



THE UNIVERSITY OF
WESTERN AUSTRALIA

National NFP Sector Conference 2021

Sustainability: Not-for-profits and Volunteer Directors

Professor David Gilchrist

Director, Not-for-profits UWA Research Team

University of Western Australia



@Gilchrist DJ

@NFPsUWA

Agenda



THE UNIVERSITY OF
WESTERN AUSTRALIA

1. Some essential ideas
2. A matter of balance: Advocacy & Parochialism
3. Some examples
4. Some final points



Some essential ideas...



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Sustainability: Ongoing capacity to pursue objects: quality, quantity, timing
- Quality: Clinical quality
- Resilience: Capacity to maintain a heading
- Efficiency: Best services for the least resources

Unlike a commercial For-profit, a charity or Not-for-profit is not a purpose in itself



Some essential ideas...



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Rhetoric versus reality
- Competition
- Collaboration
- Markets...

It is critical that your organisation appreciates these elements and how they apply



Some essential ideas...

What
FUNDERS
Think They Buy



Administration / Coordination



Services

What
FOR PROFITS
Provide



Administration / Coordination

Services



Funder Engagement

Client Recruitment

What
NFPs & Charities
Provide

Administration / Coordination



Services

Risk Management



Clinical Governance

Funder Engagement



Community Engagement

Volunteer Workforce



Free Board Members

Emergency Response



Client Recruitment

Free Advice & Input



Some essential ideas...

- Not-for-profits are a national asset:
 - Quasi Market Economics: enduring myth of power of markets
 - Inconsistent economic narratives
 - Funders focus on micro economic view
 - Often equated with commercial entities rather than whether fit-for-purpose
 - Longer term view...
 - Lack of investment in the public sector to drive policy implementation



Market Economics & Quasi Markets

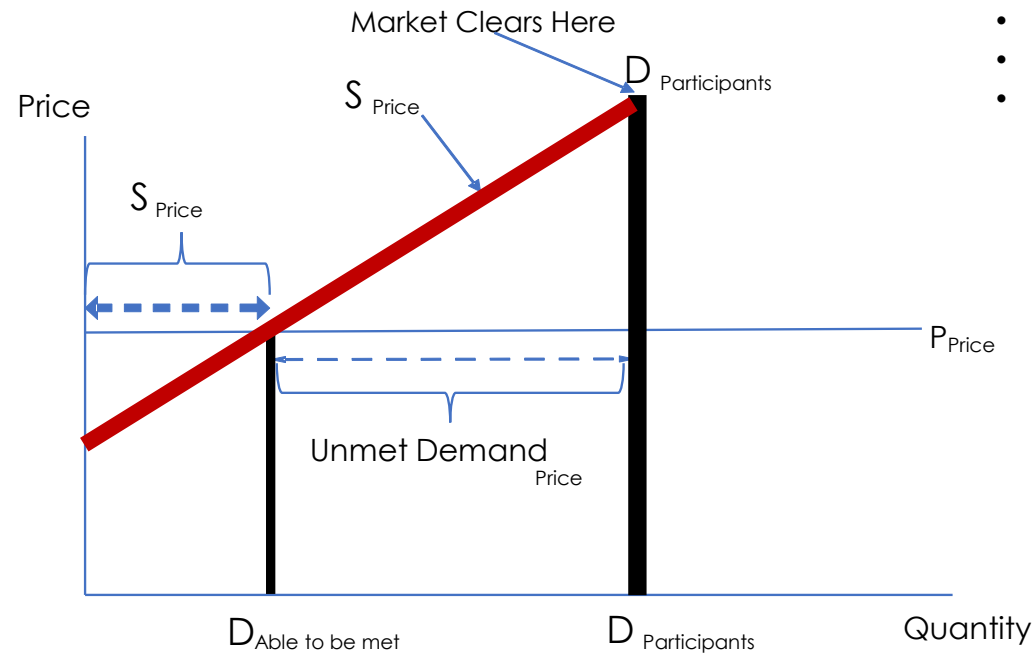


THE UNIVERSITY OF
WESTERN AUSTRALIA

- Market economics is about meeting demand for the right price: the valuation question
 - It is a comfortable idea, we all get it
 - But it is also about alternatives...for it to work the consumer needs to be able to do without the good or service while the provider needs to be able to charge what they want for it – this leads to market efficiency: price acceptable NOT sound resourcing decisions
 - Elasticity of demand is not present: people need the services
-
- However, we pursue quasi-markets as if they are real markets
 - This is destructive



The Economics of the Human Services Sector



- Tripartite economic arrangement
- Short term economic focus
- Quality & Risk

How does the NFP status of the entity impact governance responses?

Examples:

Governance Element	Commercial Response	NFP Response
Financial Sustainability	Shift Capital to Best Return Balance Sheet Sustainability Solvency	Immobile Capital Balance Sheet Sustainability Solvency
Clinical Sustainability	Develop Service Matrix To Reduce Risk in Financial Context	Develop Service Matrix To Meet Mission
Advocacy	No Advocacy Responsibility In General Operations	Systemic and Client Advocacy Responsibility
Unfunded Service Delivery	Not Undertaken	Mission Focus – e.g. Provider of Last Resort
Profitability	Return on Capital	Maintenance of Service Capacity
Stakeholder Focus	Shareholders	Service Recipients & Natural Supports

Need to frame governance responses within these parameters – don't be driven by rhetoric!



