

## **Submission to the Productivity Commission**

by

Australian Scholarships Foundation

ABN 83 420 919 581

“Enquiry into the Contribution of the Not For Profit Sector”

### **1. Summary & Recommendations**

The Australian Scholarships Foundation (ASF) is a registered charity that arranges and promotes scholarships for the education and training of managers and officers of Not-For-Profit (NFP) organisations in order to improve the efficiency and effectiveness of those organisations in delivering their services to the Australian community.

Details of ASF and the scholarships currently available can be found at

[www.scholarships.org.au](http://www.scholarships.org.au).

From its experience in offering scholarships, ASF has identified the following:

1. An urgent need for an educational campaign focused on NFPs to reinforce the benefits to be derived in improving efficiency and effectiveness from the education and training of managers and officers of NFPs.
2. An urgent need for an educational campaign to highlight the ways in which employment in NFPs can be made more attractive by offering education and training opportunities.
3. An urgent need for an educational campaign to highlight to donors the benefits that can be derived by encouraging NFPs to spend a proportion of grants and donations on education and training.

4. An urgent need for an educational campaign to demonstrate to potential donors and grant agencies that organisations which facilitate or provide capacity-building programs are just as important as those providing front line services.
5. An urgent need for changes in the provisions of the Higher Education Support Act to allow universities greater flexibility in providing scholarships for the managers and officers of NFPs.
6. An urgent need for grant agencies within Government to recognize the importance of capacity building within NFPs by supporting the education and training opportunities available to NFPs.

## **2. ASF general observations on NFP sector effectiveness & efficiency**

This Submission focuses on Section 3 of the Issues Paper. It deals with the issue of how to improve the efficiency and effectiveness of NFPs through improving the knowledge and managerial skills of the people who work in the sector.

The Australian nonprofit sector controls significant assets and workforce. It spends 5% of the Australian GDP annually. A small improvement in the sector's effectiveness in delivering its services means big gains for the Australian community. It is also widely acknowledged that while well-meaning donors give generously in support of the work that charitable organisations do helping the needy within our community, those donors commonly do not want to see their money spent on administration or organisational overheads. Accordingly, NFPs believe that they should not use donated funds to train or up-date their staff. As a consequence, the sector is characterized by poor staff training and few opportunities for improved efficiency and greater effectiveness through better trained, better motivated and better educated officers and staff. Indeed, the most common measure of NFP's performance is the donation:cost ratio. Any money spent on staff training increases the cost side of the ratio and makes the organisation appear to be less efficient, which is obviously not the case

Many factors, often inter-related, affect NFPs' capacity to provide services and improve the wellbeing of the Australian community in an efficient and therefore effective manner. Generally speaking, however, improved leadership and management capability is the critical difference in creating effective and efficient NFPs.

**Money enables results but people deliver them. People solve community problems.**

The Commission's review of the NP sector includes focusing on impediments in attracting the people the sector requires. Supporting those already in the sector through appropriate education and training is just as important as recruiting the right people.

Yet the sector struggles, not only in investing the money and time to attract, develop and retain its people, there is a widespread belief within the sector that general management training programs are not appropriate for NFPs because they are "different" from for-profit organisations. As there are only a limited number of programs dedicated to the NFP sector, there is, again, a serious impediment to improving the efficiency and effectiveness of organisations through the improved performance of their people. As many of the common management education and training programs are equally applicable in profit and not-for-profit organisations, efforts must be made to convince those in the sector of the value of general management education and training.

As indicated above, donors often focus on input measures (e.g. administrative overhead) as a proxy for indicators of performance and results. The general donor view, changing ever so slowly, is that administrative overhead is bad and the less the better. This approach reinforces the widespread belief that money and resources devoted to leadership and management capacity building in NFPs generally should be kept to a minimum.

This is, of course, self-defeating – no successful for-profit organisation would intentionally under-invest in the very people accountable for delivering strong

results! Leadership capacity at all levels is what counts most in the long run effectiveness of any organisation. Nonprofit organisations are no different. Good management and leadership are vital to building and sustaining NFP capacity and this capacity building is a long term process requiring ongoing commitment.

*There is an urgent need for an educational campaign to demonstrate to potential donors and grant agencies that organisations which facilitate or provide capacity-building programs are just as important as those providing front line services.*

**Organisations that have invested in training and development for their management and staff will be more efficient and therefore more effective in delivering their services to the Australian community.**

As Australian nonprofits are called on to do more, it is important they operate more effectively. The big opportunity to increase the sector's social benefits is by investing in building the capabilities of its people through greater education & training of sector directors, management and staff.

