

# Cutting through the rhetoric about not for profit innovation

September 2017

**Uniting**

# Contents

## 1. Why innovate?

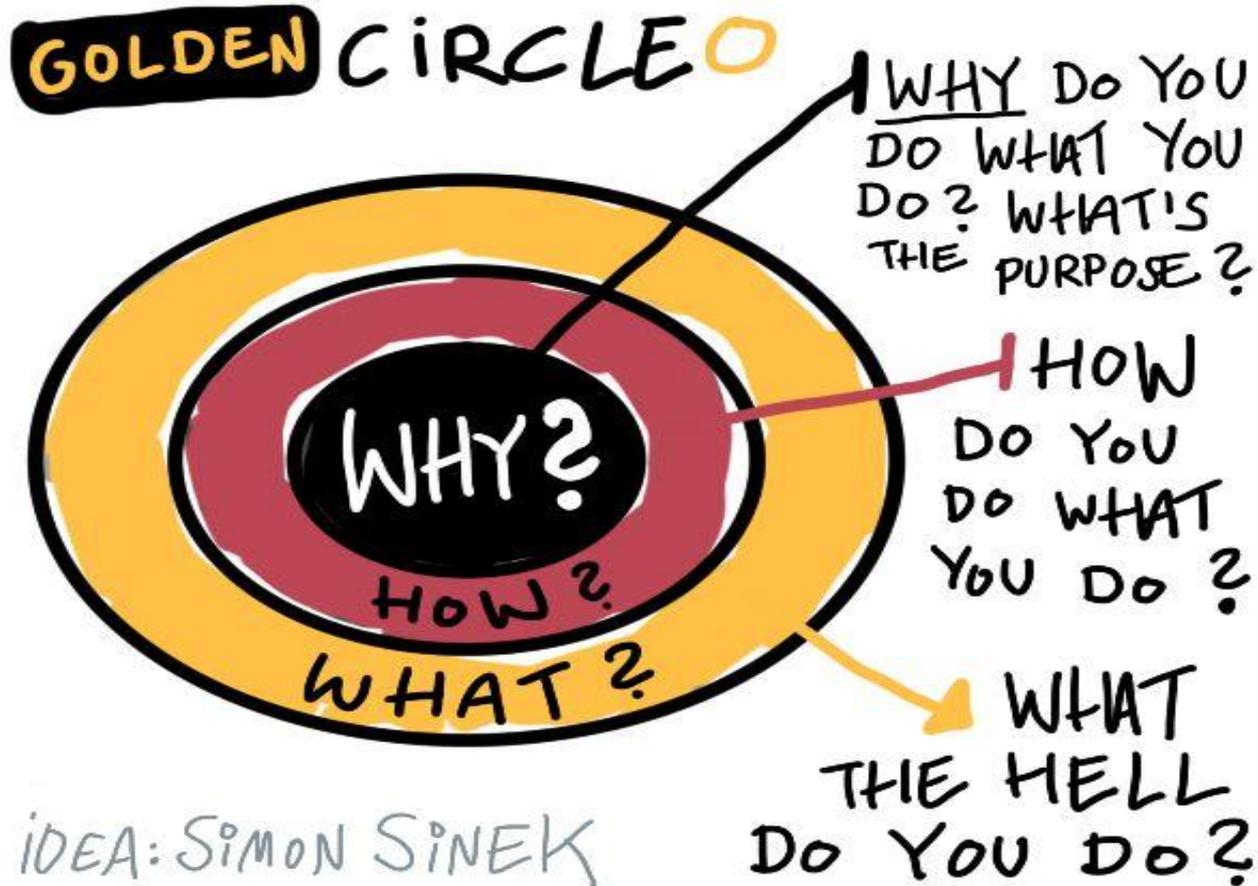
- Market and social changes

## 2. Innovation in Australia

- Not for profit and business performance

## 3. 5 tips for making sure innovations sticks

# The Golden Circle



Choluteca Bridge, Honduras, 1998



# Social context

**In spite of the investments in recent decades, disadvantage in Australia now and in the future is as significant an issue as 40 years ago**

Despite national priority given to **Indigenous disadvantage**, there is more than a decade difference in life expectancy and the disparity in employment outcomes is worsening

600,000 Australian children live in **jobless families**.

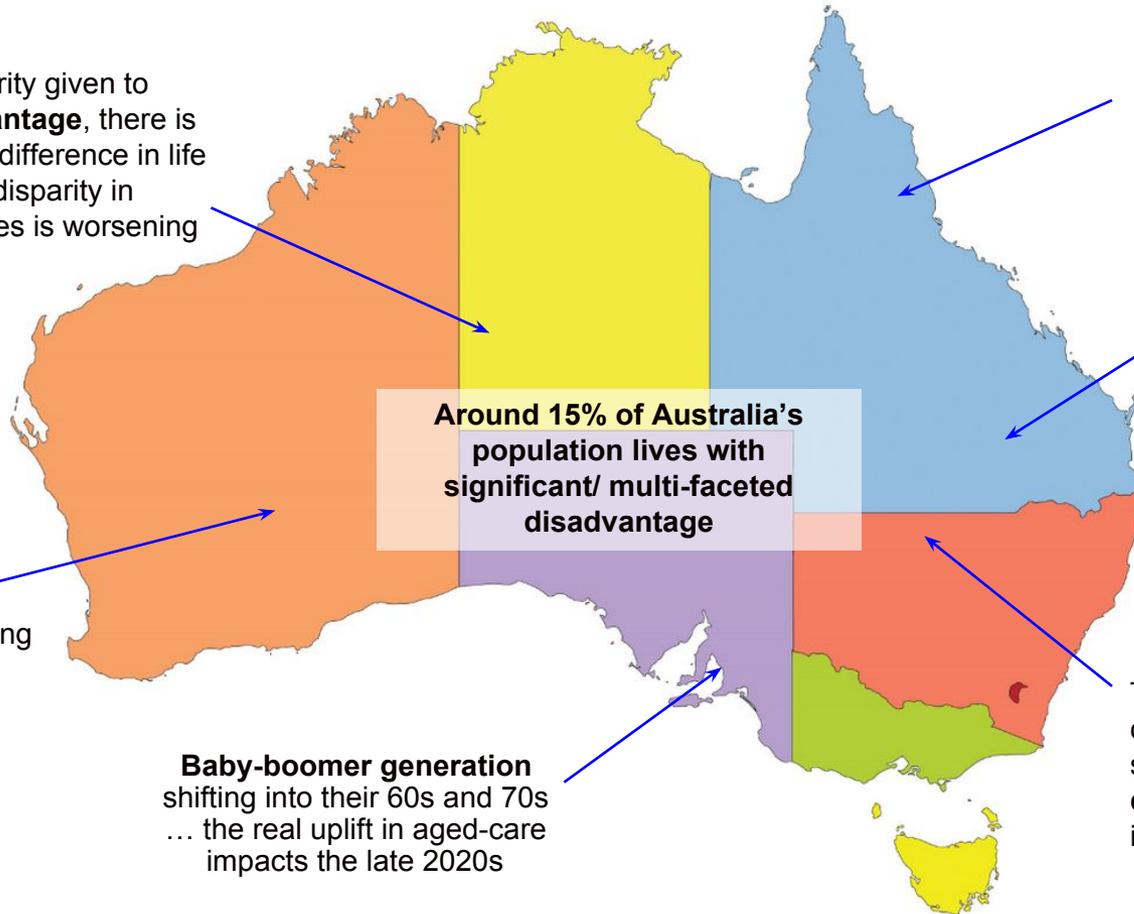
**Income and wealth inequality** continues to increase

