

AUSTRALIAN INSTITUTE
of COMPANY DIRECTORS



For Purpose Conference
Connecting and Advancing Not-for-Profits

2017

Building long-term strength

*2017 NFP Governance
and Performance Study*

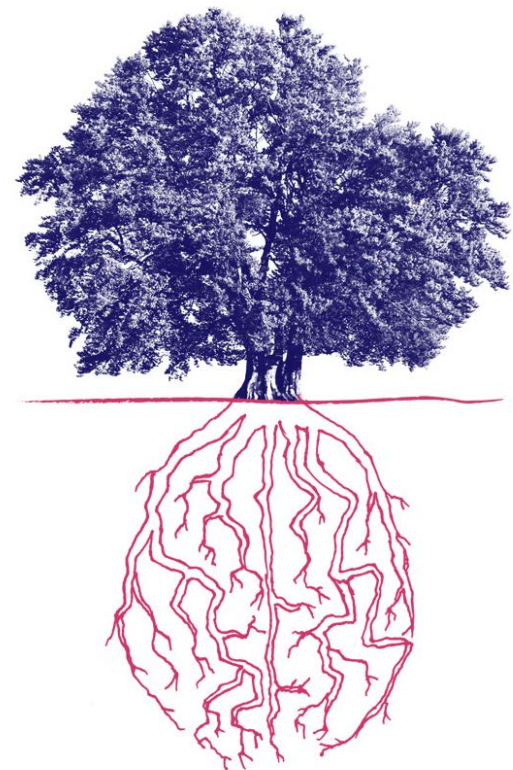


2017 NFP GOVERNANCE AND PERFORMANCE STUDY SPONSOR

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Key findings

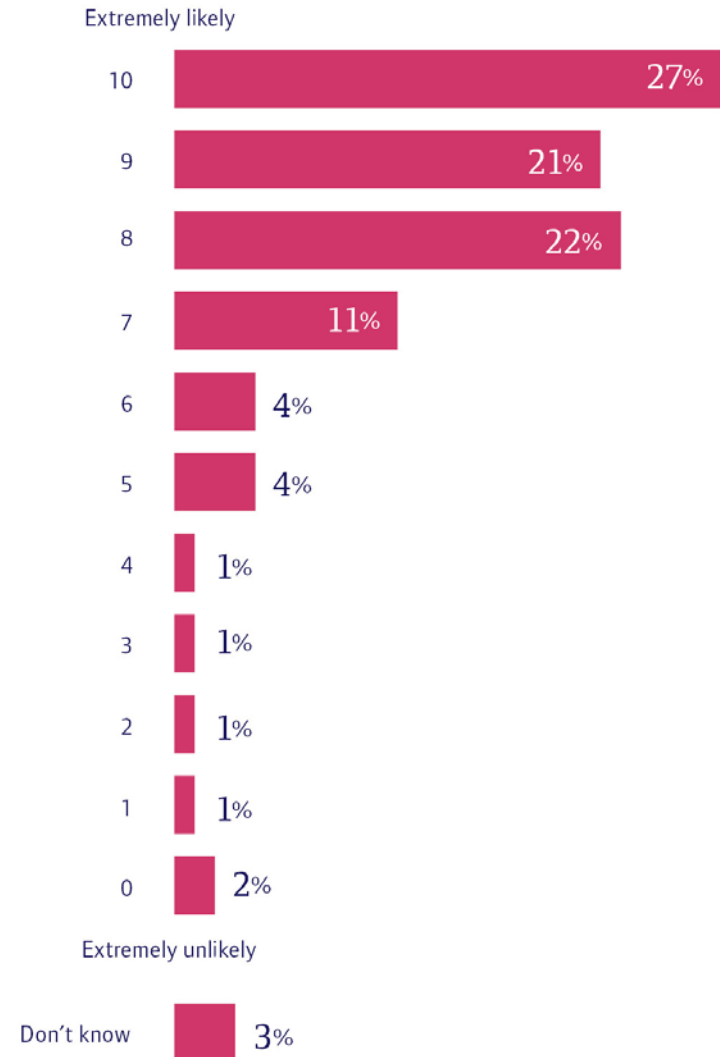
- **Culture** – front of mind but low on the agenda
- **Financial sustainability** – many NFPs still reporting thin or negative profit margins
- **Risk management** – sophistication varies greatly across the sector
- **Reputation** – an invaluable asset but may be being taken for granted



