Australia and NGOs

NGOs in Australia, similar to NGOs in other countries, represent a diverse mix of organizations pursuing a range of purposes (Aid Watch, 2008). As of 2009, there were over 100 Australian NGOs, focusing on development both in Australia and overseas. While the term NGO is not always used consistently, it typically refers to non-state agencies; citizen movements independent of government. NGOs are also typically nonprofit organizations, funded by governments, philanthropic foundations, businesses, or individuals.

As nonprofit organizations, practical matters facing NGOs, such as fundraising, impact on their work, ‘raising issues of financial and political independence and sustainability’ (Aid Watch, 2008). In 2008, donations to Australian NGOs by philanthropic individuals and organizations represented 76% of money raised by the sector (Aid Watch, 2008). However, some NGOs rely on government funding, raising questions regarding their independence from government. More recently, various NGOs have pursued self-funding models to establish both political and financial independence. Models such as social enterprise are becoming increasingly popular in the third sector, whereby commercial activities are undertaken to fund an NGO’s social objectives (Dees, 1998).

For Australian NGOs seeking financial support, the Government has established the Australian NGO Cooperation Program (ANCP). In order to qualify for the ANCP funds, NGOs must be accredited by the Department of Foreign Affairs and Trade.

The accreditation process aims to provide the Department and the Australian public with confidence that the Australian Government is funding professional, well-managed, community-based organizations that are capable of delivering quality development outcomes (Department of Foreign Affairs and Trade, 2016).

In the 2015 financial year, funds provided from the ANCP to NGOs totalled $133.6 million.¹ For the 2016 financial year, estimated funding has been reduced to $127.3 million (a 4.5% decrease). One NGO that receives support from Government under this program is Australian Red Cross.

¹All amounts expressed in A$, where A$1 = approximately US$.71 as at 1 March 2016 (Reserve Bank of Australia, 2016).
NGO of Focus: Australian Red Cross

Australian Red Cross is a member of the International Red Cross Red Crescent Movement (Red Cross)—the world’s largest humanitarian organization, operating in over 190 countries (Australian Red Cross, 2016). Comprised of members, staff, and volunteers, the NGO’s mission is “to prevent or reduce human suffering wherever it is found”; “no matter who you are, no matter where you live” (Australian Red Cross, 2016).

Globally, Red Cross helps tens of millions of people around the world each year. As part of this network, Australian Red Cross cares for local communities both nationally and abroad. In East Timor, it works on sanitation and in Papua New Guinea on medical care. At home in Australia, one of its activities is providing school children with a good breakfast.

Under the banner of disaster relief, health, and social programs, the organization’s range of services includes providing shelter, food, and medical help, assisting victims of natural and man-made disasters both within Australia and the Asia-Pacific region (Australian Red Cross, 2016). Protecting the lives and dignity of victims of war and other situations of violence by providing them with assistance, daily phone calls to the elderly living alone, budgeting advice for those facing financial challenges, assistance to those affected by bushfires and floods; Australian Red Cross aims to nurture and support communities. The organization also provides first aid training courses and manages a nation-wide blood donation service, encouraging wider public involvement in community well-being; “motivating the next generation to make their community a better place” (Australian Red Cross, 2016). The Red Cross of Australia is often among the first and last organizations to provide assistance when disaster strikes (Australian Red Cross, 2016).

Aiming to create sustainable solutions with “a new determination,” Red Cross is “impartial, neutral, and independent,” providing help for people in need “regardless of nationality, race, religious beliefs, class, or political opinions.” As keepers of the Geneva Convention, the organization talks “to military, government, and militants alike” (Australian Red Cross, 2016). The organization’s fundamental principles that guide its mission include humanity, impartiality, neutrality, independence, voluntary service, unity, and universality. These principles reinforce Australian Red Cross’ history (humanity)—being founded in the early days of World War I—and its NGO status (independence and neutrality).