**Around 15% of Australia's population lives with significant/ multi-faceted disadvantage**

Australia is half as successful as other OECD countries in finding employment for **people with a mental illness**

**Baby-boomer generation** shifting into their 60s and 70s ... the real uplift in aged-care impacts the late 2020s

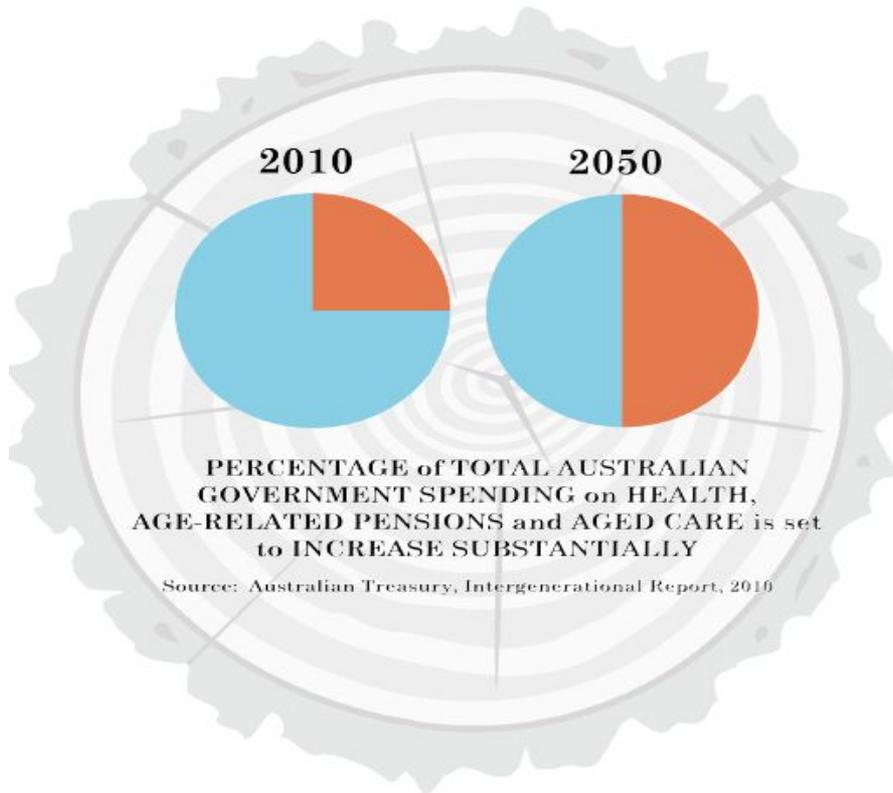
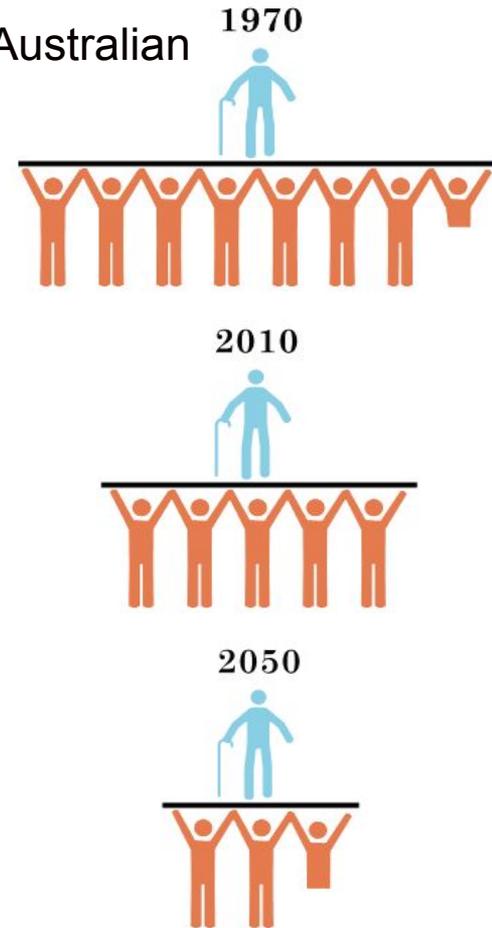
There has been little or no change in the location & situation of Australia's **most disadvantaged communities** in decades



# Demographic context

Financially, at least, the future looks bleaker. We have “run out of money.”

The number of working age Australians (15-64) per older Australian (65+) is decreasing from 7.5:1 to 2.5:1 over 80 years.



# Market changes



## Government Policy and Regulation

- Extent and speed of deregulation
- Role of Commonwealth vs states in regulation and funding
- Direct and indirect impact of shifts in policy and regulatory positions
- Evolution in procurement models



## Technology

- Medical and health advances
- Disruptive technologies (e.g. wearables, driverless vehicles, robotics, 3D printing) impacting delivery, demand and costs
- Remote and rural service delivery options
- Big data enabling analysis, co-ordination and service tailoring



## Consumer Choice

- Changing expectations of care, choice and flexibility
- Changing wealth profiles impacting choice of care
- Increasing diversity and complexity of consumer needs
- Demand for transparency
- Increasing demand for specialist services e.g. CALD



## Evolution in Delivery and Funding Models

- Output vs outcomes based funding
- Levels, type and flexibility of government funding driving new delivery models
- Research and evidence impacting need and type of intervention
- Localisation vs standardisation, and end-to-end models of care



## Competitive Landscape

- New market entrants - local, interstate, overseas and horizontal
- New entrants using disruptive delivery models
- Competitor consolidation and vertical integration
- Viability and role of niche providers
- New market dynamics and technology changing value of current delivery models



