

Nonprofit

Priorities

Benchmark

2020 Report



WIPFLI



Wipfli is proud to present its 3rd Nonprofit Priorities Benchmark Report. Through research, we hope to uncover new insights into the state of nonprofits in the United States and help build a ladder to overcoming challenges.

Thank you to all who participated.

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Executive summary

The challenges facing nonprofits as they enter 2020 are staggering. The need for services continues to climb, while the sources of funding are unstable.

But this is not new.

What is new is the struggle organizations face in retaining and recruiting the talent they need to meet the aforementioned challenges.

Wipfli's 2020 Nonprofit Challenges and Priorities Benchmark survey of nonprofits reveals that concerns about the talent gap and management are influencing all aspects of nonprofit operations.

In all five questions we asked about priorities, challenges and concerns, staffing-related issues ranked high:

- 49% said recruitment/workforce is a top challenge
- 49% said staffing and wages were a top financial concern
- 48% said staffing and wages are a top financial challenge
- 36% said improving workplace culture is a top leadership priority
- 38% said workplace culture/engagement is a top leadership challenge

The results, compared to those from the previous two years, show a sharp increase in employee-related challenges.

In 2018 and 2019, issues like revenue growth, government regulations and operational efficiencies emerged as common challenges. For 2020, the overwhelming focus is the workforce.

We hope you will find the insights from your peers presented in this report interesting and look forward to welcoming you as a participant in the next edition of the survey.

Key data

What are the top three challenges your organization is facing in the upcoming year?

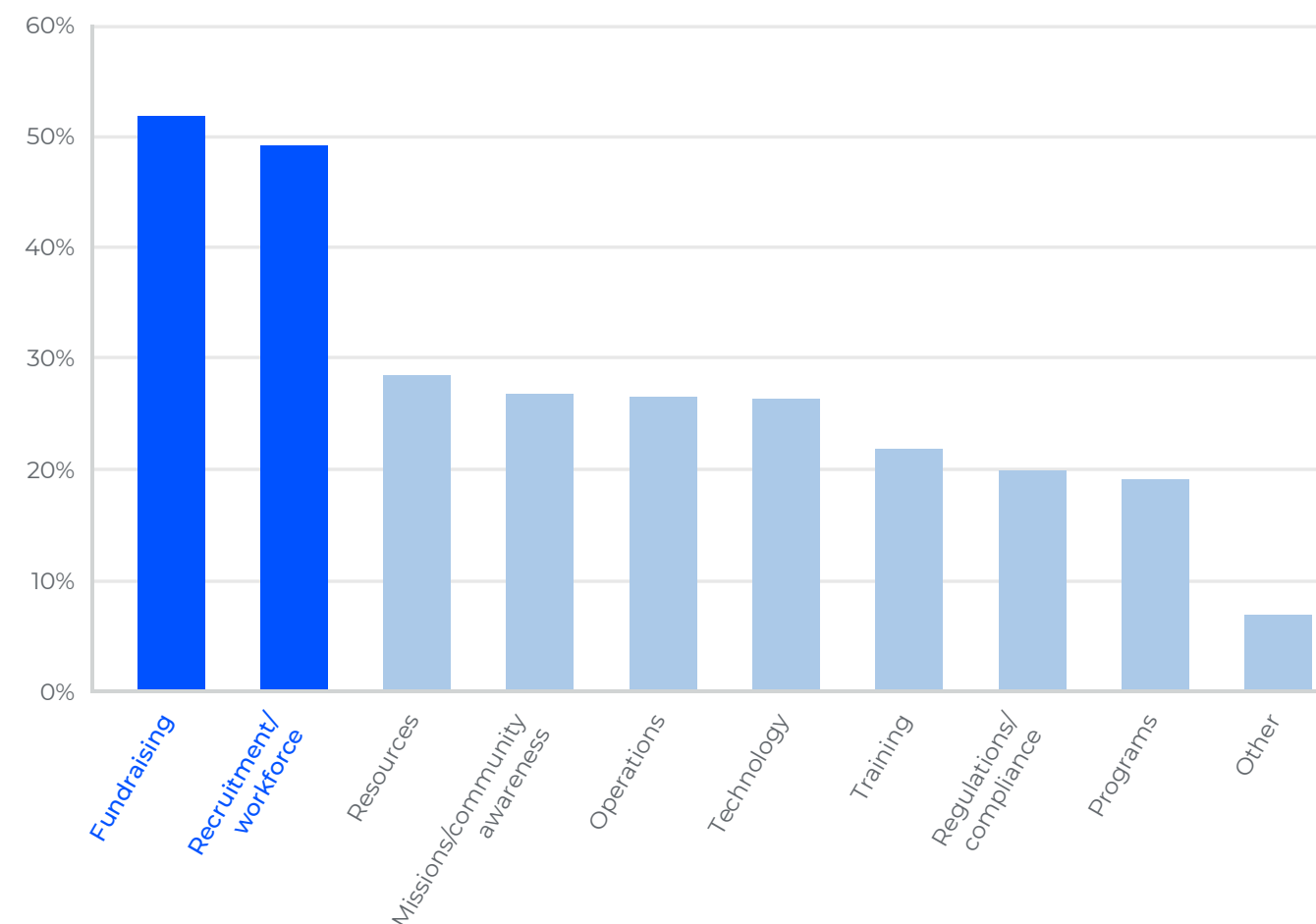
Overall, nonprofits are most concerned about fundraising, recruitment/workforce and resources.

