress.

Does your Strategic Plan contain measures of success, that are regularly used by the organisation for performance purposes?



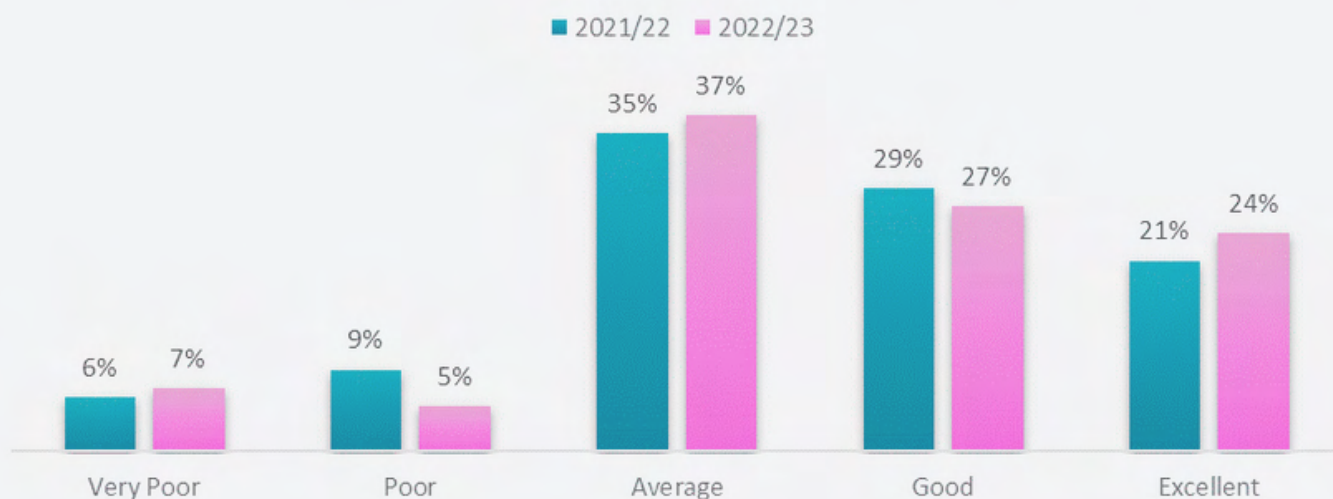
Despite organisations understanding the necessity for strategic plans to contain measures of success, the jury is still out on whether these should be used for performance purposes. Historically, NFP organisations (in comparison to for-profits) have been tentative to integrate success measures into personal development plans or use them for performance purposes, for manifold reasons. That said given the increase in strategic plan robustness and reliability it is likely that the trend of doing so will increase into the future.

Does your strategic plan consider and assess current and future internal and external market factors?



There is a positive indication that NFPs are investing more time and resources to scanning both their internal operational factors and external market factors. The understanding that all NFPs, regardless of the size or scale will benefit from this process is likely to increase concurrently the increase of focus on strategic planning.

How would you rate the inspirational impact and corporate commitment generated by your Strategic Plan?



Insight

Unfortunately, our sampling and observation indicates that strategic plans are not really moving the dial when it comes to inspiring organisations. Ostensibly, they are not intended to be necessarily inspirational. However, it is unlikely that a strategic plan that does not at least contain inspirational elements will receive a thorough read, let alone be acted upon.



