

PwC's 3rd Annual Not-for-profit CEO Survey:

Upskilling and delivering in a digital world

For the first time, New Zealand Not-for-profit (NFP) CEOs have joined their Australian counterparts in sharing their insights in PwC's 3rd Annual Not-for-profit CEO Survey.

With unemployment in Australia and New Zealand sitting at record lows and no huge influx of fresh talent in the short term despite promising indicators from the Australian Jobs and Skills Summit, there is currently a fundamental mismatch in available jobs and the skills of jobseekers to fill them. NFP leaders are also concerned about increasing cost pressures on wages and inflation, which could extend to volunteering and giving programs as household and travel costs increase. Further, no sector is immune from the movement of talent as macroeconomic factors put the squeeze on household budgets, potentially forcing employees to consider higher paid industries out of necessity rather than choice.

This report explores insights under the banner of two key themes: Facing into the skills shortage and delivering in a digital world, drawing on survey results from the perspective of NFP CEOs from small to large organisations across cause areas.

Facing into the skills shortage

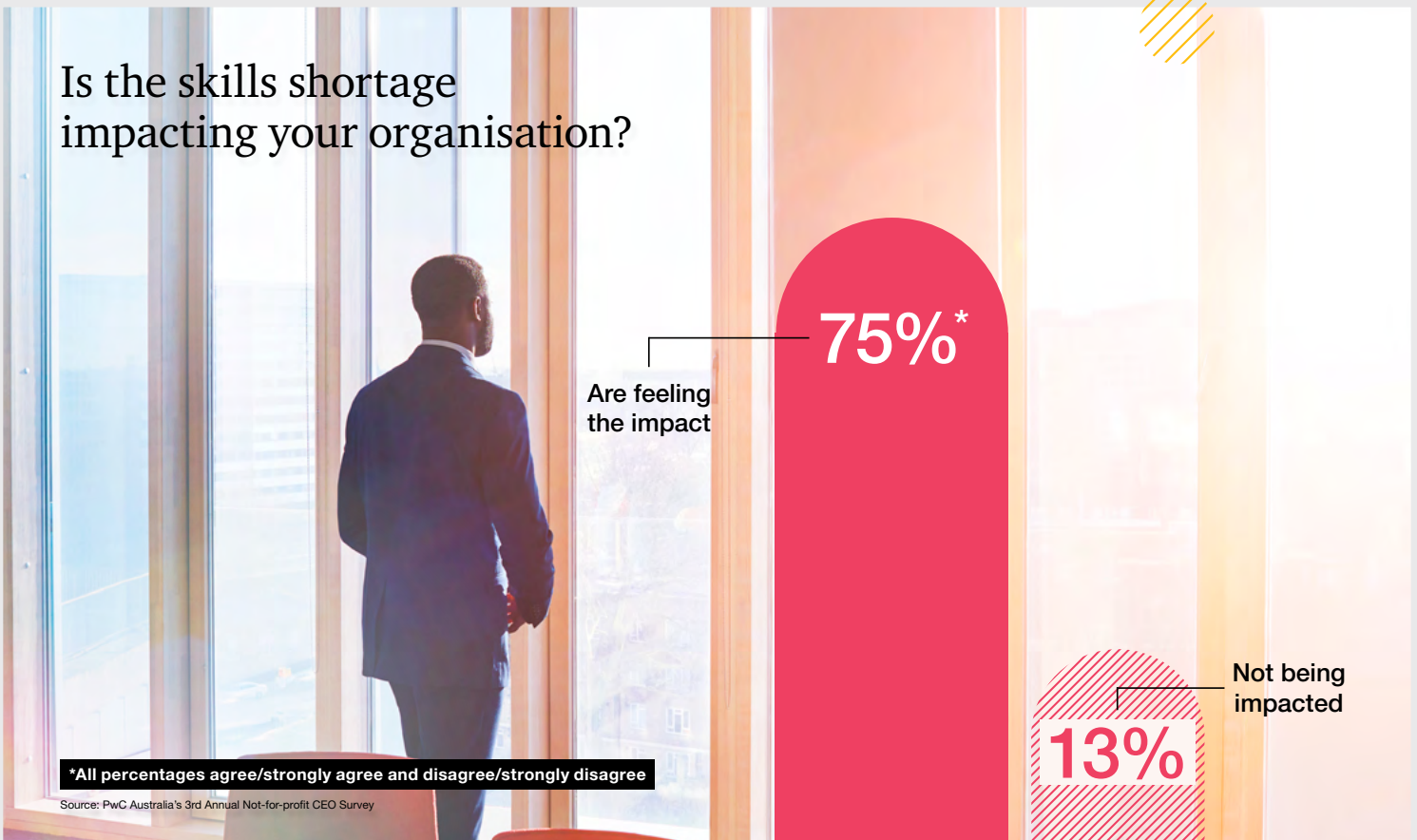
75% of NFP CEOs indicate they are feeling the adverse impacts of widespread skills shortages.

