# TRENDS & BEST PRACTICES
## in the Regional NFP Community

2018

Clark Schaefer Hackett
Survey of Not-for-Profits

CLARK SCHAEFER HACKETT
CPAs & Advisors

# MAY 2018

Dear Colleague,

At Clark Schaefer Hackett, our commitment to remarkable client relationships includes developing and sharing unique insight, such as the latest trends in the not-for-profit sector.

With that goal in mind, we surveyed not-for-profit organizations in Ohio and surrounding states to share their thoughts about current challenges, priorities and future plans. This report summarizes the findings from more than 400 participating charitable, not-for-profit organizations. A few notable results from the report include:

- Recruiting board members is very important, with diversity and professional skills important to 9 in 10 surveyed organizations.
- Organizations are using multiple forms of engagement to help board members "learn the ropes." Assigning mentors for new board members ranks as the most successful, followed by new board member orientation.
- Early 2018 seemed a good time to plan for growth. Nearly 80 percent of surveyed organizations plan programmatic growth in the coming three years. Over one-third (36 percent) expect to launch a capital campaign by 2021.
- Organizations are trying, but not always succeeding, to engage young professionals as donors and potential leaders. Obstacles include busy schedules with career and family as well as financial constraints that prevent significant charitable giving. Organizations that succeed among Millennials report strategic use of new media (social media, YouTube and others) and creation of events and programs that include family-friendly activities, lower costs, and direct experiences.

We hope that you'll find this information useful. Special thanks to the organizations that participated in the survey. We support the important work that you do to serve the not-for-profit community and its many constituents.

Brian S. Todd, CPA
Shareholder
Chair, Not-for-Profit Industry Group

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# METHODS & TOPICS

Clark Schaefer Hackett distributed an online survey in early 2018 to not-for-profit charitable organizations in Ohio, Northern Kentucky and other states. The survey took about 10 minutes to complete, and featured questions focused on the following areas:

## BOARD-RELATED TOPICS

- Use of good board practices such as term limits, annual conflict of interest review, and board self-assessment
- Priorities for board recruitment
- Approaches to board engagement such as training, mentoring, and volunteer experiences
- Methods used to engage young professionals (under 40) as leaders and donors

## PLANNING FOR 2018-2021

- Plans for change and growth
- Intended actions in response to the Tax Cut and Jobs Act of 2017

## LEADERSHIP TOPICS

- CEO/Executive Director succession planning
- Leadership development strategies undertaken

# KEY FINDINGS

Recruiting board members and planning for growth in services were priorities across all sub-divisions by organizational size, reach (local to international), and age. Survey respondents indicated that board recruitment is a challenge for several reasons. According to our findings:

- About 9 in 10 (88 percent) responding organizations seek to improve the diversity of the people serving on their board.
- Nearly 8 in 10 organizations (79 percent) have term limits for board members.
- Seventy percent of organizations are actively developing programs and activities to engage potential leaders and donors age 40 and younger.

A high percentage of organizations (80 percent) anticipate budgeting to allow for new staff, for programs (78 percent) or new service areas (42 percent). More than one-third of surveyed organizations (36 percent) project starting a capital or endowment campaign between now and 2021.

Comparatively few responding organizations (21 percent) anticipate a search for a new executive officer in the coming three years. Boards are engaged in succession planning for leadership at two-thirds of participating organizations (66 percent). Leadership development investment concentrates on training and skill development among existing personnel (78 percent) and on retention (61 percent). Fewer than half (48 percent) look to recruitment of new staff as the best use of resources for leadership development.

Just 19 percent of organizations in this study intend to communicate with donors about the continued deductibility of charitable gifts for tax filers who itemize deductions. This is comparable to the 22 percent with intent to communicate with donors found nationally by the Nonprofit Research Collaborative.*