Strategic Industrial Considerations for the NFP Sector

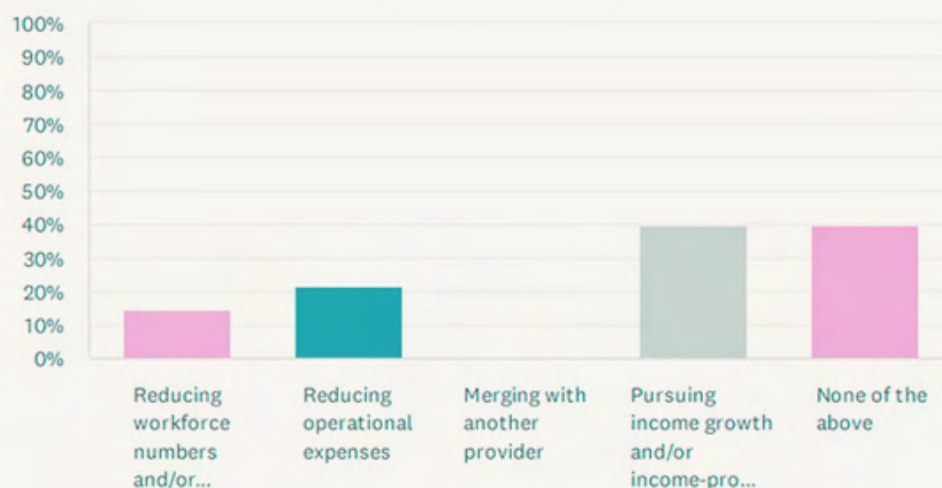
A key strategic consideration for many NFPs, was the recently enacted Fairwork Act changes, introduced in late 2022. The Secure Jobs, Better Pay: changes to Australian workplace laws have multiple potential impact points for NFP organisations across Australia. The changes cut across a wide range of workplace laws which are likely to impact NFP's directly, and include:

- Changes to how and when organisations can provide Fixed Term Contracts
- Small business exemptions and definitions
- Job advertisements
- Flexible work requests
- Enterprise agreements and multi-site enterprise bargaining
- Small claims process
- Job security
- New workplace rights on disclosing pay and workplace conditions
- Prohibiting pay secrecy
- Unlawful job ads
- Gender equality measures
- Breastfeeding
- Gender identity
- Intersex status
- New objects of the Fair Work Act, modern awards and minimum wages
- Equal remuneration principles and orders.



As our survey (held in February 2023) and research highlights there was a wide variety of awareness and preparation in response to these changes.

In terms of the considerably higher wages that employees will shortly need to be paid, our organisation is considering: (select all strategies being considered)

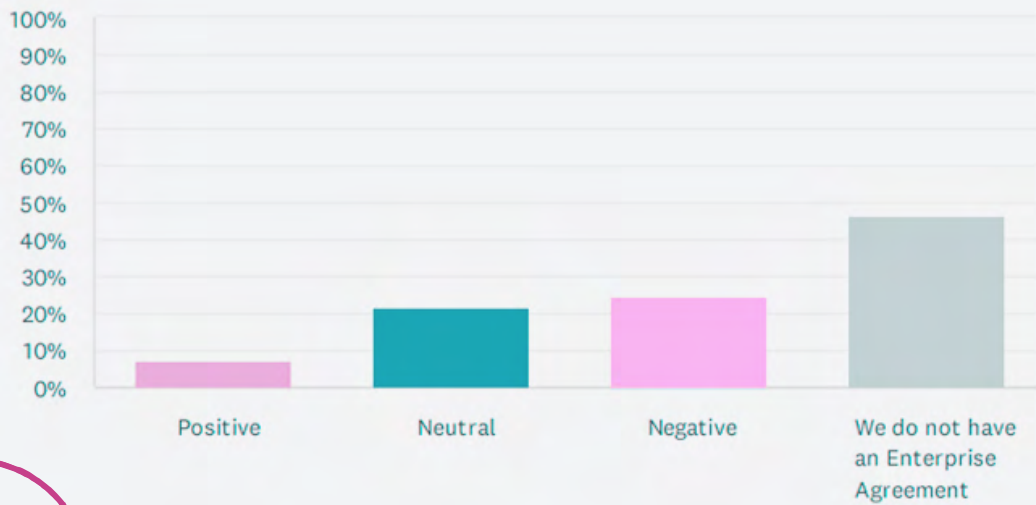


ANSWER CHOICES	RESPONSES
Reducing workforce numbers and/or reducing hours of part time and/or casual staff members	14.29%
Reducing operational expenses	21.43%
Merging with another provider	0.00%
Pursuing income growth and/or income-producing social enterprise strategies	39.29%
None of the above	39.29%

Insight

As can be detected there are three main approaches that NFPs had taken in response to these changes. The first 39% had not yet considered the Fairwork changes, they either did not know, were not fully aware or ignored their potential impacts. Rather optimistically, and of the same figure, organisations were looking to income growth strategies to assuage the impacts. The remaining proportion were looking internally by planning to reduce operational costs. Based on observation very few (under 5-10%) were beyond the planning stage in adopting any of these approaches. Interestingly, a large proportion of NFPs were not aware of the full implication of the changes and how they could impact service models i.e., reduction or elimination of fixed term contracts, volunteer usage, higher wages, and multi-employer bargaining.

