Board Matters

A Newsletter for Nonprofit Boards

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How Do You Govern Those Who Are Governing Themselves?

Alan Hough

Introduction

There has been an explosion of interest in recent years in purpose-driven organisations and self-managing teams, an interest that has been prompted by examples of organisations using the purpose-driven approach and achieving remarkable results. The examples demonstrate that there are alternatives to traditional bureaucratic ways of structuring and managing organisations: by putting purpose first, by preventing or removing unnecessary structures and systems, and by empowering and entrusting teams of workers to manage their own work. Increasingly, Australian organisations are exploring these models, including in the aged care and disability support sectors.

This article, will explore this alternative way of organising. In particular, it will explore the roles of CEOs and boards in purpose-driven organisations.

Purpose-Driven Organisations

Nonprofit organisations have a history of putting their mission, or purpose, first. However, they often combine their missions with the traditional 'system' or bureaucratic approach of layers of management, many policies and procedures, and an emphasis on hierarchical accountability.

However, purpose-driven organisations take the focus on mission to a whole new level: what if organisations were run with their primary focus on the organisation's purpose, and especially on the purpose of the relationship between the frontline worker and the client? What if teams of workers were empowered and entrusted to deliver the right support to the clients they are assisting, with simplified organisations of minimal management and minimal policies and procedures? Is this even possible, especially in the delivery of complex human services?

We now know that it is possible to run organisations in these ways. These organisations go by a number of descriptors, ranging from purpose-driven to high-performance, self-managing, self-governing, or self-directing organisations. The best-known example is the Dutch nonprofit organisation Buurtzorg, which provides a powerful and intriguing illustration of this alternative approach to organisation.

An Example: Buurtzorg

Buurtzorg (Dutch for 'Neighbourhood Care') is a provider of in-home nursing care, founded in 2006 by its current CEO Jos de Blok and colleagues, who were frustrated with the way that nursing care was then being delivered with an emphasis on cost control. de Blok and his colleagues wanted to change this approach, trusting in the ability of staff to act in the best interests of the people they were supporting. Founded with just one team of about ten nurses, Buurtzorg now has about a thousand teams and 14,000 employees.

Buurtzorg has achieved the triple crown of high client satisfaction, high staff engagement, and sound financial performance. Client satisfaction is 30% above the national average for its industry. Buurtzorg has won the Netherlands Best Employer of the Year Award for all industries on five occasions, and it pays staff salaries above those of competitors. Buurtzorg's sound financial performance has enabled the organisation to finance its remarkable growth by itself, in part because of its overhead costs being lower than its competitors.

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It has achieved these remarkable outcomes by relying on self-managed teams. There are regional coaches to support the teams, but the organisation has no middle managers. None. For an organisation of 14,000 staff, it has a head office of around 70 people.

Buurtzorg takes a radical approach to 'keeping things simple'. Teams are trusted to provide the best support to clients, and the teams are responsible for many of the tasks that are traditionally performed by middle managers in other organisations. Team members learn from one another, from other teams, from coaches, and from the organisation's intranet. The work of the teams is supported by robust software, which has been designed around the needs of frontline workers.

The Buurtzorg model and other models of innovation are increasingly being adopted in a range of industries in the Netherlands and in other countries, including Australia. For example, Australia's peak body for disability service providers, National Disability Services, has run a pilot project with interested Australian disability nonprofits.

These models challenge traditional ways of thinking about organising and managing, and can also challenge traditional ways of governing. The remainder of this article considers the implications for CEOs and boards, exploring the paradoxical challenge of governing others who are, in effect, governing themselves.

The CEO's Role

In purpose-driven models, the way that CEOs discharge their responsibilities changes. The CEO's external responsibilities continue, but local level issues are usually addressed by the local team. Internal responsibilities change, with the CEO less caught up in trivial approvals and sign-offs.

