ENFP COMMUNITY

NOT FOR PROFIT LEADER'S REPORT

STRATEGIC PLANNING
APRIL 2022

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OVERVIEW

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Two years of disruption have changed the way in which organisations develop and manage strategic plans.

In the past strategic plans were a roadmap for the future – lasting anywhere up to five years. It was never a set and forget document - may have been checked on a regular annual basis and small amendments made if things weren't tracking to where they should be.

The last two years have changed all this. Organisations and leaders no longer have the luxury to develop plans that may not come to fruition for three to five years out.

A strategic plan is much more a living and breathing guiding document now. Organisations have had to change how they work and what they do, just to meet the needs of the market, stay relevant and maintain the organisation's stability.

So, once you know this, how can you build an effective strategic plan?

The only thing we can be sure of now is that change is constant, and organisations need to be prepared to change quickly as needed to survive. Accepting we are in a new 'normal' is one of the first steps. As we often see in financial disclaimers 'Information based on historical performance is often not a reliable indicator of future performance'.

Two years ago, many people had not even heard of Zoom, Microsoft Teams and Slack let alone used them in their organisation – you'd be hard pressed to find one now that doesn't use one or more of these platforms. Being able to adapt to rapid change is critical for organisations.

The findings from last year's not for profit leaders survey (April 2021) highlighted organisations were focused on managing finances. JobKeeper payments had stimulated the sector; however, there was still uncertainty as to how the economy was bouncing back from the first round of lockdowns. Little did anyone know that the Omicron variant was just around the corner and further lockdowns imminent across the country.

The survey

We surveyed more than 100 not for profit industry leaders from our Exclusive Not for Profit Community and the wider not for profit sector on strategic planning, the results of which are presented in this report. The organisational breakdown of respondents was:

13% SMALL
(annual revenue less than $500,000)

24% MEDIUM
(revenue $500,000 - $3 million)

64% LARGE
(annual revenue $3 million +)

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OVERVIEW (CONT.)

The majority of responses (61%) were from charities, 14% association/membership organisations and the remainder were split across aged care, social enterprise, clubs, schools and disability services.

The survey was broken into six sections: strategic planning, customers, staffing, managing risk, alliances and property.

Key findings of the 2022 survey are:

- 72% are expecting their revenue to grow if their strategic plan was achieved
- The everchanging and economic environments are the biggest barriers to organisations achieving their strategic goals mainly due to the gradual stabilisation of consumer demand and monetary policy moving closer to the equilibrium
- Recruitment and retention of skilled, experience staff continues to be a challenge with 76% of organisations having a turnover rate of higher than 11% over the last two years
- There has been a change in the importance of strategic priorities compared to our 2021 survey
- 89% of participants measure customer feedback and satisfaction
- Covid fatigue is the largest challenge for human resources
- More than 20% of participants said that loss of reputation was the biggest risk to their organisation
- Two-thirds of organisations were looking at new partnerships in 2022 or 2023
- 64% of organisations were looking at changing the terms of their leases or developing their property in the next two years.

In presenting the results of this survey, we would also like to note responses are influenced by the perspective of the respondent being part of the management team or a board member, as these groups have different responsibilities and focuses.

We would like to thank all those who participated in this survey.

> “The economy’s reopening has been accompanied by supply chain bottlenecks, worker shortages and the highest rate of inflation seen in three decades. The pandemic’s dislocations were clearly still with us throughout 2021, but the coming year could see a gradual stabilization as prices, consumer demand and monetary policy move closer to equilibrium”.
>
> *- Jim Glassman, Head Economist J.P.Morgan*

STRATEGIC PLANNING

Strategic planning has always been at the forefront of leader's minds – however making sure the right strategic plan in place has never been more important. After the last few years of challenges, not for profits have never been under so much pressure – fires, floods, Covid-19, funding issues, more floods – the community needs have never been greater on not for profits.

In an ideal world strategic planning would be gazing into a crystal ball and all of the answers becoming clearer, unfortunately that is not the case. Leaders have learnt that they need to prepare for the expected and the unexpected.

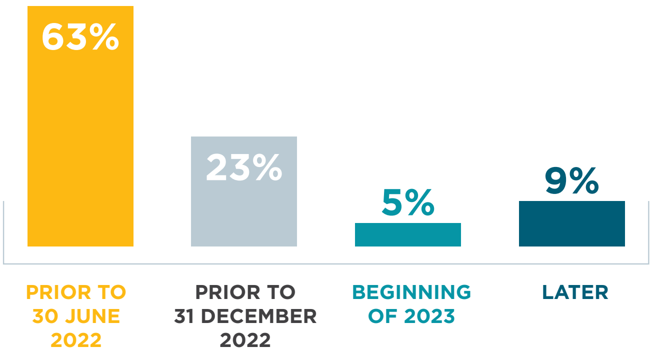
The impact of Covid has reinforced to leaders that robust strategic planning is required to assist with preparing for the expected and the unexpected, whilst having long terms goals. Being nimble and quick to move has never been more important. But there remains a need to not lose focus on the desired longer-term outcomes.

Effective strategic planning takes into account the long-term goals an organisation has but enable them to react rapidly as circumstances and needs arise.

Another impact on from Covid meant organisations were having to review their strategic plans more frequently than they had previously. A strategic plan is not a set and forget item updated every few years.

In our 2021 survey, 55% of participants said they had reviewed their strategic plan in the last six months. In our 2022 survey, more than 63% of participants said they would be reviewing their strategic plan prior to 30 June 2022 and an additional 23% by the end of the calendar year.