## Availability of workforce

- Demand for specialist skillsets (technical, linguistic, cultural)
- Cross-sector competition for skills
- Demographic impacts on the workforce - profile and availability (e.g. ageing workforce)
- Potential for shortages to lead to wage inflation
- Use and availability of volunteers, temporary and migrant workers

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## 3. 5 tips for making sure innovations sticks

# Australia must develop a culture of innovation

1.	United States	Year	USbn
	<b>Apple</b>	<b>1976</b>	<b>522</b>
2.	<b>Google</b>	<b>1998</b>	<b>508</b>
3.	<b>Microsoft</b>	<b>1975</b>	<b>412</b>
4.	Exxon Mobil	1870	321
5.	<b>Facebook</b>	<b>2004</b>	<b>311</b>
6.	Berkshire Hathaway	1955	310
7.	<b>Amazon.com</b>	<b>1994</b>	<b>298</b>
8.	Johnson & Johnson	1886	283
9.	General Electric	1892	266
10.	Wells Fargo	1852	250

	Australia	Year	USbn
1.	BHP Billiton	1885	110
2.	Commonwealth Bank	1911	94
3.	Westpac Banking	1817	72
4.	National Australia Bank	1893	51
5.	ANZ	1835	50
6.	Telstra	1901	48
7.	CSL	1916	35
8.	Wesfarmers	1914	33
9.	Woolworths	1924	22
10.	Macquarie Group	1970	18



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Source: Bloomberg Terminal Data as at 29 January 2016; KPMG Demographics

# Innovation is increasing across every capability

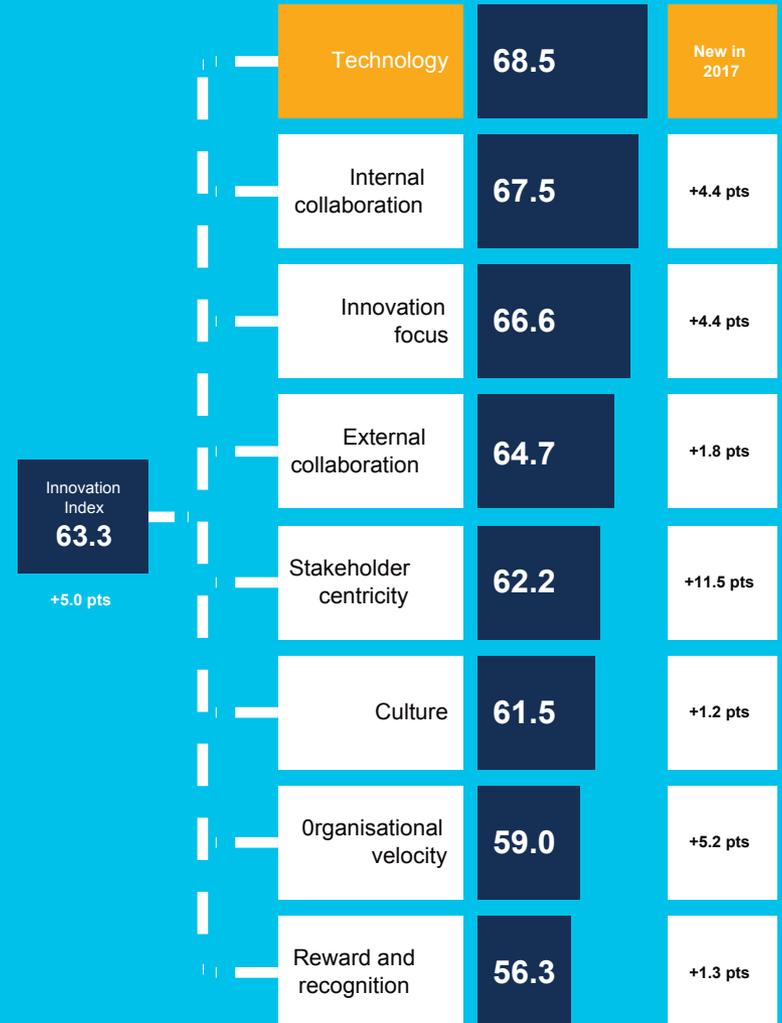
## YEAR-ON-YEAR IMPROVEMENT

There has been overall progress in the innovation journey of NFP organisations as well as an improvement in each vector score.

Globally, companies that survive and flourish are those which engage their customers in vibrant and ongoing relationships. The NFP sector has begun to notice this global trend and implemented stakeholder-centric strategies to create services, products and donation experiences that their donors relate to and enjoy.

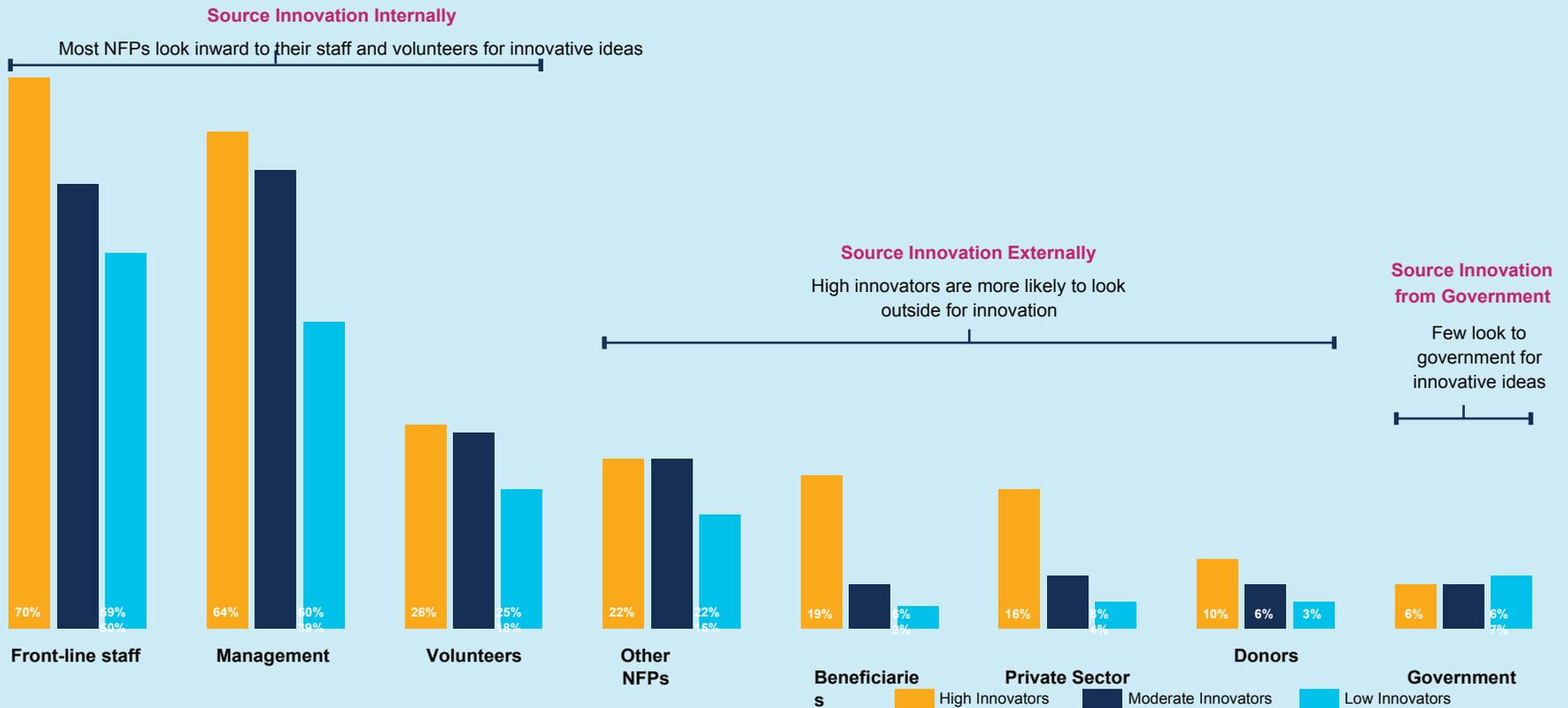
However, there is room for improvement across all vectors and some vectors require considerably more focus and attention. These include reward and recognition and organisational velocity for which the average vector scores remain less than 60 points.