To address the growing skills shortage pressures, NFP CEOs can:

- Strengthen the organisation's employee value proposition (EVP), with a focus on role based, career path upskilling and training.
- Outsource non-core activities to external providers.
- Pay a premium to attract professionals with the necessary skills.



Is the skills shortage impacting your organisation?



*All percentages agree/strongly agree and disagree/strongly disagree

Source: PwC Australia's 3rd Annual Not-for-profit CEO Survey

The importance of a compelling employee value proposition (EVP)

Purpose, mission and values-driven alignment are innate to the NFP sector, providing a natural foundation for attracting staff and building relationships that create meaningful impact. Building on this, it is encouraging to see 42% of NFPs are making moderate or significant progress around developing an EVP, up 8% from 2021.

An EVP encapsulates everything an organisation uses to attract and retain talent. It's the balance of tangible and intangible benefits, representing why someone would choose to work at one organisation over another.

Survey results demonstrate the progress NFPs have made to develop a compelling EVP, however, there is room for improvement with 19% of NFP CEO's reporting that their organisation is making no progress or not considering developing an EVP and 39% only just starting to make progress.

To attract and retain staff and develop a resilient workforce, NFPs need to address the full suite of attributes related to EVP¹: financial reward, non-financial recognition, purpose, a psychologically safe work environment, a sense of belonging, being able to work in a way that suits them, learning and development, experience, and career progression. The 3rd Annual NFP CEO Survey provides deeper insights into two of these areas - upskilling and employee wellbeing.

Progress made in developing a compelling EVP

Making progress: Focusing on attraction, engagement and retention of employees

2022

2021

34%

42%*

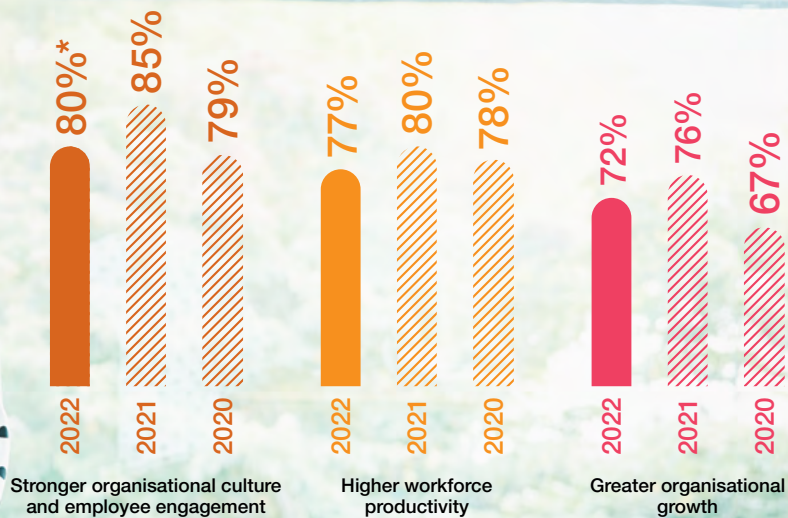
*All percentages moderate/significant progress

