

VALUES DRIVEN STRATEGIC MANAGEMENT

FOR NOT FOR PROFIT ORGANISATIONS

WORKSHOP

NOTES

USING VALUES

An article in the *Harvard Management Update* (July 2003) on Values highlights the need for organisations to identify and work within an appropriate and definite set of values. The evidence is that value-based organisations are much more likely to do well than those who do not focus on these underlying drivers.

“Developing – and living with – a set of principles that guide the decision making and behaviour throughout an organisation is no simple task.” But a necessary one.

It is suggested that the Board of Management and managers in a not-for-profit organisation should regularly ask themselves what do we stand for? What do we want to be seen as? How do we want our staff to behave to others, especially other staff? It is not enough just to set values, such as responsibility, safety, team work or whatever, without monitoring them to see that they are being followed in every aspect of the day-to-day actions of Board members, managers and staff. This includes surveying clients, staff and the community generally to see if the values are actually being demonstrated.

Assessing Your Service’s Values

The forms below outline an approach to determining values in a not-for-profit organisation. For the sake of demonstrating the process, some values have been put into the example but clearly your service must use its own values. These can be identified in a cooperative effort with the Board of Management, staff and clients.

Options can be obtained from focus groups and meetings but also from questionnaires that ask stakeholders to identify what should be the key behaviours that the service should follow when dealing with clients, staff and other groups. They can also be asked how these behaviours would show up in the day-to-day management of the service.

All aspects of service delivery can be evaluated to see if they reflect the values. This not only includes the policies of the organisation, but its training, its pamphlets and other communications, recruitment and so on.

BEST PRACTICE VALUES-DRIVEN STRATEGIC MANAGEMENT

One of the most significant areas of community services management is the development and application of the Strategic Plan. Without a clear direction a not-for-profit organisation will find the future more and more difficult. This article outlines the important questions that need to be asked in the strategic planning process.

A Strategic Plan should provide the reference point for making decisions at every level that ensures sustainability at the same time as maintaining and strengthening a service's social value. A number of major studies have identified the critical factors that will ensure sustainability with high social value for a Not for Profit and overwhelmingly this seems to be that the service should have, integrated and unified at every level:

- A strong sense of purpose
- Values that are believed and followed
- Goals that are simple, connected and followed.

Specifically, a Strategic Management Plan serves a number of purposes, including the following.

- Clarifies and reinforces the role of the service in its community
- Provides statements of intent or objectives about the direction the service will take over the next few years.
- Establishes the priorities for action.
- Determines the goals of the service which will flow through to yearly budgets, the allocation of resources, including staffing and individual program plans.
- Provides more defined accountability for the long-term development of the service.

In addition, the strategic planning process provides a good opportunity to re-assess

- The Mission –why the service exists.
- The Vision – where the service is taking its Mission in the next few years.
- The Values – what principles the service must work with and within when endeavouring to achieve its Vision.

Issues that need to be faced in the Strategic Plan include the following.

- Government funding that continues to grow below the real cost of delivering services
- Increasing community expectations and needs for its services
- Increased competition – often from services that will provide lower social value
- Pressures for meeting every increasing legal and other compliance requirements in the delivery of its services.
- Difficulties in getting skilled workers.
- Limited funds for marketing and profile-raising.
- A number of programs that face short or medium term cost-funding pressures.
- Limited information about local needs.

Important Questions that should be answered in a Strategic Plan

Questions for which the Strategic Plan should provide some direction include the following.

