



# Building Sustainable Community Businesses:

**A strategy for success**

Adult Community and Further Education Board

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April 2006

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# Minister's Foreword

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Community-based adult education organisations are essential gateways to adult learning and an important part of the education landscape.

In this vital sector, about 430 organisations are delivering education to thousands of adults throughout Victoria every year.

Many people who only dreamed of new directions or goals have found that adult education in community settings opened doors, giving them not just the skills but the confidence, to fulfil their dreams through courses that led them on to more training and jobs they enjoy.

This publication was borne of the ACE sector wanting to further strengthen its vital role in helping individuals and communities experience the benefits of gaining the knowledge, skills and attributes necessary to participate in our society.

It offers what many ACE organisations have asked for – a publication that outlines ideas on improving business, management, governance and workforce practices.

Working together is always better than working alone, sharing good ideas and practices is always better than working in isolation – imagine the possibilities when good ideas are documented and then shared in this strategic way.

This publication, written after wide consultation with ACE providers, outlines a strategy for ensuring the long term provision of adult learning in community-based settings through building strong community businesses.

It supports my Ministerial Statement *Future Directions for Adult Community Education in Victoria* which I released in June 2004.

It builds on the many Victorian Government initiatives contained in that Statement in supporting ACE organisations in their role in meeting the increasing demand for knowledge and skills.

I am sure ACE organisations will embrace this clear and practical publication, with its framework for establishing a sustainable community business and helpful examples of ACE organisations that hit challenging problems and how they responded.

I am confident ACE businesses will like the checklist on assessing the whole picture of an organisation, including monitoring their community's needs and what services and programs they will provide to meet these needs, to evaluating the resources, people, process and partnerships needed to deliver these programs.

I am also confident that, as the title suggests, this publication will help ACE organisations build sustainable community businesses into the future.



**Lynne Kosky, MP**

Minister for Education and Training

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**Project Consultants:** Jessie Harman, Dr Debora Campbell and Julian Lowe

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Representatives from over 70 ACE organisations and the nine Adult Community and Further Education (ACFE) Regional Councils also contributed to this project.

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# Contents

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Minister's Foreword	iii
Acknowledgements	iv
Executive summary	vi
Introduction	1
Sustainability	3
Challenges to sustainability	4
The sustainability framework	8
Developing a clear value proposition	10
Building organisational capacity	12
Managing linkages	15
Developing the revenue base	19
Building sustainability	26
Building sustainable community businesses sustainability checklist	28
ACE snapshots	38
Conclusion	55
References and resources	56

# Executive summary

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Adult and Community Education (ACE) is an important part of the educational landscape in Victoria. It contributes to the educational, social, economic and cultural development of individual learners and the Victorian community as a whole<sup>1</sup>. ACE is widely respected for its accessibility, informality, affordability and its learner-centred approaches and it represents, for many Victorians, a most effective and user-friendly setting for developing new skills and knowledge<sup>2</sup>.

The Victorian Government, through the Adult, Community and Further Education (ACFE) Board, is committed to building the sustainability of ACE provision so that individuals and communities can continue to experience its benefits in the future. It recognises that strong and effective providers are an important part of the future sustainability of ACE provision.

The organisations which are funded by the ACFE Board to provide ACE across Victoria are diverse. There are more than 430 such organisations spread widely across the state. These organisations are community-based and not for profit, and many are small, with limited resources and a significant reliance on voluntary labour.

Like other community-based nonprofit organisations, ACE organisations face a number of challenges to their operation. Being able to manage these challenges effectively is the key to sustainability for ACE organisations.

Recognising the pivotal role these organisations play in the provision of ACE, the ACFE Board is committed to supporting them to build their sustainability. To that end, it contracted consultants from the Centre for Regional Innovation and Competitiveness (CRIC) at the University of Ballarat to investigate the challenges to sustainability and to identify ways that ACE organisations can be assisted to build sustainable community businesses.

In this report the authors present the Sustainability Framework, and propose that ACE organisations need to focus on four key sustainability building activities:

- Having a clear value proposition – a clear and unique statement of the programs and services that the organisation will provide to its customers and stakeholders, based on a comprehensive understanding of community need.
- Building organisational capacity – having the resources, the structure, people, processes and partnerships to enable the organisation to achieve its impact and deliver on its value proposition.
- Managing linkages – and building collaborative arrangements with other organisations as an important element of sustainable growth.
- Developing the revenue base – to increase the amount of income coming into the organisation and to diversify funding sources.

Organisations wishing to build sustainability will need to focus on some or all of these important activities. Most sustainability building initiatives begin with a thorough analysis of the organisation's current situation. The process of building sustainability takes time and a commitment from key stakeholders, including government, and it is most effective when driven from within the organisation and when guided by realistic goals.

Many ACE organisations are already adopting a range of strategies designed to build sustainability. Sharing knowledge about the most effective strategies is an important step in building sustainability.

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<sup>1</sup> ACFE Board Annual Report 2003-2004, Melbourne

<sup>2</sup> ACFE Board. (2003). Ministerial Statement on Adult and Community Education: Consultation Discussion Paper, Melbourne

# Introduction

## ACE in Victoria

Adult and Community Education (ACE) holds an important and unique role in the field of educational provision and providers in Victoria. It makes a significant contribution to personal, social and economic development of individuals and communities and has done so for many years<sup>3</sup>. In 2003–2004, ACFE grants for ACE programs and services totalled \$33 million and, in the 2003 calendar year, government-funded education and training programs in ACE organisations and adult education institutions delivered 7,153,157 student contact hours and over 211,000 module enrolments<sup>4</sup>.

ACE providers in Victoria are diverse. In addition to two government-owned adult education institutions (the CAE and Adult Multicultural Education Services), there are more than 430 community-based organisations funded by the ACFE Board.

These ACE organisations vary significantly in terms of their service provision, their size and revenue sources. In terms of service provision, some ACE organisations have a primary focus on education. Others, like neighbourhood houses, provide a broader range of health and community development activities. Yet other ACE organisations provide a comprehensive (and increasingly diverse) range of education, training, employment and community development services to meet a broad range of community needs<sup>5</sup>.

ACE organisations also vary significantly in size. The majority of them are small, with 61% of all providers having a total income of less than \$100,000. Only 15% of organisations have a total income of more than \$1,000,000 million per annum. Similarly, most ACFE grants are also small: 21% receive funding of less than \$10,000 and 39% receive between \$10,000 and \$50,000 per annum<sup>6</sup>.

ACE organisations obtain their income from a diverse range of sources. Most ACE organisations obtain income from a mix of government funding and student (participant) fees. Few ACE organisations are reliant on Adult and Community Further Education

(ACFE) funding alone, with many organisations also obtaining funding from local, and/or commonwealth governments, as well as from other departments of the Victorian state government. A small number of ACE organisations derive some income from philanthropic donations, and almost all organisations deliver fee for service activities to generate additional income.

Another important feature of ACE organisations is their geographical reach. These organisations are spread widely across metropolitan, regional and rural Victoria, providing unparalleled access to adult education for Victorian learners<sup>7</sup>. Given their community setting, ACE organisations tend to reflect the nature of their local communities, contributing to diversity in the sector.

Despite this diversity, ACE organisations do share some factors in common with each other and with many other community-based organisations. They are all, without exception, formally constituted and private organisations (i.e. legally incorporated and separate from government). They are also 'not for profit', prohibited by law from distributing surplus income to owners of the organisation. They are reliant to some degree on a voluntary commitment of time (even if only at committee of management level). These organisations are also community owned and managed, with a membership base comprising community members. They are established to achieve particular social and educational objectives and are generally driven by strong social values.

Like other community-based organisations, ACE organisations face a range of challenges to their sustainability. Many of those challenges stem from the very nature of these organisations and their operation, while others are a product of the environment in which they operate. ACE organisations must respond effectively to these challenges to ensure they can continue to meet the needs of adult learners and Victorian communities in the future.

<sup>3</sup> ACFE Board Annual Report 2003–2004, Melbourne

<sup>4</sup> Ibid

<sup>5</sup> ACFE Board. (2003). Ministerial Statement on Adult and Community Education: Consultation Discussion Paper, Melbourne

<sup>6</sup> Ibid

<sup>7</sup> ACFE Board. (2003). Ministerial Statement on Adult and Community Education: Consultation Discussion Paper, Melbourne

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## Project aims and objectives

This report presents the findings of a study into sustainability of community-based ACE organisations. Conducted by consultants from the Centre for Regional Innovation and Competitiveness (CRIC) the study is designed to identify the key issues challenging sustainability of ACE providers, and to develop strategies which can be adopted to address those challenges. Specifically, the study seeks to answer three key questions:

1. What are the key challenges to sustainability for ACE provision?
2. How can ACE organisations build their sustainability?
3. What sustainability strategies are currently being explored within the ACE sector?

In developing answers to these questions, the authors have drawn their information from a variety of sources. They conducted a survey of 50 randomly selected ACE organisations in Victoria, asking managers and coordinators to identify the key sustainability challenges and the strategies which might be employed by ACE organisations to address these challenges. They consulted ACFE Regional Directors and representatives of the ACFE Division to gather their perspectives. They read widely, focusing in particular on studies from Australia and overseas which have sought to find answers to similar questions about sustainability and community-based organisations. This report details the findings of that research.

## How this report is organised

The first part of the report begins by defining sustainability; examining what it means in the context of managing and operating community-based ACE organisations. It identifies some of the key challenges that confront adult education generally, and goes on to detail some of the specific challenges which face community-based ACE organisations in Victoria.

The second part of the report focuses on strategies for building sustainability in community-based organisations. It begins by presenting the Sustainability Framework; a model for organising and understanding the four key elements of sustainability in ACE organisations. It goes on to describe each of these four elements in detail, providing definitions and examples wherever possible. The section concludes with the sustainability checklist; a tool which can be used by ACE organisations to assess sustainability and to guide future sustainability building activities.

The third part of the report contains a series of snapshots from the ACE sector. These snapshots illustrate the strategies that some ACE organisations are already pursuing in an attempt to build sustainability. The snapshots have been selected to demonstrate the elements of sustainability described in the model, and they show that some ACE organisations are making significant strides towards building sustainability. Where appropriate, references to these snapshots have also been interspersed throughout other sections of the report in 'from the field' inserts.

The report concludes with a list of helpful resources and references which ACE organisations can use to develop their understanding of sustainability and its implications for community-based nonprofit organisations.

# Sustainability

## What is sustainability?

The term 'sustainability' is used in a variety of contexts. In the environmental context, sustainability is often used to describe the capacity of new infrastructure projects to 'meet present needs without compromising the ability of future generations to meet their need'<sup>8</sup>. Environmental definitions of sustainability typically stress the integration of the environment, the economy and the social systems to produce a system which can be maintained in a healthy state indefinitely.

In the business context, definitions of sustainability are not dissimilar. In this context, 'sustainability' generally means the degree to which firms and entrepreneurs can mobilise resources from one or more sources consistently over time to respond effectively to local needs<sup>9</sup>. These definitions are based on financial models of sustainability which stress efficiency and fiscal management and have a focus on strategy, systems and outcomes. Sustainability, in this context, goes beyond immediate 'self-sufficiency', defined simply as the firm's ability to recover costs<sup>10</sup>. Rather, sustainability is about the firm's capacity to serve its community, and to contribute to community development and growth, well into the future.

For the purposes of this study the authors use the business-based definition of sustainability. Consequently, they are concerned with the capacity of ACE organisations to obtain the necessary financial and non-financial resources to enable them to meet the needs of their communities now and in the future.

## Why does it matter?

This issue of sustainability of community-based nonprofit organisations is currently receiving considerable attention around the world. There is growing recognition that community-based organisations make a valuable contribution. They deliver services where other mainstream business may not be able or willing to; they contribute to the development of individuals and communities; they demonstrate new ways of delivering public services; and they help to develop inclusive communities and active citizenship<sup>11</sup>.

At the same time, the landscape is changing for these organisations. Competition for a range of resources is increasing, public funding environments are static or declining, while demand for services, in some cases, continues to grow. Requirements for efficiency, accountability and compliance continue to increase. These and other factors present challenges for the sustainability of community-based nonprofit organisations.

<sup>8</sup> Molnar, D. and Morgan, A. (2001). Defining sustainability, sustainable development and sustainable communities. Toronto

<sup>9</sup> Centre for Research and Education in Human Services & Social Planning Council of Cambridge and North Dumfries (2004). Building sustainable nonprofits: The Waterloo region experience. Cambridge

<sup>10</sup> *ibid*

<sup>11</sup> UK Department of Transport and Industries (2002). Social Enterprise: A strategy for success. London

# Challenges to sustainability

## What are the challenges to sustainability for ACE provision in Victoria?

In its discussion paper for the Ministerial Statement on ACE (2003), the ACFE Board identifies a number of forces for change which are impacting on ACE provision in Victoria<sup>12</sup>. These forces are having a direct impact on communities; on the demands communities place on ACE providers and on the role ACE providers play within their local settings. Some of these challenges include:

- The ageing of the population and the increasing complexity of work, which is driving increased demand for skills and knowledge by adult Victorians, or is leaving many adults vulnerable.
- Changes in the labour market and organisations, which mean that some adults have little time for formal learning, while others (who are not engaged with the workforce) are less likely to benefit from this type of learning.
- An ageing ACE workforce, which is also finding it more difficult to balance work with family life and other commitments.
- The need to develop learner strategies which address the ill-effects of long term, structural unemployment, poverty, family breakdown, violence and substance abuse within communities.
- The need to respond more effectively to the needs of particularly disadvantaged groups.
- Increasing demand for individual tailored training programs and learner centred approaches.
- The desire of governments to integrate funding and service provision within communities to develop more effective partnerships.

The capacity of ACE organisations to manage these factors and to respond effectively to the needs of their local communities, are critical challenges to the sustainability of ACE provision in Victoria.

## Challenges to sustainability of ACE organisations

ACE organisations face a range of challenges to their own sustainability. Some of these challenges are common to community based nonprofit organisations generally, others are more specific to ACE organisations. Some challenges stem from within the organisation while others derive from the environment in which these organisations operate.

### (i) Internal challenges

#### Balancing the social and the business impacts

ACE organisations, like many community-based organisations, have focused their attention on delivering programs and services to learners. They have been able to understand the particular educational and social needs of individuals in the community, and have achieved often very impressive results meeting those needs in a caring and responsive way. This focus on social impacts is both important and appropriate. However, it has become increasingly important to balance this focus on social outcomes with an equal focus on the operational efficiency, or the business impacts, of the organisation.

There are a number of reasons why ACE organisations need to have a strong business focus; uppermost among these is the need for accountability. ACE organisations, like other community-based organisations, are accountable at a number of levels. They are accountable to communities for the contribution which communities make to the ongoing operation and management of these organisations. Community contributions are made in different ways and are often made 'in-kind', nonetheless, they represent a significant and valuable investment which must be used responsibly. ACE organisations are also accountable to government and to the public in general for the taxpayer funds which they receive to deliver their programs and services. Most importantly,

<sup>12</sup> ACFE Board. (2003). Ministerial Statement on Adult and Community Education: Consultation Discussion Paper, Melbourne

ACE organisations are accountable to learners and to other service users to ensure they can continue to deliver their important and worthwhile outcomes well into the future. The challenge of balancing these business impacts with the social outcomes is an important challenge for community-based ACE organisations.