Background and History

In 2015, Australian Red Cross celebrated 100 years of operations. Established by the wife of Australia’s then Governor-General nine days after the outbreak of World War I, she “transformed the ballroom of her residence into Red Cross headquarters for the duration of the Great War” (Australian Red Cross, 2016). While the organization had established a strong connection with older generations of Australians due to its valued presence in assisting those affected by war (World War I and II in particular), it has forged ties with younger generations of Australians and support for the Red Cross continues. Calls for financial assistance were responded to positively by the Australian public, with donations of $107 million in 2015, supporting victims of floods, bushfires, and the Nepal earthquake (Australian Red Cross, 2016).
Funding

The organization’s main funding source was “strategically sought government funds,” (Australian Red Cross, 2016) representing $793.7 m (82%) of the Australian Red Cross’ revenue in 2015 (down from $936.9 m in 2014). Other sources included donations, bequests, and sponsorships, sale of goods and services, and nongovernment grants. The two main areas of expense related to the organization’s blood service and humanitarian services.

Community support plays a critical role in enabling both our everyday work and disaster appeals (Australian Red Cross, 2016).

As noted by the Chief Executive Officer and Chief Financial Officer, however, this financial data do not reflect “the critical human element, along with the in-kind support…vital in making our work possible” (Australian Red Cross, 2016).

In 2015, the Australian Red Cross’ expenses exceeded its revenues resulting in an $8.7 million deficit (compared to a $28 million surplus in 2014). This was due in part to a reduction in government funding for services to asylum seekers. The organization’s focus was to be a strong, innovative, accountable, and sustainable organization, “keen on ensuring long-term financial sustainability” (Australian Red Cross, 2015). One way of achieving this involved adopting a social enterprise model for various programs such as the operation of retail shops and disability employment services (Australian Red Cross, 2015). This more commercial approach enabled more secure revenue streams, and one program being considered for this model within the Australian Red Cross was its Indigenous training and employment program.

Focus of the Case: Indigenous Training and Employment Program

Combining the organization’s mission of helping those in need, while also pursuing financial sustainability, the Australian Red Cross looked for commercial approaches to address social needs. This was particularly important for the organization’s Indigenous employment and enterprise portal, given a change in the terms of government funding. The pilot project was introduced in 2012 to provide training and employment services to Brisbane’s Indigenous community.2

The program had been funded through a combination of government grants and private sector in-kind contributions (on-site training) to assist unemployed Indigenous Australians (re-)enter the workforce; giving people a gradual, supported entry into employment. The program was headed by Shannon Bowe, State Manager—Aboriginal and Torres Strait Islander Strategies and Engagement. However changes in government funding arrangements at the end of the first year meant ongoing funding of the program was largely subject to successful outcomes (full-time employment placements for a percentage of current year trainees), rather than service provision. While the first two

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2 Indigenous Australians, Aboriginals, made up 3% of the country’s population (Australian Bureau of Statistics, 2014). However they experience higher unemployment levels, and lower education and health levels, compared to the national average; and often live in remote or rural areas.
years of the program were considered successful, year three proved more challenging. Although 30 people had been successfully placed into full-time employment, the target was significantly higher (120). As such, the future of the program remained uncertain, Shannon began searching for alternative business models such that government funding was not required. While Government funding was still available, Shannon noted much of this risk was pushed down to the service provider (with funding being dependent on meeting agreed targets). Hence there was an acknowledgement of the need for other revenue sources to enable quality service and employment outcomes through the program.

Involving both general and targeted employment training with the assistance of a number of local businesses, the program had made a loss of $150,000 in its third year. Despite the financial loss, Shannon was eager to reflect on learning and look for a more viable model, in particular one which was financially sustainable and replicable.

Shannon had been employed with the NGO for six months, and prior to that, had worked in both public and private sector in Indigenous education and training employment roles. He had first-hand experience regarding the private sector company initiatives where funding was available (internally generated), and benefits were generated for both society and company (through positive public relations). He had also been involved in public sector programs where the social needs were clear, but the resources were not always readily available. Similarly, as part of a not-for-profit organization such as the Australian Red Cross, however, resources were also tight.