- ❖ What role should your service play in the community – to what extent, and how, should it be a community leader, planner and social developer that identifies and responds to community social needs? To what extent and how should the service be an advocate for its community?
- ❖ How can your service maintain its focus on its clients at every level throughout the Service?
- ❖ How can your service ensure that there is sufficient information, at every level, on the community it serves?
- ❖ How does your service build its strengths – such as its economies of size, range and depth of services, professionalism of the staff and high regard by its clients and other stakeholders?
- ❖ How will your service ensure ongoing financial sustainability?
- ❖ What should be the role of private sector partnerships, fund raising, social businesses other alternative sources of income and method of delivering services with a high social value?
- ❖ What are the critical policies and actions needed to ensure your service obtains, retains and develops the skilled and committed staff it needs?
- ❖ To what extent, and how, should your service build its profile in the community and market its value.
- ❖ What is the criteria for a program to be included and what financial, operational and client outcomes are needed to ensure a programs achieving minimum goals.?
- ❖ Is there a need to own buildings or centres/
- ❖ What is the right mix of different services provided?
- ❖ What is the right size

The Strategic Planning Cycle

In the end, the strategic role of senior management should be an ongoing process at different levels.

Being prepared for strategic opportunities during the “normal” operational developments of the year.

Educating the board members about strategy.

Developing a strategic plan.

Following the strategies required from a strategic plan.

Monitoring and reporting on the strategic plan.

There are, thus, a number of steps that could be followed to ensure a successful strategic plan.

Step 1: Prepare background information, say, three months prior to the plan. This might include:

- (a) two or three page notes on the External Factors facing the service – government legislation,

- (b) two or three pages on the relevant strengths and weaknesses – and situation
- (c) the staff view
- (d) the financial trends
- (e) issues. These principles can be discussed at board meetings leading up to the strategic planning workshop or perhaps prior to the day in a pre-strategic-plan workshop.

Step 2: Hold appropriate staff workshops or discussion sessions to get their input into where they see the future of the organisation.

Step 3: Provide a brief snapshot of how well the service is doing – client survey, operations review, staffing report.

Step 4: Hold the Strategic Planning Workshop with the board members and key stakeholder representatives.

Step 5: Management to review the results of the Strategic Planning Day to identify what is actually possible – and put the figures to the broad objectives established in the plan. This report should be accompanied by an associated risk assessment of the planned goals and strategy.

Step 6: Present the final recommended Strategic Plan to the board identifying how it can be implemented.

Conclusion

Strategic planning is a critical activity for a community service. A lack of an effective strategic framework means the service will go down paths over which it has absolutely no control, with all its attendant risk.

THE SIZE OF YOUR SERVICE

The size of a community service organisation is becoming more and more of an issue as funding organisations demand more and more accountability. Indeed, at times, it seems that the larger organisations are very much favoured by government in the allocation of grants and support. Size affects:

- The level of funding
- The ability to cope with declining funding and demand in one area of the community service by being diverse
- The ability to attract staff
- The ability to offer a larger range of service opportunities to clients.

However, a small size can be a positive if the benefits of 'small' are carefully utilized and used.

Is the size and structure of your organisation appropriate?

Apart from the obvious test of whether your organisation is financially viable and achieving the mission, there are a number of other suggested tests to see if your organisation has the right size and structure. The key questions to ask include those in the attached Table.

QUESTIONS	1- FULLY AGREE 6 - DISAGREE
1. We have enough staff to meet our goals	1 2 3 4 5 6
2. We can provide efficient and effective support for administration and financial control	1 2 3 4 5 6
3. We are able to meet most of the demand for our services in our geographic location	1 2 3 4 5 6
4. We have at least two different government departments/auspicing funding bodies providing income	1 2 3 4 5 6
5. We are one of the most important providers of our services in our region	1 2 3 4 5 6
6. We one of the best providers of our services in the State	1 2 3 4 5 6
7. Our Board of Management is professional and representative of what we do	1 2 3 4 5 6
8. Our real funding per client has remained the same or increased in the last two years	1 2 3 4 5 6
9. We have cash reserves for three months operating without any source of income	1 2 3 4 5 6
10. Our Board of Management feel comfortable with our size	1 2 3 4 5 6
11. We do not miss out on funding because of our size	1 2 3 4 5 6
12. We are able to cope with change	1 2 3 4 5 6

If your answers are above 30 then this indicates a need to work on this issue but not necessarily that your size is inappropriate. If, however, your answers to the questions are well above 40 then there are strong indications that your organisation is the wrong size in terms of funding and clients. If this is the case, your service needs to review which path to take. Essentially there are three:

1. Expand

Your organisation can expand either by service deepening (providing the same services to more clients with increased funding) or service broadening (providing a greater range of services) or some combination of the two. The basic aim is to move to a level of operation where the appropriate indicators point to the fact that you have the right size. This can be done through merging with another service (again an option rarely considered), taking over another service or asking another service to merge with or take over your service.

