

# The foundations of a well-run not-for-profit

Why internal investment is critical

good  
foundations



With special thanks to PwC

## 2017 Survey Results

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# Foreword

The Australian not-for-profit sector is significant, diverse and continually adapting to change driven by community need, the economy and government. Change comes from both sides, in terms of the demand for services and from suppliers of financial and human capital. The Australian Charities and Not-for-profits Commission (ACNC) estimates there are almost 60,000 registered charities in Australia offering a broad range of services. Estimates range regarding how many people are employed in the sector but the generally accepted figure is over 1 million people.

Good Foundations exists to assist not-for-profit organisations to be the most effective and well-run as they can be. To this end, every two years we survey the sector to learn how the sector defines 'well-run' and to delve deeper into specific aspects of being well-run. We do this so we can highlight the key issues and challenges, and attempt to shape conversations across the wider sector around the topics that matter.

In 2015 we first surveyed the not-for-profit sector with the objective of establishing what constitutes a well-run not-for-profit organisation. We found that there are many aspects to consider, but overall the clear top three factors were having great leadership, being crystal clear on reasons for existence and employing and engaging effective staff.

This year, we revisited the survey topics to see if the sector had changed its views over the last two years and to take the opportunity to explore leadership, collaboration, governance and internal investment/capacity building. 360 people from the not-for-profit sector, the majority in leadership roles, responded to the survey. We are grateful for their time and thoughts. The results of the survey are the start of conversations around making the sector more efficient, effective and well-run. It is important to now focus on the 'why' and 'how' to improve the sector and this report will hopefully encourage those working in the not-for-profit sector to think about how they can make their own organisations better run and how they can join the wider conversation on making systemic change across the sector.

We would like to thank PwC for their support with this research and analysis, in addition to the NonProfit Alliance, Third Sector and the Australian Scholarships Foundation, who all also provided input and assistance to this piece of research.

**Stephen Penny**, Principal – Good Foundations

Our purpose at PwC is to build trust in society and solve important problems. We believe that the not-for-profit sector has a critical role to play in driving the health of our community, and is at the coal face of solving problems that matter to Australia. We are passionate about supporting the sector to deliver social impact in the most effective and strategic way possible, and so are proud to support this research by Good Foundations.

**Rosalie Wilkie**, Partner - PwC

# Executive Summary

It is sobering that less than 1 in 3 respondents to the survey believe that the majority of not-for-profit organisations are well-run. This has not changed in the two years since our initial survey undertaken in 2015, and indeed has worsened. So why hasn't this changed and what do we need to do to break this paradigm?

This second survey aims to provide insights into why the not-for-profit sector may not be as well-run as we would like, and we believe it presents an opportunity to see positive change in how well organisations are run. We believe one of the key drivers of change relates to appropriate investment in internal capacity building. The survey results show that only 14% of respondents believe that the not-for-profit sector adequately invests in internal capacity building.

This is not unexpected given that organisations know supporters are keen to see every dollar used effectively and often like to earmark their contributions to support specific projects or programs. This can have the effect of driving down internal investment given the limited pool of funds available.

Another factor that can impact on internal investment decision making is the skill and experience mix of boards and management – are there enough people in board and leadership roles with business investment skills within not-for-profit organisations? The need to balance the head and the heart is essential in the sector but we have to enable organisations to determine the right level of internal investment to get the maximum return and outcomes. The survey tells us that there is a strong correlation between being well-run and impact – 92% of respondents agree or strongly agree that being well-run does correlate to delivering more impact.

Although it can be difficult to establish a direct link between capacity building and increased social impact, as more organisations begin to systematically address making sound internal investments, improvements in the frameworks for measurement will surface. We see this clearly in for-profit organisations who utilise a Return On Investment (ROI) measure to strategically select the investments that will deliver the highest returns or outcomes.

The sector needs to start having the right conversations with supporters and the public to re-orientate their thinking to delivering results and outcomes rather than focus mainly on operational costs. Another dollar spent on another inefficient program is just another dollar wasted.

The survey provides indicators of where investment choices may need to be made including:

- People – respondents noted issues concerning retaining good staff (63%), ability to pay competitive remuneration (61%) and being able to provide career development (58%); 91% of respondents feel that a lack of internal investment has a major impact on critical people areas
- Infrastructure and technology – equal top issue with people with 91% of respondents suggesting this area is impacted by a lack of internal investment
- Board effectiveness – the key issue (76%) related to poor board composition – skills mix, experience and different ways of thinking

The key question in our survey is an examination of the organisational elements not-for-profit organisations need to focus on to be well-run. The key elements that emerged in 2017 are:

1. Having strong leadership, and the rising importance of board and governance
2. Being clear on the purpose, vision and direction of the organisation
3. Attracting and retaining quality people

This is broadly consistent with the results from 2015, with the main change being the increasing importance of a strong board and good governance framework.

The areas we delved deeper into this year provided some thought provoking results:

- The CEO leadership attribute seen as most important is being able to create the right culture
- There appears to be a strong relationship between boards and the CEO, with 79% saying the relationship was strong or very strong
- Paying not-for-profit board members is supported by 41% of respondents
- The most sought after skills at a board level are: revenue generation, technology/IT and marketing

**To help organisations undertake a self-assessment on how well-run they are, Good Foundations has created a free online self-diagnostic tool - access the tool here**

We hope that this report will help readers start the right conversations and ask the right questions in their own organisation to effect change for the better. These questions might include:

- How much should we invest in capacity building; how do we decide between alternatives?
- Can we do better at measuring and communicating the impact we are having?
- How effective is our board, how are we assessing and improving the board's performance?
- Do we know where we are going, what we are trying to achieve, what our theory of change is?
- What opportunities to collaborate exist that will deliver better outcomes?
- What is the culture of our organisation and is it the one we want?

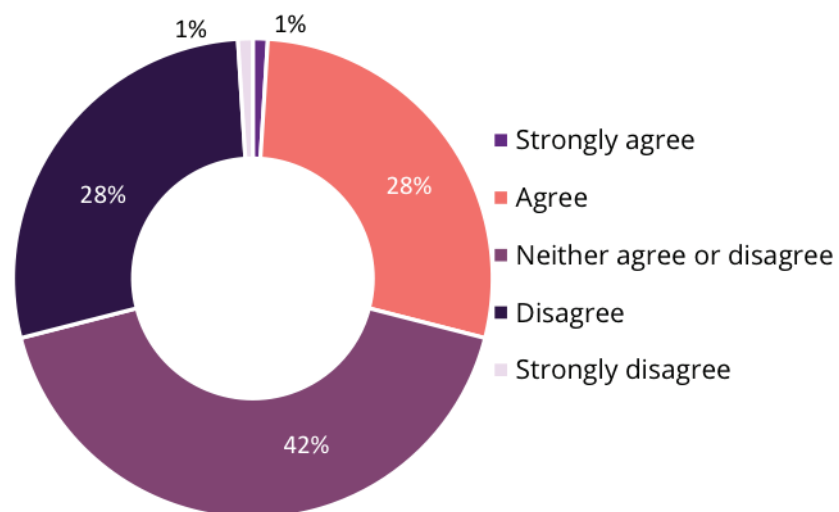
Organisations need to assess what aspects they are already doing well, and where are the areas they need to improve. Making the right internal investment decisions appears to be critical in utilising scarce funds.

# Detailed Findings

## 1. Are Australian not-for-profit organisations considered well-run?

When asked to what extent respondents agreed or disagreed with this statement – ‘The majority of Australian not-for-profit organisations are ‘well-run’; the majority (71%) said they didn’t agree or had a neutral view. This is up from 64% in 2015. This indicates that there is still a lot of room for improvement within not-for-profit organisations and that perceptions are still fairly negative across the sector as to how well organisations run themselves. On the positive side, given how much great work is performed across the sector today, imagine the impact if there was a lift in being better run.

*To what extent do you agree or disagree with this statement – ‘The majority of Australian not-for-profit organisations are well-run’?*



Perhaps the results indicate a certain ‘healthy humbleness’ in the sector and that those in the sector acknowledge more can be done and have a realistic view of the current situation. Many people in the sector are known for not blowing their own trumpets and just ‘getting on with things’ as best they can.