While the term “not-for-profit” was widely recognized, the importance of also being “not-for-loss” was acknowledged in order to be financially sustainable. Although profit was not expected immediately from new programs, concerns were raised regarding initiatives that required substantial ongoing investment without showing prospects of financial returns in the future.

Noting the organization’s reliance on Government funding, and sharing of funding within the Australian Red Cross through cross-subsidization of programs, Shannon was seeking alternatives that removed the uncertainty accompanying ongoing government funding conditions. Shannon noted the organization did not tend to diversify into revenue streams outside of Government. Yet, this option potentially offered increased financial security.

**Opportunities and Challenges**

Among the challenges noted was the need to communicate the benefits of the program and gain buy-in from other businesses. Demonstrating and communicating the positive outcomes from the program was considered a key challenge, as well as identifying prospective stakeholders and understanding their needs.

**Current Approaches to Social Reporting**

Regarding communication of social performance based on current reporting, the project had one internal report that briefly outlined project details and basic project costings. Limited resources (in particular, money and staff) were noted, and Shannon was unsure how performance could be better communicated. In particular, he was aware that increasingly, investors were wanting to see how the program would make a difference, and the underlying processes to achieve this; a convincing business case.
Essentially Shannon was unsure who the program’s target audience for reporting and potential future stakeholders (e.g. partners and funders) may be, and what information would be most useful to them. He recognized program benefits beyond immediate employment existed, such as trainees having the confidence to apply for jobs and potentially be employed subsequent to participating in the training program. However, this information had not been formally communicated. Thus, articulating the range of benefits generated from the program, beyond full-time employment (e.g., trainees being assessed for skill levels at the beginning and end of the program to monitor personal development) was necessary.

In particular, the program had monitored the progress of individuals (both soft skills, such as confidence and aspirations, and technical skills). However, government funding was dependent on outcomes (employment), rather than outputs such as personal development of the individuals involved. The challenge of stretch targets was noted as impacting on staff morale. However, addressing this issue through communicating the positive outcomes of the program was also considered an opportunity to gain wider support and buy-in from other investors or stakeholders.

Given the ongoing funding uncertainties, the program was being wound up at the end of year 3. Staff on the project has been reduced from six to just one person. However, despite funding challenges, Shannon was confident the program had generated important benefits, and addressed a social need.

Opportunities for new funding to recommence the program included partnering with other programs or departments in the organization, or partnering with external organizations (either for-profit companies or industry bodies representing a number of for-profit companies). Red Cross was accredited as a registered training organization,3 and within the organization there were other departments that might be able to align with the program. Opportunities were identified in terms of social and community services that Red Cross provided, and could train new people to deliver. This was also considered a growth industry for Australia in general (due to an aging population), and a good strategic fit given Aboriginal and Torres Strait Islander people may prefer to receive these services from professional people they identify with. Hence, providing training, while linking into the broader sector, and also meeting Red Cross’ workforce needs was considered a valuable opportunity. Yet the challenge of having a critical mass, sufficient demand for and supply of trainees in any particular industry, was also noted.

Membership fees or a similar “user pays” system had been considered, whereby private sector companies would pay Red Cross to participate in the program, and benefit from having qualified trainees graduating from the program. However, while Shannon had identified a number of potential opportunities, relationships and networks to pursue, these opportunities were yet to be developed. Further, without ongoing funding, there were limited resources to pursue and develop these opportunities unless clear buy-in from other parties was obtained. The challenge for Shannon was deciding how to proceed.

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3 Organizations certified by Government (Australian Skills Quality Authority) to provide vocational education and training (e.g. nationally recognized certificate and diploma qualifications).
References


Overview

The case focuses on the Australian Red Cross, part of the International Red Cross Red Crescent Movement. In particular it explores challenges experienced by its Indigenous training and employment program and considers opportunities for this program to adopt a social enterprise (commercial) business model as a pathway to financial security and sustainability.