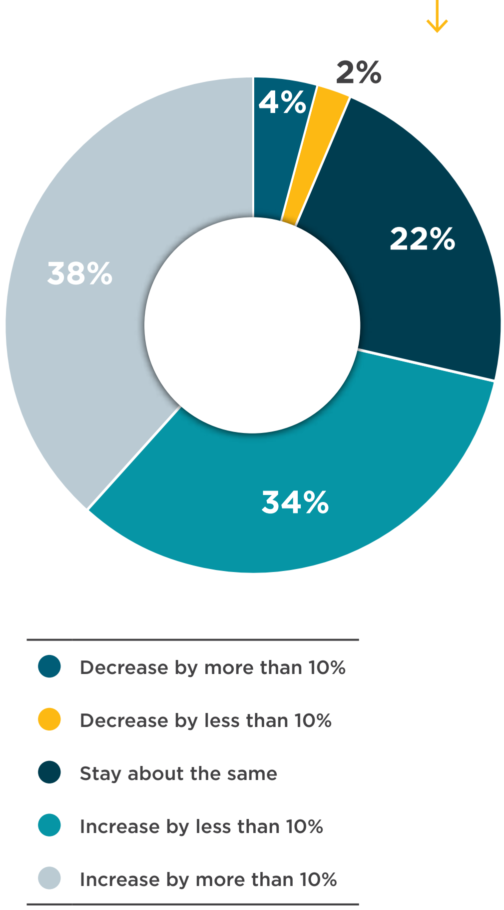
When are you next reviewing your strategic plan?



Understanding the overall goals and targets of an organisation is vital to provide direction for a strategic plan. Whilst some organisational goals may be to assist greater numbers of the community, increase membership or to make the entity redundant by fixing an underlying societal problem (e.g., cure cancer), ultimately you need to have visibility of what funding you need to achieve your plan.

When asked 'if you achieve your strategic plan, will your revenue...' more than 72% of participants said that their revenue would increase, with 21% saying it would stay the same. With funding to many sectors stagnating, organisations will need to win market share, to grow revenue. The figures suggest organisations will be competing hard against each other for funding and revenue.

If you achieve your strategic plan, will your revenue...



STRATEGIC PLANNING (CONT.)

Is your balance sheet stronger than 2 years ago (i.e. net assets increased)?

80% YES

20% NO

Traditionally many not for profit (NFP) organisations are run relatively lean and the pandemic put a further demand on resources, with many organisations facing a decrease in funding/income due to cancellation of major events and a reduction in fundraising activity and donations.

Some might say it was the perfect storm for the NFP sector to crumble. This, however, has not been the case. 80% of our survey participants said that their balance sheet was stronger now than two years ago, suggesting that government incentives were spent wisely and assets conserved.

What to include in your strategic plan?

We asked organisations to choose their **TOP FIVE** strategic plan priorities from a list, the top responses were:

- 70% PROVIDING NEW SERVICES TO EXISTING CLIENTS
- 68% TECHNOLOGY UPGRADE
- 62% ACQUIRING NEW CLIENTS THAT RECEIVE EXISTING SERVICES
- 62% COLLABORATING WITH OTHER NFPS
- 61% DEVELOPING OR DIVERSIFYING THE FUNDING MODEL

These responses show that leaders are focused on growing their organisations and improving their processes. Linking these results to the 71% of organisations that were looking to increase revenue, suggests that product diversification and market penetration strategies are the key strategic priorities.

CHOICES	RESPONSES
Providing new services to existing clients	70%
Technology upgrade	68%
Acquiring new clients that receive existing services	62%
Collaborating with other NFPs	62%
Developing or diversifying the funding model	61%
Changes in fundraising activities	56%
Expanding into new geographies with existing services	55%
Partnering with other businesses	54%
Enhancing promotions and marketing	53%
Incorporating new technology e.g. automation	49%
Enhancing staff retention benefits – monetary & non-monetary	47%
Proactive management of capital and investment reserves	44%
Introducing new services into new geographies	38%
Improving board depth and support	36%
A property strategy – growth, disposal or changing – e.g. for the post-COVID operating environment	29%
Consolidating service delivery in response to financial restrictions	24%
Merger or acquisition	21%
Increasing prices	20%
Outsourcing elements of operations	18%
Other (please specify)	9%

STRATEGIC PLANNING (CONT.)

BARRIERS TO ACHIEVING YOUR STRATEGIC PLAN

Some issues with strategic plans can include:

- They are too complicated. People get lost in terminology rather than focus on execution.
- They don't scale. They work well for small organisations but fail when you try to extend them across multiple teams.
- They're too rigid.
- They're neither tangible nor measurable. They are great at stating outcomes but weak at helping you measure success.
- They are not adaptable. As we saw in the last few years, circumstances can change quickly. Your plan needs to be able to work in your current situation and adapt to changing economic landscapes.

We asked what the barriers were to the organisation achieving its strategic goals, it wasn't surprising after the last three years that the **TOP TWO** responses were:

