

Comment on
Contribution of the Not-for-Profit Sector
Productivity Commission Draft Research Report
October 2009

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Introduction

- Thank you for providing the opportunity to contribute.
- I have not had time to engage with the document in as much detail as I would have preferred, however would like to offer some observations based on experience in numerous not-for-profit organisations.
- These organisations have included (director/COM roles) non-profit company limited by director's guarantee (national & local), incorporated association (several), unstructured society, professional network based on NPLDG company, body corporate, community corporation, family trust, charitable foundation. I am also an ordinary member of numerous large national and small local NP associations of various structures, and a member or co-founder of various organisations that no longer exist.
- To facilitate understanding, I will link comments with page numbers within the document.

General Comments

- In general, I find the Report a useful document that draws together a lot of information and sweeps across a huge, poorly understood field. Your recommendations have much merit in general.
- The Commission's concerns are rightly focused more on financial arrangements between government and the NFP Sector. And it is of course this investment of public monies that demands a justification for such expenditure and concerns about the efficiency with which these funds are used.
- However there are significant numbers of people involved with organisations that do not rely on government funding, eg Rotary Foundation or Alcoholics Anonymous, and the differences for these has tended to be under-emphasised in the Report.
- Much of my comment has to do with relieving burdens that waste the time and energy of NPOs or get in the way of secure establishment.
- My main suggestion is that you integrate universal, national, contributory public liability insurance into your suggested support strategies.

Issues

- **Re PL insurance.** I have been aware in the past of many small NPOs that collapsed and disappeared as the increased requirements for public liability insurance emerged and social litigiousness increased. The insurance is very expensive and not many companies will provide a good policy. It would be very helpful if the Commonwealth would set up a universal, national, contributory public liability system that could benefit from the community rating of a scaled-up arrangement.
- **Re: financial self-support.** I served until recently on the AA General Service Board for a decade (AA is in no way involved in this communication, nor has it a view on any outside matters – these are my personal views). One of the key traditions learned the hard way in the early days nearly 75 years ago, was that to accept funding from outside sources was to

create outside interference with the manner of spending, and vulnerability to sudden loss of or short term, not necessarily reliable funding. I believe that this widely distributed funding source is one of the most important contributors to the long term survival of the organisation, which has outlived many fashions in addictions management. Yet even AA in its early days did accept a grant for a founder for the publication of its '*Big Book*' on the recovery program. Barriers to establishment without crippling the organisation are an important potential public investment area, as your report recognises, but this should be without prejudice.

- **Re political whim.** While it has since found new ways to raise funds, I well remember the shock experienced some years ago in the financial position of the Conservation Council of SA when the Howard Government suddenly put out an edict that only organisations or those aspects of organisations doing concrete things like planting trees were to be funded, while advocacy was not to be supported, reducing the budget by some \$80,000 in one hit. I was not aware of the size of the whole budget in this case, but at the time I viewed this as a highly inappropriate use of political control by funding manipulation. What protection can there be? We all benefit from a diversity of voices, and quiet voices may need help.
- **Re organisational failure.**
 - Ordinary office management. It seems that there is a need for assistance for many start-up NPOs in setting up sustainable and efficient office management and money tracking systems and small business know-how. The disparate nature of small organisations would make it from a measurement point of view, an advantage for the same general accountability system (national) to be expected in exchange for funding, perhaps a free package and training opportunity with coaching, much as some small business organisations provide.
 - This relates to page 3.18 the framework proposed. I know the Australian Conservation Foundation has initiated some types of training for environmental organisations, but mainly focusses on things like advocacy and media relations.
 - The role of peak body of course may provide a vehicle here.
 - But it is really ordinary, small ignorances that feed into organisational failure. Packages with pro formas, checklists and templates for various types of planning and organisational structural documents and software may be helpful – from a central facilitating body.
 - One suggestion is that funding could be offered for somebody to research and publish a book or manual on the 'structures and processes of highly effective NPOs'.
- **Re funding application processes.** I don't know the answer to this, but many NGOs and CBOs spend inordinate amounts of time often rather inexpertly putting together applications for funding grants, where they often do not succeed.
- **Re subsuming small projects to a higher scale purpose.** Fragmentation of outcome is a big unrecognised issue. Eg the National Heritage Trust. A lot of valued funding was withdrawn from successful larger environmental initiatives, then redistributed to thousands of unco-ordinated small projects, which managed to disperse most of the funding on small, local, short-term projects. There was a need in this case for a co-ordinated approach, best informed directly by the objectives of the National Biodiversity Plan. I believe better targeting was attempted in the following NHT round, but should be kept in mind for all types of national scale funding: what is the overall purpose, to which national objectives does the funding relate, and for how long is the project benefit anticipated to last? How will those planted trees be managed and maintained long term?
- **Re intellectual property.** There can be quite significant issues re intellectual property, apart from the relatively huge expense of designing and registering it. One NPO has had a number of both people and organisations registering themselves under its name for fraudulent or vexatious purposes and has had great difficulty dealing with this in terms of

