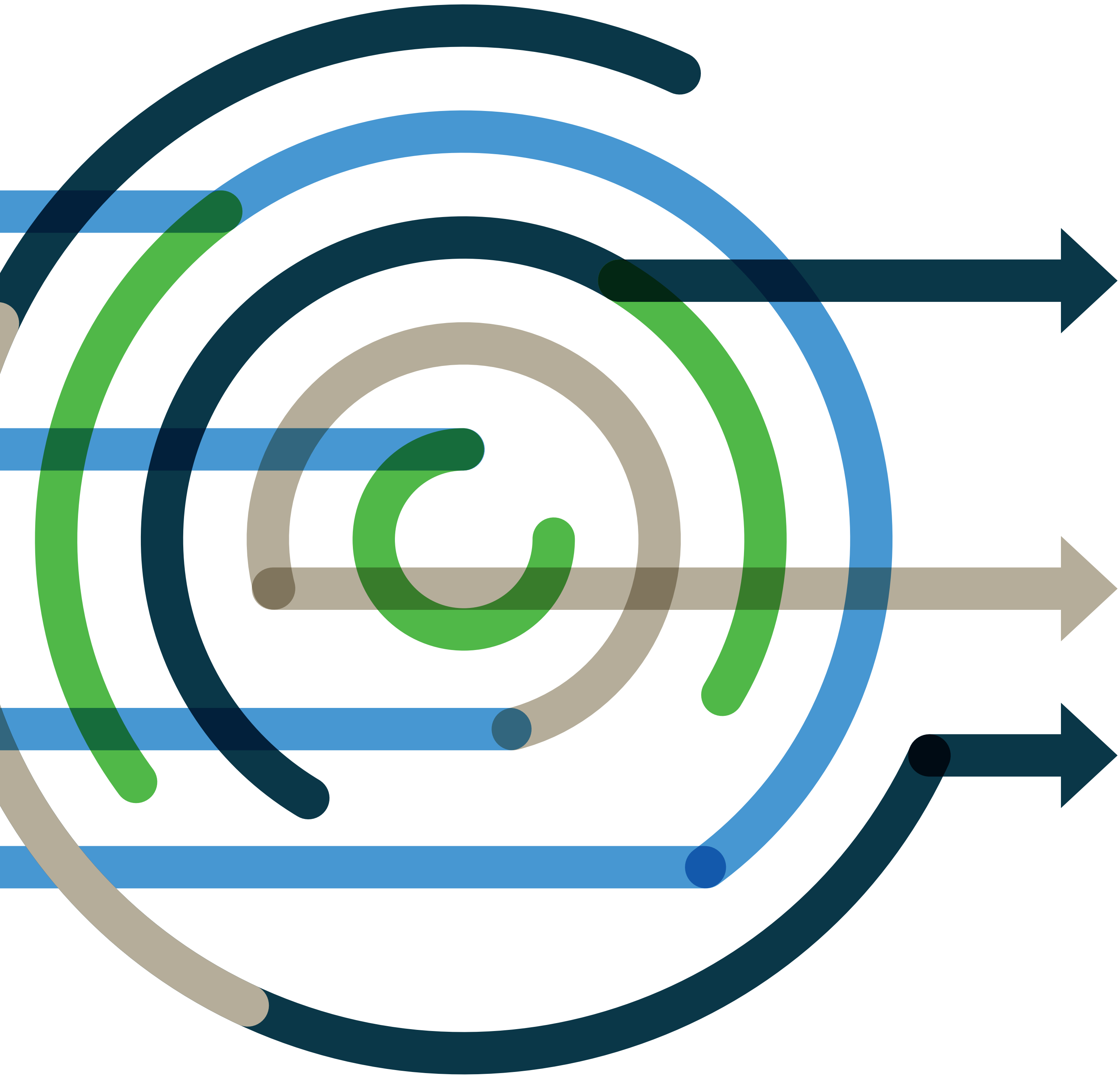
BUILDING FINANCIAL RESILIENCE



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Building your financial resilience

Resilience is defined by the ability to recover from setbacks, adapt well to change, and keep going in the face of adversity. Your financial and organisational resilience are important because your organisation's endurance depends on your ability to respond to change.

The Community Services Industry has been experiencing unprecedented change in the face of reform and transformation. For disability service providers, the introduction of the National Disability Insurance Scheme (NDIS) has changed the way they do business, while continuing to deliver essential services for the participants.

To meet these changes and the opportunities they bring, organisations need to adapt and grow. To do this, many organisations need capital. Building you and your organisations financial capacity is an important step. Understanding how to access capital for cash flow, investment in technology, workforce development and other business transformation activities is key.

CSIA, with the support of Social Scaffolding and the Department of Social Services, NDIS Jobs and Market Fund Round 1, have developed this Building Financial Resilience Resource toolkit.

This resource can be used by you and your organisation to build your financial capacity and resilience as well as gain an understanding about sources of capital. The content was developed after a series of Industry workshops around the key topics covered in the chapters of this resource.

Throughout this kit you will learn about:

Your financial numbers – what you need to know, how they impact on your resilience and a checklist you can use.

Your business model – how it will help you to achieve your goals and manage your resources towards building capital.

Your governance, processes and systems, structure, digitisation and workforce – building on your understanding and how they work together to create opportunity and what it means for investors.

Your next steps for accessing capital growth and sustainability.

You will have access to information, tools and additional resources throughout the chapters of this toolkit. This resource will support you to continue to deliver on your mission, meet challenges and changes, and support the community that you serve.

This toolkit is part of a program of works CSIA is delivering to advance the Community Services Industry through doing business better.

BUILDING FINANCIAL RESILIENCE

Numbers Matter

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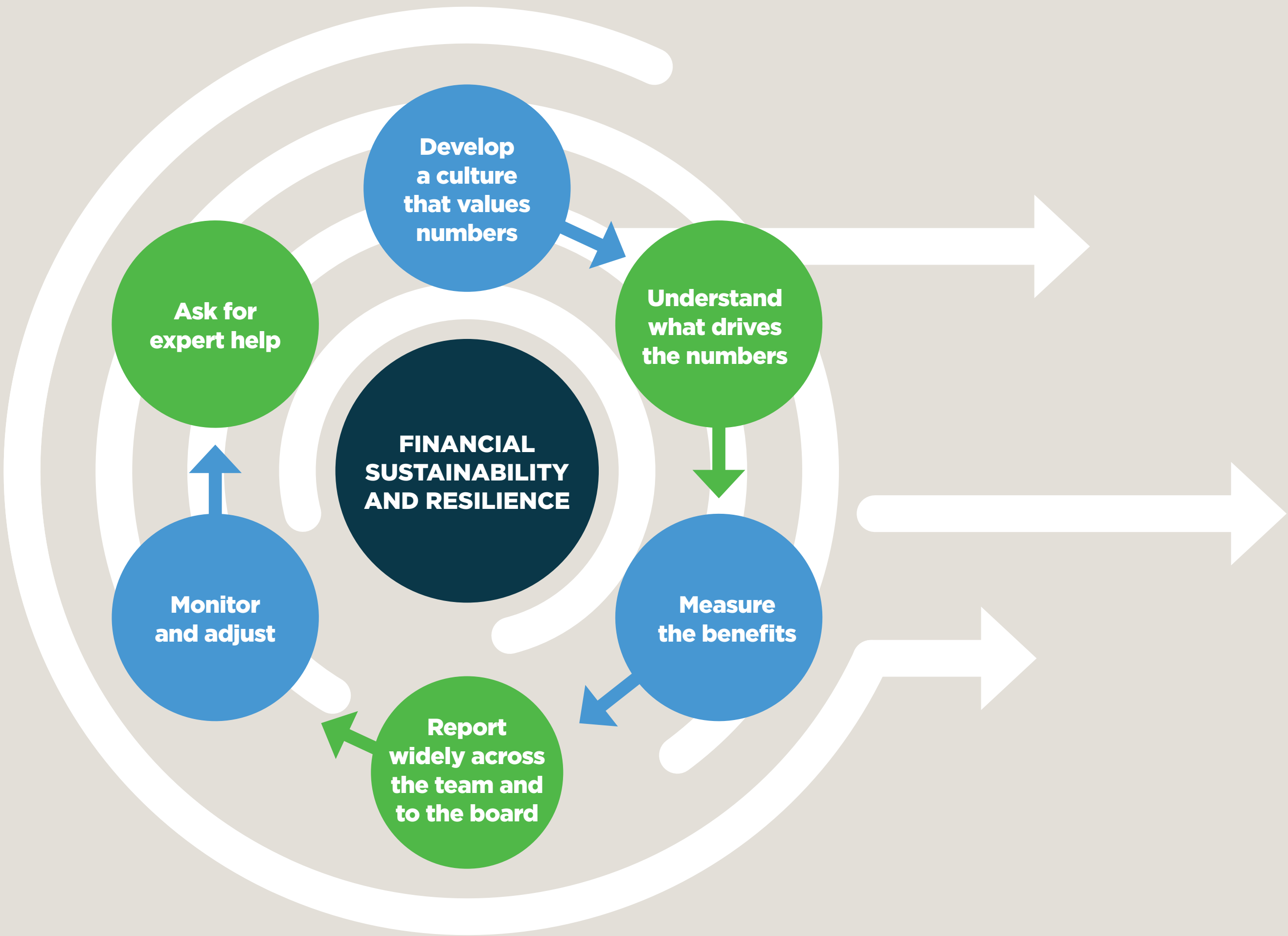
Develop a culture that values numbers