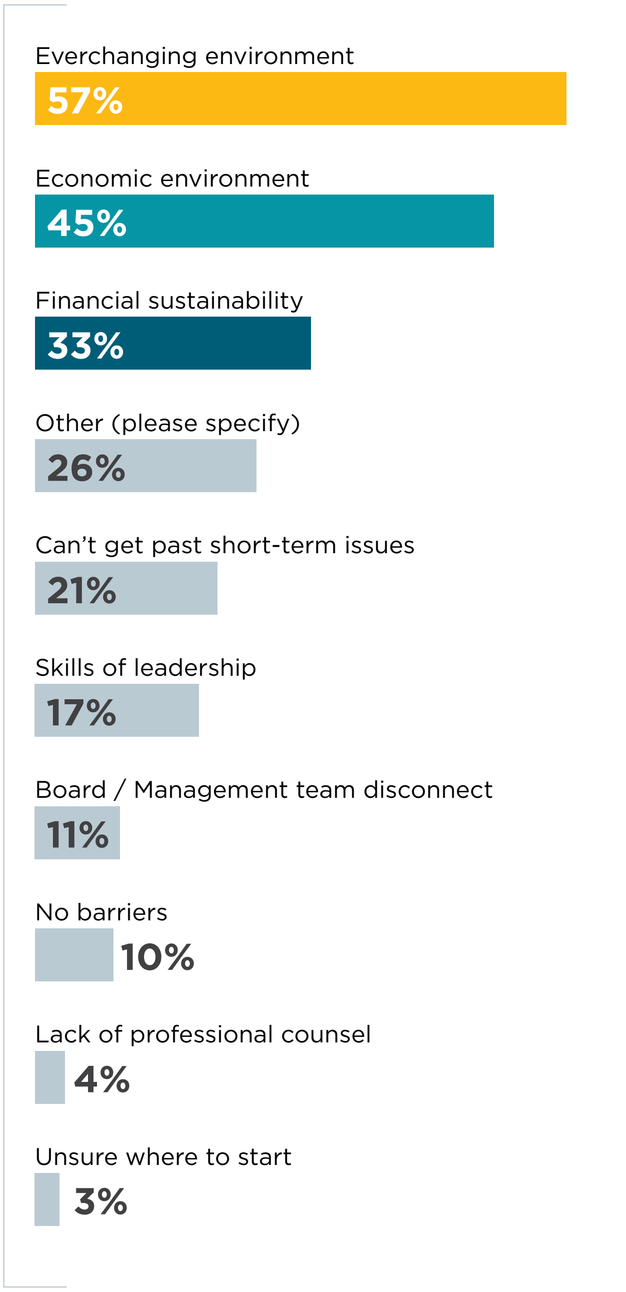
57% EVERCHANGING ENVIRONMENT

45% ECONOMIC ENVIRONMENT

Managing the barriers above can be difficult, as is aligning goals with actual actions. But without goals / targets it can be difficult to make decisions or align decisions with goals.

The strategic plan should incorporate the implementation of practical actions required to pursue the goals of the organisation. Barriers to practical actions can often be managed easier than goals.

What are the barriers to your organisation achieving your strategic goals?



STRATEGIC PLANNING (CONT.)

MEASURING YOUR STRATEGIC PLAN

After you've put in the hard work of creating a strategic plan, you need to ensure it stays on track by using metrics to check its progress.

The measurement of a strategic plan will closely align with your strategic priorities.

Creating good, solid metrics that you are reporting on defined at the beginning of the process will assist keeping the plan on track. Having quarterly milestones are also important to ensure the plan is broken down into bite-sized chunks to maintain momentum.

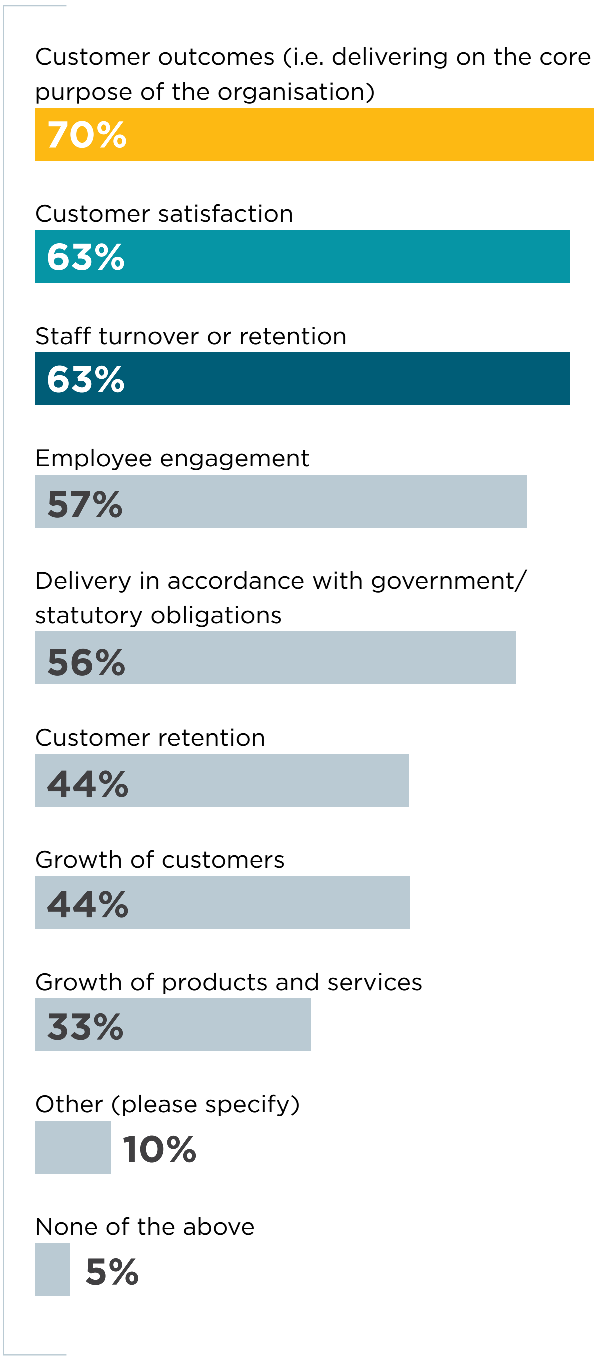
There are **FOUR KEY AREAS** to measure a strategic plan on:

1. **FINANCIAL**
2. **CUSTOMER**
3. **INTERNAL BUSINESS PROCESSES**
4. **EMPLOYEE & LEARNING.**

Our 2021 Not for Profit Leaders Report - Financial Management provided analysis and commentary on measuring the effectiveness of an organisation's finances.

When asked what non-financial metrics organisations monitored and assessed their strategic plan, there was no surprise that the top response was customer outcomes (delivering on the core purpose of the organisation) with over 70% of participants selecting this. Customer satisfaction and staff turnover or retention also rating highly with 63% each.

What non-financial metrics do you monitor and assess?



STRATEGIC PLANNING (CONT.)