We should note here that this survey focuses on looking internally at how well-run an organisation is and that not-for-profit organisations need to balance the amount of time looking inwardly with an external focus on those they are serving and external market conditions. Looking internally to be better run is only part of the equation, but an important one nonetheless.

## 2. Does being well-run correlate to delivering more impact?

As in 2015, the results indicate that there is a strong correlation between being well-run and having impact. The results indicate that there is the potential for the sector to have even greater impact than it currently has if more not-for-profit organisations move to being truly well-run. We see a key step of this to educate and inform donors and supporters about the need for not-for-profit organisations to invest wisely in themselves, just like for-profit organisations do.

We have seen first-hand the evidence of a 'false economy' of not investing in systems, processes and people leading to inefficiencies, missed opportunities and poor execution of programs and activities. Of course educating and convincing key stakeholders is easier said than done. We would suggest starting these conversations with your most loyal, longest standing supporters and focus on both the positive returns of investing internally along with the risks and impact of not investing.

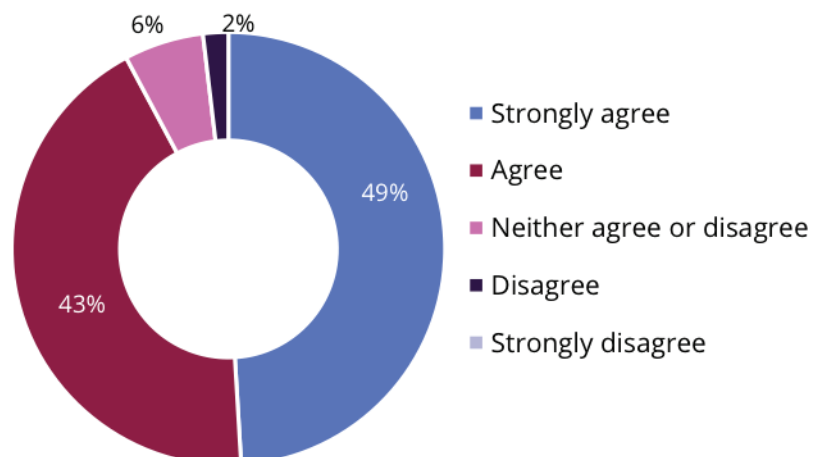
To survive, organisations need to be efficient and relevant to beneficiaries and funders (including governments). Technology is proving more and more to be a crucial driver or enabler of efficiency but it requires investment and in some cases innovation and trials in how interventions/programs are delivered to fully leverage the desired outcome – this requires time, money and patience. The sector needs to be more confident that investment for the right reasons is justified and be bold (and targeted) in having those conversations with those that need to sign off and/or fund investments.

Any not-for-profit organisation should have a strong external focus on its mission and aim to put as many resources as possible to achieving this, and it is quite right that there are funding and donor pressures on where funds are spent. However, we do see key questions such as:

1. What is the optimal balance of internal investment vs program spend?
2. Does the balance change at different times?
3. How and where should the funds be spent internally in order to achieve the highest Return On Investment (ROI) for beneficiaries in terms of overall impact?

Another dollar spent on a program may not always deliver the most impact if there is an opportunity to make all programs more effective through internal investment.

*To what extent do you agree or disagree with this statement – 'Being well-run has a significant correlation to not-for-profit organisations delivering more impact'?*





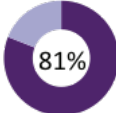

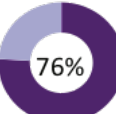
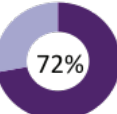
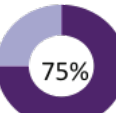
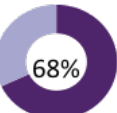
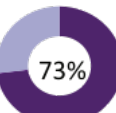
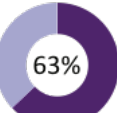
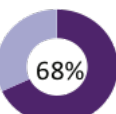
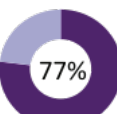
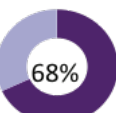
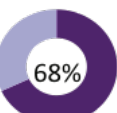
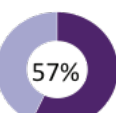
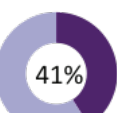
### 3. Elements of a well-run not-for-profit

Both this survey and the 2015 edition asked respondents to comment on the elements they identified as being the key indicators of whether a not-for-profit is considered well-run. The table below compares the two surveys with the elements ordered from most to least important in the list according to the 2017 results. The percentages next to each element represents the combined score of extremely important or very important and the final column shows the position change of the element between the two surveys.

Element	2017	2015	Relative Position change
1 It has effective and strong leadership	 94%	 96%	No change
2 It is very clear on its purpose, vision and direction	 92%	 95%	No change
3 It employs effective staff	 91%	 94%	No change
4 It operates consistently with its mission & purpose	 90%	 90%	↑ 1
5 It has a strong and balanced Board	 88%	 87%	↑ 3
6 It has a strong governance framework in place	 87%	 78%	↑ 6
7 It complies with all relevant regulation and legislation	 86%	 83%	↑ 3
8 It has a strategic plan that is reviewed/updated	 84%	 87%	↓ 2
9 It communicates effectively with key stakeholders	 84%	 80%	↑ 2
10 It continually seeks to improve performance/efficiency	 84%	 87%	↓ 3



### 3. Elements of a well-run not-for-profit

Element	2017	2015	Relative Position change
11 It is clear on how it measures success as an organisation			↓ 2
12 It is truly transparent in its performance to stakeholders			↓ 8
13 It has a thorough risk management plan in place			↑ 1
14 It knows how to measure its impact			↑ 1
15 It follows its policies and procedures			↑ 2
16 It uses evidence - based research to design programs			↓ 3
17 It has diversified revenue streams			No change
18 It collaborates regularly with others			No change

As can be seen from the table, the main changes in ranking include an increased focus on the board and governance frameworks. Board and governance are key elements in the leadership of any organisation and perhaps more emphasis and importance is starting to be placed on the role of boards across the sector. This is a positive step in our view. Culture and leadership does 'start from the top', but as most boards are volunteers, it does place a heavy burden on them and more thinking needs to occur in how the not-for-profit sector can utilise appropriate and different governance structures to balance the current volunteer nature of most boards vs the increasingly high demands being made on directors.

## 4. Leadership strengths

Given that leadership ranked as the most important element in the 2015 survey, we wanted to understand what skills not-for-profit leaders need to help organisations run at their best. We believe this is a useful reference list for organisations who are recruiting new CEOs and against which a CEO's performance could be assessed. Clearly a CEO needs to have depth and breadth in a range of skills as most were deemed as necessary by respondents.

*What do you think are the 4 leadership strengths that a CEO of a not-for-profit organisation must have?*



