



INNOVATION INDEX

FOR THE AUSTRALIAN NOT FOR PROFIT SECTOR
APRIL 2016

Supported By



Innovation Index

**For The Australian Not for Profit Sector
April 2016**

About this publication

Innovation Index of the Australian Not For Profit Sector 2016

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Formulated and designed by GiveEasy Pty Ltd. Market Research Partners: FlyResearch was responsible for hosting the 2015 and 2016 Innovation Index studies and performing initial testing and analysis. The NTF Group performed in depth quantitative analysis including significance testing on the 2015 and 2016 data sets.

About GiveEasy

GiveEasy connects charities, causes and not-for-profits to their supporters and communities through simple, smart and social digital giving solutions.

GiveEasy's four core digital giving solutions – Your SMS, Your App, Your Campaign, Your Page – sit on GiveEasy's cloud based digital fundraising platform which take care of all the banking, processing, reconciling, legal, security, data and technology issues for its charity clients. These digital giving solutions allow charity supporters and donors to donate quickly and easily via their mobile or desktop and allow charities to connect with and activate their donor base - all from one simple fundraising platform.

GiveEasy's mission is to provide world-leading fundraising and social innovation solutions to help not-for-profits move into a digital and mobile future.

Introduction



Jeremy Tobias – CEO, GiveEasy

“Start with innovation, and the funds will follow. We hope this report inspires increased innovation across the sector and provides our NFPs with a framework to support this invigoration.”

Our Not-for-Profit sector takes on the toughest social and environmental challenges we face as a nation – and if we’re going to solve these problems, and expand our reach to more people with fewer resources, we need innovation more than ever before.

The 2016 Innovation Index was initially launched in 2015 as a diagnostic assessment tool to measure the depth and breadth of innovation capabilities across all sectors.

With more than 600,000 NFP organisations in Australia, accounting for more than 3.8 per cent of GDP in 2012-13, the NFP sector employs almost 10 per cent of Australia’s workforce.¹ It also provides an increasing number of services on behalf of government – including those in areas identified as ‘Deloitte Growth 25’ sectoral hotspots: aged care, education, medical research and others.²

As a sector, we face disruptive challenges today. Around the world, donors no longer want to simply give money – they want to be part of an experience, of feeling connected in some way with the impact of their gift. And although the fastest rate of growth in giving is amongst those aged 65 and over, Generation X, Y and millennials have vastly different expectations from engagement.³

Passive fundraising campaigns no longer cut through. Emerging social enterprises and crowdsourcing campaigns compete for the share of donor wallet. These new models are the disruptive ‘Ubers’ of the social economy, and innovation will be the key to thriving in a new NFP landscape.

It’s concerning to see the results of this year’s Innovation Index – that Australia’s NFP organisations have barely shifted in their ‘average’ measure of innovation. However, there are promising signs. With more than twice the number of respondents this year, we’ve been able to identify the characteristics of five stages of innovation in the sector – and this will help us identify opportunities for improvement at an individual organisation level.

What’s more, it’s also now clear that innovation is directly correlated with growing budgets – mirroring commercial findings that innovation leads to share price and revenue growth.

Start with innovation, and the funds will follow. This report will give you a framework to get you started.

¹ The Not for Profit Sector in Australia: Fact Sheet, August 2014 QUT Business School ACPNS

² Positioning for prosperity, Deloitte, 2014

³ NAB National Giving Index, 2015



Greg Sutherland – Executive General Manager, Marketing & Customer Experience Australia Post



Sharon Watkins – National Head of Education and Social Sector Westpac

The digital world continues to change the way we live, work and play. It is creating disruption but also manifesting an amazing set of opportunities.

In this environment, it is the innovators and the change makers who are leading the transformation of organisations; embedding a culture of innovation and creativity to drive them into the future. At Australia Post, innovation is at the forefront of our own transformation, helping us to create eCommerce and eGovernment services and solutions to meet the rapidly changing needs of our people, customers and community.

Organisations and communities are increasingly collaborating to identify economic and social benefits by embracing digital technology, and creating shared value opportunities to unlock the next wave of social and economic prosperity. I’m excited to be introducing the findings of the 2016 Innovation Index for the Australian Not-For-Profit Sector, particularly when I look at some of the original ideas and activities undertaken by the organisations selected as this year’s Top Ten Most Innovative.

Increasingly, commercial models and minds are being applied as the Not-For-Profit model itself is being innovated to become more of a social impact model. This year’s study shows innovation is thriving within the sector, and the insights contained in this report will be valuable to any organisation interested in creating an authentic innovation culture. By helping people innovate, we create a stronger country and a more sustainable future.

Let’s embrace new ideas and celebrate the opportunities innovation is creating for us all.

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Executive Summary



Jemma Parsons – Senior Associate
The Strategy Group



THE STRATEGY GROUP

“...innovation and social change have already transformed the way Australians think about giving back to the community.”

One glance at the recipients and finalist lists for this year's Australian of the Year awards reveals the extent to which innovation and social change have already transformed the way Australians think about giving back to the community.

In just a few examples, Young Australians of the Year, Nic Marchesi and Lucas Patchett built a free mobile laundry in their old van to help the homeless. A finalist in the same category, Robert Gilles, created a charity clothing store that directs proceeds to the homeless. National recipient Dr Catherine Keenan's venture helps marginalised Australians express themselves through story telling.

These gifted Australian social entrepreneurs embody a natural talent for innovation that we must foster in our schools, communities, businesses and not for profit organisations. If we are able to harness the tools of our digitally advanced, hyper collaborative world then now really is the best time in history to think outside the box. It is the only time in history that ideas can at warp speed gain momentum and build community in a way that transcends traditional boundaries of space, time culture and country – an opportunity for innovation and evolution not to be ignored.

In conducting this study we sought to understand the extent to which our NFP sector was equipped with the capabilities required to innovate and thrive today and into the future. We now know where we are excelling, where we need to invest in building skills and what the key perceived challenges are.

Innovation performance is still average

The results of this year's Innovation Index describe a sector that, while not short on examples of leading edge innovation, remains largely middle of the road when it comes to innovation performance. After adjusting the 2015 Index result for comparable data, it scored 57.7 on the overall Innovation Index: this year comparative analysis gives us a result of 58.3.

What's worrying is that just 37% of respondents have an agreed innovation strategy or focus in their organisation. This implies fairly low levels of committed, structured internal resources for innovation.

However, there are signs of improvement in some key areas. We can now see that while having a large budget does not in itself lead to innovation, those NFPs who are actively pursuing innovation score higher in the Index and are more likely to have increasing budgets. This indicates funding and grants are more likely to be awarded to more innovative NFPs, and is consistent with findings from other key studies that link innovation to growth.

With a far larger sample size this year we could disaggregate our sample of 1217 respondents into five innovation stages, forming a spectrum of NFP innovation performance from the very beginning of an organisation's innovation evolution through to those who are leading edge innovators.

Fifty nine per cent of our sample falls into the lower three innovation stages (Novices, Apprentices and Graduates), where there is some innovation awareness and capabilities are emerging.

Encouragingly, the remaining 41 per cent fall into the top two leading innovation stages, representing those that understand the value of testing new ideas, of measured risk taking and of extensive internal and external collaboration.

Why are we not seeing significant improvements?

Despite a global imperative to innovate and a strong national drive for Australia to become an 'innovation economy', the NFP sector still seems to be resistant to new ways of doing things. So this year, we asked why.

There is a perception that NFPs:

- **Lack money to innovate, outside the overwhelmingly government-derived funding they receive**
- **Lack time to dedicate to thinking outside the box**
- **Are burdened by government reporting and compliance requirements**
- **Lack digital capabilities in their team**
- **Tend not to use social media or other online sources of marketing and fundraising**
- **Experience low support for innovation, measured risk taking and cultural change from senior management.**

So, how can NFPs execute the necessary cultural and system transformation to become leading edge innovators? A dedicated, collaborative effort is required from sector stakeholders if we want a flourishing NFP sector that can meet the evolving demands of the digital era, and the growing expectations of social services and charity. A key step for any organisation seeking to be more innovative is to understand, embrace and implement the seven capabilities we measure through the Innovation Index. To our NFP stakeholders, we look forward to feedback on this year's Innovation Index report and in the spirit of innovation intend to enrich the study each year.