The year-on-year improvement in the vector scores is promising for the sector. These scores show concerted efforts on the part of leaders to improve and develop innovation in their organisations.



# The most innovative NFPs look outside their own walls for new ideas

## SOURCES OF INNOVATION BY INNOVATOR SEGMENT

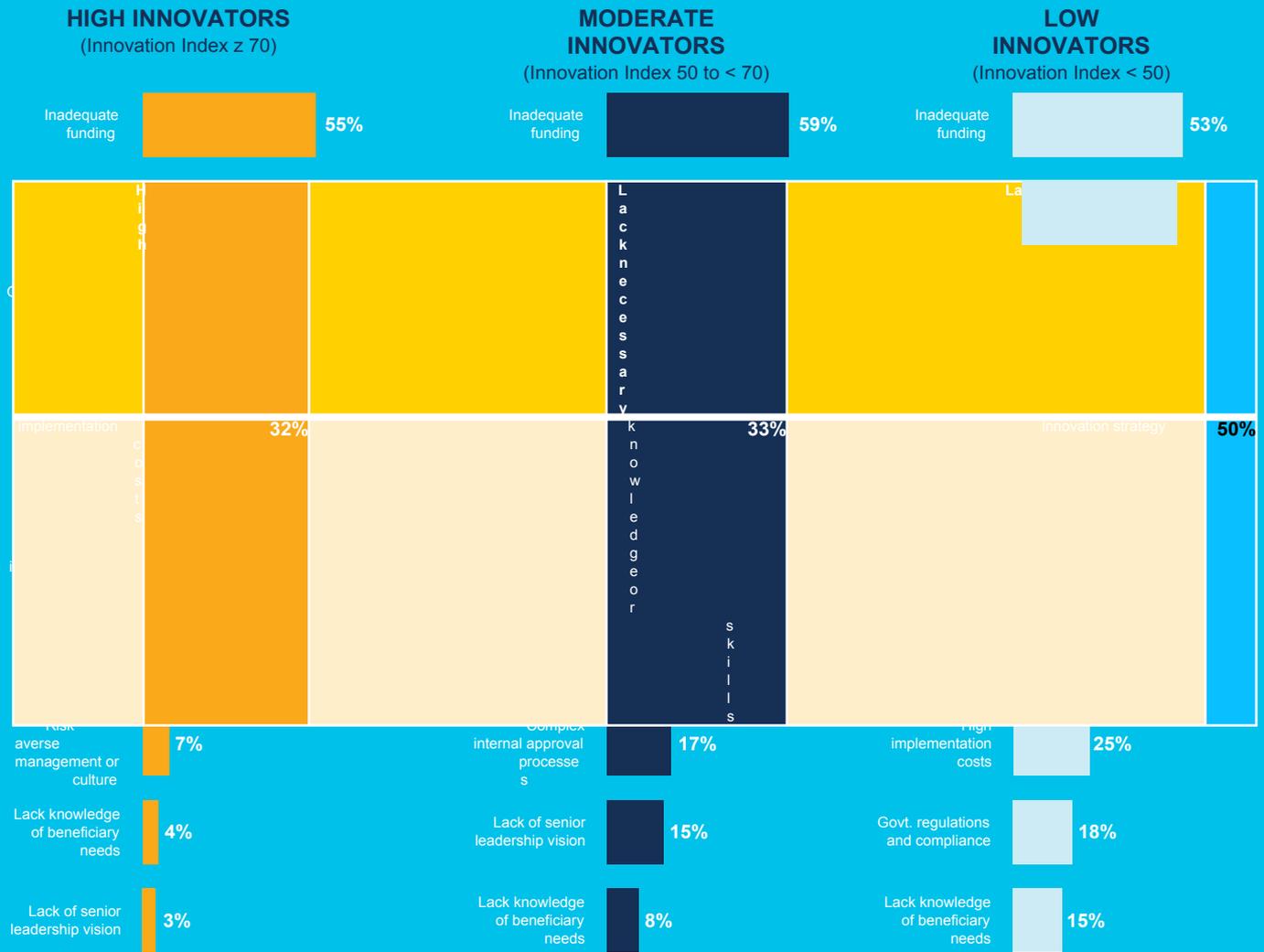


# For the third year in a row, lack of funding is perceived to be the biggest barrier to innovation

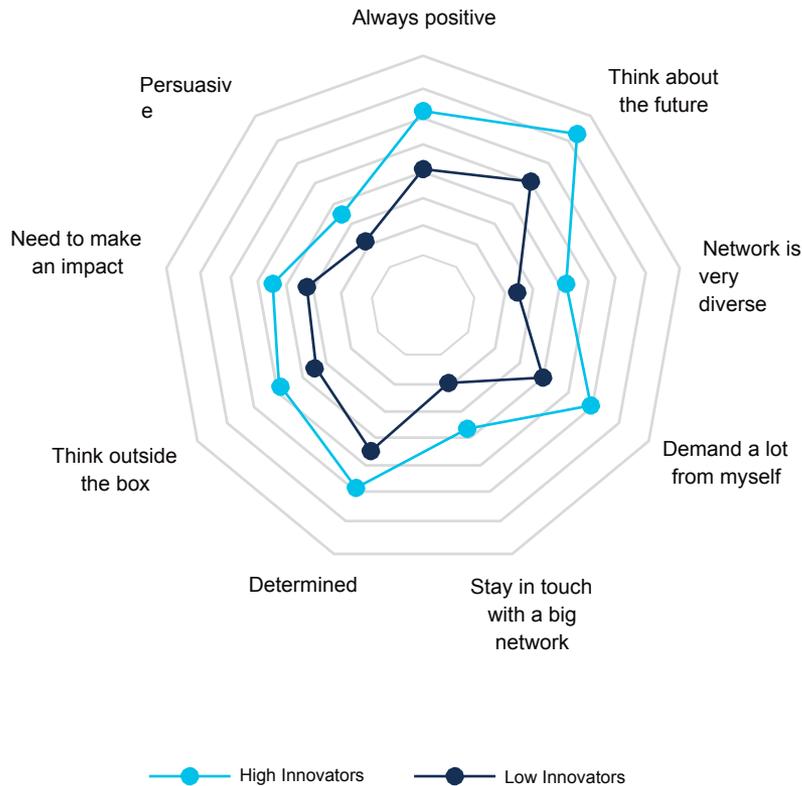
## BARRIERS TO INNOVATION

Access to funding is perceived as the biggest barrier to innovation, regardless of an NFPs' existing level of innovation. For Low Innovation organisations, the absence of a clear strategy and senior leadership vision are also major impediments. These impediments correlate with this segment's low score in the Innovation Focus vector (37.6).

A clear innovation strategy links innovation to the overall strategy of an organisation. Without a clear purpose and defined success metrics aligned to the organisation's goals, innovation will not flourish.



**SIGNIFICANT DIFFERENCES IN PERSONALITY PROFILE OF HIGH AND LOW INNOVATION NFPS**



# Innovative staff drive innovation within the organisation

**TRAIT ASSESSMENT**

People are the most valuable resource within any organisation. Respondents were asked to assess themselves against trait statements commonly associated with innovation and entrepreneurship.