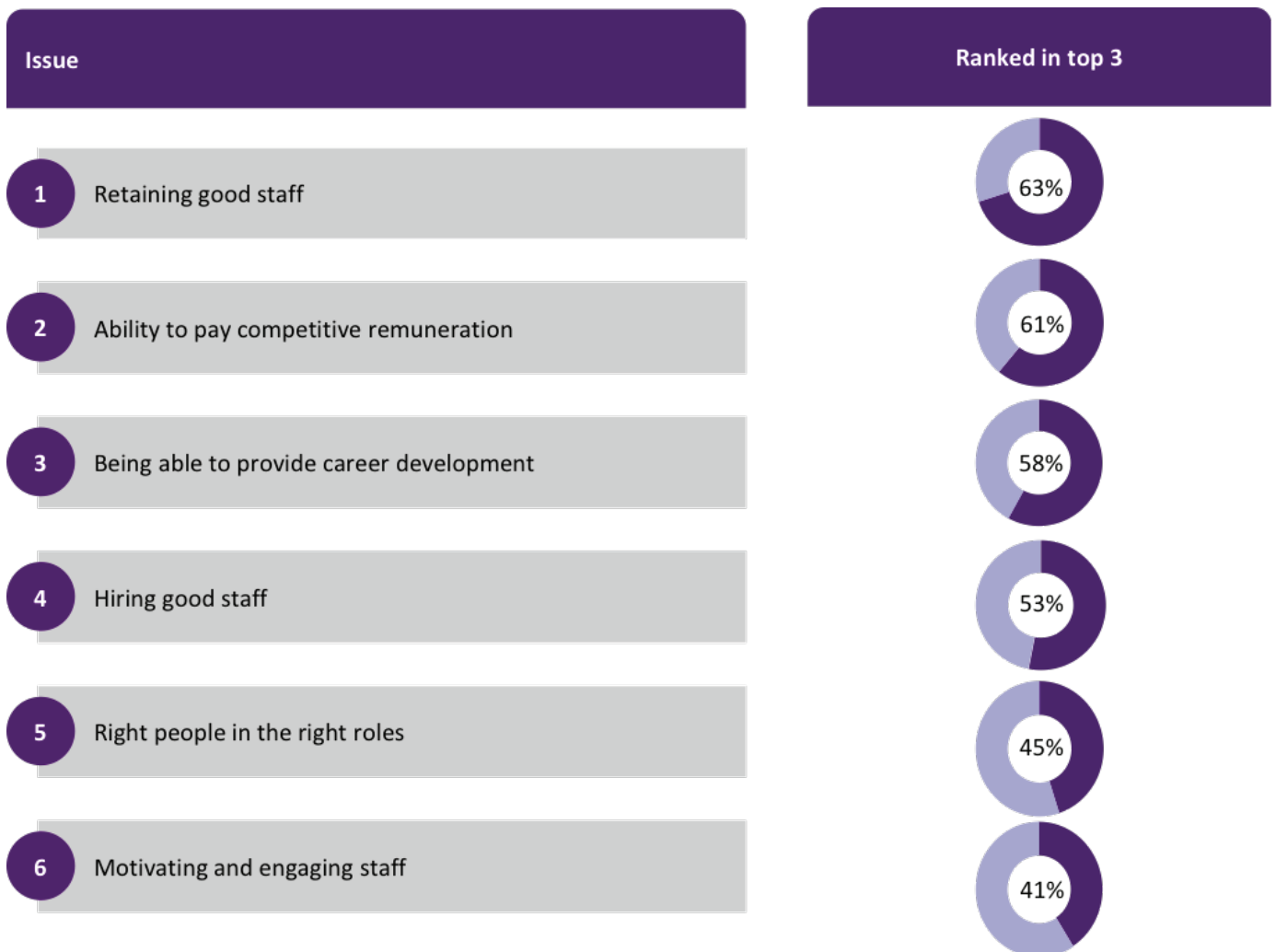
Culture is a difficult aspect to measure, but clearly critical. The CEO is primarily responsible for setting the tone of the organisation. The CEO and the board needs to monitor the signals of a good culture, which at a basic level can include staff satisfaction and regretted staff turnover but in reality, it is something relatively intangible so needs extensive personal interaction with staff to establish.

Ask yourself 'what is the culture of our organisation, can I describe it to someone who doesn't know us?' Once you have described it, check if it is consistent with what others think. If it isn't or you don't like the answers you are getting, then you need to do some work on defining and creating the culture you want. Culture affects everything in an organisation; as Peter Drucker says, "Culture eats strategy for breakfast".

**"Poor planning, communications and lack of clarity about future strategy led to several organisational changes which could have been avoided. This cost money as well as staff time which was a distraction from core business." - Survey respondent**

## 5. People issues

Having the right people in an organisation is critical so we wanted to once again look at the key 'people' issues faced by not-for-profit organisations.



These won't be a surprise to most people; so what can be done about it? Sometimes it means spending more money on quality people, sometimes the extra \$20k to pay in a higher salary can pay back itself tenfold with the quality of candidate this may attract.

We'd also suggest that you consider if you are really engaging all your staff around your impact – directly connect as many staff and volunteers as you can in the impact you are making. Our experience is that if staff truly see the difference that their organisation is making, they will be more engaged and be more likely to forgo things to stay.

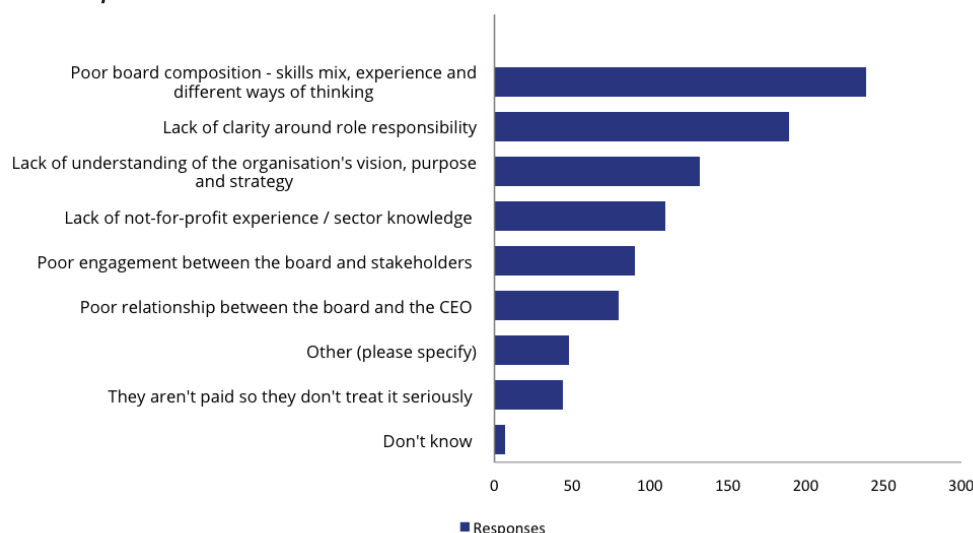
Not-for-profits also need to play to their strengths. Having a strong mission driven job is very attractive to many, particularly at some stages of life where people may be able to make more choices. Organisations also need to absolutely understand the needs of the next generation in relation to work and flexibility – often a competitive advantage for smaller, nimble charities in how they operate.

## 6. Board effectiveness

An effective board with the right mix of skills, experience and way of thinking is a crucial element in the success of any organisation, for-profit or not-for-profit. We were interested to find out what people feel are the reasons why boards may not function at their optimal level.

*"Board members need to be briefed properly around their role and responsibilities, including time and commitment they make to the organisation beyond board meetings: they need to fully engage with the organisation" - Survey respondent*

**Please select what you think are the top 3 reasons why not-for-profit boards may not function at their optimal level.**



Any board needs to effectively assess the skills it requires and then understand which of these skills are missing from its current board. It also needs to assess its own performance. Sometimes an external facilitator is required and/or the Chair needs to be objective and strong in their management of the process.

