

BACK TO THE FUTURE

HOW NOT-FOR-PROFIT BOARDS MIGHT EVOLVE OVER THE NEXT 10 YEARS

A Collaboration Project for the Emerging Leaders in Governance Program

May 2020

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Opportunities in a changing environment

In 2010, the Productivity Commission published a research report highlighting the size and significance of the not-for-profit (NFP) sector. In many ways, this report was a valuable benchmark, providing useful recommendations and drawing much needed attention and recognition to the sector.

Fast forward to 2020, and the NFP sector has undergone significant reform over the last 10 years, including:

- The establishment of the Australian Charities and Not-for-Profit Commission (ACNC) in December 2012.
- Introduction of the National Disability Insurance Scheme (NDIS), which was rolled out nationally on 1 July 2016.
- Transition from Home and Community Care to Commonwealth Home Support Program for older Australians on 31 January 2017; and,

- Increased scrutiny on conduct, including Royal Commission investigations into Institutional Responses to Child Sexual Abuse; Violence, Abuse, Neglect and Exploitation of People with a Disability; and Aged Care Quality and Safety (in progress).

These changes have presented significant challenges for many organisations, however in the true spirit of the NFP sector many organisations have come together and created efficiencies and new ways of working to continue delivering services to those in need.

Furthermore, the recent outbreak of the COVID-19 pandemic adds further change and uncertainty to the already rapidly-moving NFP environmental landscape. As COVID-19 disrupts the way we live, work, and conduct business, leaders are scrambling to navigate the immediate fallout.

The pandemic will come to an end, but the NFP environment may be very different from what it was before the crisis began. And, as

history proves, it is necessary to prepare for what's next. Leaders need to not only react to the most imminent threats confronting them; they also need to look beyond the dark horizon.

This report identifies key emerging trends in the NFP sector and aims to provide some insight as to how the future of the sector might evolve over the coming 10 years.

We need to begin preparing now; so it is time to start looking BACK TO THE FUTURE.



Pillars for success

The information contained in this report was gathered through an in-depth literature review of emerging trends in the NFP sector and semi-structured interviews with NFP employees, executives and board members.

Three pillars emerged as key focus areas and together provide the foundations of this report: Purpose and Strategy; Risk Management; and People and Culture. The following slides explore each pillar in more detail by introducing key concepts and trends, providing recent case examples, best practice suggestions and key questions to consider in relation to your organisation.

Heraclitus the Greek Philosopher said, “*change is the only constant in life*”, and as such we hope this report will provide a valuable opportunity to reflect on where the NFP sector has come from, where it is going, and how to best position our organisations to get there.

Purpose and Strategy



- How does the purpose of your organisation fit in the changing landscape?
- Mergers, collaborations and diversification of funding and services
- Digital governance and strategy

Risk Management



- Effectively linking strategy and risk
- Establishing effective risk management practices
- Emerging risks in the NFP sector and how these may impact your organisation

People and Culture



- Board remuneration and performance outcomes
- Upskilling today's board members to tackle tomorrow's issues
- Key trends in board composition, recruitment, and succession planning



Purpose and Strategy

Refining purpose to meet the evolving needs of the community

Many NFP organisations have evolved from their early beginnings, with Australia's oldest charity due to celebrate its 207th birthday in 2020. Our way of life has changed significantly in that time, so how has this organisation managed to stay relevant?

There is no question that there will always be demand for the services currently being provided by the NFP sector, but the type of services required, mechanism of service delivery and who will provide these services is evolving.

In recent years there has been a significant increase in the focus on mental health. This is in response to emerging trends showing increases in the rates of depression and suicide. New and increased services have become available to respond to the growing demand, and many organisations are offering innovative tech-based solutions, such as mindfulness applications and online counselling, which fit with today's landscape of how we access information.

According to strategy advisor Liana Downey, many organisations start with a narrow focus in response to a clear need, and before long expand their services to address other emerging needs evident in the population they serve. Additionally, as the competition for funding increases, organisations may bid and succeed in obtaining funding for services related to their organisation, but away from their initial scope, as a mechanism to bring in revenue.