If you are covered under an enterprise agreement how would you describe its' impact upon your organisation?

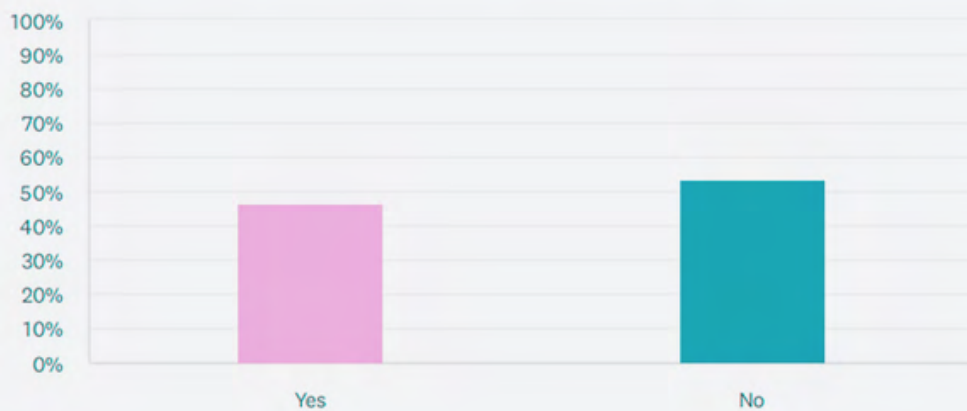


Insight

Survey respondents may or may not have been aware, that organisations operating in the same sector, sub sector or sharing common interests, could be compelled to engage in enterprise bargaining as either supported bargaining or single interest employer authorisations. At the point of survey close to 50% did not have an enterprise agreement in place so may have fallen into this category. This could spell the end for some of these organisations, assuming the agenda disrupts their service models or reduces their margins beyond repair. Of those who had an enterprise agreement in place, we discovered that less than 10% were positive about it and the remainder were negative or neutral. This indicates that for some the change may be welcomed, but for many others a compounding grief.



Our organisation currently has a number of employees engaged on fixed-term employment contracts due to funding agreements



Insight

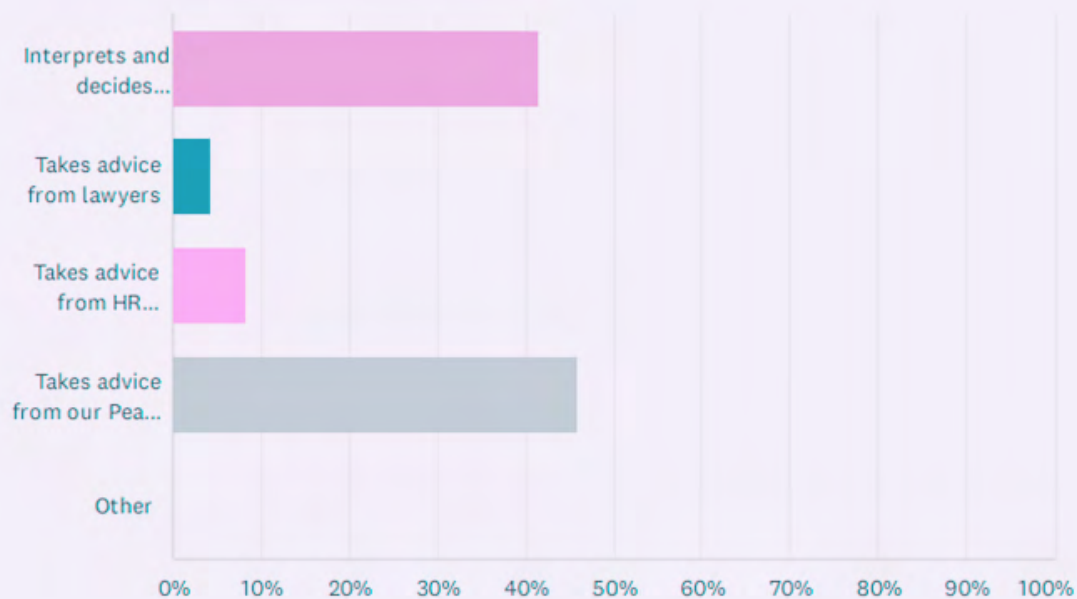
Almost 50% of those surveyed indicated that they utilised fixed term contracts. Such contracts are common and usually tied to recurrent or fixed term funding contracts. The changes mean that organisations can no longer use a fixed term contract that spans for two or more years, or continually extend a contract for the same job function. This will mean that many NFPs will now need to shift employees to permanent part-time or full-time roles. Despite the benefits to employees, for many unprepared organisations this will bring a significant liability burden. Unless organisations can mobilise to reshape their strategy and service model it may prove too much.