Source: PwC Australia's 3rd Annual Not-for-profit CEO Survey compared with PwC Australia's 2nd Annual Not-for-profit CEO Survey

¹ PwC, Hopes & Fears 2022

77% of NFPs have upskilled employees in the last 12 months

Effectiveness of upskilling programs in achieving the following outcomes:



*All percentages moderately/very effective

Source: PwC Australia's 3rd Annual Not-for-profit CEO Survey compared with PwC Australia's 2nd Annual Not-for-profit CEO Survey and PwC Australia's 1st Annual Not-for-profit CEO Survey

Upskilling as part of EVP

Over the past three years, NFP CEOs have identified that digital upskilling programs continue to deliver stronger organisational culture and employee engagement (80%). The majority of NFP leaders surveyed (58%) also cited upskilling as an effective talent acquisition and retention tool. In the past 12 months, 77% of NFPs provided employees with upskilling and training to help their workforce adapt to the impact of new technology, a result which has remained consistent over three years.

However, a comparison between small NFPs with annual revenue under AUD \$500,000 and large NFPs with annual revenue greater than AUD \$3 million reveals that smaller NFPs remain significantly disadvantaged in the digital inclusion stakes. More than half of respondents from small NFPs reported that no skills and training were provided to employees to help them adjust to the impacts of technology in the past year (compared to 88% of respondents from large NFPs who reported that staff did receive training).

The experience of smaller NFPs could be attributed to a variety of factors including a lack of resources (budget, people, time and knowledge) which respondents cited as the biggest challenge to developing upskilling programs. The impact of a lack of resources on successfully implementing an upskilling program is consistent with insights from the Paying What It Takes: Funding Indirect Costs to Create Long-Term Impact² report which warns that NFPs are at risk of being locked into a “starvation cycle” where unrealistic expectations of how much it costs to run a NFP - including digital upskilling - results in NFPs under reporting their costs to funders.

Survey respondents reported being unable to compete with other industries on salaries; a lack of availability of candidates with the right skills; problems with resourcing in regional areas and delays in digital transformation caused by skills shortages with NFP technology partners, adding further pressure.

So what can be done?

In the past three years, organisations have started to step back from a homogeneous approach to upskilling and ask a critical question: Who needs access to job or work specific training? This is driving decision making resulting in an increasingly nuanced approach to upskilling. Survey results indicate that this is supported by greater clarity in organisations’ ability to define the skills required to drive future growth strategies, with 57% of respondents reporting that they have made moderate to significant progress in this respect.



NFPs have adopted a more nuanced approach to training applying greater scrutiny to workers who need specific skills, such as data analytics, instead of a one-size-fits-all program.”

Vishy Narayanan
Asia Pacific Chief Digital &
Information Officer
PwC Australia

Importantly, underpinning a role based vs one-size-fits-all upskilling approach needs to be a commitment to ensure that learning remains democratic, that is, the opportunity to upskill is available to all employees throughout their tenure. This is echoed by respondents citing the importance for NFPs to build a culture of permission that creates the time and space to participate in professional development. Demonstrable, continuous investment in employee learning, upskilling and career paths will pay dividends because a satisfied, and skilled workforce will be primed to better deliver on mission in the long term.

This year’s survey highlights the momentum in the sector with respect to implementing upskilling programs (programs consisting of human centred (soft), technical and digital skills) with over three quarters (76%) of NFPs reporting that they have made progress in establishing such programs. From a human centred (soft) skills perspective, results indicate that problem solving, adaptability and resilience are the key skills that NFPs CEOs believe their employees need most.