Sincere thanks to every single person participating in and supporting this study – you have contributed to the unveiling of significant insights about a vital sector for Australia. And a special acknowledgement to our partners, Westpac and Australia Post, whose generous support has made the 2016 Innovation Index Report possible.



Methodology

The Innovation Index provides the NFP sector with a year on year assessment, so we can track and measure the innovation journey of this vital sector. Our analysis celebrates its achievements, and reveals areas for improvement.

Research on innovation often focuses on one or two factors, but doesn't consider how they interrelate. To understand how aspects of innovative practice fit together, we've utilised an Innovation Index Methodology developed by The Strategy Group as a result of many years of academic and corporate research and experience in international and Australian innovation.

The methodology focuses on forward looking capabilities rather than measuring past achievements.

Organisations are measured according to their capacity to develop and deliver innovation according to seven key vectors:

- Internal Collaboration
- External Collaboration
- Innovation Focus
- Openness of Culture/Vision
- Organisational Velocity
- Rewards/Recognition
- Stakeholder Centricity

Creating a more comparable benchmark

Last year, we measured innovation capability using two different methods: a 100-point scale analysis and a net promoter derived score. For more streamlined results, we will now only use the 100-point scale analysis this year and going forward.

We have adjusted the 2015 data to be comparable for the purposes of this 2016 report, but you will not be able to directly compare one report to the other.

How the Index is calculated

Each respondent was asked to indicate their level of agreement to 28 different statements surrounding their organisations innovation capability based on a 0 – 10 scale of agreement/disagreement.

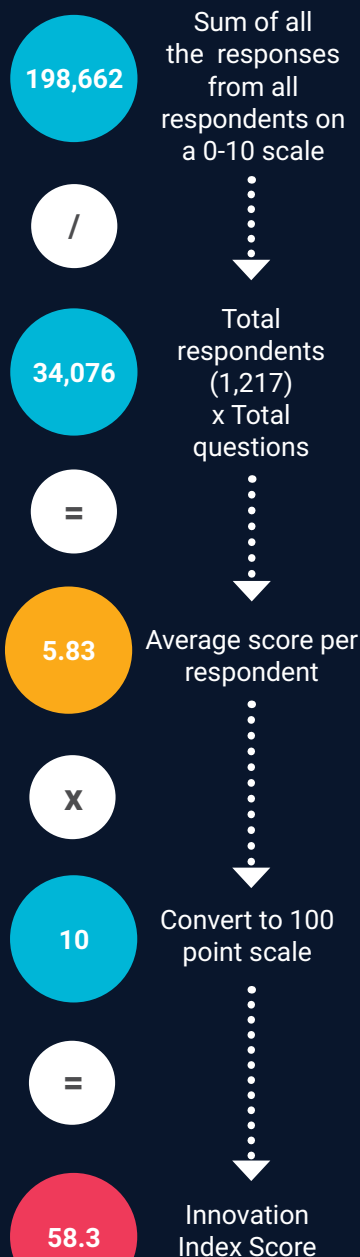
We also collected information about the organisation and the participant, which allowed us to analyse all innovation metrics by age, tenure, organisation size, job role, sector(s), communication methods, location(s) of operations and various personality traits.

These 28 statements were then used to create the Innovation Index Scores you will see throughout this report.

For example, if we were analysing the overall Innovation Index score by the number of employees, we would add all responses to the 28 questions for each employee size group and divide this by the number of NFPs that fall into each category.

This number is then multiplied by 10 to convert it into an easy to understand 100-point scale metric that can be benchmarked against subsequent research. The example from above is shown on the right.

EXAMPLE
Below is how we arrived at this Overall Innovation Index Score



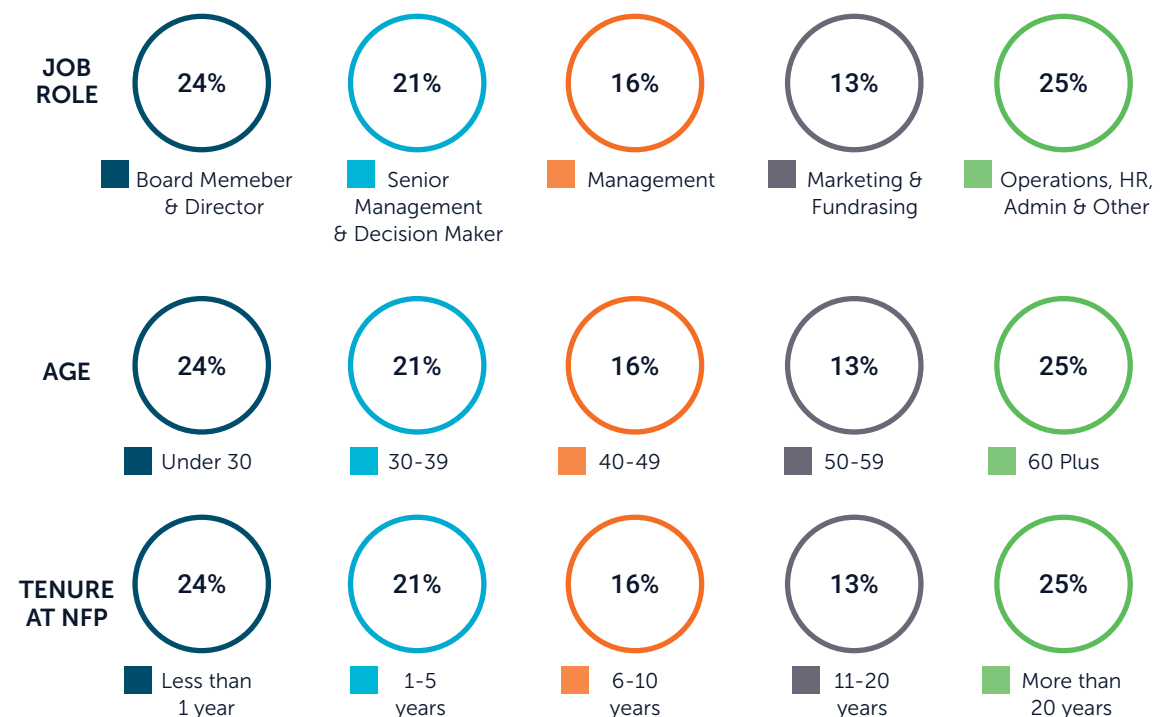
Who participated in the Index Survey?

More than 1,000 NFP organisations were involved this year.

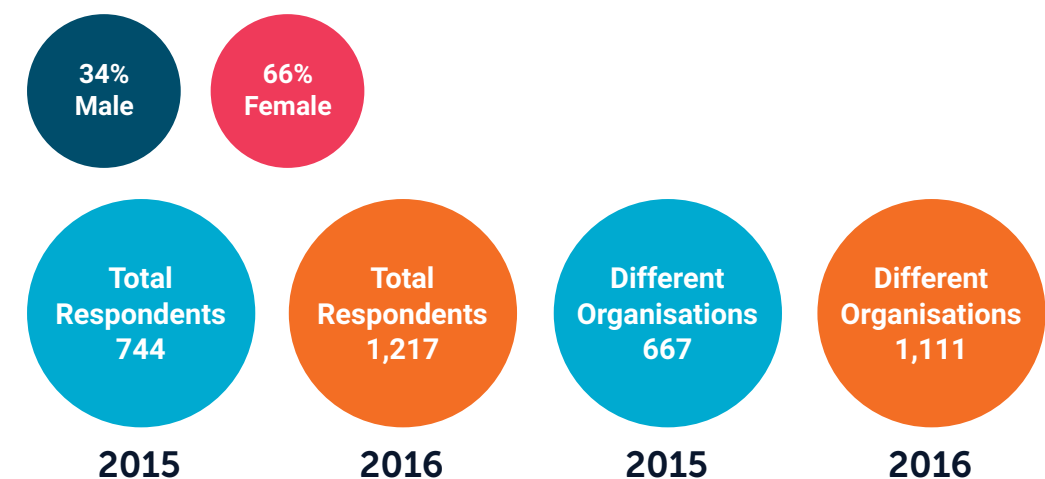
We are happy to report a 63% increase in the number of participants in the 2016 study, making deeper analysis possible.

The results of the 2015 and 2016 Innovation Index for the NFP sector show overall highly uniform patterns of responses. All demographic questions were within +/- 3% of each other.

Respondent's breakdown



Totals



2016 Innovation Index Report Findings

Innovation performance has not shifted since last year

The foundation of the Innovation Index is an analysis of performance according to seven areas of innovation.