### Developing more sophisticated organisational systems and processes

For some ACE organisations, this focus on the delivery of services to clients, or the 'front of house' activities, has meant that some 'back of house' support systems (administration, planning, technology etc) have not been developed to the same degree. Inadequate systems and processes leave ACE organisations vulnerable to a range of challenges to sustainability. Developing more sophisticated systems will enable ACE organisations to weather these challenges more effectively.

### Limited use of strategic planning and marketing tools by some organisations

For many community-based organisations service delivery is becoming more complex, the environment is becoming more uncertain and there is increasing competition for resources. To cope with these changes, many successful community-based organisations are adopting practices which have traditionally been considered part of the business domain<sup>13</sup>. Two practices in particular, strategic planning and marketing, seem to be appropriate for ACE organisations.

Whilst most ACE organisations clearly engage in some level of planning and marketing, they appear to do so in a limited way. Planning currently appears to focus on setting annual program goals and objectives, rather than focusing more broadly on a systematic assessment of the organisation's direction in response to a changing environment<sup>14</sup>. Similarly, marketing activities appear to revolve around producing brochures and advertising (the 'promotions' element of marketing), rather than the

broader activities of consumer research, market segmentation, targeting and positioning. With limited application of these strategic management tools, organisations are unable to obtain the full benefits that they can provide.

In addition to these broad challenges, there are a range of other challenges which exist for ACE organisations:

### Difficulties associated with attracting and retaining skilled personnel

Many ACE providers experience difficulties attracting and retaining skilled personnel, especially qualified and experienced trainers. In some instances these individuals are simply not available; in other instances they are not affordable. Lack of opportunities for career development and/or uncompetitive pay rates can also be significant barriers to retaining personnel.

For some ACE organisations, difficulty recruiting and retaining appropriately qualified and experienced board members is also an issue.

### Heavy reliance on volunteers

Many ACE organisations rely on voluntary labour, and this can be problematic. Whilst volunteers bring valuable resources into the organisation, they also create additional demands on management resources, especially for direction and supervision. Volunteers are more likely to move on (to paid employment or to other organisations) thereby exacerbating these issues.

### Difficulty in engaging individuals and key stakeholder groups within the community

In some areas, ACE organisations find it difficult to engage with key stakeholder groups, especially the business community. The reasons for this appear to be many and varied, however, failure to build the strong partnerships does present sustainability challenges.

<sup>13</sup> Courtney, R. (2002). Strategic Management for Voluntary Nonprofit organisations. London

<sup>14</sup> Bryson, J. (2004). Strategic Planning for Public and Private Nonprofit Organizations. US

## Difficulties associated with meeting the service needs of disparate client groups

A number of ACE organisations find it difficult to meet the needs of disparate client groups, given their current resource levels. In particular, some are finding it difficult to meet the needs of disabled clients.

## Over reliance on government funding

Many ACE organisations are concerned about their reliance on government funding. Some organisations have succeeded in diversifying their funding sources, although many of these have diversified across the various levels of government (local, state and federal), rather than developing other non-government revenue streams.

## Scarcity of resources

Many ACE organisations are very small. They are thinly resourced and have limited capacity for growth, compared with their larger counterparts. With limited resources at their disposal, managers and coordinators of these organisations feel less well equipped to weather sustainability challenges.

## Loss of focus

For some community-based organisations loss of focus, or strategic drift, is an important challenge. This loss of focus can occur for a number of reasons and it typically means that the organisation is no longer fulfilling its basic mission of serving the community in an effective and efficient way.

In addition to these internal challenges, there are a range of challenges which relate directly to the environment in which ACE organisations operate.

## (ii) External challenges

### Increasing compliance requirements from funders

The nature of the relationship between funding bodies and ACE organisations is changing and becoming more complex. The requirements for accountability and compliance are increasing and are creating challenges for some ACE organisations, especially those with very limited resources.

### Changes in government policy

A significant proportion of ACE organisations feel that changes in government policy represent a significant challenge to sustainability. Changes to government policy regarding targeted client groups, and the nature of programs and services funded by government, are two key policy areas where ACE organisations feel vulnerable.

### Increasing competition for key resources

In some areas, increasing competition for resources is a key challenge. Competition exists for financial resources and also for volunteers, staff, board members and community input. Competition for specialist trainers and teachers is a particularly challenging issue for ACE organisations in rural areas.

### Community perceptions about ACE

Some ACE managers and coordinators believe that community perceptions of ACE also create challenges. In some communities, ACE organisations are finding it difficult to change traditional community perceptions of ACE as a provider of hobby, leisure and recreational programs. These perceptions are counter productive, given the sector's current focus on programs which provide vocational and employment skills.

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## Factors associated with the rural and remote location of some ACE organisations

For some ACE organisations, their location in rural and remote locations presents quite specific and unique challenges. Issues such as the small population base, limited access to skilled staff and smaller class sizes translate into, amongst other things, higher delivery costs. In addition to this, there may be fewer opportunities to pursue other funding opportunities in the immediate vicinity. Environmental factors, such as drought, can also have a negative impact on organisational income. All of these factors represent significant challenges to sustainability in these locations.

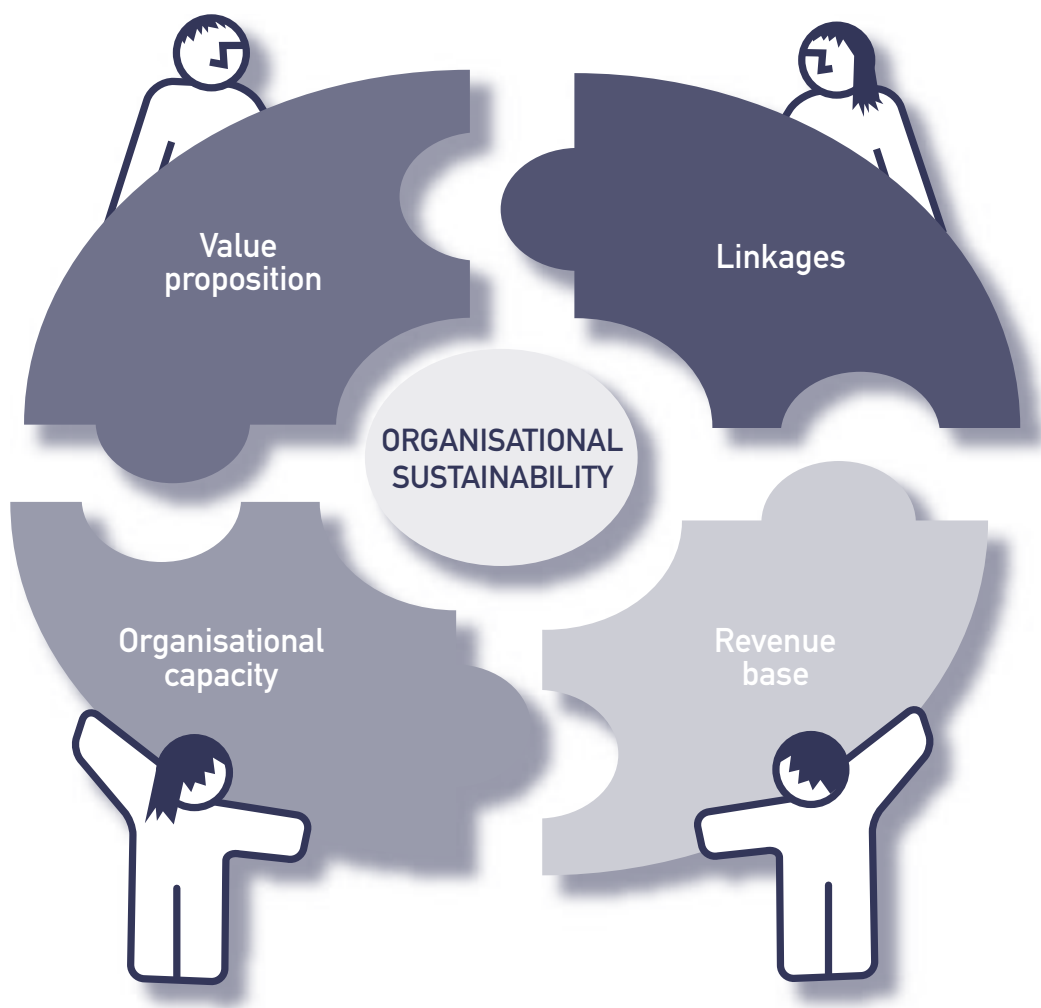
# The sustainability framework

## How can community-based organisations manage these challenges to sustainability?

The answer to this question lies in having a clear and well-constructed business model and a particular strategy of generating revenue, which enables the organisation to be sustainable.

Exhibit 1 presents the Sustainability Framework, which incorporates four key elements of sustainability, and is the organising framework for this report.

As the framework shows, sustainability is a function of four key elements: the value the organisation provides to its stakeholders; the capacity of the organisation to achieve its impacts (and deliver on that value proposition); its ability to manage linkages; and to acquire the necessary financial resources to operate on a sustainable basis. Each of these elements is interrelated, and all are essential for sustainability.



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## Creating a clear value proposition

Community-based organisations need a clearly defined and well developed, value proposition. This value proposition represents a specific and thoughtfully developed suite of programs and services that the organisation provides to its users<sup>15</sup>, and which provides value that the government, or another funding body, is prepared to pay for<sup>16</sup>.

## Building organisational capacity

Building organisational capacity is about investing in the structure, people, processes/systems and external relationships that enable the organisation to do its work<sup>17</sup>. It is about enhancing the organisation's long term ability to achieve its mission effectively and efficiently, thereby enabling it to be a high performing organisation.

## Managing internal or external linkages

Managing internal or external linkages is sometimes described as managing the 'scope' of the organisation. ACE organisations may need to review their scope and consider alternative 'ways of working' that will provide sustainable long term advantages to the organisation. Collaborative arrangements are an important component of building sustainability in the sector.

## Developing the revenue base

In addition to having a clear value proposition, to building organisational capacity, and managing linkages, organisations need a strong revenue base. ACE organisations may need to increase their income levels and diversify their revenue streams. They also need to consider other aspects of revenue management. Financial margins, cash flow characteristics of the various revenue streams, and the stability and risk of different types of income are all important considerations.

The following four sections of the report describe each of these elements of sustainability in considerable detail.

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<sup>15</sup> McKinsey & Co. (2001). Effective capacity building in nonprofit organisations. Reston VA

<sup>16</sup> *ibid*

<sup>17</sup> *ibid*

# Developing a clear value proposition

Community-based nonprofit organisations need a clear value proposition. They should be able to identify clearly, and in specific terms, the programs and services they will provide to their various beneficiaries. These programs and services must deliver value that someone (either the user, government, or some other funder) is willing to pay for.

This value proposition links the organisation's purpose (vision), its programs and services, and its impact (or outcomes). It represents the way in which the organisation translates its purpose into specific programs and services, which meet the needs of its beneficiaries, and which have a measurable and identifiable impact on service users. It is the means by which organisations stay relevant in their local communities.

Developing a clear value proposition is all about answering the following questions:

**Who are our key beneficiaries?**

**What do they want?**

**How can we design our programs and services to provide clear and recognisable value to them?**

The value proposition also represents an important 'point of difference', which distinguishes the organisation's programs and services from those delivered by other organisations within the community.

A clearly identified and articulated value proposition will enable the organisation to:

- develop and deliver programs and services which provide superior perceived value
- deliver programs and services which have a measurable impact on the users of the service, and which
- distinguish the organisation's programs and services from those delivered by other organisations within the community.

This notion of 'perceived' value is important. It is not sufficient for staff and volunteers of the organisation to recognise the value of programs and services being delivered. Rather, value must be recognised by service users. The organisation must be seen as relevant.

The keys to developing a strong and unique value proposition are having a clear understanding of community needs and a well developed sense of which needs the organisation is best equipped to meet<sup>19</sup>.

## Understanding community needs

The initial step in developing a strong and unique value proposition is to have a clear understanding of community needs. This process requires systematic and planned research, rather than simple 'hunches' and informal conversations.

This research should be orientated around such questions as:

- Who are we trying to help?
- What are the needs and expectations of these people?
- How can we create value for them?
- How do we do it in a way which differentiates us from other organisations within the community?

Organisations can use a variety of means to conduct this research. Focus groups, interviews, client feedback sheets and survey research are common techniques used to identify the needs and expectations of stakeholders. Research is also important for mapping programs and services being delivered by other organisations within the community. Through this process of scanning the environment, organisations can identify areas where there is service duplication and overlap, and, more importantly, where gaps in service delivery represent opportunities for the organisation.

<sup>19</sup>Centre for Research and Education in Human Services & Social Planning Council of Cambridge and North Dumfries (2004). Building sustainable nonprofits: The Waterloo region experience. Cambridge

Once the organisation has a clear understanding of its beneficiaries, it can sort (or segment) these beneficiaries into groups which share similar needs. By doing this the organisation can design its program and service offerings to more effectively meet the needs of these groups. It can also design other elements of its marketing mix: price, marketing communications and method of delivery, in a way which is more targeted and achieves greatest impact.

The organisation also needs to consider its value proposition for other key stakeholder groups: government agencies, staff, volunteers and members of the broader community, for example. The organisation needs a comprehensive understanding of the critical needs of people within these groups, together with a clear expression of how it can best match those needs in a manner consistent with the mission of the organisation.

## Understanding which needs the organisation can meet

The next step in developing a strong and unique value proposition requires the organisation to assess which needs it is best equipped to meet, given its current capacity<sup>19</sup>.

This assessment will require the organisation to understand its current strengths and weaknesses, the level and type of resources available to the organisation and any other limitations which exist. Organisations should focus on those needs which it can meet effectively and efficiently, and which will differentiate the organisation from other service providers in the community. Rather than trying to meet all needs with a very general suite of programs and services, most organisations are better advised to take a more focused or 'niche' approach, developing a narrower range of services targeted to meet a small number of well defined and specific needs.

### *From the field...*

Moreland Adult Education Association (MAE) has created a niche role for itself within its local community. It was the first organisation in the area to offer Certificate IV and Diploma courses, and it now fills a need providing courses at this level to the staff of many organisations. The association has also established cooperative arrangements with other education providers such as RMIT University, improving pathways for its students. (Page 44)

Developing a strong and unique value proposition is not a 'one-off' process. Stakeholders' needs and preferences change over time, and value propositions need to be regularly reviewed. High performing community-based organisations develop and maintain systems to enable the organisation to keep in touch with the changing needs of stakeholders, and they refine, and/or change, the value proposition to keep abreast of these changing needs.

Organisations with well crafted value propositions share a number of common characteristics: a vital mission; high quality, well-regarded and relevant programs that change with the changing needs of service users; and staff who are motivated, enthusiastic and capable.

<sup>19</sup> Centre for Research and Education in Human Services & Social Planning Council of Cambridge and North Dumfries (2004). Building sustainable nonprofits: The Waterloo region experience. Cambridge

# Building organisational capacity

Organisations need to have the organisational capacity to deliver on the value proposition, and achieve the necessary social impacts. They need to decide:

How can we organise ourselves to deliver on our value proposition?

What sort of measures can we use to understand how well we are doing?

To deliver on the value proposition organisations need to have:

- strong partnerships
- effective governance and leadership
- sound financial management practices
- efficient business processes and systems
- strong organisational culture, and a
- focus on innovation.