Thinking about the future is the top personality trait selected by both High and Low Innovators, yet there is a 20% difference between the two (72% for High Innovators vs 52% for Low Innovators).

Interestingly, those working in High Innovator NFPs were significantly more likely to report that they connect with larger, diverse networks, think outside the box and stay positive.

Leaders in Low Innovator NFPs should foster these traits in their employees to support an innovation and growth mindset.

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## 3. 5 tips for making sure innovations sticks

# 1. Be clear on your purpose

*“What we have works – but needs improvement”*

**Sustain & Improve**

*“We want to develop and provide new kinds of services that work differently and take away services that are not adding value”*

**Add & Subtract**

*“We think we’re working within the wrong paradigm. We want to explore very different ways of doing things”*

**Disrupt**

## **One-off**

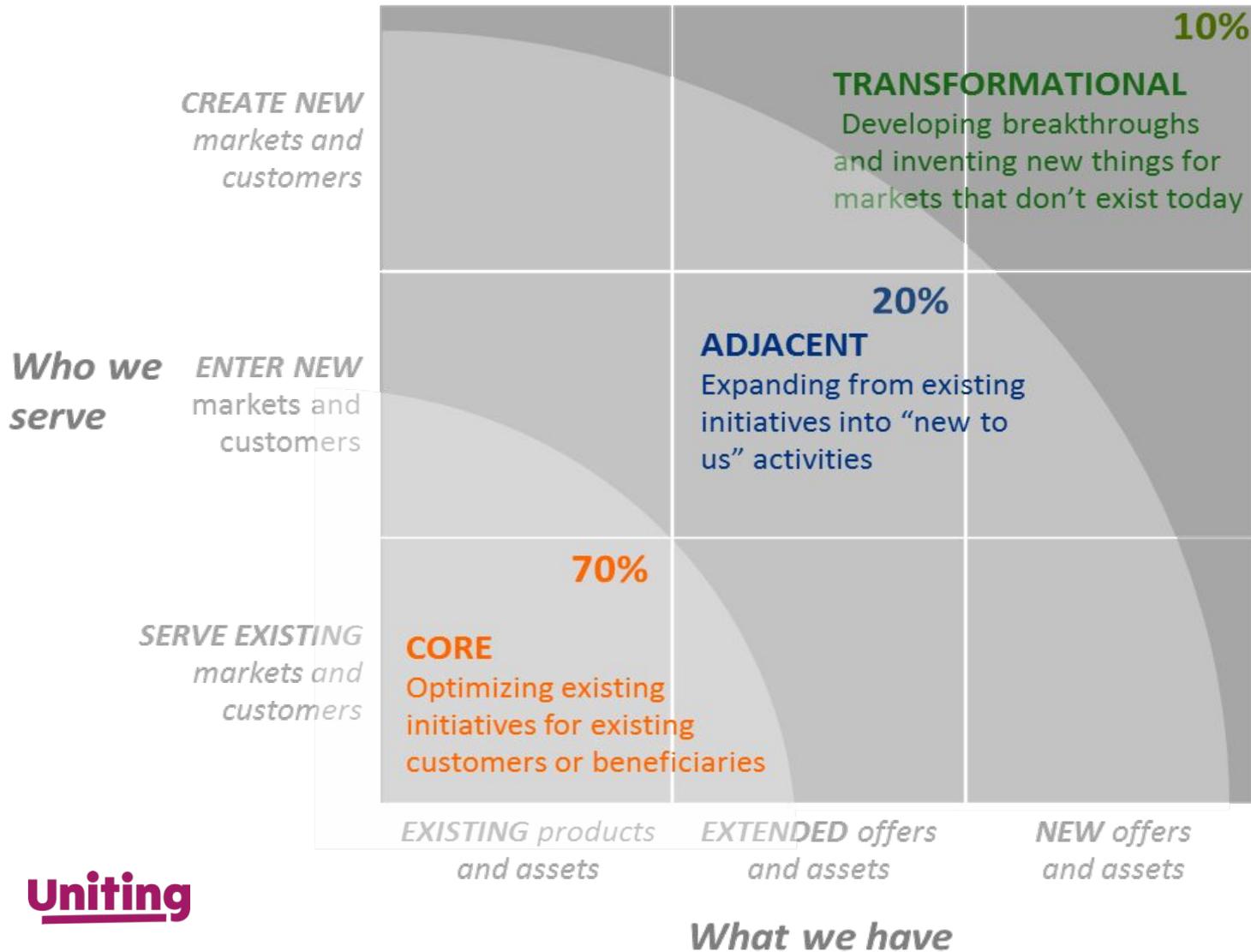
*“We only want to do this once at this stage – to fix a problem or try it out”*