Understanding the key financial metrics and drivers of your organisation is critical for building sustainability and financial resilience. Managing revenue and costs, and building a resilient balance sheet over time are all part of the path to financial resilience. Numbers matter because they signpost performance towards the goal of financial resilience and if you need to make adjustments along the way. But, as we will see, focussing on the numbers also brings other benefits. Diagram One defines the journey towards financial sustainability and resilience.

Diagram One – The journey towards financial sustainability and resilience.



A side note on revenue and costs

The revenue streams of community organisations are varied and sometimes complex. Indeed, in a single organisation there may be several forms of revenue received to deliver services including grants, fixed price contracts, block funding and, in the case of the National Disability Insurance Scheme (NDIS), a market-based model of individualised funding.

In most cases, and this is true in the NDIS, community organisations are "price takers" not "price makers". This can become a problem when we turn our attention to costs.

The costs of delivering community services are less complex and more like other service orientated businesses. However, many community organisations do not have a handle of the true cost of delivering services. In the context of a set price this can become a real issue when trying to build financial sustainability and resilience.

CASE STUDY

When knowing their numbers led to growth and resilience

A regional NDIS provider of community supports and centre based activities was facing challenges. Their initial projections showed that within two years they would be in liquidation. They were not financially sustainable or resilient.

With expert help, they took the steps towards understanding their numbers to have the financial clarity to know what was happening in their organisation. This included reviewing their business costs, identifying funding gaps, calculating staff capacity, financial modelling, target setting with a three-year strategic plan and six-month operational plan, a budget with key performance indicators and a streamlined reporting and analysis.

THE OUTCOMES OF KNOWING THEIR NUMBERS

This organisation is now looking at new opportunities based on being in a secure and resilient financial position. The projections of liquidation changed to show an increase in revenue, better business operations and overall growth.

- Understanding the cost structure and unit costs, the organisation was able to measure and report on key performance indicators. Everyone understood the numbers and how they were tracking.
- The organisation increased staff efficiency through key targets for the frontline workforce and supports in achieving them.
- Reporting (financial and non-financial analysis) improved.
- The organisation has seen improved performance thanks to monitoring key drivers, they are supporting more people and projecting surplus funds.
- The organisation has taken advantage of market opportunities and grown revenue by more than seven times, helping more people and employing 333 more people in the organisation.

Read more about this case study from Cinch Finance and Operations at www.cinchfinance.com.au They have a suite of case studies based on their work.

UNDERSTAND WHAT DRIVES THE NUMBERS?

There is a way to improve the story that numbers tell about organisational sustainability and resilience. Ultimately, understanding the key drivers of sustainability can help community organisations achieve their purpose in an effective and efficient way that in turn generates surpluses for reinvestment.

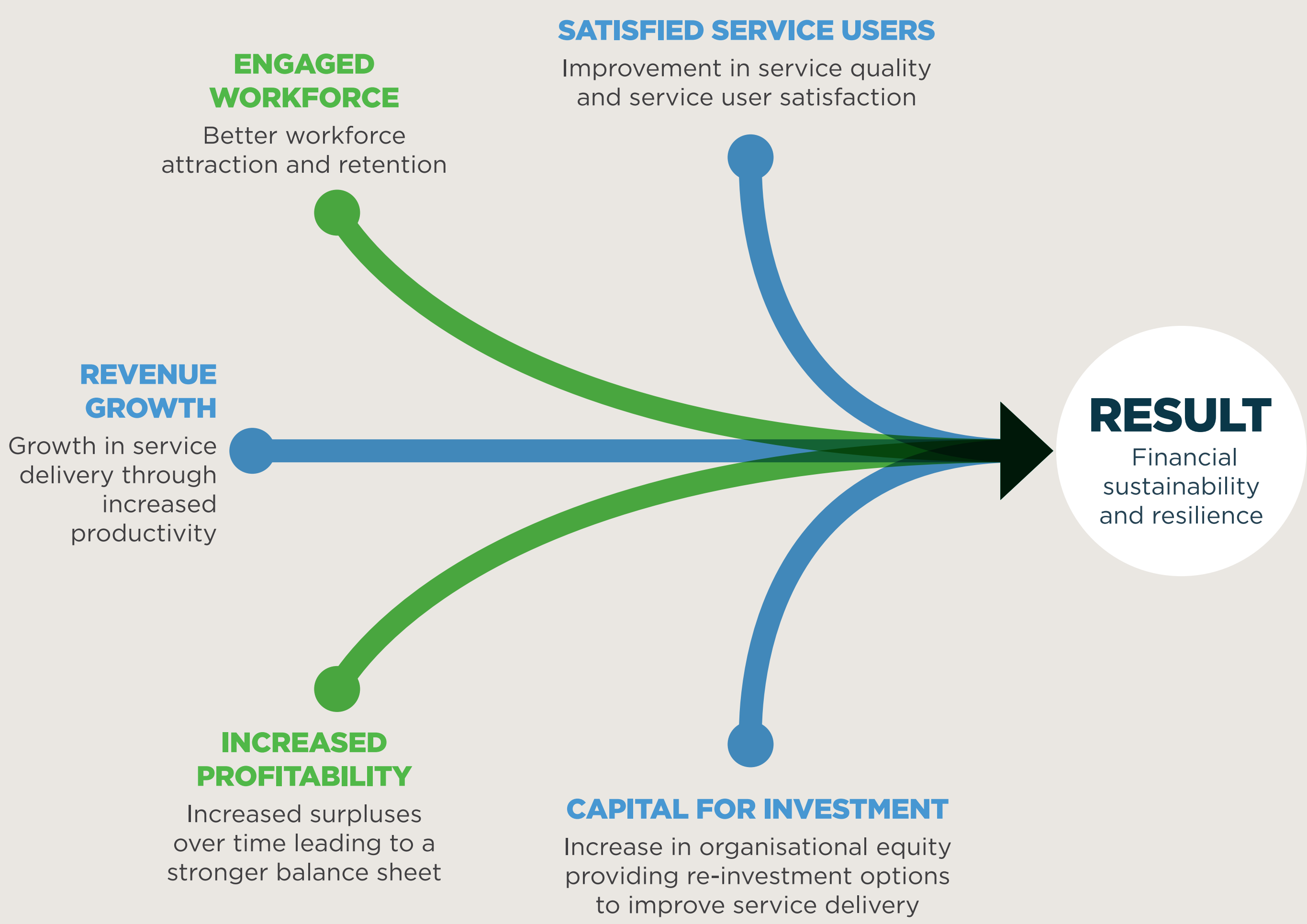
Key drivers of financial sustainability include an understanding of:

- **Productivity** – a measure of the time you spend producing outputs relative to the cost of doing so. Productivity is fundamental to sustainability as it helps to highlight how we use the resources to deliver a service (inputs) and if they are sufficient to deliver output. An example of increasing productivity is using technology to cut down administrative processes and maximise direct support (output) to service users.
- **Workforce utilisation** – an approach that attempts to maximize the efficiency of a company's employees. An example of how this can be achieved includes training an employee in multiple areas so that they can switch from one role to another with ease.
- **Workforce capacity** – your organisation's ability to ensure sufficient staffing levels to accomplish its work processes and to successfully deliver your services to your customers, including the ability to meet varying demand. An example of addressing workforce capacity at a service user level would be individualised planning. At a whole of organisational level, it would include workforce planning. These plans would identify a mix of full-time, part-time and casual staff to meet regular and surge demand over time.
- **Optimal mix of services** – refers to the variety of services being offered to service users. The optimal mix of services maximises the uptake of services while maintaining the appropriate level of surplus or profitability in the delivery of those services. An example of this would include offering complimentary services to service users which as a package is profitable overall.

MEASURE THE BENEFITS

Focussing on financial drivers in your organisation will result in a more sustainable and financially resilient organisation, but there are other benefits along the way. Diagram Two outlines the benefits that are strongly aligned to a healthy organisational culture. Developing measures to monitor the benefits with a focus on financial drivers will help you to adjust over time.

Diagram Two – Results of focussing on financial drivers.



REPORT WIDELY ACROSS THE TEAM AND TO THE BOARD

It is useful to reach agreement in your organisation about which metrics to track. This should be agreed and transparent across management and, between management and the Board.

Useful financial reporting metrics include:

- Average Monthly Expenses (Board may like to monitor for comparisons)
- Average monthly profit/loss
- Current ratio
- Cash burn rate (average benchmark is greater than three months' revenue)
- Labour as a percentage of total revenue (Board may set a rate for example, 68% - 87% as 'comfort zone')
- Monthly analysis of Accounts Receivables
- Operational expenditure (Board may set a rate for example, less than 30%)
- Return on Net Assets (Board may set a rate required of say, >5% as goal)

For more information about the financial terms used, visit the Commonwealth Government's Business Website.

Three key operational measures to understand are:

- demand for services
- service supply
- the gap between the two.

With these areas defined, an organisation can begin to work to close the gap. If there is more supply then demand; what other services could be offered. Where is the demand in other markets; determine the appropriate number of staff to service supply.

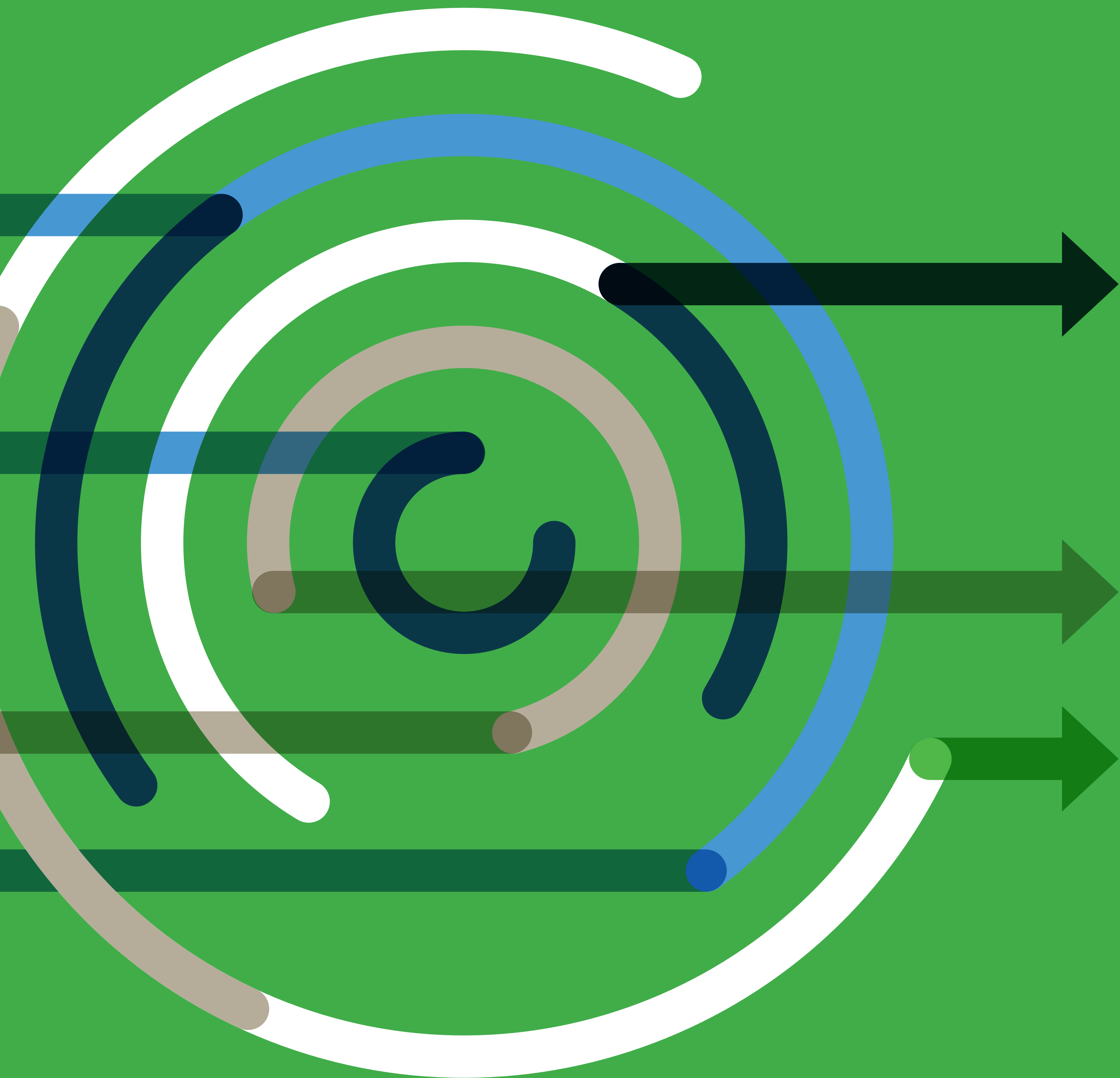
Financial resilience is about clarity for all staff, both financial and non-financial. If you are not sure how to proceed, open the conversation up as a discussion with the team and Board to get everyone to provide input.

- [ ] Why should we understand our numbers?
- [ ] What numbers do we need to understand?
- [ ] What do we need to know to be financially sustainable?
- [ ] What does it cost to deliver services?
- [ ] What was driving revenue decline/increase?
- [ ] How are resources being used?
- [ ] What is the link between organisation structure and your costing model?
- [ ] What services are you delivering? How can you communicate with staff about what is billable and what is not?
- [ ] Looking at your key drivers and estimates, what demand can you predict?
- [ ] Using your financial modelling, what are the impacts of changes at an organisational level?
- [ ] What is your cashflow forecast and outlook?
- [ ] What is your liquidity? How strong is your balance sheet? Does it give you the ability to leverage assets?
- [ ] What are some examples of what hasn't worked? How can you develop risk and governance protocols for the future?
- [ ] What do you need to measure and how often?
- [ ] What key metrics do you need for your financial report? How frequently do they need to be updated and reviewed?
- [ ] What systems should be in place to meet business requirements, return on investment and to meet the previously developed measures and KPIs?

BUILDING FINANCIAL RESILIENCE

Business Models for Resilience

Building an organisation that is adaptive and responsive to change.