## Strong partnerships

One of the defining characteristics of community-based nonprofit organisations is that they have a multiplicity of stakeholders<sup>20</sup>. These typically include beneficiaries or users of the service, funders, paid and volunteer personnel, committee members and members of the broader community, but they may also include other stakeholders, depending on the organisation and its circumstances.

High performing community-based organisations place great value on developing and maintaining constructive partnerships with these various stakeholder groups. These partnerships, based on open communication, trust and respect, play an important role in building sustainability by creating community buy-in and building trust on broader community issues<sup>21</sup>. By virtue of these partnerships, high performing organisations are well known within the community and well regarded as a provider of high quality programs and services. A significant

proportion of the community is directly involved in the organisation, through financial membership and/or via a range of other avenues.

### *From the field...*

'Across the board' community engagement is the key to success for Morrison House. It has built strong partnerships with local schools, the local Shire and local politicians, and has numerous partnerships with local businesses. If it happens in Mount Evelyn, you can be sure Morrison House will be involved somehow. (Page 45)

Building your membership base is another successful way that ACE organisations can build partnerships with community members. At its lowest point Mt Beauty Neighbourhood House had only 20 active members; in 2005, after a concerted effort, it signed its 900th. (Page 46)

## Effective governance and leadership

Effective governance and leadership is an essential characteristic of high performing organisations.

At committee/board level this is characterised by:

- A committee/board structure which provides good representation for key customer and stakeholder groups.
- Members who bring skills in both functional areas (i.e. marketing, finance, law, etc) as well as program content areas (e.g. education, community development).
- Strong (strategic) direction and support to the organisation's leadership, and an active appreciation of the purpose and direction of the organisation.
- Careful monitoring of all aspects of organisational performance.

<sup>20</sup> Lyons, M. (2002). The third sector. Sydney

<sup>21</sup> Centre for Research and Education in Human Services & Social Planning Council of Cambridge and North Dumfries (2004). Building sustainable nonprofits: The Waterloo region experience. Cambridge

- Strategies which enable the organisation to identify, manage and control risk.
- Balanced focus on both the social impacts of the organisation and its operational efficiency.

### (i) Leadership

Effective leadership is about supporting the organisation to achieve its social and business objectives. Effective coordinators/managers maintain positive and constructive relationships both within and outside the organisation.

Effective leaders:

- understand the importance of balancing efficiency with effectiveness
- provide ongoing support and direction for other staff and volunteers within the organisation
- establish clear performance targets for staff and volunteers, and monitor their performance on a regular basis
- remain closely in touch with the front line activities of the organisation
- support members of the board to implement the principles and practices of good governance throughout the organisation.

### (ii) Purpose and direction

Another important element of effective governance and leadership relates to establishing clear purpose and direction for the organisation. In high performing community-based organisations, all members share a common understanding of what the organisation wishes to accomplish, and how it will do so. The process of developing, pursuing and then revisiting organisational purpose and direction involves all key personnel, including representatives of key stakeholder groups. This understanding around purpose and direction is pervasive and guides organisational actions and decision making in a very real way.

## Financial planning and budgeting

In high performing community-based organisations, financial planning and budgeting is based on:

- solid financial plans which are regularly reviewed, and which are based on realistic (not optimistic) estimates of income and expenditure
- budgets which are integrated with the day-to-day operations of the organisation
- close and regular monitoring of financial performance against budget
- detailed understanding of organisational costs and the ability to allocate funds efficiently to achieve the best outcomes for the organisation
- sound auditing systems, and a
- clear and accurate understanding of the organisation's cash position.

## Efficient business processes and systems

Community-based organisations have traditionally focused their attention on service delivery and activities which are directly mission-related. More recently, many leaders of community-based nonprofit organisations have turned their attention to issues of efficiency: how to do more with less, how to be more accountable and how to operate within an uncertain funding environment. Focus is increasingly turning towards improving the efficiency of business processes and systems.

Efficient business processes and systems incorporate:

- *Strategic business planning processes*, which translate strategy into specific and measurable goals, with clear and appropriate performance indicators. These planning processes guide the day-to-day activities of the organisation.

- *Human resource planning and management processes*, which ensure that key positions are filled, that paid staff and volunteers are capable and committed and can perform in a variety of roles, and that opportunities for professional development, feedback and performance appraisal readily exist. Staff and volunteers in high performing organisations have clearly defined roles, very clear lines of accountability and are able to operate with an appropriate degree of independence from the manager/coordinator.
- *Knowledge management systems*, which are appropriate both for service delivery and administration, and which are used by organisational personnel on a regular basis. These systems are integrated with the operations of the organisation and support it to track clients, staff and volunteers, as well as key performance indicators, program outcomes and financial information. These systems enhance information sharing between personnel within the organisation and the development of new programs and services and service delivery systems. They provide operational efficiencies for the organisation.
- *Infrastructure*, which is suitable for the current and future, needs of the organisation, and which enhances its efficiency and effectiveness. Infrastructure relates to buildings and office space (physical infrastructure) as well as technological infrastructure (computers, applications, network and email, website, databases and management information reporting systems)<sup>22</sup>.
- *Risk management systems*, which enable the organisation to manage its business, financial and legal risks in an appropriate way both internally, and externally, through access to specialised support where required. The organisation is aware of its risks, and continually monitors these risks to ensure they are at an appropriate and acceptable level. The organisation reviews its insurance on a regular basis and adjusts as appropriate.

## Strong organisational culture

A strong organisational culture is also important. High performing organisations have strong values which are commonly understood and shared by members at all levels of the organisation. Organisational values include: *respect* for all members of the organisation, and for customers and stakeholders, *performance* and taking individual *responsibility*. The organisational culture places equal value on the quality of service delivery (effectiveness) and the efficiency with which services are delivered.

## Focus on innovation

A focus on knowledge and innovation is also an integral aspect of organisational capacity.

ACE organisations are built on knowledge of their personnel, learners, communities and services. However, that knowledge is not necessarily always well integrated into the business operating systems. High performing organisations have strong and reliable information, data collection and storage systems which guide their actions and which are integrated with day-to-day operations. These systems generate efficiencies and facilitate information sharing among key personnel.

Similarly, high performing organisations innovate. They regularly introduce new programs and services, which are aligned with the organisation's purpose and direction, and which are designed to provide superior customer value. They monitor what other organisations are doing, and where appropriate replicate those initiatives in their own communities. They encourage, support and reward staff to continually think of better ways of working.

### *From the field...*

Each of the organisations featured in the ACE snapshots is building organisational capacity. Their stories highlight that organisations approach capacity building activities in different ways and with different priorities. (Pages 38 to 54)

<sup>22</sup> McKinsey & Co. (2001). *Effective capacity building in nonprofit organisations*. Reston VA

# Managing linkages

Managing linkages is sometimes described as managing the 'scope' of the organisation.

To promote growth and as a response to growth, ACE organisations need to consider broadening their scope of activities by extending their traditional service offerings in education and by developing new and aligned services. Community-based nonprofit organisations may need to develop linkages and alternative ways of working that will enable them to grow and be sustainable.

For many community-based organisations, especially those who lack the scale to grow using in-house resources, the best way to achieve growth is through collaboration with other organisations.

Managing linkages is organised around the following questions:

**Can we /should we do everything ourselves?**

**Are there relationships we can develop with other organisations to help us operate more efficiently and effectively?**

## Benefits of collaboration

Collaboration offers a number of important benefits to nonprofit organisations. It can:

- provide access to resources, expertise and contacts beyond the organisation's control
- minimise potential for duplication of services
- achieve organisational efficiencies
- provide economies of scale
- reduce costs
- enable entry into new markets, and
- overcome financial difficulties for the organisation.

## Forms of collaboration

While the term collaboration is often used in a generic way to describe all sorts of partnerships, cooperative agreements or coordination activity, it is possible to identify a number of specific forms. These include: cooperation, co-ordination, strategic alliance, merger, joint ventures and partnerships, back office consolidation and federation<sup>23</sup>. All of these arrangements involve various levels of tradeoff between control and risk. Community-based organisations need to manage this trade-off in a way that is most appropriate for the organisation, given its purpose and specific circumstances.

### Cooperation

Cooperation relates to informal relationships which exist without any commonly defined mission, structure or planning effort. Information and other resources are shared as needed, and authority is retained by each organisation so there is virtually no risk involved. Resources are retained separately by each organisation and rewards likewise.

Community-based organisations cooperate with other organisations in a range of ways: sharing knowledge at a local networking meeting, agreeing to cooperate with a local community event and participating in a local community forum, are common ways that community organisations cooperate. Cooperative arrangements may be particularly useful for building community awareness and understanding of the organisation, improving communication and trust between organisations in the community.

### Coordination

Coordination suggests more formal relationships between organisations with compatible missions. Some degree of planning and division of roles is required, and communication channels established between partners. Authority still rests with individual organisations, but there is some increased risk to partners. Resources are available to partners and rewards are mutually acknowledged.

<sup>23</sup> Feeney, S. Governance framework for collaborations and mergers in Connors, T (Ed) 2001. The nonprofit handbook (3rd Ed). New York

Community-based organisations that co-ordinate their programs and services with other like-minded organisations in the community, as a way of developing pathways for learners, represents one form of coordination.

### *From the field...*

Workforce Plus is one of six ACE organisations in the Broadmeadows community that collaborate and co-ordinate to great effect. All six organisations coordinate program management, so there is no duplication of courses offered. They share premises as necessary and they collaborate to make funding applications to state and federal governments. (Page 51)

## Collaboration

When two or more organisations enter into a mutually beneficial and well-defined relationship to achieve common goals, they are collaborating. Collaboration generally involves a commitment to a definition of mutual relationships and goals, a jointly developed structure and shared responsibility, mutual authority and accountability for success, and sharing of resources and rewards. 'Strategic alliance' is a common form of collaboration.

### *From the field...*

Colac ACE is one of a number of ACE organisations involved in the Dairy Industry project. That project represents a collaborative arrangement between ACE providers in Gippsland, Western and Northern Victoria and regional dairy boards. It involves recruiting, inducting, training and mentoring people to meet shortages in the dairy industry. For the collaborating partners, the project has provided business opportunity, operational efficiencies and some economies of scale, together with the chance to share information and expertise and build relationships with new organisations. (Page 39)

## Merger

Mergers occur when two separate organisations come together to form one. Organisations pursue mergers for a range of reasons: to increase market share, to expand into new geographical areas, to increase the range of services being provided, to exploit new opportunities or simply to achieve economies of scale associated with having a critical mass. Many organisations stop short of merger for fear that it will result in loss of identity and independence, or quality of service delivery. Certainly, many mergers do involve some shedding of staff and resources in order to make the new organisation more efficient. However, when handled successfully, merger may represent the best strategy for sustainability for some organisations.

Mergers are most likely to be successful when:

- they achieve their short and long term objectives
- the process is systematically planned, both pre- and post-merger
- all parties are committed to success
- there is open communication between the parties
- there is strong leadership of the process, and
- people are integrated into the new organisation quickly and effectively.

### *From the field...*

For Geelong Adult Training and Education (GATE) a merger has enabled the new organisation to retain the best aspects of the old ACE organisations, while providing a range of benefits for the organisation. (Page 40)

## Joint ventures and partnerships

Joint ventures represent an undertaking of two or more organisations to accomplish a specific purpose. Joint ventures are often time limited and narrowly defined. Nonprofit organisations involved in joint ventures share risk and reduce competition between agencies.

Joint ventures are used quite commonly in the 'for-profit' world as a way of establishing businesses in foreign markets, for example, where a locally based (overseas) partner provides much needed information, expertise and resources in the foreign market. In the nonprofit sector organisations sometimes form joint ventures with for-profit partners to pursue particular business opportunities and profit opportunities for both partners. Australian universities, which team up with overseas based colleges to deliver education programs in those countries, is one example of a joint venture. As is the case with business venturing generally, non-profit organisations need to tread warily and be aware of potential implications of any profit making activities for the organisation's tax exempt status.

## Back office consolidation

Some community-based organisations enter into arrangements where they will share core administrative functions with other organisations doing similar work. The arrangement is generally not observable from outside the organisation because it does not affect delivery of services to clients. Sharing administrative services, often for a fee, can enable organisations to channel their energies into program development and services. This option may be most suitable for very small, and/or very new nonprofit organisations. Once an organisation is larger, or reaches a more mature stage, it generally requires its own 'back office' capacity.

### *From the field...*

Living and Learning Nillumbik has developed an innovative arrangement with its local council whereby Council undertakes many of the organisation's administrative functions, including the employment of staff and the maintenance of computer equipment and facilities. For Learning and Living Nillumbik, this arrangement means it can concentrate on what it does best – providing services to the community. (Page 42)

## Federation

A federation is a group of local members that share a mission, a brand, and a service model but are legally independent of each other, and of head office<sup>24</sup>. It is a model of operation very common in the United States of America where 16 of the 20 largest nonprofit organisations (including the National Council of YMCAs and Girl Scouts of the USA) are part of federations<sup>25</sup>. In Australia, examples of well known organisations operating with a federated structure include the National Farmers Federation, Friends of the Earth and Kindergarten Parents Victoria.

Federated structures offer member organisations a number of benefits. They can retain autonomy to respond to local needs and to obtain local resources, while at the same time they can achieve the benefits of larger scale, and additional expertise (advocacy, administration, branding, fund-raising) that might not otherwise be available to the organisation.

Federation members will generally share experiences about successful and unsuccessful activities, and successful programs and services can be replicated across areas<sup>26</sup>. On the other hand, federations can be ineffective where head office delivers insufficient value to its members, or where poor performance by some members has a negative impact on perceptions of the brand and integrity of members.

## Factors that promote successful collaborations and mergers

There are a range of factors which appear to be key success factors to collaborative arrangements. Evidence suggests that these are<sup>27</sup>:

- arrangements which value each party's independence and are based on trust and mutual respect
- partners with compatible activities and organisational structures

<sup>24</sup> Flanagan, M. and Taliento, L. (2004). Nonprofits: Ensuring Bigger is Better in McKinsey Quarterly, No. 2

<sup>25</sup> ibid

<sup>26</sup> ibid

<sup>27</sup> UK Charity Commission (2003) Collaborative Working and Mergers.

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- a clear definition of what each party is responsible and liable for, and the extent to which any one party can make binding commitments
  - agreements which are proportionate to the relative risks and complexity of the collaboration, and
  - a termination clause in formal contracts.

Likewise, there are a number of key success factors relating to effective mergers<sup>28</sup>:

- a shared vision or mission and understanding of respective cultures and expectations
- appropriate research and background checks, and for large-scale mergers, a full disclosure or due diligence exercise
- appropriate constitutional arrangements, such as a power to amalgamate, which will enable the charity to work efficiently in the longer term, and
- setting aside appropriate levels of funding for the merger, with the actual and anticipated costs regularly reviewed.

Considering and, in some cases, adopting, alternative ways of working may be important factors in supporting organisations to weather inevitable challenges to sustainability. They are particularly important for small ACE providers to consider where their lack of size precludes competitive and sustainable operations. From a governance perspective, it is important that the community stakeholders' interests are a priority in any choice of organisational scope.

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<sup>28</sup> UK Charity Commission. (2003). Collaborative Working and Mergers.

# Developing the revenue base

Developing the revenue base is another key element of building organisational sustainability.