In 2021 and 2022, we surveyed organisations on their focus for each of the following strategic priorities:

- Customer recruitment & retention
- Staff recruitment & retention
- Managing finance
- Operational effectiveness
- Managing risk
- Partnerships, Alliances and M&A.

It is interesting to compare the findings from the two years. As shown below there have been some changes in organisations priorities in the last 12 months.

If we group common strategic priorities under the following categories, how would you rate your organisation's focus for each category?

The table below shows the differences in the strategic planning priorities from our surveys in 2021 and 2022.

	2022				2021			
	NOT SURE	LOW	MEDIUM	HIGH	NOT SURE	LOW	MEDIUM	HIGH
Customer recruitment, retention & satisfaction	3%	12%	33%	52%	2%	7%	23%	68%
Staff recruitment, retention & engagement	1%	14%	30%	55%	-	15%	32%	53%
Managing finance	-	4%	28%	68%	-	2%	15%	83%
Operational effectiveness	1%	11%	41%	47%	2%	4%	37%	57%
Managing risk	2%	10%	39%	49%	1%	8%	40%	51%
Partnerships & alliances or M&A	11%	32%	35%	22%	5%	32%	33%	30%

STRATEGIC PLANNING (CONT.)

Last year's highest strategic priority of Managing finance has seen a reduction in it being listed as 'high priority' by 15% during the last 12 months. In April 2021, there was still some uncertainty about what was happening in the economy with Covid and effectively managing an organisations finance were a top priority. This decrease indicates that whilst managing finances is still the highest priority for participants, many believe they have weathered the financial storm and are moving to a business-as-usual model of managing financials.

Of the six categories we surveyed on, we identified a decrease in five of the areas as being of 'high' importance. This indicates that one thing is not more important than the others, essentially priorities are becoming more equally balanced.

Partnerships, alliances, mergers and acquisitions continue to rate low with many organisations. This was also reflected in the Australian Institute of Company Directors Not for Profit Governance and Performance Study 2021 where it was noted that "Many observers of the NFP sector had thought that merger activity would begin ramping up in 2021. However, the results of this year's study found little sign of this materialising. Discussions on potential mergers are at a ten-year low."

When asked 'outside of COVID, what are the biggest operational challenges impacting your current strategy', it is no surprise that 39% of participants listed staff recruitment and retention and 33% listed funding.

This is supported with the data received in our 2021 NFP Leaders Survey on Financial Management, where 48% of participants said recruitment and retention of key staff was the biggest risk in their finance team.

The third biggest operational challenge organisations highlighted with 15% of participants was around government regulation.

When asked 'Outside of Covid, what are the biggest operational challenges impacting your current strategy' the most common responses were:

CUSTOMERS / CLIENTS

Clients, customers, beneficiaries, community, stakeholders, members – there is no simple word to describe those that are serviced or assisted by NFP organisations – and many organisations provide products and services to a multitude of these.

This can make it even harder to measure success as organisations are dealing with multiple 'customers'.

The key to successful strategic planning is to clearly define where to compete and how to compete. In simple terms – define who your 'customer/s' are what you will provide them.

Once your customer is defined, then follows an understanding of their needs and how these needs can be met. The final phase is delivery of the services to meet the needs along with assessment of the delivery compared to the target. As mentioned earlier in this report, having pre-determined metrics of the quality, quantity or value of services including whether they are meeting expectations will greatly assist with monitoring strategic plans. There are a number of key metrics, organisations track to ensure 'customers' are satisfied.

When asked how you measure customer/client satisfaction or performance it was pleasing that 89% of participants actively measured this.

The top ways participants measure 'customer' satisfaction is:

- 67% - Email surveys
- 54% - Face to face meetings
- 38% - Phone calls
- 34% - Anecdotal

When asked about trend organisations had seen in measuring 'customer' satisfaction it was pleasing to see that 80% of participants had seen a positive trend, although 17% weren't sure.

What has been the trend in satisfaction results obtained?

80%	17%	3%
POSITIVE	NOT SURE / NOT MEASURED	NEGATIVE

The top ways participants measure 'customer' satisfaction is:

From the diagram, it appears that the majority of participants are focused on customer delivery – that is the reason for their existence; however, it remains challenging for organisations to measure this output and maintaining and improving this will require great focus to continue positive trends

> "Clearly define where to compete and how to compete".

PEOPLE & CULTURE

As highlighted earlier in this report one of the biggest concern's organisations have is recruitment and retention of staff.

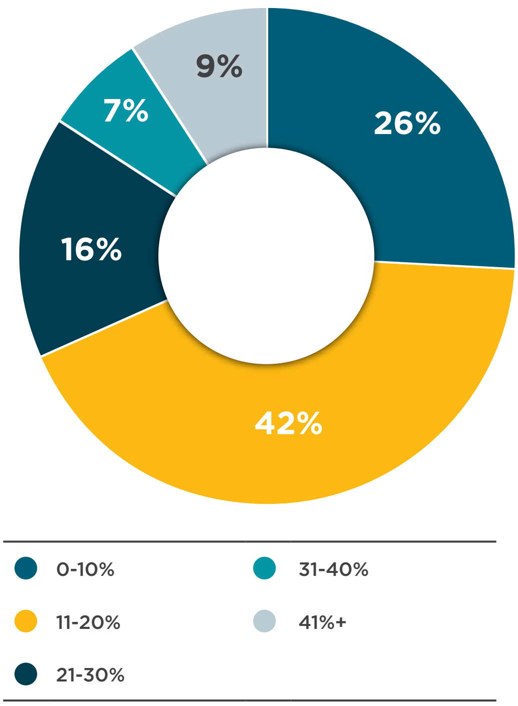
With the latest unemployment rate reported in February 2022 at 4% (Source: Australian Bureau of Statistics) the lowest rate since August 2008 and expectations it may reduce as low as 3.25% this year – the lowest since 1974, organisations should be worried. Low unemployment results in more competition to keep staff, find new staff with higher salaries for the right people, driving up wages, business costs and inflation at an economic level.