## **Ongoing**

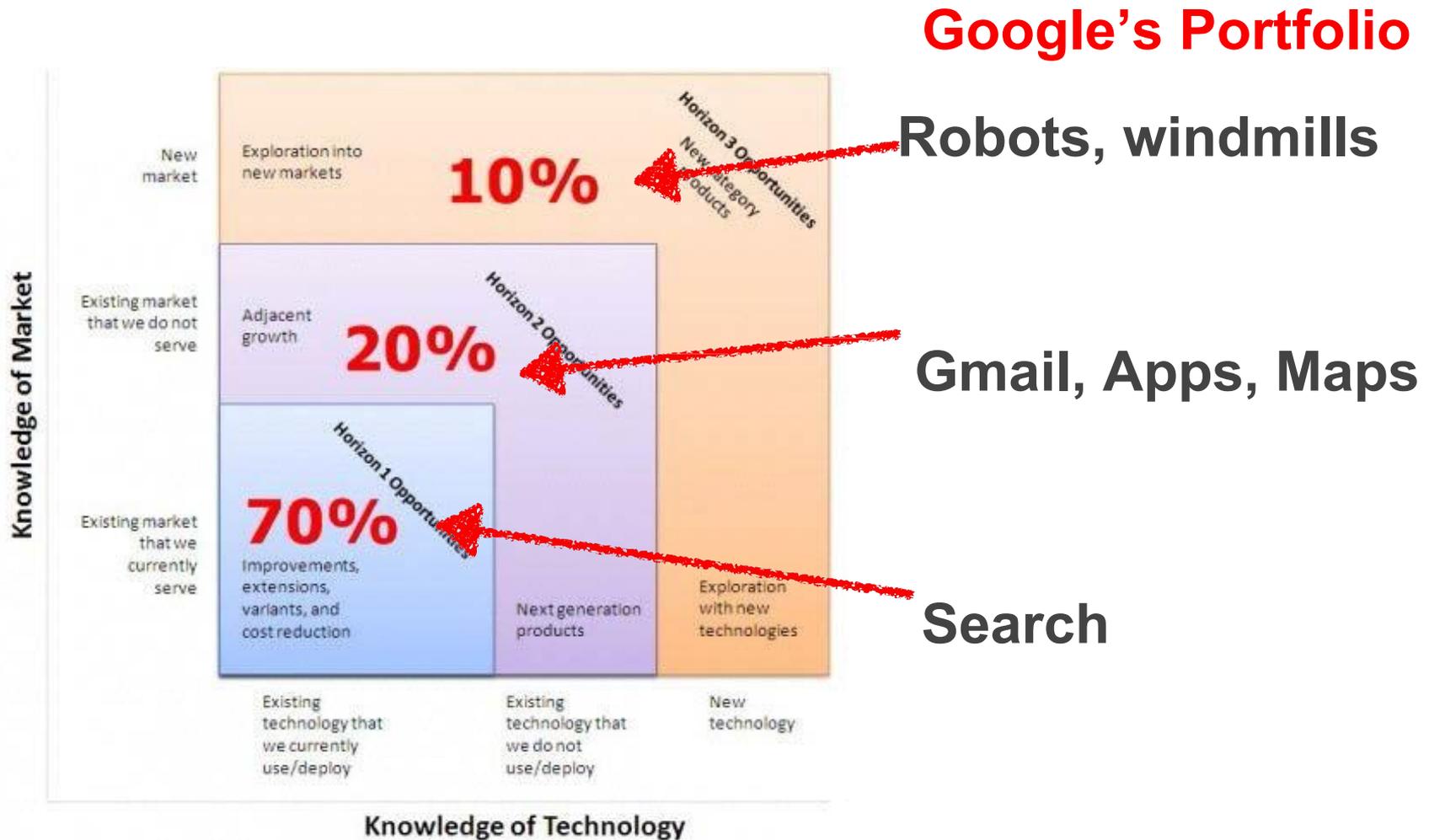
*“We want this to become an ongoing part of what we do in this organisation/department”*