Driven by static or declining funding environments and increasing competition for funds, many community-based nonprofit organisations are currently looking for new ways to develop their revenue base. Typically, they seek to achieve two key revenue objectives: to increase the amount of revenue available to the organisation and to diversify the organisation's revenue streams.

Nonprofit organisations are asking themselves the following important questions:

**How can we increase our income levels and/or diversify our funding sources? What cash flow, margins and risks should our organisation be able to manage so that we can develop, grow and serve the community?**

Nonprofit organisations seeking to develop their revenue base can generally take a number of paths. They may seek to increase income by adjusting prices and/or cutting costs. They may look to increase the amount of money which comes into the organisation in the form of gifts from individuals, corporations and/or private foundations. They may apply to government for income. Alternatively, they may look to developing earned income streams through a range of commercial means.

## Adjusting pricing

Adjusting pricing is one measure which can be implemented in the short term to increase income to the organisation.

Proper pricing of services is a key to long term financial sustainability, and involves the organisation having a clear understanding of both its costs, and the level of value that customers place on its products and services. Many community-based nonprofit organisations express reservation about charging full,

or indeed any, fees to users, however, the practice of recovering only the partial costs is not sustainable in the longer term.

For some activities, ACE organisations are limited in their capacity to set prices. In relation to their ACE funded activity, for example, ACE organisations are bound by the Ministerial Directions on Fees and Charges.

When considering prices, managers of nonprofit organisations generally consider a number of factors.

Some of these pricing considerations involve a discussion around the following questions:

- *How does pricing affect the organisation's competitive position?* High prices may deter service users, however, low prices may convey perceptions of poor quality and leave the organisation unviable.
- *How will price affect the bottom line?* For some services, users are sensitive to price changes, and an increase in prices will result in lower usage. On the other hand, for some services, users are less sensitive and will continue to access the service even in the event of a price increase.
- *How will price affect the mission of the organisation?* In some cases, higher prices are bound to exclude some participants. This may be an issue for organisations which have a mission to serve the most disadvantaged members of the community. For these organisations, some form of price discrimination (i.e. charging different prices to different users) may be the best option.
- *What information will price convey about the organisation and its services?* Service users may see price as an indicator of service quality. Higher prices may indicate higher quality levels. However, prices which are perceived to be too high may be viewed as elitist by some users.

Pricing is an important issue and often a complex one for community-based organisations. Pricing choices need to be made after careful research, thought and evaluation.

## Cutting costs

Cutting costs may be a viable option for some community-based nonprofit organisations.

Cutting costs requires the organisation to look critically at every aspect of its operation, seeking to identify any areas where efficiency can be improved. Sometimes, the task of reviewing organisational efficiency is best carried out by someone external to the organisation who can look at the organisation 'with cold eyes', challenging the rationale behind every activity<sup>29</sup>. Not all organisations will be able to achieve efficiencies. However, for some, especially larger and well established organisations, this may offer opportunity.

Another way of cutting costs for some community-based organisations is to match actual service outputs (the service delivered) with contractual targets. Over-performance in particular service areas can mean that the organisation is effectively limiting its capacity to address other, more strategic, issues within the organisation.

## Increasing income through gifts and giving

For some organisations, particularly those with charitable status, increasing income through gifts from individuals, corporations and private foundations may be an option.

### Individual giving

Gifts from individuals generally come in the form of cash or in-kind gifts. ACE organisations have relied quite extensively on the in-kind gift of labour: from volunteers, committee members, and other partners and supporters within the community. However, only a handful of organisations have derived significant amounts of cash income from individual donors.

Soliciting gifts and donations from individuals is a delicate process, and one which should be approached with careful and systematic planning. It

should be conducted as part of a comprehensive fund development program, which includes clear fund development policies and procedures.

### Corporate and foundation giving

Gifts and/or grants from corporations and private foundations represent another potential source of income. There is a large number of private, community, corporate and government initiated foundations in Australia which provide funds to support particular services and activities. Philanthropy Australia provides an on-line listing of private foundations in Australia and overseas (see Resources).

Corporations may also provide funds for organisations in the form of philanthropic gifts. They do this for a range of reasons: to develop new business opportunities (donations to research), to develop employees (skill development opportunities) and to market to existing and potential customers (funding customers' key causes). Companies that provide philanthropic gifts frequently centre their giving on the geographical areas in which their employees live and work, and they are more likely to provide these gifts where they can claim them as a tax deduction. In terms of philanthropic giving by companies, it is worth noting that an increasing number of firms are looking for more tangible returns from their investment. Consequently, they are moving towards cause-related marketing and sponsorship relationships with community-based nonprofits, rather than traditional gift giving relationships.

Whilst applying for grants from private foundations and corporations may be an option, the strategy does have its downside. Preparing applications is generally a time consuming process, and one which consumes a range of other resources (printing, telephone, postage, etc). For many organisations the rate of successful application for funds is frequently low. The funds are generally provided on a 'one-off' basis and for a specific purpose, thereby limiting the organisation's capacity to use the funds in other areas (such as ongoing day-to-day operational costs).

<sup>29</sup> Jones, J. Alternative revenue streams in The Nonprofit Times Special Report, August 2003

### *From the field...*

Through its partnership with Visy Ltd, Meadow Heights Learning Shop was encouraged to apply for Deductible Gift Recipient (DGR) Status, and it became the first ACE organisation to achieve that status. It now receives about 5% of its total income from deductible gifts and donations. (Page 43)

## Increasing income from government sources

Government has traditionally been an important source of funding for community-based nonprofit organisations in Australia, providing almost 50% of the nonprofit sector's income<sup>30</sup>.

Local, state and commonwealth governments use a number of mechanisms to support nonprofit organisations. These range from one-off grants to support new initiatives, to payments designed to support a particular service to specified clients over a year, to payments for specified services delivered (as per a contract)<sup>31</sup>.

Likewise, there is a range of ways community-based nonprofit organisations can seek funding from government<sup>32</sup>. They may approach government with a particular idea for service delivery and seek funding for that service. This typically requires lengthy negotiation and works best where the organisation has developed strong and positive relationships with government officials. Alternatively, government may determine services are needed and will negotiate directly with one or more community-based organisations to deliver those services. Increasingly, government will provide funding to an organisation at the end of a comprehensive and often competitive tendering process.

Increasingly, government at all levels is moving away from traditional forms of grant making towards these more commercial purchasing approaches. This change has been driven by a number of factors, with

government's desire to achieve efficiencies and to improve accountability for expenditure of taxpayer funds, high amongst these. In effect, this means that government funding increasingly carries with it all the usual requirements of commercial service delivery arrangements. Most notably formal contracts that clearly identify services to be delivered and key performance outcomes, and which also contain explicit expectations in terms of performance quality, performance reporting, contractual compliance and accountability. This change in government philosophy is not particular to the Australian context. It is typical of changes occurring in government in most developed countries.

The implications of this change for community-based organisations are significant. They must possess the skills to tender successfully for government business. They must have the organisational capacity to deliver the services purchased by government, and the resources required to meet all the contractual requirements. Some community-based organisations express concern that these changes will serve to reduce the independence of community-based nonprofit organisations.

## Increasing income through more entrepreneurial means

An increasing number of community-based organisations are using entrepreneurial activities to generate alternative sources of funding. In the main, these activities are directly related to the mission of the organisation.

Income from entrepreneurial activity provides a number of important benefits for nonprofit organisations. It enables organisations to earn income which can be used flexibly throughout the organisation at the discretion of the organisation's management. It serves to diversify the organisation's funding stream and, through 'self-funding', can move the organisation towards sustainability.

<sup>30</sup> Australian Bureau of Statistics, Year Book Australia, 1999 (1301.0-1999), Canberra

<sup>31</sup> Lyons, M. (2001). The Third Sector. Sydney

<sup>32</sup> *ibid*

These entrepreneurial activities may take a variety of forms. The most common of these include fee for service activities, cause-related marketing, sponsorship and business venturing.

### (i) Fee for service activities

Fee for service activities, in this instance, refer to those activities which the organisation sells at market rates in the community, often to companies and/or to individuals other than traditional service users.

Some community-based nonprofit organisations have been able to generate additional income through delivering services on contract with companies, often in their local community. Examples of these include training programs delivered to company employees, pre-employment training programs for potential employees in specific companies or industries, and outplacement training and support programs for employees exiting particular companies or industries.

Alternatively, organisations may identify a need for services which can be sold to individuals in the community who are willing to pay full market rates for the service.

One of the challenges of delivering fee for service activities relates to establishing the appropriate 'fee'. Organisations need to have a full understanding of a range of factors, including the costs associated with delivering the service and the price that users are prepared to pay to receive the service.

#### *From the field...*

Many ACE organisations engage in some level of fee for service activity. Healesville Living and Learning Centre for example has enjoyed considerable success delivering a range of fee for service training programs. The organisation is a registered training provider and generates around 60% of its income from its fee for service training activity. (Page 41)

### (ii) Cause related marketing

In a cause-related marketing campaign, a business and nonprofit organisation enter into a joint promotional campaign. Consumers are encouraged to purchase a specific product, knowing that a proportion of the purchase price goes to support the nonprofit organisation. Using this approach, companies such as Independent Grocers of Australia (IGA) are able to increase sales of products and services, and provide financial support to their nonprofit partners. Cause-related marketing is becoming an increasingly popular vehicle for companies who are looking for a return from their financial giving generally in terms of increased sales or recognition.

### (ii) Sponsorship

Sponsorships may represent another potential opportunity for some community-based nonprofit organisations. Companies may provide sponsorship support to nonprofit organisations in a number of forms, such as money, goods, services or in-kind support (use of staff or facilities).

Nonprofit organisations looking to attract sponsorship funding from the business community need to follow a number of important steps, outlined in exhibit 1.

## Exhibit 1: Tips on business-community funding

The organisation needs to demonstrate why it would make a good partner for the company, and how the relationship can benefit the company.

It needs to find the right corporate partner, which represents a good fit with the organisation.

It needs to undertake careful preparation before making the sponsorship request. Questions such as: Who should we approach? Do we need a written proposal? Who should make the approach? What information should we provide? must be clearly answered.

Organisations should be clear about what they are asking for.

They should develop a sponsorship policy that covers every aspect of the sponsorship process.

*Source: Board Matters – a Newsletter for nonprofit boards produced by the Nonprofit Governance and Management Centre.*

Despite offering some opportunities, nonprofit organisations need to be careful of a number of factors when considering sponsorships. They should avoid firms that have products and services which are inconsistent with the core purpose and values of the community-based nonprofit organisation. Similarly they should avoid entering into arrangements with companies which may involve the organisation in controversial issues or expose the organisation to adverse criticism in the local community<sup>33</sup>.

There are a range of resources available for community-based organisations considering sponsorship as a way of developing the revenue base. A number of these have been included in the Resources section of this report.

### (iii) Business venturing (social enterprise)

Business venturing or social enterprise represents another source of revenue for community-based nonprofit organisations. This involves establishing and operating a for-profit enterprise, which is wholly or partly owned by the community-based nonprofit organisation. These enterprises may be directly related to the core mission of the organisation, or may be tangential or unrelated to that mission.

There are a number of examples of nonprofit organisations which have set up social enterprises in Australia, and they have been established for a variety

of reasons: to provide jobs that the conventional labour market can't or won't supply, to support the nonprofits' social mission in a more sustainable way, to generate additional money for nonprofit social programs and/or to encourage business discipline and expertise that 'spill over' into other nonprofit activities<sup>34</sup>. The earliest forms of social enterprise in Australia were developed in the disability services sector, where disability support organisations set up sheltered workshops and cafes, to provide employment and income for their clients. Other examples of social enterprise include opportunity shops run by many of Australia's largest charitable organisations, and the shops run by museum and art galleries around the country.

The research around the success or otherwise of social enterprises remains unclear. There is some evidence to suggest that social enterprises are most likely to be successful when they operate as subsidiary companies, i.e. they have their own board and specialist management support and where they are directly related to the mission of the organisation. On the other hand, the risks and obstacles associated with operating social enterprises are well documented. Some of these risks relate to adverse public perception, the potential for the organisation to be distracted from its key social purpose, and the lack of necessary business acumen and skills necessary to operate in a competitive market.

<sup>33</sup> Seel, K. Commercial ventures: Opportunities and risks for nonprofit organisations in Connors, T. (Ed) 2001. The nonprofit handbook (3rd Ed). New York

<sup>34</sup> Connors, T. (Ed) 2001. The nonprofit handbook (3rd Ed). New York

### *From the field...*

Future Employment Opportunities Inc. has been operating the Eaglehawk Recovery and Sales Yard since 1992. The commercial venture, which has operated profitably since its earliest years, is an important source of jobs for its participants and income for the organisation. (Page 48)

Similarly, the Worn Gundidj Aboriginal Cooperative Ltd uses social enterprises as a way of providing employment as well as valuable skills and knowledge for its participants. (Page 53)

According to Massarsky and Beinhacker (2002), community-based nonprofit organisations considering social enterprise should ask themselves a number of important questions (exhibit 2). Nonprofit organisations also need to familiarise themselves with the implications of earned income for their tax-exempt status.

## Exhibit 2: Key questions for organisations considering social enterprise

### Organisational mission and culture

- Is nonprofit enterprise compatible with your mission?
- If you create a social venture, will you have the support of your staff, board, funders, members, clients and others?
- Will a business venture distract you from what you were founded to do?

### Motivation

- What is your current and projected financial status and how will earned income help?
- Do you have the necessary financial resources to operate while you wait for the operation to become profitable?

### Risk/return trade-off

- What are the potential risks and returns in terms of your finances, organisation and reputation?
- Are you risk takers?

### Capacity

- Do you have a champion who will take responsibility for the work and move the business venture forward?
- Are you prepared to invest the necessary time and money to do proper analysis, planning and start-up to meet the demands of the market?
- Is it worth it?

### Market demand

- Do you really have a product or service that people would be willing to pay for?

Source: Massarsky C. and Beinhacker S. 2002. *Enterprising nonprofits: Revenue generation in the nonprofit sector.*

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## Other revenue management considerations

In addition to seeking ways to increase income and diversify the revenue base, there are important aspects of revenue management which need to be considered by community-based nonprofit organisations. Primarily, these relate to the quality of the revenue streams. Specifically, organisations need to manage:

### Margins and contribution to surpluses

Most organisations try to use income from one source to invest in developments elsewhere. Community-based nonprofit organisations need to ensure their mainstream business does not make unsustainable losses, but at the same time other sources of income should cover adequately all costs and be able to make a broader contribution to the development of the core business.

### Cash flow characteristics of the revenue streams

Traditionally, community-based organisations which have been principally funded through government have operated with a positive cash flow characteristic, i.e. with income being generated ahead of the costs incurred through service delivery. However, the recent trend towards earned income sources is changing this. Organisations need to take care not to drop into cash negative circumstances where significant and up-front investments are made well ahead of the revenue stream.

## Stability and risk of different types of income

As ACE organisations diversify, they will inevitably experience income with different risk return characteristics. Government grants are risk free but, if withdrawn, will cause major problems for ACE organisations, particularly if they are too large a proportion of total income. Courses on the other hand may vary in financial success, but are less susceptible to precipitate decline. It is important for ACE organisations to have a balanced portfolio of income.

# Building sustainability

With the increased focus on building sustainability, a number of community-based organisations in Australia and overseas are implementing a range of strategies, or initiatives, designed to develop the organisation's capacity to be sustainable. Some organisations are doing this as a response to external funding body requests, others are responding to an internally recognised need to build sustainability.

