

# WHAT KEEPS NONPROFIT ORGANIZATION LEADERS UP AT NIGHT?

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For the past several years, Marks Paneth LLP has conducted the *Nonprofit Pulse Survey* of nonprofit leaders and executives. The 2019 survey report, called “Change Management for a New Era,” covers the changing nonprofit landscape, the top challenges and related opportunities, and what nonprofit leaders are considering as strategies to address these challenges and opportunities.<sup>1</sup> The survey revealed that many nonprofits are experiencing growth and enjoying solid and measurable successes, but they are also aware that they need to prepare for potentially leaner times.

The 2019 survey respondents come from a variety of nonprofit backgrounds. 48% of them work with community and human services, 9% work in health care, 8% work for cultural and performing arts organizations, 7% work in educational institutions, 7% work for a membership/association, 7% work for a private foundation, and 14% work for some other type of nonprofit organization (NPO). The majority of these organizations reported \$1 million to \$50 million in revenue.

## Interesting insights

The survey confirmed several realities about the NPO sector but also revealed some interesting in-

sights. It is no surprise that for the second consecutive year, a large number of leaders foresee an increasing demand for services, which is driving their risk assessment of funding and talent capacity. Losses in funding appear to be stabilizing, potentially due to the identification of alternative funding sources, partnerships, and M&A opportunities, and revenue has increased, possibly because of donor behavior at the end of 2018. In addition, board leadership and staff positions have stabilized compared to the previous year.

Although leaders are cautiously optimistic and appear to be in a relatively healthy financial and operational condition for now, they are also focused on planning ahead for a more challenging economic environment. As they look to the unknowns in the coming year, these leaders are looking for new sources of funding, building in succession plans, and seeking next-generation leaders while improving their infrastructure to handle higher service demands.

Interestingly, recruiting talent is a bigger concern than funding or technology upgrades. One-third of nonprofit leaders say that their organizations are actively recruiting talent, and nearly 60% of organizations mention the need for next-generation leaders now in the areas of fundraising and development.

To manage the ongoing challenge of providing an attractive salary and benefits, leaders understand

**A survey of leaders of nonprofit organizations reveals that the organizations in the survey are experiencing growth, but are preparing for potentially leaner times.**

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that they must explore flexible scheduling and remote work arrangements; communicate a unifying and exciting future vision to younger staff; communicate specific career tracks for early and mid-level professionals; and engage in succession planning for next-generation leadership. What is most interesting is that more than one-third of leaders report that their organizations are actively engaged in succession planning because they realize how critical next-generation leadership is to the NPO's future.

As for new funding sources, leaders realize they must diversify organizational funding support long

is that leaders now have new resources and tools to help them.

For example, a greater focus on technological solutions and training could ameliorate some of the challenges in attracting talent, improving efficiency, and sharing the organization's mission and vision. Leaders should assess the gaps in their current marketing, finance, and operational management that could benefit from cost-effective digital tools and processes.

In addition, as previously mentioned, employee retention and training and specifically finding experienced talent are big challenges for nonprofit organizations. Leaders will need to invest in talent and groom future leaders. A majority of leaders are seeking outside consultants and advisors regarding pay structures for employee benefits and compensation.

Finally, about 30% of leaders in the survey are seeking outside assistance with risk assessment, and now is the perfect time for them to review all aspects of their organization for risk. Leaders should assess short-term and long-term risks to build a plan for "risk-proofing" the organization. That way, the areas where they have less control—such as legislation, increased demand, and natural disasters—will not seem as daunting.

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term. A smaller percentage of leaders are considering merger and acquisition activity as a strategy for long-term planning and financial health, but more than half of them are focused on raising more money and building up reserves for what they anticipate as leaner times ahead.

### Where are the opportunities?

So where are the opportunities? 91% of organizations participating in the 2018 survey noted turnover among their board members, anywhere from one to ten board members. The 2019 data, however, shows more stability in both boards and staffing, as well as a healthier financial position. This stability signals additional opportunities in the areas of strategic planning and innovative change.

From a broad view of the 2019 survey, many of the same challenges experienced decades ago are still holding true today: attracting talent, increasing funding, and managing demands for services. But what is different today than in years past

### Conclusion

For nonprofits that were able to withstand the difficulty of the last several years, things are starting to slowly turn around, and they are beginning to seize opportunities in growing talent and in the areas of strategic planning and innovative change. Leaders remain conservative on their expectations for 2020. They are not concerned about drastic changes to their tax situation or funding, but they will make moderate investments in infrastructure and technology with a focus on data protection and social/marketing tools to support efficiencies.

Nonprofit leaders are determined to maintain their current healthy positions both financially and operationally with long-term strategies, but they know that a number of outside variables could have a negative impact on their organizations over a short period of time. They are looking to their colleagues, and possibly outside help, to allay their concerns and prepare for the uncertainties that may occur. ■

<sup>1</sup> The survey report is available at [info.markspaneth.com/markspaneths-2019-nonprofit-survey-results](http://info.markspaneth.com/markspaneths-2019-nonprofit-survey-results).