Fundraising is a persistent need for nonprofits, but issues related to workforce recruitment and retention are increasing.

Nonprofits are being squeezed in the talent gap created by a glut of vacancies due to the baby boomer retirement crisis and the new jobs being created by emerging technologies. For the first time in more than 20 years, open jobs in the U.S. outnumber employees looking for work by about 1 million, according to the U.S. Department of Labor.

Nonprofits account for roughly 1 in 10 jobs in the private sector, with the total number of employees totaling more than 12 million.

What's keeping nonprofits from winning the battle to hire? Pay rates are one, but not the only key factor. Poor recruitment strategies, lack of clear vision, weak branding and organizational performance all play a role.



Where workforce-related issues ranked as an overall challenge:

#4

Ranked by 8.5% of participants in 2018

#2

Top overall challenge of 22% of participants in 2019

#2

Overall challenge of 48% of participants in 2020

Where workforce-related issues ranked as a top financial challenge:

#3

Ranked by 9.7% of participants in 2019

#2

Ranked by 48.5% of participants in 2020

Leadership and management

When it comes to leadership and management challenges and priorities, the results echo the concerns that leaders at nonprofits have about their workforce.

The top results were better engagement of employees, improving workplace culture and improving program results and metrics. In addition, reducing employee turnover was a close fourth.