Given the diversity of the sector, it is not surprising that organisations are using a range of different approaches and methods.

## How do organisations start sustainability building initiatives?

Most sustainability building initiatives commence with a thorough organisational assessment and there are a number of good quality checklists, which have been designed for community-based nonprofit organisations<sup>35</sup>. The sustainability building checklist (over page) is a useful starting point for any sustainability building initiative.

The checklist is not designed to be a scientific instrument. Rather, it is intended as a guide for parties involved in the sustainability building process. Organisations can use the checklist to identify areas where they are strongest and, conversely, where improvements can be made. It can be completed by all members of the organisation and used to draw out different opinions, serving as a basis for discussions about organisational capacity and sustainability. It can be administered periodically to measure the organisation's progress in its capacity building initiatives.

The scoring system is not the most important part of the capacity building checklist. Clearly, the higher the organisation scores along each dimension, the stronger may be its capacity. The real value of the checklist lies in its definition of the key elements of organisational capacity and its capacity to inform ongoing sustainability building efforts.

Having completed the checklist, organisations should determine a priority for sustainability building activities. Organisations rarely have the resources to tackle all elements of sustainability at the same time. Instead, organisations should determine which areas require attention and then tackle those areas in a planned and systematic way. Sustainability building initiatives take considerable time and effort and require continuous attention, often over long periods.

## Who should be involved?

Sustainability building initiatives work best if they are driven from within the organisation and involve all key personnel, including stakeholder representatives.

Like all strategic planning processes, sustainability building initiatives need firm support and commitment from committee members and from the organisation's executive director/coordinator. They need a project champion or champions; one or more people who are willing to drive the process forward when the day-to-day operations threaten to stall the process. This person or people may also be responsible for guiding the approach, developing timelines, setting and/or monitoring performance and promoting the process to all those involved. Ideally the sustainability building initiative becomes, over time, part of the culture of the organisation and integral to its 'way of working', rather than a specific initiative.

Some organisations do elect to use an external adviser to support and guide the sustainability building process. In this event it is essential that the organisation choose an adviser which it can trust, an adviser who has a good knowledge of the organisation's history and culture, and who can build a relationship with the organisation which is based on open and honest communication<sup>36</sup>. This person can play an important role in helping the organisation to identify sustainability building priorities, setting realistic goals and expectations, and mediating any conflicts which may arise between the parties involved in sustainability building.

<sup>35</sup> McKinsey & Co. (2001). *Effective capacity building in nonprofit organisations*. Reston VA

<sup>36</sup> Innovation Network Inc. (2002). *Echoes from the field*. Washington DC

## What are the key success factors?

Considerable research has been undertaken to identify if there is a particular approach which works best when it comes to sustainability building and capacity building initiatives and there is general agreement that there is no one straightforward method. This is not surprising given the diversity of organisations which make up the community-based sector. Evidence suggests that sustainability building initiatives are most likely to succeed in the following circumstances<sup>37</sup>:

- the sustainability building process is driven from within the organisation, and key members believe that capacity building will help further the organisation's mission
- employees and other stakeholders are directly involved in the process

- the process builds on the assets and strengths of the organisation; it is not simply about overcoming organisational weaknesses
- the process is mission-driven, and all parties can clearly see the connection between capacity and organisational performance, and
- realistic goals are established for the capacity building process.

Innovation Network Inc. identifies other principles for advisers and consultants supporting organisations to build capacity<sup>38</sup>. These are described in exhibit 3.

### Exhibit 3: Good practice in giving capacity building advice

All organisations are capable of developing their own capacity.

Organisations must be ready for capacity building – exhibiting:

- openness to change and willingness to question itself
- clear ability to describe its mission
- belief that capacity building will help further the organisation's mission
- willingness to commit the necessary time and resources to the process.

Team and peer learning are effective capacity building tools.

The process should accommodate different learning styles.

*Source: Innovation Network Inc. Echoes from the field (2002)*

<sup>37</sup> Compass Partnership. Good Practice in Capacity Building.

<sup>38</sup> Innovation Network Inc. (2002). Echoes from the field. Washington DC

# Building sustainable community businesses sustainability checklist

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## **Self Assessment Tool:**

*Assessing your capacity to manage challenges to sustainability*

How sustainable is your organisation? Using this simple checklist, identify how strongly you agree or disagree with the following statements about the sustainability of your organisation.

Elements	Self-assessment (circle the corresponding score)				
<b>CUSTOMER VALUE</b>					
We can clearly identify our different customer and stakeholder groups	1	2	3	4	5
We understand quite clearly the needs of each of these groups	1	2	3	4	5
We keep in touch with the changing needs of our customers and stakeholders and we respond to those changing needs by aligning our programs and services	1	2	3	4	5
We regularly ask our customers and stakeholders for feedback, and we use this information to develop our products and services	1	2	3	4	5
Our service users value the service we deliver	1	2	3	4	5
We deliver services which are different to those of other organisations in our community	1	2	3	4	5
<b>PARTNERS AND PARTNERSHIPS</b>					
Our organisation is well known in the community	1	2	3	4	5
Our organisation is well regarded within the community as a provider of relevant, high quality programs and services	1	2	3	4	5
We enjoy strong partnerships with all key customer and stakeholder groups	1	2	3	4	5
A significant number of community members are actively involved in the organisation	1	2	3	4	5
Our community has a strong understanding of what we do	1	2	3	4	5

Key:  
 1=Strongly disagree    2=disagree    3=neither disagree nor agree, i.e. neutral    4=agree    5=strongly agree

# 1 Key dimension Superior community value

Elements Self-assessment  
(circle the corresponding score)

**AT BOARD/COMMITTEE LEVEL**

Our board/committee represents the interests of all key customer/ stakeholder groups	1	2	3	4	5
Our board/committee is focused on both the business and social impacts of the organisation	1	2	3	4	5
Our board/committee provides effective mentoring and direction for senior management	1	2	3	4	5
Our organisation has an active and energetic board/committee	1	2	3	4	5
Our board/committee sets measurable performance targets for the manager/coordinator and monitors his/her performance on a regular basis	1	2	3	4	5
Board/committee members work closely with the Executive Officer/ Manager/Coordinator to develop the organisation’s strategy and monitor its implementation on a regular basis	1	2	3	4	5

Key:  
1=Strongly disagree    2=disagree    3=neither disagree nor agree, i.e. neutral    4=agree    5=strongly agree

Key dimension

# 2 Effective governance and leadership

Elements Self-assessment  
(circle the corresponding score)

**AT EXECUTIVE OFFICER/MANAGER/COORDINATOR LEVEL**

Our manager/coordinator is completely committed to the goals of the organisation	1	2	3	4	5
Our manager/co-ordinator maintains positive and constructive interpersonal relationships with board members, staff, volunteers and other key stakeholders	1	2	3	4	5
Our manager/co-ordinator is focused on achieving social objectives and operational efficiency	1	2	3	4	5
Our manager/coordinator provides clear mentoring and support for other staff and volunteers	1	2	3	4	5
Our manager/coordinator sets clear performance targets for staff and volunteers and monitors their performance on a regular basis	1	2	3	4	5
Management is closely in touch with front-line activities	1	2	3	4	5

**PURPOSE AND DIRECTION (VISION AND MISSION)**

We have a clearly defined vision about what the organisation is trying to achieve	1	2	3	4	5
Our vision is shared by board/committee members, staff and volunteers	1	2	3	4	5
Our mission defines what we should do and what we should not do	1	2	3	4	5

Key:  
 1=Strongly disagree    2=disagree    3=neither disagree nor agree, i.e. neutral    4=agree    5=strongly agree

Key dimension  
**2 Effective governance and leadership**

Elements Self-assessment  
(circle the corresponding score)

**FINANCIAL MANAGEMENT AND PLANNING**

We have sound budgeting practices, whereby our income is realistically estimated and matched with an investment and expenditure plan	1	2	3	4	5
Our budget is based on realistic estimates of what we can achieve and we regularly monitor our financial performance against this budget	1	2	3	4	5
We are always seeking ways to diversify and develop our funding base	1	2	3	4	5
We know the costs of different activities	1	2	3	4	5
We keep accurate financial records and audit them regularly	1	2	3	4	5
We know and regularly check our cash position	1	2	3	4	5

Key:  
 1=Strongly disagree    2=disagree    3=neither disagree nor agree, i.e. neutral    4=agree    5=strongly agree

3 | Key dimension  
**Sound financial management  
 and planning**

Elements Self-assessment  
(circle the corresponding score)

### BUSINESS PLANNING AND DECISION MAKING

We regularly review the strategy of our organisation 1 2 3 4 5

We translate our strategy into concrete goals which guide our day-to-day activities 1 2 3 4 5

We only deviate from these after a major reassessment 1 2 3 4 5

We set performance targets and regularly review and measure our performance against these targets 1 2 3 4 5

All staff and key stakeholders are included in the business planning process 1 2 3 4 5

Our business planning process reflects our detailed understanding of the environment in which we operate and our organisational strengths and weaknesses 1 2 3 4 5

### HUMAN RESOURCE PLANNING AND MANAGEMENT

We draw staff from a variety of backgrounds and ensure they have a range of relevant skills 1 2 3 4 5

Our staff are able to perform in multiple roles 1 2 3 4 5

Our volunteers bring complementary skills to the organisation 1 2 3 4 5

Our volunteers are capable people who are committed to the organisation's success 1 2 3 4 5

Our volunteers are provided with a clear understanding of their role and can operate without special supervision 1 2 3 4 5

We have well developed processes for recruiting and retaining personnel 1 2 3 4 5

Key:  
1=Strongly disagree 2=disagree 3=neither disagree nor agree, i.e. neutral 4=agree 5=strongly agree

# 4

Key dimension

## Efficient business processes and systems

Elements Self-assessment  
(circle the corresponding score)

### HUMAN RESOURCE PLANNING AND MANAGEMENT

We have clear and thoughtful development plans for key personnel 1   2   3   4   5

Our feedback and performance appraisal systems are an integral component of the organisation 1   2   3   4   5

Our staff are paid average or above average industry rates with appropriate non-salary benefits 1   2   3   4   5

There are clear lines of accountability between positions within the organisation, and between the coordinator/executive officer and the board 1   2   3   4   5

All staff have clearly defined roles; they are aware of, and understand, their roles and responsibilities 1   2   3   4   5

### KNOWLEDGE MANAGEMENT INFORMATION SYSTEMS

Our organisation has centralised, electronic data bases and systems which provide accurate and up to date information about clients, staff, volunteers, program outcomes and finances 1   2   3   4   5

These systems are integrated into the day-to-day operation of the organisation 1   2   3   4   5

These systems facilitate information sharing among staff 1   2   3   4   5

These systems provide operational efficiencies for the organisation 1   2   3   4   5

Key:  
1=Strongly disagree   2=disagree   3=neither disagree nor agree, i.e. neutral   4=agree   5=strongly agree

# 4

Key dimension

## Efficient business processes and systems

Elements Self-assessment  
(circle the corresponding score)

**INFRASTRUCTURE MANAGEMENT**

Our physical infrastructure is suitable given the organisation’s current/  
future needs 1    2    3    4    5

Our technological infrastructure (computers, software applications, email,  
website) is appropriate for service delivery and administration 1    2    3    4    5

All staff have easy access to, and regularly use, computers and email 1    2    3    4    5

**MANAGEMENT OF RISK**

We understand and manage our key business, financial and legal risks;  
consulting external experts where appropriate 1    2    3    4    5

We review our insurance coverage, and adjust as required 1    2    3    4    5

Key:  
1=Strongly disagree    2=disagree    3=neither disagree nor agree, i.e. neutral    4=agree    5=strongly agree

Key dimension  
**4 Efficient business processes  
and systems**

Elements	Self-assessment (circle the corresponding score)				
<b>ORGANISATIONAL CULTURE</b>					
We have strong values which we understand and share	1	2	3	4	5
We are all encouraged to take personal responsibility for our actions	1	2	3	4	5
We respect each other and our customers and stakeholders	1	2	3	4	5
We are optimistic about the future of our organisation	1	2	3	4	5
We work collaboratively towards common goals and purposes	1	2	3	4	5
We place equal value on the quality of our service delivery (our social impacts) and on the efficient way that we deliver these services (operational efficiency)	1	2	3	4	5

Key:  
 1=Strongly disagree    2=disagree    3=neither disagree nor agree, i.e. neutral    4=agree    5=strongly agree

# 5

Key dimension

# Strong organisational culture

Elements Self-assessment  
(circle the corresponding score)

**KNOWLEDGE AND INNOVATION**

We try to learn from our mistakes	1	2	3	4	5
We regularly introduce new products and/or services which are aligned to our purpose and direction	1	2	3	4	5
We monitor what other community-based organisations are doing and where appropriate replicate their initiatives	1	2	3	4	5
We have strong and reliable information, data collection and storage which guides our actions	1	2	3	4	5
We encourage all staff to continually think of better ways of doing things					
Our organisation encourages, supports and rewards creativity and innovation	1	2	3	4	5

Key:  
 1=Strongly disagree    2=disagree    3=neither disagree nor agree, i.e. neutral    4=agree    5=strongly agree

6 Key dimension  
**Focus on innovation**

# ACE snapshots

*Snapshots reinforce the message that building sustainability is important – that it requires a concerted focus on value, capacity, linkages and revenue and that it takes energy and a commitment to succeed.*

The following snapshots demonstrate a number of the strategies which have been described in this report, and which are important in terms of building sustainability. The organisations featured in the snapshots are part of Victoria's ACE sector. They are not necessarily the most sustainable organisations within the sector, however, they are embarking on particular strategies which have been designed and implemented with sustainability in mind.

The snapshots are ordered alphabetically by the name of the organisation. The table below lists these organisations. All these organisations are pursuing strategies to building sustainability; some of these are detailed in the table.

These snapshots demonstrate that ACE organisations approach the task of building sustainability in different ways and that they place different priorities on the various elements of sustainability. They reinforce that ACE organisations are diverse, that they exist in different community settings, and have different challenges to resolve. Yet they reinforce the message that building sustainability is important – that it requires a concerted focus on value, capacity, linkages and revenue and that it takes energy and a commitment to succeed.

Organisation	Strategy	Page
Colac Adult and Community Education	Capacity building, strategic alliance; fee for service activity.	39
Geelong Adult Training and Education	Value proposition; merger.	40
Healesville Living and Learning Centre	Building revenue through private sector partnerships; collaboration and strategic alliances; commercial activity.	41
Living and Learning Nillumbik	Partnerships with local government; merger; collaboration through strategic alliances.	42
Meadow Heights Learning Shop	Value proposition; building revenue through philanthropic giving; partnerships with private sector, collaboration.	43
Moreland Adult Education Association Inc	Value proposition; collaboration through partnerships.	44
Morrison House	Value proposition; collaboration; commercial activity.	45
Mt Beauty Neighbourhood Centre	Capacity building, income generation through sponsorship.	46
Narre Community Learning Centre	Collaboration through strategic alliances; commercial activity.	47
On Track Training Employment and Business Solutions	Commercial activity; linkages with local government.	48
Southern Grampians Adult Education	Value proposition; collaboration with private sector partners and local government; value proposition.	49
Vermont South Community House	Value proposition; collaboration with local government; strategic alliances, commercial activity.	50
Workforce Plus	Managing linkages; collaboration through consortium.	51
Wycheproof Community Resource Centre	Value proposition; collaboration with TAFE; commercial activity.	52
Worn Gundidj Aboriginal Cooperative	Collaboration; commercial activity.	53

## Colac ACE: Building Strategic Alliances

*The committee restructured itself, and new community members were found to assist.*

1994 brought a dilemma for Colac ACE – where to go in the future? Tempting though it was to keep doing what it was doing so well, there were new possibilities to explore and new challenges to be faced. Firmly rooted in the community with committee members drawn largely from client groups – retired people, disabled people and those representing literacy and numeracy learners, the market for ACE services was still growing in Colac. Yet changing times and changing demographics meant there were new markets too – especially people needing employment-related courses. Should Colac ACE accept that challenge? With 2.5 Full Time Equivalent (FTE) staff and a turnover of around \$200,000, Colac ACE was a small but effective unit. Committee members knew that while existing client demand would remain, program funding for that sector was also likely to remain static at best. Colac ACE decided to go for growth.