CEOs are likely to be the main advocates for the new model, taking on the responsibility of articulating the organisation's purpose and the purpose-driven approach, and ensuring that their own or others' temptations, on occasions, for more hierarchical solutions are resisted. Ultimately, the CEO is building the capacity of individuals and teams to make good decisions.

Of course, CEOs of organisations transitioning to the purpose-driven approach will need to lead the necessary cultural change. This means more than modifying organisational charts and position descriptions, and goes to the cultural challenge of ensuring that the organisation's purpose becomes the primary focus. The change process itself needs to reflect the purpose-driven, high-trust approach.

The Board's Role in Purpose-Driven Organisations

To date, there has been very little consideration of how the role of boards of purpose-driven organisations might differ from that of boards of traditional organisations. Six issues can be identified.

First, there is the issue of the board's understanding of the purpose-driven approach. In the early years of Buurtzorg, Jos de Blok continually felt that the board did not understand what he was trying to achieve in Buurtzorg. According to one report, Buurtzorg's then board struggled to focus on purpose rather than on financial performance. Boards of organisations embracing these models need to understand the difference between the purpose-driven approach and the traditional, hierarchical, system-based approach. If there is turnover on a board, incoming directors will need to be oriented to the new approach.

Second, the board can engage fully with the question of organisational purpose. If the purpose is to inform all aspects of the organisation's functioning, then being clear on the purpose and the rationale for that purpose is important. Although there may be some board members who are attracted to less hierarchical models because of lower organisational overheads, consulting experience suggests that boards should primarily be motivated by considerations around what can be achieved for clients and staff. This is not to suggest that financial considerations are unimportant, but recognises that financial considerations alone do not provide a sufficient basis for sustaining change.

A third issue is how boards discharge their conformance responsibilities. The traditional way of doing this is through the systems approach of cascading policies and procedures, management controls, and hierarchical reporting. However, as many practicing board members and managers have experienced, this may give the illusion of control more than actual control. There are alternatives to the systems approach, or least there may be other strategies that could be emphasised. The research on employee wrongdoing has long established that peer influences often have greater weight than management controls and sanctions.

Peer norms, and peer accountability to observe those norms, appear to be very powerful. This is probably one of the reasons why Buurtzorg, with its self-managing teams, performs well on quality indicators, yet appears to be sceptical about the value of quality systems. Peer norms and peer accountability have effectively become part of Buurtzorg's corporate governance. Of course, some legal responsibilities falling on Australian

Like to Know More?

- Go to YouTube and search for Jos de Blok's presentation to TEDxGeneva
- Read The Corporate Rebels' case study of Buurtzorg: https://corporate-rebels.com/buurtzorg/. For a more nuanced understanding of Buurtzorg's performance and way of working, see two excellent summaries by Harri Kaloudis on Medium.com
- Read Frederic Laloux's book Reinventing Organizations. It can be purchased from your favourite book outlet or pay-what-feels-right at the author's website: reinventingorganizations.com
- Review the resources on purpose-driven organisations of the peak body National Disability Services: Go to https://www.nds.org.au/workforce-hub/optimising-your-workforce and select the Innovation for High Performance tab.

board members and senior management, such as workplace health and safety responsibilities, do require a due diligence and systems approach. However, one way of implementing such systems is to continually go back to issues of purpose and not get meaninglessly entangled in procedures.

Associated with the previous issue is the fourth issue of how a board might respond when things go wrong. When things go wrong in traditional organisations, the solution is often to add more policy and procedure, more management controls, and more reporting. An alternative solution could be to ask the team how they will address the problem, making it their responsibility to find a solution.

A fifth consideration is about how data and information flows within the organisation. In traditional organisations, performance data – and especially financial data – is often tightly controlled, with organisation-wide data available only to the board and the senior management team. However, if teams are truly to embrace purpose-driven work and self-management, team members need access not only to data about their own performance, but also to data about the performance of other teams and the entire organisation, in order to make comparisons and learn.