With more jobs now available and less people to fill them, it is clear that the phenomenon labelled the 'Great Resignation' which occurred in the United States earlier in the pandemic has impacted Australia. Employers that are unable or unwilling to offer better pay and conditions are at risk of losing staff. As reported in our 2021 Not for Profit Leaders Survey on Financial Management higher wages and better conditions may require businesses to increase their revenue or funding to keep quality staff.

The Australian Bureau of Statistics has revealed the number of people who want to change jobs or chase a business opportunity is now higher than the tally of people being sacked or retrenched.

This is reflected in the findings of our survey with 74% of participants saying that in the last two years their staff turnover was more than 11%.

In the last two years, what is your level of staff turnover?



Do you have a succession plan for senior management?

45% YES

55% NO

Whilst many leaders may be continually looking at retention of their teams, it is vital that organisations leaders including the Board have succession plans in place for the senior management.

Only 45% of survey participants reported that they had a succession plan in place for senior management. Senior leaders may not even be thinking about leaving a role or organisation, but with such a tight labour market, organisations and recruiters are reaching out to those that they think are performing well and could make a real impact in their organisation. If the last few years have taught us anything – expect the unexpected and try and plan for it. It is important for organisations to have succession plans in place across all levels of the organisation.

PEOPLE & CULTURE (CONT.)

ORGANISATIONAL CULTURE

What exactly is organisational culture? The simplest way to define culture is 'how we do things round here'. Whilst technically correct, organisational culture is the collection of values, expectations, and practices that guide and inform the actions of all team members.

Culture is created through consistent and authentic behaviours, not memos or policy documents. You can watch organisations culture in action when you see how a CEO responds to a crisis, how a team adapts to new demands, or how a manager corrects an employee who makes a mistake.

We asked, 'do you measure and monitor your organisation's culture', with 62% of participants saying yes.

Do you measure and monitor your organisation's culture?

62% YES

38% NO

In a market where recruitment and retention of qualified employees is getting harder, it is important for organisations to take note of their culture from both an internal and external point of view. Internally this can be measured by employee turnover and exit interviews, but how can you measure externally? What are your employee reviews on Seek or Glassdoor saying about you? Are they promoting a culture of support and flexibility or are the reviews negative?

Changing jobs is not just about having a higher salary anymore, many employees have been sequestered for two years, often working alone at home with most work connections through technology. Other employees, while physically at work, have also been socially isolated with safety protocols limiting personal connection.

With more personal time to ponder, and with fewer work-related social connections, employees feel less attached to their teams and organisations, and more willing to explore job and career options.

Culture will remain a major attraction for some employees and may discourage some potential employees with different outlooks. It will remain a challenge to maintain or protect a positive culture and change or improve organisations with cultures that are not meeting requirements.

HUMAN RESOURCE CHALLENGES

Employees certainly hold more power at the negotiation table than they have previously. The last two years have reaffirmed that we are all different – some employees have thrived being at home, others may crave more face-to-face interactions. How leaders deal with these differences in employees may hold the key to retention of their key staff. There remains a necessity for a sense of belonging to a larger group but how to incorporate how each individual might approach that issue.

As reported in our NFP Leaders Report on Financial Management, employers now need to consider more than just whether people can or are doing their jobs. Lockdown and isolation from family and friends has brought mental health to the forefront. So, it's no surprise that when asked to rank organisations human resource challenges, the top response was Covid fatigue for 35% of participants.

The World Health Organization defines pandemic fatigue as being 'demotivated' and exhausted with the demands of life during the COVID crisis. The World Health Organization warns that this fatigue could ultimately lead to a longer, more devastating pandemic.

Covid fatigue can vary from one person to another but common symptoms include feeling emotionally exhausted, being less effective (at work and home) and having a deep sense of anxiety.

PEOPLE & CULTURE (CONT.)

As we get further away from lockdowns there also appears to be another focus on flexibility and greater work life balance, the expected 9 to 5 work life has not resettled for a number of workers and efficiency is under pressure in some industries exacerbating and staff shortage issues. Basically, it is more difficult to get teams to pick up slack than it was previously, there is more resistance to over time making things take longer.

Life will not go back to how it was pre-pandemic; people and their personal priorities have changed. So, what can organisations do to help their staff?

- Provide flexibility working opportunities
- Listen to employees – encourage mental health days and provide access to an employee assistance program
- Conduct formal and informal wellbeing check-ins
- Promote healthy lifestyles and offer access to benefits that support this e.g. access to fitness programs (yoga, meditation), wellness days etc
- Provide relevant reward and recognition
- Implement improved process and automation to reduce workload but while maintain productivity at required levels
- Train managers to identify mental health concerns with their teams
- Celebrate – birthdays, anniversaries, all the wins – no matter how big or small.

Remuneration was the second highest response to greatest human resource challenges with 27%. Interesting to note that the lowest challenge for 40% of respondents was attraction / retention of volunteers.

Employee's expectations of their workplaces have changed, employees expect more than just a wage for a set number of hours performed. Organisations now need to provide a variety of additional incentives to retain employees.

When asked what incentive structures organisations had, the **TOP FIVE** responses were:

81% - FLEXIBLE WORK ARRANGEMENTS

75% - SALARY PACKAGING

64% - TIME OFF IN LIEU

45% - TRAINING BUDGETS / ALLOWANCES

36% - ORGANISATION FUNDED PAID PARENTAL LEAVE

What incentive structures do you have in place?