*There is an urgent need for an educational campaign focused on NFPs to reinforce the benefits to be derived in improving efficiency and effectiveness from the education and training of managers and officers of NFPs.*

### **3. Australia's not for profit sector struggles to be efficient and effective**

There are a number of reasons why the sector finds it difficult to be efficient

- Lack of a sustainable funding base
- A high cost of funding and operations
- Poor long term planning
- Lack of intermediaries to help identify & develop leaders
- Lack of access to robust management education resources

**The overall result is that the sector is unable to train staff adequately and effectively.**

*Source: "Views of Leadership and Management in the Australian Social Economy", Social Economy Executive Education Network, 2007*

There are many ways to improve the effectiveness of Australian NFPs' capabilities - research and benchmarking, learning through networking, mentor and advisory programs and formal and informal learning and development training. A number of different organisations currently provide some of these services, with variable levels of quality and geographic coverage. Partnerships with private sector organisations and public educational and training organisations can provide access to training and resources that can assist NFPs improve their managerial capabilities.

However, there is no single place where NFPs can easily locate and access such services. This is particularly the case for formal education and training. There is no general access to low or no-cost scholarships for NFPs across a range of management disciplines and functions, including valuable in-house corporate training resources. This serious gap in the marketplace has been addressed by ASF.

***There is an urgent need for an educational campaign to highlight the ways in which employment in NFPs can be made more attractive by offering education and training opportunities.***

#### **4. Increasing NFP capability the ASF way**

ASF is the only Australian organisation solely focused on facilitating scholarships for Australian NFP managers to undertake education and training programs that improve their ability to lead and manage. ASF does not provide any education and training programs in its own right – it facilitates access to formal and informal education and training programs through a series of scholarships available to the managers and senior officers of NFPs. This work would be greatly facilitated if

donors would accept that devoting even a small part of their donation to capacity building through education and training would make their donation even more effective.

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## **5. How ASF Scholarships work**

ASF has initiated a unique form of partnership with educational institutions and training providers. ASF entered into arrangements with accredited education and training providers across Australia to provide free or heavily discounted places in teaching and training programs in executive management and mentoring programs in a range of management disciplines to directors, officers and staff of NFP organisations. These providers include universities, private-sector colleges, professional services associations and large businesses with in-house education and training programs. In many cases allowing access to such courses is at little or no marginal cost to the providers, since the programs are already funded by fee-paying participants – several extra NFP participants on scholarships incur little or no extra cost by the institution. Enabling NFP managers to access these programs through “scholarships” (pro bono places) also offers the educational institutions a low cost opportunity to satisfy and expand their community service involvements.

Scholarships are offered in such practical disciplines as finance and accounting, leadership and management, IT, marketing and fundraising, NFP board governance, leadership mentoring, executive coaching, HR and related training, etc. The range and type of course offerings is continually expanding and include full and part time study, participation in in-house programs provided by large corporations and professional services firms. Applicants must always meet the specific course and training requirements stipulated by ASF’s providers and sponsors.

At regular intervals through the year ASF publicises the availability of new rounds of scholarships via on-line communications to a large number of nonprofit organisations and invites applications. The most recent round closed on May 15 this year and 68,000 NFP sector individuals nation-wide were alerted by email to a range of scholarships focused on financial management and governance (see Attachment 1).

Applications for these scholarships are processed on-line and considered on their merits by Scholarship Committees, located in each capital city, in partnership with Rotary International and other ASF partners. Successful applications are then recommended by these committees to the Board of ASF for approval.

In its first year of operation, ASF only provided access to courses at no cost to the NFP organisation. ASF now plans to fund the cost of the substantially discounted fees (up to 80% in some cases) course offerings. Further, when it has sufficient resources ASF intends make cash grants for scholarships and training, especially as it expands into scholarships for indigenous NFP organisation training.

ASF also provides Australian philanthropists with no-cost access to the ASF grant and assessment process to help them make their own capability building grants. Corporations, trusts and foundations, as well as individuals with PPFs, can provide their own scholarships in cash or kind, using the nation-wide ASF scholarship application and assessment committee network. The publicising, on-line grants and scholarships application processing and ongoing monitoring of successful applicants free of charge is effectively outsourced to the ASF platform. Early indications are that trusts and foundations are keen to partner with ASF.

All of these activities have identified a number of critical needs which are summarized in the recommendations listed above.

## **6. ASF's Role**

There was, and continues to be, an urgent need for an organisation like ASF.

ASF is an independent NFP organisation and is not tied to any educational or training institution. It was established in late 2006. Through 2008 ASF offered up to 60 scholarships as it tested its processes, organised its national network of scholarship assessment committees and slowly expanded its scholarship offerings. By year end ASF was offering scholarships at a running value exceeding \$400,000 a year, with an initial emphasis on financial management of NFP organisations. This success encouraged the Board to embark on the next stage of its planned strategy, including scholarships targeting indigenous NFP organisations and broadening the scholarship offerings to other management disciplines.