And grow it did. Between 1994 and 1998, turnover grew from \$200,000 to over \$2 million. Staff numbers doubled, tripled and continued to grow – there were more courses, more students, more vehicles, new premises and the new emphasis on employment related education and training which complemented the ACE core of literacy, numeracy and adult education classes in a broad range of fields.

But danger was looming. Colac ACE had grown fast: it had more money, more staff, more clients – in fact more of everything except processes and

strategies in place to manage things. In addition, Colac ACE remained reliant on government funding. Sure, between 1994 and 1998 that government funding base had broadened – ACFE was no longer the key funding agency – but it was still all government money. With regular changes in government policy and funding priorities, that was a risky strategy. In 1999, Colac ACE found itself \$400,000 in debt. It was about to go under – nearly destroyed not by a failure to change but by changing too fast and too incoherently.

What happened next? First, a significant refocusing by the Committee of Management and the management team. As is so often the case with ACE organisations, key people within the organisation had the insight to understand that while they shared many skills and abilities, changing times and desperate circumstances meant that new and different ones were needed as well. The Committee restructured itself, and new community members were found to assist. Colac ACE now has a lawyer, a bank manager, a retired senior public servant and two local business people on its Committee. It hired a financial manager who is a qualified CPA and started a fee for service arm which made \$300,000 last year. It has put in place all the financial and management planning and processes required to ensure that the now diverse range of funding sources mean that Colac ACE will not make the same mistakes again.

As well, Colac ACE joined with other ACE organisations across Victoria to form a strategic alliance providing a range of services to the dairy industry. Together with three other ACE organisations and a coordinating consultant, Colac ACE bid for and won the job of searching for, finding and training workers who were the 'best match' for that industry. The process developed in that project is now being applied in a variety of industries and sectors across the state, and used by other ACE organisations to offer education and training. Colac ACE also joined the state-wide ACFE Community Hubs program, which trains community organisations in governance, and developed and implemented, in conjunction with industry, a raft of training provisions particularly for the disability sector, and in the aged care and timber industries.

In 2005, Colac ACE has a turnover of \$2.5 million, 40 EFT staff as well as 40 sessional teachers and a payroll of \$1.7 million. Whereas in 1994 it offered courses in adult education and literacy and numeracy services, today it offers as well a range of employment education and training to the timber, dairy, aged and community care, laundry, New Apprenticeships scheme, community jobs program, and community business industries and sectors. What has not changed at Colac ACE is the focus on education, the strong links with the community and with other ACE providers large and small across its region and the state, and the commitment to continue to serve its community well.

# Geelong Adult Training and Education: Merging for Maximum Impact

*...grapple with some core issues: first, where were the economies of scale to be found? Second, what becomes viable in the new environment?*

GATE was created in its current form in January 1996 at the initiative of the ACFE Regional office. The primary reason for the move was the low and falling rates of ACFE funded education in the Geelong area, despite the existence of five small ACFE-funded organisations. Although not their own idea, after some initial teething troubles, including fears of loss of real community links, the newly-formed GATE has emerged as a dynamic organisation raising adult education's profile and participation rates in the Geelong area and beyond.

Essentially the merged organisation kept the best aspects of the old ACE organisations while bringing a range of benefits to them. Instead of funding a series of part-time ACE coordinators in Community Houses across Geelong, five full-time positions were created and based at GATE. Formerly one of the part-timers, Christine Denmead was appointed as the Executive Officer. Christine now manages a staff of 34 EFT and 200 sessional tutors who provide a wide range of accredited and non-accredited educational services to all of Geelong's community houses.

How did they do it? GATE was given a mandate to work very closely with the Neighbourhood Houses it serves. As Christine puts it: 'We work through them; they still identify their communities' education and training needs and then we, as the RTO, provide the services they want. We shoulder the administrative burden of making applications and administering

grants and programs and reporting responsibilities, but we deliver what they want, where they want and they do their own marketing into their local community. The Houses still deliver non accredited fee for service courses particularly in the recreation, leisure and personal development areas.' GATE also works with Neighbourhood Houses beyond Geelong, in the Surf Coast Shire towns of Anglesea and Torquay and there is potential for more such work in the future.

Although currently very largely funded by commonwealth, state and local government, as Geelong itself continues to grow in size, Christine is looking to forge some private sector partnerships in the future to ensure a solid and diverse funding base. Currently ACFE provides some 43.4% of GATE's income, Office of Training and Tertiary Education (OTTE) 12%, Department of Human Services (DHS) 6.3%, Department of Employment and Workplace Relations (DEWR) 19.4%, Department of Employment, Science and Training (DEST) 14.5% and 4.4% comes from fee for service courses.

In making the merger work, GATE had to grapple with some core issues: first, where were the economies of scale to be found? Second, what becomes viable in the new environment? Whereas what was a fragmented and uncoordinated approach to adult education, the new merged body had the potential to offer more coherent and comprehensive adult education services to the people

of Geelong. Third, how to maintain the community focus of the Houses, while relieving them of large administrative burdens. Christine has found these outcomes need to be planned, and carefully nurtured. GATE employs a full-time staff member who has the role of contact point for the Neighbourhood Houses GATE serves and who listens and helps them identify their particular community's educational and training needs.

GATE's Board of Management reflects its administrative and business-like approach. Members include an accountant, a marketing consultant, an ex-school principal, a solicitor and three senior private sector managers, as well as three community sector members. As Christine says,

*'I guess the reality of it is being very clear about what your core business is, and then being flexible about how you achieve it. For GATE that business is the delivery of adult education.'*

# Healesville Living and Learning Centre: Learning with its Community

*...Kisala and her staff have forged some new and exciting partnerships with several local businesses...*

Although perched now on the fringes of the Melbourne urban sprawl, Healesville remains at heart very much a country town. In the late 1970s, that town was just beginning to include some of the many artistic people who sought refuge from the city. Now, especially, weekend tourism has changed the character of the town again and, as it has always done, the Healesville Living and Learning Centre (HLLC) is adapting to fill community needs.

Operating since 1979, HLLC runs its own Opportunity Shop that now operates with a paid manager and volunteer staff. Although it has a turnover of some \$50,000 annually, half of that is used for operating expenses. While the Op Shop's former premises were rented from the then Shire of Healesville for \$1 a year, since then the demolition of that building to make way for the new Coles supermarket has meant that HLLC must now rent premises privately and pay commercial rates for waste disposal like other businesses.

These changing times have also changed the range of programs the HLLC offers. Originally a very arts and craft focused centre with courses in everything from lead-lighting, craft, reading and writing to Adult VCE, it has developed over time to deliver further education courses in art studies, permaculture, creative writing and Certificate in General Education for Adults. HLLC is now a Registered Training Organisation and delivers many courses in business, IT, OH&S and

Assessment and Workplace Training as well as a range of general interest programs like yoga, tai chi, photography and welding – many on a fee for service basis.

While ACFE funding comprises about 30% of HLLC income, and DHS provides Neighbourhood House funding of around \$22,000 per year, the remainder of the \$350,000 turnover comes from these fee for services courses. As well as the arts-focused and broader adult education courses, HLLC has recently moved to develop its relationships with the local private sector. By joining business organisations and taking active roles in community forums run by the Council and private sector bodies, Karen Kisala and her staff have forged some new and exciting partnerships with several local businesses to augment the skills of the workers in those businesses and offer relevant and practical employee training at times of slower trade. Employees from a large local laundry business, many local wineries servicing the growing tourism sector and a large local metal manufacturing plant, and members of community organisations like the CFA, local sporting groups, schools and the Guide Association, are benefiting from training provided to order by HLLC in good governance, first aid, OH&S, welding and other skills.

Karen is also looking to expand HLLC services to the weekend tourism market by working with tourism venues to offer short courses to weekend visitors.

Further opportunities in vocational training for the wine and hospitality industries are also being explored.

*As Healesville has changed, so the Healesville Living and Learning Centre has changed and grown with it.*

Faced with harsher economic realities and financial stringencies, HLLC has learned from its community, adapted its services to that community as it has changed, and now offers new things for its community to learn.

# Living and Learning Nillumbik:

## A true partnership with Local Government

*A small property was donated for the Centre and an enthusiastic group of volunteers worked to improve the buildings.*

In 1974, a local resident of Eltham Shire, in north-east Metropolitan Melbourne learned about a newly established organisation called Diamond Valley Learning Centre, located in the next shire. At that time she thought 'We'll have one of those'. She conducted a survey which explored the level of interest in participating in such a Centre, and took the results to the local council. Initial funding was granted for a part-time co-ordinator to establish and run a Living and Learning Centre in the township of Eltham with a Playhouse childcare cooperative at a nearby venue. A small property (a former goat farm) was donated for the Centre and an enthusiastic group of volunteers worked to improve the buildings. Volunteer tutors offered a skills sharing program including weaving, photography and lead lighting in the Stables, an Adult Literacy group in the Tack Room, pottery in other outbuildings and animal husbandry in the Goat Shed. The courses offered a variety of opportunities to the locals – mostly women – who became active in the Centre as volunteers and students.

In 1978-9, the North Riding Cooperative, and later a Playhouse, was established under the Shire at Pantan Hill to similarly cater for people in its rural north, and in 1980, a Friends of the Centres group was set up as a fund-raising arm.

The support of Council did not always run smoothly. In 1981 a new Council implemented cut backs in Welfare and Recreation. The Committee of

Management of the Centres was dissolved and their management was taken over by an Occasional Committee of Council (2 Councillors and 5 Community representatives). Fees for courses were also introduced at this time, although volunteers continued to contribute to keeping costs low.

In 1983 the Centres received grants from the Victorian Division of TAFE, and ten years later service agreements were signed with the newly created Adult, Community and Further Education Division. The Pantan Hill Centre applied for Registered Training Organisation provider status with the State Training Board in 1994 and began offering units in Horticulture. Soon afterwards, other accredited courses were added to the Centre's Scope. As the Eltham Centre had lost coordination funding that year, a staff restructure followed, and the first combined program was produced. In 1995 Local Government legislation to restructure resulted in the amalgamation of Diamond Valley and Eltham Shires to become the Shire of Nillumbik, and the two Centres became known as 'Shire of Nillumbik Living and Learning Centres – Eltham and Pantan Hill (NSCLLC)'.

Over time, the Centres renovated and extended their premises, with assistance from both Council and state and federal government grants. This included new facilities at Pantan Hill, and later, multi-purpose facilities including a computer training room, and new pottery and arts studios at Eltham.

In 2003, Diamond Creek Living and Learning Centre (DCLLC), an incorporated Neighbourhood House established in 1989 in the then Shire of Diamond Valley, began talks with Nillumbik Shire Council and NSCLLC with a view to developing joint operations.

Discussions about a full merger are continuing and a new Committee has been established to manage both DCLLC Inc and NSCLLC. A new name and logo – Living and Learning Nillumbik – is now being used to market the organisations to their communities.

This unusual model for an ACE organisation positions Nillumbik Council as integral to the success of the Centres' expanding operations. Council's progressive approach recognises the significant role which the Centres play in helping local government to build and strengthen its communities. The Council acts as a channel for all ACFE and DHS funding, employs the two full-time and 14 part-time staff, funds approximately \$150,000 of the direct operating costs of the Centre's facilities, all of which (except Diamond Creek) it owns. (The Diamond Creek Centre is owned by the ACFE Board and leased to the organisations at a minimal annual cost.) Spared the administrative and cost burdens for which the Council takes responsibility, Living and Learning Nillumbik can direct all its energies to program planning, development and delivery – that is: to providing services to their communities.

## Meadow Heights Learning Shop: A Philanthropic Partnership

*The arrangement provides Meadow Heights with a second location, additional classrooms which allow more fee for service courses to be offered...*

Meadow Heights Learning Shop (MHLS) operates within a unique partnership of local government, ACE organisation and philanthropic foundation. Community concern at the lack of local educational and health facilities meant that, in the 1990s, the City of Hume approached local businesses seeking support for building a library – the Global Learning Centre in Broadmeadows, and other facilities such as a maternal health centre. Agreement to participate by major local employer Visy Ltd meant the Council agreed to build what is now the Visy Care Learning Centre in nearby Meadow Heights to house childcare facilities, as well as the maternal welfare centre, and MHLS.

Visy's contribution of funds towards the building came with obligations. First, the company would have naming rights on the new Centre for ten years; second, a Visy staff member would sit on the managing board of the Centre; and third, the Centre would be run by an independent body, not the City of Hume. Keen for Visy's contribution, Hume Council sought the cooperation of the independent MHLS. The arrangement provides Meadow Heights with a second location, additional classrooms which allow more fee for service courses to be offered, and Board membership by an experienced private sector manager. MHLS Manager, Sue Tantaró, says both the Board and the Visy executive have found the arrangement of real value.

*'While he is learning about the not-for-profit sector, we are gaining lots of insights into the philanthropic approach and how it works internationally,' she says, 'there is much to be gained on both sides.'*

As a result of Visy's direct connection with the Pratt Foundation, MHLS was encouraged to seek new status as a Deductible Gift Recipient (DGR) – the first such ACE organisation to achieve it. This has been of real benefit in fund raising as MHLS now receives about 5% of its total income from this source. Sue has also advised other ACE organisations on how to go about achieving DGR status.

In other ways though MHLS operates like any other ACE offering a range of ACFE funded and fee for services accredited courses in spoken and written English, business, beauty services and IT. MHLS also works on joint projects with The Age Library, receives funding from the Australian government for running the Australian Migrant Education Program, which is coordinated by Northern Metropolitan Institute of TAFE with MHLS acting as one of several contract providers. MHLS

offers the usual Neighbourhood House internet services and photocopying. With a turnover around \$700,000, MHLS receives about 9% from the City of Hume, 15% from ACFE, 10% from DHS/DVC and 30% from DIMIA for its migrant programs. The remaining 36% comes from donations (6%) and fee for service income. With such a diverse funding and program basis and with innovative private sector thinking being translated into action by the Board, MHLS demonstrates a new way forward for ACE organisations.

## Moreland Adult Education Association Inc: Creating a Niche Market

*In an economically challenged region, MAE brings a new range of educational opportunities to people...*

Moreland Adult Education Association (MAE) did not want to duplicate many services also offered by the seven local neighbourhood houses, but to create a distinct education-focused role for itself. Established in the 1980s, current Manager Meg Curlewis began as a volunteer literacy tutor and Committee Member, but has now run the Association for 16 years. She remains the only full-time staff member supporting an associate manager, four part-time administration staff and a team of 16 sessional teachers. MAE operates at four locations – always as co-tenant – and receives some in-kind support from Moreland City Council.

