ENFP COMMUNITY

NOT FOR PROFIT LEADER'S REPORT

Strategic Planning | May 2024

EXECUTIVE SUMMARY

Effective strategic planning continues to be a challenge for leaders across all areas of the not for profit sector. It seems every time the economic, environmental or political landscape seems stable, a new challenge or crisis seems to pop up for not for profits to face.

Amidst swirling chaos and uncertainty, the Australian economy continues to face fluctuating markets and unpredictable shifts, testing resilience and demanding adaptive strategies from businesses and policymakers alike.

In the last four years, we have seen a number of economic factors affecting the not for profit sector. Just as in 2023, inflation and interest rates continue to cause challenges for not for profits.

In March 2024, we surveyed more than 100 not for profit leaders on strategic planning, the findings and insights are presented in this report.

Of those that responded, 60 percent were charities, 12 percent member or peak body organisations, 10 percent disability service providers, with the remainder split equally between social enterprise and aged care providers.

There was a good spread in the size of organisations that participated with 28 percent having a turnover of over $20 million, 27 percent from $10-20 million, 11 percent 5-10 million, 25 percent $1-5 million and 10 percent less than one million.

KEY FINDINGS:

- Current economic climate is still putting pressure on the majority of respondents.
- Developing and diversifying funding sources is a priority for 77 percent of respondents.
- 76 percent had seen an increase in demand for their services in the last 12 months and are anticipating a similar trend for the year ahead.
- More than 50 percent of respondents use an external facilitator for their strategy planning days.
- 83 percent of leaders are concerned about a cyber-attack on their organisation.
- Trends are indicating that employee turnover has decreased over the last three years.
- Leaders are still exploring technology and artificial intelligence.
- Financial viability is the single biggest risk for 26 percent of respondents.

In presenting the results of this survey, we 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 wish to thank all respondents for participating and contributing to the survey.

We trust you find our report and the analysis to be valuable to your organisation.

Aidan Smith
Partner, Audit & Assurance
Head of Not for Profit

Kim Kelloway
Head of Clients & Markets
Head of the Exclusive Not for Profit Community

CONTENTS

STRATEGIC PLANNING

THE PLAN

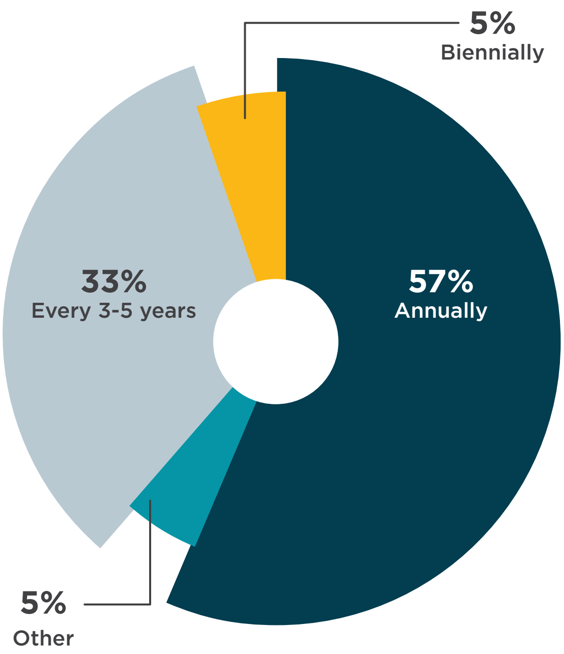
Having a regular schedule for updating your strategic plan is crucial for keeping it relevant and aligned with the evolving needs of your organisation and the external environment.

We asked how often you review and update your strategic plan. The majority of respondents (57 percent) do this on an annual basis, with 33 percent completing these every 3-5 years.

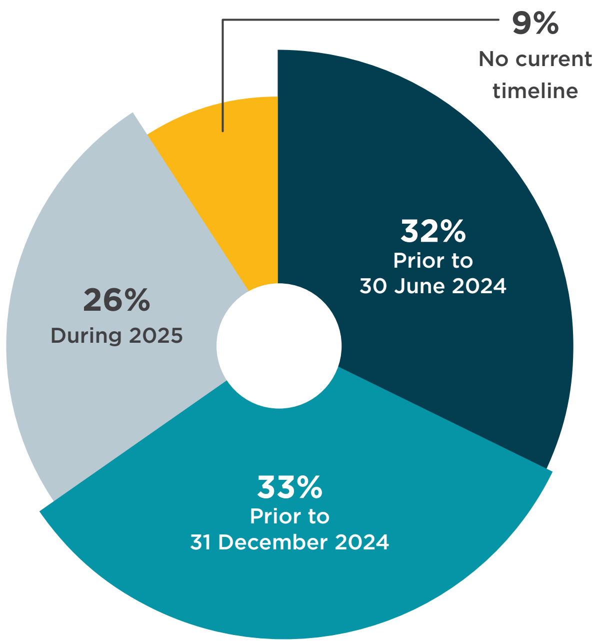
When looking at when organisations are reviewing their strategic plan, more than 65 percent will be completing this during 2024.

While updating a strategic plan more frequently may be beneficial in certain contexts, it's important for organisations to strike a balance between responsiveness and stability in their strategic planning processes. The frequency of updates should be tailored to the specific needs and circumstances of each organisation. The business plans that come out of the strategic plan should be updated on a more frequent basis.

Q **How often do you review and update your strategic plan?**



Q **When are you next updating your strategic plan?**



STRATEGIC PLANNING (CONT.)

We asked how easy it is to alter your strategic plan with the responses shown below:

Q How easy is it to alter your strategic plan?

40%

Flexible
Our plan is designed to be flexible and adaptable to changes in the internal or external environment.

32%

Moderately easy
While alterations to our strategic plan require some effort and coordination, we have established processes in place to review and update the plan as necessary.

18%

Challenging
Altering our strategic plan can be challenging due to factors such as limited resources and stakeholder input.

4%

Very difficult
Our strategic plan is highly rigid and difficult to alter once it has been finalised. Changes are infrequent and typically require significant time and resources.

7%

We do not alter our strategic plan once it has been established. It is intended to provide long-term guidance and stability for our mission and objectives.

In an uncertain economic environment (as we have seen in Australia over the last few years), the adaptability of your organisations strategic plan becomes paramount, requiring flexibility to swiftly respond to evolving market conditions, unforeseen challenges and being able to seize opportunities.

PLANNING DAYS

A strategy planning day serves as a vital opportunity for organisations to pause, reflect, and collectively chart a course for the future. It provides a focused environment where key stakeholders can come together to align their visions, goals, and priorities, fostering collaboration and consensus-building.