While these measures may keep the NFPs afloat, they may not be the most effective strategies to achieve its mission. Examples are emerging of organisations narrowing their focus to target one specific goal, focusing resources on the root cause of the issue and succeeding in delivering sustained results.

As demand will continue to grow in line with the rising population, it is also important to clarify what success looks like.

As such, incorporating achievable, measurable and specific performance measures into the organisation's strategy is paramount. Lastly, it is important to note that an organisation's strategy should be iterative and regularly reviewed and updated.

Key questions to consider



- Who are you as an organisation? Who do you serve?
- Does your organisation have a clear purpose that responds to the emerging needs of the community?
- How do you serve your target population through effective strategy; i.e. by using your assets in the best way to achieve the purpose?
- Do the board members agree on the purpose and strategy of the organisation?
- Do you have the right management team in place to deliver on the organisation's strategy?

Mergers and consolidations: Does strength come in numbers?

The Mergers, Amalgamations & Acquisitions in the Australian Not-for-Profit Human Services Sector paper, published in March 2018, stated that changes to government funding terms, conditions and other related policies escalated competition and pressure on NFP entities to become more cost efficient.

56,000 Current number of charities on the ACNC register

4% Annual rate of increase

There is currently no law in Australia limiting the number of charities that may be registered, and the ACNC states that cutting back on charity services does not serve communities well. In fact, the ACNC states that “having a large number of small charities can lead to innovation, new ways of tackling complex issues, local solutions to local problems, and specialised expertise for niche issues.”

When asked if Australia has too many charities, the ACNC state “there will be the right number of charities in Australia when those who want to support charitable causes have enough information to decide whether and who to support, and charities are free to form and reform so as to achieve their charitable ends most efficiently.”

The AICD Not-For-Profit Governance and Performance Study, published in July 2019, reported a decrease in the number of directors reporting their organisation has discussed a merger.

However, in light of COVID-19 it is likely that there will be an increase in mergers and acquisitions as some organisations struggle to keep afloat with services and some funding streams being cancelled. An increase in collaboration between organisations is also likely, as directors seek to protect their revenue streams and outsource non-performing services in order to keep their organisation afloat.

Case example



An example of a successful NFP merger in WA is Chorus.

Chorus started as three separate NFP organisations – Care Options, Volunteer Task Force and Community First. The organisation was officially launched in October 2017 after seeking companies with similar strategies looking to expand and grow.

Chorus is now one of WA’s largest NFP organisations with more than 1000 staff and volunteers and providing services to more than 10,000 people in WA.

Key components of the transition included ensuring the companies banding together had similar values, stringent project management to oversee the transition, leaving egos at the door, careful attention to staff and volunteers and successful brand marketing released in 2019.

Agility in diversification and social impact

Funding risk is not a new issue for NFP organisations, and recent reforms in the disability and aged care sectors have shown a transition away from block funding to activity-based funding. A plan is in place to move to payment in arrears; however this has been delayed due to COVID-19. This change will impact the cash flow of many organisations and provide a catalyst to move away from traditional funding sources such as government grants.

The private sector shows an interesting shift to Environmental Social Governance (ESG) funding, including companies such as tech-giant Konica Minolta advocating and directing resources to anti-slavery. This transition increases the competition for services traditionally provided by the NFP sector, forcing not-for-profit organisations to find additional efficiencies to win grants.

Impact Investing Australia reports that an increasing number of NFPs are now assuming the role of impact investors, whereby they grow their financial reserves and

then invest them in businesses, funds or programs that are consistent with their mission.

Examples of impact investments



- Accessing a real asset that a NFP needs to deliver upon its mission such as a hospital, housing or wind turbines.
- Establishing or scaling up a social enterprise that generates income for a NFP and/or that may deliver directly against the mission of the NFP.
- Financing program delivery to cover a NFP's overheads when it has entered into a 'payment by outcomes' agreement (such as through a social impact bond or development impact bond).

Key Question:

Does your organisation have an investment strategy?

In addition to funding and investment considerations, a key emerging focus for boards will be overseeing design and implementation of a strategy that navigates a changing labour market effectively and which has the flexibility to respond to unexpected change.