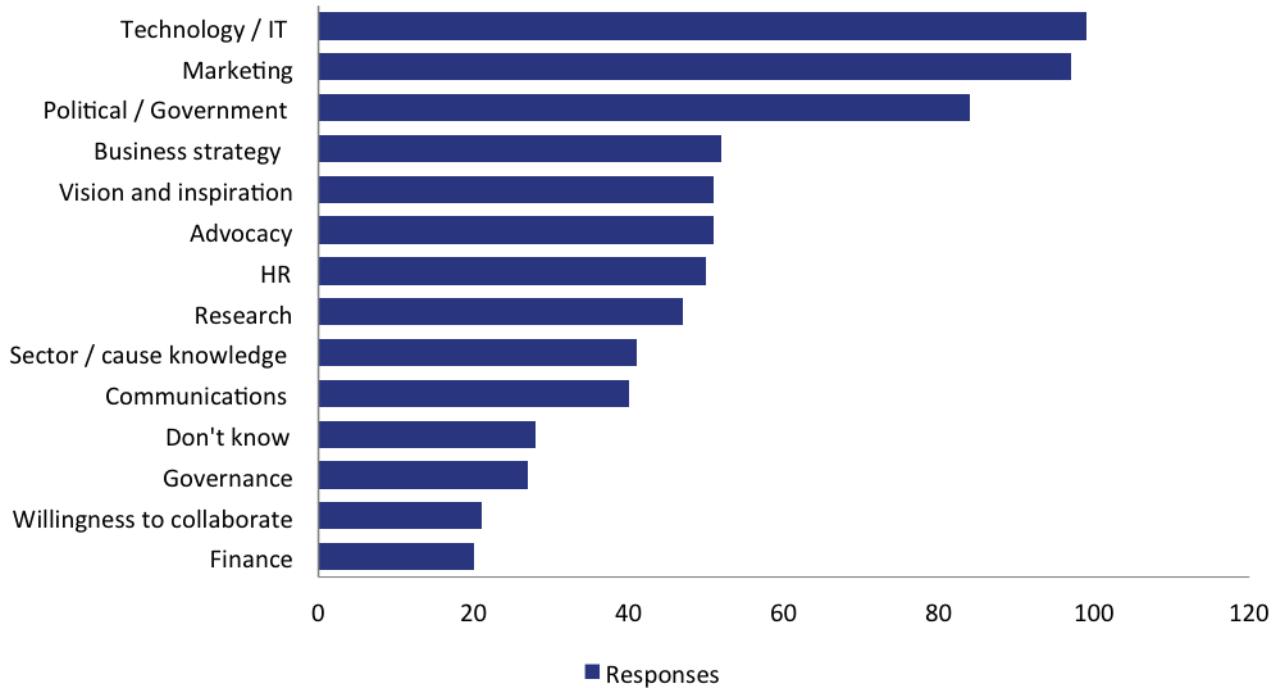
**PwC have had a focussed effort to share their business skills to help the not-for-profit sector, and after two years now have 750+ senior advisors and partners on not-for-profit boards.**

*"Not being paid doesn't necessarily mean they 'don't treat it seriously' – unfortunately it can mean opposition to compliance with policies etc. 'because I'm a volunteer, you can't tell me what to do'" - Survey respondent*



## 6. Board effectiveness

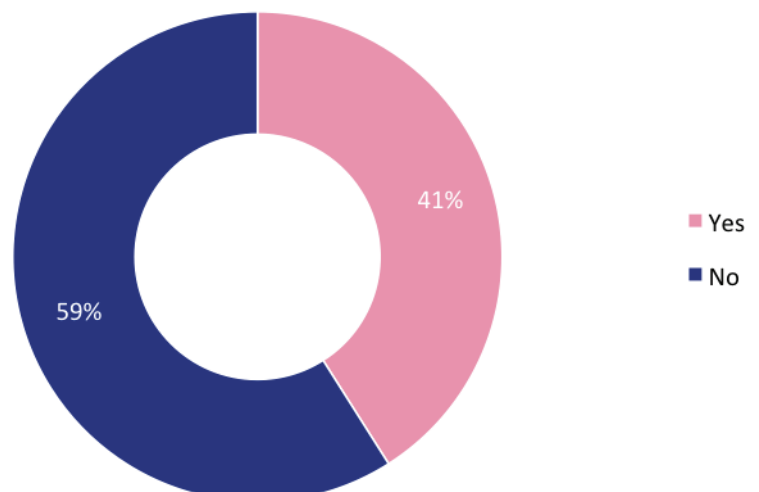
*What do you think are the 3 key strengths missing from your organisation's board?*



When asked about the idea of remuneration for not-for-profit board members, we were somewhat surprised that 41% of respondents said yes, they do think boards should be paid. This question generated some quite passionate comments. There were 36 comments that it really depended on the size, complexity and nature of the organisation, it was not a simple yes or no answer. Other common comments to this question included (no. of respondents in brackets):

1. It should be a demonstration of commitment to community/voluntary, not paid (33)
2. Paying helps attract the right skills/you get what you pay for (18)
3. Only expenses should be reimbursed (13)
4. NFP directors have same responsibilities as for-profit so should be equally compensated (10)
5. Paying would increase accountability (7)

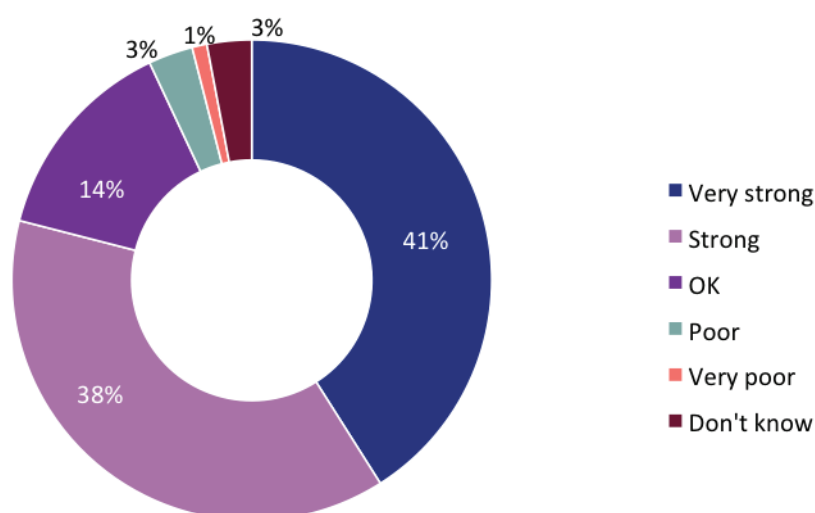
*Do you think not-for-profit board members should be paid?*



## 6. Board effectiveness

We were encouraged that there appears to be such a strong relationship between CEOs and their boards. Having a strong relationship between these two is vital to being a well-functioning organisation and we feel this is something to build upon in making change.

*How would you rate the quality of the relationship between the CEO and the board at your organisation?*



**"The fact that well qualified and often very influential people in business and public life are committed to an organisation and prepared to contribute their skill and experience to a particular cause or not-for-profit enterprise sends an important message to the target audience and encourages philanthropy."**

- Survey respondent

**"A good constitution, selection process, governance training and appropriate engagement will ensure an effective Board who should not have to devote an inordinate amount of time to the task and it does provide capacity for people to develop in those roles. A volunteer Board is a reflection of the ethos of NFPs, which combine paid staff and volunteers to fulfil their missions."**

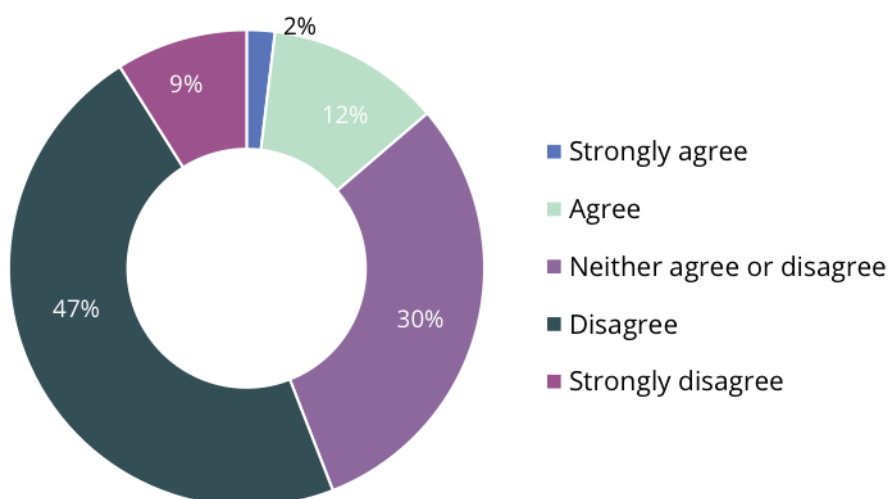
- Survey respondent

## 7. Internal investment

One of the key new areas of investigation in the 2017 survey is internal investment within not-for-profit organisations. We were keen to understand if the sector feels it invests adequately in its own capacity building and if not, what impact that may be having on the beneficiaries of their programs.

When asked whether they agree or not with the statement 'The Australian not-for-profit sector invests adequately in its own capacity building', the majority of respondents (86%) either disagreed, strongly disagreed or were neutral.