Overall, the majority of NFP CEOs said upskilling programs continue to deliver organisational growth and productivity gains. This net benefit has remained consistently high over the three years that PwC has conducted this survey. This year, most NFP CEOs (77%) say upskilling delivers higher workforce productivity, 72% cite it as a growth accelerant, and 63% say it drives innovation.

In a broader sense, NFPs are also exploring opportunities that aren’t necessarily complex or costly to strengthen their EVP:

- Leadership development and mentoring with cross sector organisations.
- Tapping into training and other resources across a range of capability sets such as webinars and technology discounts offered through Connecting Up³ and Infoxchanges’s Digital Transformation Hub⁴.
- Inviting guest speakers to present on diverse topics.
- Leveraging secondment and rotation models in different industry sectors to bring that experience back into the organisation.

EVP is also an area where smaller NFPs can sometimes level the playing field by offering more senior roles that can be difficult to access in larger organisations with a broader scope of responsibilities, personal development and growth.

². Social Ventures Australia and the Centre for Social Impact, Paying what it takes 2022

³. <https://www.connectingup.org/>

⁴. <https://digitaltransformation.org.au/>

Supporting employee wellbeing

The COVID-19 pandemic has taken a significant toll on the mental health of workforces across sectors with 85% of workers reporting that their wellbeing had declined throughout the various lockdowns⁵. While it is encouraging to see an ongoing uplift in the number of NFPs reporting to have made progress in implementing mental health programs to help create mentally healthy workplaces (60%), this will continue to be a very challenging space for NFP leaders with people looking to employers as a significant source of support with mental health issues and the issues themselves becoming more complex. Implementing a plan to support the mental health and wellbeing of employees is the right thing to do and it provides a clear financial return to the organisation.

For every dollar spent by organisations on successful mental health programs, a return on investment of between \$1 and \$4 for an average return of \$2.30 can be expected⁶.

In considering which aspects of workforce strategy NFP leaders are investing in or changing to make the greatest impact on the future of their organisation, NFP CEO's identified adjustments to the workplace including hybrid working as key.

Supporting mental health & wellbeing impacts of the changing work environment

Making progress: Implementing a strategy to support mental health and wellbeing

2022

60%*

2021

57%

*All percentages moderate/significant progress

Source: PwC Australia's 3rd Annual Not-for-profit CEO Survey compared with PwC Australia's 2nd Annual Not-for-profit CEO Survey