2. Contract

Your organisation can contract by reducing the number of clients or the extent of the services you provide for the income you are getting. The classic community service funding-to-service trap is providing more services than the funding intended or is possible with the income. In the experience of this writer very few community service organisations take this path voluntarily, but it should not be forgotten. Contracting a service voluntarily is about the hardest decision managers and Board of Managements will ever have to make, but it should always be considered - even if it is rejected as negative. Most businesses in the private sector get into trouble through being the wrong size and, therefore, having inadequate cash flow, resources and market strength. The same can apply to a community service organisation. Sometimes small can be effective if it allows the provision of a highly focused and specialised service. An important method that can be used to contract is, of course, outsourcing or subcontracting non-core services and activities. While this is, in a sense, a restructuring, it can reduce the number of staff and clients for which the service has direct day-to-day responsibility.

3. Stay the same size and ensure you are very good at what you do.

Many community service organisations are the right size now. Provided it is determined in regular reviews that no change is needed, there is no reason to grow or expand just because it is the trend in the sector. Nevertheless positive benefits must be found for remaining the same size

Improvements could include undertaking alliances and partnerships. Smaller services should look to partnerships, alliances and even taking part in consortiums to offset the disadvantages but gain the benefits of smaller size. The smaller organisation can also ensure it is very good at what it does and also is very much in contact with the local community. Excellence and community contact are crucial.

Conclusion

The ultimate criteria is which size and structure will best accomplish the mission and the secondary, but very important, criteria of whether your obligations to clients, staff and funding bodies are being met?

Many community service organisations have reached their current size and structure (services offered) more by accident than design - though this statement may be an injustice to those who plan. However, the need to regularly ask 'are we the right size?' and 'are we offering the right range of services?' is clear. The problem can be that you are somewhere between being large (with its financial resources benefits and strains) and small but highly specialist in area or service.

In the end the optimum size, which will change as the requirements of funding bodies and clients change, will be the one where the service delivered is the most effective possible and the organisation is financially viable for the foreseeable future.

COMMUNITY V CONTRACT MODEL OF A COMMUNITY SERVICE

The need for every community sector organisation to determine exactly what it is doing in the community – what its "place" is – should continue to be debated and updated. On the one hand, many community services obtain their funds totally from tendering for and obtaining contracts, so they do not themselves initiate or respond directly to community needs. On the other hand, there are some community services that are deeply involved in identifying needs and finding ways of funding these. Both approaches are valid of course. The community role of a service needs to be spelt out as it is an important anchor for the board and senior management.

A very important decision that has to be made by every community service is the extent to which it is truly a 'community' organisation or one that provides contracted government services to an identified group within the community. Or indeed what combination between these two extremes is chosen? The distinction between the 'community' and the 'contract' is a very important but not an easy concept.

The Contract Model

Contract-based, not-for-profit organisations are, of course, very important and in terms of numbers represent the majority of organisations in the Community Services Sector. A well-managed contract-based service provides much-needed support and services for vulnerable people and ensures choice and equity. It provides more certainty and sustainable long-term service for its clients and is directly accountable to the funding body for the actual standards of the service provided.

There are, however, some clear issues that if not managed well can limit the value of a contract-based not-for-profit service. These include the reliance on government funding – which is often limited and fails to expand with the needs or even the costs of the organisation and there is the ever-present danger of becoming isolated from the community within which the organisation works. At its most extreme a not-for-profit organisation that follows the 'contract' model has some or all of the following characteristics.