CHOICES	RESPONSES
Discretionary or performance bonuses	30%
Cash out leave	30%
Ability to purchase leave	20%
Organisation funded paid parental leave	36%
Well-being / recharge days	33%
Salary packaging	75%
Compressed working week and / or RDOs	25%
Time off in lieu	64%
Flexible work arrangements	81%
Additional annual leave	28%
Volunteering leave	9%
Mentor program	7%
Health and wellness programs	26%
Paid or subsidised gym memberships	3%
Training budgets / allowances	45%
Other (please specify)	9%
None of the above	7%

Overall, this area is expected to have the most challenges in the medium term with further change likely as attitudes alter and evolve, but delivery is required to be maintained without material costs increasing that would result from larger volumes of staff, if they can be hired.

RISK MANAGEMENT

Risk management is around the minimisation and mitigation of risks.

Risk is a necessity for many businesses as the counterbalance to profits or opportunities. For example, there is risk in pursuing a new grant, or new technology, but there is also opportunity to improve businesses and recover further revenue if the risk can be managed by using the right technology and getting implementation correct.

Risk focus in NFP's are around contract renewals, service delivery and derisking any potential issues with process and insurance policies.

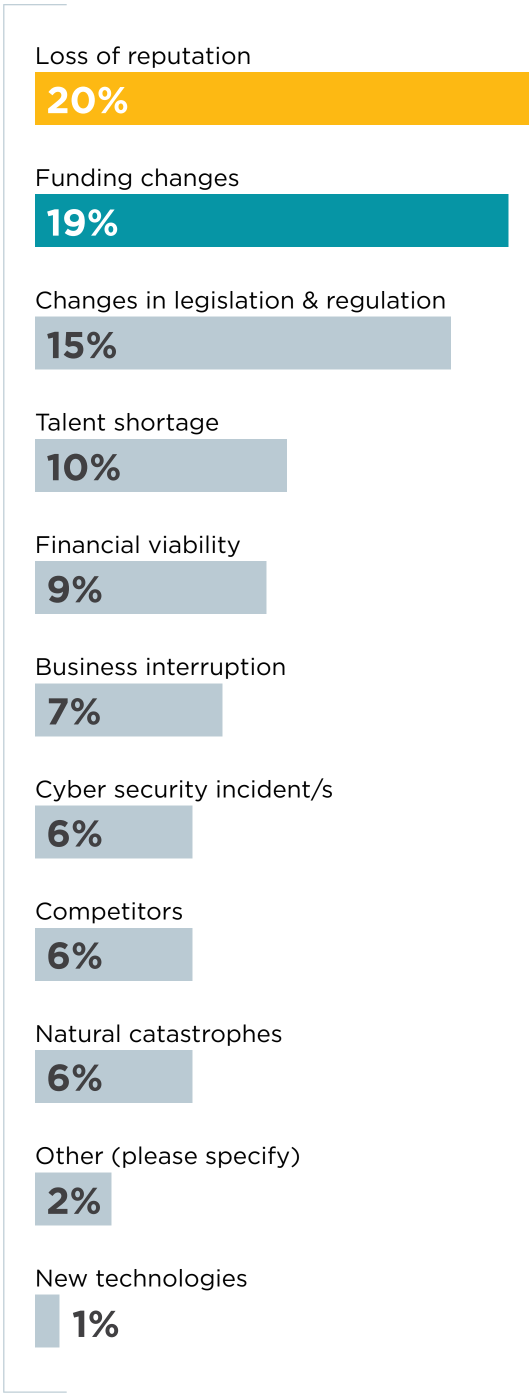
As such, given the key business issues above, it is apparent how risk management becomes integral to strategic planning (that in itself is a risk tool), decision making, and effective resource allocation. These strategic plans and decisions require consideration of relevant risks to successful execution so that they can be managed otherwise the risks can overpower the potential opportunity or value and even impact reputations.

Effective risk management (policies, frameworks and tools) is important for good governance, as well as legal compliance. In the NFP sector governance is critical with stakeholders expectations around managing risk in accordance with good governance and practices critical.

When asked what the biggest risk to your organisation was, 20% responded with loss of reputation. This is not surprising in the NFP sector, especially with charities as they need to be seen to be doing the right thing in accordance with their purpose and would impact funding access with government and other parties as well as potential fund-raising aspects.

The next highest responses were funding 19% and changes in legislation & regulation 18%.

What is the biggest risk to your organisation?



RISK MANAGEMENT (CONT.)

When asked whether organisations had a whistleblower policy 76% of participants said they did.

Do you have a 'whistleblower' policy?

76% YES

24% NO

What is a whistleblower policy and why should NFP organisations have one?

As NFP organisations are funded through many sources, including government funds, grants, donations, fundraising or receipts from members, it is vital that these funds are being appropriately used to meet the strategic goal of the organisation.

Over the years we have heard stories of fraud and misuse of organisations funds through misappropriation of funds (allocating contracts without due process or for an individual's personal gain. Employees may feel scared to report something they see as being untoward - a whistleblower policy protects those that report the breach. A whistleblower policy protects current or former employees or officers from reporting misconduct within an organisation.

We surveyed participants on what risk management controls they had in place – it was good to see that 88% had an external audit, 82% a risk register and 78% a risk management framework. Only 3% of participants did not have any controls in place.

The next phase of the economic cycle could include higher levels of fraud and cyber-attacks, so understanding how these issues can be mitigated by assessment of critical exposure points and implementing measures to mitigate potential exposures is worth exploring for all entities.

Finally, risk mitigation is really the pricing of an opportunity. If an opportunity is worthwhile pursuing, then the risk can be mitigated to an acceptable level. If the risk cannot be mitigated the decision should be reconsidered, not matter whether there a the best intentions involved.

Which of the following does your organisation have in place?

CHOICES	RESPONSES
Audit & Risk Committee	75%
Risk management framework	78%
Risk register/s	82%
Compliance/Risk Officer	44%
Internal audit	31%
External audit	88%
Outcomes measurement framework	35%
Other (please specify)	3%
None of the above	3%

ALLIANCES

As highlighted earlier in this report, mergers are currently not a high priority for the majority of not for profits surveyed with only 17% saying they were considering one in 2022 or 2023 with 6% unsure.