**Nonprofit Research Collaborative. 2018. Winter 2018 Nonprofit Fundraising Survey. p. 26.*

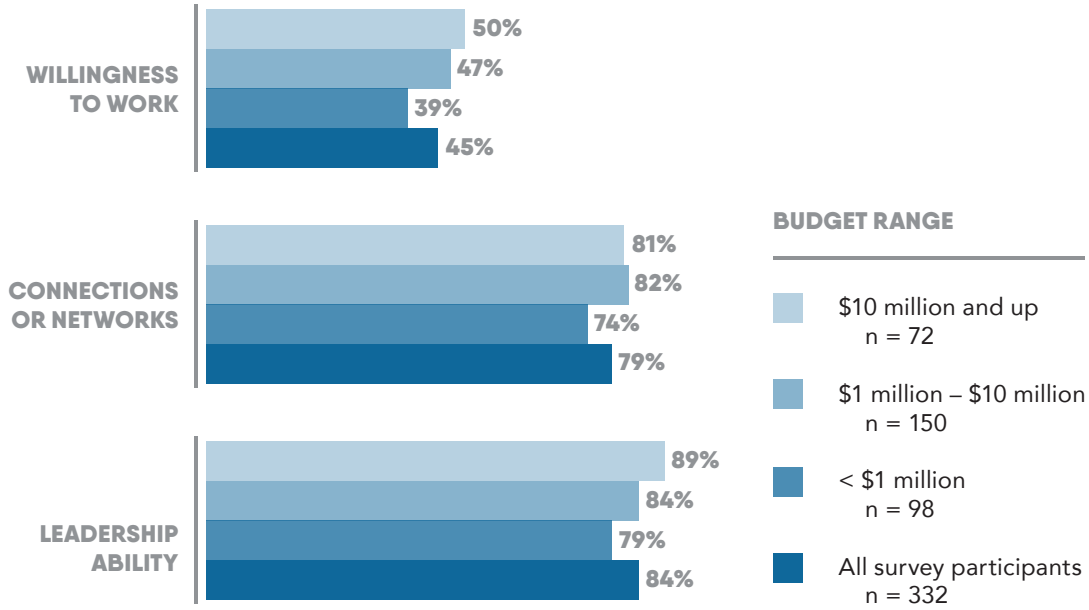
# DETAILED FINDINGS

# BOARD TOPICS

## FOLLOWING GOOD BOARD PRACTICES

While there are no statistically significant differences by budget range, in general, smaller organizations less often reported following the best practices mentioned in this survey.

Figure 1: Percentage reporting that the organization applies the best practice listed

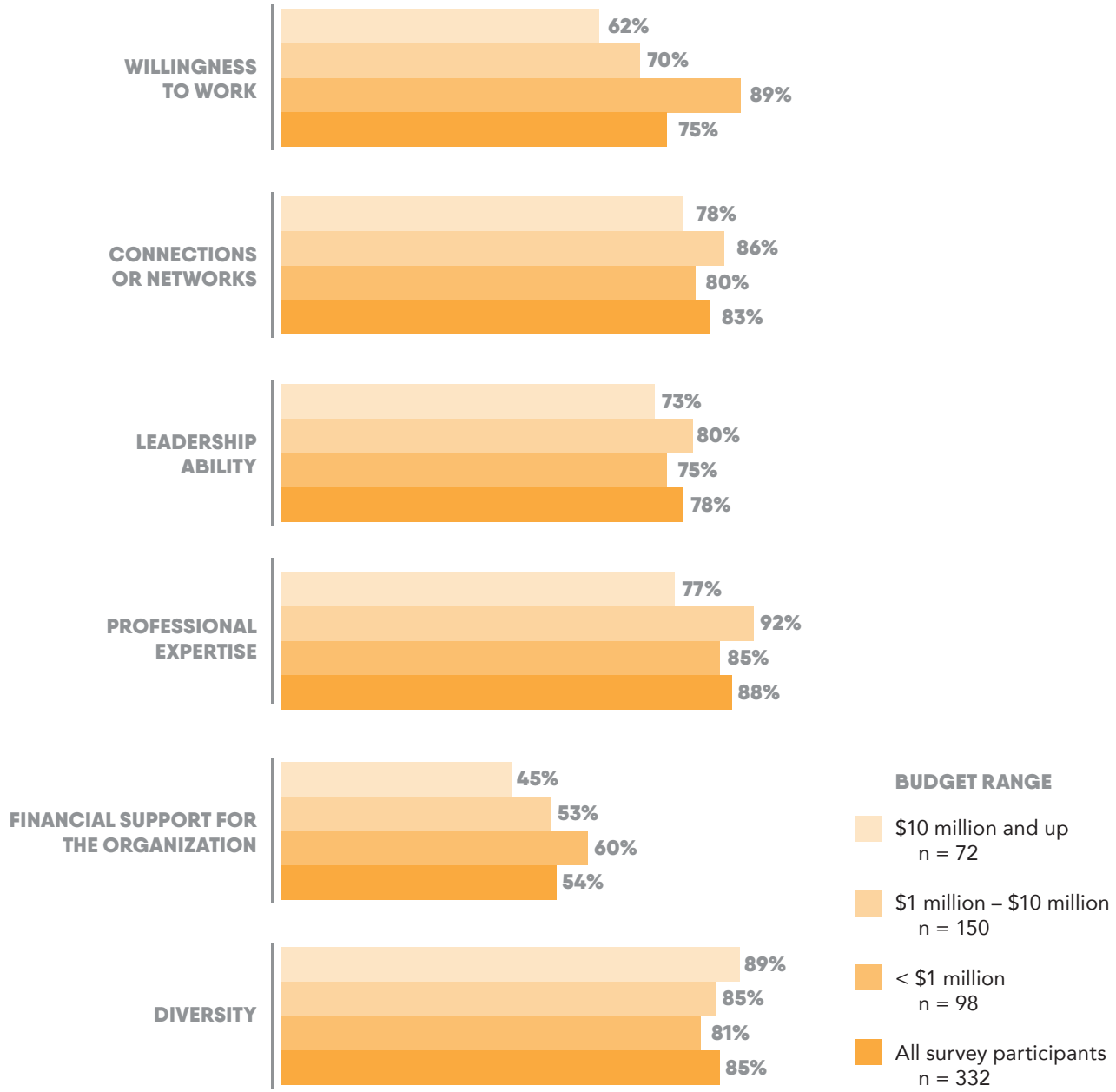


## PRIORITIES WHEN RECRUITING BOARD MEMBERS

With 79 percent of organizations reporting term limits, board member recruitment is a near constant challenge for most survey participants. Improving the representation of our region's diverse population is a priority for all sizes of organizations, as is finding individuals with needed professional skills and good networks. Only the smallest organizations, those with budgets under $1 million, put a high priority on finding individuals "willing to work." The other observed differences are not statistically significant.