HR Advice and Guidance

A consistent and common strategic issue amongst smaller and mid-sized NFPs is obtaining Fairwork/Award/HR advice prior to changes affecting them. As can be seen below close to 42% are self-reliant, and 46% rely on peak or industry bodies. While this may work for many organisations, very often the information gleaned from free, online, or generalised sector sources do not account for individual nuances present in organisations. Further to this many NFPs do not have an internal HR or ongoing contracted resource that can interpret changes in the light of the organisation's idiosyncrasies. This can lead many organisations to simply overlook or accept changes without taking the proper preparatory steps to ensure they work for the benefit of their organisation.

In terms of Fair Work Act Standards, requirements and our obligations under the Award, our organisation (select answer that fits best):

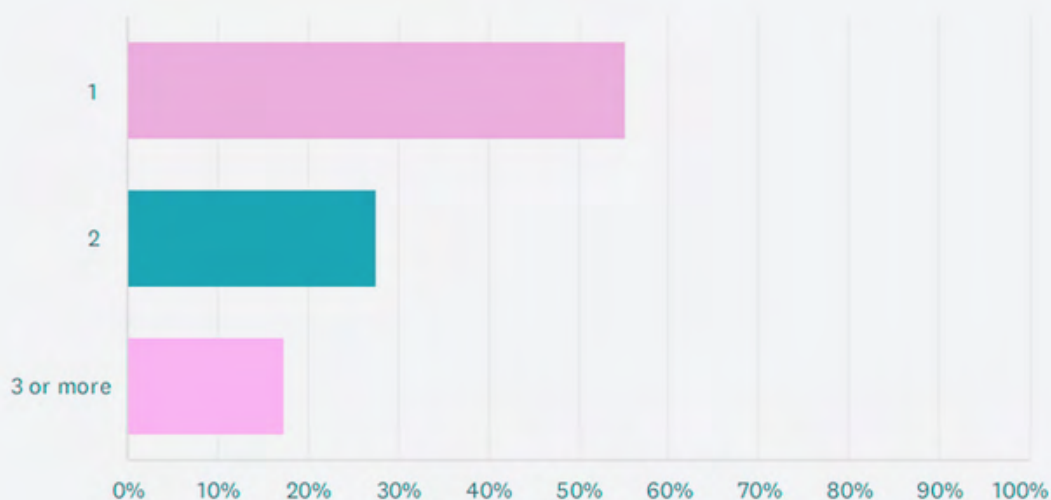


ANSWER CHOICES	RESPONSES
Interprets and decides ourselves	41.67%
Takes advice from lawyers	4.17%
Takes advice from HR professionals	8.33%
Takes advice from our Peak Body	45.83%
Other	0.00%