Internal collaboration – the ability for individuals and groups to connect and work together within an organisation. This requires processes to foster regular communication amongst team members (such as events), a culture of frank and constructive input, and time to share ideas through brainstorming.

External collaboration – building and maintaining diverse networks and partnerships with outside suppliers, service providers, organisations and thought leaders. Bring outside ideas in!

Innovation focus – innovation needs a strategy in its own right, including a vision, goals and metrics. This should be underpinned by an innovation culture, empowering people to think, share, respond and act on ideas.

Openness of culture & vision – creating an environment where separate ideas and perspectives can collide regularly, with a culture of openness, sharing and generosity.

Organisational velocity – achieving exceptional levels of performance, relentless focus on improvement, quick to respond and adaptable to change.

Rewards & recognition – encouraging innovative behaviour through an active program of acknowledgement, including peer recognition, promotion or financial reward.

Stakeholder centricity – deep engagement and empathy with donors and beneficiaries so we can engage with them in the most relevant ways.

Innovation Index Scores For The Seven Vectors

	2015	2016
Overall Innovation	<div></div> 57.7	<div></div> 58.3
Internal Collaboration	<div></div> 62.8	<div></div> 63.1
External Collaboration	<div></div> 62.8	<div></div> 62.9
Innovation Focus	<div></div> 61.5	<div></div> 62.2
Openness of Culture & Vision	<div></div> 60.0	<div></div> 60.3
Rewards & Recognition	<div></div> 53.5	<div></div> 55.0
Organisational Velocity	<div></div> 53.5	<div></div> 53.8
Stakeholder Centricity	<div></div> 50.1	<div></div> 50.7

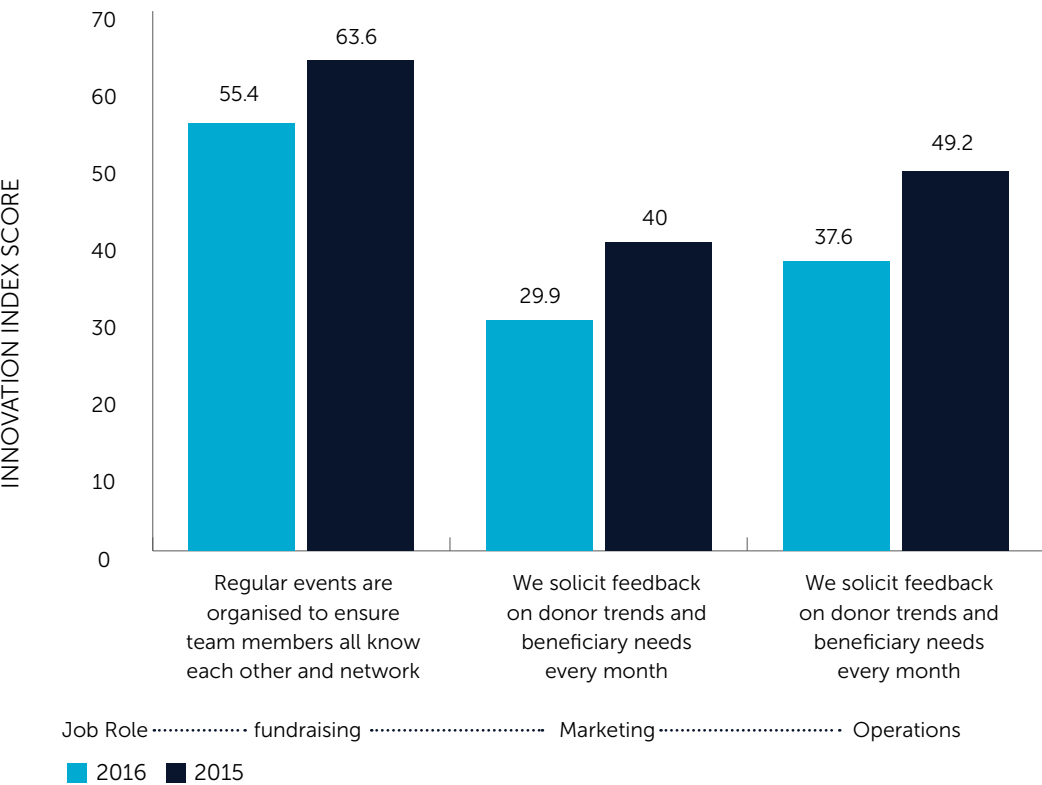
Overall, the results for 2016 are 'average', with no vector scoring higher than 63.1 and none scoring lower than 50.1.

The lowest performing vector is still **stakeholder centricity** with a score of 50.7 in 2016. Given NFPs exist only because of their stakeholders, whether donors or beneficiaries, this is of concern and highlights a clear need for NFPs to identify, understand and engage with their stakeholders in a focused and meaningful way.

Signs of improvement

While there was no overall significant change in year on year results, there was a statistically significant increase in three specific areas, based on the respondent's job role.

These Index Scores indicate there are trends in the right direction within the internal collaboration and stakeholder centricity vectors.



Who Are Our Most Innovative NFPs?

This year, we analysed our most innovative NFPs in two ways. First, we analysed our respondents according to the Innovation Index, and found Australia’s most innovative NFP is the Cure Brain Cancer Foundation.

We also asked respondents to vote for the NFP they thought was most innovative, to see how NFP stakeholders perceive the innovation performance of their peers without having any specific information about their innovation strategy or activities.

Of the top 20 NFPs that were peer voted as most innovative, only seven participated in the survey. Of those, three were also ranked in our top 30 rankings based on the Innovation Index score: McGrath Foundation (ranked 6th by index & 3rd by peers), Movember (ranked 4th by index & 6th by peers) and RSPCA (ranked 15th by index & 11th by peers).

Ranked By Innovation Index*

RANK	ORGANISATION
1	Cure Brain Cancer Foundation
2	One Health Organisation
3	Investing for Charity
4	Movember
5	Salvos Legal
6	McGrath Foundation
7	Northcott
8	Culture at Work
9	Social Traders Ltd
10	Good Shephard

Ranked By Peers

RANK	NOT FOR PROFIT
1	Cancer Council
2	Oxfam
3	The McGrath Foundation
4	Charity Water
5	World Vision
6	Movember
7	Breast Cancer
8	Thank You Water
9	Beyond Blue
10	Get Up
11	RSPCA
12	Salvation Army
13	Ngala
14	SYN Media
15	YGAP
16	Acumen Fund
17	Amnesty International
18	Edgar’s Mission
19	Engineers Without Borders
20	Fred Hollows

*Only organisations with three or more respondents where included

Innovation Drives Growth

More innovative NFPs have increasing budgets

The links between innovation, growth and productivity in the corporate sector are well documented. There is a positive correlation between companies that innovate in multiple areas, and year on year growth in value – and the greater the number of areas of innovation, the higher the rise.⁵