The final point might surprise some readers: don't get caught up in the hype. Some models of innovation have attracted fan clubs touting their supposed benefits. One of the ways that boards can keep themselves and their organisations grounded is to return periodically to the stated purpose of the new approach and to examine the data on what the approach is actually delivering for the people the organisation supports, for staff, and for the organisation itself.

To Conclude

Organisations such as Buurtzorg demonstrate that it is possible to sustain a purpose-driven approach based on simplifying organisations and processes. CEOs of organisations moving to this approach need to consider how this radical change may be implemented and sustained. Members of boards of organisations embracing the approach might consider how to become more purpose-driven in the way they discharge their governance responsibilities.

Even organisations that wish to retain a traditional management hierarchy can still learn from the purpose-driven approach. In this sense, they can embrace the power of mission, they can consider how policies, procedures, and systems may be simplified to improve the experience of clients and frontline staff, and they can foster individual, team, and organisational responsibility and learning.

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Why Do Nonprofit Organisations Choose To Spend Or Save?

This article explores how nonprofit organisations use changes in donations and other revenue streams to fund spending and saving. The associations between nonprofit expenses and savings, and their revenue mix, are explored using a large panel of Internal Revenue Service (IRS) Form 990 filings in the United States.

The researchers also extensively review literature on three specific areas:

1. Nonprofit management and nonprofit studies that consider the volatility and diversification of nonprofits' revenue sources and their implied effects on expenses.
2. Public economic studies that consider the management of nonprofit endowments as an agent-monitoring problem.
3. Corporate finance studies that use nonprofit data to evaluate the roles of cash flow and agency costs in investment timing.

This article gathers these three strands together to ask how the volatility of revenue flows from particular sources, especially contributions, drive nonprofit decisions, and what that reveals about motivation to save and invest.

Major conclusions include:

- Nonprofits do not allocate new donations to program expenses, non-program expenses, and net savings in the same way as any other revenue source.
- Nonprofits save a greater share of donations than of less volatile revenue types.
- While donor restrictions are clearly important, a large share of contributions are saved at the manager's discretion, but not because of restrictions. Unsurprisingly, saving to restricted net assets is not strongly associated with any revenue source apart from donations.
- Charities save donation revenues; this use differs substantially from other revenue sources, such as earned revenue and government grants, which are generally spent on provision of services in the year they are received.
- Donation revenues are less predictable than other revenues, and to reduce revenue volatility, unusual years of giving are tempered through saving and investing. This behaviour is not explained by changes in restricted assets and persists over time suggesting that nonprofits use donation revenues as a source of high-quality internal finance.

RESOURCE:

'Spend or Save? Nonprofits' Use of Donations and Other Revenues.'
By Nicolas J. Duquette
In *Nonprofit and Voluntary Sector Quarterly* Volume 46, 2017.

Some Thoughts

"The worst kind of group for an organisation that wants to be innovative and creative is one in which everyone is alike." **Margaret Neale**

"Change your life today. Don't gamble on the future, act now, without delay." **Simone de Beauvoir**

"Never give up, for that is just the place and time that the tide will turn." **Harriet Beecher Stow**

Boosting Renewable Energy For Nonprofit Organisations

The Alternative Technology Association (ATA) has joined the Lord Mayor's Charitable Foundation in launching a program to boost renewable energy at Victorian nonprofit organisations.

The Alternative Technology Association, established in 1980, is a nonprofit membership organisation (600 members nationally) that 'Enables, represents, and inspires people to live sustainably in their homes and communities'. Under the scheme, launched in November 2017, the ATA will provide free renewable energy site feasibility and supplier assessment for nonprofit organisations to allow them to understand what can be gained environmentally and economically.

Financing solutions will also be made available as part of the program. 'With the right mix of sustainable energy technologies, nonprofits can save a lot of money while reducing their carbon emissions,' said Damien Moyse, the ATA's policy and projects manager. 'Finding the most appropriate technology, its sizing and design considerations, and how much it will save is complex and beyond the reach of most nonprofits,' he said. 'They typically don't have the time to take advantage of energy management opportunities, despite these opportunities potentially freeing up operational funds for better use.'