By dedicating a day or more to strategic planning, organisations can delve deeply into critical issues, assess current performance, identify emerging opportunities and threats, and develop actionable strategies to achieve their objectives.

Additionally, a strategy planning day fosters engagement and buy-in from participants, as they feel empowered to contribute their insights and perspectives to the decision-making process.

Ultimately, the importance of a strategy planning day lies in its ability to set a clear direction, inspire collective action, and propel the organisation toward its desired outcomes in an increasingly complex and competitive landscape.

Therefore, it's important to get a selection of relevant parties involved in the planning day to ensure it is comprehensive, inclusive and effective in generating actionable insights and strategic priorities. We asked who participates in your strategic planning day.

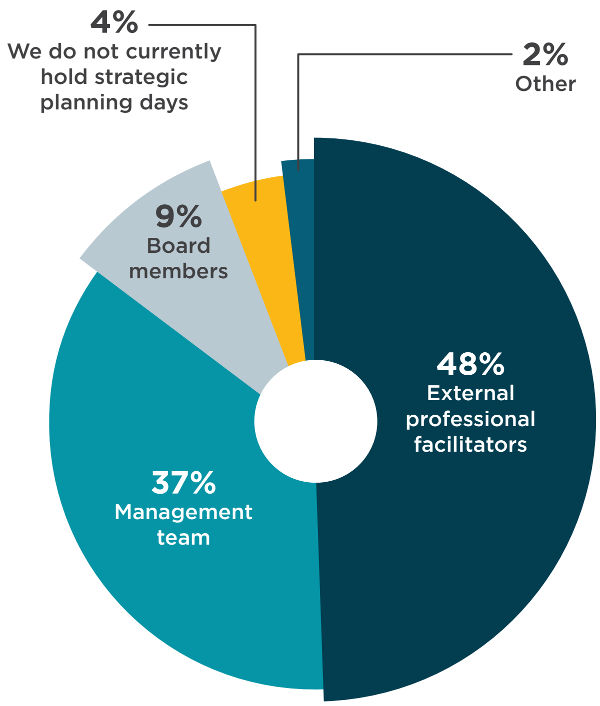
Q Who participates in your strategic planning day?

CEO (or equivalent)	89%
Board members	86%
Management team	82%
External consultants /facilitators	44%
Other staff	35%
Other	12%
Volunteers	7%
We do not currently hold strategy planning days	5%
Funders/donors	2%

From the figures above we can see that 44 percent of organisations have external consultants/facilitators involved in the planning day. We delved further into who facilitates your strategic planning day.

STRATEGIC PLANNING (CONT.)

Q: Who facilitates your strategic planning day?



It's positive to see that 48 percent of participants use external facilitators. It is important to use external parties as they bring a fresh perspective, are neutral and can focus on ensuring the group stay on track and all voices are heard.

As part of good governance, organisations should not rely on the same strategy day facililator.

Diving deeper into those that use external facilitators, we asked how you chose them, with the results being displayed below, note multiple selections were enabled.

Q: When selecting an external facilitator for strategic planning days, which factors influenced your decision?

Previous positive experiences with the facilitator	56%
Cost-effectiveness and budget considerations	40%
Recommendations from others	37%
N/A - we don't use external facilitators	26%
Availability and scheduling flexibility	23%
Other	9%
Current business or financial advisors	7%

It was interesting to see only seven percent of respondents use the services of the current business or financial advisors.

Changing strategy planning day facilitators every few years injects fresh perspectives, prevents stagnation, promotes diversity, and fosters professional development. This approach revitalises the planning process, ensuring it remains dynamic, inclusive, and effective in driving organisational success.

STRATEGIC PLANNING (CONT.)

Four reasons to use your current advisers for your strategic planning days

1 In-depth understanding of your organisation

Your adviser has a good understanding of your operations, challenges, and goals, enabling them to tailor the day specifically to your organisation's needs and opportunities.

2 Trust and rapport

This established trust you've built ensures open communication during the process, allowing for frank discussions about sensitive topics and fostering a collaborative environment.

3 Continuity and consistency

Since they are already familiar with your history, previous strategies, and ongoing initiatives, your advisers can ensure that the new plan builds upon existing efforts and maintains consistency with your long-term vision.

4 Expert guidance and insights

They bring expertise and insights gained from working with diverse businesses and industries and can offer valuable perspectives on emerging trends, best practices, and potential pitfalls, helping you make informed decisions and navigate uncertainties effectively.

INCLUSIONS

When looking at what respondents include in their strategic plan, we see similar results to our previous three surveys, with the top result consistently being 'Developing or diversifying funding sources'. See the full table on the following page.

Developing or diversifying funding sources is critical for not for profit organisations to ensure financial stability, adaptability, and independence. By spreading the risk across multiple revenue streams, organisations can mitigate the impact of funding fluctuations, maintain autonomy over their mission, and plan for long-term sustainability.

Diversified funding also enables flexibility in programming, enhances credibility, and reduces dependency on any single source, fostering resilience and enabling organisations to better serve their communities.

It's interesting to note that organisational culture and brand positioning and marketing rounded out the top three of inclusions.

When organisational culture and brand positioning are rated highly in a strategic plan, it indicates an organisation is prioritising its internal cohesion and external differentiation. This suggests a strong commitment to values, a clear market identity, and a strategic focus on long-term success – all important factors for not for profits.

It also implies potential competitive advantages through employee engagement, customer loyalty, and risk mitigation. Such prioritisation highlights the foundational importance of culture and branding in driving sustainable growth and market success.

When we compare the findings of our survey to the 2023-24 Australian Institute of Company Directors Not-for-Profit Governance & Performance Study conducted in September 2023, we can see similar themes.

Their top three priorities* for NFPs were:

- Diversifying income sources
- Protecting life and well-being of clients
- Responding to changes in the operating environment.

* Source: AICD Not-for-Profit Governance & Performance Study 2023-24

STRATEGIC PLANNING (CONT.)

Q Does your strategic plan include...?

Developing or diversifying funding sources	77%
Organisational culture	70%
Brand positioning & marketing	65%
Collaborating with other NFPs	61%
Enhancing services for existing clients	60%
Strengthening relationships with government and policy makers	58%
Risk management framework	54%
Cybersecurity measures and data protection policies	53%
New technology e.g., automation and AI	53%
Governance framework	49%
Employee recruitment & retention	47%
Diversity and inclusion initiatives	46%
Exploring new services in emerging markets	44%
Fundraising activities	44%
Employee training and development	40%
Social impact measurement and reporting framework	40%
Evaluating the board structure and/or composition	37%
Expanding into new geographic locations with existing services	37%
Consolidating service delivery in response to financial restrictions	35%
ESG (environmental, social, governance) governance	33%
Succession planning for key leaders	32%
Collaborating with for profit businesses	30%
Employee benefits – monetary & non-monetary	26%
Increasing prices	23%
Reviewing board structure	21%
Management of capital and investment reserves	18%
Research & development	18%
Merger or acquisition	16%
Outsourcing	4%
Other	5%

At the other end of the strategic priorities, we can see merger or acquisition remains a low priority for most. This is similar to results we have seen in previous years, as well as the findings from the 2023-24 Australian Institute of Company Directors Not-for-Profit Governance & Performance Study where 21 percent of respondents were looking at a merger in the next 12 months.

