



**On the evening of 4 June 2009, over 100 of Queensland's arts, government, corporate and community leaders attended BoardConnect's end of pilot presentation, held onstage at QPAC's Concert Hall in Brisbane. Professor Peter Shergold, Director of the Centre for Social Impact UNSW, delivered the event's keynote address.**

*Summary of presentation*

*Professor Shergold opened by outlining the aims of the Centre for Social Impact and highlighted the size and scope of the social enterprise sector, in which initiatives like BoardConnect operate. The speech went on to identify two distinctive features of not-for-profit organisations, and five resulting governance challenges for not-for-profit boards. Professor Shergold closed with a call for genuine leadership from boards in the sector.*

Professor Shergold described the BoardConnect initiative as:

- Important and imaginative
- The type of innovative government/private sector organisational hybrid increasingly emerging in social enterprise
- Providing the confidential advice, expertise and mentoring support, in conjunction with financial support, needed by social enterprise – commenting that none of us ever stops learning

A similarity was drawn with the Centre for Social Impact, whose mission is to help increase the capacity/capability of not-for-profit organisations by:

- Driving more socially responsible business management through business education
- Gaining greater public/government recognition of the nature and significance of social innovation and creativity
- Generating more public understanding of Australia's third sector, and its significant role in building an inclusive and participatory society

The Centre operates in an Australian sector of over 700,000 not-for-profit organisations, mostly volunteer run, and including emergency services, social welfare, heritage protection, environmental sustainability, medical research, educational opportunities, religion, sport and the arts.

Professor Shergold outlined his extensive for-profit and not-for-profit board experience including AMP, Centrelink, CSIRO, start up QuintessenceLabs, and the Australian Rural Leadership Foundation, which incorporated a range of governance styles and memberships. He identified two distinctive features of not-for-profit organisations:

1. Dependence on third party funding (private, corporate and government), such that:
  - a. those receiving the benefits of the services provided are NOT generally the ones who are paying for the services
  - b. not-for-profit organisations must manage financials almost as intermediaries between supporters and direct benefactors, by persuading third parties to subsidise services by conveying the importance of the mission, and how well the organisation is achieving it

2. Success in meeting the organisation's mission, usually expressed in values (e.g. stimulating creativity, using arts to engage community), is "much, much, much harder" to measure than in the private sector, using business metrics. As such:
  - a. output data such as number of benefactors are insufficient in relation to measuring *how well* mission is being achieved where only "ambiguous indicators" are available
  - b. return on investment is essentially a measure of community benefit and goodwill

Professor Shergold went on, "Today I think it's generally accepted that there's a need to move away from our notions of charity, or philanthropy, or gift-giving. Think instead that those who support us are making an *investment*, albeit a social investment."

Five consequential governance challenges were identified, with not-for-profit boards needing to ensure that:

1. organisational activities and outcomes actually reflect vision, mission and values – too often boards do not recognize that, driven by the need to secure funding, their organisation drifts from the mission that originally won it community support
2. every dollar is used to best effect with respect to mission as "ambitions will always but always outstrip your resources"
3. capital is maximized through fundraising and investment, by facilitating dialogues with funders and the people who deliver the services – this can be assisted via a variety of social intermediaries such as BoardConnect
4. focus remains on measures of the social value of organisational outcomes
5. reporting is as clear and open as possible in relation to the organisation's purpose, and its effectiveness with respect to its activities, and that communication is frequent to keep supporters "near and dear".

In closing, Professor Shergold commented, that as social enterprises, "we need to exhibit we are oriented as a social *business*, distinctive certainly, but a business nevertheless, and that a dollar invested in us is a dollar well spent". We also require "board members who can stand not only in the shoes (of those) for whom they provide services, but also, and I suspect this is harder, can empathise with the diverse perspectives of donors and investors, public and private, to whom we look for financial assistance". We need to appeal both to the heart and the head.

Finally, Professor Shergold used the term "doggedness" to describe the ongoing commitment and resilience that social enterprises require of their boards, significantly beyond their roles in attending meetings and meeting legal responsibilities – along with the "advice, encouragement, common sense and wisdom" provided by initiatives such as BoardConnect.