Culture: front of mind, but bottom of agenda

- Most directors believe their organisations have strong cultures
- More than 70% would be very likely to recommend their NFP as a place to work

Figure 1:



Culture: **front of mind**, but bottom of agenda

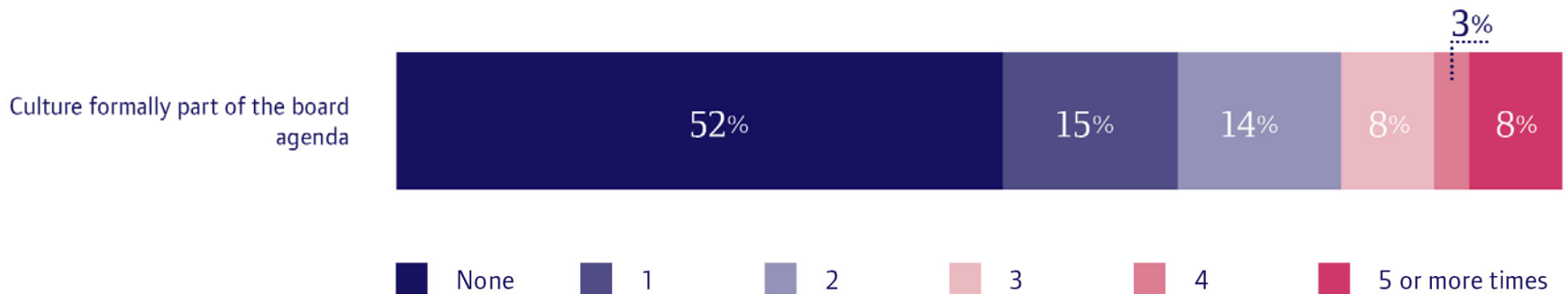
- Only 45% said culture was clearly defined and embedded in processes
- 55% said culture is not being managed well



Culture: **front of mind**, but bottom of agenda

- But...
- It is not on the board agenda
- More than half said it had not been an agenda item at a board meeting in the last 12 months

Figure 3:

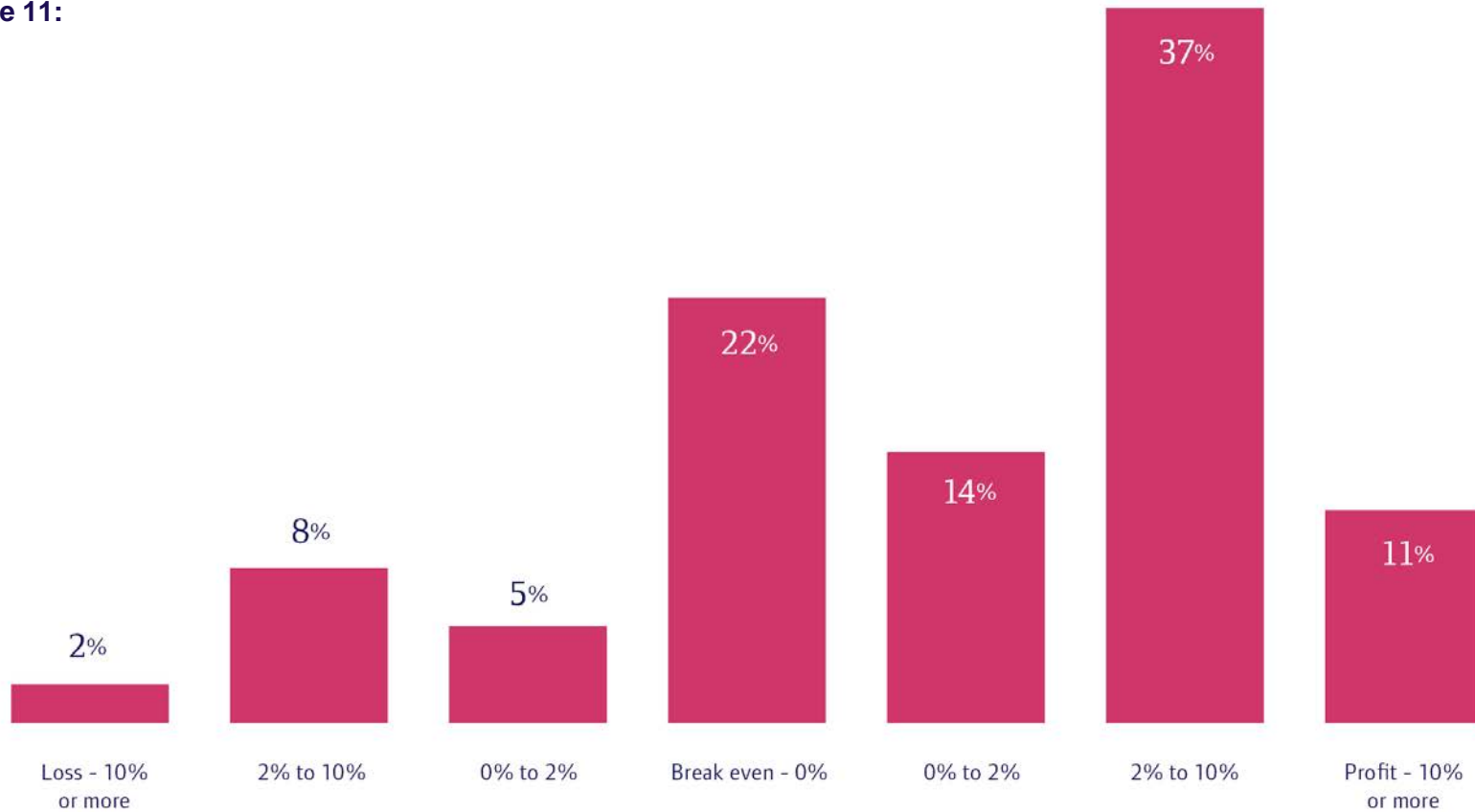


Achieving **financial** sustainability

- The 2016 study found that profit margins were slim at many NFPs and there was some misunderstanding around profit
- 2017 study shows that there is still work to be done to achieve financial sustainability across the sector
- 50% of directors reported slim or negative profit margins

Achieving **financial** sustainability

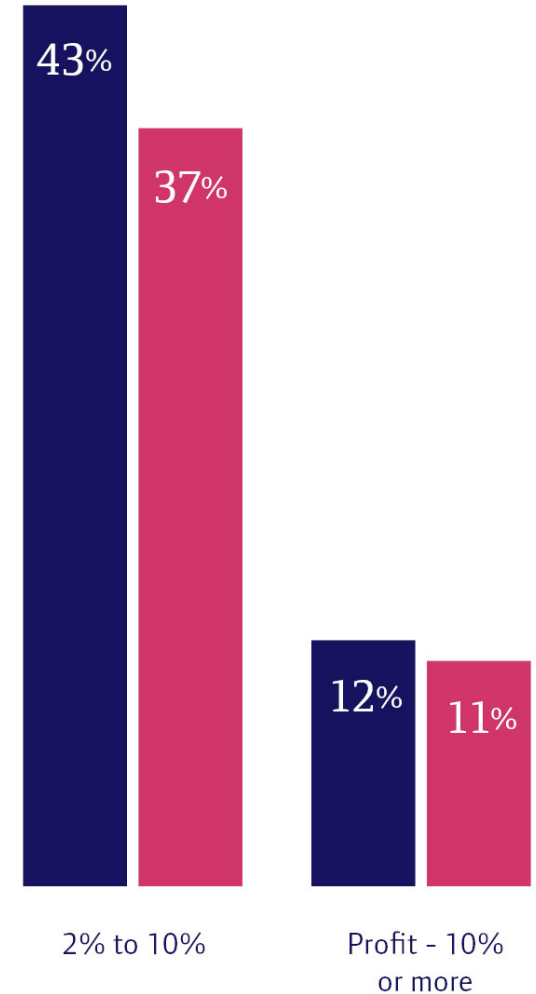
Figure 11:



Achieving **financial** sustainability

- Some deterioration in profit over the last three years
- NFPs reporting margins of greater than 2% fell from 55% to 48%

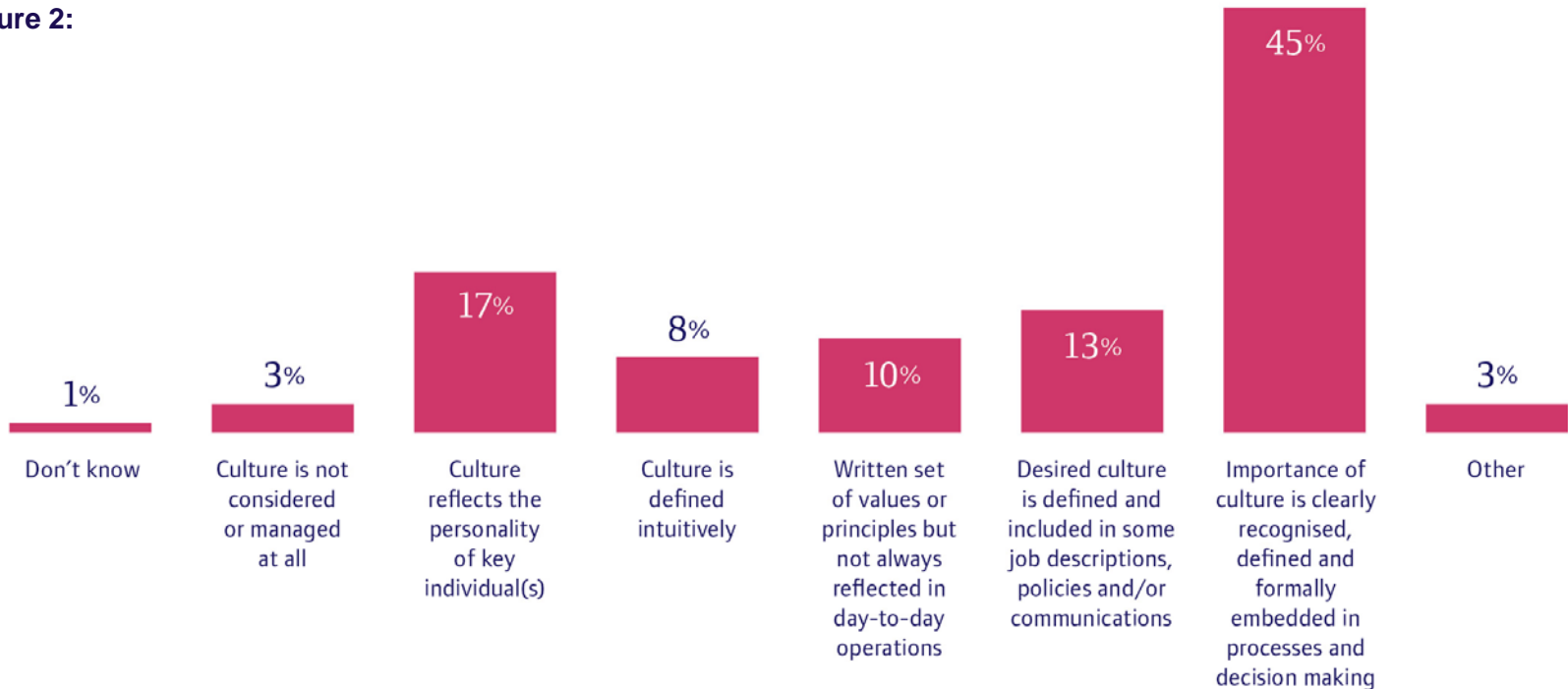
Figure 13:



Culture: **front of mind**, but bottom of agenda

- Many organisations take only an informal approach to managing culture

Figure 2:

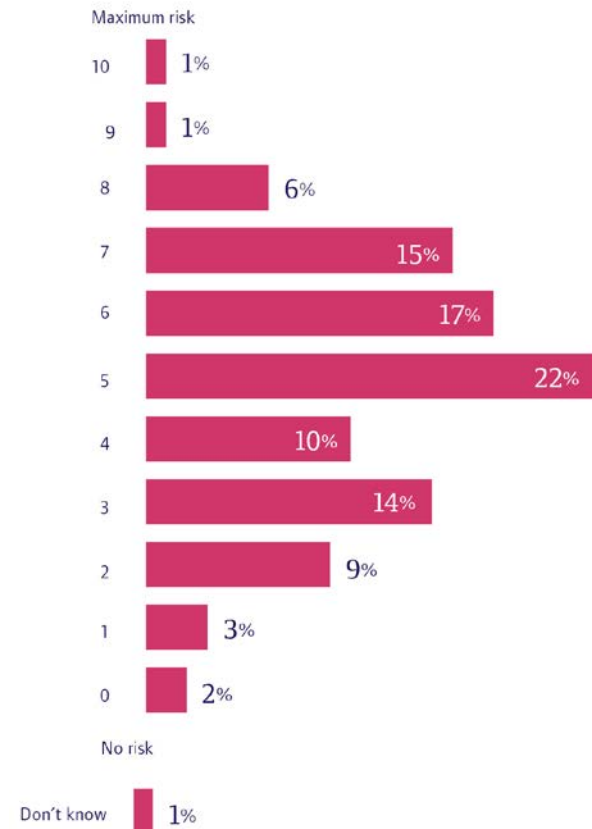


Risk and reputation: management **highly variable**

- There is no one risk story
- NFPs aren't more risk-averse than the for-profit sector
- 49% of directors placed themselves around middle values on risk spectrum
- 28% said their NFP is risk-averse
- 23% said risk-willing

“To provide the services we do in the places we do involves risk that many companies would never dream of.”

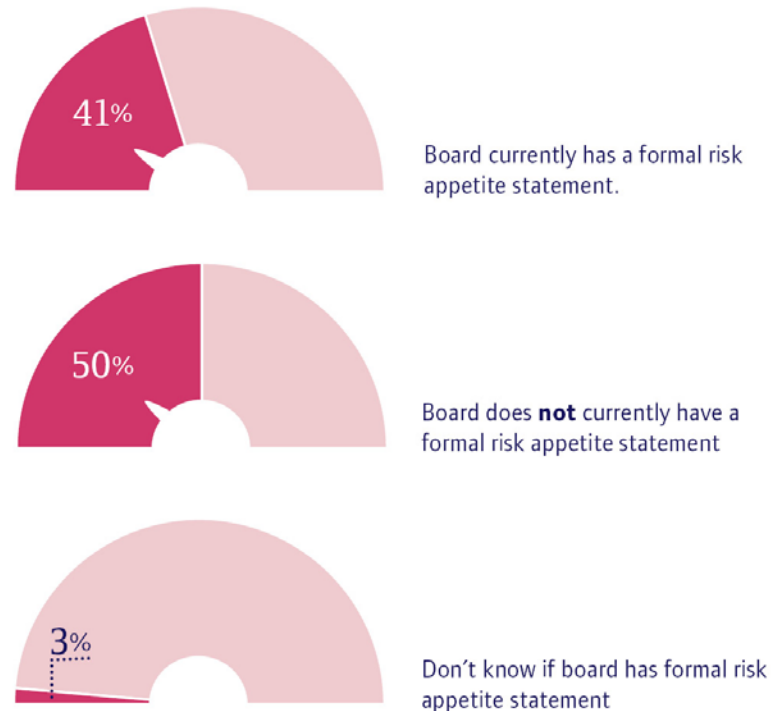
Figure 5:



Risk and reputation: management **highly variable**

- Formal risk management is underdeveloped
- 50% said board does not have a formal risk appetite statement
- Only 48% said risk is defined, overseen by the board and embedded in decisions.