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Being clear about the model

A business model describes the building blocks of a business that support resilience and sustainability.

It frames the working part of the business – the way of operating to deliver value within a specific market. It clearly articulates "the rationale of how an organisation creates, delivers and captures value".

Source: Business Model Generation, Osterwalder & Pigneur 2009, p14; https://www.strategyzer.com/canvas/business-model-canvas

It is important for a community organisation to develop a business model that describes how the organisation will operate to deliver value, both social and financial, to its customers and the community. The business model helps to bring the vision and mission of an organisation to life and helps in the process of developing a business plan.

Organisations delivering services to people with disabilities and their families have had their business model changed with the introduction of the National Disability Insurance Scheme (NDIS). Organisations are moving to a customer centric model, operating in a market-based environment of competition and consumer choice. In the context of this significant change, knowing your business model is more important than ever before.

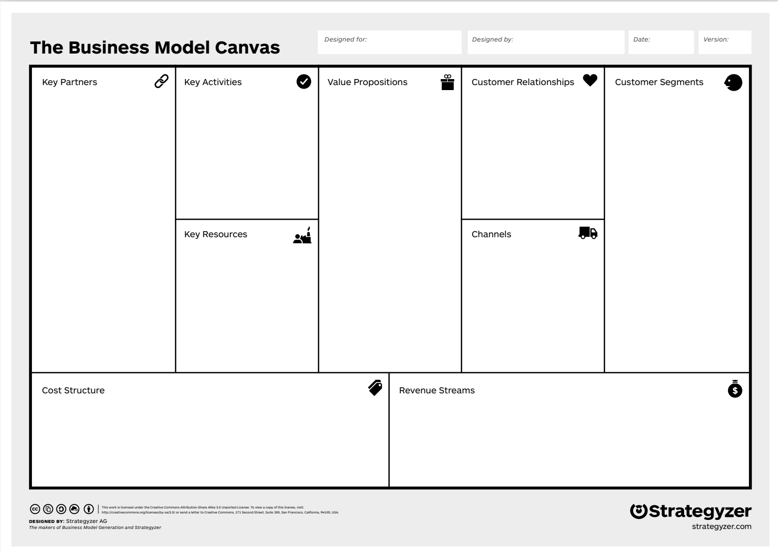


Diagram 1: Business Model Canvas Template

Source: The Business Model Canvas Designed by: Strategyzer AG The makers of Business Model Generation and Strategyzer This work is licensed under the Creative Commons Attribution-Share Alike 3.0 Unported License. To view a copy of this license, visit: http://creativecommons.org/licenses/by-sa/3.0/ or send a letter to Creative Commons, 171 Second Street, Suite 300, San Francisco, California, 94105, USA. strategyzer.com

A side note about the difference between a business model and a business plan

The purpose of a business model is to help your stakeholders to understand and clearly articulate how a business is configured, so that it creates, delivers and captures value

(Source: Using the Business Model Canvas for Social Enterprise Design, Ingrid Birkett, Knode.)

For the Community Services Industry, value is defined as money (financial return) and social impact (social return).

A business model is also an organisation's plan for being resilient and sustainable, while delivering social value to stakeholders. It identifies the services and products that the customers value and shows how funds are generated to deliver these services.

Whereas, a business plan is a much more detailed, lengthier document. It sets out, in detail, the goals of the business, how they will be attained and what evidence there is that the methods employed will attain those goals.

(Source: Using the Business Model Canvas for Social Enterprise Design, Ingrid Birkett, Knode.)

The two work together. The business plan takes the focus of the business model and builds upon it to articulate:

- The aims of a business and how they will be realised.
- The detailed steps needed to achieve the goals of the business model.
- How it is centered around resources (a business model is centered around value). It should state how to manage the resources of the business over time to materialise the business model, as well as grow and scale the business.
- The specific activities to be undertaken to derive the value set out in the business model. It includes timeframes, budgets, owners, dependencies and impact.

https://www.profitableventure.com/business-model-vs-business-plan

The nine elements of Business Model Canvas:

Key partnerships: Key partners are the external companies or suppliers that will help you carry out your key activities. These partnerships are forged in order to reduce risks and acquire resources.

Key Activities: Identification of the activities/tasks to make the business model work. These key activities should focus on fulfilling its value proposition, reaching customer segments and maintaining customer relationships, and generating revenue.

Value propositions: This is the building block that is at the heart of the business model canvas; representing the businesses' unique solution (product or service) for a problem faced by a customer segment, or that creates value for the customer segment.

Customer relationships: This section describes the type of relationship your business will have with each of the identified customer segments for example, personal assistance, self-service.

Customer Segments: These are the groups of people or companies that business are trying to target and sell your product or service. Segmenting your customers based on similarities, such as geographical area, gender, age, behaviours, interests, etc, gives you the opportunity to better serve their needs, specifically by customising the solution you are providing them.

Key resources: Describe the key resources or main inputs your business will need to carry out the key activities in order to create the value proposition. Key resources include: Human (employees); Financial (cash, lines of credit, etc.); Intellectual (brand, patents, IP, copyright); Physical (equipment, inventory, buildings)

Channels: This section of the BMC is used to describe how the company will communicate with and reach out to the customers. Channels are the touchpoints that let customers connect with the company.

Cost structure: This section should identify all the costs associated with operating the business model. This will include the cost of creating and delivering the value propositions, creating revenue streams, and maintaining customer relationships.

Revenue Streams: Revenues streams are the sources from which a company generates money by selling their product or service to the customers. In this section, the BMC should describe how the business will earn revenue from your value propositions. Two types of revenue:

- Transaction-based revenue: where customers make a one-time payment.
- Recurring revenue: ongoing payments for continuing services or post-sale services.

For more detail on each of these, refer to the link included in the Resources section below. https://creately.com/blog/diagrams/business-model-canvas-explained/

Through engagement with the Community Services Industry, we know that successful business models:

- Link to a robust plan that outlines the organisation's goals over the medium to long term.
- Involve regular review of structure and realignment as outside influences change.
- Bring the people of the business and key stakeholders on the journey.
- Rely on internal processes to identify challenges and enable changes to the model for greater efficiency.
- Rely on a solid understanding of the key performance metrics of the organisation to deliver value.
- Place significant importance on investment in people and workforce development.
- Use a range of tools to establish business efficiencies and monitor progress.
- Establish protocols, processes, agreements and policies that reflect the standards and expectations of all stakeholders, including staff and customers.
- Consider at the outset the appropriate legal structure to achieve the goals of the organisation.
- Allow the organisation to keep learning and adapting while still maintaining the overarching goals.
- Engage a technology platform.

Conclusion

Understanding an organisation's business model and going through the process of reviewing and developing one that is appropriate is key to financial and organisational resilience. This will include adopting the appropriate structure, describing value proposition, defining customer demand and thinking long term and delivering short term.

ADDITIONAL NOTES (IF MORE DETAIL IS REQUIRED):

Business Model structure as described in Business Model Canvas

Offering
- Value proposition – organisations need to be able to articulate their evolved purpose and their value proposition now and in the future.
- Organisations need to make sure they will be delivering value for the community and satisfying future demand.
- The future value proposition will drive the organisation's enterprise model, which will ultimately drive their funding model

Customers
- Customer segments
- Channels
- Customer relationships

Finances
- Revenue streams
- Cost structure

Infrastructure
- Key resources
- Key activities
- Key partnerships

The Business Model Canvas is a popular tool often used in the NFP space to simply capture an organisation's business model and synthesize the elements of the business model in one page.

Thus, a business model is a description of how a company creates, delivers, and captures value for itself as well as the customer. Importantly it describes its value proposition.