Are you considering a merger in 2022 or 2023?

17%	6%	77%
YES	UNSURE	NO

When asked are you considering any new partnerships however, 64% responded yes and 17% weren't sure.

Are you considering any new partnerships in 2022 or 2023?

64%	19%	17%
YES	UNSURE	NO

In a recent publication by JBWere 'Corporate Support Report' in February 2022, it was highlighted that "Corporate giving and community investment, alongside high net worth giving, is the fastest growing and least understood segment of social impact funding." The report states that philanthropic support from corporates surged following the devastating bushfires in the 2019 - 2020 summer. It was assumed and expected that these would decline during the pandemic, however again corporate giving increased to support the community.

Now is the time for NFPs to look at partnership opportunities. When looking at partnerships or alliances with other NFP's or for profit entities to assist with adapting to the new post-Covid environment and generate the greatest community benefit, it is important that there needs to be benefits for both parties. Make sure to target companies that will support each other and collate a business case how this could benefit all parties.

As resources and costs increase, alliance and consolidation to reduce costs may be a useful tool to enable continued delivery of services (being the ultimate aim) even if that means a change in the back of house or operations delivery to make the process economic.

PROPERTY

Property may not have been an organisations top priorities pre-pandemic, but the last two years of lockdowns and hybrid working models have certainly brought it higher up the list.

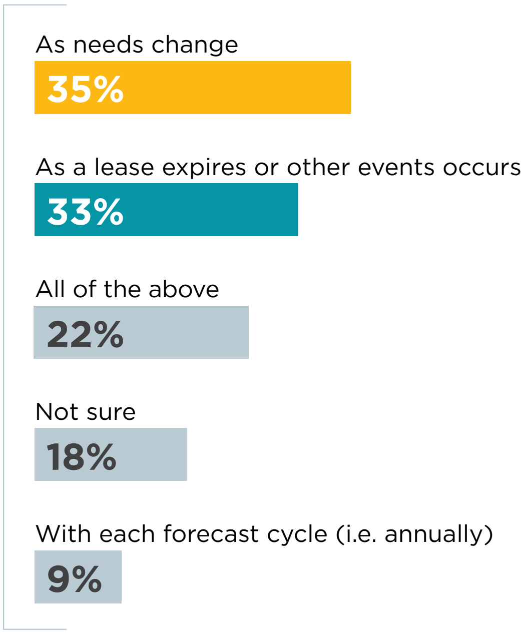
The impact of lockdowns was significant – transport vehicles parked long term, office spaces were empty and there were additional cleaning requirements – many offices still remain largely empty.

We asked participants 'when is your property approach reviewed?'. Not surprisingly the majority of the responses gave a more reactive response rather than strategic. It would be interesting to see what the responses to this question would have been if we'd asked in 2019.

As property is often one of the highest expenses, organisations are now looking at their property (premises and other property assets) with more of a strategic vision. Do they need the property space they have? Have their requirements changed? Are their cost savings or investments to be made?

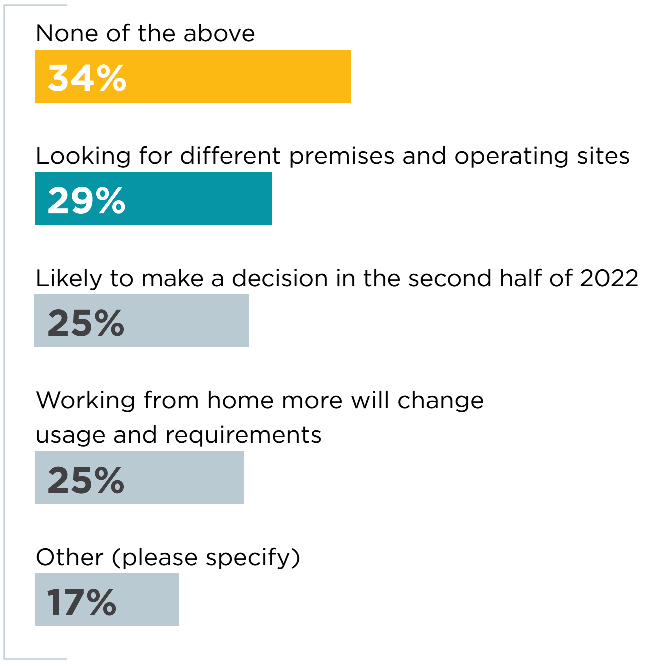
When asked 'if you lease or own property, are you considering changing the terms or developing the property in the next two years', only 33% of participants said they were not considering a change. Now, more so than ever, with the end of the financial year fast approaching, organisations are increasingly looking at their investment in property and how to best reduce real costs and to better utilise current locations.

When is your property approach reviewed?



Note: participants were able to select multiple responses

If you lease or own property, are you considering changing the terms or developing the property in the next 2 years?



Note: participants were able to select multiple responses

Potential opportunities

Given the markets strengths and weaknesses currently, there is opportunity to identify upside for an organisation property function, as many landlords are nervous about high vacancy levels. Organisations with properties on hold over leases can negotiate new leases with new incentive packages that can be reinvested into upgraded facilities, providing improved services. Co-location agreements can also be made with 'like-minded' providers to reduce costs and poor performing locations can be closed or amalgamated with nearby locations.

PROPERTY (CONT.)

Properties still under a lease can also be renegotiated to provide the Landlord with greater security for a fixed term. This is appealing to many smaller Landlords. Physical inspections of current locations often will also uncover deficiencies in the suitability of those locations too. Annual Audits are essential.

With the integration of hybrid working environments, the need for large commercial and retail spaces has decreased proportionately too. There is a reduction in space requirements for head offices, regional offices and individual service locations. By documenting the true needs of what a location is supposed to be delivering, an organisation has a clearer understanding of what to do with a particular location and how it impacts an organisations balance sheet.