⁵ Harvard Business Review, Beyond Burned Out, February 2021

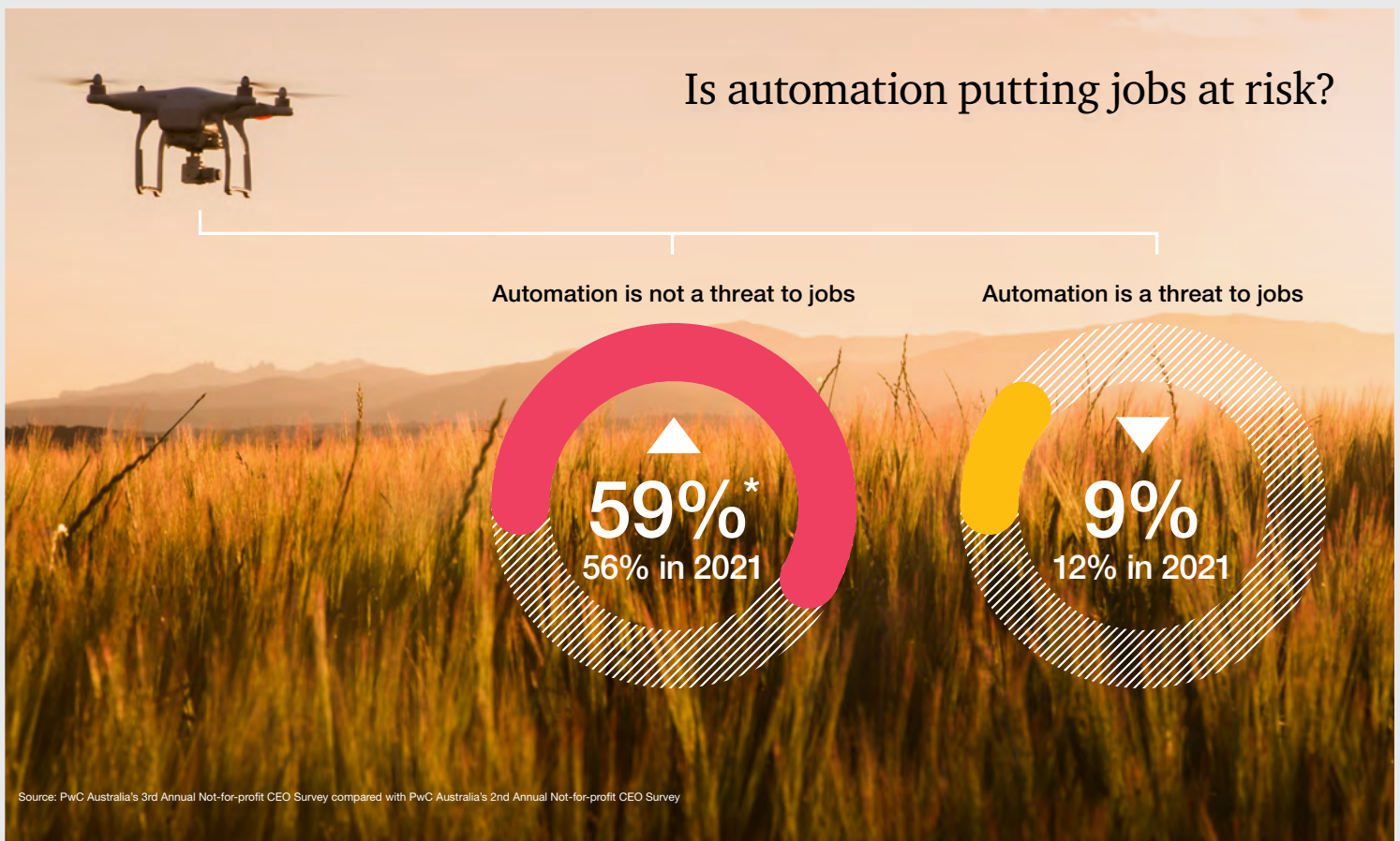
⁶ PwC Australia, What Workers want, October 2021

Delivering in a digital world

Accelerating automation agendas

A surprising result from the 2021 NFP CEO Survey⁷ was the large number of NFP CEOs (56%) who did not think automation was putting many people's jobs at risk in the NFP sector. In 2022, that number rose to 59%. Only 9% of CEOs agreed that automation was putting jobs at risk, dropping from 12% in 2021. However, according to PwC's Hopes & Fears 2022⁸ survey, 30% of employees said they are concerned about their role being replaced by technology in the next three years, pointing to a potential discrepancy between the views of NFP leaders and workers. This response represents a drop on last year, showing a decline in the impact of automation on job security.