# 2. Be a disciplined dreamer

Deloitte Growth Assessment framework



# 3 Horizons model



### 3. Remember you are the biggest risk

**Just  
ideas**

*Just  
new*

**Naming and  
testing  
assumption  
s**

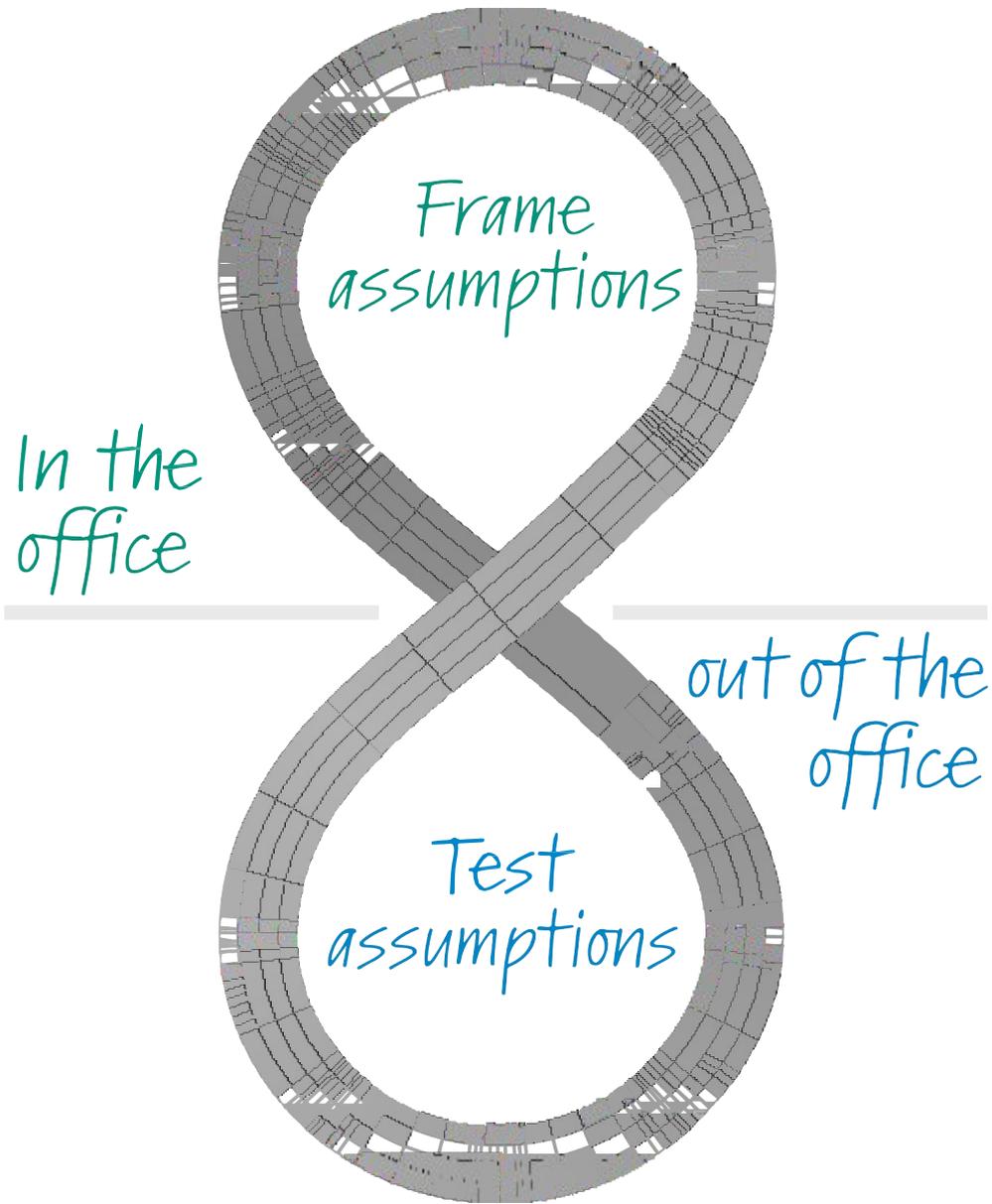
*new + better*



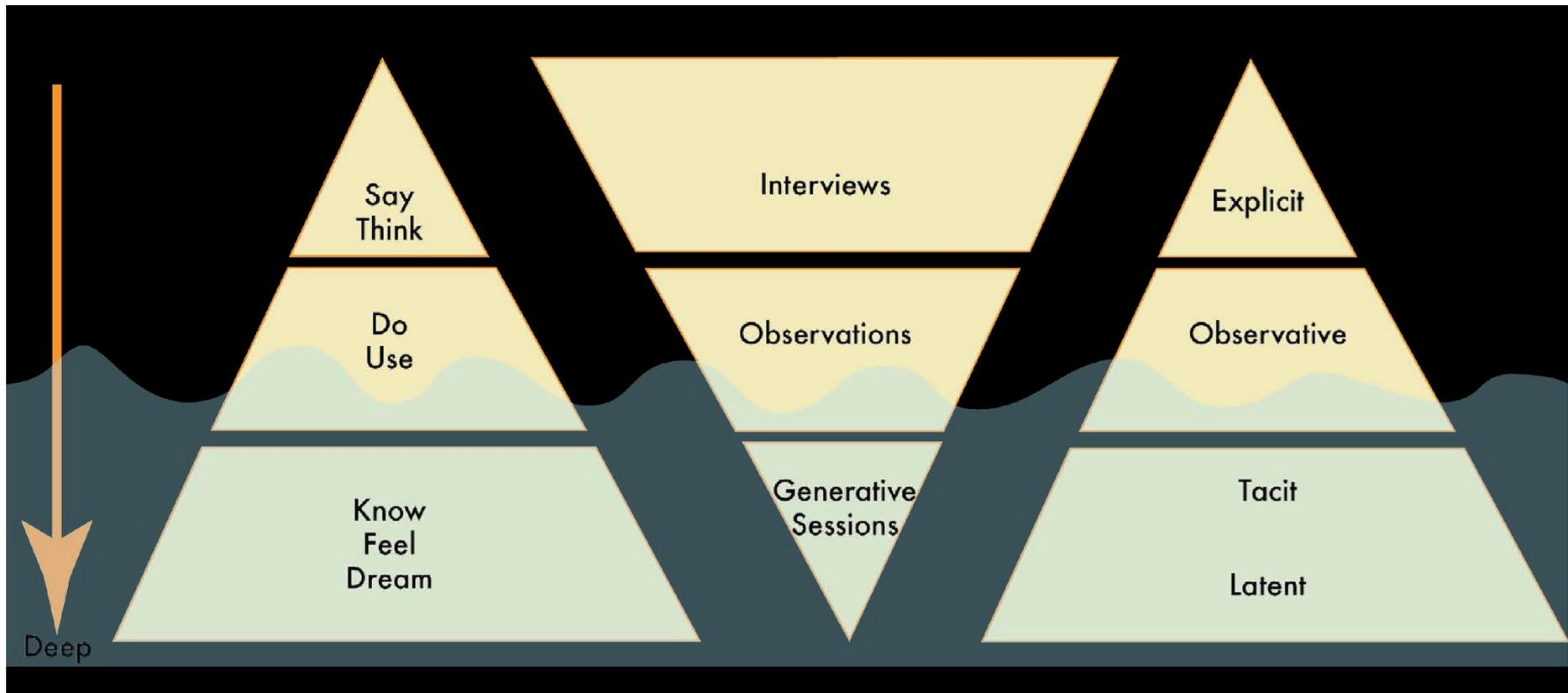
**Life  
Experience**

**Professional  
Experience**

**Unley**



# Going deeper than talk



# 4. Don't let your organisation kill it



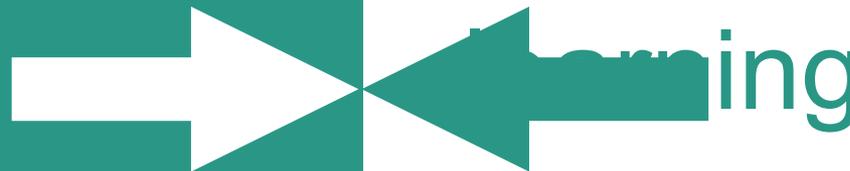
**Performance work**

efficient  
delivery



**Innovation work**

efficient  
learning





<b>Success</b>	<i>On time &amp; targets</i>	<i>Learning</i>
<b>KPI's</b>	<i>Service delivery</i>	<i>Validated assumptions</i>
<b>Project Management</b>	<i>Waterfall</i>	<i>Time boxed / agile</i>
<b>Funding</b>	<i>Annual</i>	<i>Staged</i>
<b>People doing the work</b>	<i>1 FTE on a project</i>	<i>Small interdisciplinary teams</i>