lack of support from the government agencies and internet service providers who erroneously allowed such registrations, failure of IP agencies to check or be willing to intervene, and the fact that there are three systems that are not co-ordinated: National IPA trademarking, State business names registers and ASIC company names. A small budget organisation is not in a position to fight legally in this arena. A sort of NPO 'legal aid' or a special ombudsman would be a great help. So would discounted registration fees. So would complementarity between the various naming systems and databases. With the size of this sector, a dedicated Commonwealth Ministry is justified. I like the concept of a one-stop shop.

- **Re misunderstanding of and false assumptions about the nature of some bottom-up organisations.**
 - Speaking to a health related (complementary medicine, self-help) CBO recently, I found they are struggling financially largely because the nature of the organisation is completely misunderstood by the doctors they rely on for referrals. AA has a similar issue, with many professional and government people erroneously believing it to be some sort of religious cult or something that might interfere with treatment régimes. I refer you to Dr George Vaillant's article entitled 'Alcoholics Anonymous: Cult or Cure' from the ANZ Journal of Psychiatry a few years ago, that debunks this view with research-cited reasoning.
 - Fortunately AA has always had a large number of friends in professional and government places, but its fashionability comes and goes. What we currently find is that the treatment and correctional communities are rediscovering the value of the (free) long-term stability of its networks (20,000 members), that can actually complement formal health and corrections services in ways that would be completely unaffordable for the formal sectors. And as you point out, at grass roots level, and also with 'wounded healers', local trust is greater of NPOs.
 - Making Community Service Announcements and printing materials to correct these misperceptions can be necessary but very expensive if there are no in-house skills. Obviously this goes hand in hand with organisational promotion or marketing.
 - These days software is much better able to perform these tasks with a bit of guidance. The outcome is a lot more professional than it was not long ago in the days of hand-drawn posters. NPOs can now buy software at great discounts.
 - But training is a needed option and could be provided by a one-stop institution or developed as a licensable package.

Notes

LIX: National one-stop shop: add insurance (public liability and directors' & office bearers').

Please put funding for more training and business package development (templates, self-help business planning rather than consultant driven) for small NPOs.

2.1: This word 'client' doesn't fit for self-help organisations. The document has few mentions of the issues related to large 'chaordic' (bottom up, after Dee Hock) organisations, that 'function somewhere in the creative space between order and chaos', which in effect do not have control of the periphery by the centre. Government bodies often expect 'upside down triangle' organisations to be able to marshal or control their volunteers as they can, whereas if the purpose is just to provide a support structure for individual units to operate and communicate, this is a problem. Eg in co-operating state-wide, all helping activity has to be locally negotiated and decisions for action can not be made for the periphery by some central body. For this reason AA will never associate formally with other organisations, but is fully willing to co-operate wherever it has the local people available to do so. The appropriate approach is via policy: approval and encouragement to open local doors by the gatekeepers at the 'top', combined with relationship building at the coalface, perhaps mediated through the organisation's national scale to announce the opportunity for follow-up at local Area level. This is how relationships may be strengthened with the chaordic elements of the sector with whom there can be no service contracts.