Despite the advice from fundraising professionals that every board member "give or get" for the organization's financial success, just over half of the organizations surveyed (55 percent) indicated financial capacity as a priority when recruiting board members. While not statistically significant at these sample sizes, there is a trend that financial capacity becomes more important the lower the organization's budget.

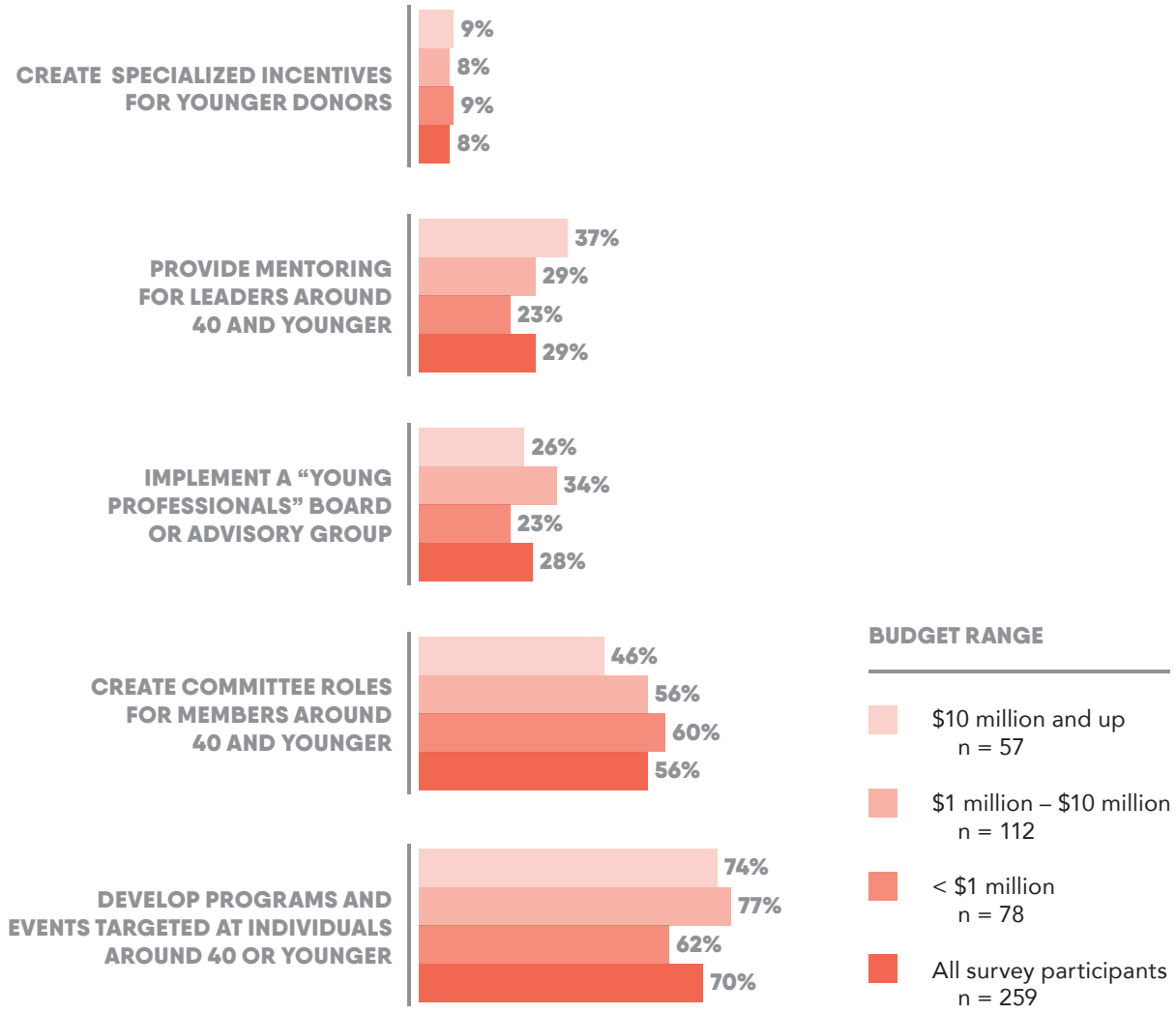
Figure 2: Priorities when recruiting new board members



## ENGAGING MILLENNIALS (PEOPLE UNDER 40)

About 7 in 10 organizations of all sizes seek to engage people 40 and younger through focused programs and marketing. Figure 3 illustrates the frequency with which different approaches are used.