Case example

In light of the ongoing COVID-19 pandemic, it became apparent that providing a diverse range of services and utilising multiple service delivery platforms allows organisations to adapt to the changing environment.

Organisations that have invested in platforms that utilise technology to deliver services remotely will experience less service disruption than organisations providing only face-to-face services. Ultimately, the ability to provide services using different platforms helps organisations to deliver their mission.

Digital governance: The next frontier

Digital Governance

“A framework for establishing accountability, roles, and decision-making authority for an organisation's digital presence”



A key emerging trend involves how digital governance policies and procedures are established within an organisation to guide how employees and volunteers manage and use digital technologies within the organisation.

This entails various online mediums such as websites, mobile sites, social channels, and any other Internet and Web-enabled products and services used by an organisation to send/receive messages and communication, hold or collect personal information and data and information about its clients or visitors.

Digital governance will need to take into account the legal requirements of the

Primary purposes of Digital Governance

1. To ensure organisations can adapt to changes and support the digital development and literacy of human resources and the clients they serve;
2. Ensure organisations are performing digital activities in an ethical manner.

organisation working with the five ACNC governance standards, the 1988 Privacy Act and any reporting obligations the organisation must adhere to; to ensure a high quality of governance is established and maintained.

Furthermore, social expectations are increasingly influencing how a NFP manages and controls the collected data. As individuals and clients become more aware of digital practices and data exchange, expectations to ethically store and manage this data are paramount and must be made clear to the client's and their families engaging in NFP services. Digital governance should align with

the organisation's processes and policies; without fear of overriding current systems and software. Appropriate digital governance should incorporate a change management plan that allows for a certain degree of flexibility when transitioning to new and different systems.

Case example



Given the current COVID-19 pandemic, an example of agile digital governance would involve utilising digital tools in an ethical and stable manner to ensure client's needs are being met; and staff and family welfare protected.

A virtual group session, to ensure social isolation and loneliness is addressed, can be facilitated by a NFP moderator. However, due to some of the hesitations discussed, what we often observe is a stagnated, reactive approach to utilising digital technologies in an effective and safe manner.

A digital champion is needed to facilitate digital cohesion, change and literacy

Digital governance best practice



To ensure transparency and accountability across the board and within NFP organisations, just like a financial report, an annual digital report or summary is recommended. This report would highlight any data or cybersecurity breaches and how they were managed. This annual report would be in addition to any data breaches being reported to the specific regulators (e.g. ASIC, OAIC or ORIC). It would also include the use of digital tools and technologies that the NFP has to understand to better the effectiveness within the NFP and to enhance the organisation's human capital.

Digital Literacy

Digital Literacy

"...when an individual in the organisation knows how to use all software and systems without hesitation. It encompasses engagement, an educational component and practice with the new technologies."



Digital literacy is too often overlooked and undervalued. Typically organisations assume the onus is on employees to understand the change processes involved in digital governance and change; however the lack of early stakeholder consultation and engagement can lead to incomplete utilisation and poor uptake. For example, employees still resort to using the older systems and technologies until they are forced to change.

This can lead to double management of data and an inaccurate display of information,

leaving information and systems vulnerable to exposure and outhacking.

Good digital literacy begins with stakeholder engagement from a grass roots level, through to the executive team. The purpose of this engagement is to ensure all angles are assessed and incorporated, if needed.

Digital literacy spans consultation, facilitation and implementation, iterations and feedback/review. Upon deciding what will work for the businesses purpose, people and needs will ultimately guide what digital tools will be utilised in the NFP.

Best practice suggestion to promote digital literacy



- ❑ Appoint a Digital Champion, who becomes recognised as a point of call for many questions or concerns; acting as a motivation and information node to ensure digital literacy is progressing.



Risk Management

Greater focus on effectively linking strategy and risk

Strategy and risk: Without risk, there is no reward

Although NFP organisations continue to deepen their involvement in strategy and execution, the ability to effectively link strategy and risk continues to elude many boards. Strategy and risk can be described as “two sides of the same coin” where any discussion on strategy can be turned into a risk discussion, and vice versa.

