

NONPROFIT PULSE: A LEADERSHIP SURVEY FROM MARKS PANETH

Highlights of Summer 2015 Findings

Marks Paneth is proud to serve many leading nonprofits. To gain insights that will be useful and interesting to these organizations, and to help us meet their audit and other business needs, we regularly survey the leadership of top nonprofits around the country. Topics span a range of issues organization leaders face or are concerned about.

Below are some highlights of our most recent survey – fielded during the second half of 2015 – of 114 nonprofit chief executive officers, executive directors, presidents, chief financial officers and board members.

Nonprofits are Beset with Serious Succession Challenges

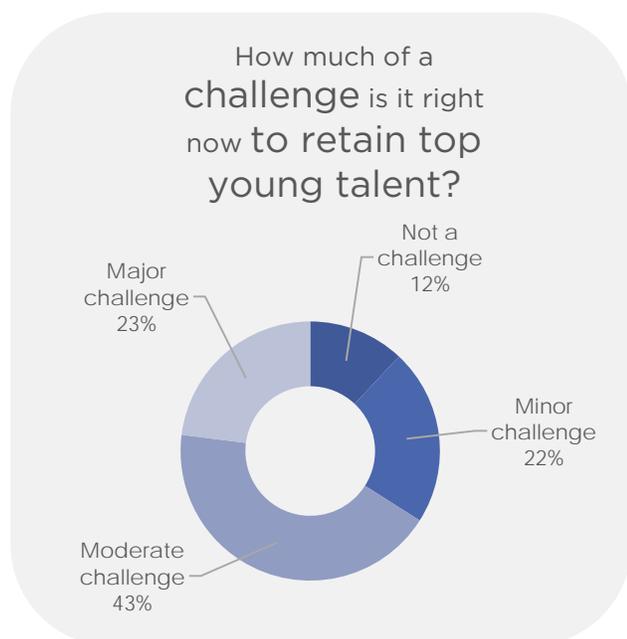
Despite the bulge of Baby Boomers on the verge of and nearing retirement, nonprofits and their boards apparently have not been proactive about succession planning for top leadership and other key positions.

- Just over half (53%) of nonprofit leaders say their organizations have succession plans for those in the executive director, CEO and president positions.
- Even fewer have succession plans for the CFO (36%) and development director (28%) positions.

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It's possible that the lack of succession plans – and the difficulty of finding qualified leaders – will prompt some boards to seriously consider and pursue mergers with other nonprofits whose leadership and succession planning is more solid. In fact, 39% of leaders say they expect moderate to significant merger activity in their sector of the nonprofit world over the next five years.

Retention of Young Talent is Also a Significant Concern



Most nonprofit leaders say keeping good people is a big challenge. The main reason: inability to pay enough. In many for-profit industries, retention issues stem from company culture, new competitors and exciting opportunities elsewhere. For nonprofits, it's money.

- 66% of nonprofit leaders say retaining top young talent is a challenge. (Only 12% say it's not a challenge.)
- Nearly half of leaders – 49% – say “inability to offer higher compensation” poses the greatest threat to retaining top young talent. And 15% say recruitment by a competitive nonprofit is a big threat; another 15% say competition from the private sector is a big threat.

Social Return on Investment – Nonprofit Leaders are Grappling with Reporting and Will Make Changes

Donors increasingly look for reporting on the social returns of their gifts and investments. Nonprofit leaders report they are working through this challenge. But they also say that mounting demand for social return and evidence of it adds complexity to fundraising.

- Most leaders (53%) say it is indeed possible to report definitive social return on investment (SROI) results within a year of a donor's investment. (14% say it's “very” possible, and 39% say it's “somewhat” possible.)
- That said, nearly half of leaders (47%) give a challenging/extremely challenging rating to the difficulty of raising funds in a competitive environment with higher expectations for SROI.
- But leaders do say that 19% of their donor base allows a portion of their gift to be used to cover the cost of outcome measurement.

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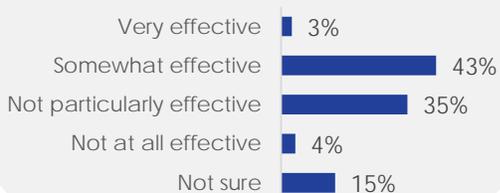
Even with the difficulty involved in reporting SROI, nonprofit leaders seem to be supportive of their donors' expectations in that regard – and say they'll take action to meet those expectations.

- Only 4% of nonprofit leaders say their donors' expectations when it comes to reporting and demonstrating SROI are at all unreasonable.
- And the majority of leaders (68%) say they will change their SROI measurement guidelines over the next three years to better satisfy donors' expectations.