- A small and often tightly controlled membership base – with directors largely appointed by just a few people and little if any involvement by its membership in the activities or indeed the purpose of the service. If there are a large number of members, they are largely inactive.
- Almost all the activities of the not-for-profit service are determined by tendering to Government contracts for a particular client group and essentially all accountability is to the funding provider.
- There is little decision-making involvement by clients in the type of service they are getting, though there is every opportunity to be involved in the way it is personally delivered to them.
- Few if any community groups are consulted – or indeed need to be.
- There are limited connections with other community services or community groups.
- There is a focus on meeting the needs of today's clients as individuals with limited resources given to the future needs.

The Community Model

A not-for-profit organisation which is based around the 'community model' will have many of the following characteristics.

- A large and active membership of the association from the client base and also, ideally, the community as a whole.
- A significant proportion of income from non-government sources – say a minimum of 25 per cent but preferably 50 per cent – that allows the organisation to offer new, innovative or just non-government funded services.
- A Board that is truly representative of the community.
- A strategic plan based on information about their community's present and future needs.
- Alliances or similar understandings with local groups, businesses and even education services such as school and colleges.
- A high recognition rate in its own community.

Which Model?

It is not easy for a not-for-profit service to choose its preferred model and then to achieve that desired model and, inevitably, many community services develop a mixed model – often without any real plan or intent. While a mixed contract and community model is probably the most achievable, it also has problems if not clearly articulated.

Important questions that should be asked include:

- What should realistically be the balance between contract and community as the structure of our service?
- What level of membership of our association do we need and why?
- What should be the balance on the board or Board of Management between general business expertise and community.

THE COMMUNITY OR CONTRACT MODEL?

The lower the score the more the service is, or should be, a community based, proactive based organisation.

1 agree with the statement.....5 very much disagree

OBJECTIVES	COMMUNITY -----CONTRACT				
A high proportion of income comes from non-government contracts	1	2	3	4	5
A high proportion of programs are non-standardised or unique	1	2	3	4	5
We regularly approach government for funding for programs or community activities we have developed.	1	2	3	4	5
Our service is focused on advocating for our community group	1	2	3	4	5
We identify needs in the community and endeavour to meet them	1	2	3	4	5
We have partnerships or alliances with non-community service community groups	1	2	3	4	5
We offer a wide range of services to the community	1	2	3	4	5
We have a high profile throughout our geographical and/or client group community	1	2	3	4	5
We have a mission statement that identifies a community role	1	2	3	4	5
We evaluate our role in the community through surveys, focus groups and so on	1	2	3	4	5

STRATEGIC DECISIONS - POSITIONING

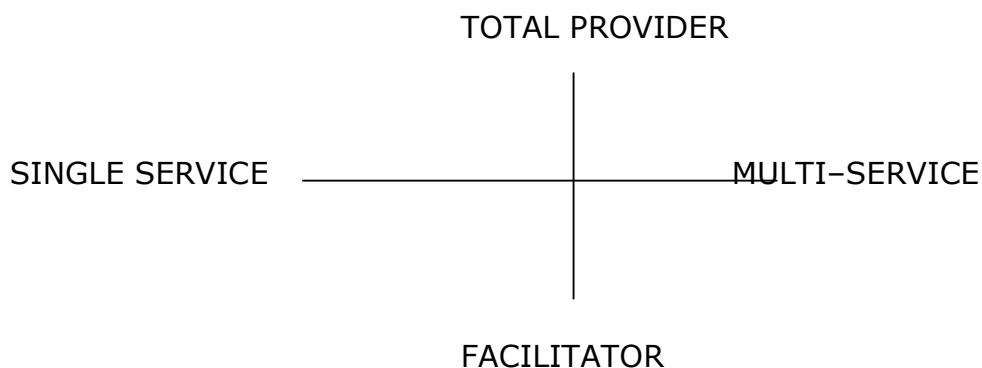
The need for every community sector organisation to determine exactly what it is doing in the community – what its “place” is – should continue to be debated and updated. The community role of a service is an important anchor for the board and senior management.

There is a tendency for community organisations to tender for just about every new or existing program offered by government in the hope that if they get the tender they can grow and become more financially viable. The prospect of success is usually very limited and the disruption caused by a tendering culture can be high. A better outcome can be achieved if whether or not to tender – or grow – is made within a defined policy and strategic plan.

