

# Post Covid-19 Priorities for Australian Charities



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## Australian Charities facing the "perfect storm"

The sustainability of charities and not-for-profits has been a risk discussed consistently over many years. This risk has heightened as the sector is facing a perfect storm. Three key issues are at play in Australia:

1. Donor fatigue following the bushfires
2. Coronavirus shutdowns resulting in reduced fundraising and income opportunities
3. Restrictions and health concerns which have impacted volunteer availability whilst demand has increased for a number of organisations

These three factors alone would be enough to challenge the sustainability of many charities but it is the next storm front that is coming that will be the greatest challenge and that is the economic forecast. The [Grattan Institute has recently published their estimations of unemployment](#) which they expect to be up to 26% of Australian workers. The report states lower-income workers are twice as likely to be out of work and younger Australians and women are likely to be harder hit due to the times of roles and industries they mainly work in. The Grattan Institute states, "If our estimates are even close to accurate, Australia is facing either the worst or one of the worst economic downturns in its history. And there could be a 'second wave' hit to the economy even after the immediate health threat eases".

## What does this mean for Australian Charities?

The ability to continue delivering relevant social impact over the long term has always been important to charity leaders. The spread of the Coronavirus has impacted pretty much every aspect of society and highlighted the deep social inequities many charities are working to address. The need for charities will increase as the economic conditions take hold and therefore charity sustainability is becoming even more of a top priority. Over the past couple of weeks we have spoken to many charity leaders who are worrying about how they will continue to sustain the important services their organisations deliver.

Even the largest charities are fearing a "systemic collapse" in the sector unless the government provides support. The heads of Uniting Care, Anglicare, St Vincent de Paul Society, the Salvation Army and Catholic Social Service Australia have written a joint letter to the Prime Minister requesting an industry support package. As reported by [7 News](#) the letter stated, "Our organisations are deeply concerned that we face the systemic collapse of the community care, NDIS and homelessness services without urgent assistance from Australian governments. Many are already drawing on their reserves to operate. Smaller organisations will not survive without support measures, leading to the loss of important care to our most vulnerable citizens. We cannot allow a collapse of service providers during this critical time."



Every not-for-profit, if they haven't already, should review their financial position and viability, their social impact and their capacity to deliver in order to remain relevant and viable both now and into the future. The following are key areas Australian charities should prioritise.

## Your Social Impact: Why Do You Do What You Do?

It is fair to say the conditions being faced now are challenging for well resourced corporate organisations, small businesses and not-for-profits. This situation will test even the most experienced team let alone charities which are often under-resourced and often do not have the breadth of skills and experience needed to face some situations.

Now is the time to review your vision for social impact—the reason your charity was formed and the impact you are trying to have in your community. You need to ask if it is still relevant and whether you are delivering to the needs or you have broadened and lost focus. Does your social impact need to change? In addition to informing decisions on finances and capacity, this helps ensure that your work remains relevant. Many organisations have had to shift the way they deliver programs and services, forging new partnerships to extend their reach and impact, or using this moment to advocate for systemic change. If you have changed, or you have seen other similar charities successfully adapt, what can you learn and would it help your charity's sustainability?

Another important consideration is how you frame the value of your work in the current context—why your mission matters now—to rally donors, engage partners, and motivate staff. For example, although social distancing guidelines have disrupted many charities and the services offered the need still exists and the services will be a very important part of Australia's recovery from the crisis. As with many other issues, this crisis also highlights, and will likely exacerbate, the disparities that already exist in access to services.

## Economic Viability: How Do You Fund What You Do?

Charities need to be financially viable to deliver impact. Being sustainable means having predictable and reliable revenue, expenses that align to expected revenue, sufficient cash on hand to cover routine and emergency needs, and processes in place to monitor risk, financials and plan for contingencies.

The increase in demand for services, coupled with significant disruptions to funding streams (either fundraising or revenue generation) is playing out now in real time. A recent survey from the [Nonprofit Finance Fund](#) in the United States of America found that approximately 60% of not-for-profits are experiencing destabilising conditions that threaten their long-term financial stability, and a further 4% (64% in total) expect to experience continued threats in the months ahead. Charity leaders need to prioritise the following activities to mitigate this risk now.