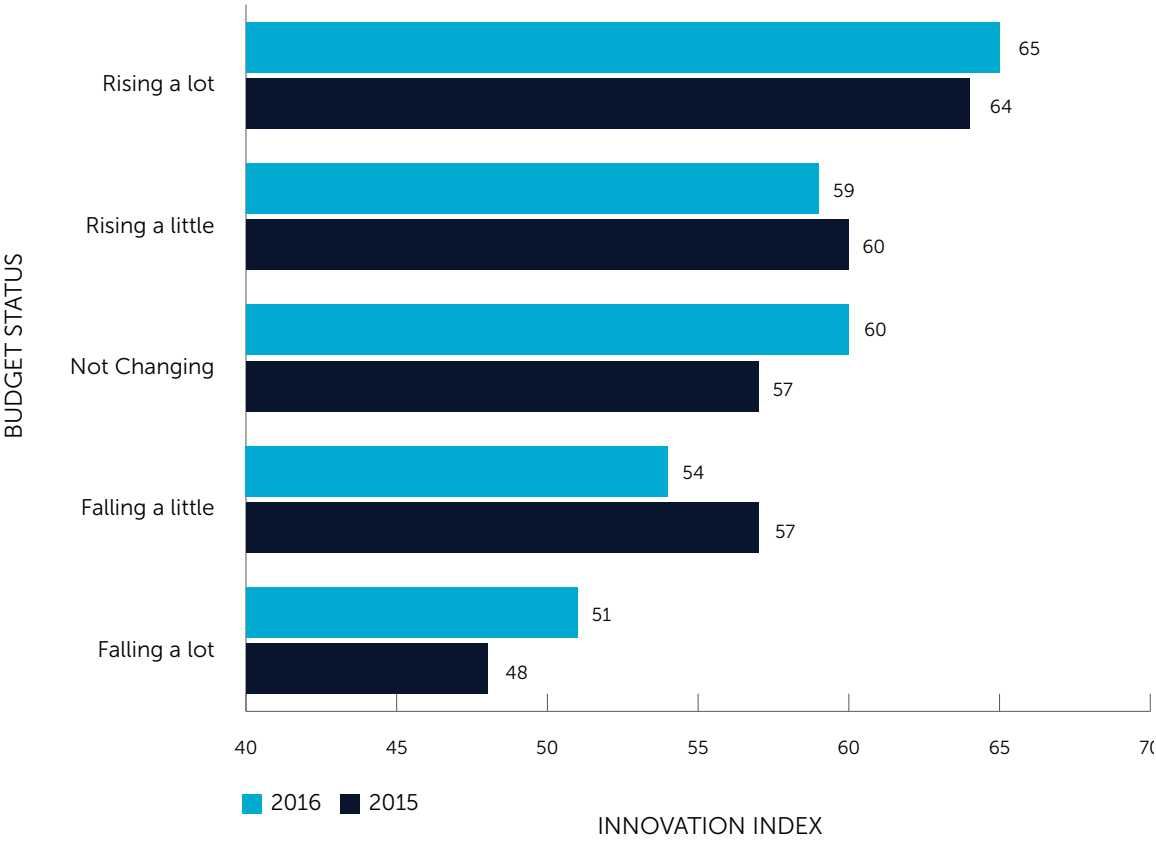
Recent PwC analysis also shows that small businesses could unlock an additional \$49.2 billion of output over the next ten years by making better use of digital technologies.⁶

However, until now no study assessed whether the same was true for NFPs.

Our findings for the 2016 Innovation Index highlight a clear positive correlation between organisations with a rising budget and a high Innovation Index score.

This means that if you’re more innovative, you’re more likely to have an increasing budget – or growth. This doesn’t mean NFPs with bigger budgets are more innovative. Our data captured whether an organisation’s budget was rising or falling at the time of the assessment, irrespective of its size.

We found innovative organisations are 34 per cent more likely to have a rising budget than those that are not – so innovation drives growth, rather than growth or funding drives innovation.



⁵ Larry Keeley, Helen Walters, Ryan Pikkell, Brian Quinn, Ten Types of Innovation: The Discipline of Building Breakthroughs, 2013, p88

⁶ Small Business: Digital Growth, August 2015, PwC

A matter of size

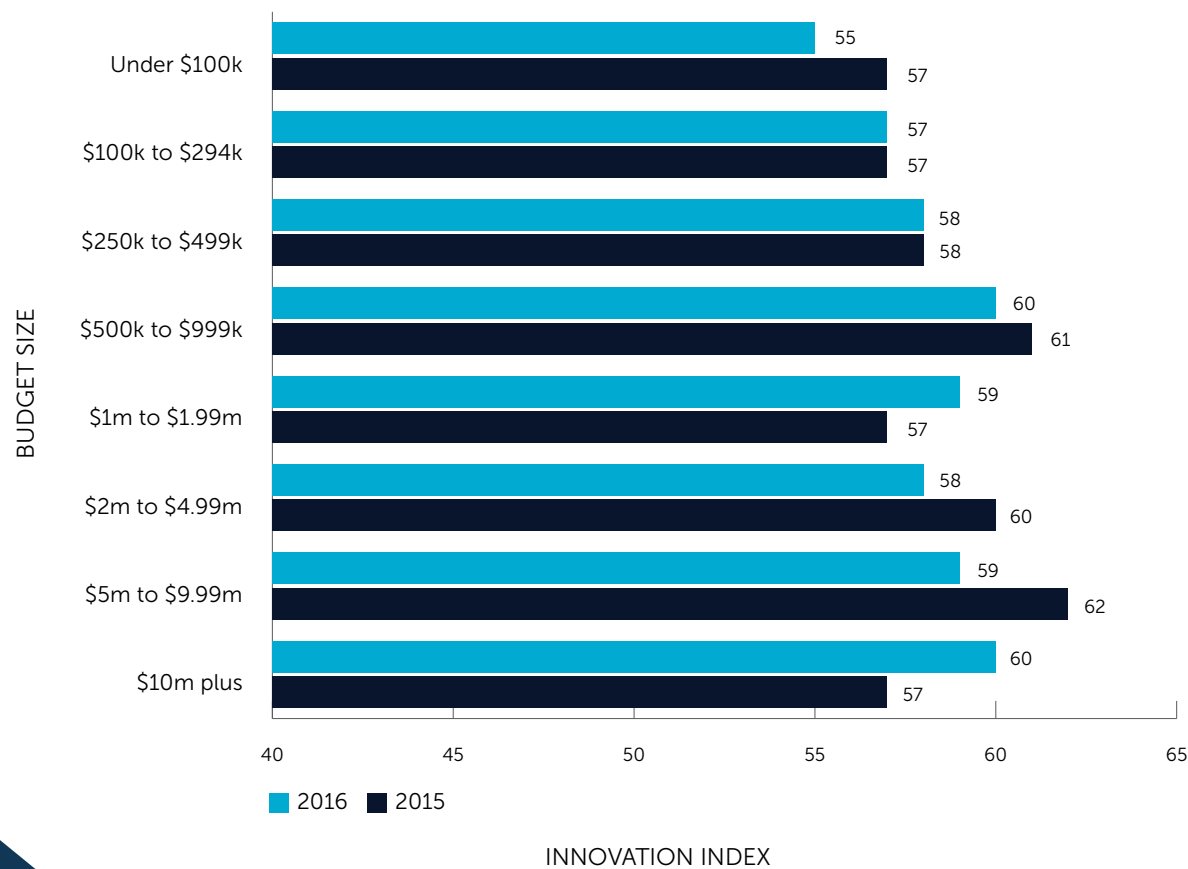
Our research also found that Australia's largest NFPs are not the most innovative – but that larger organisations showed the most improvement in innovation capabilities from last year.

The two most innovative NFPs segments are those with budgets of between \$500,000 and \$999,000, and those with budgets between \$5million to \$9.99million.

Again, this is consistent with corporate research. Mid-sized businesses are at the forefront of innovation according to Bankwest's 2015 Innovation Report.⁷

Our two least innovative segments are those NFPs in the lowest two budget size categories. This suggests that there may be a 'sweet spot' for NFPs where innovation thrives most effectively. Perhaps mid sized NFPs are better able to sustain an innovation culture than their larger, more bureaucratic peers, but they also have the resources and knowledge to experiment more effectively than their smaller peers.