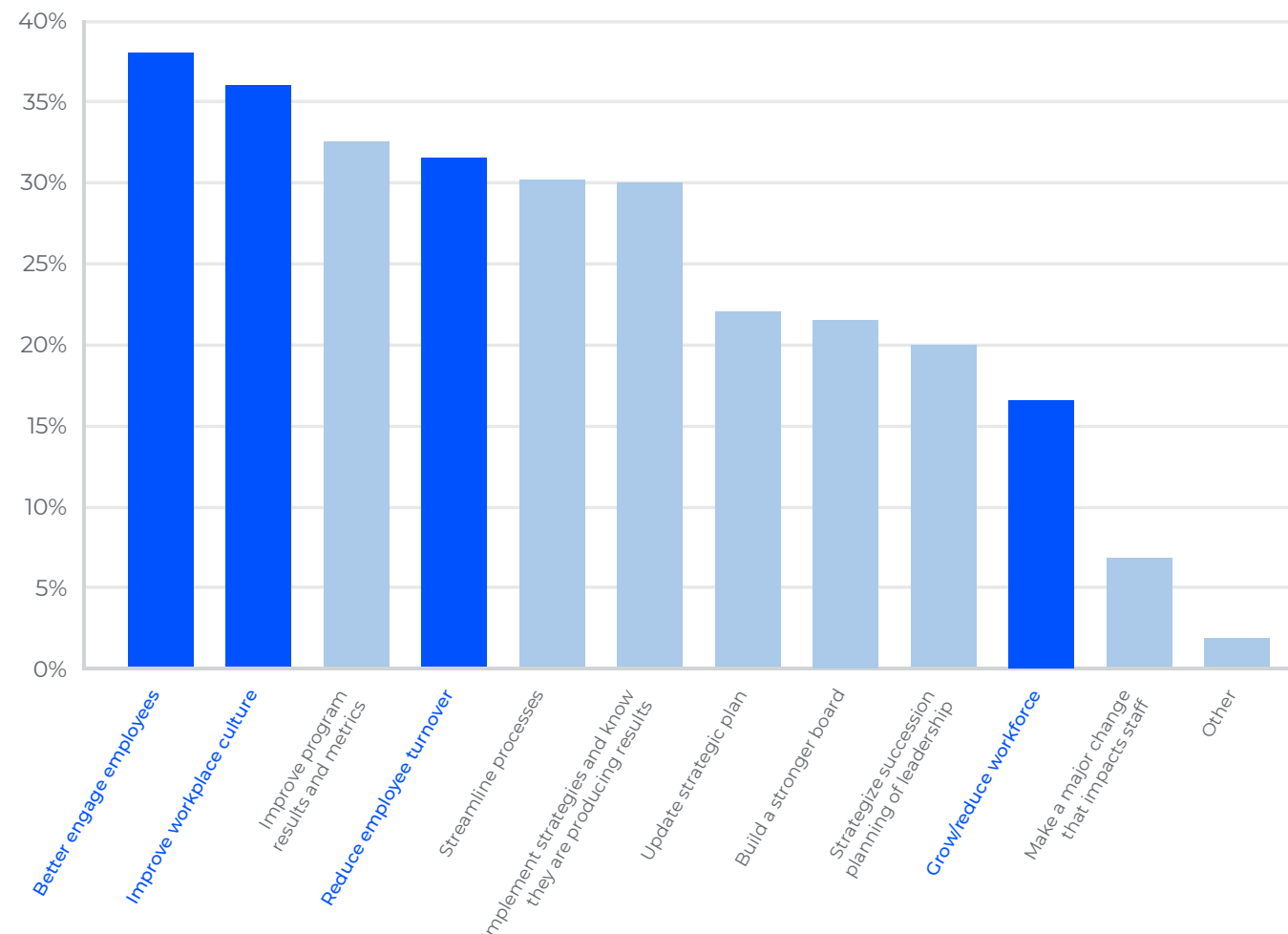
Research shows that beyond pay levels, disengaged employees report:

- A workplace culture that doesn't fit the new talent demographic (millennials and Gen Z).
- A culture that encourages employees to exit versus engage.
- A lack of internal upskilling or career pathing.
- No formal recruitment or retention strategy.
- The mission and vision is lost between leadership and staff.
- Employees often don't see how they contribute to the mission.