Again, there is no easily defined duty of care or legal responsibility context. One bottom-up organisation has been shown legally not to be responsible for the actions of self-help members. The criminal law does apply individually however. But no duty of care can be levelled at managers of a distant office or board which pays for a national scale insurance policy, when the whole organisation is run by local collective decision and action within the context of informal groups. This may create problems when special access eg to prisons, schools or hospitals is required. Volunteers must be certified on their own reconnaissance and can never be endorsed by an organisation that has no knowledge of the person nor ability to vet people. Issues of this type are not discussed in your document, but are increasingly relevant in today's litigious society. One office manager was recently threatened with a gaol term if the organisation 'allowed' a certain paedophile to enter a school, he having claimed to have been sent by the organisation, which was not the case.

2.2: NPOs are more likely to take a principled approach to processes and decision making, rather than a contract or tightly specified understanding, including in decision making. I would suggest you investigate (for the purpose of offering training to NPOs) the model called 'Sociocracy' as an excellent approach that combines inclusiveness, decision making, voting processes etc with quality control (its origins included ISO9000 connectivity). See 'We the People: Consenting to a Deeper Democracy: A Guide to Sociocratic Principles and Methods by Buck & Villines (SOCIOCRACY.INFO, Washington DC, 2007 (the only book on this subject in English). Used by EcoVillages and businesses in the USA, New Zealand, Australia and Europe.

2.3: Suggest add 'self help' to your diagram. Self help is a key difference in NPOs of the 'government magic pudding' approach. Aboriginal dependency is a good example of how this goodwill backfires. AA's 7th Tradition ('self supporting by our own contribution'), is part of the underpinning or personal recovery and funding can undermine this.

Short termness of funding undermines things that are needed ongoing in society. I have seen over and over, huge embodied personal energy invested in successful short term funded projects, only to see the doors close again when the money runs out. This suggests there should be a component of assistance in development of self-sufficiency along with the grant-for-purpose.

2.9: As above. Government agencies and even ministers, often assume that bottom-up organisations will be capable of a command-and-control based co-operative relationship across a region, a State or the nation. There can be a modular, eMyth type approach, but there is still a need to tailor each enterprise locally to those conditions. It is therefore almost impossible to contract with a bottom-up organisation, and the best that can be hoped for is a policy of co-operation.

2.13: I have been associated with an NPO that had some attractive intellectual property. The model was appropriated by two separate State Government departments, which took the model and adapted it for hundreds of people's consumption, thus undermining the anticipated training work the NPO had been relying on for viability. The NPO has since, for this and other and structural reasons, closed. Another reason was inexperience with setting up a viable structure and unrealistic expectations of itself during the start-up phase.

This phase is the most vulnerable, and many worthy ideas disappear when a structure is unsatisfactory for purpose. A business incubator model with mentoring would be well applied to NPOs. At the same time, consultants often skim off thousands, leaving a new NPO none the wiser and brittle through inadequate funding. There is a huge education and training need here that could avoid significant HR and \$ waste. A DIY approach with coaching provided or a simple, free setup framework that could then go to a consultant for checking, would be helpful.

2.18: Re efficiency. With AA, the point of service volunteer work is to structure time in a way that is interesting and meaningful, filling the time formerly spent drinking, at the same time as reaching out to other alcoholics. Thus, business efficiency for the Board is perhaps relevant, but not for the whole organisation. Even the Board is 2/3 made up of members doing service, and all for a fixed term. There therefore needs to be a careful distinction between different types of efficiency demanded from different parts or functions of an organisation. When there is an (often obligatory) rotation of officeholders, the issue of institutional memory is relevant. Therefore another metric one could look at is not so much the money as what systems and media are in place that clarify the

organisation's purpose and processes, and what measures they have for induction, handover and feedback. Reinvention of wheels is common with low skill and indeterminate structure and wastes 'purpose time'. Hence the usefulness of cumulative service and policy manuals.