RESOURCES

Business Model Canvas - Alexander Osterwalder

http://businessmodelalchemist.com/tools

The resource 'Using the Business Model Canvas for Social Enterprise Design' is on the CSIA website here:

https://csialtd.com.au/documents/doc-1118/using-the-business-model-canvas-for-social-enterprise-design

https://www.cplp.nds.org.au/

https://www.profitableventure.com/business-model-vs-business-plan/#:~:text=%20Differences%20Between%20a%20Business%20Plan%20and%20a,future%20goal.%20As%20a%20goal%2C%20they...%20More%20

https://creately.com/blog/diagrams/business-model-canvas-explained/

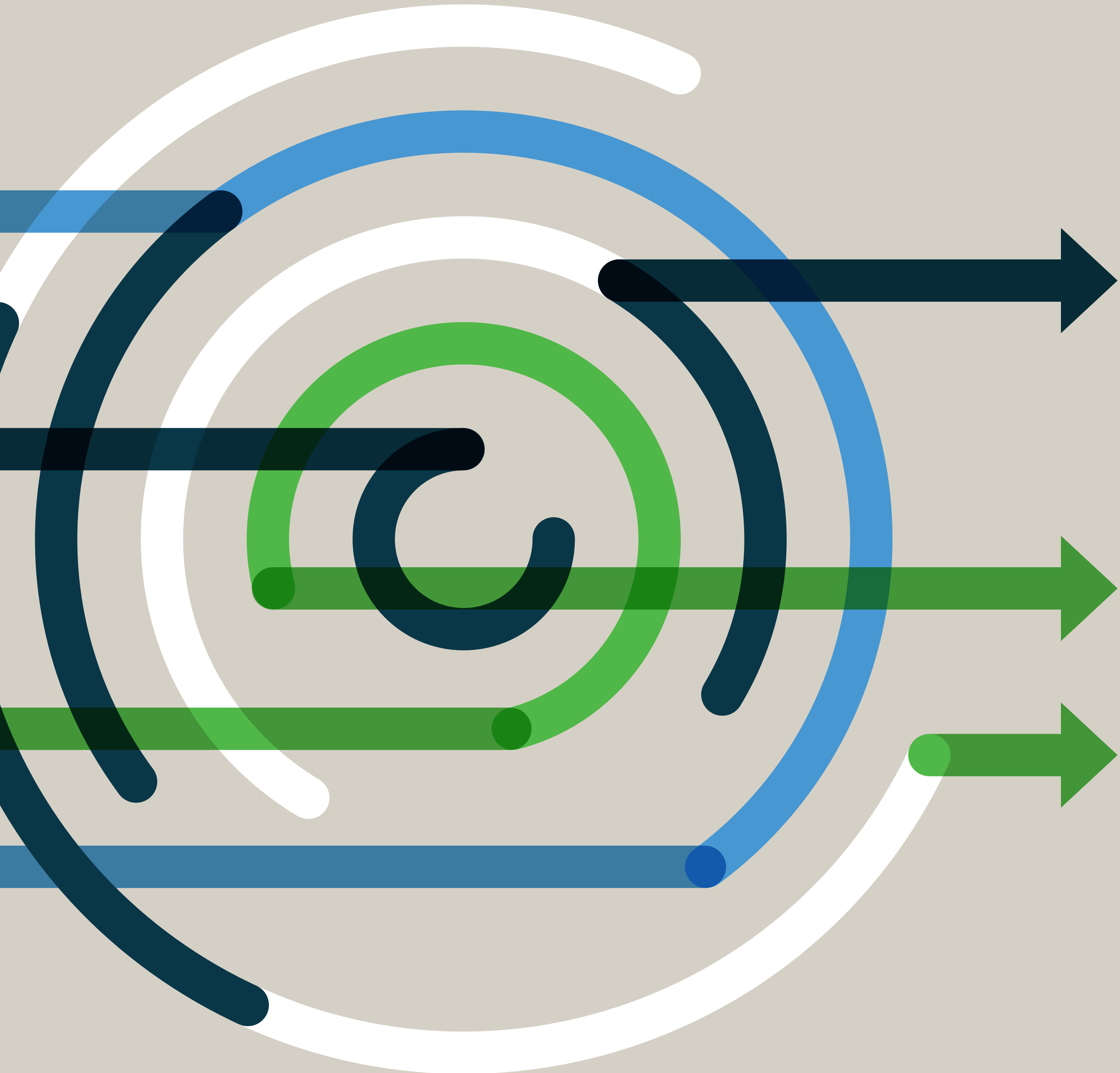
https://app.creately.com/diagram/1o0EAdiNS2k/edit

https://www.strategyzer.com/expertise/business-models

http://businessmodelalchemist.com/tools

BUILDING FINANCIAL RESILIENCE

Capital for Business Growth



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Capital Matters

Sourcing capital to support business growth can be challenging for community organisations and social enterprises.

It is however a tremendously important element in developing and running a resilient organisation. Each organisation will have different capital requirements depending on their stage in the business lifecycle and the type of project or initiative they are seeking to fund.

After identifying areas where your organisation requires investment in new initiatives or systems to support sustainability, it's time to look at where your organisation sources the capital to support the business through its various growth cycles. Understanding what type of capital is appropriate is important.

A side note on capital

Capital is a broad term in economics that essentially means, in the context of the environment of a community organisation, assets that can enhance an organisations' ability to perform economically useful work.

Capital can therefore consist of:

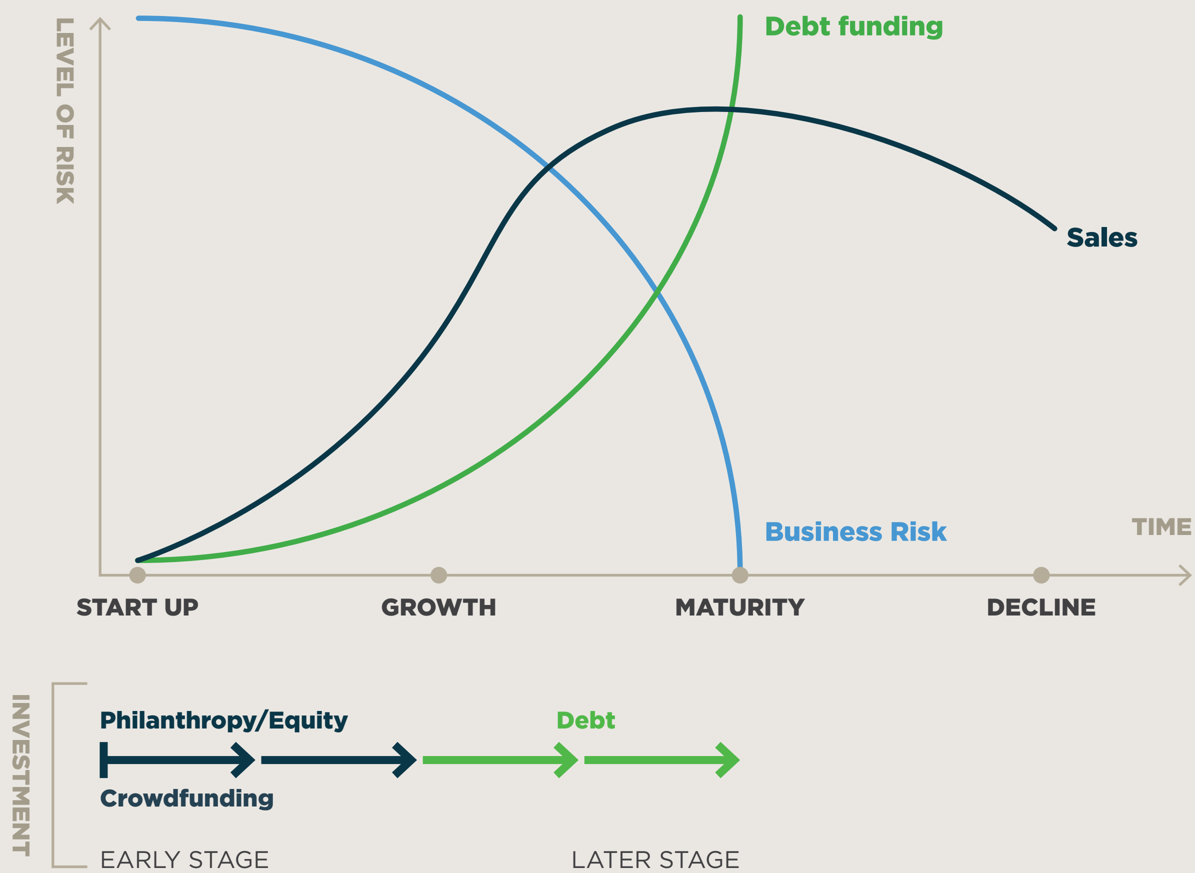
- any non-financial asset that is used in production of goods or services - capital goods, real capital, capital assets OR
- Money, that is the financial capital, which is used to buy something in order to sell it again to realise a profit.