Single or multi-service?

The range of services and the extent to which these are directly provided or brokered and organised by a Not for Profit for others to actually deliver the service are important strategic decisions that need to be made in positioning the organisation. The number and range of services offered by a community organisation should be carefully thought through. The key question is should the organisation specialise and become a centre of excellence for its core service or services, or will its clients and its financial viability benefit from extending the range of services?

A single or limited number of services will allow the organisation to specialise and become very focused on what it does. Resources, advocacy and energy will be placed in meeting the primary mission. However, a single or a limited number of services may leave the organisation financially vulnerable. In the end, the decision as to what number and range of services to provide will be affected by the type of core service and how many other services or programs relate to it.



The checklist gives some indication of what is involved in making the decision about the range of services to be offered by a not-for-profit organisation.

SINGLE SERVICE OR MULTI-SERVICE CHECKLIST

1 agree with the statement.....5 very much disagree

OBJECTIVES	SINGLE	-----	MULTISERVICE		
Our current level of services (s) cannot meet the existing level of need	1	2	3	4	5
There is going to be a continuing and high level of demand for our existing service	1	2	3	4	5
We are struggling to get adequate resources for our existing services	1	2	3	4	5
There are little or no related services to ours that could offer our services	1	2	3	4	5
We have limited expertise outside our core activities	1	2	3	4	5
Our Board of Management is reluctant to accept change	1	2	3	4	5
Our management system is not ready for extra demands from new services	1	2	3	4	5
We would not get economies of scale by being larger	1	2	3	4	5
Greater diversity of service would not really increase staffing opportunities	1	2	3	4	5
Additional services would not improve our ability to offer our core service(s)	1	2	3	4	5

PROVIDER OR FACILITATOR?

A strategic decision that is related to the approach that is taken to the number and range of services to be offered by an organisation is whether or not the service should focus on providing the services itself or, rather, broker the actual service delivery to another organisation. Generally most not-for-profit services prefer to both manage and organise a service and provide the actual hands-on delivery of it. However, there is a danger that trying to do this for every program in a multi program organisation can reduce the focus and expertise on what the organisation does best. Contracting out service delivery may reduce direct control but does allow a broader range of services to be offered to clients, means the service can better represent and protect the interests of clients and also it can more quickly increase its provision of support to clients and involvement in the community. The outsourcing of programs could well increase and smaller services might well consider this as an option when developing their strategic plan.

Conclusion

Every community service should have an understanding of what its "core" service is and to what extent it should focus on this or extend into other program areas. This aspect of the strategic model will have considerable implications for the way the organisation operates. So if the board or

management team are unclear about their model this will reflect itself in inconsistency and even uncertainty for every stakeholder.

THE BALANCED SCORECARD AND THE COMMUNITY SERVICE ORGANISATION

The world of the community service organisation is increasingly uncertain and insecure. While this will not necessarily be harmful, it certainly requires some reaction to the impact of reduced or tighter government funding, greater competition, increased accountability and numerous other pressures.

Increasingly, community service organisations are seeing the benefits of planning strategies and actions to endeavour to have greater control over their future. Planning can mean, if done properly, a more pro-active role for the organisation. It also can have the additional benefit of getting more ownership through consultation with different levels of staff and other stakeholders such as clients and community members.

There is, of course, a downside to planning that includes the problem of misplanning - getting it wrong - and overplanning - being too restrictive.

In recent years a new approach to planning has emerged; it is called the Balanced Scorecard. Developed by Robert Kaplan and David Norton in the US, the Balanced Scorecard has taken a variety of forms as the private sector and now the Community Service Sector have adapted it to suit particular needs.

The Balanced Scorecard

Essentially the cornerstones of any plan are the objectives and the way they are turned into measurable goals that can give rise to actions which are then monitored. The Balanced Scorecard is a planning approach that is based on the concept that for your plan to be successful there needs to be a balance between the different resources and actions that are involved in any one outcome. Thus it is ineffective to, say, set the goal of increasing the number of clients without balancing this with appropriate objectives for staff, equipment and other resources, operational changes and, of course, finance. In addition all goals should be measured and monitored.