The rigorous oversight of risk must include non-financial risks as well. For example, while budget cuts may help reduce financial risks, consideration needs to be given to the cultural impact, introduction to potential occupational health and safety risks or the organisation’s ability to effectively deliver programs.

Moving forward, the courage in strategic thinking coupled with a clearly-defined and communicated risk appetite will determine the competitive value of an organisation.

Is there enough rigor around the risk-side of your strategy?



Critical questions for every board to consider:

- Does everyone on the board agree on the top five risks?
- Are growth assumptions being stress tested?
- Is the organisation conducting scenario planning that aligns growth ambition with risk appetite?

A common observed obstacle in linking strategy and risk within NFP organisations is the lack of a risk management framework. A well designed risk management framework can allow the NFP to better execute its long and short term goals, and allow the organisation to operate far more efficiently.

A simple outline on how to establish a risk management framework



1. Identify the range of risks that might impact the organisation across all factors including change of government policy, economic climate and reassignment of funding.
2. Assess each risk in importance, impact and the likelihood of it occurring.
3. Identify at least one strategy for minimising and managing each risk.
4. Assign individual responsibility and accountability for each risk mitigation strategy.
5. Establish a regular reporting process and auditing framework to ensure the risk management framework remains relevant and effective.

Improved understanding of emerging risks

Emerging Risks

"...new risks or familiar risks that become apparent in new or unfamiliar conditions"



Data security and privacy regulations

With increasing scrutiny on personal information, privacy and data security, organisations are quite rightly becoming increasingly concerned about the burden on compliance.

Some community organisations, including those with revenue over \$3million, and those having contractual arrangements with government may be required to comply with privacy laws.

Considering the reputational damage and associated risks with breaching an individual's privacy, it is best practice to assume that all privacy laws apply to your organisation.

Best practice suggestions for data security and privacy



- ☐ Understand the types of data, including personal information, that is being collected. If certain personal information is or may not be required for use, don't collect it.
- ☐ Understand where collected data is stored and ensure the process is in accordance with organisational policies and regulations.
- ☐ Ensure that all personnel understand the privacy policies and their obligations.



Cybersecurity

Cybersecurity

"...the practice of protecting data collected, the organisation's electronic systems and digital information and reducing the likelihood of a breach"



Cybersecurity is fast becoming one of the most important concerns for organisations, particularly with the rapid adopting of new technologies across all levels of the business.

Cybersecurity should have an evolving aspect to ensure best practices are utilised to reduce digital exposure and unauthorised access. As hackers and digital attackers are becoming more innovative with attacks, cybersecurity must evolve with the changes to digital technologies.

Planning for cybersecurity is a proactive measure, rather than a post-crisis response

NFPs should have data security and cybersecurity policies that are proactive and practised, meaning they have been implemented prior to a digital attack occurring. Up to date software and versions, as well as automated backup of data and information are some practices an organisation can use to mitigate digital exposure.

Best practice suggestions for cybersecurity



- ☐ Plan for and behave as though digital attacks are occurring.
- ☐ Have a reserve or fund to allow for cybersecurity changes.

Key cybersecurity questions for NFPs to consider



- Does the organisation utilise protection software and have the ability to efficiently detect data breaches, both internally and externally?

- Are staff members regularly trained to address internal cybersecurity risks?
- Does the organisation have a cyber incident response in the event of a data breach?
- If required by privacy law, is the organisation's cyber incident response plan linked with the privacy policy for notifiable data breaches?



Case example



As many businesses were quick to uptake video conferencing platforms as a result of COVID-19, Zoom grew by 300% over the space of three months. With this explosive growth, Zoom scrambled to implement security measures to ensure security across end-to-end encryption, data loss and privacy in video conferencing.

As Zoom underwent public scrutiny, the board and leadership team had to rapidly increase security measures to stop hackers and unwanted guests 'dropping' into video calls. As a result, Zoom's security has improved tenfold, showing that agility within a business can rise to meet client demand.

Zoom's security issues are by no means the exception. All digital technologies will carry risks for those using it. This, as well as the digital governance and policy, is something all NFPs and businesses must consider when adopting any technology.