With a turnover of just under \$500,000, approximately two thirds of MAE's funding comes from ACFE and it is to educational excellence that Meg and her team are committed. That focus also fits well with the Association's role as a service provider to the Australian government's Adult Migrant Education Program coordinated by the Northern Metropolitan Institute of TAFE but delivered in Moreland by MAE. As well, MAE runs IT and other vocational education courses, and provides language tuition in classes and for individual students on a fee for service basis.

But the Association's main focus is on accredited vocational education. It was the first in the area to offer Certificate IV and Diploma courses in Workplace

Assessment, and now provides Level IV to the staff of many organisations. It also offers Certificate and Diploma level courses in Library and Information Services, Multimedia and Business Administration, and is the only ACE provider to offer the Certificate IV and Diploma in Further Education in the northern suburbs. In addition, Meg herself conducts MAE's Recognition of Prior Learning.

MAE also works cooperatively with other education providers such as RMIT University.

*The networks formed and personal contacts established by these working relationships benefit MAE students by facilitating the creation of valuable pathways for ACE students into whatever sort of further education might interest them.*

Such contacts and pathways are particularly important for a student cohort which is comparatively disadvantaged economically – 80% of MAE's students are eligible for concession rates.

In the future Meg hopes to broaden MAE's market niche by branching into accredited Certificate and Diploma level education in areas such as project management, the visual arts, and employment-related communication skills, building pathways to these areas from the Association's existing strengths in library and business courses.

In an economically challenged region, MAE brings a new range of educational opportunities to people who, without the work of the Association, would not know about them, be equipped to undertake them or afford them.

# Morrison House: From Playgroups to Community Dynamo

*...if it happens in Mt Evelyn, you can be sure Morrison House is involved somehow!*

In 1976 the Mount Evelyn community had ten separate playgroups for pre-school children. Run by volunteers, they were a moveable feast – using sporting pavilions and church halls – wherever they could find room. Approached by the local Council (then Lillydale Shire now Yarra Ranges) to form a neighbourhood network, the then volunteer coordinator of the playgroups, Jan Simmons, thought it sounded like a good idea and called a meeting. 25 people came and 2 or 3 of them are still involved in the many and varied activities of Morrison House – as is Jan herself – now CEO of a \$2 million business.

The Council offered them a building which had previously belonged to the Morrison family, owners of a local cherry orchard, in the middle of what was to become a community hub – with a junior secondary college, special development school, maternal health centre and sporting facilities – and Morrison House was born. Focusing in its early years and very much on the many young children in the district (there are still 48% under 24), Morrison House grew over the years and is now a major community innovator in Mt Evelyn.

With a 50 place purpose-built child care centre, and offering a wide range of accredited and non-accredited adult education courses, it also acts as secretariat to the Township Improvement Committee, conducts community audits and surveys on a range of issues, coordinates the grant

applications and administration for local groups and has developed and piloted experimental community educational programs for agencies as diverse as Museums Australia and the Department of Veterans Affairs. Morrison House has excellent and cooperative educational relationships with local schools, the Yarra Ranges Shire and local politicians, and partnerships with local businesses. In short, if it happens in Mt Evelyn, you can be sure Morrison House is involved somehow!

Although ACFE is the largest single contributor to the Morrison House income, Morrison House is not entirely dependent on its funds nor on those of other government agencies – it raises over half of its income from in house activity. It runs an exhibition space and café attached to the local library which returns income to the community. The Childcare Centre, which is currently operating at 90% capacity, provides income to support Morrison house infrastructure.

In another first, Morrison House is gearing up to offer evaluation training using a Performance Measurement Framework: 'Measuring Impact' developed with Learning Towns for the ACFE Board, to non ACE providers. This is a qualitative and quantitative evaluation tool which measures impact and allows communities to measure the effectiveness of their community building initiatives. As the Mt Evelyn Learning Town's ACE organisation, Morrison House will evaluate Victorian

government and Shire of Yarra projects as paid consultants, and then share the process with other Neighbourhood Houses across the state.

*As Jan Simmons sees it, community engagement across the board is the key to the success of Morrison House.*

'I started out volunteering with the playgroups 'cos I am the bossy big sister type but now I get paid thank goodness and I love my job – there is so much to do, so many people to engage with and some really interesting ideas to put into practice – I have certainly found the right job for me' – and for Mt Evelyn. Morrison House is at the heart of its community, building Mt Evelyn's strengths every day in a myriad of ways.

# Mt Beauty Neighbourhood Centre: Connecting a Community

*The first step was to make the Centre a place to which people would actually want to come.*

For ten years from 1980, the Mt Beauty Neighbourhood Centre (MBNC) was something of a movable feast using church halls and other premises it could find to operate on a shoestring. In 1990, the departing SEC donated a building and the Committee raised the \$8000 needed to move it to a site between the primary and high schools and renovate to allow access for disabled people. By 1999, however, the activities of the Centre had declined to the point where it was in debt and had to return ACFE money after failure to deliver courses it had previously committed to provide. A new Treasurer was appointed, and having assessed the financial situation, recommended closure. The Alpines Shire could not help – in fact, they wanted to bulldoze the site – and the Council was right, it was an eyesore. However, other new Committee members – Yvonne Evans, now the Centre Manager and current Chairperson, a dynamic octogenarian Alex McCullough – had other ideas.

The first step was to make the Centre a place to which people would actually want to come. Small grants for paint and carpet were made by Alpine Shire and the Victorian government, and then Yvonne found funds for a community survey. The survey revealed a very real community need for IT education and connectedness. The Mt Beauty community, 1200 people in town and 2300 in the Upper Kiewa Valley area, felt their remoteness, isolated one hundred kilometres from the nearest service centre in Albury Wodonga. They

wanted to know about computers and the internet, to have access to the wider world and to get the best out of that access.

So, the MBNC's task was to connect the community and to connect with it. Between 2000 and 2002, Yvonne and the Committee applied for and won three major grants to make that happen. ACFE Student Contact Hours (SCHs) went from 600 in 2000 to 2400 in 2005. Using paid tutors, volunteers and doing a lot herself, Yvonne who resigned from the Committee in 2002 now manages the MBNC as it delivers courses in IT and a whole range of other fields both as ACFE courses and on a fee for service basis. Fee for service income has risen from \$4000 in 2000 to around \$57,000 in 2005. The centre offers everything from Making Homebrew to Quilting to Fly-tying to Use of a chain saw, from Tai Bo to digital photography to Music for Kids, as well as its staple IT courses.

*MBNC has developed an innovative way of keeping community members active and informed about Centre programs.*

By paying a small membership fee each year, Mt Beauty people remain connected to the Centre even after their courses finish. At its low point, the Centre had only 20 active members; in 2005 it signed its 900th. Another innovation is its Secret Men's Business

Course. Originally a cooking class for men run by a local chef, the class has evolved into a broader life skills program where the recipes the men have developed are being compiled in a book written, photographed, published and personally marketed by them as they develop literary, numeracy and public speaking skills as well as culinary ones.

The Centre has also partnered with local businesses, gaining sponsorship from 32 firms to fund its quarterly program directory. It services business, too, by offering desktop publishing and high quality photocopying. Although relatively small, with a current turnover around \$120,000, the Centre is very active. Staffed daily by a team of five volunteers, the donated building has been renovated and added to, making it a real community hub in its own right. Formerly valued by the Alpine Shire at \$10,000, contributions to infrastructure by ACFE (\$60,000) and endless volunteer labour, now sees the Centre valued at \$430,000. The personal contributions of Yvonne herself and especially Alex McCullough the Chairperson (now 89) have also been enormous, but it is the Mt Beauty community as a whole which has connected with the Centre as the Centre has in turn responded actively to community needs and aspirations.

# Narre Community Learning Centre: The Strength to Compete

*...diversity has given NCLC the organisational strength it needed when the realities of our competitive market place made themselves felt.*

In many ways, the Narre Community Learning Centre (NCLC) is in an enviable position among ACE organisations: twenty four years old, it has a diverse funding base, strong and experienced administrative, sessional staff and volunteers and a cooperative relationship with local government (the City of Casey), and local politicians.

Offering a range of educational services including Vocational Education and Training (VET) in Schools, the Victorian Certificate of Applied Learning (VCAL) and feeder programs for youth, a range of craft-based courses, General VET programs, Literacy and Numeracy, Children's Services, Traineeships, Work for the Dole and Men's programs, NCLC currently gets 38% of its income from ACFE, 5% from DHS, and 25% from other grants and programs. It also generates 32% itself from a diverse base including a craft shop run by volunteers, which sells goods made by members, and a canteen providing lunches to learners and free breakfasts for young people.

This diversity has given NCLC the organisational strength it needed when the realities of our competitive market place made themselves felt. In 1999, NCLC responded to the community by offering to take over the operation and development of a local heritage building, an 1860s Cheese Factory in Berwick. The management of this site had first been offered for tender in the mid-1990s. NCLC did not tender, and the contract went to an organisation which subsequently went bankrupt.

The community was outraged and Narre Community Learning Centre was encouraged to bid. NCLC won the tender with a non conforming bid and began successfully managing the Old Cheese Factory. Staffed by a full-time manager, an administration assistant and a grounds person who coordinates work in the 10 acres of historical gardens, the venue is rented out to a wide range of community groups, including choirs, self help groups, art groups, wedding receptions, disability groups, even the annual CWA Fair! In addition, a partnership with the Office of Corrections provides 'volunteers' to maintain the gardens and land under supervision.

*The Old Cheese Factory operates as a standalone asset for NCLC after its Board took the strategic decision to return all money earned into its maintenance and development.*

Widely used and appreciated by the community, the Berwick Cheese Factory is a very successful NCLC venture.

However, this very success nearly became a painful loss. When the management contract again came up for tender in 2004, of course NCLC reapplied, but the competitor this time was an in-house bid from the City

of Casey itself. Notwithstanding the fact that the NCLC's tender provided comprehensive services at the Old Cheese Factory and was cheaper, it appeared poised to lose the contract to its competition. Now the community links and management strengths of NCLC came into play. Appealing about conflict of interest in the process to local councillors and seeking help from a local MP who also supports a strong community development agenda, NCLC was able to win the contract.

As Wayne Hewitt, now NCLC Manager but who earlier held the role of Cheese Factory Manager, says 'Some organisations may have been intimidated in the face of that sort of competition. We were able to hold our ground and argue clearly about aspects of the process which were flawed – not about the tender, the people or the outcome – and we maintain a good working relationship with the Council today'. Taking on the powerful competition and winning through without lasting acrimony is not an inconsiderable achievement for a still largely government-funded, community-based body; but then perhaps that is NCLC's key strength?

# On Track Training Employment and Business Solutions:

## Creating Employment and Educational Innovations in the Bendigo Community

*...now we also foster learning by doing.*

Evolving out of a 1981 Community Youth Support Scheme (CYSS) program, and later a Skillshare organisation, Ontrack and its auspice body Future Employment Opportunities Inc. (FEO) have always offered vocationally-focused education and training, particularly to the long-term unemployed. In 1992, Committee and staff, including current CEO Peter Cox, considered their options. 'Well, you can train people until the cows come home, but there are just not enough jobs', they thought and set about trying to create some. They succeeded. In the mid 1990s, FEO received 90% of its funding from Victorian and Australian government agencies. In 2005, it generates 80% of its income itself and has created many new jobs in Central Victoria.

A front page article in the local paper in 1992 provided a clue to FEO's first major employment creation project. The article noted that \$5 million was to be spent creating a new landfill for Bendigo. Instead, FEO saw the possibilities of marrying together the long-term unemployment problem, and the fact that many disadvantaged people used the tip as a resource. Working initially with 10 people, FEO and On Track sought and obtained scavenging rights from the Borough of Eaglehawk (now City of Bendigo Council) and have turned an environmental problem into a business with an annual turnover of \$400,000 and ten full-time and four part-time staff. Essentially, the business sells back to the public things others have discarded on the tip. As the

business has evolved, Ontrack has, of course, focused on learning, but not in the classroom sense. Since the early 1990s the focus has been employment creation. As Peter says 'We did and do all the traditional training courses under ACFE – it remains a constant for us. But now we also foster learning by doing. Rather than teach business planning, marketing, communication skills or pricing structures formally, we use our working enterprises to show learners what is important in running a business. We are exploiting a community asset to allow people to develop new skills on the job as well as ownership of what they are doing.'

Other FEO community ventures include an Enterprise Centre in Eaglehawk training people in how to set up their own businesses. FEO left that enterprise after two years with five small businesses operating. Another is the Eaglehawk Enterprise Park where FEO used learning on the job to actually construct 15 factories, which are now rented out to new businesses, and is generating its own income. From there the Regional Enterprise Network Central Victoria Ltd was formed creating eight enterprise centres across regional Victoria which house 80 small businesses between them and has an annual turnover of \$500,000. Like the Eaglehawk Recovery and Sales Yard, its operation is self sustaining. Other enterprises include one which recycles computers to low income families and offers accredited electronic education to its volunteer employees, a foundry

producing solid cast products and now a venture called TradeStart, an experiment to self fund a small trade centre.

Administratively, FEO runs everything and has its own Board. It employs 27 EFT and has a budget of around \$2 million. Peter sees FEO's success as having three strategic strands:

- moving from the community-based governance structure to a business-focused one and forming strong partnerships;
- being very careful about who is employed in key supervisory roles within FEO's businesses – practical skills and leadership are more important than a teaching background; as are links with and understanding of business; and
- a philosophy of 'no handouts' – all FEO's workforce either uses their own resources to contribute to new ventures, establish new partnerships, or earn their own salaries as businesses evolve.

FEO has done amazing work since the 1980s, not only in vocational education generally, but in creating many new employment opportunities in its region and in tailoring vocational education in very innovative ways to the needs of those who are newly employed and to those who require work.

And most of it is self sustaining. Want to know more? Visit [www.employment-bendigo.com](http://www.employment-bendigo.com)

## Southern Grampians Adult Education: Placing Itself in the Market

*...the trick is NOT to compete but to complement.*

Hamilton regards itself as an education hub for its region – there are now higher education opportunities, an established TAFE and wide variety of secondary and primary schools. Where and how does an ACE organisation fit itself within a competitive market? For Julie Neeson and her colleagues at Southern Grampians Adult Education (SGAE) the trick is NOT to compete but to complement. While its predecessor body, Hamilton ACE folded in 1995 after over-capitalising in the changing marketplace, SGAE has made it its business to work cooperatively with South West TAFE, RMIT Hamilton and the Southern Grampians Shire Council and to create a significant niche for itself by offering a diverse range of courses which supplement those on offer elsewhere. As Julie says 'We specialise in what we are good at'. And what SGAE is good at certainly covers a wide range of educational opportunities.

Offering everything from Further Education accredited courses to a range of Return to Work or Study courses leading onto TAFE vocational accredited education, SGAE provides the natural pathway learning model. SGAE has created a real niche in IT with an emphasis on a range of services and courses with small classes and hands on assistance to students. These classes are not only popular with self motivated adult learners but also local Job Networks agencies use them to provide ICT training, as do private computer and financial trainers. SGAE also shares its central facilities on occasion with the

local TAFE which is based out of the centre of town.