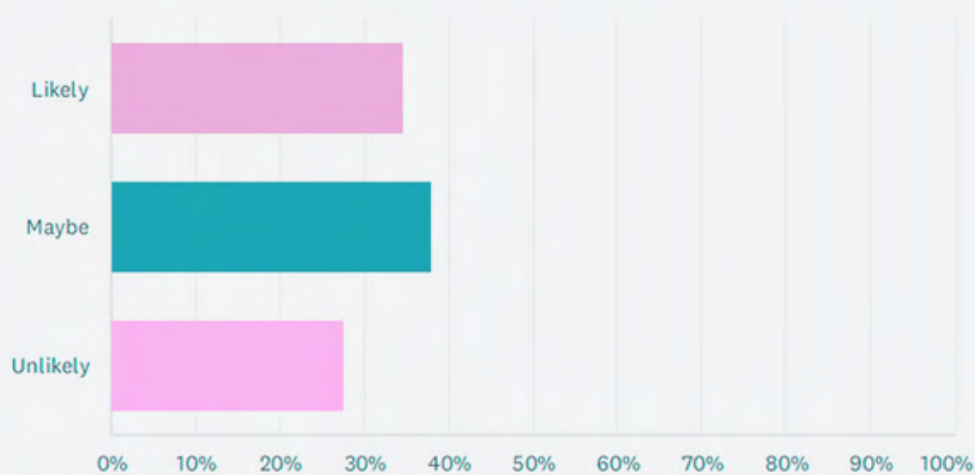
Senior Leader Stability and Succession

Another identified common strategic theme for many NFPs this year was senior leader stability and succession. Interestingly, an increasing number of organisations are adopting a multiple board reporting hierarchy. The reasons for this are yet to be discovered. However, as an emerging trend within the sector and based on preliminary data this is likely to continue, particularly as organisations grow and grapple with increased governance and operational expectations.

How many positions in your organisation report to the Board or Committee



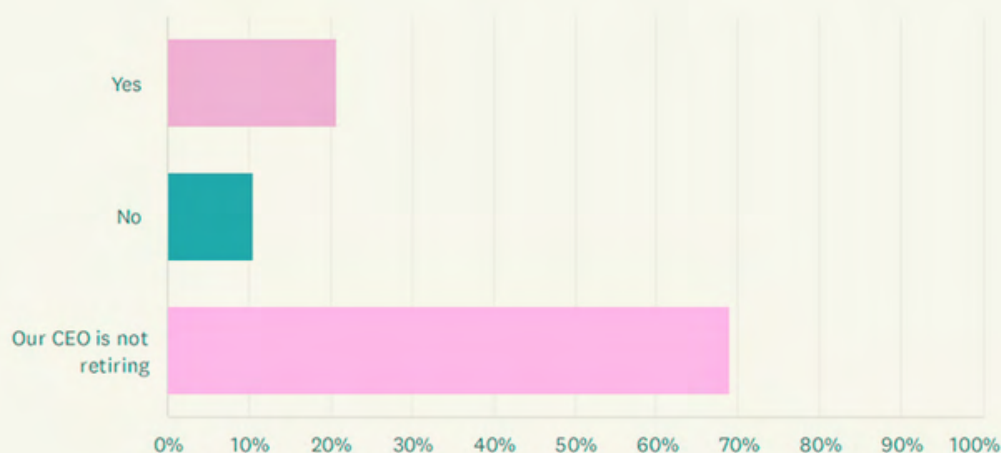
Is it likely the person who reports to the Board (e.g. CEO, ED, EO or GM) will retire or move in the next 2-3 years?



Insight

Over 70% of organisations reported that their senior executive/s were potentially going to retire or move on in the next two or three years. We have noted this to be a common theme across the sector and perhaps is reflective of the changing trends in broader human capital markets. This flux in leadership may be one of the drivers for organisations adopting a multiple board reporting hierarchy.

If your CEO has moved (or intends) to part time, will other Managers responsibilities change and step up so to speak



Insight

Positively most organisations who have a CEO who is on their way to retirement or exit via part time arrangements, have successfully put a plan in place to manage this via internal promotion. Our observations on this matter would contend that more can be done in this area with the skills gap between the executive level and management level being rather pronounced in many NFPs. Often boards will view skilful operational managers as the next in line for executive roles, because of their inward facing success, knowledge, and skills.