Discussion Questions

1. What are some of the challenges NGOs face regarding funding?
2. What are some of the opportunities for not-for-profit organizations in adopting a social enterprise model?
3. What are some of the challenges for not-for-profit organizations in adopting a social enterprise model?
4. Should government funding be based primarily on outcomes?
5. How could Shannon Bowe communicate the value created/outcomes being achieved?
6. What should Shannon Bowe do next?
Overview

The case focuses on the Australian Red Cross, part of the International Red Cross Red Crescent Movement. In particular it explores challenges experienced by its Indigenous training and employment program and considers opportunities for this program to adopt a social enterprise (commercial) business model as a pathway to financial security and sustainability.

The case highlights the challenges of not-for-profit organizations with respect to securing funding and explores social enterprise as an alternative to a nonprofit model. The case concludes by outlining a number of alternatives, leaving readers to consider which alternative(s) should be pursued.

Discussion Questions, Issues, and Suggested Teaching Plans

1. What are some of the challenges NGOs face regarding funding?
   Uncertainty, reliance on others, including government and terms they may impose. These issues are relevant to both the Australian Red Cross as a whole (e.g. decrease in funding for asylum seeker services) and its Indigenous training and employment program.

2. What are some of the opportunities for not-for-profit organizations in adopting a social enterprise model?
   Financial independence, flexibility of untied funding (i.e., funds that are not required to be allocated for a specific purpose or program), and nonconditional funding.

3. What are some of the challenges for not-for-profit organizations in adopting a social enterprise model?
   Commercial business risks then become relevant, including operating in a competitive market and managing the challenge of establishing financially sustainable operations. Psychologically, the challenge of effectively adopting a commercial mindset becomes relevant. However, there is also the risk of mission drift, such that financial performance distracts the organization from its social performance (see Dees, 1998).

   Note: Classes can be divided into two groups, with each group focusing on either question 2 or 3. Presentations from each group can then be made to help students compare and contrast the opportunities and challenges of a social enterprise model.

4. Should government funding be based primarily on outcomes?
   A results-based approach is perhaps consistent with new public management principles (a more businesslike approach to public sector operations). However, as noted in the case, it also presents added challenges of satisfying government's funding requirements, creating a high level of financial risk for the organization, and uncertainty regarding the sustainability of the program.
As noted by Shannon Bowe and Dees (1998), there is a risk of focusing solely on results, as this may obscure important progress being made, even if ultimate outcomes are not immediately achieved. It would be interesting to compare the results of any similar programs managed by Government or other organizations, to evaluate how realistic/attainable these targets are in practice.

5. How could Shannon Bowe communicate the value created/outcomes being achieved?
There are a number of reporting approaches adopted by third sector organizations such as social return on investment (SROI), and balanced scorecards. However, there are limited formal reporting requirements for not-for-profit organizations and social enterprises in Australia, and thus limited comparability. Further, there are recognized limitations regarding approaches such as SROI and balanced scorecard (see Gibbon & Dey, 2011; Luke, Barraket, & Eversole, 2013). Arguably, documenting the range of outcomes is important, so that investors such as Government can understand the progress being made (outputs being achieved) rather than limiting their focus to one specific outcome (employment).
This is important for both Red Cross (internal understanding) as well as external stakeholders (e.g. government, potential investors) in order to gain a more complete understanding of the benefits generated.

6. What should manager Shannon Bowe do next?
There are a range of options available including internal versus external partnering; scaling up versus scaling down the program.
As noted by Shannon, partnering with other departments in the organization is possible. However, there tends to be a focus internally on Government funding sources, which then involves financial risk if Government support is withdrawn or subject to changing conditions.
Partnering with external parties presents a valuable opportunity, but requires co-ordination and sufficient capacity, so that there are economies of scale (i.e., the potential to train large groups of unemployed people).
Corporate social responsibility (CSR) initiatives from the private sector also seem to be a viable option, but again depends on identifying and co-ordinating with these organizations. This has been done quite successfully in some remote communities in Australia where large mining companies operate and conduct Indigenous training and employment programs as part of their operations (as noted by Shannon Bowe), representing a strategic approach to CSR (cf. Porter & Kramer’s 2006 notion of shared value within a strategic approach to CSR).

Additional Readings

The following readings can be used to complement the case, but are not strictly essential.