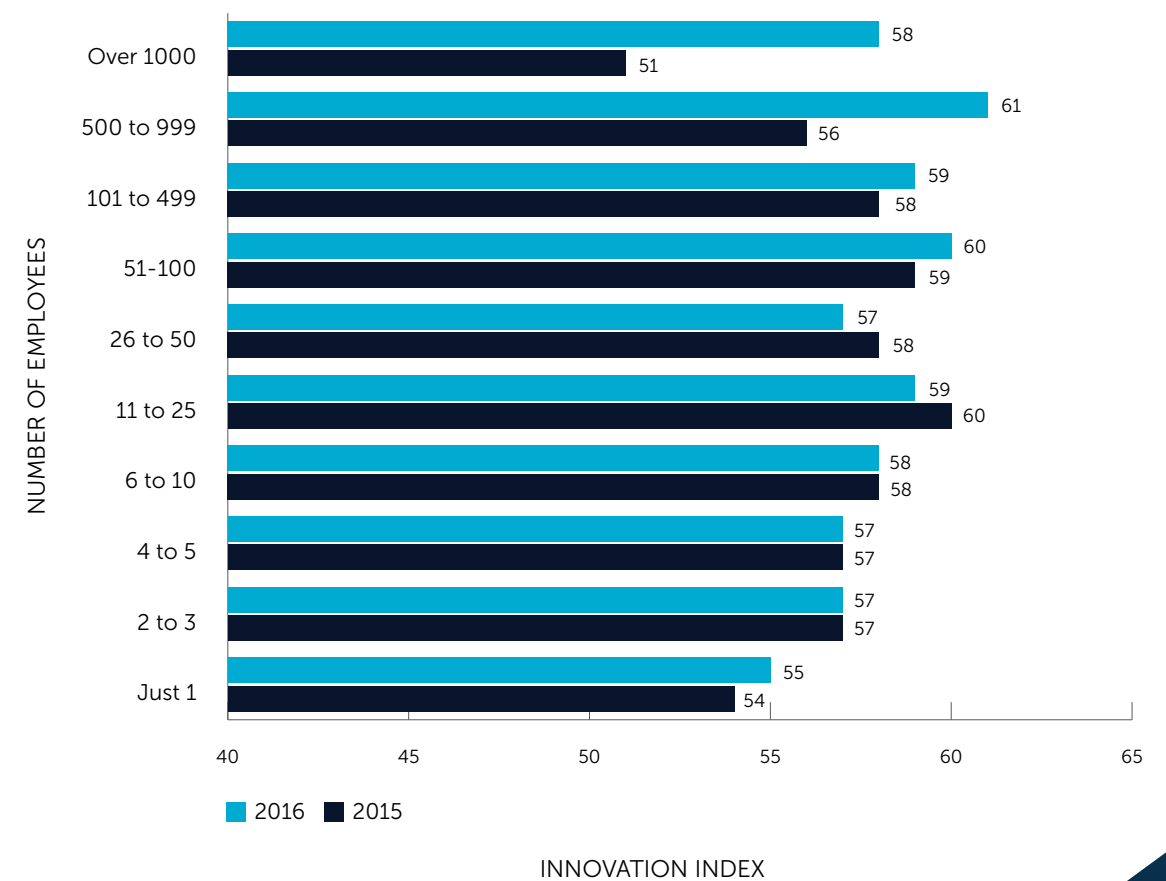
these results are, however, surprising given that the smallest companies in the world are often the most innovative. Perhaps mid sized NFPs are better able to sustain an innovation culture than their larger more bureaucratic peers, and better able to raise and deploy resources and knowledge than their smaller peers.



⁷Bankwest Business Innovation Report 2015

The largest NFPs, with budgets in excess of \$10 million, did show the largest improvement in innovation performance compared with 2015, rising to 58 from 51.

This may indicate more staff in the largest organisations have a greater collective awareness of the importance of innovation, and are leading the charge for an innovation agenda.



What Do NFPs Need?

We asked respondents to tell us what is the one thing that would make their organisation more innovative. Five key themes emerged through their open-ended responses.

The #1 need is more funding

Most respondents think the one thing that will make them more innovative is ‘funding’. This was also top of the list in 2015.

Yet innovation relies, to some degree, on doing more with less and being more efficient with resources. Necessity is the mother of invention, as the saying goes. We also have access to more free or low-cost marketing channels than ever before, as well as free networking tools for collaboration.

What we’ve found, through the data, is that more money will not lead to more innovation. Instead, it’s the innovation that drives the funding. This mirrors the world of entrepreneurship where innovative ideas attract funding.

Better digital capabilities

Many respondents felt that innovation would be ignited if they only had staff who support their online aspirations – social media campaigns, improving the website or developing an application.

It was clear that people felt that they were at capacity in their roles and had no time to improve the organisation’s external engagement through digital channels. They felt someone else would need to take responsibility for a digital marketing strategy, and the solution was hiring someone (or finding more tech-savvy volunteers) to drive this growth.

Clearly there is a perceived low level of digital capability in a significant number of organisations, and that digital tools and online presence are synonymous with innovation. While digital is an important capability in today’s world, innovation can take place at any layer of an organisation – digital or not.

There are many tools already available to help NFPs understand the process of innovation. Some leading examples include Design Thinking, The Lean Start-Up methodology and Open Innovation.

“More interactive and user-friendly website and better online giving options.”

“A clearer idea of where responsibility lies.”

“To embrace new digital technologies.”

“More clever, social media campaigns.”

“To be more technically savvy on trends and communication to donors.”

Cultural change

Many cited the need to shift their organisational culture towards favouring and understanding innovation. It is felt that senior management is responsible for the lack of innovation culture within their organisations, and that this leads to low levels of measured risk taking or experimentation with doing things differently.

We know innovation thrives where there are senior champions who advocate for change, who have decision-making power over resources and who can lead by example. Without leadership support for innovation NFP staff are certainly significantly disadvantaged.

“A complete change in leadership, internal structure and appointments process.”

“A culture change with funds and focus being attributed to implementing an innovation strategy.”

“Better communication of ideas, failures, successes and learnings. Also stronger start up mentality.”

“More think time.”

“Cultural change - we’re going through a process at the moment where our team are being encouraged to be innovative and talk about it.”

“More brainstorming meetings.”

A clear, documented innovation strategy

Only 37% of our NFP sample has a strategy for innovation. Without a specific focus on innovation resources will not be allocated, and it won't be addressed in strategy meeting agendas. If innovation is seen as outside core NFP business, it is unsurprising so many respondents acknowledged the need for a clearer focus.

An innovation focus with appropriate resourcing to support it is a central component of a successfully innovative organisation.

"Leadership and prioritisation of innovation across the business."

"To demonstrate that innovation pays."

"Human and financial resources to develop an innovation strategy."

Less red tape

Having time to think and be creative is also key to a thriving innovation culture, but respondents told us that they felt burdened by the high levels of government compliance and reporting requirements. This additional workload gives staff less time or resources to think outside the box.

Red tape stifles an innovation culture – and it consumes resources. According to the 2014 Red Tape report commissioned by the ACNC, the burden of Commonwealth reporting on the 15 case study charities averaged an estimated \$108,000 for the 2012-13 year.⁹ Just under 70 per cent of respondents reported they spend less than five hours in an average week meeting their Commonwealth obligations, while 9 per cent spend 30 hours or more.

A number of respondents also complained that being tied exclusively to government funding meant that there was no funding at all to try new things or to innovate. This raises questions about the nature of government contracts for NFP funding, and whether there might be an opportunity to incorporate budgets for innovation within the current structure.

"Less red tape and dysfunction re government and remote Aboriginal communities."

"Less time on administrative and back office tasks allowing time for creativity, learning consulting and prototyping."

⁹EY red tape report, 2014

People

What are the traits of an innovative NFP employee?

People are the most valuable resource within any organisation and it's clear that many of the things respondents are seeking will only come through the people within the organisations, whether that's the leaders, digital team or advocates for change and creative thinkers.

So we wanted to understand what the key characteristics of an innovative NFP employee are.

Respondents were asked to assess themselves against each of the 14 trait statements. Traits commonly associated with innovation and entrepreneurship are

in the upper half of the chart, and those who answered positively to these traits also have consistently higher innovation index scores.

There are clearly certain personality traits that NFPs should be looking for when building teams, hiring new people, or looking for new partners to work with. People with a large network, who like to take chances and experiment, are more likely to support growing innovation than people who are methodical, impatient and risk averse.

Personality Traits - What makes an innovative NFP Employee?



Traits that drive innovation

I stay in touch with a big network	62.6
I'm experimental.....	61.5
My network is very diverse	61.3
Persuasive	61.2
I like to take chances.....	60.6
I'm always positive	60.4
I'm mostly an extrovert	60.3

INNOVATION INDEX SCORES



Traits that hinder innovation

I'm rarely fully satisfied.....	57.1
I tend to go with majority decisions.....	57.0
Methodical.....	56.6
Impatient.....	55.5
I'm mostly an introvert	55.3
The things I work on are never finished	54.9
Risk averse	54.6