Adapted from: Govindarajan & Trimble

**Unknowns**

**Knowns**

**Discovering**

**Designing**

**Trialling**

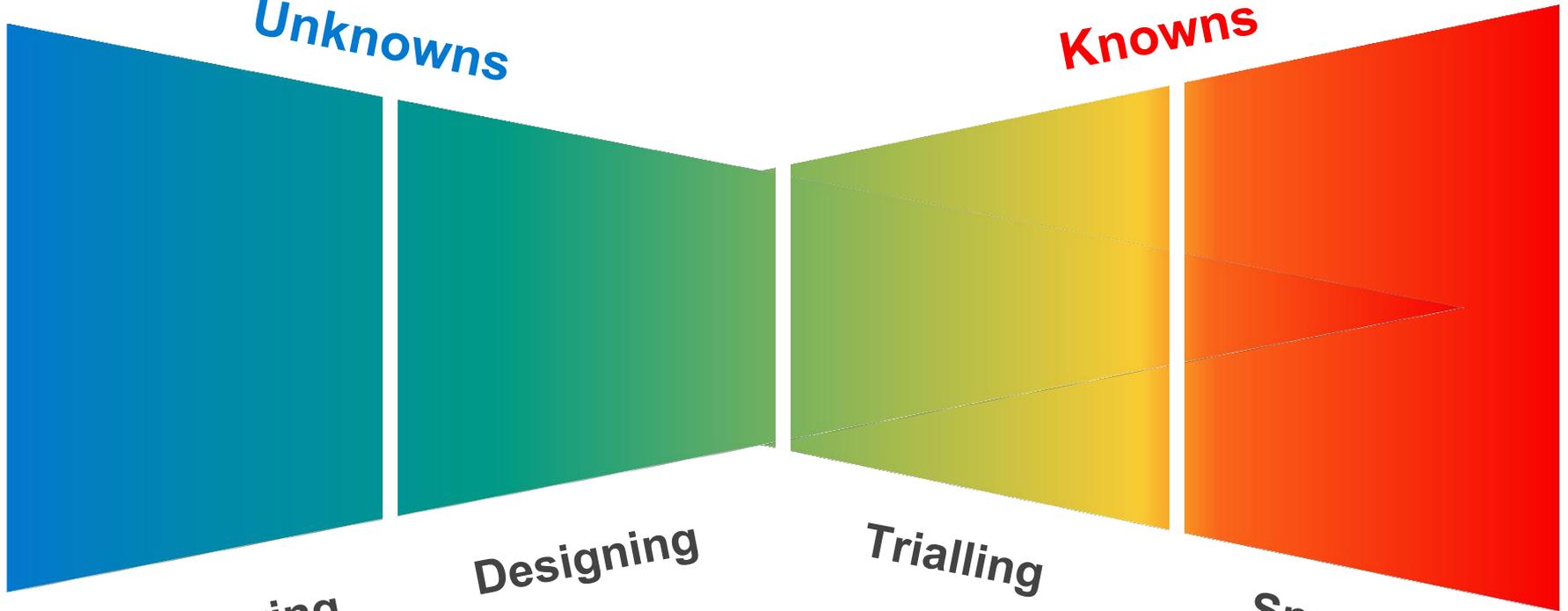
**Spreading**

What's the opportunity?

What's the solution?

Does the solution work?

How do we spread the solution?



# Organisation Myths

~~Innovation starts with ideas~~

Innovation starts with questions

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Innovation is a free process

Innovation is a disciplined process

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A culture of innovation Dedicated  
teams /engines

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Whole project funding Staged

~~funding~~

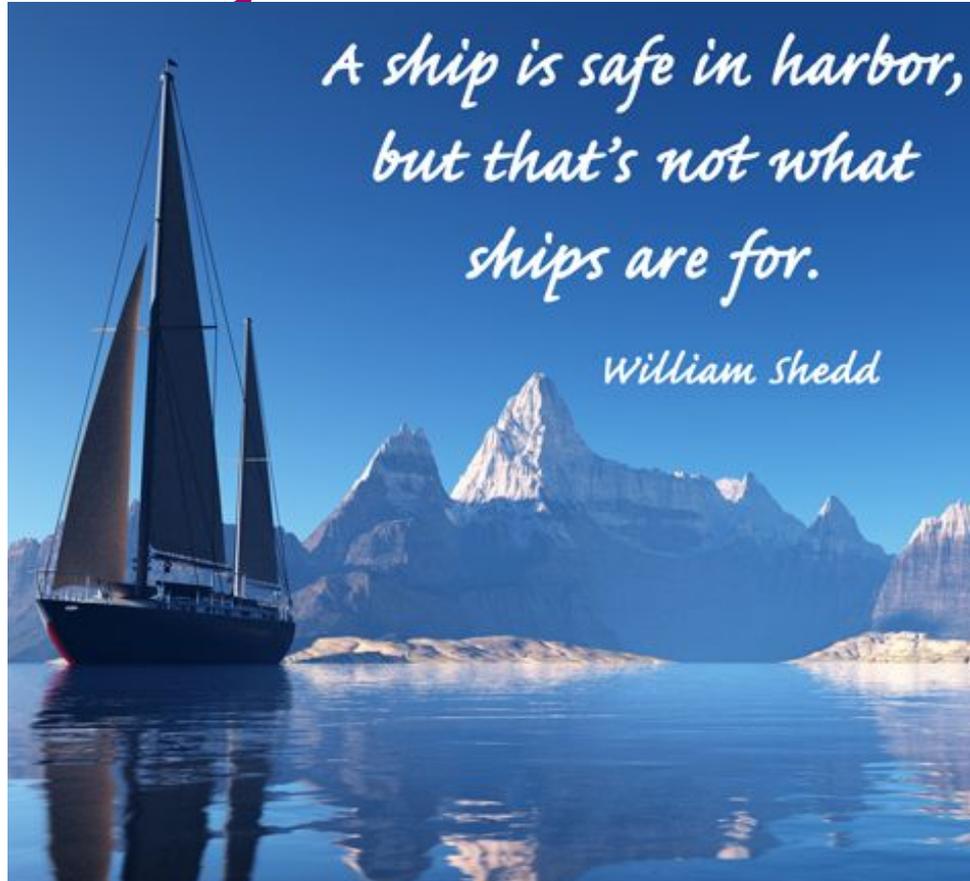
Uniting

Measure outcomes

# 5. Leading innovation in a not for profit

## *Final tips for entrepreneurs*

# Work as if you can't fail



*A ship is safe in harbor,  
but that's not what  
ships are for.*

*William Shedd*

## Stay under the radar

**It's better to  
ask for  
forgiveness  
than for  
permission.**

# Make sure you have air cover