We asked whether respondent's were anticipating an increase or decrease in revenue if the strategic plan was met, with 50 percent of respondents said it would increase by more than 10 percent, with 23 percent saying less than 10 percent. These findings were similar to our previous surveys with 70 percent in 2023 and 72 percent in 2022 budgeting an increase.

Twelve months on from our last strategic planning report, it would be interesting to know how many of those organisations achieved their targets, especially following on from a year of rising interest rates, and other inflationary pressures.

These economic pressures are also pushing some people to rely on charities for support when they hadn't previously. With funding in 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.

MEASURING YOUR STRATEGIC PLAN

Measuring the success of a strategic plan is crucial for ensuring it's on track and delivering results. This involves regularly checking in on specific goals and targets set out in the plan. It means looking at things like your balance sheet, customer feedback, employee morale, and other relevant data points.

By doing this, organisations can see what's working well, what needs improvement, and where adjustments might be necessary.

It's not about fancy jargon; it's about keeping a finger on the pulse of what's happening and making practical decisions based on real-world information.

Measuring the financial results of a strategic plan provides vital insights into the plan's impact on the bottom line, helping organisations gauge their financial position and allocate resources effectively.

STRATEGIC PLANNING (CONT.)

Outside finances, there are several ways organisations can track against their strategic plan. We asked participants what non-financial metrics they used in their organisation, with the results displayed below:

Q What non-financial metrics do you monitor and assess?

Client/member engagement	**67%**
Employee engagement	**65%**
Client/member satisfaction	**61%**
Employee retention	**58%**
Client/member growth	**54%**
Online presence – website traffic, social media engagement etc	**54%**
Client/member outcomes (i.e., delivering on the core purpose of the organisation)	**47%**
Delivery in accordance with government/ statutory obligations	**47%**
Social impact	**47%**
Operational efficiency	**42%**
Strategic alignment	**42%**
Brand awareness and perception	**40%**
Client/member retention	**40%**
Reputation	**37%**
Growth of products and services	**35%**
Balanced scorecard	**16%**
Market share	**11%**
Environmental and social responsibility	**9%**
Other	**4%**

Again, we see similar results from our previous years reports with client/member engagement, satisfaction and growth being high. We are starting to see factors involving employees making more of an impact in the metrics.

This was the first year we included environmental and social responsibility, and we anticipate we will see this become more of a priority for organisations in the coming years.

BARRIERS

Leaders need to understand the barriers to achieving the organisations strategic plan. By identifying and addressing these barriers early on, organisations can adapt their strategies, allocate resources effectively, and maintain flexibility in navigating challenges.

We asked what the barriers were to your organisation achieving its strategic goals with the results being shown in the following table.

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

Current economic environment	**54%**
Staffing issues, including recruitment, retention, skills and training	**49%**
Financial resource constraints	**47%**
Ever changing environment	**42%**
Financial sustainability	**30%**
Technology constraints or limitations	**30%**
External competitors	**23%**
Regulatory challenges	**23%**
Can't get past short-term issues	**21%**
Lack of adequate resources	**18%**
Difficulty in executing restructure of business	**16%**
Skills of leadership	**16%**
Board/Management team disconnect	**12%**
Resistance to change	**12%**
Other	**12%**
Expansion is slow or not achievable	**11%**
Inability to collaborate with other NFPs or for profit businesses	**7%**
Inadequate leadership support	**7%**
Lack of volunteers	**7%**
Unable to access new geographic locations	**7%**
Lack of clear vision and strategy	**5%**
Lack of professional counsel	**2%**
No barriers	**2%**

STRATEGIC PLANNING (CONT.)

When comparing these findings with our 2023 survey we see the top two results being the same – although in the reverse order. The current economic continues to be challenging for all businesses – both for profit and not for profit. Not for profit leaders need to strike a balance between caution and optimism during uncertain economic times.

Staffing issues again appears high on the list of barriers, although this has decreased from our 2023 report (down from 69 percent of respondents to 49 percent).

We asked how you overcome these barriers, enabling free text responses, the recurring themes were:

Risk management

Technological advancements

Recruitment

Regular monitoring against KPIs

Building diversified funding streams

Single vision

Prioritisation

Staff training

Organisations can overcome barriers to achieving their strategic plan by conducting thorough risk assessments, fostering open communication among stakeholders and implementing agile strategies that allow for adaptation to changing circumstances, ensuring resilience and progress toward their mission-driven goals.

We asked what the biggest operational challenge was in your organisations, with the results being displayed in the following word cloud.

When we compare these results with the previous years, we see differences as well as similarities. Funding continues to be one of the key challenges, although this year we are seeing resources and government appearing prominently. In our 2023 survey the main challenge was staffing and in 2022 it was funding.

We asked what strategies your organisation employed to ensure alignment between the strategic plan and day to day operations. The common themes that came out were:

- Regular reviews and monitoring of actuals vs planned outcomes.
- Involve all staff in the delivery of the plan and initiatives.
- Development of annual operational plans and roadmaps.
- Open discussions at board and staff meetings.
- Tasks that do not align with the mission are minimised.
- Regular internal and external communications.

Of some concern was the number of respondents who said they didn't do this at all or had no formal alignment.

STRATEGIC PLANNING (CONT.)

Alignment between strategic goals and day-to-day operations is vital for organisational success. To achieve this, organisations must communicate the vision clearly, break down goals into actionable steps, track progress, and provide relevant training.

Encouraging collaboration, aligning incentives, and ensuring leadership commitment are crucial. With clear roles, continuous monitoring, and feedback mechanisms in place, organisations can foster an environment where every employee contributes effectively to strategic objectives.

As well as ensuring you have alignment between the strategy and the day-to-day operations, leaders need to make sure that they align any financial forecasting with the strategic goals of the organisation.

Aligning the organisations strategic goals with financial forecasting helps leaders confirm that the financial projections and budget allocations reflect the priorities and objectives outlined in the strategic plan.

As shown below respondents used a variety of methods to ensure alignment between strategic goals and financial modelling/forecasting.

Q How do you align your strategic goals with your financial modelling/forecasting?