*To what extent do you agree or disagree with this statement – 'The Australian not-for-profit sector invests adequately in its own capacity building'?*



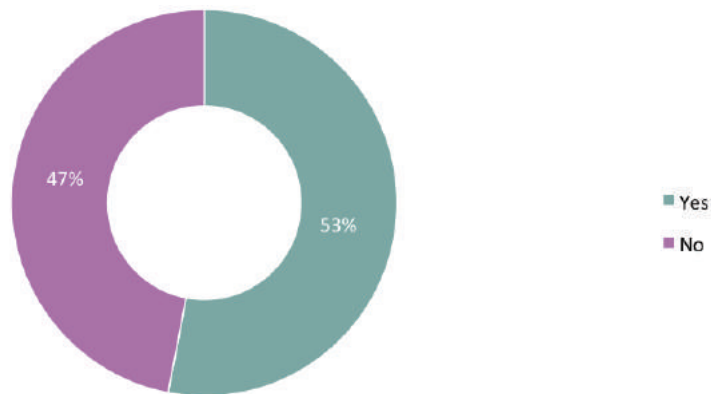
A key question for not-for-profits, indeed any organisation, is what is the right level and type of internal investment? Cash will generally be scarce but lack of investment in capacity building can be a false economy as it may lead to program and direct services being undertaken in an inefficient or ineffective way.

A decision-making framework helps organisations make key decisions in a timely manner, keeps organisations on track against strategy and empowers leaders. The framework is a critical tool for an organisation to refer to, to enable and ensure investment decisions are supporting the broader strategic objectives and priorities.

## 7. Internal investment

We followed on with a question to find out to what degree a range of organisational elements were impacted by a lack of investment. It came back to people and infrastructure. Organisations want to invest more in their people and systems/processes but feel constrained that their stakeholders, and perhaps the public in general, will see it as enriching themselves rather than focusing on those they are there to serve.

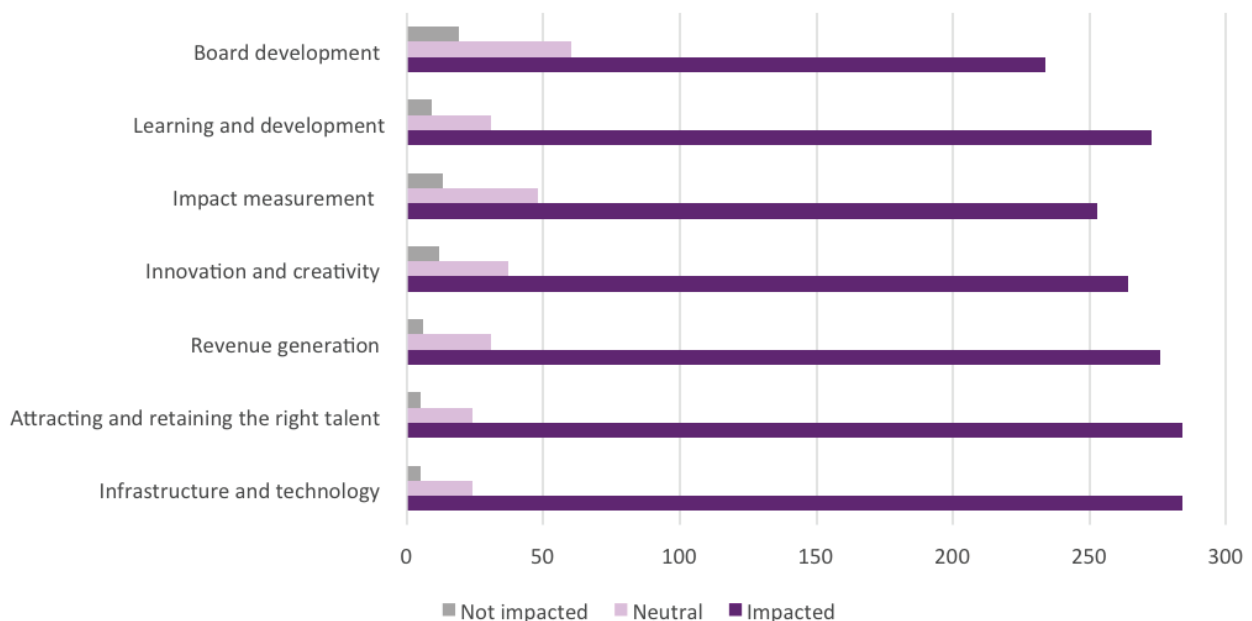
*Has a lack of internal investment in your own not-for-profit organisation impacted outcomes for your beneficiaries?*



'We believe there are still considerable improvements to be made in the sector and that we need to move away from being driven by false economy thinking and start thinking of it as a critical sector for the well-being of all that should be run accordingly. Good Foundations is committed to continuing this conversation over the coming years and helping to educate and inform donors on the importance of not-for-profits investing wisely in their people and infrastructure, just as for-profit entities do.'

*Across the not-for-profit sector, to what degree do you think the organisational elements below are impacted by a lack of investment?*

Note: the top 2 choices and bottom 2 choices were combined





## 8. One change to be better run

We asked respondents what they thought was the one most important change they could make in order to be better run. This question prompted a range of responses as it did in 2015. The most commonly mentioned were in relation to the board (54), staff (39), funding (35) and investment (35). The comments around boards included the need for them to be more balanced, more involved, more effective, better skilled and to have clearer roles and responsibilities. For staff changes, the comments included the need for more diverse skill sets, improved training and more of it and the need to attract the right talent.

From a funding perspective, the comments focus on the need to attract more funding overall and to diversify funding streams. In terms of investment, there is a desire to invest more in technology, staff development, systems, governance and innovation.

In the 2015 survey, the top answers for this question were 'Be more business like', 'Engage a Relevant Strong board' and 'Better Management'.



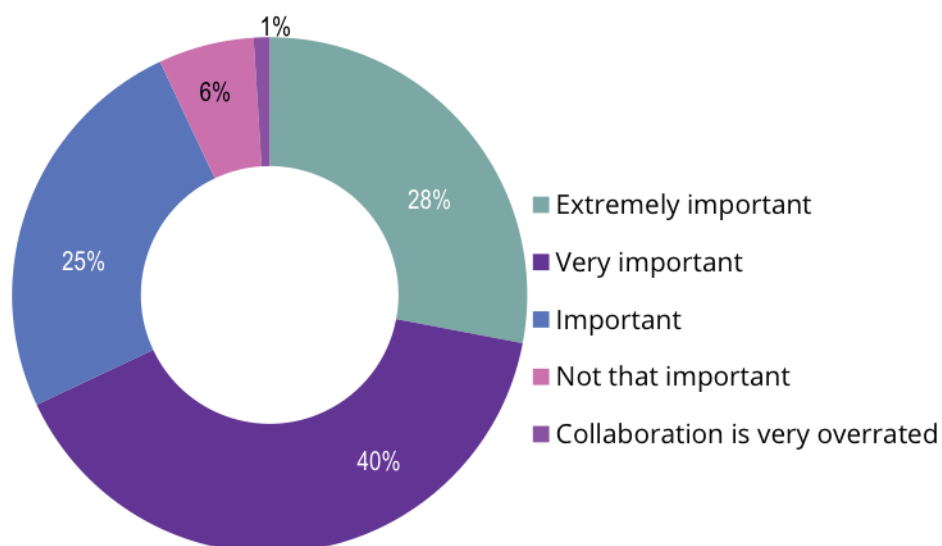
*"Focusing on key service delivery areas and not being too diversified in service offerings – do a few things really well rather than a couple well and the rest mediocre" - Survey respondent*

## 9. Collaboration

The not-for-profit sector in Australia is a significant part of the Australian economy. We believe there is absolutely a place for conversations about collaboration as the sector needs to do more thinking in this space. Collaboration is a wide spectrum and could be anything from organisations working informally on one or two projects together or simply sharing information to prevent reinventing the wheel, to the other end of the spectrum, which is full scale mergers. The best interests of beneficiaries should be the primary consideration of how to work together with others and we also encourage not-for-profit organisations to consider how to work better together with for-profit organisations and government entities as well as other not-for-profit organisations.