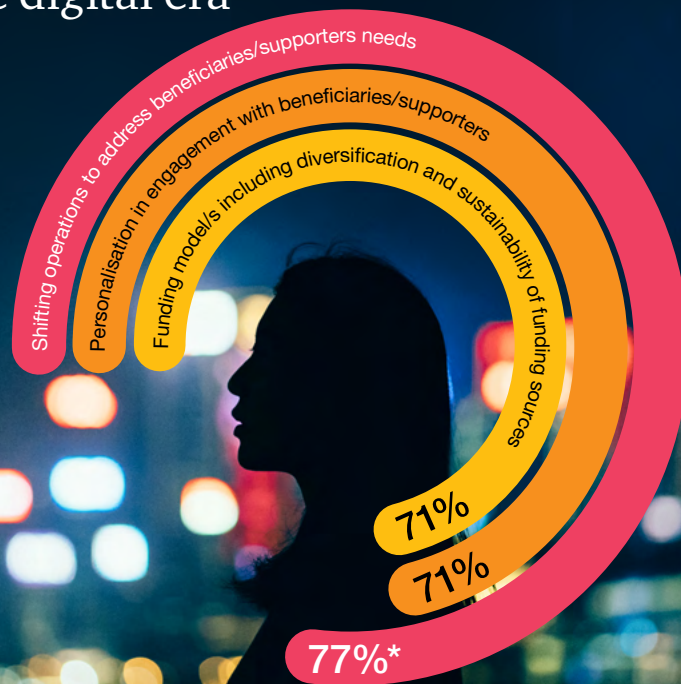
Of greater concern for employees was not getting sufficient training in digital and technology skills from their employer (39%) or their limited capacity to learn. This reinforces the need to give workers the time, space, and support to upskill. The skills that NFP CEOs believe their employees need to be prepared for the impact of technology remained consistent, with training in new software and programs, data analysis/analytics, teamwork and collaboration topping the list.



⁷ PwC Australia's 2nd Annual Not-for-profit CEO Survey, 2021

⁸ PwC's Global Workforce Hopes and Fears Survey, 2022

Changes required to organisational strategy to operate in the digital era



***All percentages agree/strongly agree**

Source: PwC Australia's 3rd Annual Not-for-profit CEO Survey

Digitisation continues to have a transformative effect on the NFP sector, impacting how people do their jobs, how outreach is administered, and the potential for diversification in funding models. A high percentage (67%) of NFPs see their organisations or the services they provide fundamentally changing due to digitisation. Overall, 77% are shifting their operations to address beneficiary or supporter needs in the digital age, demonstrating how technology is enhancing and allowing for greater coverage in terms of service delivery. Meanwhile, 71% of NFP CEOs say the nature of their organisation's funding model/s are being materially altered by digitisation, including diversification and sustainability of funding sources.

NFPs are embedding automation to increase the efficiency of operations, enabling greater outreach and impact. For example, organisations that previously undertook manual intervention to fulfil compliance reporting obligations create efficiencies through automating reporting processes and leveraging visualisation tools to simplify analysis. For NFPs, this presents significant opportunities for productivity gains. This is critical, particularly where resources are constrained. Automation presents the opportunity to release resources from low value transactional activities to high value, skilled tasks which are supported by the right approach to upskilling.

Automation can also play a significant role in business to business service delivery models. For example, NFPs that historically relied on physical service delivery to reach recipients are leveraging digital platforms to provide data about their end users that can be fed into automated marketing tools to obtain consent and conduct outreach directly, an activity that otherwise would be costly and time consuming for NFP staff to conduct via outreach calls.

Vulnerable to cyber-attacks

According to PwC's 2022 Global Digital Trust Insights⁹, more than 60% of organisations expect a surge in reportable cyber incidents this year and yet cybersecurity training and privacy compliance once again ranked low in the key skills identified by NFP leaders that employees require to prepare for the impact of technology on their roles. This is a concerning indicator given the rising threat level and risk to business continuity. In early 2022, PwC's 25th Australian CEO Survey¹⁰ found in contrast that 100% of CEOs in corporate Australia are concerned about cybersecurity. Once you collect, store and use personally identifiable information, the risks an organisation is exposed to increases.

For NFPs, a deeper understanding of responsibilities to protect and limit the use of this information is crucial, so it is encouraging that 48% of respondents are making significant or moderate progress on establishing a cybersecurity and privacy uplift program. However, 30% of NFPs are not considering or have made no progress on establishing a cybersecurity and privacy uplift program. In some cases this gap can pose a particular challenge where NFPs receiving or applying for government grants have minimum data protection and privacy protocols.