Governance models and risk profiles will need to evolve

Escalating governance risks

There has been significant regulatory change affecting the NFP sector and its governance. This heightened change has occurred during a period of declining community trust in NFPs and the business, government and media sectors. Board agility and adaptability is crucial in addressing this risk.

Governance changes over the last 5 years



- Increased scrutiny on conduct, including Royal Commission investigations into Institutional Responses to Child Sexual Abuse (2017), Aged Care Quality and Safety (2018) and Violence, Abuse, Neglect and Exploitation of People with Disability (2019).
- Significant changes to the way some organisations receive funding, e.g. introduction of the NDIS in 2016.

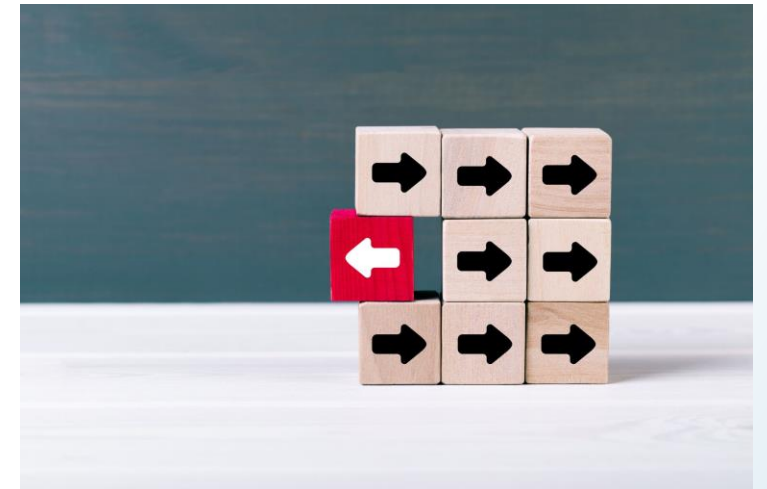
- Changes to the legal requirements of how organisations that are bound by the Privacy Act deal with a serious data breach.
- An overhaul of the financial reporting framework by the Australian Accounting Standards Board, with significant implications for NFPs and future changes to follow.

The AICD 10th NFP Governance and Performance study released in 2019 found that there has been an overall strong and continuous improvement in NFP governance.

78%

of NFPs surveyed rated the quality of their governance as being better compared with three years ago

The same AICD study, while highlighting that Australia has a high standard of NFP governance, warns that current governance models may not stand the test of time. NFP boards will have to deal with digital technologies, cybersecurity, artificial intelligence, climate change and many other issues, just like all other sectors.



Increased attention to reputation-related risks and opportunities

Reputational risks

The need for transparency and an expectation of increasingly rapid response times when addressing issues, correcting errors or replying to customers has amplified reputational risks.

Charities are particularly vulnerable when their reputation is damaged because that could affect their very lifeline - public donations and donations from funders such as the government.

For example, in recent months, charities have had to defend themselves after coming under fire for not releasing funds for immediate relief. Business disruption due to a privacy data breach or cyber-attack are further examples of events that can lead to reputational damage for a NFP.

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

Warren Buffet

Case example: Where's the money?



NSW state MP Andrew Constance recently lashed the Australian Red Cross for its decision to spread the release of the \$115 million bushfire appeal donations. Many others have also been asking where the money is, how it will be spent, and why it hasn't in many cases reached the people who need it the most.

The Australian Red Cross has defended its strategy, explaining what while it has received \$115 million, only \$30 million will be spent on immediate relief so the charity can guarantee its ongoing support, in coordination with government and community groups.

Its decision to spend up to 10% of the bushfire donations on administration fees has also caused a stir. It puts the charity at odds with the St Vincent de Paul Society, which announced that it would not take administrative fees for its emergency appeal.

Social media risks

Social media has become a fundamental part of people's lives. The negative consequences to an organisation's reputation if social media is not managed appropriately are clear, but the risk to an organisation of not getting involved in this space is far greater. A good social media campaign or engagement strategy can help an organisation fulfil its mission.

Key questions to consider around social media risks



- Does your organisation have a social media policy?
- Are all the right stakeholder groups represented?
- Is the policy aligned with the values of the organisation?
- Who will be the person interacting with the community through social media?