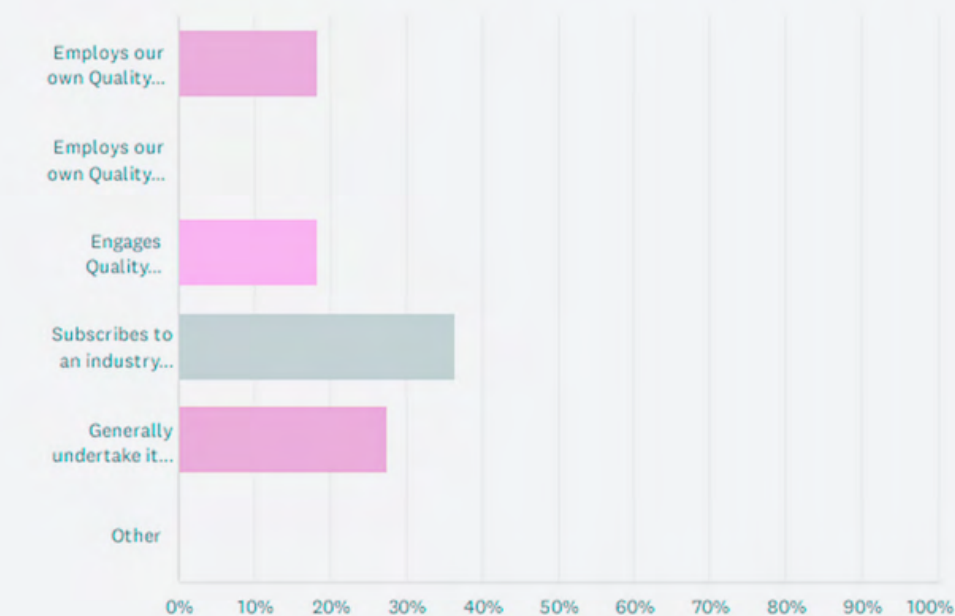
However, many CEO roles in the sector are increasingly becoming outward facing with the predominance of their work being focused and engaged in fundraising, business development, strategic networking, marketing, and awareness raising. Very few NFPs approach succession planning in a systematic way with the adequate investment made to prepare managers to learn and transition towards these new skills prior to appointment.

Quality Management

Quality management and accreditation processes are becoming increasingly burdensome on organisations. What once may have been thought of as a simple compliance ‘bolt on’ process is increasingly becoming a strategic issue impacting all aspects of an organisations functioning. We took a look into the aged care sector where standards are frequently evolving and as an analogous case study for those other fields now requiring accreditation for a part or the whole of their business.

As can be seen, most organisations are outsourcing (36%) or hiring a part time (18%) Quality Manager to undertake the work of quality control. These trends are likely to increase concurrently with increased quality measures and quality standards applying to new sub sectors. This burgeoning industry is likely to lead to increased workload for smaller NFPs and tighter labour market supplies as demand increases. Organisations seeking to get ahead of the curve will need to begin developing internal capabilities or seeking affordable auxiliary options in advance to these changes.

In terms of Quality Management/Aged Care Standards support, our organisation (select answer that fits best):



ANSWER CHOICES	RESPONSES
Employs our own Quality Management Professional on a part-time basis	18.18%
Employs our own Quality Management Professional on a full-time basis	0.00%
Engages Quality Management consultants on a project basis, as needed	18.18%
Subscribes to an industry Peak Body, so we generally rely on that service	36.36%
Generally undertake it ourselves	27.27%
Other	0.00%



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Personal-Practical-Affordable-Available



Governance

Building Governance, Board and Committee Capability

Leadership Support

CEO and Manager Coaching, Mentoring and Leadership Support

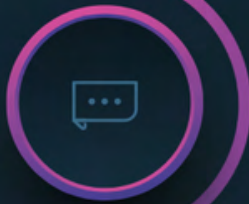


Recruitment

Recruitment for CEO's, Managers and Board Members

Strategic Planning

Unique and Sector Leading Not-for-Profit Strategic Planning



Mergers

Mergers and Strategic Partnerships

Review and Renew

Organisational Reviews and Restructures



Policies

Policy and Procedure Development and Modernisation

Business Forecasting

Service Model Planning, Financial Forecasting and Assistance



HR for Hire

24/7 On-tap fast response support on all HR issues

DIY Templates

Kits for: Strategic Planning, Governance, Policy, HR, Employee Agreements, Enterprise Agreements

NFP Success has 54 Consultants, located in all States, and all who have held CEO and Board roles

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