Specific Markets

Organisations seeking to purchase properties for SDA Housing or Assisted Living Options are now finally able to compete on a more level playing field than 6-12 months ago. The slowing in the market is allowing organisations to better undertake essential pre-purchase due diligence works relating to DA / CDC requirements and retro fitting costings.

Alarmingly though, are the number of organisations who do not have BCA compliant properties. The costs associated with creating an Assisted Living environment or Day Program are generally higher than budgeted for. Sourcing the location, which can be equally difficult, also limits the exact delivery requirements of the location. Often the locations required are a hybrid of retail and commercial, warehouse and retail or mixed use residential and commercial. This has its own limitations, but with better planning and consultation with specialised project managers, these risks and costs can be calculated or eliminated at concept stage, prior to commencement of a project. Gaining retrospective Council approvals and upgrades once leases are signed or contracts exchanged is costly and time consuming.

Property Strategy

The results of the survey overwhelmingly suggest:

1. There is a greater need for organisations to better assess and more regularly review its property function.
2. Reactive solutions cost more than planned solutions; and
3. Organisations are looking to re-assess their portfolios in the second half of 2022, which may well be the waste of an opportunity. “Never waste a drama”, this is true in property. If there is an opportunity to secure better terms and conditions across your leased or owned portfolio, now is the time to act.

CASE STUDY

Ross Chaplin, Associate Director at Franklin Shanks, who assisted with this report, has been involved firsthand with working with organisations on their property negotiations.

Recently, he assisted to negotiate a reduced rental on a ground floor commercial premises in Penrith. The annual rental was approximately $127,000 for 453 sqm. This was not an unreasonable rental rate, but upon inspection of the premises, it was clear that only one third of the premises were being effectively utilised. With the Landlord not willing to reduce the rental to a rate that the organisation required, Franklin Shanks quickly found alternate suitable accommodation for them, within 150m of their current location, costing just $52,000 per annum. It also included a generous incentive package that negated the costs of the move. An added benefit of the move was a revitalisation of the staff and the organisations clients who now prefer the new premises with additional parking on grade and better accessibility for wheelchair users.

To contact Ross Chaplin please call him on 0411 753 107 or alternatively please visit the website www.franklinshanks.com

SUMMARY

STRATEGIC PLANNING AND IMPLEMENTATION

The strategic plan addresses the what and why of activities, but implementation addresses the who, where, when and how. The fact is that both pieces are critical to success. In fact, organisations can gain competitive advantage through implementation if done effectively.

Where are you in your strategic planning process?

Strategic Planning

Is your plan adaptable? What are you doing to achieve your strategic goals? Is there practical actions listed to implement the strategic plan? Are your goals achievable? Why do you want to increase your revenue? Does it align with your strategic goals? What investment is required? Are you building your reserves or spending them? How does the Board receive updates? Do you measure impact? Is automation in your future?

Customers / Clients

If you are planning on increasing revenue, how will do you this? Who are you targeting and how? Who are your new clients? Do you anticipate any servicing or delivery goals? What are your new services? Are they technology driven, or staff driven? Are you well-positioned to win market share? How are you measuring performance and market share?

People & Culture

How will your organisation grow on the current staff turnover levels? How do you find people who are as good or better than those who left? Are you paying them more? How are you managing covid fatigue? Do you have incentive plans? How does FBT affect you? Do you compete for talent on price or is it around mission / for purpose? How is the culture reflected? Do you provide training? How do you encourage someone to move from for profit to NFP? How do you sell your mission? Are you paying the correct awards? How do you prevent reputational damage?

Risk Management

How do you manage the business and new opportunities to mitigate risk? How do you balance opportunity vs risk? Should you still have an audit even if you don't 'have' to? What do you include in an internal review?

Alliances

Who should you target? How do you do it? Do you need to look at merging back of house with another NFP? Will this alleviate issues of lack of staff if you share resources? Could you pay people more if the resource is shared? Is outsourcing an option?

Property

Is co-sharing working space an option? Can you reduce costs by downsizing or renting out some of your space?

OUR NFP STRATEGY LINK

HLB Mann Judd has developed the NFP Strategy Link, a process to give more power to strategic thinking and operations of NFPs. This process can add significant impact to setting your strategies, and even more importantly, implementing them.

Where is your organisation in the process? Are you confident that you have considered all variable factors to include in your Strategic Plan? If you have any questions or require guidance, please reach out to our Not for Profit team.

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ABOUT HLB MANN JUDD

HLB Mann Judd is a leading award-winning chartered accounting and advisory firm. Mann Judd was formed in 1970 and through natural growth the business has become one of Sydney's highly regarded "people-sized" accounting practices. In 1998 Mann Judd firms were re-badged as HLB Mann Judd in recognition of our affiliation with the HLB International global network.

The HLB Mann Judd Australasian network has 85 Partners with offices in most major Australian business centres as well as NZ and Fiji. As members of HLB International, the global advisory and accounting network (a global network of accounting and advisory firms with 1030 offices in 157 countries), our clients also have access to worldwide expertise.

The Sydney firm has over 32 Partners and Directors and over 180 staff members and is located at 207 Kent Street, Sydney.

HLB Mann Judd Partners and staff are deeply committed to Australia's growing NFP sector. In 2010, HLB Mann Judd Sydney, in collaboration with the Commonwealth Bank, founded the ENFP Community which provides significant benefits to the sector.

The ENFP community provides:

- Exclusive boardroom briefings for NFPs (a brochure showing past topics and speakers is available)
- An exclusive LinkedIn group with over 1000 key decision makers in the NFP sector
- Opportunities to collaborate and to share thoughts, ideas and solutions with other NFPs.

To join the ENFP Community please contact Kim Kelloway Head of Clients and Markets kkelloway@hlbnsw.com.au or 02 9020 4285.

ENFP COMMUNITY

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