Resource allocation	60%
Review and compare of draft forecast to goals	60%
Performance metrics alignment	49%
Risk management integration	40%
Revenue with standard percentage of costs	25%
Scenario planning for all forecast items	16%
Other	5%

KEY TAKEAWAYS

- Organisations need to strike a balance between responsiveness and stability in their strategic planning.
- Plans needs to be adaptable and flexible to respond to changing conditions.
- Leaders need to include a wide selection of stakeholder in the strategic planning process.
- Embrace external advisers to get a fresh perspective on your strategic plan.
- Environmental and social responsibility will become more prevalent in strategic plans in the coming years.
- Developing or diversifying funding sources will continue to be a challenge for leaders in the strategic planning process.
- Impact measurement will be key for organisations looking to retain or obtain new funding sources.
- Leaders need to be aware of all the barriers that are stopping them meet their plan and mission.
- There needs to be alignment between financial decisions and overarching strategic objectives.

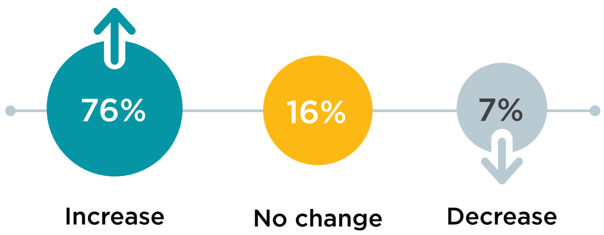
CUSTOMERS

Not for profit organisations serve a diverse array of individuals and groups, including clients, customers, beneficiaries, the community, stakeholders, and members, each of whom may receive various products and services tailored to their specific needs and interests. (For the purpose of this report we will use the generic term ‘customer’).

As highlighted earlier in this report the current economic climate is creating challenges for all sectors of the community – no more so than the not for profit sector.

We asked whether you’d seen a change in the need or requests for your organisation’s service/s.

Q: Have you seen an increase or decrease in the need/requests for your organisation’s core services in the last 12 months?



With 76 percent responding yes, we can determine that this places additional pressures on the already limited resources of not for profit organisations.

This reflects similar results from out 2023 survey, where 68 percent had seen an increase.

We also asked if you anticipated an increase in the demand over the next 12 months, with a huge 84 percent saying yes.

Q: Do you anticipate an increase in demand for your services over the next 12 months?

With this increase in demand unlikely to wane over the next few years, leaders need to be comfortable in making some tough decisions to ensure their continued viability in meeting their mission.

Organisations must adopt a multifaceted approach to effectively meet this increased demand and utilise data-driven strategies.

When we delved further into why or why not respondents thought there would be a change in the demand for their services the responses were wide and varied. The consistent themes to come out were:

- Cost of living crisis
- Increased complexity of the sector
- Growth in homelessness
- Environmental factors – floods etc
- Increased government regulation
- Increases in diagnosis of health conditions
- Ageing population.

CUSTOMERS (CONT.)

MARKETING

It may seem strange to focus on marketing when services are in demand, but it is important to remember not for profits often have different target markets they want to reach, including donors, government agencies and policymakers, volunteers, supporters, media outlets, as well as customers.

Effective marketing allows an organisation to raise awareness about their offerings and attract funding, enabling them to scale their operations to meet the growing demand.

Additionally, strategic marketing enables not for profits to differentiate themselves from competitors, build trust and credibility within the community, and ultimately, fulfill their mission of serving those in need more effectively.

By focusing on marketing during times of increased demand, organisations can ensure that their services reach those who require them most, which maximises their impact.

Q How are you marketing your organisation?

Digital marketing e.g. website, email	78%
Social media	67%
Networking	62%
Press releases, articles and media relations	55%
Digital advertising e.g. Google ads	49%
Hosting face-to-face events	44%
Providing conference speakers	38%
Online events including webinars	33%
Conference exhibition	27%
Print advertising including magazines, newspapers and brochures	22%
Outbound sales calls	20%
Affiliate marketing - with other NFPs	18%
Direct mail – hard copy	18%
Brand ambassador/s	16%
Podcasts	16%
TV or radio advertising	13%
Hosting corporate days	9%
Outdoor advertising including billboards	7%
Referral incentives	7%
Affiliate marketing - with for profit businesses	5%
Other	5%

The data reveals that organisation primarily rely on inexpensive digital marketing channels, notably websites and email, to reach potential clients and members, with a significant majority of respondents employing these methods.

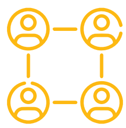
Social media platforms also play a crucial role, indicating a strong emphasis on online engagement and community building.

Additionally, networking and media relations emerge as prominent strategies, suggesting a focus on establishing connections and gaining visibility within relevant industries or communities.

While digital advertising, such as Google ads, are widely used, traditional media such as press releases and print advertising still hold relevance for a considerable portion of organisations.

Overall, the data suggests organisations are using a diverse range of marketing strategies.

We asked what could assist you in reaching new clients/ members on an efficient basis, the key themes were:



Having dedicated resources

Developing effective marketing campaigns

Brand awareness

Word of mouth

Marketing budget

Greater digital presence

Data segmentation, personas, data integration and analytics

Including marketing in your strategic plan is important because it helps raise awareness about your organisation, attract supporters, and differentiate your services from competitors.

It ensures that you effectively communicate your value proposition and impact to stakeholders, ultimately driving engagement and achieving your goals more effectively.

CUSTOMERS (CONT.)

CUSTOMER SATISFACTION

It is crucial for organisations to measure customer satisfaction as it serves as an important indicator of their effectiveness in meeting the needs and expectations of their beneficiaries, clients, donors, and other stakeholders.

By collecting feedback on their experiences, organisations can gain valuable insights into the quality of their services, identify areas for improvement, and tailor their programs to better serve their customers.

Additionally, measuring customer satisfaction helps to foster trust, loyalty, and engagement among stakeholders, ultimately enhancing the organisation's reputation and sustainability.

Importantly, satisfied customers are more likely to become advocates for the organisation, spreading positive word-of-mouth and attracting new supporters, volunteers, and donors.

When asked how organisations measure customer/client satisfaction or performance it was pleasing to see the majority of respondents activity measure this. Again, the findings were similar to those in our 2023 survey.

Q How do you measure client/member satisfaction or performance?