Figure 3: Percentage of survey participants that use a given method to engage people under 40



# ENGAGING PEOPLE UNDER 40

In an open-ended text response question, survey participants shared information about other tactics their organizations are using. One common theme is hiring and recruiting from the under-40 age group and hiring for technology and social media expertise. The box below includes direct quotations from different survey respondents.

"Several board members are young professionals. We host fundraising events that have a more affordable ticket price to engage young professionals. We also have volunteer opportunities, hip branding and good social media presence."

"We are currently developing a [program]...for Generational Leadership and Board Leadership."

"We hired a Peer-to-Peer Fundraising Coordinator who is a Millennial to build relationships with the YP demographic and younger kids."

"Increased number of events geared to YP audience, including fundraising events with local hotspots (breweries), YP wine association (300+ attendees)... Increased emphasis on social media outreach."

"We've included technology in our events, which has brought in younger donors. We work with companies to give their employees, many of whom are 40 and younger, volunteer opportunities during the lunch hour."

In a counter-weight to the successful engagements described above, when an organization has elected not to make outreach to people 40 and under a priority, survey participants wrote:

"Many [people under 40] are not donors and motivating them to give monetarily is difficult; they love hands-on but not so much giving money."

"Younger professionals are in a continuous state of change - jobs, relationships, families, and it has been difficult to retain their attention for a long period of time."

"The efforts are high on staff time; and low on financial investment. The engagement is hard to maintain."

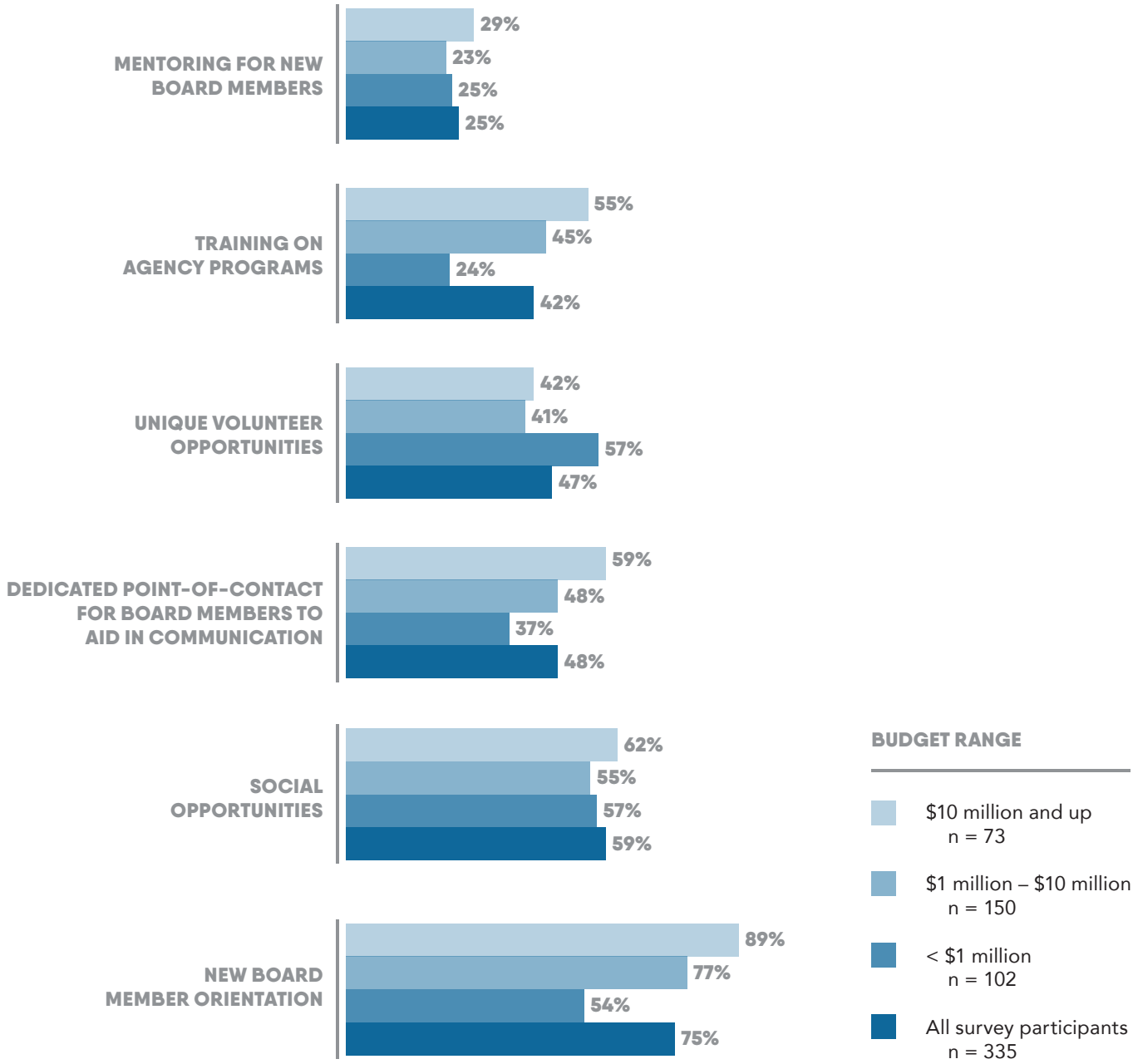
## "ON-BOARDING" NEW BOARD MEMBERS & BOARD MEMBER ENGAGEMENT

Organizations that participated in this study use a range of approaches to help board members understand and engage with the mission and impact of the organization.