Fundraising and the Digital Landscape – What Works?

Digital communication puts in high relief the expense and potential inefficiency of paper mailings for fundraising. But nonprofit leaders are far from convinced that digital alternatives deliver needed results.

Are email campaigns **effective replacements** for traditional paper-mailing fundraising strategies in the nonprofit sector?



- Only 3% of nonprofit leaders say email campaigns are “very effective” replacements for traditional paper-mailing fundraising. 43%, however, say they're somewhat effective replacements. (35% say they're not particularly effective.)
- Fully 82% of nonprofit leaders say they're concerned that increasing dependence on digital channels may actually be diminishing the effectiveness of communications with supporters.

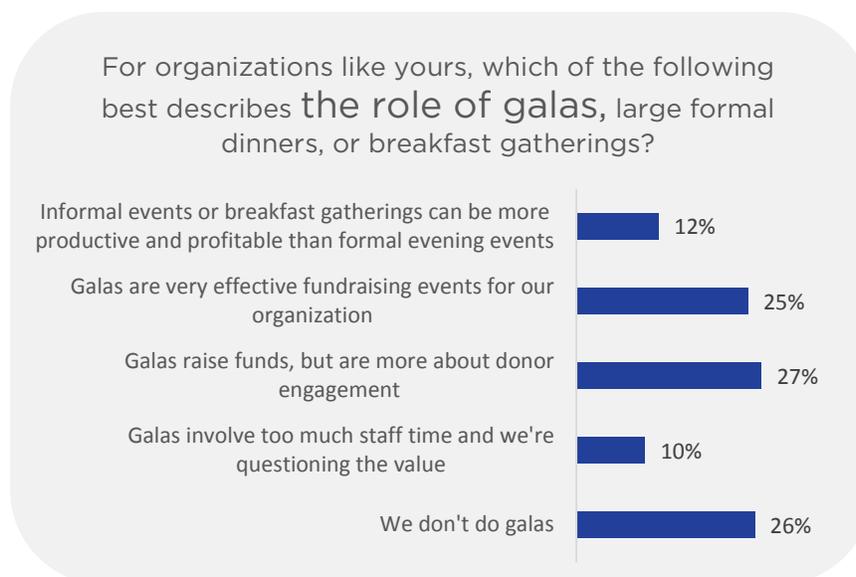
Nonprofit leaders do indicate optimism when it comes to other digital strategies for fundraising – namely crowdsourcing.

- Nearly six in 10 nonprofit leaders (59%) say that organizations like theirs will be influenced by strategies employed by crowd-funding websites.
- 12% say their organizations currently use external crowd-funding web sites, and another 25% say they plan to.

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Nonprofit Leaders Confirm that Galas Remain a Trusted Source of Support

Amidst the fundraising flux when it comes to email campaigns, traditional letters and crowdsourcing, the gala event remains a trusted staple.



- Most nonprofit leaders (52%) say galas are productive events. (25% say they're productive fundraising events; 27% say they raise funds but are more about donor engagement.)
- That said, one in 10 nonprofit leaders say they're questioning the value of galas because they take up too much staff time.
- A little over a quarter (26%) of leaders say they don't do galas, and only 12% say informal events or breakfasts can be more productive than formal evening events.

Surprisingly, nonprofit leaders do not seem to be ahead of the curve when it comes to cultivating the next generation of donors.

- Only 21% said their organization has a "junior committee" or young professionals who advance fundraising initiatives. However, another 27% say they will form such committees.

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Funding and Boards: As Always, the Top Challenges Facing Leaders

Following is nonprofit leaders' hierarchy of big challenges, based on the survey:

- Raising funds in a competitive environment with higher return expectations.
- Populating the board with the right fit.
- Diminished government funding.
- Leadership capacity deficit.
- Poor board governance.

Methodology

This summary presents the key findings of the second *Nonprofit Pulse: A Leadership Survey* from Marks Paneth. The 114 nonprofit sector leaders participating in the research include Board Chairs, Presidents, Executive Directors, Chief Executive Officers, Chief Financial Officers, Treasurers, Chief Operating Officers, Development Directors, Vice Presidents and Board members.

The research employed self-administered questionnaires completed online by respondents. The national list of professionals surveyed was compiled by Marks Paneth LLP, the research sponsor, and by Michaels Opinion Research. Interviews were completed during the period of July 21 to September 15, 2015.

To participate in future surveys and receive results please email us at contacts@markspaneth.com