INNOVATION INDEX SCORES

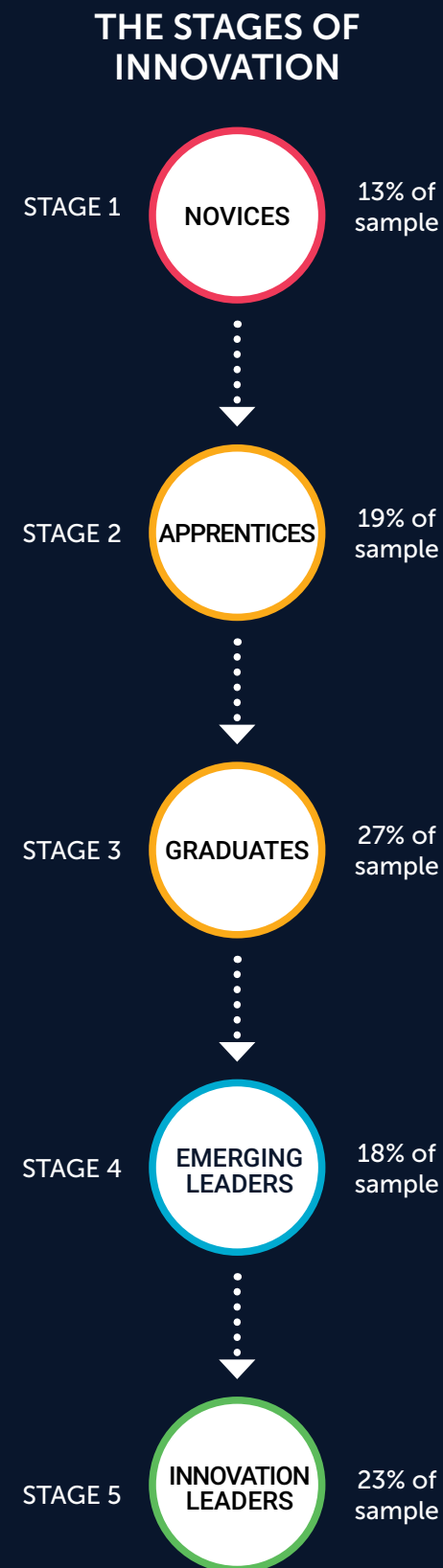
Innovation Stage Analysis

With a higher number of respondents from more organisations this year, we were able to perform a cluster analysis. The cluster analysis groups respondents with similar responses and enables us to analyse what separates them.

Five distinct clusters emerged from the data set that tell us where on a spectrum every organisation sits – from very novice innovators to the leaders of the pack.

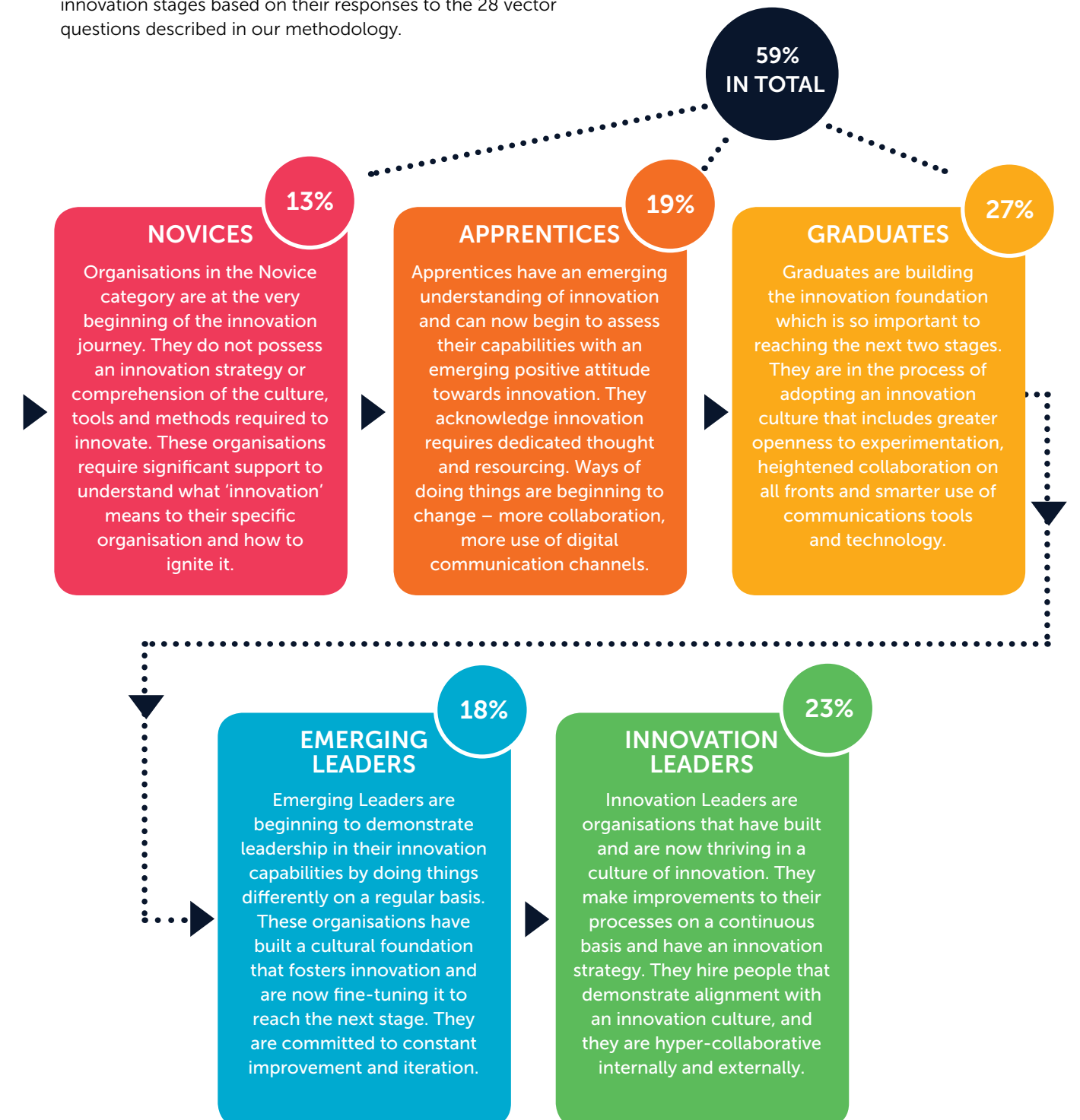
These stages of innovation represent organisations at a similar place on their journey towards being a truly innovative organisation. The majority of organisations (64 per cent) are in the three middle groups – indicating that while the NFP sector is thinking about innovation it hasn't yet fully embraced it.

We can now help individual NFPs identify where they are on this journey, and empower them to take appropriate action. Any organisation participating in the research can request their personal Innovation Index report, providing a clear picture of their strengths and weaknesses of the organisation and how they benchmark against the seven Innovation Index vectors and the aggregate for the sector.



Uncovering What Drives Innovation

Each respondent was allocated to one of the following innovation stages based on their responses to the 28 vector questions described in our methodology.



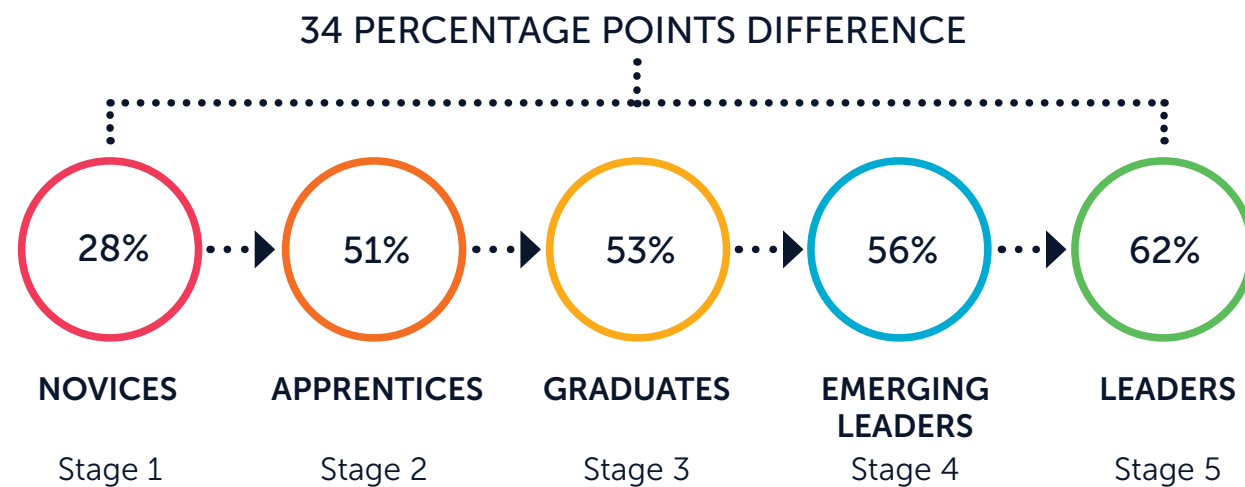
Want more funding?