For community services organisations, including disability service providers, non-financial capital could include:

- Intellectual Property - knowledge within your organisation.
- Unique methods or practices that your organisation employs to deliver a service to people with a disability.
- Technology developed, or has the potential to be developed to a commercial standard, specifically to assist people with a disability.

To make the most of the opportunities above, investment is required. Money from internal or external sources will be needed to develop the concepts further.

Diagram 1: Capital at Different stages of the Investment Lifecycle



CASE STUDY

Raising capital through alternative sources has been an opportunity for some organisations. Sefa is an organisation that brings together investors through innovative funding models so investors can support purpose driven organisations. They then work with their 'borrowers' to understand and assess finance solutions and find the right investor to back them.

Nightingale Housing is a not for profit co-housing developer delivering multi-residential housing that is environmentally sustainable, financially affordable and socially inclusive. By seeking an alternative funding source they were able to successfully build sustainable, community led housing.

"Nightingale is about a triple bottom line approach to housing: community, sustainability and affordability. Everything we have tried to deliver has been viewed through this lens. We cared where we sourced our recycled bricks and reclaimed timbers from, we cared who our power was coming from and what their commitment to renewables were so, of course, when it came to finance we cared where the money came from.

We sought out a lending partner that had similar values, a lender that cared about how their investment should support positive change. After meeting with Sefa for the first time, we knew we had finally found a funder that spoke our language."
- Jeremy McLeod, Founder

FINANCE LANDSCAPE

Historically many community services organisations have relied upon Government funding as the main source of capital to operate their business. This capital has allowed the organisation to grow service delivery and expand the number of people the organisation can reach. But it hasn't necessarily allowed organisations to invest to a large extent in themselves; in the essential pillars and foundations that make up a robust and resilient organsiation. These pillars include a good governance framework, IT systems, people, research and development and social enterprise.

In addition to Government funding, organisations have then tended to look to philanthropy, donations and community grants for bolstering their business. However, these too are usually tied to service delivery.

Only a small percentage of organisations seek external sources of capital to invest in growing their business. This external capital may take the form of debt or equity (or a hybrid of these) and come from mainstream banks, impact or social investors, or private equity.

CAPITAL FOR DIFFERENT STAGES OF BUSINESS LIFECYCLE

There are four key stages in the lifecycle of a organisation and although this is generally applied in the commercial sector, the stages equally apply to a not-for-profit or a social enterprise. In applying the lifecycle concept, an organisation may like to think about different business units within their organisation or to the organisation as a whole. For example, a community organisation may be starting a new business unit or a stand-alone social enterprise to meet the demand of its customers. The beginning stage would be classified as startup even though a larger and well-established community organisation was supporting the initiative.

THE BUSINESS LIFECYCLE FOUR STAGES

Startup: This is the stage where founders and social entrepreneurs are taking an idea and putting a formal business structure around it to give it a chance to grow. To do this, capital is needed. Money is required to invest in the product or service and employees to take the idea from concept/prototype to deliver the commercial product or service.

The first stage of the business life cycle is the riskiest as its cash and position is weak, the business model is unproven, there is a lack of collateral and often an inexperienced management team. This often means that it is difficult to source capital for investment. As a result, financing this stage is often difficult.

Capital or finance in the early stages often comes from family and friends (if a stand-alone business or social enterprise) or from the parent entity if being built alongside an established community organisation. Beyond this, angel investors (external investors prepared to take a risk on the idea for an equity stake in the business) are often the next available source of capital.

Growth: During the growth stage the business starts to establish itself in the market place and attracts customers with sales increasing, sometimes rapidly. The business' products or services have been proven to provide value in the marketplace.

Increasing working capital requirements through this stage means the business or enterprise will need substantial amounts of cash to fund growth. With improved profitability, collateral and a more experienced management team the business is able to seek out debt finance in addition to equity finance to fund its operations.

Maturity: This stage in the business life cycle is one where the business is established in the market with a proven business model. The business needs nurturing however the business is profitable. surplus cash month on month can be reinvested back into service delivery or business expansion at a manageable rate. The core of the business has stabilised.

Importantly, the profits have improved the equity base of the business, which now has an experienced management team and sufficient collateral to raise substantial amounts of debt and equity finance if required.

Renewal or decline: The decline stage is the final stage of the business life cycle model where the business starts to lose market share and sales start to decline. Action needs to be taken at this stage:

- investing in its current market place to maintain the business in a steady state in its maturity stage
- investing in new opportunities to move the business into a further growth and expansion stage
- exiting the business in a controlled manner.

The declining sales figures reduce the amount of cash available. In addition, realising the business is in the decline stage, investors will be reluctant to lend additional debt finance.

SOURCES OF CAPITAL

Typical sources of capital for community services organisations are listed below. A combination of these are often used.

For example, bank debt may sit alongside social finance and philanthropy. The amount and structure should be appropriate and fit both the community services organisation and the scale and term of investment. The case studies provide further detail.

Table: Sources of Capital for investment

Source	Form
Government	Funding for service delivery Grants
Earned Income	Customers purchasing services and products
Philanthropy & Donations	Gifts or grants from the public and/or high net worth individuals or family foundations Crowdfunding
Debt	Banks Impact investors or social financiers
Equity	Private investment from: • Family and friends • Angel investors: in the startup stage • Venture Capital: often in the early stage • Impact investors • Private equity: often in the maturity stage

ACCESS TO CAPITAL

Investors have certain expectations when making an investment in an organisation. A good way to summarise their expectations is by contemplating the Five C's of investment from a lender's perspective. The following are typical questions an investor may ask before committing capital to investment.

COLLATERAL: What assets does the organisation own to secure the capital investment against? Property is a typical example however collateral could also be IP or accounts receivable.

CHARACTER: Who are the people leading the organisation and what are their skills, qualifications and commitment to the initiative and investment.

CAPACITY: What capacity does the organisation have to repay the loan or pay dividends now, and in the future, based on current and forecast sales and net profit?

CONDITIONS: What conditions or terms are appropriate for the investment? for example, length/term of the loan and interest rate, repayment terms, percentage stake in the business if equity.

CAPITAL: What capital will the organisation/borrower invest alongside the equity provider or lender? For example a deposit, equity or "skin in the game". The larger the commitment, the perception is the less chance of default.

Five C's of Lending

Source: Sefa

DISABILITY SERVICE PROVIDERS – POOLED FUND

An alternative source of capital for investment is a collection or pool of investors who come together for a common investment aim. This is an opportunity for the Community Services Industry to enable overall sustainability and growth to meet service user demand. A pooled fund is being explored for disability service providers, with investors from across Industry.

HOW IT WORKS

Disability service providers with cash reserves can pool a portion of their capital alongside other investors in a structured vehicle (the Pooled Fund).

Then individual disability service providers approach the fund with an investment opportunity. Once reviewed and agreed, a loan is made to the disability service provider. A loan agreement is entered into between the fund and the provider. It sets out the terms and conditions specifically around how the borrowed money can be used. The loan is then repaid over the specified time and the disability service provider is able to make the investment in their business.