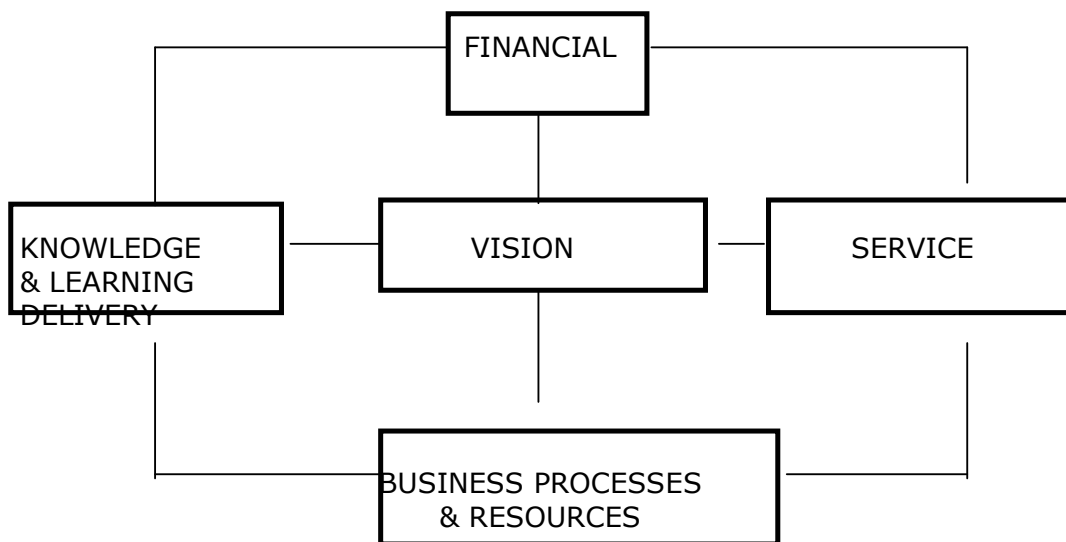
The primary objective of, say, improved quality of service can be achieved with goals that are balanced. Each goal is linked. Thus it is pointless to have, say, a goal of increasing the skill level of staff without linking this to financial goals to ensure the extra cost of doing this is feasible.

The Organisational Level of the Balanced Scorecard

For the Community Service Sector, there are two levels at which the Balanced Scorecard can be used - one for the larger organisation as a whole and the other for the individual department in a larger organisation or for the smaller community service organisation.

For the larger organisation, the Balanced Scorecard approach revolves around the identification of the four critical elements of strategy, each of which has five goals - a total of twenty goals - that will achieve the vision of the organisation. The four critical areas are:

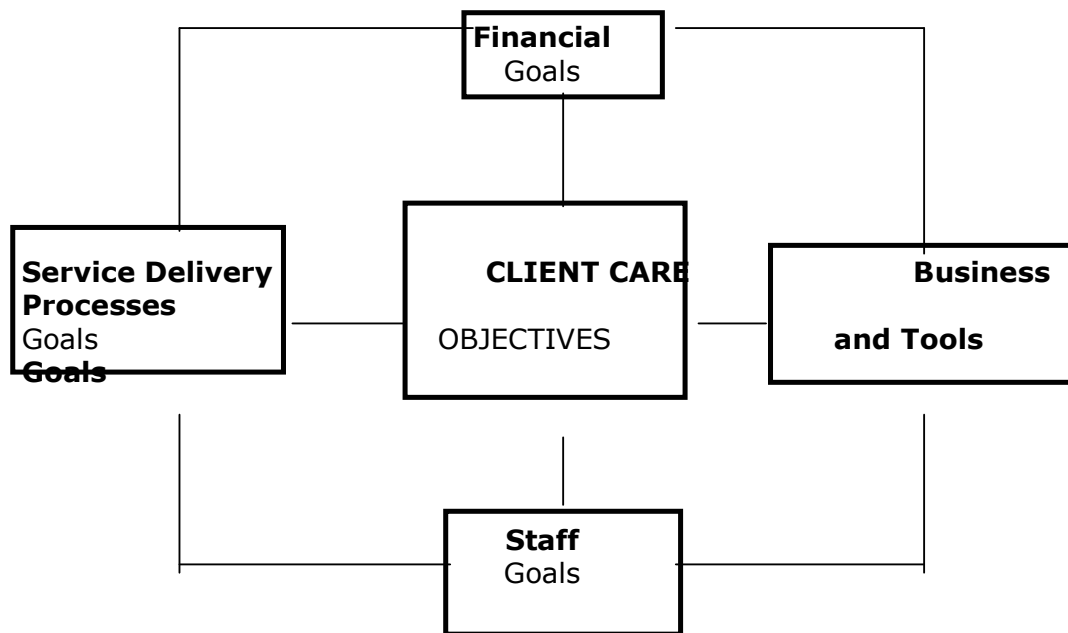
- Service Delivery - including the type of service, the way it is delivered, quality of service, communication and innovation.
- Knowledge and Learning - including staff and training
- Business Processes and Resources - operations
- Financial.