We asked respondents how important they believe increased collaboration is across the not-for-profit sector and we weren't surprised to see 93% of respondents saying they believe it's extremely important, very important or important.

***How important do you believe increased collaboration is across the not-for-profit sector?***



## 9. Collaboration

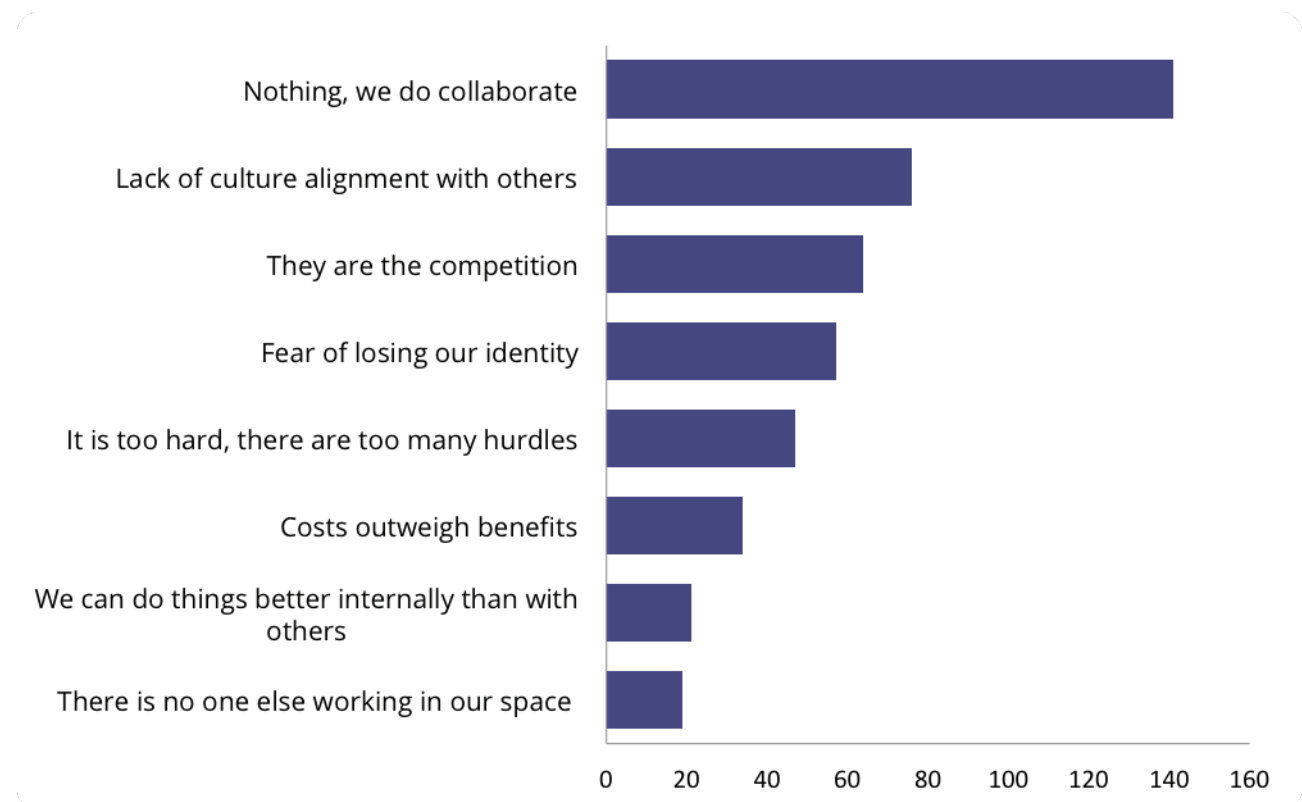
We were encouraged to see that 47% of respondents say that they do collaborate with others and they don't feel hindered in doing so. It would be interesting as a next step to drill down further into the types, nature, drivers and success or otherwise of these collaborations.

A lack of cultural alignment was the most selected reason for not collaborating (25% of respondents), followed by competition and fear of losing identity.

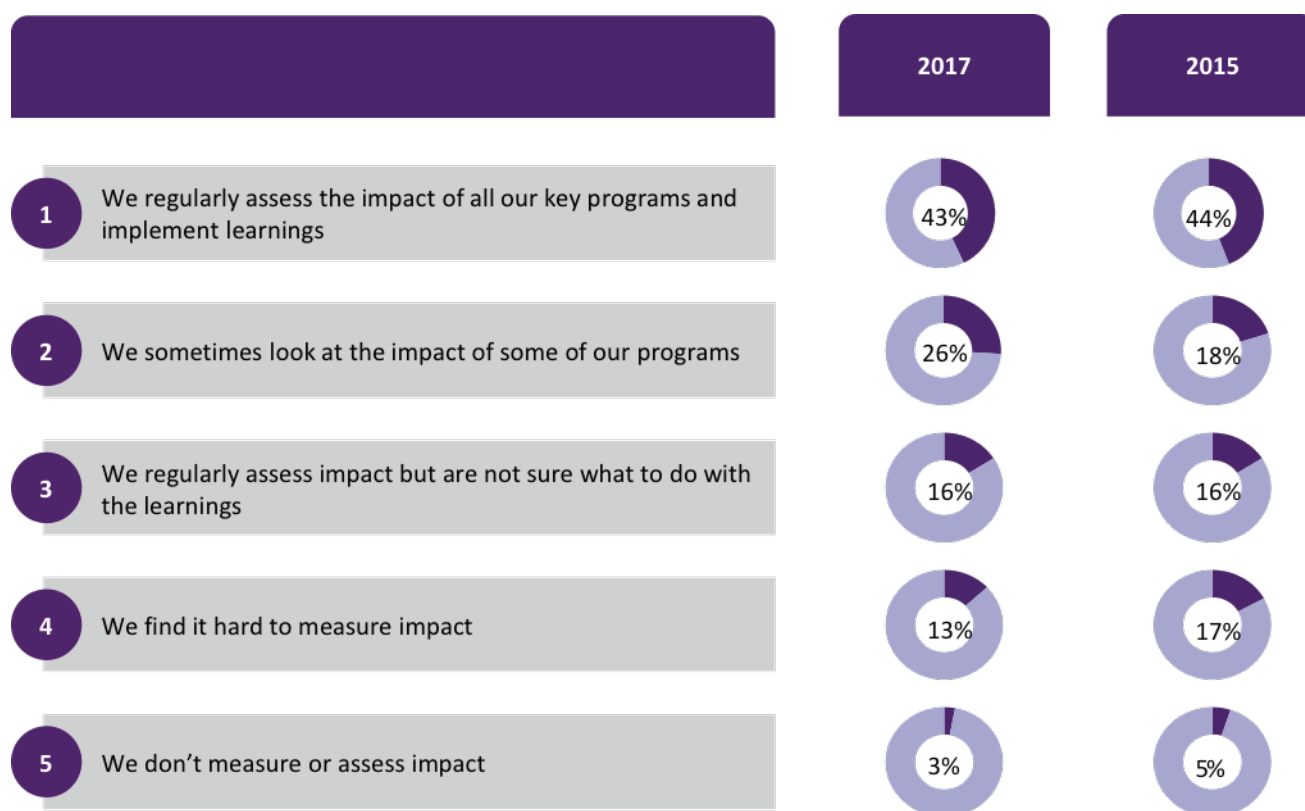
The paradox is that studies show that there continues to be high levels of duplication across charities, and too many not-for-profits are at a scale that means they do not have the resources or capabilities to effectively deliver. External stakeholders are looking more closely at why there appears to be duplication and hesitancy to collaborate. Perhaps some collaborations are not visible to external stakeholders, if 47% of organisations are collaborating as the results indicated. Funders, especially government bodies, are looking for organisations to come together both for efficiencies and for them to be able to deal with fewer providers. Bigger is not always better as there are many nimble, well-run smaller charities. However, boards need to be honest about their capabilities and future.