Organisations registered with the Australian Charities and Not-for-Profits Commission, or that have tax charity concession status with the Australian Tax Office, are eligible for the program.

How will the project work?

ATA assesses nominated sites and considers a range of sustainable energy improvements. This involves:

- A desktop assessment of each site's energy consumptions and usage patterns using a smart metre and billing data.
- Recommendations regarding technology (including design and sizing considerations), retail switching, and other measures that leads to lower bills and reduced environmental impact.
- Facilitating a relationship with financing partners to overcome upfront cost hurdles.
- Review of supplier quotations to ensure quality and value for the project implementation.
- Monitoring and verification of technology performance, including actual bills and carbon savings 6–12 months post-implementation.

RESOURCE:

http://www.ata.org.au

New Privacy Legislation

The Australian Government has introduced new legislation to strengthen the protection of privacy and personal information, and to improve organisational transparency regarding data breaches. This is known as the Notifiable Data Breach (NDB) scheme and is in effect from the 22nd February 2018. It only applies to eligible data breaches that occur on, or after, that date.

The NDB scheme requires organisations covered by the Australian Privacy Act 1988 to notify any individuals likely to be at risk of serious harm by a data breach.

This notice must include recommendations about the steps that individuals should take in response to the data breach. The Australian Information Commissioner must also be notified. Organisations will need to be prepared to conduct quick assessments of suspected data breaches to determine if they are likely to result in serious harm.

The NDB scheme will apply to businesses, Australian Government agencies, and other organisations that are already required by the Privacy Act to keep information secure.

How to notify

Where an organisation becomes aware that there are reasonable grounds to believe an eligible data breach has occurred, they are obligated to notify individuals at likely risk of serious harm and the Commissioner as soon as practicable. This notification must set out:

- The identity and contact details of the organisation.
- A description of the data breach.
- The kinds of information concerned and.
- Recommendations about the steps individuals should take in response to the data breach.

Recommendations Include:

All organisations should review their practices, procedures and systems for securing personal information in preparation for the scheme. Overall, the Privacy Act requires organisations to be clear about:

- When it is collecting personal information.
- Why it is collecting personal information and what it will do with personal information.
- How people can gain access to the personal information an organisation holds about them and correct that information if required.

Organisations should also prepare or update their data breach response plan to ensure that they are able to respond quickly to suspected data breaches.

What privacy issues worry Australians

The Australian Community Attitudes to Privacy Survey reveals that one quarter of Australians has regretted sharing a social media post and over 26 per cent know someone who has been the victim of identity theft. The survey, released in May 2017 by the Office of The Australian Information Commissioner, found that just under a third of Australians (32%) believe the biggest risks to privacy are online services.

Other risks include:

- ID fraud and theft: 19 per cent
- Data breaches and security: 17 per cent
- Risks to financial data: 12 per cent.

The survey also found Australians are uncomfortable with businesses sharing their personal information with other organisations (79 per cent) and are concerned about organisations sending personal information overseas (93 per cent).

Personal information people are reluctant to provide

The four pieces of information that Australians are most reluctant to provide are:

- Financial details (42%)
- Address (24%)
- Date of birth (14%)
- Phone numbers (13%).

Resources

Notifiable Data Breaches: Resources for Business and Agencies. Published by The Office of The Australian Information Commissioner Undated **https://www.oaic.gov.au/engage-with-us/consultations/notifiable-data-breaches/**

The 2017 Australian Community Attitudes to Privacy Survey. Published by The Office of The Australian Information Commissioner 15 May 2017. **https://www.oaic.gov.au/engage-with-us/community-attitudes/australian-community-attitudes-to-privacy-survey-2017**

Effective Delegation

'Some trustees [board members] would rather act than delegate. As senior managers of corporations or senior partners in professional firms, many trustees are accustomed to making decisions and taking action. In fact, they are stimulated by it. Such trustees are reluctant to delegate authority to administrators, even where capable management and effective traditions of self-regulation exist.'