People and Culture

Directors are spending more time on increasingly complex board roles

The responsibilities and complexities of the NFP sector are increasing, and so directors are devoting additional time to each NFP board role. The 2019 AICD survey reports that the proportion of directors who have spent more time on their NFP role over five years continues to edge higher with the new emerging risks in the NFP complexities and this is projected to continue to rise in the next 10 years.

The study also found that in some cases, directors give up of their time, unpaid, to serve on an NFP one day a week per board; although many would argue they get more in return through the satisfaction of giving back to a cause and the community.

When deciding whether directors should be remunerated for their time and effort, some of the common considerations focus on the acquisition of talent, the ability to draw greater diversity and potential enhancement in attendance, communication, and decision-making.

Why is the NFP board workload increasing?



- Rising governance expectations and complexities.
- Community trust challenges.
- Ongoing changes in financial and auditing practices.
- Introduction of the NDIS and subsequent rising demand for NFP services.
- Growing financial pressures in the sector.
- Changes in organisation complexity and regulation.



The AICD reports that those supportive of compensating directors for their time believe payment will improve governance quality and possibly attract younger directors to the NFP sector.

Across Australia, larger organisations are much more likely to remunerate directors, where else directors in the Housing and Aged Care sectors are much less likely to be paid.

Diversity on boards is an increasingly important trend which links with the views of those in favour of paying directors – the argument here is that remuneration is required to attract highly skilled professionals and funds are required to prevent a brain drain in the NFP sector. Remuneration remains the simplest and most-often used metric to evaluate how an organisation places value on someone's contribution.

Director remuneration does not necessarily lead to better board performance

There are equally strong views against remunerating NFP directors. Some of the common arguments focus around the NFP's potential financial integrity, the importance and value of service, and the intrinsic motivation of the directors. Opponents also argue payment could detract from an NFP's mission and values, put further pressure on already limited organisation resources and is rarely constitutional.

There is no strong evidence to suggest that compensating board members promotes higher levels of board engagement, encourages greater board diversity or attracts candidates with specialist expertise.

The AICD consistently reports that NFP governance is at least as good as that seen in the corporate sector regardless of the lack of NFP director remuneration.

Ultimately, if NFP organisations go down the path of remunerating directors, there would be expectation of some sort of disclosure of payments. The government recently supported ACNC's legislative review recommendation that large registered entities should be required to disclose the remuneration paid to responsible persons and senior executives on an aggregated basis, to align ACNC reporting requirements with Australian Accounting Standards Board requirements.



How director remuneration affects your organisation



Points to consider:

- Would director remuneration improve commitment and performance of our board?
- Why do we think director remuneration would improve this?
- Would director remuneration assist in succession planning?
- Could the introduction of board fees be at odds with our organisation's values?
- What impact would the introduction of fees have on organisation resources?
- Would fees help compensate directors for extra time, skills or risk required?

Board directors need a growth mindset

The increasing regulatory and community expectations on boards, emerging new risks and increasing governance complexity is resulting in an increased need for specific skills and expertise, in turn leading to greater demand of training for NFP directors.

Popular training topics undergone by directors



- General governance training continues to be the most popular form of NFP board education.
- Risk management training, with an increasing number of NFP directors having received this through their NFP.
- Culture management, with 34% of directors having received such training.

It is therefore important for boards to assess and evaluate the skills and training needs of each director on the board. For example, many board members still need support to understand the basics of governance. These include the ability to read financial accounts, to take minutes and to understand board roles and responsibilities.

While there are many excellent training tools, practical support is needed for board members to apply what they have learnt to the board setting. This could take the form of coaching and ongoing practical support.

Some board members are likely to sit on a number of boards at one time or have long careers as board members. Individuals with such experience could offer development opportunities. Not only will junior board members grow their leadership expertise, they will be able to connect with other seasoned board members and start to build an NFP governance community.



Board composition will focus on skills and ability to drive strategy, and less on stakeholder representation

Literature from the AU/NZ region notes that over the next 5-10 years, NFP boards will be smaller than they are today but have greater reach and vision. Future challenges for board composition include dealing with higher turnover rates and finding effective ways to generate the necessary change and turnover to achieve the “right” board composition. This requires active approach, with a long term plan to recruit successfully and move on underperforming board directors.