There are barriers to collaboration including emotional attachment, history, ego and loss of control. Good Foundations has been directly involved in helping not-for-profit organisations merge and understands how difficult it can be. However, as was noted above, there is a continuum of opportunities to collaborate ranging from full scale mergers, joint ventures and partnering, through to sharing front and back office resources. These need to be understood and explored as often these perceived barriers will dissipate.

*What has hindered your organisation from collaborating with others more?*



## 10. Measuring the impact of programs



Given we know that making impact is at the core of why not-for-profit organisations exist, we wanted to know about whether or not they are measuring it. Measuring impact is non-negotiable in our opinion; only 44% of respondents assessed that they were effectively undertaking measurement.

Measuring impact does not need to be a complex and extensive process. There are ways of doing it simply, for example asking recipients of your services or programs three relevant simple questions and monitoring the change in the answers to those questions over time. We believe it is crucial to have a good strategy in place to ensure that activities are focussed on the important things and that programs are designed so they can have the most impact possible.

Impact is as much about demonstrating that a change has occurred as it is about taking the time out to think about the change you expect to occur and confirming that what you are doing will effect that change.



## 11. Strategic planning



It is noted that 50% of respondents do not have a good quality plan or struggle to implement it. The strategic process is an 'outside in' process as the organisation understands the needs of the users and stakeholders. Undertaking an organisation-wide theory of change is a good way to usually start this process so the organisation understands what change it is trying effect and what its role is in making that change happen.

It is then a process of the 'how to', with a strong focus on prioritisation, planning and resourcing. However, after the inspiration needs to come the perspiration. A simple project plan with actions, accountability and a timetable that is regularly followed up will address most implementation problems.

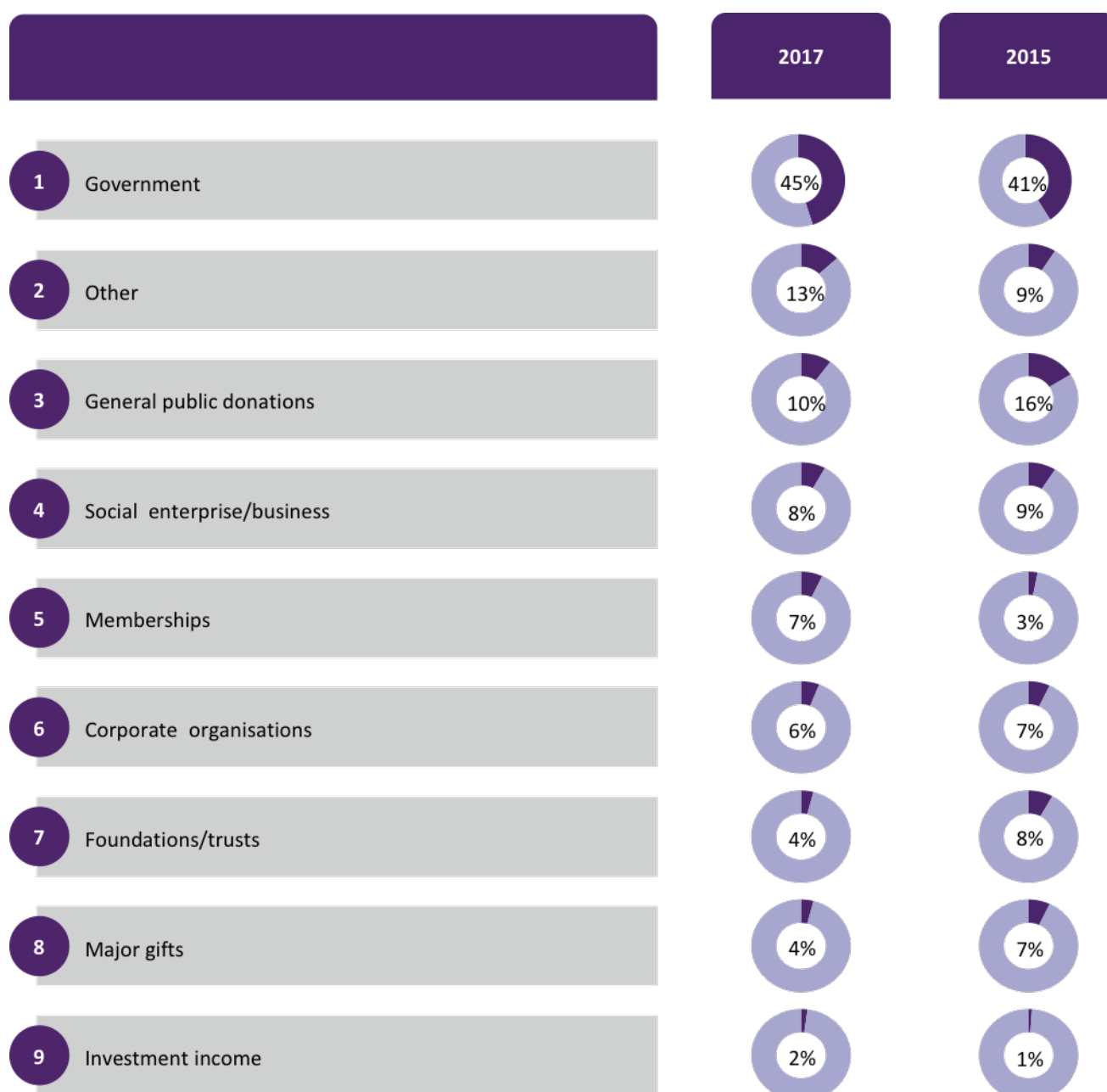
**"We need to focus on long term strategic goals. Very often we make reactive decisions to fix our short-term issues without thinking about long term outcomes."**

– Survey respondent

## 12. Funding sources

We asked respondents where their funding comes from. This year's results, as they did in 2015, show that the main source of funding is Government (45%). Funding, and the increased need to diversify and consider alternate sources is highlighted as an issue for our respondents. When we asked respondents about the one change they could make to be better run, funding comes up as one of the top three.

*What is the main source of funding for your organisation?*



## 12. Funding sources

It is clear that there are increasing pressures coming from Government driven sector reforms, and over reliance on this funding source will continue to challenge the long-term sustainability of organisations. As an example, in the disability sector, it is estimated that the NDIS funding and regulatory changes will force out 30% of not-for-profit organisations. Governments generally want to deal with larger providers for administrative simplicity and to obtain maximum reach.

Not-for-profit organisations need to continue to diversify income streams. Boards need to predict the longer-term funding trends and overcome egos and inertia to obtain better outcomes for their beneficiaries through exploring opportunities for collaboration, partnership and mergers. However, the solutions will be unique to each not-for-profit organisation. Each organisation needs to start with its core strategy, defined by who they serve, and why they exist.

**“This reliance on the Government will put an increasing pressure on NFPs that are below critical mass. The Government wants to deal with charities with scale and that are efficient. These regulatory and funding pressures are already clear in the disability and aged care sectors. This will increasingly force many NFPs to merge or partner, but very few are currently doing it. This paradox must be solved.”**

- Survey respondent

**“Charities must focus, improve effectiveness and become more strategic about other fundraising to manage this reliance on Government funding. In relation to fundraising it is not just about large public appeals or events. It is about aligning the strategic aims of the charity with the key needs of the public or a specific donor.”**

- Rosalie Wilkie,

Social Impact partner at PwC

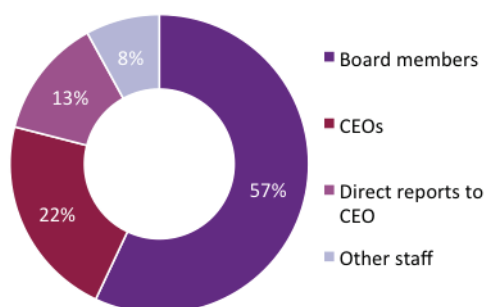


# About Us & Methodology

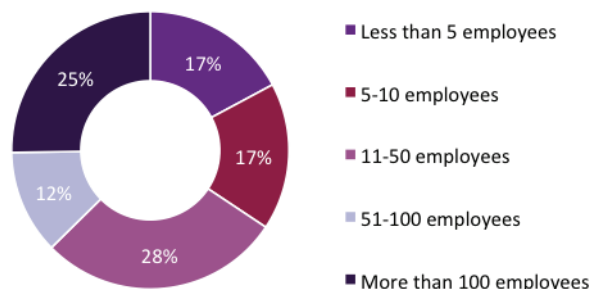
Thank you to everyone who completed the survey. We had a wide range of organisations respond to the survey, of varying size, location and purpose.