The most commonly offered experience for board members is an orientation, held by 75 percent of survey participants. About 4 in 10 offered additional training, beyond the orientation, and just one-quarter (25 percent) arranged for a current board member to mentor new board members.

Organizations with operating budgets less than $1 million are LESS LIKELY to use time-intensive methods such as having a dedicated point of contact for board members, organizing a new board member orientation, or providing additional training. They are more likely to create unique volunteer opportunities for board members to contribute directly toward the mission. There is no difference by size in the use of social interactions or mentoring assignment.

Figure 4: Percentage using board engagement approach



## "ON-BOARDING" NEW BOARD MEMBERS & BOARD MEMBER ENGAGEMENT (CONT.)

The survey asked about the methods shown in Figure 4 and invited participants to state other approaches. One approach cited was establishing "pre-qualifications" before being invited to participate on the board.

Some "pre-qualifications" include:

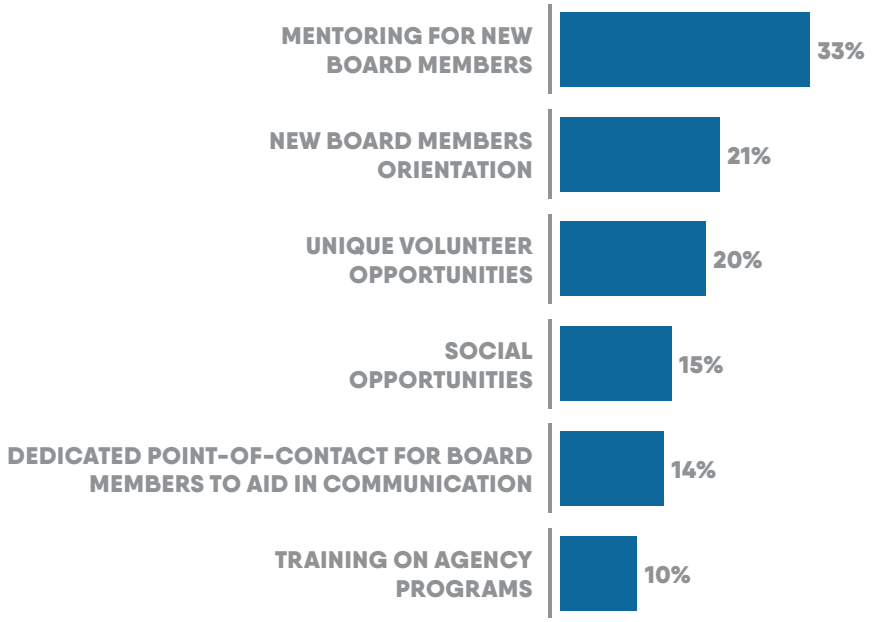
- Committee service before being offered a board seat
- Discussion of expectations as part of the nomination process
- Direct participation (e.g., as a parent in a school or a parishioner in a congregation)

Organizations also use other methods for on-going engagement, including:

- Sharing information, often electronically
- Providing "mission moments" at board meetings, featuring program and impact stories
- Direct experience, such as through site visits, interactions with beneficiaries or clients, and volunteer experiences

The survey also asked what worked well to engage board members. About a third of all survey participants offered a response about which board engagement method works (or in some cases, does not). Based on this selected group, among those that offer any one of the methods AND that provided a response about what works, mentoring is highly likely to help board members become and remain engaged in the work of the board.

