

Trends in the Non-Profit Sector

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Accountability and Measurable Results

The non-profit sector is in the midst of a transformation. As a whole, the sector has become more focused, more tightly run, and put simply, more business-minded. At Koya, we see that our clients, many of whom are in the social enterprise niche, are increasingly committed to operating with increased accountability and efficiency. On the ground, this translates into measurable results, an emphasis on operations and processes, and human capital investments that bring a business perspective to the organization.

That doesn't mean that the heart of the non-profit sector has changed. Non-profits are still devoted to making our world a better place by serving their missions, a goal that requires passion and dedication. But more and more, they are setting and achieving realistic goals that are based on measurable outcomes. This focus on business practices is, in great part, due to the realities of philanthropy in the 21st century. Donors are no longer happy with making a gift and then sitting back and feeling good about themselves and the organizations they are supporting. Today's donors want to be involved, and they want a return on their investment. This means that non-profits need to be able to demonstrate the impact of every dollar invested in their organization, which requires metrics.

Most nonprofits track their performance by metrics such as dollars raised, membership growth, number of visitors, people served, and overhead costs. These metrics are certainly important, but they don't measure the real success of an organization in achieving its mission. These days, sophisticated donors require both qualitative and quantitative data that shows that an organization is having an impact. In turn, generating that data and creating an organizational structure around that goal has created a need for a new kind of skill and talent. Non-profits are increasingly looking for employees who know how to operate in this kind of environment, particularly when it comes to executive level leaders. Because of this, many non-profits value business world experience, including MBAs, more than they did in the past, and are actively seeking out employees with this kind of background.

The Leadership Deficit

This need for a specific kind of talent is intrinsically connected to another important trend in the non-profit sector – the looming leadership gap. According to a well-known and oft-quoted 2006 study by the Bridgespan Group, which provides consulting services to non-profit organizations, the non-profit sector is facing a serious deficit of qualified leaders in the near future. “Today nonprofit organizations struggle to attract and retain the talented senior executives they need to fulfill their missions. Over

the coming decade, this leadership challenge will only become more acute,” says the Executive Summary of the study, which surveyed non-profits with revenues greater than \$250,000 (excluding hospitals and institutions of higher education).

Here are some of the other findings of the Bridgespan Study:

- Over the next decade, non-profits will need to attract and develop some 640,000 new senior managers—the equivalent of 2.4 times the number currently employed.
- If the sector were to experience significant consolidation and lower-than-forecast turnover rates, this number might fall as low as 330,000. On the other hand, given historic trends, the total need could well increase to more than one million.
- By 2016, these organizations will need almost 80,000 new senior managers per year.

The Bridgespan study is sobering news for the non-profit sector, and should serve as wakeup call about the importance of recruiting and retaining talent. But it is good news for qualified job seekers, including those who are looking to make the switch from the for-profit sector or who are hoping to find a second career after retirement. The study shows that there is and will continue to be a great need for executive level talent in the non-profit sector. The Executive Summary and full white paper can be read here: www.bridgestar.org/resources/Library/Recruit/LeadershipDeficit

The Current Economic Climate

The nonprofit sector in the U.S. is large and diverse, and has become an integral part of the US economy. According to the Brooking Institute, in 2006, the non-profit sector received almost \$1 trillion in revenue and spent or gave away almost all of it. The sector employs 10 percent of the U.S. work force and has grown rapidly in recent years. Because the non-profit sector has evolved into such a significant part of the economy, it is feeling the chill of the current recession in some very real ways.

Many foundations and donors are pulling back on grants and gifts, and many non-profits are not hiring as freely as they were in the recent past. However, there is still a need for talented employees, and non-profit organizations continue to hire for key positions. The roles that will become most important during these difficult financial times will probably be in development and senior leadership. Fundraising, which is at the core of what every non-profit does, has become especially critical, and

qualified development professionals with a track record of results will still be in demand. But senior leaders are also a critical piece of the human capital pie, and non-profit organizations with solid strategic plans that are looking to lay the foundation for future growth know that investing in talent is more important than ever during an economic downturn.

The current economic situation will affect non-profit job seekers in several ways, but the most vital is that there is undoubtedly greater competition for fewer jobs. There will be a larger pool of qualified candidates for each position, which means that as a job seeker, you need to be sure that your job search strategy is efficient and productive and you are presenting yourself in a compelling manner that allows you to stand out from other candidates.

Trends in Compensation

Most people accept that non-profit salaries just aren't going to pay as much as for-profit jobs. That's fine with many job seekers because salary isn't usually the driving force behind the search for a role in the non-profit sector. But job seekers can take comfort in the fact that non-profit salaries may not lag behind quite as much as commonly believed. According to a recent study by Abbott, Langer, and Associates cited by the US Department of Labor, Bureau of Labor Statistics, the median income of chief executive officers in the non-profit sector was \$88,006 in 2005, an average that has continued to climb each year. It's increasingly common for senior managers to make more than \$100,000, even at smaller, more entrepreneurial organizations.

Furthermore, many non-profits are beginning to understand that compensation goes beyond salary, and are strengthening other offerings, including health insurance, retirement savings plans (something that was almost non-existent in the not so distant past), professional development opportunities or tuition reimbursement, performance bonuses, and flexible work arrangements. As you consider your next non-profit role, remember that non-salary benefits like these can make an overall compensation package much more competitive.

As your job search develops, it's important to continue to expand your knowledge of the non-profit sector in general as well your understanding of the specific areas you are interested in. The resource and reading guide that came with your materials packet contains a wide variety of books, newspapers, magazines, web sites, and blogs that can help you stay on top of the major sector trends described here as well as other developments.