For each of the four elements above five goals are determined and measurements of those goals are established.

The Balanced Scorecard for the Smaller Organisation or the Individual Program/Division

The diagram and the following steps illustrate how the Balanced Scorecard can be used for the balanced achievement of goals and their measurement in the medium-sized or smaller organisation or as a step toward a fully measured scorecard by the larger community service organisation.



Step 1

Identify the clients and the services provided — and the gap there is between the vision and the actual achievements

Step 2

Identify what you believe are the major concerns you should be addressing in 2000 that will bring you nearer your vision — in the light of the:

- Strategic Objectives
- Program Specifications
- Budget
- Other factors

Step 3

Spell out the achievable primary objective(s) for your client care in terms of the major 3 or 4 achievements you believe are needed and can be achieved to move closer to the vision. Identify how the objectives meet the Strategic Goals of your organisation.

Step 4

Specify the individual goals that will help you move toward the client care objectives under the following major activity areas:

- Client Service
- Staff
- Business Processes and Resources
- Financial

Step 5

Review each of the goals and ensure these are balanced. If, for example, there is an objective of improving the service level to your clients by offering more services then you would need goals in each of the four areas:

- A Increased number of services specified - targets established
- B Increased staff and training to match the increased services
- C Changes to the operating system to allow for the increased demand and possibly increased equipment and other non-staff resources
- D Specific financial goals to fund the improvements in Service quality.

Thus the objectives are met with effective service delivery, staff, organisation and operations and financial capabilities to ensure they are supported and achievable. Identify how the major goals you have identified, and the support objectives, meet the Strategic Objectives of your organisation.

Step 6

Complete a schedule of actions for the achievement of the goals and objectives.

Conclusion

The Balanced Scorecard approach to planning is based on two basic concepts. Firstly that all major strategic objectives of an organisation can only be achieved with goals from the various elements of the organisation being linked together to achieve them. Thus if the objective is to increase the number of clients this will require goals in service delivery, staff resources and organisation and also finance to ensure that a balanced approach is taken. In addition, the Balanced Scorecard approach relies on the establishment of targets and the regular measurement of how the organisation is going against these measures.

INCREASING THE FUNDING BASE While Maintaining the Mission

In a thoughtful and timely article in the *Harvard Business Review* ('The New Landscape for Non Profits', Jan-Feb 1999), William P. Ryan makes the point that the US government that once frowned upon for-profits organisations as being unfit providers for community services now sees private enterprise not only as a role model for all organisations seeking community funding but increasingly as a provider of community services. The opportunities and changes in the community service landscape in the US have led to for-profit companies tendering with not-for-profit services to provide just about every type of community service. Profit-based companies, Ryan argues, are seen by many US government officials as being able to respond to the requirements of government more quickly than many not-for-profit services. The for-profit organisations do not necessarily see the society or community long-term social needs as the main goal but rather see the goals in terms of being a service provider of whatever can be afforded or can give a profit. In other words, they do not argue with the funding provider. On the other hand, many not-for-profit organisations see the government as a means to an end and will advocate

against government policy — biting the hand that feeds them. Thus commercial organisations are often seen as more responsive and less of a nuisance than a not-for-profit provider.