THE NDIS POOLED FUND CONCEPT

USES OF BORROWED FUNDS

There are potentially many uses for the borrowed capital, which could include but not limited to:

- research and development that leads to a new income producing product or service that has commercial benefits to the organisation and Industry
- technology that results in greater efficiencies and therefore surpluses that can be used to repay the loan, as well as investing back into the business
- investment in a property that supports the business to grow its equity base.

FURTHER RESOURCES

This list links you directly to the organisation's websites for more information

Sefa
https://www.sefa.com.au/

Global Impact Investing Network
https://thegiin.org/

Social Scaffolding
https://www.socialscaffolding.com.au/

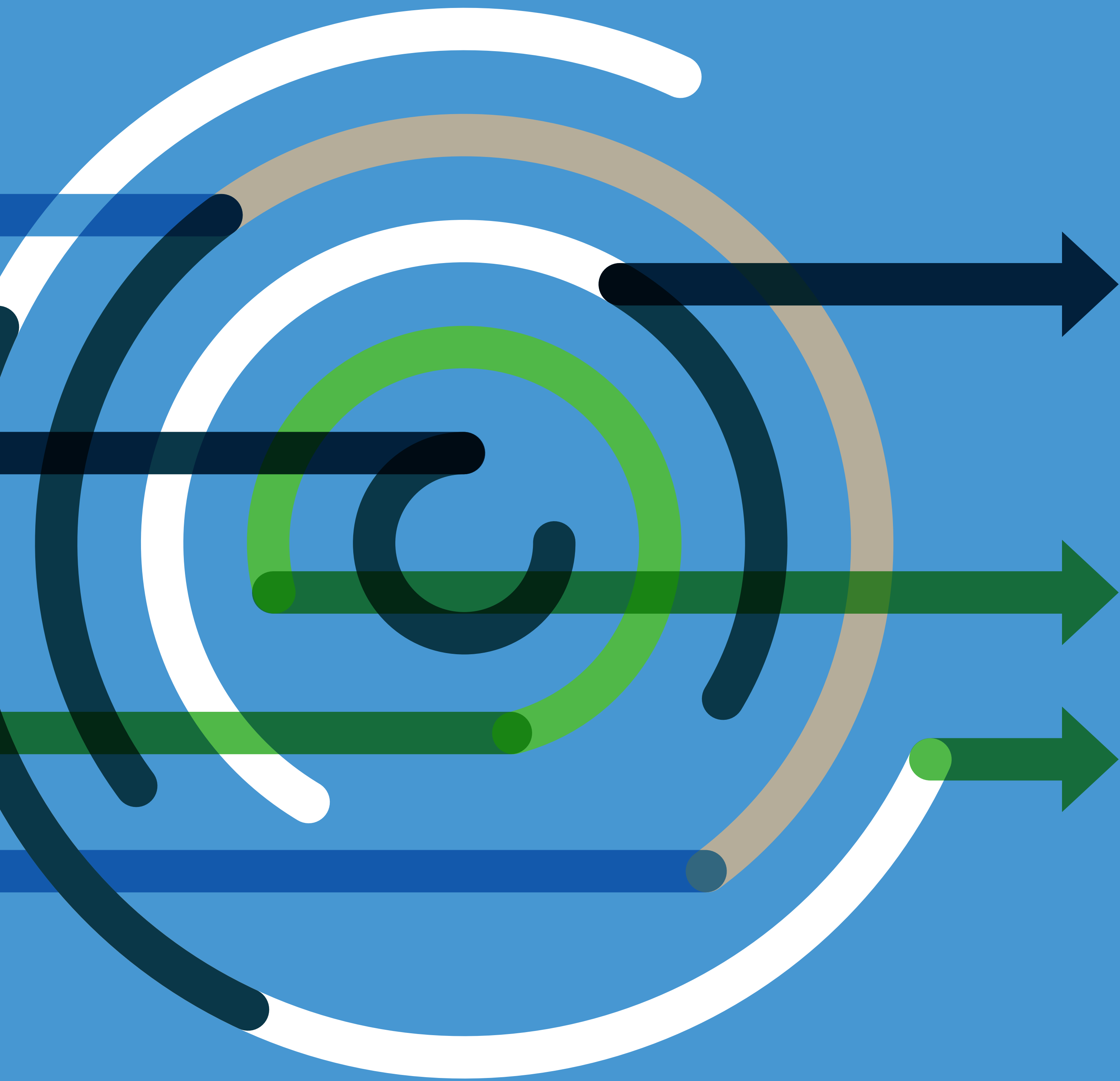
Australian Government support for businesses
https://www.business.gov.au/finance/seeking-finance/sources-of-finance-debt-vs-equity

Social Ventures Australia
https://www.socialventures.com.au/impact-investing/for-enterprises/?gclid=Cj0KCQjw7ZL6BRCmARIsAH6XFDLwuJO9u5y_3nGGCS1Jj0_BdKx2QjzOGrRTAzjjRM4_fprvrLX73MgaAk6AEALw_wcB

Australian Investment Council
https://www.avcal.com.au/

BUILDING FINANCIAL RESILIENCE

Organisational Resilience



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Organisational Resilience Matters

Resilient organisations are flexible, adaptable, and dynamic, confident in their purpose and importantly have the ongoing ability to deliver their mission. They have a positive outlook about their future.

Understanding the key financial drivers and metrics of an organisation are critical for building a sustainable and resilient organisation. In this section we look at the elements consistent in building a resilient organisation – the pillars that enable an organisation to stand strong.

NO PURPOSE WITHOUT PROFIT

Like any business, a community organisation operates in a business environment which is constantly changing and evolving. Increasingly community organisations are operating in market like conditions, particularly in the disability sector where customer needs are central and competition between organisations may be high.

However, community organisations are formed with a purpose in mind and must balance business imperatives with an ongoing effort to remain focussed on core purpose. This is a key differentiating feature of a community organisations compared to a private business. Purpose brings with it the opportunity to act with discretion in the use of surpluses, turning these surpluses towards unfunded activities that deliver purpose. This extends to connecting to philanthropy and corporate sponsorship, fundraising and donor engagement. This ability to deliver a mixed model of revenue to deliver purpose is core to resilience over time.

CASE STUDY

Digitalisation builds organisational resilience

Suncare provides home care services throughout Southeast and Central Queensland.

To deliver these services they aim to understand community needs and develop innovative responses for people who are ageing, living with a disability or mental illness. Technology is integral in enabling Suncare to respond effectively to client needs.

Since joining as CEO in 2015, Russell Mason, with the support of the Board, focussed on the digitisation of the business, which has had significant and measurable results.

Digitalisation has meant changing technology platforms across Suncare. In particular moving from 'on-premises' servers to SaaS based systems for finance, human resource management, workplace health and safety, marketing and both internal and external communications. This has included core technology platforms such as Microsoft 365 (including business central) and Salesforce.

Staff are now offered the option of activity-based working and flexible working hours where possible and in line with their role in Suncare. This is supported by measuring and monitoring key performance indicators (KPI's) that the digitisation of workflow has enabled.

A governance structure has been in place that enabled the decisions about the rollout of the digitalisation strategy to be supported. It has meant being able to retain skilled and experience staff who may need to work remotely. The technology meant that when a staff person needed to care for a family member in another country, they could work remotely.

Digitisation has measurable impacts in terms of cost efficiencies. It has led to the reduction of duplication of efforts, particularly around data entry automation. The improvements reduced corporate overhead costs. Suncare was also able to take advantage of discounts offered by technology vendors, reducing overall costs of implementation.