Impact on organisations

- 1) Risk has been transferred from Government to NFPs
- 2) Clinical Risk & Mitigations are not factored into funding
- 3) Advocacy is increasingly important but can have ramifications

Governments, philanthropists, commentators can all say what they like but directors of NFPs are responsible for how NFPs/Charities respond.



Clinical Risk

The term clinical governance can mean different things for different organisations, the different clients they serve and the nature of the services being provided in the context of:

- The clients' life
- The clients' choices and aspirations
- The board's appetite for clinical risk
- Constant improvement framework



Organisational Responses



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Know thyself
- Seek to maintain sustainability
- Empower sector peaks with information and support
- Use data to drive decision making

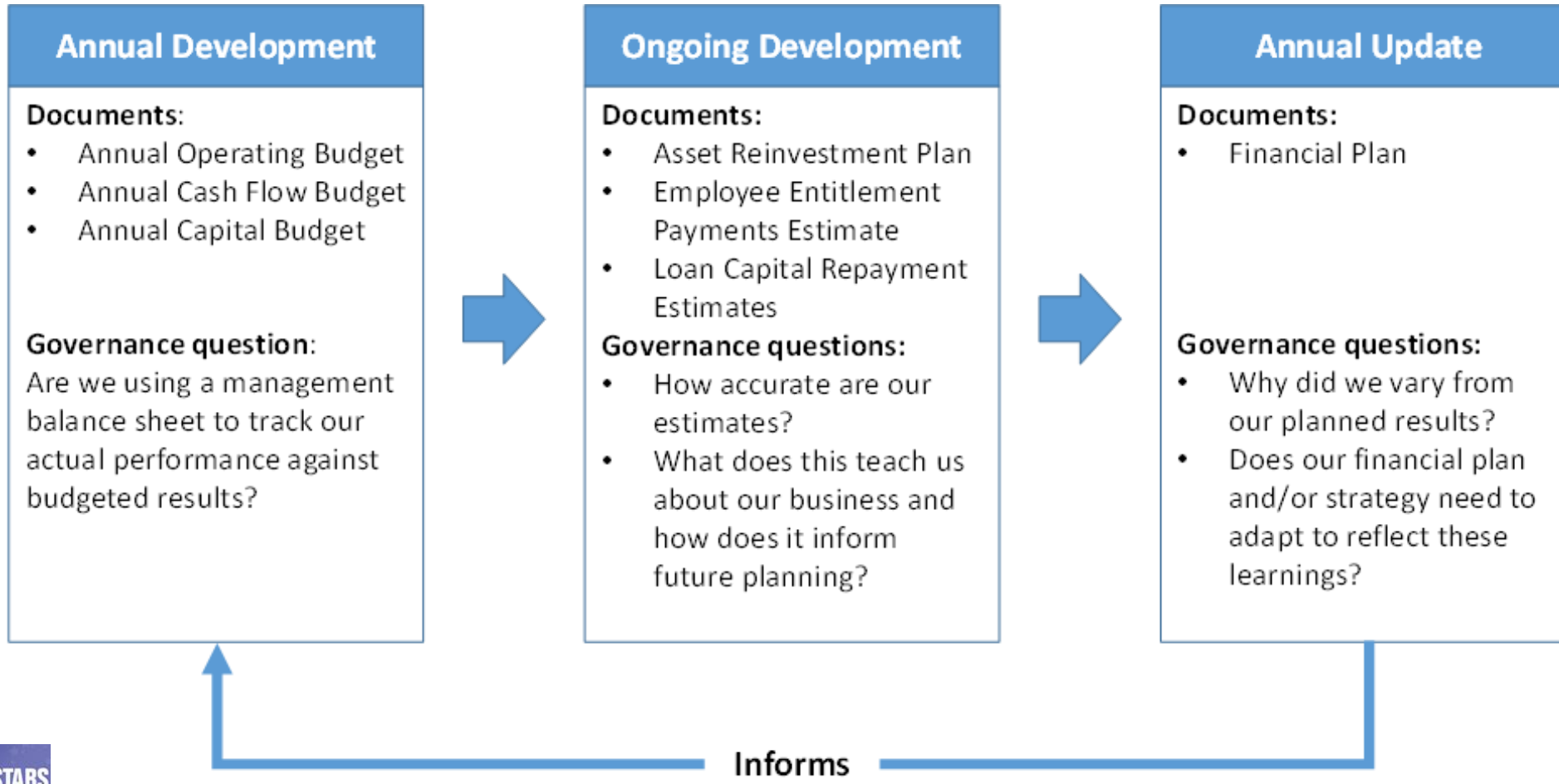


Financial Sustainability

- The management balance sheet v the reporting balance sheet
- Timing: current v non-current



Components of Financial Plans



Institution Building Way Forward...



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Economic policy consistency
- Systemic perspective
- Investment

Industry Planning Framework & National Reporting Structure:

- A responsible level of investment in systemic analysis
- A responsible level of investment in systemic construction
- A responsible level of investment in public sector capacity
- A genuine partnership forum including executive capacity, funding and public transparency



Key Attributes of Strong & Innovative Supply-side



THE UNIVERSITY OF
WESTERN AUSTRALIA

- Strong Partnership Between Sector and Funder
- Price Sustainability – indexation certainty & evidence base
- Flexibility in funding
- Cost of Doing Business: Cash Flow & Certainty
- Local Decision Making – National Policy



Contact details



THE UNIVERSITY OF
WESTERN AUSTRALIA

Professor David Gilchrist

E: david.gilchrist@uwa.com.au

P: +61 404 515 270

W: <https://www.research.uwa.edu.au/not-for-profits-uwa>

Twitter: @Gilchrist DJ