The Foundation's own founding endowment (approximately \$450,000) forms the base for a planned fundraising strategy to boost ASF's own capacity to eventually provide financial assistance e.g. for out of pocket scholarship costs such as travel and accommodation, to successful scholarship winners.

ASF is unique. It is both a facilitator and a promoter of educational and training opportunities. Its website [www.scholarships.org.au](http://www.scholarships.org.au) highlights scholarships that are currently available. From the scholarships offered so far, ASF has demonstrated the need for an organisation that assembles the information about current scholarships and actively pursues new scholarships across a broad front of practical and academic disciplines. That is ASF's role.

## **7. ASF's Engagement with Universities**

ASF has received a very high level of acceptance amongst private-sector education and training providers, as shown in the scholarships currently available for NFPs and listed on ASF's website. The support from those providers has been very encouraging, especially as NFPs are now beginning to respond to the latest round of scholarship offerings.

ASF has also been well received within the university sector, and has a formal arrangement with the University of Adelaide to offer a number of places in that university's specialist NFP programs. However, ASF has found that the Higher Education Support Act places significant impediments in the way of more



universities offering scholarships to the NFP sector. The Higher Education Support Act, which regulates the fee structures that apply within the university sector, provides that “A provider may award an Exemption Scholarship to any domestic student.” (Higher Education Support Act [HESA] “Administration Guidelines” para. 15.2). Exemption Scholarships must accord with the requirements of the Administration Guidelines but the guidelines do not currently specify any requirements. However, the provider must meet the cost of the Exemption Scholarship, and will not receive any payment from the student nor will it receive any payment from the Australian Government. However, universities are reluctant to award exemption scholarships because to do so challenges their obligation and commitment to maintain equity amongst students. Fee waivers are also not appropriate because universities must pay the equivalent fee into their fee system, which results in faculties being levied the normal administration fee, which in some cases is 40% of the value of the scholarship.

Consideration should be given to encouraging universities to meet their community service obligations, in part at least, by providing free places through scholarships such as those offered by ASF. However, to be effective, this will require some modifications to the Higher Education Support Act to allow fee waivers or less restrictive fee exemptions .

***There is an urgent need for changes in the provisions of the Higher Education Support Act to allow universities greater flexibility in providing places for the managers and officers of NFPs.***

## **8 Government’s Role**

Government supports the social economy in many ways – but the most effective way can often be in helping NFPs to support themselves. Greater attention to education and training is one of those ways. Even a small improvement in the efficiency and effectiveness of NFPs can make an enormous difference to the quality and quantity of the services they provide. Continuing education and training of the managers and

officers of NFPs is, potentially, one of the most effective ways of improving the ways in which NFPs operate.

*There is an urgent need for grant agencies within Government to recognize the importance of capacity building within NFPs by supporting the education and training opportunities available to NFPs.*

## **9. Conclusion**

ASF intends to continue to work in partnership with education and training providers to offer scholarships for the managers and senior officers of NFPs in order to improve those organisations' efficiency and effectiveness. However, the scholarships already on offer through ASF, totaling approximately \$450,000 per annum, have highlighted the following matters which should be of interest to the Commission:

1. The urgent need for an educational campaign focused on NFPs to reinforce the benefits to be derived in improving efficiency and effectiveness from the education and training of managers and officers of NFPs.
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3. The urgent need for an educational campaign to highlight to donors the benefits that can be derived by encouraging NFPs to spend a proportion of grants and donations on education and training.
4. The urgent need for an educational campaign to demonstrate to potential donors and grant agencies that organisations that facilitate or provide capacity-building programs are just as important as those providing front line services.

5. The urgent need for changes in the provisions of the Higher Education Support Act to allow universities greater flexibility in providing places for the managers and officers of NFPs.
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## ATTACHMENT 1



## Scholarships

Education Provider	SCHOLARSHIP	NUMBER	ANNUAL VALUE
<b>KPMG</b>	Mentoring program for CFOs 1 hour per week	10	232,000
<b>Institute of Chartered Accountants in Australia</b>	"Chartered Accountants" Program 100 hours of professional development	1	5,050
	3 day Business Forum	25	8,500
		2	3,400
<b>CPA Australia</b>	CPA Program	1	3,600
	Half-day sessions at CPA Conference	4	7,200
<b>Kaplan Business School (Adelaide)</b>	Diploma of Commerce	5	35,000
	Master of Professional Accounting	5	75,000
<b>Kaplan Professional (Sydney)</b>	Graduate Diploma of Applied Finance	2	9,456
	Chartered Accountants Support Program	1	3,927
<b>University of Adelaide</b>	Graduate Certificate in Social Innovation and Entrepreneurship	2	16,944
<b>AIDC</b>	Company Directors' Course - 50%	2	9,360
	N-F-P Board Course - 50%	5	2,490
	Foundations of Directorship - 50%	2	3,050
		<b>67</b>	<b>\$414,977</b>