2.19: Re power and influence. Again with the AA self-help model, there is careful limitation of the amount any donor can give in a year (a couple of thousand) or as a bequest. There is often a bemused lawyer, questioning why a maximum bequest of some \$14,000 is ordained. This is all about training people to recover in a context of avoiding issues of power and control, and the jealous guarding of self-sufficiency and self-responsibility from the distractions of organisational or personal wealth, power and influence: as near as I have ever seen to a truly democratic organisation, and something to think about when other organisations copy the AA 12 Step model and then ask for funding. Rarely do they copy the 12 Traditions (which deal with money, power, authority, prestige, anonymity etc) and the 12 Service Concepts, and forbid accepting money from external sources. They usually just imitate the 12 Steps, which are the recovery program and get one sober. The rest keeps one growing as a person, and without it, the system is incomplete. The reason for mentioning this is that in this society we have a lot of organisations that regard Government(s) as their magic pudding, and who practise short-term interventions, but there is relatively little emphasis on the long-term. Without this, one might in many cases question the value of the grants, and this should be an area for metrics in relevant cases: what is the 5-year outlook? The 10 year?

Re establishing non-authoritarian structures (and the need to training in NPOs). Servant leadership can be problematic if the structure is not clear. CBOs and NGOs often don't know what they don't know about this until well after establishment they get into legal or financial difficulties. For a structure to be functional, its needs to be clearly spelt out and everyone needs to know what it is and how it works. We are much better at understanding authoritarian structures than chaotic ones. Issues of this type may be well worth investing in, in order to establish resilience in the organisation, and for better understanding of each other's capacities when top-down and bottom-up organisations attempt to co-operate.

2.21: It would be useful to know what critical mass an NPO needs in order to minimise the impact of the tendency to be personality dependent in governance matters. Very often the whole structure dissolves when one key person leaves.

3.10 (box): Suggest add mutual 'self help'.

3.13: Suggest adding to diagram:

INPUTS

- Funding Box: Income from sales (literature, memorabilia, licence to use IP) & events;

OUTCOMES

- Services Box: add 'To Nature & Society';
- Influence Box: add 'Health' and 'Hope';
- Community Endowments Box: add 'Prevention (crime, reoffending, relapse)' and 'Social Inclusion/ community development/ social capital';
- Service Outcomes Box: add 'Time structure' and 'employability' and 'social inclusion' and 'problem identification' (local knowledge) and 'co-operative work';
- Connection Outcomes Box: 'Complementary functions'
- Influence Outcomes Box: add 'knowledge base development';
- Existence Outcomes: add 'Eco-social sustainability'

3.19: Along with the positive community impacts, it should not be overlooked that there are often significant personal impacts from burnout. These people usually drop out and are not visible to the sector as they are managed elsewhere eg the health sector.

3.23: Re social accounting. For an organisation that is not beholden to external sources for funding, resources such as DGR status, GST exemption etc are too blunt as instruments of feedback signal control or retribution (for continuous improvement or accountability). In these cases the accountability is to the 'customer', in AA's case for example, to the 'alcoholic who still suffers', or with the Natural Earth Burial Society, to 'the planet' in the course of pursuing a necessary human activity (disposal of human remains). This is not dissimilar to the case of contracted services, but where funding is involved, there are additional modes for leveraging outcomes or measuring effectiveness ('bang for the community buck').

With self-funding organisations, constraints are provided by the legal and regulatory framework and social mores. Any metrics need to take account of the 'customer' side, including if possible those who are not helped, not just the organisation. It should be mentioned, with any type of service organisation, the client must be ready and willing to be helped and forcing is ineffective. This can make metrics a depressing affair.

However if the stories are traced over a long enough period, one often finds that seeds have been sown years before in the course of the 'failed' approaches. The habit of assessing effectiveness at short term is misleading. For example, alcoholics are often assessed for sobriety at 6 months , a year or two years. Yet sober alcoholics usually refer to the many years it took for them to regain full health, often with many relapses in between. By the same token, cancer may appear to be cured but reappear 15 years later.

Therefore 10-year or more spans are needed for accurate assessment of real progress in interventions involving of human health and behaviour. But how many NPOs survive for 10 years themselves? And how many have funding for that period? We are all too impatient and silver bullet seeking, and continuity and a common language are lacking.

13.35: Please would you consider integrating a concept of community rated Public Liability Insurance here somewhere appropriate?

Adelaide
24th November 2009