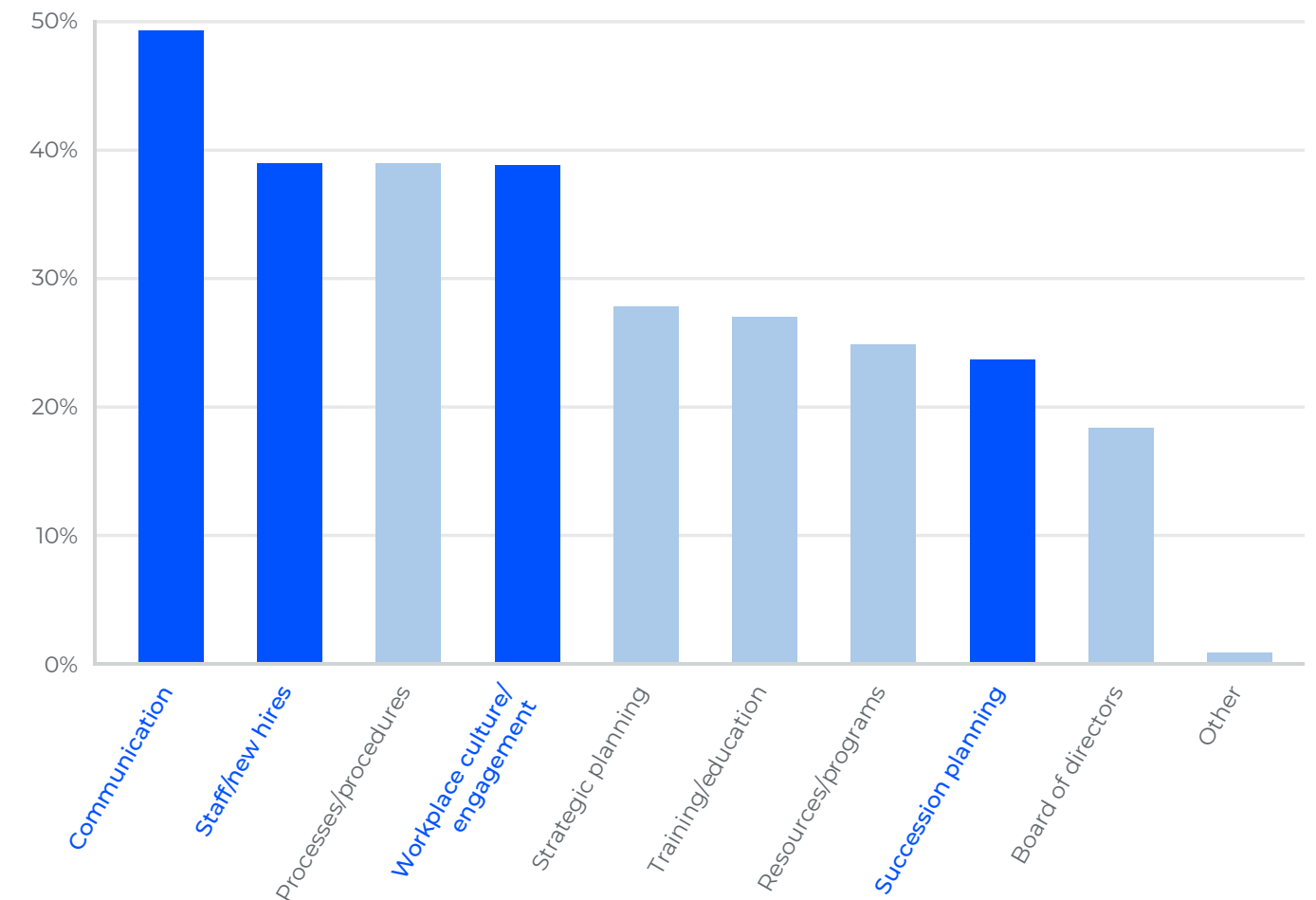


For 2020, the overwhelming focus is **the workforce**.

What are your top three leadership and management development priorities for the upcoming year?



What are your top three management challenges?



Finances

When it comes to their finances, nonprofits view fundraising and employee staffing/wages as their top challenges. For the first time in the survey's history, those two items are almost equally important.

In addition, nonprofits are focused on improving operational efficiencies and program metrics while reducing costs.