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- **Assess your cash flow.** Liquidity is critical and ensuring your cash management is under control is an urgent priority. Charities must ensure they fully understand their monthly operating expenses, how much cash they have on hand and also assess how diverse their donor base is. There may be limited options at the moment to look for new funding streams but it is extremely important you understand how much you rely on your current sources of revenue, including individual donors, so you know how to respond if any of those funding sources reduces or goes away.
- **Scenario planning.** An excellent risk management practice is scenario planning. Whilst nobody knows exactly what the future holds the economic forecast is bleak. The [Grattan Institute](#), along with standard scenario planning, provides a best case, likely case and worst case scenario. The reason for this is to enable planning to occur now before any of those scenarios play out. Understanding the potential scenarios will allow you to develop clear plans for how you will respond to each one if it happens. You should leverage external data and prior experience to try to make a reasonable set of assumptions and focus on the things you can control to give your charity the best possible outcome. In some scenarios, sustaining impact over the long term may mean scaling back in the short term or even merging, as detailed in our recent article "[Post Pandemic Survival - Tips for Charities on the Brink](#)".
- **Be transparent with your donors and stakeholders.** Make sure your donors understand the situation you are in and what you need. Ask them direct questions about their plans and intentions so that you can get some sense of the reliability of your revenue streams. Similarly, to help gauge the predictability of earned revenue streams (such as fees for services, ticket sales, or memberships), consider talking to customers and/or members to better understand whether they plan to engage with you in the months ahead. Many charities, and small businesses, are finding success in asking customers or members to donate pre-paid fees for cancelled services and events to help programmes and services they care about continue in the future.

## Capacity to Deliver: What Supports What You Do?

Delivering social impact requires talent, systems, and processes. In response to stay-at-home orders across the world, organisations have had to shift to virtual operations, Meanwhile many have experienced a dramatic decrease in earned revenue from events and giving from donors. Each charity will have different capacity needs but it is important to note the following four core areas for sustainability:



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- **Leadership.** Strong leaders who are capable of making quick decisions when required in ever changing situations often help organisations to remain resilient in challenging times. An executive team who already function well will be important, or is needed urgently, as is frequent and open communications with staff and volunteer workers. Sound governance practices help build and maintain the kind of trust a productive culture requires. This situation requires leaders to recognise the full humanity of workers and model authenticity and vulnerability; as spoken about at length by Brene Brown and articulated in this [2019 Forbes article](#).
- **Adaptability.** There have been great examples from charities and small businesses of innovation and adaptability. Charities should consider any possible changes in client needs, behaviours and the operating environment over the next six to twelve months and how you could respond. Setting short-term financial and social impact goals, along with plans for what your charity will do if you do not meet those goals. As you consider innovative options and solutions, consider experimenting with [lean startup methods as detailed in this Harvard Business Review article](#). This approach allows charities to reduce the time to launch whilst still balancing risk and customer-centric design principles.
- **Collaboration.** Charities should consider whether there are opportunities and benefits in coming together to boost social impact. If you consider collaborating, either temporarily or for the longer term, you should ensure the collaboration is clearly articulated in each charity's culture, the resources tasked with operationalising the arrangement have the skills to achieve the desired outcome and leaders in both organisations role model the collaborative behaviours required.
- **Technology.** If the pandemic has taught us anything it has been how well we can operate with the technology available. In February 2020 [Salesforce published their latest non-profit trends report](#) which found that 85% of not-for-profits say technology is important to their long-term success, yet only 23% have a long-term strategy or vision for how they will use technology. Technology, as a resource, is critical to business continuity now and will remain critical during recovery—both for data-informed decision-making, and as a method of delivering services at lower cost and greater scale.

## Staying True to Your Purpose

The speed and evolving challenges and responses over the past two months has left many charity leaders feeling exhausted and overwhelmed. Just as this crisis has caused many individuals to gain perspective on the things that matter most, charities should use this time as an opportunity to bring that same lens to your organisation. Anchor yourself in why your charity does what it does, and use that as your guide post to help determine what you need to support that vision, both financially and in terms of your required resources.



# The Impact Suite

The Impact Suite was founded with a view that all social impact organisations, irrespective of their location or size, should have access to the best experts and ideas in order to maximise their impact for our community. Too many organisations struggle with limited resources, meanwhile stakeholders and donors tend to focus on simple measures like 'administrative expenses' while missing the value of impact. With founders from all aspects within the sector including charity founders, board/committee members, consultants, technology developers, and analysts - we have developed a proprietary Social Impact Rating which focuses on governance aspects and social impact of Australian charities.

The Impact Suite's proprietary Social Impact Rating is only for Australia Charities and other social impact organisations. We have extensively researched and consider 5 key factors important to an organisation's sustainability and effectiveness in order for them to make a difference in our community. The Impact Suite has taken the symbolism of the lotus flower and used it as a vital measure of an organisation's sustainability with each petal representing the 5 key success factors - Purpose, People, Process, Impact and Review. The Social Impact Rating helps anyone instantly identify good organisations.



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