An often contentious point of board composition is the degree to which directors should reflect the viewpoints and values of the organisation’s stakeholders. A New Zealand social impact report notes that there will be a move away from the need for representation of stakeholder views through board appointments. Such connections can be achieved in other ways. Instead, boards will focus on the skills and experience they need around the table to advance their strategies.

Recent literature also highlights clear validation for diversity on boards and a focus on board composition. Papers cite the growing demands on directors, the risk environment and additional scrutiny on NFP governance. These key areas in turn are driving a trend towards greater diversity on boards and the emerging need for directors who understand the competitive environment, the pace of technology change, and the potential disruptors to the organisation’s business model.



Other board composition trends to expect:



- Social business and enterprise-type models and NGOs with commercial ventures will seek board members with solid business experience.
- Board membership will be more fluid, with experts co-opted for specific projects for their specific expertise for timebound periods.
- Board members will need to be consistently listening, learning and open to pivoting as the context and community needs evolve.

Recruiting the best board talent while getting the diversity mix right can result in better performance

Recruitment of skilled and diverse directors is therefore a top priority for NFP boards and will be a focus in the next months and years. Across literature it is clear that there is a correlation between a board's diversity and its performance. Recruiting people with the right combination of skills, professional backgrounds, experiences, and perspectives is key.

How to ensure your board recruitment is diverse and inclusive



- Recruit from a wide pool
- Recruit using a skills experience and diversity matrix
- Invest in training – with all board members committing to challenging their own thinking
- Undertake regular audits and reviews to ensure that the board is harnessing the power of diversity

Top skills and experience sought after by boards



- Fundraising
- Networking
- Risk management
- Talent management, including coaching, mentoring and staff development
- Technology and digital strategy
- Financial management
- Sustainability
- Social media and clinical experience
- Stakeholder engagement and communication



Succession planning enables the organisation to remain relevant in a changing environment

NFP boards struggling to attract younger directors risk being hit with board renewal and composition difficulties, as organisations need to constantly refresh their boards and introduce new skills, partly through recruitment of younger directors.

The skills, knowledge and experience required to effectively lead an organisation constantly changes in response to market developments, opportunities and challenges. Board succession planning allows directors to match the organisation's future needs based on long-term vision with the best qualified directors available.

Succession planning is therefore crucial for NFP boards. Boards need to plan actively for future board members, be that by investing in internships or mentoring new members. Succession will need to be more actively and proactively managed. Younger leaders need to be included in conversations about governance and be progressively exposed to board responsibilities.

Best practice suggestions for board succession planning



- ❑ Ensure that the chair's role is included in succession plans. This may include formalising the title of deputy chair on the understanding he or she is next in line to become chair.
- ❑ Find and develop a pool of qualified potential candidates, and then help potential candidates assess their suitability.
- ❑ Consider putting a limit to the maximum term a person spends on the board and stagger the expiry terms of directors.
- ❑ Fully orienting new board members, including mentoring by current directors.