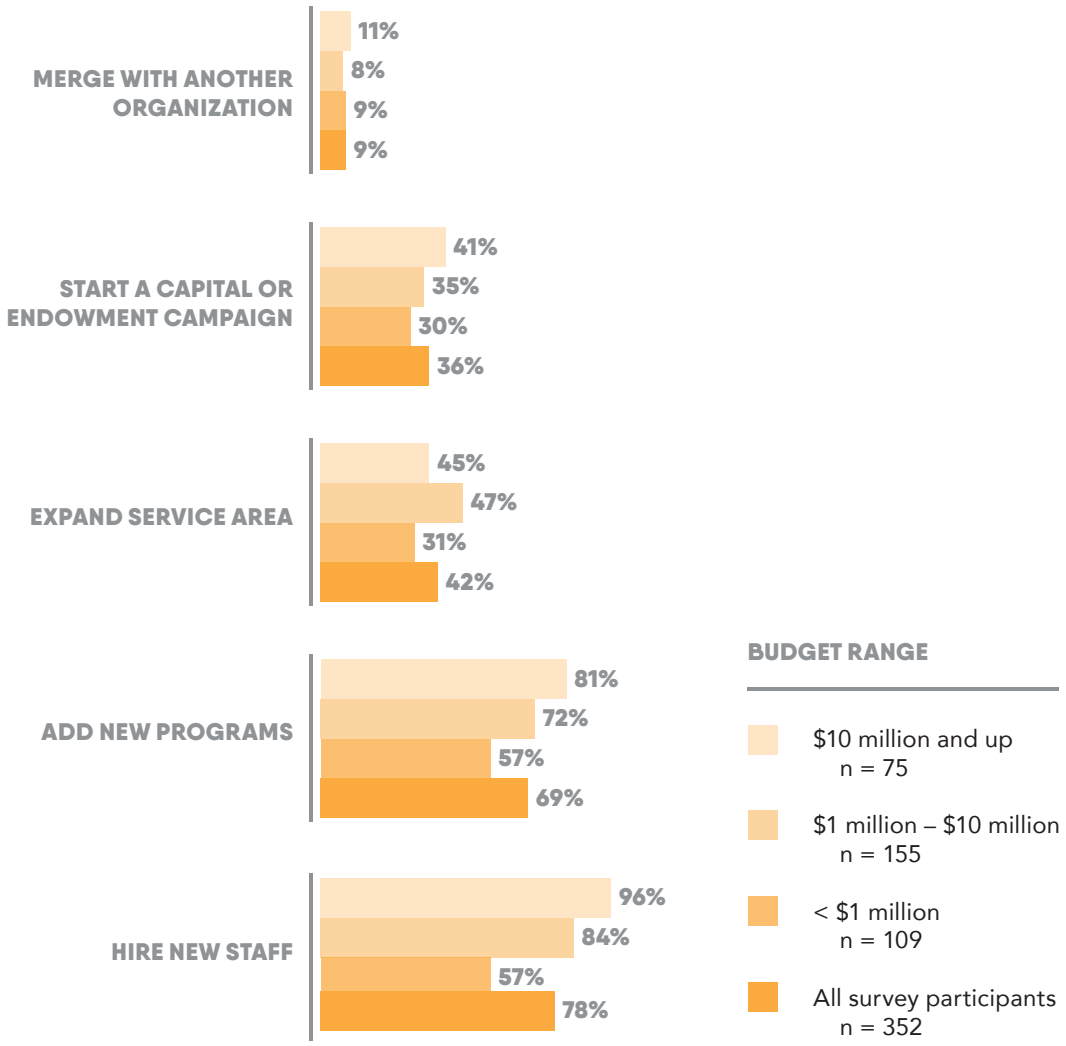
Figure 5: Percentage that use a board engagement method that reported success



# PLANS FOR 2018–2021

Near-term (within three years), about 80 percent of organizations plan to increase staff, and about half as many (42 percent) expect to expand their service area. Organizations with budgets below $1 million are less likely to add new staff, add new programs, or expand their service area.

Figure 6: In the next three years, the percentage that are likely to:




When asked about the future, 80 percent of participating organizations expressed the likelihood that they will budget for planned