Surveys (email, SMS etc)	73%
Complaints and grievances	55%
Face to face meetings	44%
Focus groups & interviews	33%
Anecdotal	31%
Phone calls	27%
Repeat purchase/member renewal	24%
Net promoter score	20%
Other	9%
Mystery shopper/s	7%
It's not directly measured	5%

KEY TAKEAWAYS

- Organisations must adopt a multifaceted approach to effectively meet this increased demand.
- Leaders need to embrace technology to develop data-driven strategies.
- Multi-channel marketing initiatives will be needed to attract donors, supporters and volunteers.
- Organisations will need to differentiate themselves significantly to truly stand out in the crowd.
- Measuring customer satisfaction will ensure leaders are able to deliver on the organisations mission.

PEOPLE & CULTURE

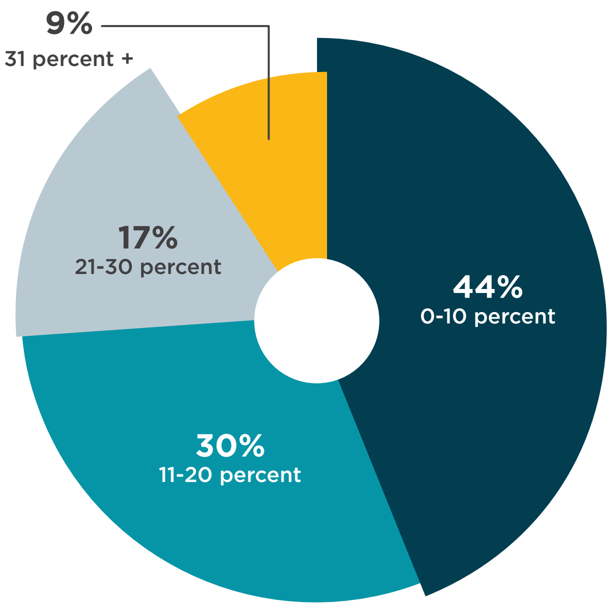
As highlighted earlier in this report, 49 percent of respondents said one of the biggest barriers to achieving the organisations strategic goals was staffing issues (including recruitment, retention, skills and training).

With the Australian unemployment rate sitting at a low 3.8 percent in March 2024 (Source: Australian Bureau of Statistics), up from 3.5 percent for the same period in 2023, management of talent is critical for all organisations.

Therefore, having the right people in the right roles is crucial for an organisations success in meeting its mission.

We asked, over the last 12 months, what is your level of staff turnover, and saw similar findings to our previous surveys.

Q Over the last 12 months, what is your level of staff turnover?



We also asked if this was consistent with previous years with 63 percent saying yes, 17 percent saying turnover had increased and 20 percent saying it had decreased. These findings are similar to our previous surveys, although we have seen an increase in the 1-10 percent category from 26 percent in 2022, to 38 percent in 2023 up to 44 percent this year. This trend indicates employee turnover has decreased over the last three years.

Whilst there is no 'ideal' level of turnover for an organisation, a moderate level of turnover can be healthy as it allows for fresh perspectives, promotes innovation, and prevents stagnation.

Too high turnover rates can indicate underlying issues such as poor morale or inadequate training, while too low turnover rates may suggest a lack of opportunities for growth or development. We often see this in smaller organisations.

Striking a balance where turnover rates align with organisational goals and employee satisfaction is key to maintaining a dynamic and productive workforce.

With employee turnover being inevitable at all organisations leaders need to think strategically when looking to replace employees who have resigned. With employee costs increasing each year – such as the superannuation guarantee rate increasing from 9.5 percent in 2021 through to 12 percent in 2025 to see the financial pressures that businesses are facing with staffing costs.

"Train people well enough so they can leave. Treat them well enough so they don't want to."

- Richard Branson

PEOPLE & CULTURE (CONT.)

It is therefore no surprise when we asked how you were looking to cover staffing holes or gaps that 44 percent of respondents said they were looking at automation and process improvement. This indicates a growing reliance on technology to streamline operations and reduce the need for human labour in certain tasks.

Q: How are you looking to cover staffing holes/gaps?

Automation/process improvement	44%
Part-time employees	43%
Recruiting like for like	43%
Contractors	41%
Volunteers	20%
Recruiting older workers	9%
Other	6%

Overall, the responses reflect a multifaceted approach to addressing staffing challenges, combining technology-driven solutions, flexible workforce arrangements, and targeted recruitment strategies for many organisations.

ORGANISATIONAL CULTURE

Measuring organisational culture is important for understanding how employees feel about their workplace, finding areas to improve, and making smarter decisions. It helps align company values with goals, drives better performance, and builds a positive reputation. In short, it's essential for creating a strong and successful organisation.

Organisational culture can be highly influential in an organisation's turnover levels. We asked how respondents measured their organisation culture with the results shown below:

Q: How do you measure your organisational culture?

Turnover and retention	67%
Regular surveys	61%
Anecdotal	26%
Key performance indicators	26%
Employee net promoter score	15%
It's not directly measured	13%
Other	6%

These findings show us that turnover and retention rates, regular surveys, and KPIs are among the most used methods for measuring culture. Organisations will benefit from using a combination of these methods to gain a comprehensive understanding of their culture and identify areas for improvement.

PEOPLE & CULTURE (CONT.)

We asked respondents to rank their organisations major human resource challenges. This year 30 percent of respondents ranked both remuneration and recruitment & retention of staff as being their number one challenge this year, compared to 2023 where 60 percent of respondents ranked renumeration as their top challenge. Employee mental health and well-being continues to rank highly with respondents.

The full ranking list for 2024 is:

1st
- Renumeration
- Recruitment & retention of staff

3rd Employee mental health and well-being

4th Staff development and training

5th Legal and regulatory compliance

6th Attraction/retention of volunteers

Employee incentives can also impact an organisations culture.

We asked what incentive structures organisations had for employees, and the responses are displayed in the table below:

Q What incentive structures do you have in place?

Flexible work arrangements	**80%**
Employee Assistance Program	**76%**
Salary packaging	**70%**
Time off in lieu	**57%**
Additional annual leave	**44%**
Health and wellness programs	**37%**
Onsite parking	**31%**
Cash out leave	**30%**
Recognition programs e.g. employee of the quarter	**28%**
Ability to purchase leave	**26%**
Organisation funded paid parental leave	**24%**
Phone/technology allowance	**24%**
Compressed working week and/or RDOs	**19%**
Discretionary or performance bonuses	**19%**
Birthday leave	**17%**
Well-being or recharge days	**17%**
Mentor program	**15%**
Training allowances	**13%**
Volunteering leave	**9%**
Other	**7%**
Paid or subsidised gym memberships	**4%**
None of the above	**2%**

PEOPLE & CULTURE (CONT.)

There was very little change in the findings compared to our 2022 and 2023 surveys with flexible work arrangement continuing to be the top incentive offered.

With employers prioritising their team's mental health and well-being, it is great to see that 76 percent of respondents offer an Employee Assistance Program.