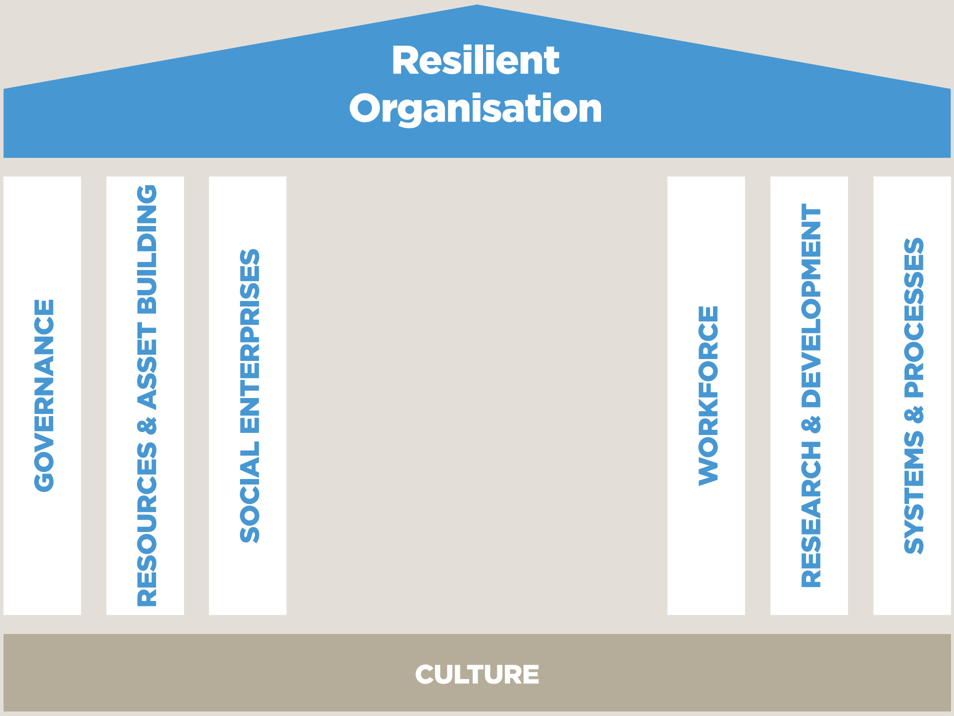
While many organisations have identified the need to develop and implement improved technology-driven processes to gain efficiencies, often risk-averse governance has prevented such investment, or the cost-recovery and subsequent benefits have not been identified from the outset. As we can see from Suncare, it's about good planning, governance, communication and understanding of the numbers.

PILLARS OF RESILIENT ORGANISATIONS INCLUDE:

- Governance
- Resources and asset building
- Social enterprise
- Workforce
- Research and development systems and processes, particularly technology, and culture tying it all together

Investment in these pillars is important for longevity and the creation of resilient organisations.

Diagram 1 illustrates these organisational pillars and strong foundation.



GOVERNANCE

Governance refers to the processes, activities and relationships that ensure a community organisation is effectively and properly run. More specifically, governance refers to the legal responsibility as an incorporated association, company limited by guarantee or cooperative.

Well-structured organisations with strong Boards that continue to focus on the purpose of the organisation, are more likely to be resilient. Like many of the aspects of resilient organisations, governance is not an aspect that can be set and forgotten about. Periodic review of governance and legal structures as the organisation changes to meet market demand and revival of Board membership is essential.

Good governance is reflected in your organisational strategy. It is also something that financiers, funding bodies, donors and customers take into consideration before engaging, working or investing in your organisation.

Some distinguishing features of governance in resilient organisations:

- Boards that consider good governance principles rather than only focusing on structure.
- Governance that reflects the community needs and outcomes.
- Boards that deeply understand and add value to organisational strategy.
- Entrepreneurial Boards that can manage risk well.

RESOURCES AND ASSET BUILDING

It's important to understand and identify your resources, and how to use them to build your organisation and capital.

Physical resources such as money, cars, laptops, and property are often scarce in community organisations. A resource that is often in abundance is people, your workforce, volunteers and other supporters who will enable you to deliver services.

Identifying the resources available to you means you need to be creative in your process. This may mean engaging with your service users and community to understand their needs. By doing this, you understand what they need so you don't implement a program no one will use or purchase. For your existing programs, engaging the resource that is your service users and community can help you refine and grow your programs to effectively meet needs.

Looking at your internal resources and how they are being used, or not used, enables you to identify areas for savings, time efficiencies or better service provision to customers.

Asset building is often a goal and will help strengthen the balance sheet of organisations. Your assets are a key resource. Once property assets are owned, the organisation can build equity and use this equity to leverage resources to deliver more services. A worthwhile, strategic pursuit for organisations to consider.

SOCIAL ENTERPRISE

Social enterprise/s can have enormous benefits to an organisation. In addition to generating income it can bring significant benefits to the wider community. Often, the people who are employed or supported by the enterprise benefit through having meaningful work, a place to meet in a supportive environment, and a pathway to future opportunities.

A social enterprise is not a one size fits all option for community organisations. In addition to providing a key service, it can be a means to generate income that is not tied to Government funding. However, it takes considerable investment of time and resources to grow a meaningful social enterprise. When considering a social enterprise, you need to think about how it aligns to the mission and the overall strategy of the organisation

Key points to consider when planning or reviewing a social enterprise:

- Is there an alignment with overall organisational strategy?
- What community need will this address, and does it align with strategy?
- Is there the ability to generate earned income for reinvestment?

The structure of an enterprise is an important consideration. There are a number of options to contemplate. These include, but are not limited to, a stand-alone business or a business unit of your existing community services organisation. The legal structure you need to be supported by the appropriate governance framework and operational team with appropriate skills. For more information and ideas on structuring and social enterprise generally, see resources list below.

WORKFORCE

Your workforce is one of your most important assets towards maintaining organisational profitability. Community services is a growing industry. Workforce planning is key, with a focus on a diverse workforce that are appropriately skilled and qualified to deliver the range of services to meet user needs.

Workforce considerations include:

- Thinking strategically and planning for short - and medium-term organisational changes.
- Matching workforce numbers, skills, diversity, experience.
- Government incentives for training and education.

RESEARCH AND DEVELOPMENT (R&D)

Investing time and money into research and development is an effective way to meet the challenge of continuous improvement and adapting to the changing market environment.

R&D is undertaken in a quest to:

- develop, design, and enhance its products, services, technologies, or processes
- create new products
- add features to old ones
- identify trends and develop products or services to meet future demand.

Advantages of undertaking R&D are:

- possibility for increased productivity
- new products or services
- gaining market advantage.

For many community organisations, R&D is more ad hoc rather than planned. Planned R&D takes commitment, but the rewards can outweigh the cost. The results may be increased surpluses or new revenue streams.

SYSTEMS AND PROCESSES

Resilient organisations often make significant investment in systems and processes that help increase communication efficiency, productivity and track utilisation rates.

Digital transformation has been occurring across the Community Services Industry. For disability service providers operating in the market-based model of individualised funding, digital transformation and speed of its implementation has become key in building resilience. One of the most significant changes being the transition to a technology-based platform for invoice, customer and staff management.

Investing in technology platforms, systems and processes allow for efficiencies, flexibility, adaptability. This investment is important particularly work from home arrangements increase and the NDIS continues.

CULTURE

As people are often the largest resource of a community organisation and a significant portion of the overall budget, your culture is a key component in building a resilient organisation. The time and effort put into building and maintaining culture is often underestimated, as well as the speed it can be eroded. Your culture should be an ongoing consideration with the investment of time and resources for ongoing maintenance.

It's important to build your culture with a strong link to your strategy and how it translates into operational delivery. Take the time to think about the type of culture you want in your organisation. For example, an innovative, positive and focus on possibilities culture requires time and money, as well as an understanding of how you engage and manage risk and ideas.

Conclusion

Organisational resilience doesn't happen overnight. It is a process that takes time. By putting the right building blocks in place from the outset and building a strong culture often leads to success. Organisations will always need to be adaptable as the environment around them changes. Having the resources and know-how to manage the change is essential.

RESOURCES

The list below will take you through to websites with the information you need in this area

General

Organisational resilience

Community Services Industry Alliance

Governance

Governance for community organisations

Governance for good: the ACNC's guide for charity board members

Social Enterprise

Social Traders

Centre for Social Impact: Catalysing social change

Nine business model examples for social enterprises

Workforce

Workforce capability tools