Start with a focus on innovation

As discussed previously, each respondent was asked if their budget over the previous 12 months has risen, stayed about the same, or fallen. A larger budget doesn't necessarily equate to a more innovative organisation. We have seen many small organisations be incredibly innovative with a small budget.

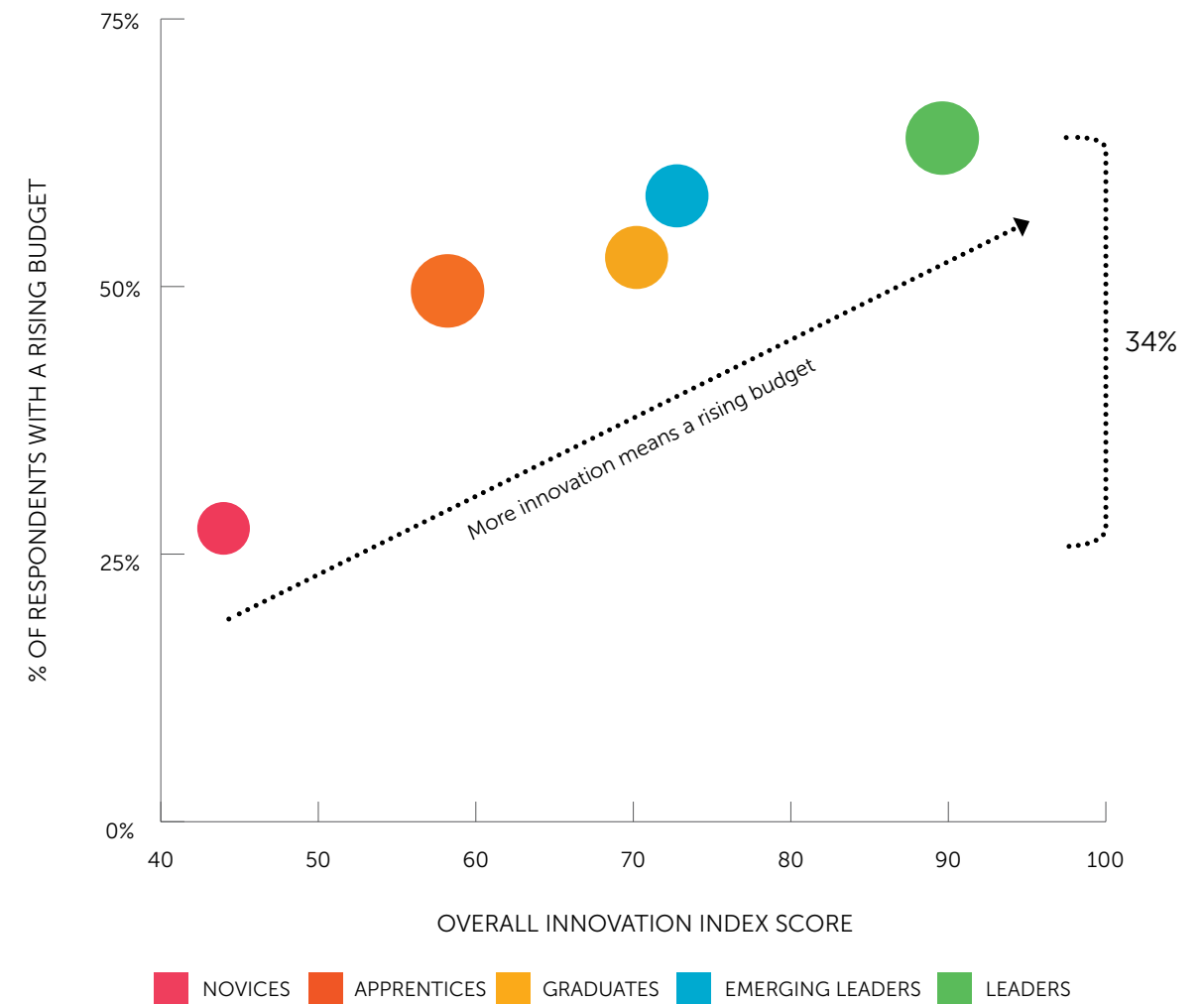
We found organisations without significant resources can increase their chances of attracting additional funding by focusing on innovation.

This is made more clear when we break down the percentage with a rising budget in the past 12 months by each stage of innovation. Innovation leaders are 34 per cent more likely to have a rising budget than those starting out.



The biggest difference from one stage to the next is from Novice to Apprentice. What this tells us is that even organisations that have begun to implement some sort of innovation strategy have nearly doubled (28 per cent versus 51 per cent) their chance of having a rising budget.

By plotting this information on a chart, the relationship between innovation and a rising budget becomes evident.

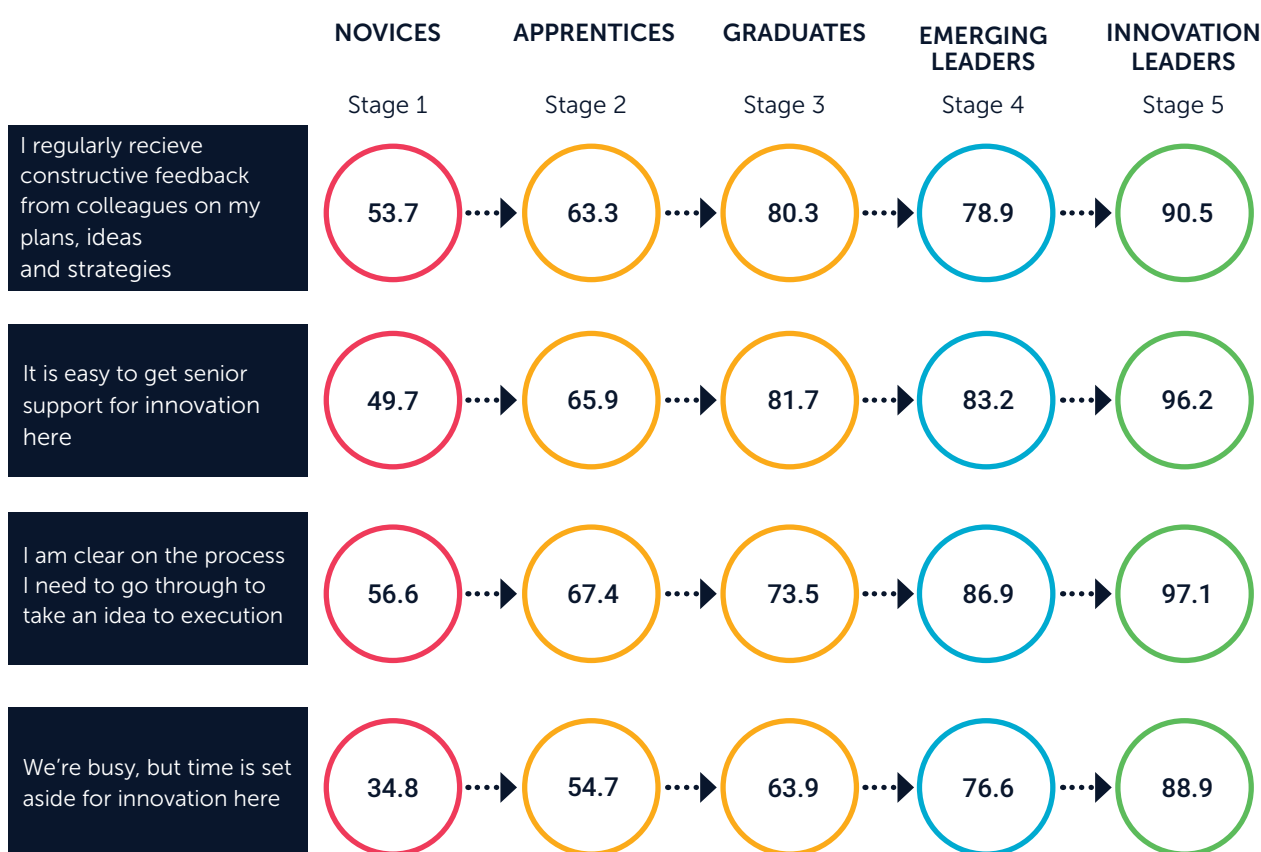


In an industry as competitive as NFP for funding, implementing and refining an innovation strategy can become a major competitive advantage.

What makes an innovation leader?