With remuneration and recruitment & retention of staff being high on leaders lists as the top two human resource challenges it is important for leaders to look review their current incentives and look at implementing additional ones.

As shown in the list earlier, not all incentives come with a high financial cost for the employer.

Employers should encourage their employees to take the lead on organising team building activities, volunteer opportunities, or social events. This not only fosters engagement, but also promotes a sense of ownership and camaraderie among team members.

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.

Q **Do you have a succession plan for senior management?**

Y 37%

N 63%

As highlighted in our previous strategic planning reports, it is crucial for organisations to have succession plans in place. The management team plays a critical role in steering the organisation towards its goals, and the absence of these leaders can have significant implications on the company's performance and success.

KEY TAKEAWAYS

- Having the right people in the right roles is crucial for an organisations success in meeting its mission.
- With employee turnover plateauing, leaders must look for new ways to retain and attract quality staff.
- Leaders need to strike a balance where employee turnover rates align with organisational goals and employee satisfaction.
- Employee mental health and well-being is become a more prominent factor in human resources.
- Reviewing incentives for employees – both financial and non-financial may help boost the organisational culture.
- Succession planning continues to be a weakness for many not for profit organisations.

TECHNOLOGY

ARTIFICIAL INTELLIGENCE AND AUTOMATION

Technology has made significant strides in recent years, and it seems that advancements will only accelerate in the future. The buzz around artificial intelligence (AI) and automation remains prevalent as they continue to dominate the technological landscape.

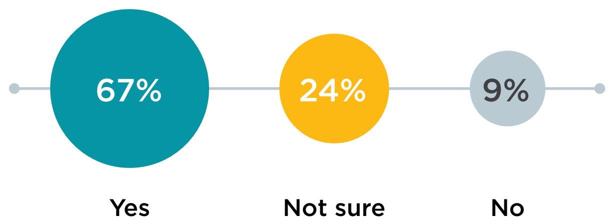
It's important to understand the difference between AI and automation as they can often be confused. AI involves systems that can simulate human intelligence to perform tasks such as problem-solving and decision-making, while automation focuses on the use of technology to perform specific tasks without human intervention.

AI can analyse vast amounts of data to provide valuable insights, optimise processes, and personalise customer experiences, while automation can streamline repetitive tasks, increase efficiency, and reduce errors within organisations.

Together, they can enhance productivity, competitiveness, and innovation across various industries.

We asked if you thought AI and automation would impact your organisation with 67 percent responding yes. With 24 percent unsure about the potential impact, this indicates a need for further understanding or assessment of how AI and automation could affect their organisation.

Q Do you think artificial intelligence (AI) and automation will impact your organisation?



We asked in what way you thought AI and automation would affect your organisation. The responses indicate a mix of perspectives and expectations regarding the impact of AI and automation on the organisation.

Some express uncertainty about the specific effects, highlighting the need for further understanding or assessment.

However, there is an understanding of the potential benefits, such as increased efficiency, productivity, and improved targeting of products and customers. Many respondents anticipate streamlining processes, enhancing service delivery, which will enabling staff to focus on higher-value tasks.

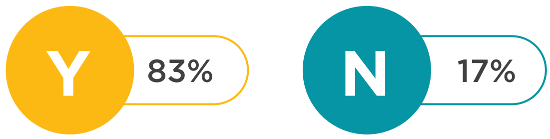
Additionally, concerns about potential challenges, such as maintaining human interaction, preserving the quality of materials, and ensuring ethical considerations are addressed, are evident.

Overall, there is a readiness to explore and embrace AI and automation while acknowledging the need for careful consideration of their implications for various aspects of the organisation.

CYBERSECURITY

When asked if you were concerned about a cyber-attack on your organisation, 83 percent responded yes. This was in line with the findings we had in 2023 where 88 percent responded yes.

Q Are you concerned about a cyber-attack on your organisation?



Interestingly in the latest AICD NFP Governance & Performance Study, 21 percent of respondents indicated their organisation had experienced a cyber-attack in the last twelve months.

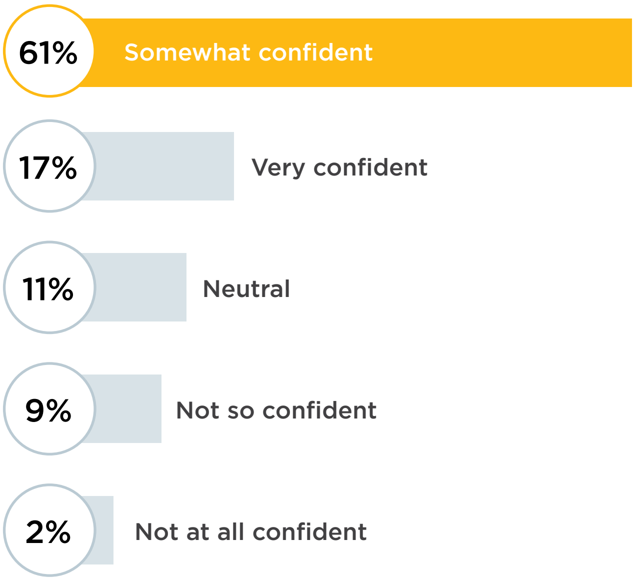
This highlights the importance of prioritising cybersecurity and emphasising the need for continuous awareness and investment to mitigate risks. In the online world, where threats are constant, cybersecurity must be proactive and steadfast.

TECHNOLOGY (CONT.)

We asked how confident respondents were in their systems being able to withstand a potential attack - 78 percent were either somewhat confident or very confident.

Whilst no technology can guarantee absolute safety and security 100 percent of the time, it's imperative for leaders to prioritise having the most robust systems available to mitigate risks effectively.

Q How confident are you in the resilience of your IT systems to withstand a potential cyber-attack?



To mitigate the risks of a cyber-attack, it is essential to take steps such as: keeping software up to date, using strong passwords, being cautious of suspicious emails or links, implementing multi-factor authentication, implementing security measures such as firewalls and anti-virus software and providing training to employees on what to look out for.

