

SOCIAL AND ECONOMIC VALUE OF THE ADOPTION OF COMPLAINTS HANDLING SYSTEMS BY AUSTRALIAN CHARITIES

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DEFINITIONS

Complaint

A complaint is an expression of dissatisfaction made *to* or *about* an organisation, related to its products, services, staff or the handling of a complaint, where a response or resolution is explicitly or implicitly expected or legally required. Complaints *to* an organisation are generally made by an older demographic while those *about* an organisation frequently are made in social media by a younger cohort.

Dispute

Disputes arise when there is an unresolved complaint.

Economic value of complaints handling: a value which may accrue (i) to the organisation as a result of developing and implementing an approved complaints handling system and undertaking review of the ensuing data, preferably through root cause analysis; and (2) to society, including a broad range of stakeholders, which otherwise can pay a high price if we get it wrong and fail to address complaints appropriately.

Social value of complaints handling: a value which may accrue to an individual (complainant) or a wider group in society as a result of a complaint being addressed and a decision communicated to the complainant whether or not that decision is in favour of the complainant.

EXECUTIVE SUMMARY

Research has shown *how* an organisation does what it does is beginning to be as important as *what* it does. This consumer-led expectation should have a solid response from charities whose mission is focussed towards social purpose and service to society.

Handling of complaints by charities is not covered under charity legislation so the introduction of complaints handling, whether regulatory, co-regulatory or self-regulatory, could potentially impose a burden on charities. Yet it can be shown that there are economic benefits from having complaints handling systems, and furthermore, there can be a serious burden which charities – and importantly society - may bear when complaints aren't handled appropriately.

In the contemporary environment where there is both regulatory and public interest in organisational culture and ethical behaviour, not implementing complaints handling systems could lead to damage of the most prestigious commodity held by charities, public trust and confidence, and therefore the reputation on which charities depend. Trust is fragile and perishable. Charities operate with the approval of society, that is their social licence to operate. Surveys have shown trust in institutions is falling, suggesting that a new operating model that listens to stakeholders and taps into peers and employees will improve both communications and outcomes.

Research shows that not-for-profit boards are spending too much time on operational issues at the expense of strategic stewardship of their organisations. Many directors describe their NFP organisation and board as having a culture of survival. However, by taking more seriously governance, risk and compliance, that is a commitment from the top through to root cause analysis of complaints data, organisations have an opportunity to identify and manage issues, improve performance and reduce risk.

Complaints handling has been called one of the most critical weapons available in an organisation's governance arsenal. Apart from the public dimension or social value of good governance, there is additionally one of risk identification and management. Effective complaints handling systems, which include reporting and evaluation, can reduce costs, risks and lost time caused from dealing with disputes ineffectively, all issues that impact on the bottom line. Moreover, complaints data provides an indication of where a charity is not meeting stakeholder expectations, across a broad range of stakeholders from staff and donors to recipients of charitable services. Importantly, dealing with concerns, issues and complaints in a consistent and secure environment provides an outcome for the complainant in a safe, respectful and timely manner, particularly necessary for vulnerable and at risk members of society.

While it has been shown that there are long-term economic benefits from appropriately addressing complaints, there will likely be short-term revenue requirements for financially-challenged charities. Because of the variations in size and scale in this sector, some charities, especially smaller ones, will likely identify cost as a significant barrier to implementation of complaints systems. Yet, if it can be shown that the cost effectiveness of such a process outweighs costs of implementation, then this problem may be overcome. A further strategy is to encourage small charities to implement much simpler systems.

One tool to enhance trust in charities is regulatory. A formal requirement to address complaints could be introduced by the Australian Charities and Not-for-profits Commission. However, an argument mounted against new regulation could be the government's focus on cutting red tape and reducing regulatory burden. Managing complaints is a risk strategy which is usually a matter for the board, rather than the regulator, unless the social harm is considered too great for the regulator to ignore and either a regulatory or co-regulatory model introduced. The third option, self-regulation, has been shown to be most effective by a group of Australian charities working in international aid and development under a self-regulatory code.

Very little is known about complaints to and about charities in Australia as no data is publicly available about complaints dealt with by charities and very little about complaints addressed through alternative dispute resolution schemes. While some charities have complaints handling systems which in many cases are available on websites, others frequently have information that is obscurely located or impossible to find. Many other charities do not effectively apply their complaints systems, while still others do not have any process at all. Unfortunately, there is little in the way of compliance monitoring because of the lack appropriate peak bodies to drive this critical initiative.

STANDARDS

AS/NZS 10002:2014 Guidelines for complaint management in organizations
AS 4269 – 1995 Australian Standard Complaint Handling

<https://www.saiglobal.com/PDFTemp/Previews/OSH/As/as4000/4200/4269.PDF>

HB 229 – 2006 The Why and How of Complaints Handling see

<https://infostore.saiglobal.com/store/details.aspx?ProductID=568841>