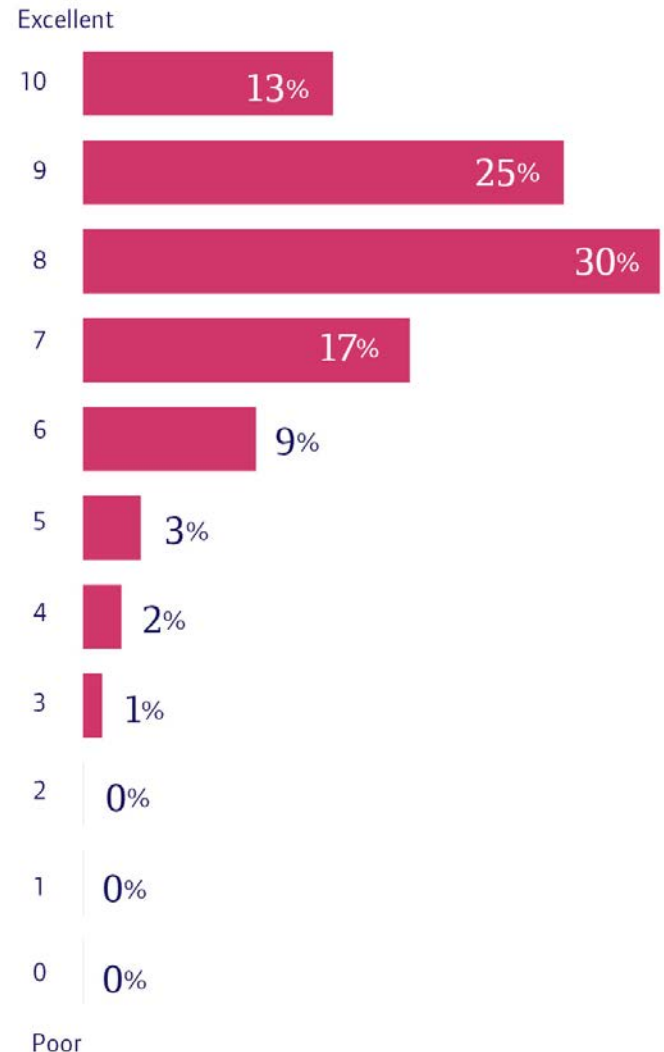
Figure 8:



Risk and reputation: management **highly variable**

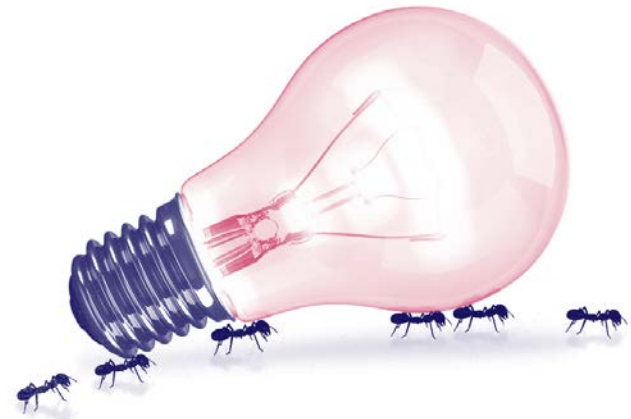
- Directors are near unanimous on the importance of reputation
- 97% said it is very important for their organisation
- “Reputation is a complete showstopper”
- Directors are confident in their organisations’ reputation

Figure 15:



Risk and reputation: management **highly variable**

- More than two-thirds thought their organisations reputation was very good or excellent.
- But... again
- Only 41% said reputation is agreed by the board and formally considered in decision-making



2017 NFP Governance & Performance Study

Key Data

- **1,928 Respondents**
- **9 Focus Groups**
- **50% had turnover greater than \$5million**
- **22% had turnover of less than \$1 million**
- **42% female**

2017 NFP Governance & Performance Study

Key Data

- **38% discussed merger**
- **77% rated their organisation as effective**
- **78% rated their governance as improved**
- **75% over 50**
- **90% had more than 1 years experience**