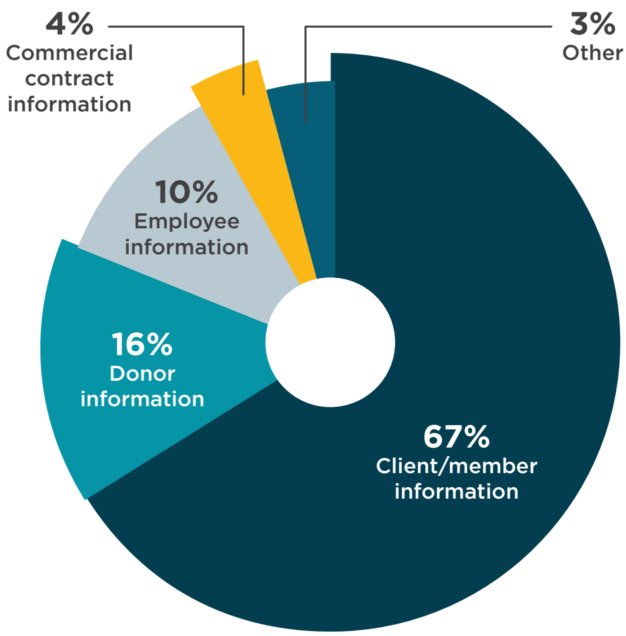
In this light, it was pleasing to see that 85 percent of respondents provide cybersecurity training to employees.

Q Do you provide cybersecurity training to your employees?

RISK MANAGEMENT

Upon further questioning, when we inquired about the greatest data risk, 67 percent of respondents said it was their client/member information, aligning with our findings from 2023.

Q What is your greatest data risk?



Overall, while a significant portion of respondents express confidence in the resilience of their IT systems, there is still a notable proportion that either lack confidence or remain uncertain. This highlights the importance of ongoing evaluation, improvement, and investment in cybersecurity measures to enhance the organisation's readiness to combat cyber threats effectively.

TECHNOLOGY (CONT.)

We asked what measures you had in place to protect your data, with the results being displayed in the table below:

Q What measures do you have in place to protect your data?

Access controls e.g. multi-factor authentication	93%
Data backup and recovery	93%
Antivirus software	91%
Firewalls and network security	89%
Security policies and procedures	76%
Encryption of data	50%
Penetration testing	44%
Regular audits and assessments to ensure compliance with data security requirements	44%
Physical security controls i.e. cameras, alarms for server rooms etc	37%
Vulnerability management	26%
Other	7%

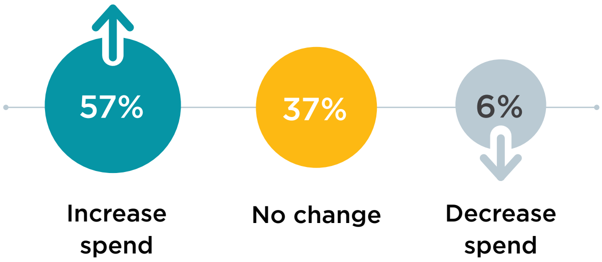
The majority of respondents have robust data protection measures in place, including access controls (93 percent) and data backup (93 percent).

Areas for improvement include encryption (50 percent) and vulnerability management (26 percent), suggesting opportunities to strengthen overall data security measures.

TECHNOLOGY SPEND

With the importance of training and cybersecurity we asked if organisations were looking to change their spend on technology over the next three years, with results displayed below:

Q Are you looking to change your organisational spend on technology over the next 3 years?



For those looking to increase their spend, we asked what they were looking at spending on, with the top responses as follows:

1. Cybersecurity
2. Automation and integration
3. Customer relationship management systems
4. IT equipment upgrades

KEY TAKEAWAYS

- Organisations need to embrace technology, so they aren't left behind.
- The buzz around artificial intelligence and automation remains prevalent as they continue to dominate the technological landscape.
- Cybersecurity continues to be at the forefront of leaders' minds – protecting client and member data.
- Reach out to specialists to get a full review of your systems and risks.
- Ensure you are using the right tools to help your organisation achieve its goals, rather than just following the latest trends.

GOVERNANCE

THE BOARD

In the not for profit sector, governance and boards go hand-in-hand. Boards are like the captains steering the ship, responsible for setting the organisation's course, making big decisions, and keeping things on track. They ensure that the organisation stays true to its mission, manages its resources wisely, and operates ethically.

Good governance means having a board that's diverse, transparent, and accountable. When boards get it right, not for profits can thrive and make a real difference in the world.

We asked how often your board met with the results displayed below:

Q How often does your board meet?

52%	Every two months
31%	Monthly
17%	Quarterly

The frequency of board meetings can vary depending on the organisation's needs, size, and complexity of operations.

Some boards may choose to meet more frequently, especially during times of significant decision-making or when facing challenges requiring immediate attention.

Ultimately, the key is to strike a balance between maintaining regular communication and avoiding unnecessary administrative burden on board members, especially noting that the findings of our NFP Leaders Financial Management Report in 2023 highlighted that 81 percent of respondents did not remunerate their directors.

Determining the right mix of board members involves assessing their collective skills, diversity, commitment, alignment with the organisation's mission and values, leadership qualities, strategic focus, and adaptability.

We asked, how board members were evaluated in terms of their skills and contribution, with half of respondents using informal assessments.

Q How are board members evaluated for their skills, experience, and contributions to the organisation?

Informal assessments by board leadership	50%
Formal board performance evaluations	21%
Other	11%
Feedback from staff and stakeholders	7%

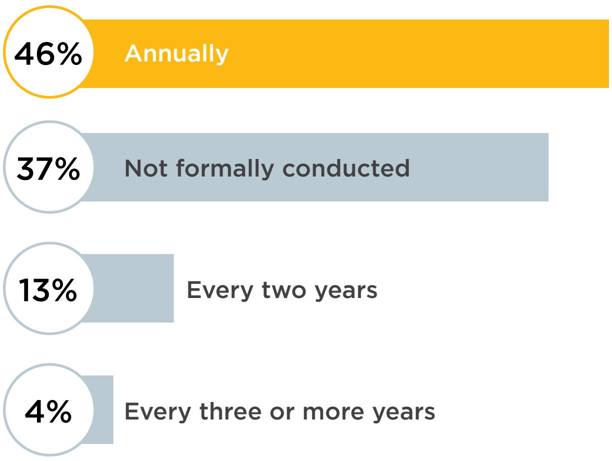
GOVERNANCE (CONT.)

A balanced board should possess a diverse range of expertise and backgrounds, demonstrating active engagement, strong leadership, and a shared dedication to the organisation's goals.

Regular evaluations of the composition and performance helps ensure that the board effectively governs and advances the organisation's mission.

In this light, we asked how often your board conducted a formal evaluation of performance, with nearly half of respondents doing this annually.

Q How often does the board conduct a formal evaluation of its own performance?