In an endeavor to meet the “competition” from for-profit providers, many US not-for-profit organisations have adopted the methods and even the philosophy of for-profit companies. They see this as the best way to ensure funding. This commercial approach is reinforced by the requirements to get funding and donations in a highly competitive and crowded market and the increased pressures coming from the Federal government for community organisations to work with business in community partnerships. Yet Professor Ryan’s article makes the point that the Community Service Sector is running a huge risk by using the business sector as the role model. In a real sense many not-for-profit organisations in the US are losing precisely what makes them have meaning, survive and help those they support — their mission and their focus on the client — not the funding provider.

The need to strengthen and improve the funding base is still a reality for many Australian not-for-profit organisations and will not go away. If the USA experience is a guide for Australian community service organisations, it is possible that without very careful thought, action to protect and increase the funding base will compromise the mission and even the integrity of the community service organisation. Community service organisations are caught in a squeeze between the need to be less dependent on one funding provider but also not to maintain their integrity and mission in the efforts to deepen and broaden their funding base.

Community service organisations are facing an extremely difficult period — one in which their mission and philosophy will be tested in the struggle for funds. The problem is one of how to secure the necessary funds in a tight and competitive funding environment while still maintaining the role of educator, advocate and agent of social change. After all, any for-profit organisation can be just a service provider. In addition, of course, there is a need to maintain the community nature of community services by ensuring there is the opportunity for Board members and volunteers to be involved in community affairs and support — which is under threat from the privatised Community Service Sector. Again, to put it simply, how can a community service organisation maintain and improve its funding while ensuring its vision is achieved with as much independence as possible?

The Need to Secure the Funding Base

The Community Services Sector of the Australian economy is undergoing, or about to undergo, major restructuring. While the ultimate effect of the processes of change are hard to predict, there appear to be some distinct trends.

- Pressure on many community services to merge or in other ways increase their size leading to the probable emergence of fewer medium and more large community service organisations. There will always be a place for the small community services organisation that is highly specialised and localised.

- Increased for-profit companies providing services once solely the domain of NFP organisations — profitisation of the sector.
- Some government and semi-government agencies privatised.
- Services previously provided by government now available for community services or for the private sector to take up.
- Increased demand for donations, sponsorships and other funds for sports, arts and theatre reducing the willingness to provide funds for the Community Services Sector.
- A redefinition of the role of auspicing government agencies as some increasingly take on the role of determining the requirements of the client and act as the supporter and agent of the client — whereas the role of advocate for the client was solely the preserve of the community service in the past — and others such as DOCS in NSW emphasise the partnership approach to meeting community needs.
- Increased pressure for community services to operate efficiently and effectively, or at least to be able to prove this to funding bodies and business partners.
- Entry of global competition that will see multinational global branding for community services — such as that being developed by the Lockheed Corporation in the US.
- Diversification of large private companies into more and more areas of the community services industry.

Overriding all these trends there is the continuing difficulty of getting adequate funding. Thus it is a brave community service organisation that is not undergoing or planning a Funding Review and development of a Funding Plan.

Financial Considerations

The following needs to be considered when determining the viability of a new funding idea or activity:

1. The initial “seeding” money required.
2. The impact on the cash flow of the core organisation.
3. The size of any potential risk — with a risk weighting.
4. The proportion of fixed costs which the new funding will require.
5. The indirect or uncosted costs.
6. The Opportunity Cost — what else you could do with the initial costs of pursuing the idea.
7. The effect on the not-for-profit status of the business.
8. Effect on your tax situation.
9. The effect on the income of the core activity.
10. Cost of any NFP tax advantages if needed to obtain the funding.

EVALUATION MATRIX

Source of funding	Possible actions	Cost	Probability of success	Does it fit in with the mission/vision strategy?