SGAE also emphasises youth with a unique program with a local school which offers Year 9 and 10 students work experiences and work-related learning. As well, SGAE teaches 15-19 year olds no longer engaged in education a range of life skills, literacy and numeracy – all with the intention of returning them to some form of education or training. In this, SGAE is assisted by a local businessman, Gilly, who not only works in a mentoring capacity with these young people, but also through his connections in the local business community assists in establishing long and short job placements throughout the business community for young people from this program. Indeed, collaborating with the private sector has become a key aspect of SGAE's focus.

In the past few years, a proposed mineral sands development in the Hamilton region seemed to offer a world of 'dollars in the door' to local businesses. However, to make the most of these opportunities, many local businesses required upskilling in a range of business practices. Through a grant from the Australian government, SGAE coordinated a series of workshops and information sessions for local businesses to inform them about the standards of service the mineral sands development and other significant regional developments would require local business to meet.

*This project has been very successful and represents a significant reversal of the usual model where ACE organisations act as suppliers of education to larger government or private concerns.*

In this case, SGAE itself coordinated and ran the project, itself contracting private consultants to deliver the services.

Although not a large organisation with only 5 EFT and 25 sessional teachers and a turnover of around \$350,000, SGAE has, unsurprisingly, a very high profile in the Hamilton region. Local media, politicians from all levels of government, the private sector and public know about it and the diverse opportunities it offers to everyone. The key to SGAE's success seems to be its cooperative approach which seeks to complement Hamilton's other education providers while also meeting the needs of the local community, local government and the private sector.

## Vermont South Community House: A True Community Base

*...the result has been the creation of a strong, financially diverse ACE organisation...*

Vermont South Community House (VSCH) really is just that – it grew out of its community. Established in 1976 by the then very new Vermont South community itself, VSCH only became an ACE provider in 1986, more as an integrated complement to its existing programs than as a reason for being in itself. Receiving no state or federal government money when it began, VSCH has always had a close and cooperative relationship with the City of Whitehorse and its predecessors.

Now occupying premises purpose built for it by the Council, which nestles right in the middle of the community which fostered it, next to the local school and close to the aged care facility, branch library (which VSCH itself lobbied hard for), local businesses, child care and maternal health facilities, VSCH is and always has been a community hub.

As a key local educational centre reflecting the community it grew out of, VSCH has always concentrated its activities on children, women and families. Offering a range of programs from playgroups, to child care to Japanese language kindergarten, pre-school music classes, health and fitness, arts and crafts, social and general interest, computer IT, English as a Second Language, bookkeeping and communication skills, 61% of its income comes from fees for services and fundraising.

The community house has 3 full-time equivalent administrative staff, five childcare workers, 60 sessional

teachers and a cleaner and a turnover of around \$380,000.

*VSCH also fosters cooperative relationships with neighbouring Community Houses so that, as Manager Jenni Bramham says, 'We speak with one voice'.*

That voice has certainly been strengthened by the long-term assistance of the City of Whitehorse which, as well as supplying the premises, also supports VSCH with a maintenance grant and a cash grant. In addition, VSCH receives some 22% of its income from ACFE, 9% from DHS and some other small state government grants but most money – as with the strong volunteer base – comes from the community itself as fee for services.

What is it about VSCH which gives it this unique community core? Jenni, who has herself been involved with the organisation for fifteen years, and been Manager since 2001, believes a lot of it was 'in the timing'. The Vermont South Community Association, which established the House, grew out of the needs of community members – particularly women – who found themselves in the mid 1970s living in a very under-developed and under-resourced new suburb. Beyond the new houses themselves and a few shops,

there was nothing. In particular, there was nothing to bring together the many young women who found themselves rather isolated in their houses with young children and few opportunities. The result was the Vermont South Community Association which engaged community members with the local council to remedy this problem – much fundraising and many working bees involving whole families in the area created the first 'house' which moved to its present central location in 1987 after the engagement and generous support of the local council. As Jenni says, 'We have had people who have worked very hard over many, many years'. At VSCH, the result has been the creation of a strong, financially diverse ACE organisation developed by, focused on and centred within its community members and their specific educational needs.

## Workforce Plus:

# Delivering Community Benefits through Skill and Resource Sharing

*...they share premises as necessary without cost to each other and they collaborate...*

You may not think that running a dance school or a fancy dress business equipped one for a full-time career in community education, empowerment and development: 'In July I'll have been working full-time for 50 years' says Derek 'and I am still loving it—working to help people and get things done.'

Derek is the Training Services Manager of WorkForce Plus, one of six members of Broadmeadows Employment, Support and Training (BEST). The other members in the group are the Broadmeadows Further Education Community Development Association, Dallas Neighbourhood House, Banksia Community Centre, Broadmeadows Women's House and BRITE Industries.

Although each organisation has a separate, independent Committee of Management made up of volunteers, all six work together to coordinate program management so there is no duplication of courses offered, share premises as necessary without cost to each other and collaborate to make funding applications to state and federal governments. All receive ACFE funding to provide courses within their particular market niche but all report their training outcomes to AVETMISS as a single organisation.

In a community characterised by people from culturally and linguistically diverse backgrounds, and where employment in housing estates is only 4 to 5%, there is much to engage all six-consortium organisations. BRITE Industries, for example, offers a range

of educational and vocational programs, as well as employment, to those with disabilities. Banksia runs childcare courses and youth programs, while Dallas Neighbourhood House offers life skills, and language and literacy courses. WorkForce Plus concentrates its attention on delivering a range of employment-focused vocational courses, as well as a range of programs funded by Australian government agencies such as Department of Education, Science and Training (DEST) and Department of Employment and Workplace Relations (DEWR).

An excellent example of how working together benefits all consortium members is found in the use of WorkForce Plus sponsored Work for the Dole projects, where work in community organisations must be found for those receiving benefits. That work is easy to find within other consortium member organisations where the demand for building and computer maintenance work is ongoing.

The consortium also has a strong relationship with Hume Council which has its own Social Development Department. Staff from the consortium play an active role in council-sponsored community consultations and networks. Although WorkForce Plus works directly with local employers to fulfil their skills vacancy requirements, as yet there are no private sector or philanthropic partnerships. But that does not stop WorkForce Plus reaching out to implement new ideas based on its own model.

Another consortium, of which WorkForce Plus is a member, brings together eight ACE organisations from across the north western areas of Melbourne to create the Learning for Employment group. It aims to consolidate and coordinate the efforts of those offering language, literacy and numeracy education to share knowledge, resources, training expertise and professional development initiatives and to speak with one voice to government funding organisations. In another case, WorkForce Plus has joined with a diverse group including VicRoads, the Hume Social Development Department, the Neighbourhood Renewal program, Victorian Arabic Social Services, the Local Learning and Employment Network and the Victorian Association for Teaching English For Other Languages and Multicultural Education. Funded as an ACFE Community Learning Partnership, the new body, Driver Education Works, will develop pathways and education programs for the many young Arab-Australians who have lost their driver's licence.

WorkForce Plus and its consortium partners in Hume have discovered the value of working together to maximise use of resources, minimise administrative burdens, apply skills where they are needed and focus effort effectively to achieve outcomes which benefit their community.

## Wycheproof Community Resource Centre: Serving the Community in Diverse Ways

*...WCRC has grown into a vibrant educational and community-focused organisation...*

The name says it all. The Wycheproof Community Resource Centre (WCRC) is at the core of the Wycheproof community providing a range of educational and other services to its people. Originally a small volunteer-run Welfare Committee sharing premises with others and operating a couple of hours a day, the WCRC has grown into a vibrant educational and community-focused organisation which operates five days a week from its own premises. Starting as a Neighbourhood House and becoming an ACE organisation in 1996, it provided internet access and a few ACE courses. An Australian Government Rural Transaction Centre grant provided much needed computer and other infrastructure.

As Wycheproof has no TAFE college of its own, the WCRC formed partnerships with Sunraysia and Bendigo Institutes of TAFE. The Centre offers a wide range of ACFE-funded and fee for service courses in IT, CGEA, social development, health and well being, hobbies, and recreation and fitness. It has also been at the forefront of not only delivering but also developing new courses and new ways of delivering workplace assessment, VCAL, volunteer management and broad governance education to the community. In addition, WCRC also delivers courses to local government, public and private sector organisations within its district and beyond.

Wycheproof has a population of more than 800 people and, as both private

sector and government services to the area declined,

*WCRC has been at the forefront of ensuring that local people still have access to a range of resources which would have otherwise been lost.*

The Centre premises offers room-hire to local groups and has as tenants the ANZ Bank, the CFA and the Mallee Sports Assembly. It also provides Centrelink and Australian Taxation Office access via internet and telephone links. Other revenue-raising strategies include providing secretarial services to local businesses, desk-top publishing and printing.

With a turnover around \$300,000 in 2003-4, WCRC derives some 15% of its income from ACFE, around 8% from DHS, and 25% from its Learning Towns role. Much of the rest comes from its own initiatives as an educator, service access point, project manager and landlord!

Speaking with WCRC Manager Ellen White, a former schoolteacher and TAFE educator, you get a real sense of the energy which seems to characterise the Centre. 'This is the best job I have ever had' she says, 'It is such fun doing good things for our local people'.

# Worn Gundidj Aboriginal Cooperative: Tri-Government Cooperation

*...seeks to educate and skill local people by offering apprenticeships and vocational courses in its Horticultural Department...*

Worn Gundidj Aboriginal Co-operative Ltd commenced operation in 1992 with a charter to provide work for unemployed indigenous persons in community managed activities and to assist individuals in acquiring skills that benefit evolving community owned enterprises. The cooperative employs and provides services to community members from Warrnambool and the surrounding district, and to temporary residents seeking employment and skills enhancement. With only a tiny ACFE component in its range of services, it offers arts classes, and introductory IT to the general community and in 2005 began a series of preparation for work courses, also designed to assist indigenous workers joining the broader Worn Gundidj Community Development Employment Program (CDEP). Although formerly run by the Aboriginal and Torres Strait Islander Commission (ATSIC), this program is now provided by the Australian government's Department of Employment and Workplace Relations (DEWR), a major funder of Worn Gundidj. Whilst CDEP was designed to focus on indigenous people and communities, the Worn Gundidj staff believes that CDEP can be used in the broader context of all-inclusive community capacity building.

Although moneys and programs are sourced from both state and federal governments, Worn Gundidj also has innovative relationships with local government organisations. Both the City of Warrnambool and the Moyne Shire Councils work with Worn Gundidj in a

series of pioneering ventures which aim to develop long term productive enterprises and jobs in the indigenous and wider regional communities. One example of this is the partnership between Worn Gundidj, the Natural Heritage Trust and Warrnambool City Council to showcase the benefits of connecting with an Indigenous business. The broader aims were to turn the eight-hectare former tip site into a practical example of degraded land reinstatement, provide environmental and social interaction and to attain on site land reinstatement experience and public exposure for Worn Gundidj.

*Fundamental to the partnership's success was the mutual respect and efforts afforded to each group in delivering the collective outcome.*

Having leased the old tip site, the Cooperative has created a nursery business which employs local people, contracted to provide gardening services to the City of Warrnambool, and is working to establish an Indigenous Plant as a tourism venture. The Cooperative also established a Memorandum of Understanding and a new partnership (December 2002) with Parks Victoria where Worn Gundidj operates the Natural History Centre at the Tower Hill Game Reserve west of Warrnambool. 50% of saleable items are hand crafted

within Worn Gundidj Product Creations activity. In addition, the Cooperative has formed strategic partnerships with the Shire of Moyne, Koroit Traders and Tourism Association, Shipwreck Coast Tourism and industry stakeholders to formalise Indigenous nature-based and bush food interpretation packages as a tourism extension of the Great Ocean Road. Environmental issues also provide a sensible link between plant supply and revegetation projects. Worn Gundidj has achieved a significant client base and excellent reputation for the provision of quality products and reliable services to all sectors including the farming community, land-care groups and local government. It assists other communities to become actively involved in land-care projects to create new investment and training opportunities for the long-term unemployed. All profits derived from goods and services are reinvested into community development.

In building both its businesses and its community profile, Worn Gundidj seeks to educate and skill local people by offering apprenticeships and vocational courses in its Horticultural Department based at the old tip site. While the Cooperative is not an RTO in its own right, it has built a strong partnership with South West TAFE which does offer related accredited courses. Indeed its ACFE Coordinator Linda Haynes works part-time for Worn Gundidj and also with SW TAFE ensuring the two education providers offer complementary services to Worn

Gundidj workers and students. The Cooperative's Job Matching program also provides a job preparedness and employment service where Aboriginal apprentices and trainees are placed into partnered private sector jobs across various trades. To further its community partnership policy, Worn Gundidj administers Work for the Dole, the non-indigenous employment and training program. This activity transfers skills and cultural tolerance whilst applying natural reconciliation. In 2002, the Cooperative received the Prime Minister's Work for the Dole Award recognising our achievements in Caring for the Environment.

*In building both its businesses and its community profile, Worn Gundidj seeks to educate and skill local people by offering apprenticeships and vocational courses in its Horticultural Department based at the old tip site.*

# Conclusion

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Building sustainability is a key imperative for all nonprofit organisations, including ACE organisations. It is the best way to ensure that these organisations can continue to make a very significant contribution to the development of individuals and communities well into the future.

Building sustainability is not a simple process; nor is there one simple approach which will suit all organisations. Indeed, given the diversity of the sector, it would be foolhardy to suggest otherwise. However, the Sustainability Framework, which recognises the elements of value, capacity, linkages and revenue, serves as a useful guide to the sustainability building process.

Organisations wishing to build their sustainability need to review their performance in relation to each of these elements. They need to review their value proposition, and if necessary, develop strategies to ensure they provide programs and services which deliver real value to stakeholders. They need to build the capacity of the organisation; its systems, people and processes; to enable it to deliver on its value proposition. They need to review their linkages with other organisations, identifying whether new and/or different linkages may provide opportunities for growth. They need to develop their revenue streams.

The process of building sustainability takes time and resources, and an ongoing commitment from all key members of the organisation and its stakeholders. It generally begins with a thorough analysis of the organisation to identify areas of strength and weakness. It requires systematic planning and implementation. It depends on strong leadership from within the organisation to keep the process moving forward, especially when the day-to-day activities of the organisation threaten to overtake it. The process also requires support from outside the organisation too; funders can play an important role as well.

Despite its somewhat 'daunting' nature, the process of building sustainability will deliver real returns to organisations prepared to make the investment. For these organisations sustainability will afford not only greater control over the future, but also the means by which organisations can continue to make a difference in the lives of people and communities long into the future.

# References and resources

The following references will be useful to ACE organisations exploring strategies to build sustainability. The references have been organised around the key themes in this report. They include the references which have been referred to in the report, as well as many others which may provide useful information to support the sustainability building process. Where possible the references are Internet based, which means they are easily and freely accessible.

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# Acronyms and Abbreviations

ACE	Adult Community Education
ACFE	Adult, Community and Further Education
AVETMISS	Australian Vocational Education and Training Management Information Statistical Standard
CRIC	Centre for Regional Innovation and Competitiveness
DHS	Department of Human Services
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DVC	Department of Victorian Communities
FEO	Future Employment Opportunities
OTTE	Office of Training and Tertiary Education
SCH	Student Contact House
VCAL	Victorian Certificate of Applied Learning

# Building Sustainable Community Businesses:

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A strategy for success



Adult Education  
in the Community