Richard P. Chait and Barbara E. Taylor

A common problem for nonprofit boards is spending the limited time they have available on activities that should be delegated. This may be because they have trouble delegating or there are simply not the resources to do so which is true in very small, nonprofit organisations. Boards often delegate research, planning, and other processes to committees or staff. To govern intentionally, however, every board needs to decide for itself what to control and what to delegate.

The NSW Council of Social Service defines 'a delegate is a person or entity designated to act for or represent another or others, in this case the Board. When a function is delegated, the Board is not absolved of the responsibility but remains accountable for what occurs.'

'Delegations of authority can be defined as the subdivision and sub-allocation of powers to delegates in order to achieve effective results. They are intended to ensure that an organisation operates effectively by empowering its employees or sub-committees with appropriate authority, so they can carry out their responsibilities.'

A decision to delegate is made formally by the Board. The chair must sign an instrument of delegation on behalf of the Board and the decision must be recorded in the minutes of the relevant Board meeting.

A Board can delegate responsibility for a piece of work to a sub-committee, management, or even people who are not on the Board if:

- Such delegation is permitted in the governing document.
- It follows a proper approval process.
- There is a clear role and task definition and/or terms of reference for a sub-committee.
- There are adequate monitoring and review processes.
- There are clear limits on the delegated authority in terms of budgets and other matters.
- The issue returns to the Board for ratification and signing off.

According to NCOSS, a financial delegation occurs when the Board authorises individuals (or sub-committees) to perform financial transactions or exercise financial controls on its behalf.

Other areas that can be delegated to either an individual (e.g. Chief Executive Officer) or Board sub-committee include the authority to:

- Speak on behalf of the organisation to the media.
- Appoint new employees.
- Negotiate on behalf of the organisation with external stakeholders (e.g. regulators, landlords, collaborating organisation, etc.)
- Monitor legislative and contractual compliance.

The Board also has the right to revoke any delegations. Areas in which a board should probably not delegate include:

- Hiring/firing/evaluating/compensating the executive director.
- Purchase/sale/leasing/acceptance of real property.
- Final decisions/policies on the investment of key assets.
- Final handling of legal matters such as lawsuits.
- Changes to the mission or vision statements of the organisation.
- Final approval of the budget.

The key to effective delegation is to ensure that expectations are communicated clearly. Use the following questions when delegation is necessary:

Who should be involved?

Delegating the wrong person to a project can mean failure. Take care to select the best person for the task and make sure that person takes ownership of the project.

What does success look like?

The outcomes that are agreed on should be as specific as possible.

When is the project due?

Be explicit about deadlines and where the project falls in relation to other priorities.

RESOURCES:

'Board Delegations.' Published by The NSW Council of Social Service, 2015
https://www.ncoss.org.au/search/node/board%20delegations

'Charting the Territory of Nonprofit Boards.' By Richard P. Chait and Barbara E. Taylor In Harvard Business Review January-February 1989
https://hbr.org/1989/01/charting-the-territory-of-nonprofit-boards

A Consent AGENDA

A consent agenda is the practice of combining routine matters into one board vote to free up board meeting time to focus on the substantive issues facing the organisation. Because every board action must be agreed upon and documented in the board meeting minutes, time is frequently wasted discussing and approving actions such as the previous meeting's minutes, ratification of decisions that were previously discussed, or approval of routine matters. A consent agenda allows the board to combine these items into one agenda item and vote on the entire package without separate discussion of each item.

The first step in using a consent agenda is to have the board approve a motion to adopt the consent agenda format for meetings. The board should also craft and approve a policy of what may or may not be included in the consent portion of the agenda. It is important to make sure that all directors know what items belong on the consent portion of the agenda, and how to move items to and from this overall consent area. A consent agenda can only work if the reports and items are known in advance and distributed with the agenda package, allowing sufficient time for it to be read by all directors prior to the meeting. Reports and information can be grouped together under a consent agenda only if all the board members agree. Even if only one director selects a specific item for discussion, it must be removed and placed on the regular board meeting agenda. Using a Consent Agenda in this way can mean that time can be freed up for more substantial discussion on those items requiring strategic thought, decision making, or action.