Progress made on cybersecurity efforts

48%*

Establishing a cybersecurity and privacy uplift program

***All percentages moderate/significant progress**

Source: PwC Australia's 3rd Annual Not-for-profit CEO Survey

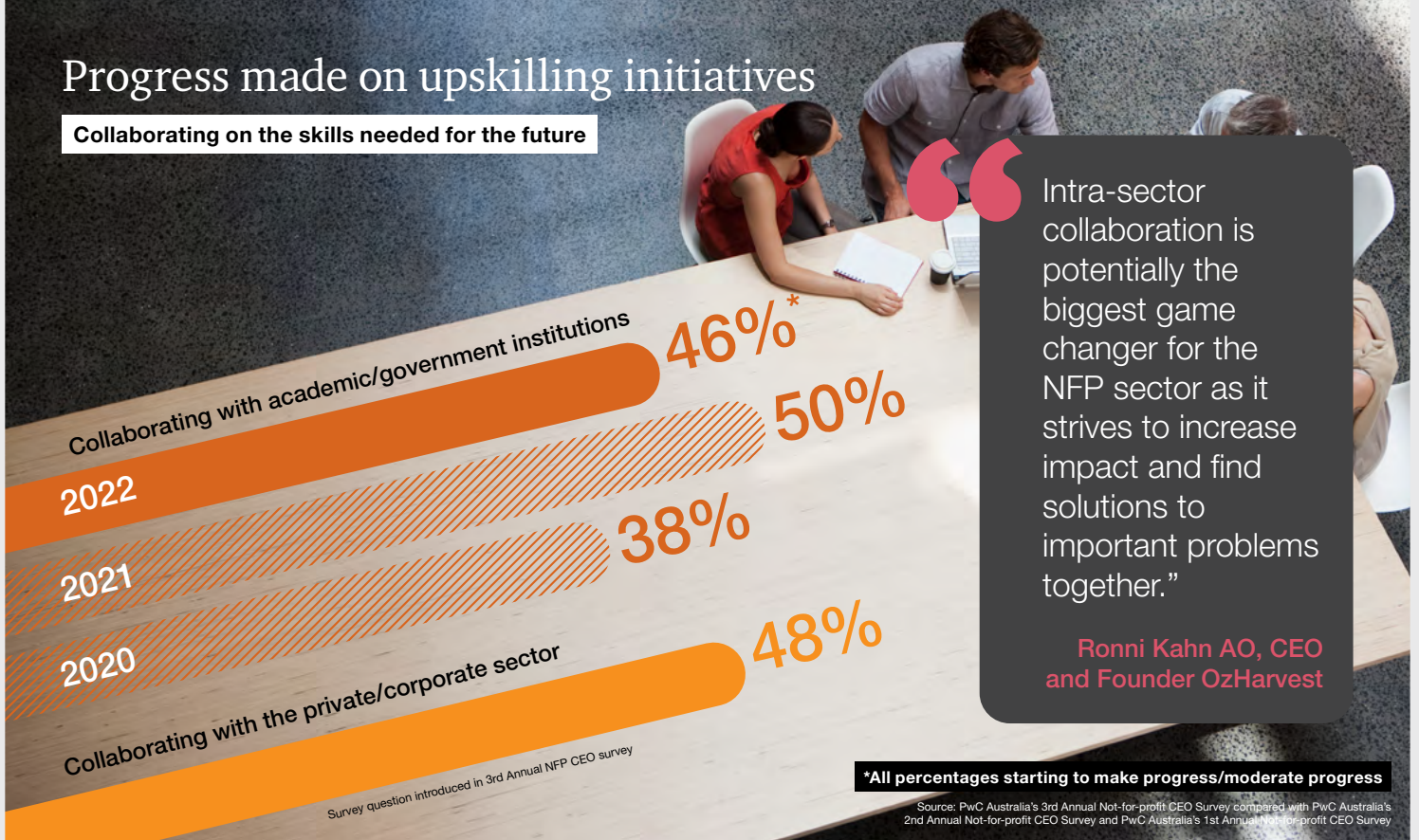
⁹. PwC Australia, 2022 Global Digital Trust Insights