growth. Similarly, 70 percent anticipate staff training as part of a plan for growth, and 46 percent project a program analysis.

Less than 1 in 5 have plans to communicate with donors about the continued charitable deduction.

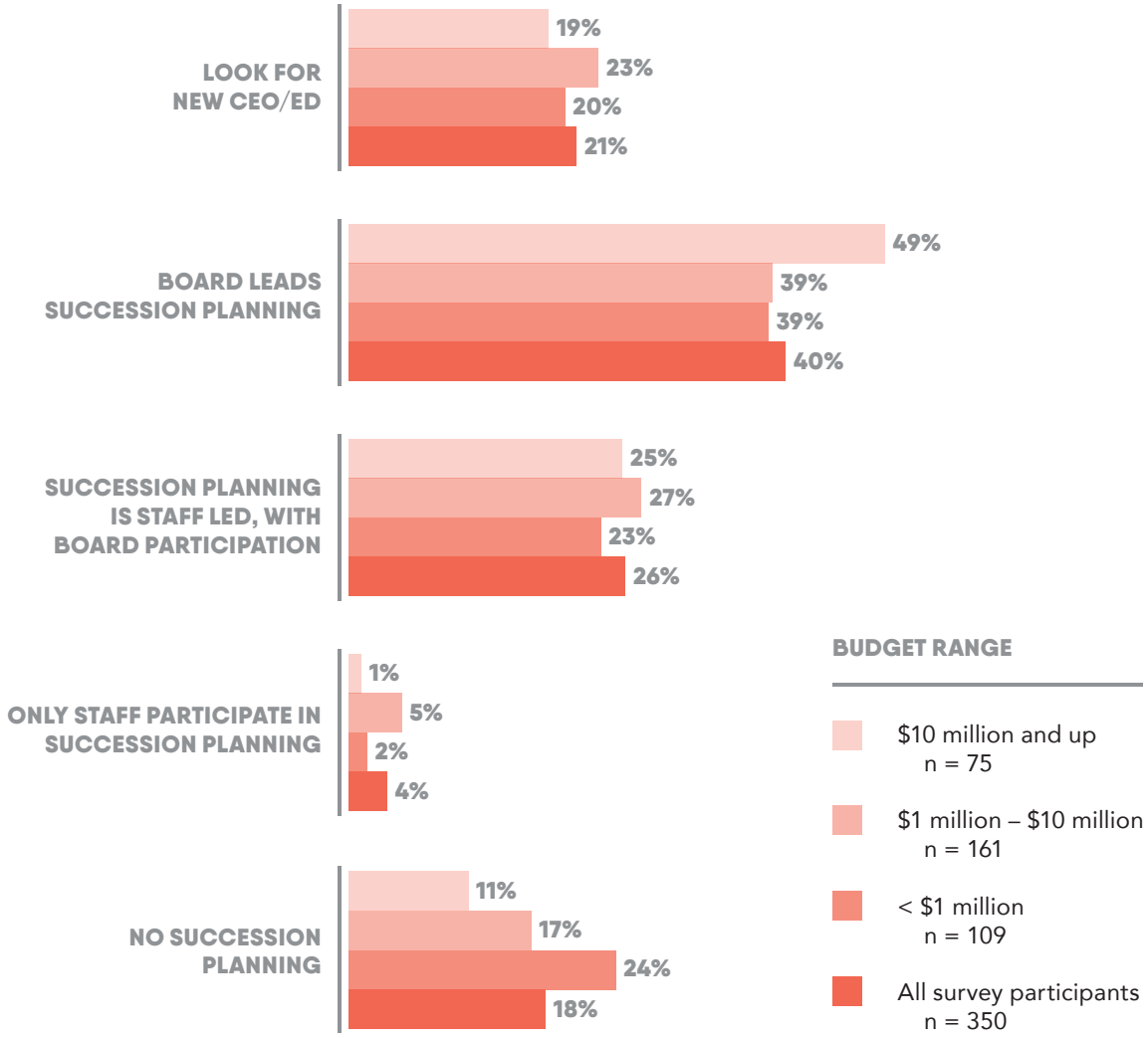
The Tax Cuts and Jobs Act of 2017 has had little impact on plans for 2018. Just 19 percent of responding organizations intend to share information with donors about the continued ability of those who itemize deductions to claim charitable gifts as a tax deduction. Nationally, a similar share (22 percent) report that they intend to communicate with donors on this issue.