How to implement a Consent Agenda process:

1. The Chair decides what items will be placed into the consent portion of the agenda.
2. The full agenda, including consent items, is disseminated prior to the board meeting along with any documentation or so that board members can carry out due diligence before voting.
3. As the first item of business, the Chair asks directors if any one wishes to remove any item under the consent portion of the agenda to be discussed. They can request to discuss the item, question the item, or register a vote against the item.

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4. If an item is removed from the consent portion, the Chair will place it on the regular meeting agenda.
5. The Chair then asks for a motion to accept the consent agenda.

Possible inclusions on a consent agenda:

- Board and committee meeting minutes.
- Committee and staff reports.
- Updates or background reports provided for information only.
- Correspondence requiring no action.
- Staff appointments requiring Board confirmation.
- Final approval of proposals or reports that Directors have been dealing with for some time and are familiar with the implications.
- Routine contracts that fall within policies and guidelines.

The following items may be inappropriate to include in a Consent Agenda:

- An audit report.
- Financial reports.
- Executive committee decisions.
- Decisions that are instrumental to the governance of the organisation.

How to organise the full meeting agenda:

- In dealing with agenda items requiring action, allow sufficient time for discussion to allow for opposing points of view, clarification of ideas, and expression of personal viewpoints.
- If an item needs energy and fresh ideas, put it near the beginning of the agenda.
- Do not dwell too long on trivial items. Add a time limit on all or some agenda items and adhere to it.
- Minimise oral reports of old business by requiring written reports.
- Focus on the future; encourage directors to be visionary, not tactical.
- If an issue is potentially divisive, consider its place in the agenda carefully. You may want to sandwich it between less controversial issues.
- Urgent items must come before those that can wait.
- For each agenda item, list the person who is responsible for introducing the subject.
- Try to end the meeting with a unifying item.
- Be sure the agenda is given to members with any required supporting material in ample time prior to the meeting date. The meeting packet should be sent out in an organised fashion, perhaps tabbed or indexed, so those documents can be found easily during the meeting.

Assessing the CEO

Apart from hiring the CEO, assessment of the CEO is one of the most important jobs undertaken by a nonprofit board. Unfortunately, too often it is a neglected area that boards just find too difficult. However, regularly assessing CEO performance can foster more open communication and clarify expectations, roles, and responsibilities. Effective boards and CEOs embrace the assessment process and often include it in board policy and CEO contracts. Given the unique nature of the partnership between the board and the CEO, assessing CEO performance is, in many ways, assessing the performance of the board as well.

1. The evaluation is best viewed as a collaborative partnership between the CEO and the board of directors. An evaluation works best when the board and the CEO have input into the process and see it as mutually beneficial.
2. Procedural transparency is important – be clear and open about the steps of the evaluation process with the full board, the CEO, and the entire staff team. While the results of the review are confidential to the executive director and the board, the process of the evaluation should be transparent, especially the gathering, sharing, and use of information and the roles and responsibilities for the various entities involved.
3. The organisational culture should influence how formal or informal the evaluation is, from mid-year 'conversations', to formal annual evaluations, and bi-annual reviews.

Each year, the board and the CEO should determine what performance objectives will be used and how the evaluation will be conducted. Indicators can flow from the chief executive's job description, the chief executive's board-approved mandate, and the organisation's strategic plan. Categories for performance evaluation may include:

- Strategic objectives and mission-based results.
- Public relations and communications.
- Human resources management.
- Fund development.
- Effectiveness in working with the board and helping the board fulfil its roles.
- Planning.
- Management of fiscal and other resources.
- The chief executive's professional and career development.
- Agreement on fair and reasonable compensation.
- Self-evaluation on the part of the chief executive.