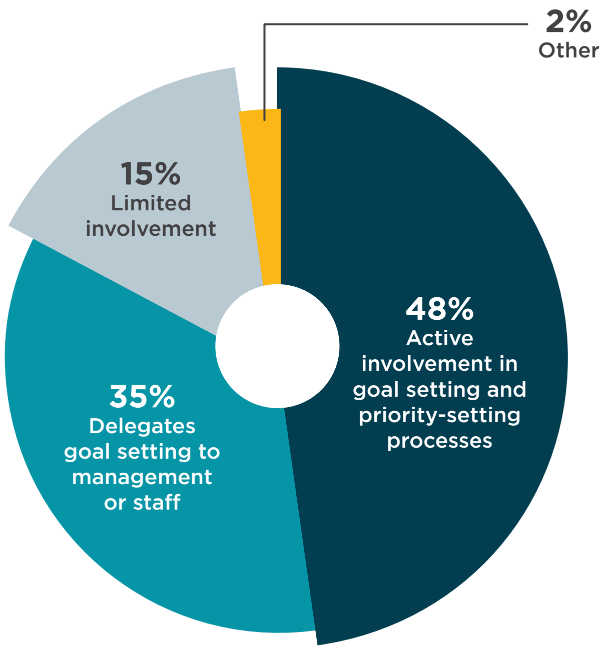
Boards that conduct annual evaluations demonstrate a commitment to transparency, accountability, and continuous improvement.

However, there is room for improvement among boards that do not conduct formal evaluations or do so infrequently, as regular self-assessment is essential for ensuring optimal governance and organisational performance.

As highlighted earlier, the role of the board is to provide governance, strategic direction and oversight to ensure the organisation is being operated effectively and fulfilling its mission.

We wanted to understand the degree of involvement that your board had in setting goals and priorities, with the responses displayed in the graph below.

Q What role does the board play in setting organisational goals and priorities?



These results show us that there are differences across the boards involvement.

These differences may stem from factors such as the organisational culture, board composition, leadership style, size of the organisation, historical practices, and external influences like regulatory requirements and stakeholder expectations.

GOVERNANCE (CONT.)

RISK MANAGEMENT

Strong risk management policies, frameworks, and tools are essential components of sound governance practices and are crucial for ensuring legal compliance.

Earlier in the survey we asked about the biggest data risk, here we asked what the single biggest risk to your organisation was, with the results displayed below.

Q What is the biggest single risk to your organisation?

Financial viability	26%
Employee resourcing	19%
Changes in legislation & regulation	13%
Loss of reputation	9%
Business interruption (i.e. pandemic)	7%
Talent shortage	6%
Funding changes	6%
Competitors	6%
Cybersecurity incident/s	4%
Regulatory compliance	2%
Governance challenges	2%
Other	2%

With more than a quarter of respondents highlighting financial viability, we can determine that the current economic environment is having a negative effect on organisations.

When we compare these results to our previous reports, we can see some noticeable differences. In our 2023 report, employee resourcing and loss of reputation were the top results with 14 percent each; and in 2022, loss of reputation was the top with 20 percent and funding changes with 19 percent of respondents.

This shift suggests that organisations are currently facing significant financial pressures, indicating a more challenging economic environment compared to the previous years.

We asked what risk management controls respondents had in place with the results displayed below:

Q Which of the following does your organisation have in place?

External audit	91%
Risk register	85%
Audit & Risk Committee	76%
Risk management framework	76%
Operational risk checklists	52%
Compliance/Risk Officer	35%
Outcomes measurement framework	30%
Internal audit	22%
Risk specialist on the board	22%
Quality assurance certification and accreditation/s	22%
Other	4%
None of the above	2%

The data shows widespread adoption of fundamental risk management mechanisms like external audits and risk registers, indicating a recognition of their importance.

KEY TAKEAWAYS

- A balanced board should possess a diverse range of expertise and backgrounds.
- Boards should be evaluated and assessed to ensure they are helping drive the organisation towards its strategic goals.
- Organisations need to focus on continuously assessing and enhancing their risk management frameworks to ensure robust governance and effective risk mitigation.

OUR NFP STRATEGY LINK

The not for profit specialist team at HLB Mann Judd are well-versed in working with clients in planning for, hosting and developing strategic plans.

Our team have 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.

If you have any questions or require guidance, please reach out to our Not for Profit team.

MEET THE TEAM

AIDAN SMITH
Partner, Assurance & Advisory
Head of Not for Profit
T: +61 (0)2 9020 4062
E: asmith@hlbnsw.com.au

NICHOLAS GUEST
Partner, Assurance & Advisory
T: +61 (0)2 9020 4121
E: nguest@hlbnsw.com.au

KINH LUONG
Partner, Assurance & Advisory
T:+61 (0)2 9020 4057
E: kluong@hlbnsw.com.au

SIMON JAMES
Partner, Assurance & Advisory
T: +61 (0)2 9020 4212
E: sjames@hlbnsw.com.au

JOHN RAFFAELE
Partner, Business Advisory
T:+61 (0)2 9020 4192
E: jraffaele@hlbnsw.com.au

KIM KELLOWAY
Head of Clients and Markets
ENFP Community Director
T: +61 (0)2 9020 4285
E: kkelloway@hlbnsw.com.au

MARIANA VON-LUCKEN
Partner, Tax Consultancy
and Compliance
T: +61 (0)2 9020 4095
E: mvonlucken@hlbnsw.com.au

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 89 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 1069 offices in 157 countries), our clients also have access to worldwide expertise.

The Sydney firm has over 30 Partners and Directors and over 180 staff members.

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.

EXCLUSIVE NOT FOR PROFIT COMMUNITY

This Exclusive Not for profit community (ENFP) was founded in 2010 after consultation with senior key sector leaders seeking access to a forum where they could raise and explore their strategic issues, sound board their day to day issues and challenges and at the same time collaborate with peers to create greater impact on society.

Through this community, complimentary bi-monthly boardroom briefings and communication on current and relevant topics are delivered to support and advance members' vision and purpose. The forum provides networking opportunities, guidance, upskilling and the development of tools to assist NFPs with regulatory compliance and governance matters.

As part of the ENFP you will be kept abreast of the ever changing environment through our numerous programs:

- Biannual NFP leader's reports on Strategic Planning & Financial Management. These reports provide insight into the sector and allow you to benchmark your organisation to others.
- Annual Not for Profit Financial Reporting presentation facilitated by HLB Director of Financial Reporting Michelle Warren & Carmen Ridley (Member of the IASB and former AASA Board member).
- NFP Strategy Link program which looks at planning for Growth & Management, Staff Recruitment & Retention, Process Effectiveness, Risk Mitigation, Mergers & Allegiances and Financial Management.
- Quarterly newsletter 'For Impact' covering subjects such as:
    - NFP Governance updates
    - Compliance ACNC activities
    - Financial Reporting insights
    - Fundraising Government updates
    - Deductible gift recipients and audits
    - Aged-care & NDIS.

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

ENFP COMMUNITY

HLB MANN JUDD
ADVISORY AND ACCOUNTING