¹⁰. PwC Australia, 25th Annual CEO Survey, 2022

Evolving business and collaboration models towards a new future

Progress made on upskilling initiatives

Collaborating on the skills needed for the future



NFPs are increasingly pooling resources to maximise impact in an ever changing world. Intra-sector collaboration can take many forms, including joint service delivery, shared outsourcing models, fundraising partnerships, mergers and advocacy. For example, ahead of Australia's Federal Election earlier this year, food rescue organisations OzHarvest, Foodbank and SecondBite collaborated to seek three key commitments from all political parties and independents to ensure vulnerable people have consistent and reliable access to food, flagging a fundamental shift in how NFPs are increasing the power of their collective voice.

In addition, NFPs are choosing, where possible, to operate differently to recalibrate the costs consumed by infrastructure and management, and direct more effort towards execution and impact.

For example, Canteen, Camp Quality and Redkite have joined forces to create a national one-stop digital hub that will change the way young Australians access cancer-related services across the care continuum.

Such collaboration also signals a growing recognition among NFP Boards and CEOs that competing against each other over finite funding is unsustainable. By joining forces, these NFPs are submitting more compelling business cases around impact and outcomes to donors.

Looking beyond intra-sector collaboration, in 2022, 48% of NFP CEOs surveyed partnered with the private sector on future skills, and 46% collaborated with academic and government institutions, the latter representing a drop of 4%. This represents a significant opportunity for cross sector organisations to work together as a community of solvers learning from each other.

Outsourcing to overcome skills shortages

The percentage of NFP CEOs who feel outsourcing some or all non-core activities (such as finance, human resources, legal etc) would provide value to their organisation rose by 8% over the past year to 51%.

Some organisations are engaging external contractors due to internal skills shortages or difficulties accessing a consistent volunteer base. However, other respondents said they are considering or are in the process of implementing outsourcing.



We have seen a range of NFPs really grapple with these issues and as a result, are increasingly turning to outsourcing solutions to alleviate resource constraints and optimise processes allowing for greater focus on mission.”

Belinda Louis
Partner Outsourced Finance
PwC Australia

A new growth mindset



The world is changing faster than ever, bringing unimagined new challenges. Issues that can't be solved using old formulas require new thinking. What makes new business and operating models work is a Board and CEO who are open to bringing in new perspectives and skills to challenge the status quo and drive different results.”

Janette O'Neill
Partner Chief Sustainability Officer
PwC Australia

Despite 57% of NFPs CEOs having made progress on implementing a diversity and inclusion strategy to attract a wide range of talent and ensure inclusiveness in how they work, Board diversity remains a significant issue across the sector. Diversity of skills and experience at a leadership level are vital for both the awareness and adoption of technology to innovate in an operational sense and the propensity to collaborate with others for upskilling and growth.

Indeed, at a leadership level, the Governance Institute of Australia's recent report, *Driving the digital revolution: A guide for boards*¹¹, highlights the need for boards to prioritise upskilling to be equipped to operate and lead in the rapidly evolving digital landscape with almost half of survey respondents (41%) reporting that less than a quarter of their board members have technology skills as part of their core skill set.

¹¹: Governance Institute of Australia, *Driving the digital revolution: A guide for boards*, 2022



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Explore more

pwc.com.au/nfp-ceo-survey

Survey Methodology: PwC Australia surveyed CEOs (or equivalent) of Not-for-profits in Australia and New Zealand in July 2022. 231 completed responses were used in our research. While the report focuses primarily on employees, the important role and different experience of volunteers in the NFP workforce is acknowledged.

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