An effective evaluation process can include both written and oral components and conclude with an outline of performance goals for the following year. Typically, the executive committee or a special committee of the board, under the leadership of the board chair, briefs the full board and then conducts a formal evaluation session with the chief executive. A written report should follow for full board review and inclusion in the chief executive's personnel file.

While the primary purpose for evaluating the performance of the CEO is to give constructive feedback, there are circumstances in which the negatives outweigh the positives and the board must formally address unacceptable performance. If at any point an aspect of a chief executive's performance is considered unacceptable, the chief executive should receive informal or formal feedback from the board chair. The annual performance evaluation may be one of many steps that occur should the board recommend a mandate for improved performance or begin to consider dismissal as an option.

While no one wants to think about firing someone or having to take legal action, it can happen. Having interim evaluations if performance is lagging and seeking legal or personnel advice about problematic situations are all practices of exemplary boards.

Questions the board should discuss:

1. Who is responsible for the evaluation and how often is it done?
2. Does it simultaneously include a salary review or is that a separate process?
3. Does the full board see the review before it becomes part of the record?
4. Are there opportunities for written or verbal feedback by the full board?
5. Does the CEO have the chance to respond in writing to his or her evaluation?
6. What criteria is the evaluation based on? Does the board see the CEO's yearly objectives or does the Executive Committee review the objectives and conduct the evaluation?
7. What standardised method (or unique process) is used?
8. Has the board ever sought legal advice to ensure a proper procedure?
9. Are there interim evaluations, or is the entire year brought into focus in one session?

Recent Research

ONE IN THREE BELIEVE AUSTRALIAN NONPROFITS ARE NOT WELL-RUN

One in three respondents believe Australian nonprofits are not well-run according to a survey undertaken by Good Foundations.

According to the report from 'The Foundations of A Well-run Not-for-profit: Why Internal Investment is Critical' released in September 2017, 'it is sobering that less than one in three 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.'

Some of the major findings include:

- 63% noted issues with retaining good staff.
- 61% said paying competitive remuneration is an issue while 58% cited the ability to provide career investment is also a problem.
- 76% said the key issue affecting effectiveness is poor board composition.
- Only 53% of respondents said their organisations are collaborating with others in the sector.
- Only 14% of respondents believe that the sector invests adequately in itself.
- Technology is the second most common area lacking adequate investment after people and infrastructure.

'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 Foundations of a Well-run Not-for-profit: Why Internal Investment is Critical." Published by *Good Foundations* with assistance from PwC September 2017.
http://www.goodfoundations.com.au/research/

WHY DO NONPROFIT ORGANISATIONS CHOOSE TO SPEND OR SAVE?

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Major conclusions include:

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- Nonprofits save a greater share of donations than of less volatile revenue types.
- While donor restrictions are clearly important, a large share of contributions are saved at the manager's discretion, but not because of restrictions. Unsurprisingly, saving to restricted net assets is not strongly associated with any revenue source apart from donations.
- Charities save donation revenues; this use differs substantially from other revenue sources, such as earned revenue and government grants, which are generally spent on provision of services in the year they are received.
- Donation revenues are less predictable than other revenues, and to reduce revenue volatility, unusual years of giving are tempered through saving and investing. This behaviour is not explained by changes in restricted assets and persists over time suggesting that non-profits use donation revenues as a source of high-quality internal finance.

"Spend or Save? Non-profits' Use of Donations and Other Revenues." By Nicolas J. Duquette
In *Nonprofit and Voluntary Sector Quarterly* Volume 46, 2017.

SAFE-GUARDING COMMUNITY VOICES

'Across Australia governments are putting financial pressure on community organisations that deters them from engaging in public debate. Some government funding agreements prohibit funded organisations from speaking publicly on political issues, whilst others are simply told not to spend government money on advocacy.' This report discusses a number of ways that the right to advocate can be enhanced including:

- Introduce law reform to protect independent community voices.
- Amend funding agreements to enable and encourage advocacy.
- Make tax and charity laws work to encourage civil society to speak out.
- Push to restore funding to peak civil society bodies.