# LEADERSHIP TOPICS

## SEARCH FOR CEO/ED

About one-fifth of participating organizations are likely to search for a new executive officer in the coming three years. Boards are highly likely to be engaged in succession planning. At 40 percent of organizations, the board leads the process and at another 26 percent, the board participates in a staff-led process. About 20 percent of organizations have no succession planning process, most often in the smaller participating organizations (24 percent, compared with 11 percent of the largest).

Figure 7: Will your organization look for a new CEO or Executive Director in the next three years? And among all organizations, "How is the board involved in succession planning for a new CEO/ED?"

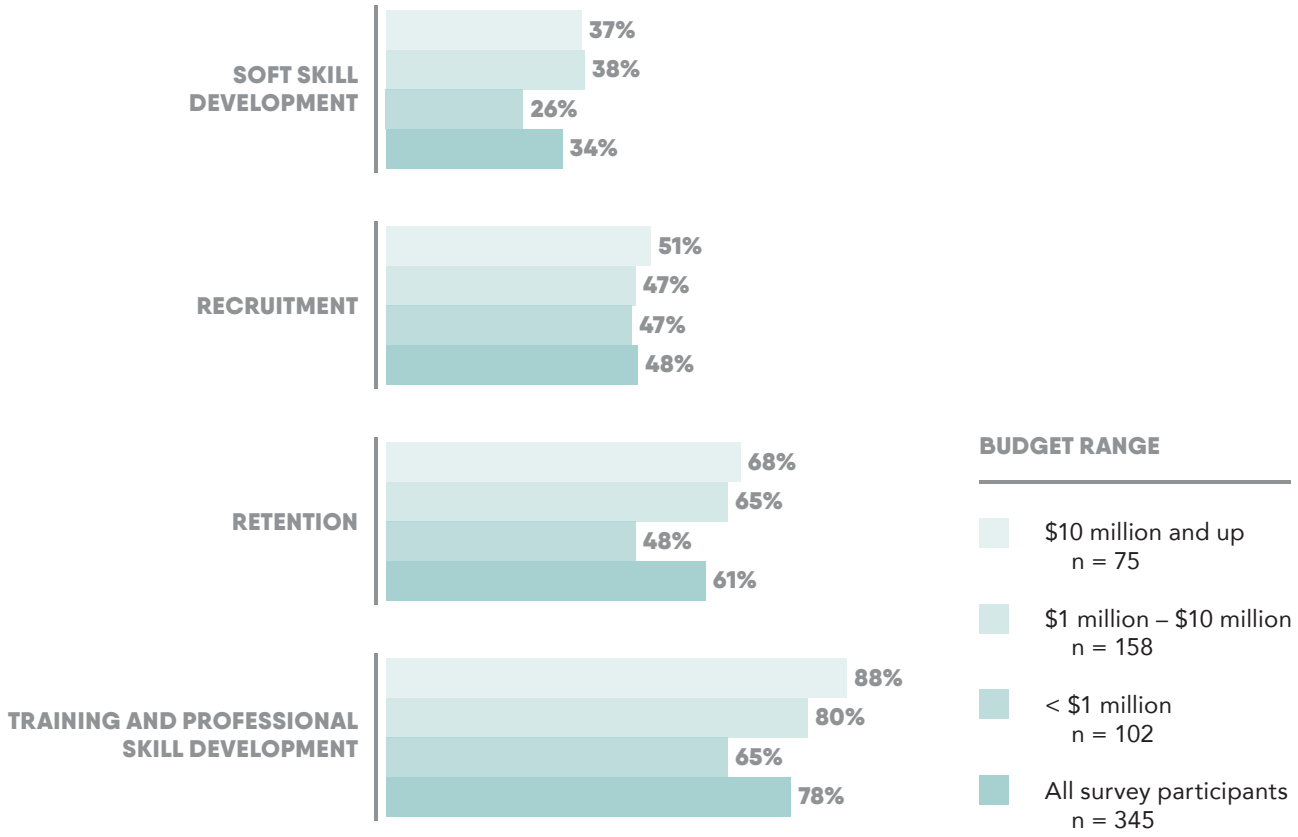


## LEADERSHIP DEVELOPMENT FOCUSES INTERNALLY ON TRAINING AND SKILLS

A majority of survey participants expect their organization to invest in training (78 percent) and retention (61 percent) as part of the leadership development plan for the coming three years. However, organizations with operating budgets under $1 million are less likely to focus on retention. Comments from smaller organizations include:

> "It is likely we will continue to have turnover as we do not offer health benefits."
>
> "We as an organization just tend to have a lot of staff turnover."
>
> "We are a very small nonprofit. We are working to raise funds to balance the percentage of payroll to income and expenses for our programs."

Figure 8: Anticipated areas for investment related to leadership succession (all levels, not just CEO)



# CONCLUSION

Not-for-profit organizations in the Ohio and Northern Kentucky region reported plans for growth and hopes for strong boards. Organizations project investments in training and retention of current staff; adding staff for existing and expanded programs; and additional funding, whether through capital and endowment campaigns, more engagement with potential donors under 40, or social enterprise (mentioned by some in comments).

Top priorities for board recruitment include seeking professional skills and improving diversity on a board. The ability to give to the organization is the lowest priority across all sizes of organizations. With so many organizations looking for similar traits, it may prove to be difficult to find board members who have the desired skills, bring the types of life experiences, and have the time and energy to commit to a not-for-profit organization.

Based on the text answers in this study, organizations are experimenting with:

- Less frequent meetings
- Very short communications, even short text messages
- More work being done by committees or task forces
- Individualized board member "job descriptions" that are designed to accommodate what each member thinks will fit into the work/life/volunteer balance

When adding board members, most organizations (78 percent) offer a board orientation, and a few (25 percent) offer board member mentors. A third of those offering mentors deemed that approach effective for supporting board member engagement, compared with a fifth (20 percent) of those offering orientation.

Organizations with operating budgets under $1 million were less likely than larger groups to look to staff retention as a pathway to leadership. Groups in this size range were also less likely to use board orientations, trainings, or to have a single point of contact for board members. Because mentoring is considered a successful approach, it is possible that organizations operating with less than $1 million will promote increased board engagement by arranging for each new board member to have a mentor.

In general, organizations participating in this study follow best practices for boards, including engagement in succession planning (66 percent), term limits (79 percent) and annual review of conflict of interest policies (83 percent). Fewer than half (45 percent) conduct a self-assessment at least every five years.

# POTENTIAL ACTION STEPS FOR A NOT-FOR-PROFIT LEADER

## BOARD TOPICS

Check your organization's self-assessment schedule. If there is no board self-assessment planned, consider using material at www.boardsource.org or elsewhere.

Check www.boardsource.org and NonprofitHR.com for thoughts about recruiting board members beyond the networks of the existing members. Recommendations to go beyond the usual nomination committee pathways include:

- Ask everyone who comes through your door for a nomination to the board.
- Ask for referrals from agencies working in the area, but not on your particular topic.
- Check listing services and match programs to connect with individuals actively seeking board service opportunities. National options include LinkedIn for Nonprofits, Bridgespan, and Idealist. You might have local options too, through a United Way, community foundation, chamber of commerce, or other resource.

## PLANS FOR GROWTH

Strategic planning helps organizations chart a course and align investment with intended outcomes. If it has been more than three years since your organization's last strategic plan, consider developing another.

If your organization plans a restructuring, be sure to work with an HR expert to be in compliance with state and federal laws about exempt and non-exempt staff, benefits offered, and insurance and risk management.

Consider using some of the available financial tools, such as a budget planning, cash flow analysis, analysis of Return on Investment, or program analysis as part of your assessment.

Pay attention to risk management issues, too, as the organization expands. These include evaluation of IT security, including who has access to what information, internal control analysis related to financial transactions of all types, and an overall risk management review. For more information on implementing these specialized services, please contact your Clark Schaefer Hackett advisor.

## LEADERSHIP TOPICS

Review succession planning activities, especially for executive-level positions, at the organization. Twenty percent of the organizations in this study had no succession plans.

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