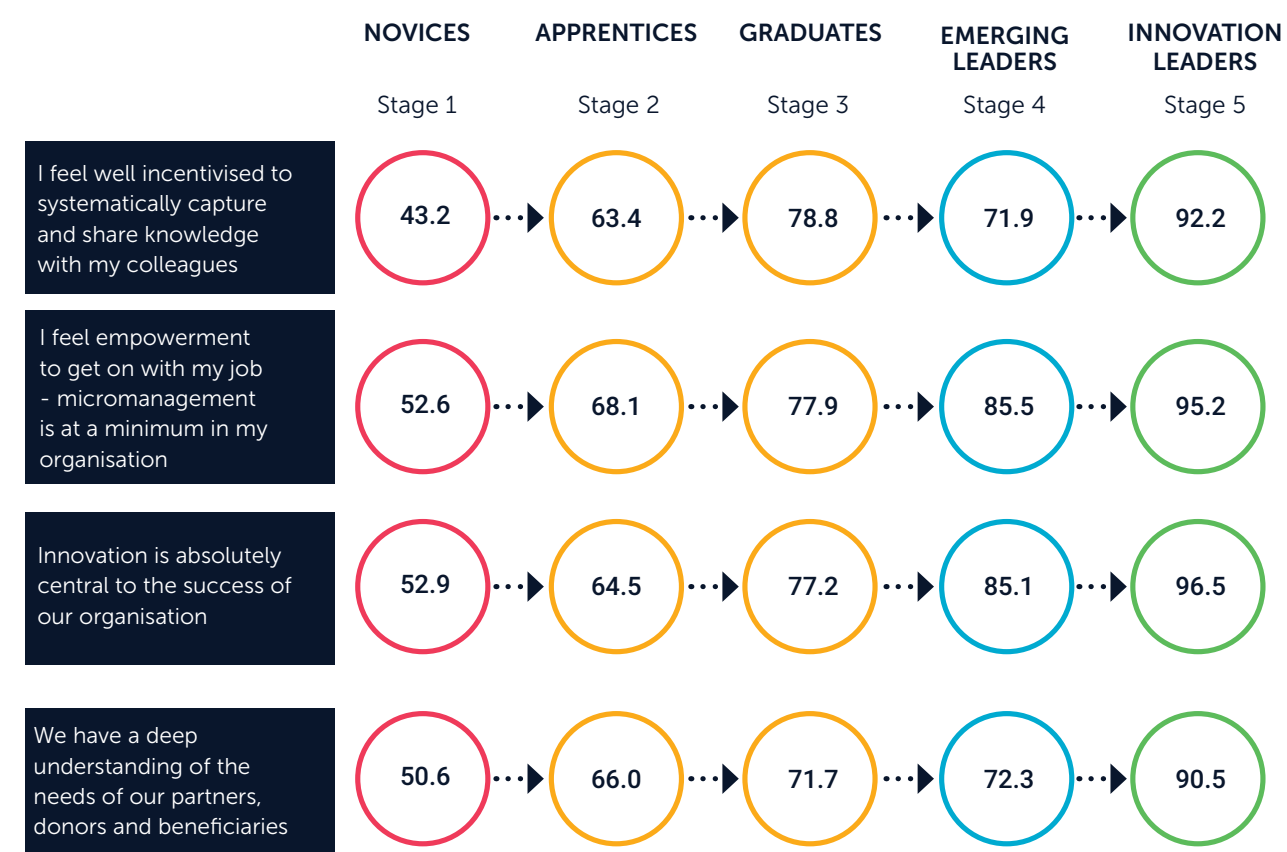
So how can a Novice or Apprentice NFP accelerate their innovation performance? There are some distinct differences between each of the stages.

Looking at results within internal collaboration and innovation focus, innovation leaders empower staff with senior leadership support and clear processes for taking an idea through to execution. And even though they are all busy, they make time for idea generation and collaboration.



QUESTION SPECIFIC INNOVATION INDEX SCORES

We found significant gaps between the stages when looking at culture, organisational velocity and stakeholder centricity.



Conclusion

Not for profit organisations are at the heart of social transformation in Australian society and make an enormous contribution to our economy. To achieve their societal missions, however, our study this year has revealed a clear need for NFPs to increase their focus on transformational changes within.

Long serving CEO of General Electric and recognised innovator, Jack Welsh, famously warned that “If the rate of change on the outside exceeds the rate of change on the inside, the end is near.” Whether we’re talking about businesses, governments or not-for-profits, the principle remains the same. The fast pace of change in society in Australia and globally, spurred largely by the digital transformation, innovation and changing consumer needs and expectations, compels us to disrupt internally in order to keep abreast of external change – and ultimately to remain relevant.

The change dynamic necessarily entails both challenges and opportunities for our NFP sector, as it does for all sectors. On the challenges side, the results of this year’s Innovation Index highlight a significant need for improvement in innovation performance across a majority of the sector.

If the overall sector performance across all seven key innovation vectors were a university exam, the result would be a ‘pass’. We absolutely can and will do better. The good news is that while the results this year are average, there is a high level of recognition of the importance of innovation in the NFP sector and the organisational capabilities that need to be fostered in order to remain relevant and competitive in the future. The missing piece appears to be the ‘how’ – we know where we need to go, but don’t yet have the full set of tools to get there. This organisational self awareness, however, is an important and positive starting point.

On the opportunities side, the results this year reveal a clear correlation between innovation and growth. More innovative NFPs are significantly more likely to have increasing budgets. The ‘innovation drives growth’ finding is not new in the business world – think the of the most innovative companies in the world and you’re naturally looking at giants like Apple and Google – but it is an important and new finding for the NFP sector. It says that the principle is the same: innovate to grow. So the opportunity lies in understanding that if you start with innovation the funding will follow.

Finally, it’s important to acknowledge the many organisations that are absolutely getting it right. Already, 41 per cent of NFPs fall into our emerging leaders and innovation leader stages of development – revealing there is an established cohort of best practice NFPs to learn from. These NFPs understand the importance to creating an innovative organisational culture, of documenting a core innovation strategy, and of ensuring that internal and external collaboration is fundamental to the daily rhythm of the organisation.

We urge NFP partners and supporters, including Government, to look into new ways to facilitate the sharing of knowledge in this sector. And we also emphasise the importance of continuing to ease the compliance and regulatory red tape that takes time and energy away from creativity, collaboration and innovation.

We are committed to sharing our own knowledge, through the Innovation Index methodology, to help NFPs understand and track their individual performance in relation to the broader sector, and to identify areas for improvement in innovation capabilities – and then act on them. We look forward to sharing that in future Innovation Index reports as we continue to benchmark the performance of the NFP sector in Australia.

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We wish to express sincere gratitude to our major partners Australia Post and Westpac for their continued support. Australia Post has been a significant supporter of GiveEasy over a number of years, and we welcome Westpac as a GiveEasy sponsor in 2016.

Australia Post

As the nation's oldest continually operating organisation, Australia Post has a long history of connecting Australians with each other – and the world. We operate to help our people, customers and communities to build a better future.

From the humble beginnings of 1809, Australia's postal service has been growing alongside the Australian community for over 205 years. In a changing world, the needs of communities and the trust they hold in us, remains at the core of every decision and every action we take.

We do this by delivering mail, helping businesses and consumers with parcels, and providing a national retail network that supports local communities and organisations.

As the needs of the community have evolved, so have we, with a range of services spanning our stores, online and the MyPost Digital MailBox. We complement our national logistics and retail network with convenient

digital products to help make everyday life a bit simpler.

Westpac

Community organisations are as varied and unique as Australia. Westpac Banking Corporation has been working with Not for Profit and community organisations for years – whether it be local sports clubs, social enterprises or charities, we've learned that the demands and opportunities of the Social Sector are both unique and diverse.

At Westpac, we are proud of our history of supporting Social Sector organisations. We believe that with the right support, you can achieve just about anything. Westpac has a team of Social Sector banking specialists who are ready to share their in-depth knowledge and mentoring insight to organisations to maximise efficiencies and enhance fund raising opportunities helping you to deliver your organisation's current and future goals.

As Australia's oldest company and first bank, it's only fitting that Westpac was among the first to embrace sustainable business principles. One of the advantages of our longevity is that we understand that change is essential, rather than optional. We're committed to being adaptive, innovative and operating with integrity. We're focussed on being a great service company, helping our customers and communities to prosper and grow.

Jeremy Tobias, CEO GiveEasy