"Defending Democracy; Safe Guarding Community Voices."
By Chloe Gall and Emily Howie.
Published by *The Human Rights Law Centre* June 2017.
https://www.hrlc.org.au/reports/2017/6/18/report-defending-democracy

Are our employees happy?

The International Labour Organisation (ILO) says the premise of decent work 'involves opportunities for work that is productive and delivers a fair income, security in the workplace, social protection for families, better prospects for personal development and social integration, and freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all.'

While the CEO is directly responsible for staff, a nonprofit board has to be confident that all employees are supported and are provided with decent work. The danger of unhappy employees is summed up succinctly by Brian Hughes, Director of Talent and Administration at the Centre for Effective Philanthropy: 'If organisational culture and staff satisfaction are not monitored and cultivated, an organisation can quickly find itself transforming from a melting pot of diverse skills, expertise, and experience to a sieve of dissatisfied employees taking their talents elsewhere or worse not making the most of those talents within your organisation.'

Use the following questions to start a conversation about staff satisfaction:

- Can we define our organisation's unique culture and values?
- Can we define our 'employer brand'? How do we leverage it in our hiring efforts?
- How do we stay current with evolving salary trends and maintain our competitiveness in compensation?
- How are we creative with benefits, offering more flexibility with holiday time and employment arrangements, for example, working from home?
- How do we build career ladders for employees, identify successors, and promote employees?
- How do we challenge and develop employees? For example, do we provide in-house training programs and mentoring opportunities?
- Are the personnel policies and employee manual regularly reviewed and updated?
- Are there salary ranges for each position or category in the organisation?
- Does the compensation schedule support or hinder the organisation's ability to recruit qualified staff?

RESOURCE:

Reflections from A Nonprofit's First Director of Talent By Brian Hughes. Undated. **http://commongoodcareers.org/blog/detail/reflections-from-a-nonprofits-first-director-of-talent**

SAYING THESE TEN PHRASES

If you want to have more credibility and influence, be more intentional in your communication. Replace negative tone and lacklustre words with positive tone and authentic appreciative words. The following are ten uninspiring phrases that can undermine credibility and should be dropped from your vocabulary:

1. ***'I'm confused,' or 'I don't get it.'***
   Instead of putting all the responsibility on the other person, take co-ownership. Say, 'Help me understand your position,' and remain open.
2. ***'You know what I mean?' and 'Does that make sense?'***
   Asking for constant validation chips away at your command.
3. ***'I was like…' or 'She was like…'***
   The word 'like' is an unsophisticated word that gets in the way of your clarity and credibility.
4. ***'Um, ah, uh, you know.'***
   Watch out for overuse of filler words and practice pausing to counteract the clutter.
5. ***'I've been too busy' or 'I started writing an email and forgot to send it.'***
   Excuses are unattractive. Say, 'I apologise for the inconvenience. You will have it by tomorrow.'
6. ***'Out-of-the-box thinking.'***
   We cannot escape all the buzzword phrases, but ones like this have become boring.
7. ***'You always…'***
   Sweeping generalisations lack insight and get in the way of healthy dialogue. Be specific and avoid using vague blame tactics.
8. ***'I think we should kind of do it this way.'***
   Tentative language waters down your presence as a confident communicator. Make a solid recommendation and own it.
9. ***'I hate to say this, but…' and 'John is a good person, but…'***
   Do not try to disguise criticism with a layer of caring or say things that offer zero value.
10. ***'Really?'***
    It is an all-purpose complaint that sounds like whining. Try making an interesting observation instead.

RESOURCE:

'10 Verbal Mistakes That Drain Your Credibility' By Lou Soloman. Posted September 2014.
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http://interactauthentically.com/10-verbal-mistakes-drain-credibility/

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Governance & Management Pty Ltd recognises that nonprofit organisations are at a critical point in their history. The environment in which they exist is undergoing dramatic change.

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