The purpose of this survey is to start conversations, discussions, comments and thoughts – it is not to definitively define what is a well-run not-for-profit as one size does not fit all. We hope some of the analysis, comments and quotes throughout this report reflect that.

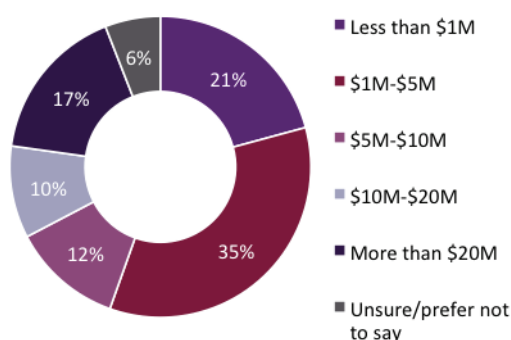
**Who**



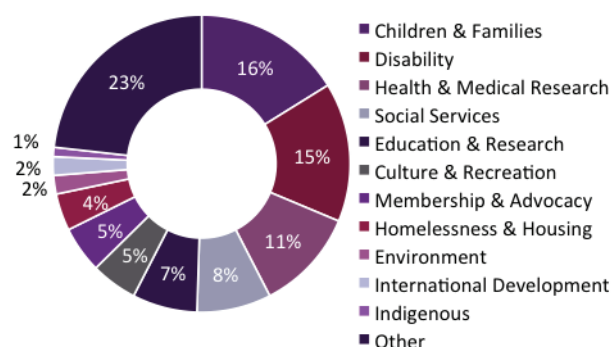
**Organisation size**



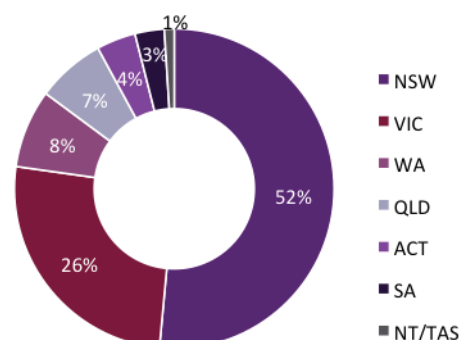
**Annual revenue**



**Area of operation**



**Location**



## About Good Foundations

Good Foundations exists to identify and solve operational, financial and strategic issues for not-for-profits and social enterprises, so they improve their impact on the communities they serve.

At Good Foundations we put purpose and passion before profit and only engage highly experienced not-for-profit practitioners to deliver projects, people who have 'been there and done it'.

Our range of specialist services is wide and deep, but we'll only work on projects where we can really help increase impact and where we think we fit and can contribute – if we're not the right team, we'll refer on to someone else.

We build long term relationships with our clients and place great value on getting to the heart of the matter and creating practical solutions that work for all involved.

We recognise the need for a stronger, more efficient and business-minded not-for-profit sector. Everything we do is towards the aim of building the operational capacity of the sector.

Find out more about the work Good Foundations do at <http://www.goodfoundations.com.au/>



# WHAT CONSTITUTES A WELL-RUN NOT-FOR-PROFIT?

## ABOUT THE NOT-FOR-PROFIT SECTOR

The Australian not-for-profit sector is significant, diverse and needs to continually adapt to changes in the community, the economy and government. Change comes from both sides, in terms of the demand for services and from suppliers of financial and human capital.

The Australian Charities and Not-for-profits Commission (ACNC) estimates that there are almost 60,000 registered charities in Australia offering a broad range of services. Estimates range of how many people are employed in the sector but it is generally accepted that it is over 1 million.

## ABOUT THE RESEARCH

In 2015 Good Foundations surveyed the not-for-profit sector with the objective of establishing what constitutes a well-run not-for-profit organisation. In 2017, we wanted to revisit the survey topics to see if the sector had changed its views over the last two years and to take the opportunity to delve deeper into leadership, collaboration, governance and internal investment.

The survey results show that the top five elements to focus on to be a well-run not-for-profit organisation are:

- Having effective and strong leadership
- Being crystal clear on your purpose
- Employing effective staff
- Operating consistently with your mission and purpose
- Having a strong and balanced board

The six key points in this summary highlight what we feel are the most important aspects in moving forward to see a more well-run sector in general. We hope this research will start conversations about making the sector more efficient, effective and 'well-run' and will arm those within the sector with ideas to help make their own organisations better run.

For more information and the detailed findings, please refer to the full report available online at [www.goodfoundations.com.au/research](http://www.goodfoundations.com.au/research)

## 1 Maximum impact is the number one objective

Impact is talked about a great deal. But who really measures it well and communicates their impact succinctly and in terms people can understand? This may be why measuring impact only ranked 14 out of 20 in the elements of being well-run. More work needs to be performed collectively in the sector about how to measure and communicate impact.



## 2 Define and measure your outcomes

Only 44% of respondents said they regularly assess the impact of their programs and implement learnings from them.



## 3 Respondents believe that being well-run has a strong correlation with delivering more impact

When undertaking this survey in 2015 we were conscious that even if we defined what it meant to be a well-run not-for-profit organisation, the response may be: so what? So we wanted to know if being well-run has a strong correlation to having more impact. Resoundingly the response was yes, there is a strong correlation.

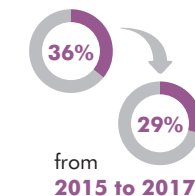


## 6 The areas most requiring investment and capacity building in a not-for-profit organisation

Possible areas are listed here and will be different for each organisation; there is not one answer that fits all organisations. What should be relatively consistent is a decision-making framework and ensuring educated and equipped people are making the decisions.

## 4 Less than 1 in 3 respondents believe the majority of not-for-profit organisations are well-run

The figure has reduced from 36% to 29%



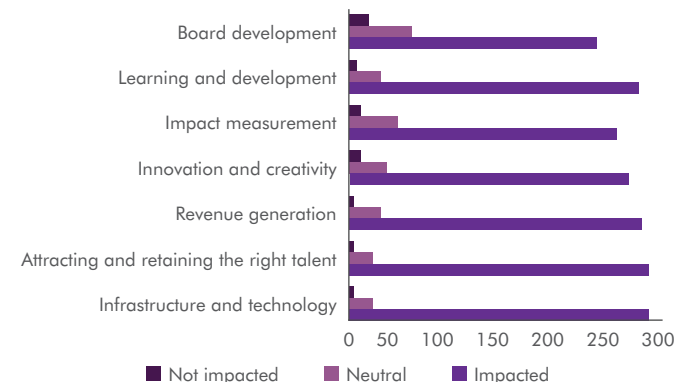
Lack of internal investment and capacity building may be driving this response, as only



## 5 So how does a not-for-profit organisation make the right internal investment decisions?

So if the internal investment decision making process is important to ensure the organisation uses its limited resources wisely, how are those decisions made and who makes the decisions on what areas are priorities? As the table below shows, people and infrastructure/technology appear, not surprisingly, to be the areas most impacted by a lack of focus on internal investment & capacity building.

Across the not-for-profit sector, to what degree do you think the organisational elements below are impacted by a lack of investment?



Organisations need to use the right investment tool/framework/process to make investment decisions and consider how they can use an ROI measure.

## Possible investment areas

- Governance** — Biggest mover in being well-run since 2015
- Collaboration** — 53% of respondents aren't collaborating
- Leadership** — The most important element in being well-run
- People** — The biggest people issue is retaining staff (63%)
- Technology** — Second most common area suffering from a lack of investment