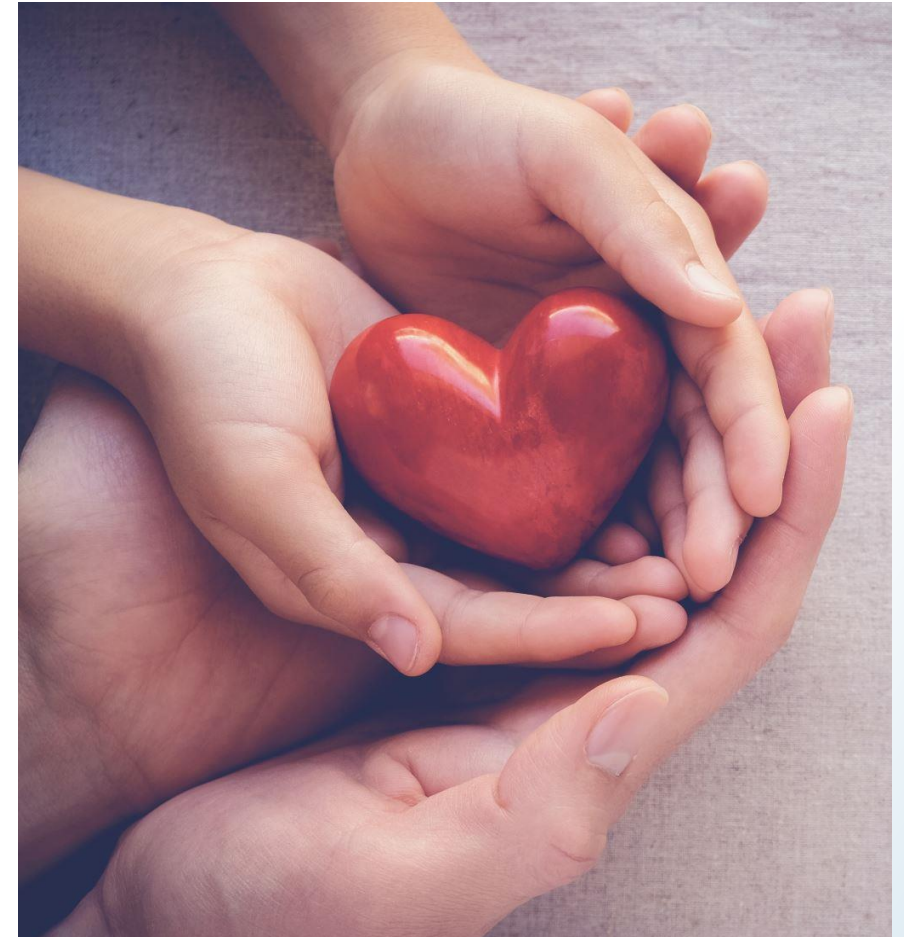


Conclusion

NFP organisations across the country will continue to experience disruption to their operating models, and board members need to understand the key long-term factors that will ensure the viability of their operations. The role of NFP organisations is changing in response to an ever-evolving landscape which is continuously shaped by new and updated legislation, increasing social expectations and technological advancement.

We believe that it is only a matter of time before the trends presented in this report become a consideration for every NFP organisation. Therefore, board members and executives should embrace the coming changes by reflecting on the key questions in this report, implementing best practice recommendations and developing the ability to adapt and flex to stay fit for purpose.

The NFP sector attracts individuals passionate about caring for one another, joining together to create change and innovating to meet the evolving needs of the community. As such, we look forward to seeing what the future of the NFP sector will bring and celebrating the achievements of tomorrow, together.



About the authors



Elsie Blay

Elsie Blay is a strategic manager specialising in health service design. With over 15 years experience in the community health sector, she has held roles ranging from front line nursing, academia, projects, risk, to leadership and executive positions. Elsie is passionate about all things health having a strong background in public health with a focus on program implementation and mobilisation.



Kathryn Penno

Kathryn has a strong purpose to improve the communities understanding of healthy ageing; plus reducing social isolation and loneliness. Through the use of diversified business models to ensure an ethical and sustainable strategy is rolled out for all stakeholders, Kat is keen to make an impact in the healthcare, disability and aged care sectors. Kat is the founder and principal audiologist of Hearing Collective, an online telehealth business offering personalised online and inclusive consults.



Mariette Luitjens

Mariette is a Senior Project Officer in the System Governance and Assurance Unit at the (WA) Department of Health. She holds a B.Sci (Physiotherapy) from Curtin University and a M.Sci (Health Policy) from the Vrije Universiteit in Amsterdam. Mariette is enjoying learning more about the not-for-profit sector and hopes to use her skills to lead positive change.



Thomas Parayil

Thomas is a chartered engineer with a diverse background in project engineering, operations, risk management and strategic planning. He is a passionate and aspiring leader with ambitions to make a positive impact to the community. His interest lies in aged care, child care, family services and supporting disadvantaged members of the community through education and training.



Nick Loke

Nick is a management consultant at Solution Minds Consulting, where he specialises in business process improvement and digital transformation. He holds an MBA and Bachelor of Chemical Engineering. Nick is passionate about building connections in the community and fostering better and stronger families, relationships and marriages.

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