Winding up a Not For Profit

Transcript from podcast at http://www.francislynch.me/winding-up-a-not-for-profit/

I was surprised when I was reading the Australian Institute of Company Directors report recently, it was a report on Not For Profit Governance and Performance in 2015. The report was saying that one of the factors was that 8% of all boards in the non-profit sector have discussed winding up in the last year. I was surprised by that. I know there's been a lot of discussion around mergers over recent years, but that number, 8% of boards having discussed winding up in the last year, is surprising to me. And the interesting thing too, is if you look at the size of the organisations, it said it was more likely in smaller organisations. And a lot of the discussion around mergers has been talking about smaller organisations and larger organisations and who was more likely to merge, so it's a little bit surprising. So that's what this podcast is about.

There's been a lot of discussion around, are there too many not for profit organisations in Australia? I think one of the most important things to reflect on is what's the mission of the organisation? Are the purpose and mission of the organisation still relevant? And it could be the reason why an organisation is actually discussing winding up, maybe they believe that the purpose of their organisation is no longer relevant. If that's the case, then that's a good decision. Certainly there is no need for an organisation to continue on, if the purpose is no longer relevant. There can also be financial factors, so the financial viability of the organisation may become marginal or actually impossible. One of the factors when I was reading the report was that some organisations were saying that the costs of merging were high, so it was actually financially more appropriate to close than to merge given the financial situation of the organisation. So boards in that circumstance are really looking at how can we best use the resources we have, how can we meet our mission, and in some cases, surprisingly, that may be to close.

One of the factors that comes into this, especially with smaller organisations is, how do they relate to the community that they are a part of? Most smaller organisations are also more locally bound, so they work within a particular local area, so their history and knowledge of a

local area is really important in the way that they do their work. So closing means that local area may actually have a different experience of service delivery in the future. The existing relationships that the organisation has with people in the community won't be the same, some of the staff may actually move onto another service provider, but there's no guarantees around that.

Certainly one of the things that many boards would be considering if they close, is how will the community continue to be serviced? If there is a need? As I was saying before, perhaps the purpose of the organisation is no longer relevant. But if there is a continuing need, then how will the community actually be serviced into the future?

I have had a personal experience with this, as I was on the board of an organisation that did decide to wind up. It was a difficult process because the major reason for deciding to wind up was that the major funder had decided to stop providing the money, and I felt a little bit alone on the board in that when that was clear, everybody else on the board was saying, okay let's shut up shop. And I was saying, but the mission, the purpose of the organisation is still relevant and perhaps there are ways in which we can continue the purpose and not have the resources that we have had in the past. Perhaps we can continue in a smaller way, in a voluntary way to actually work towards meeting the purpose of the organisation. The other people on the board felt that wasn't feasible so I accepted that and we went through the process of closing the organisation. Surprisingly, I hadn't been through that process before, was a long process, it took us almost 18 months to actually go through all of the processes of winding the organisation up. Quite a lot of that was achieved in the first 6 months. But there was still a number of activities that had to be done and processed right through for another 12 months after that. So, the decision to wind an organisation up is not necessarily the easy option, it can take a lot of work and at that stage, certainly in my experience, we as the board were having to do quite a lot of that work after that staff had left. So it wasn't necessarily an easy decision on the board itself. So what happens with that? They're some of the factors that influence the decision.

So what happens when an organisation is going to consider winding up? I think focusing on what does the community really need is so important in terms of being able to make that decision, so

it's not just what's best for the staff, what's best for the board, but actually what's right for the community in this decision. And what's the meaning behind this decision for all the different people who are involved, the different stake holders involved. And what are the different values being used in making that decision? I think the organisation's that are thinking about winding up, really need to be looking at all of the factors that are going on around them in the external environment, certainly in the not for profit environment.

At the moment there's so many things like the National Disability Insurance Scheme, and the move to client focused funding in a range of other areas as well. So, there might be new opportunities that are different to what the organisation was doing in the past and that may be influencing the decisions that an organisation makes, in that it's going into a new type of organisation, a new way of delivering service, and organizing the service delivery. That would be a pity if it was overly influencing the decision of an organisation as to whether or not they should continue into the future.

So just some personal reflections and thinking around what's going on when an organisation actually starts discussing winding up. There are so many factors that influence this, does this have any relevance or influence with discussions around merging? Does it actually meet the needs of the community? Perhaps in some cases, this is the right decision and in other cases it might be a sense of not knowing what the future holds and not being clear about how effective the organisation can be in the future. I don't think there is any right or wrong, each organisation is going to make their own decisions. But as I said at the start, I was surprised at how many, 8%, I thought was quite a high number so I'd be interested to see what other people have experienced and I'd love to have more discussion with people around this if they're interested.