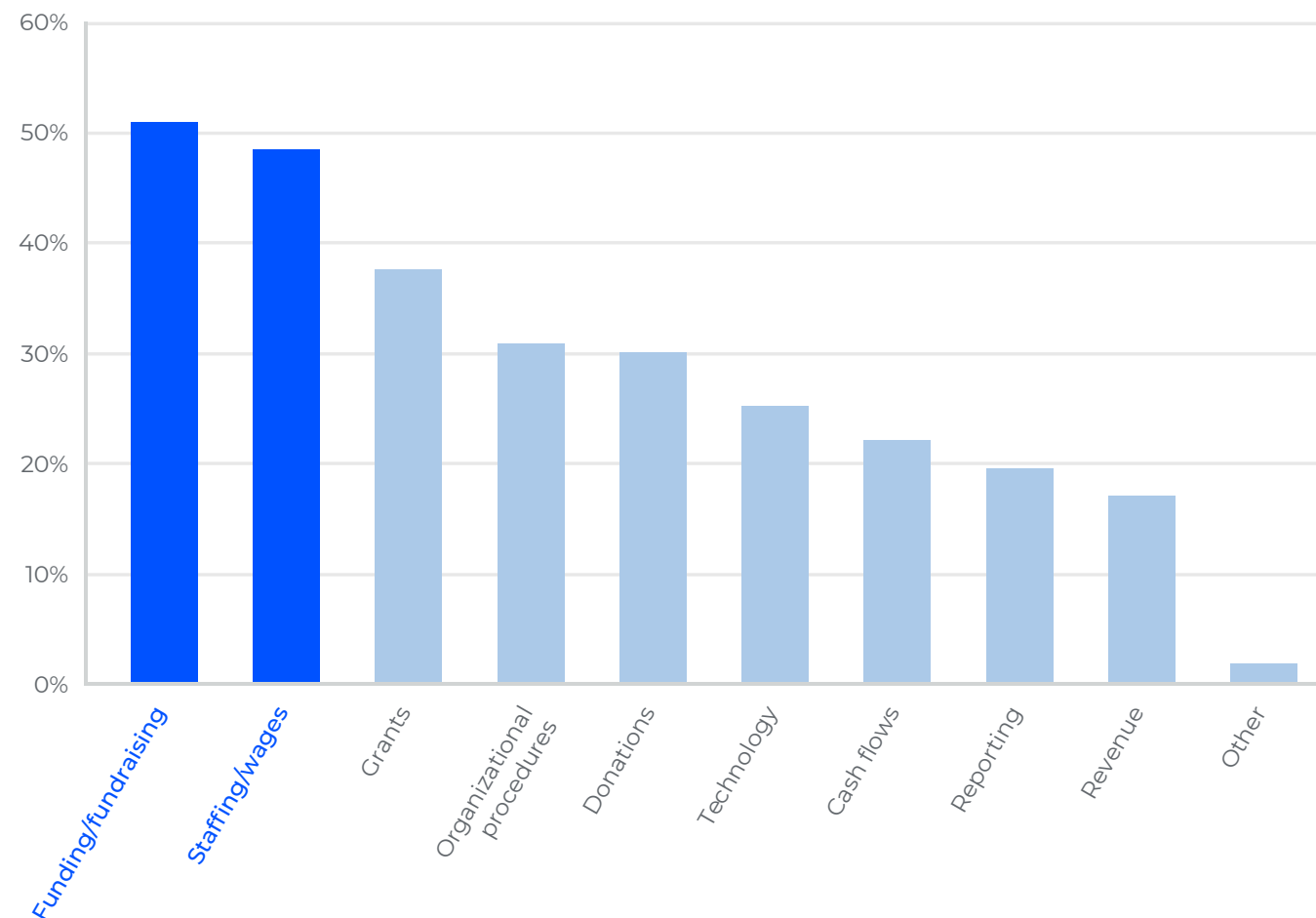
There are no hard and fast rules on what nonprofits should spend on overhead expenses versus programs. Charity Navigator, which rates nonprofits in the U.S., gives A ratings to those that spend 90% on programs, while the Better Business Bureau recommends at least 65%.

Again, nonprofits are caught between a rock and a hard place. Many want to give as much money as possible to the beneficiaries and communities they serve. Yet they need qualified staff to help achieve that goal – qualified staff that are legally required to have access to the same employment benefits as those in any industry.

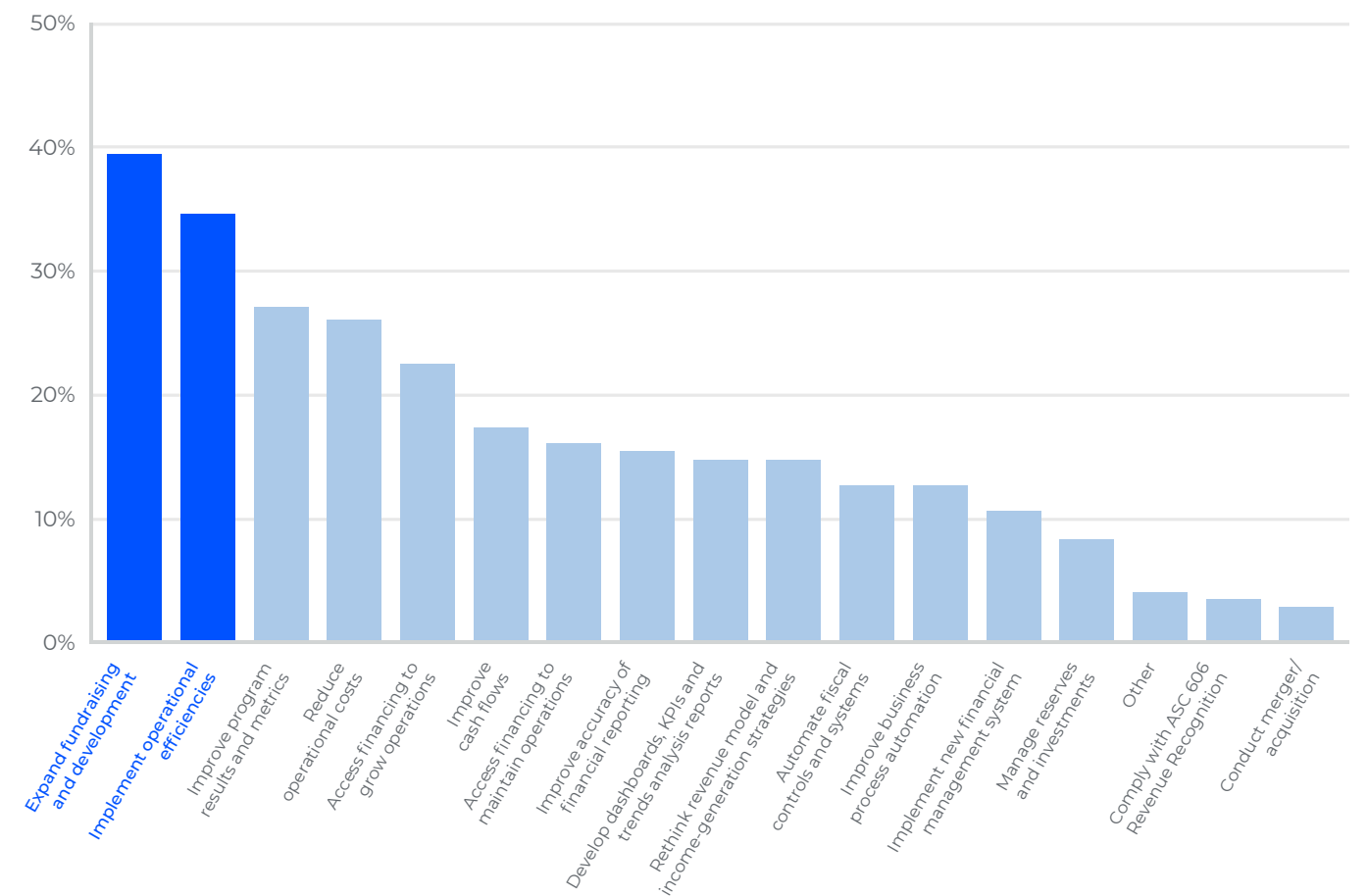
That leaves nonprofits with only one way to serve both without increasing their budget: Become more efficient and cut costs.



What are your top three financial challenges?



What are your top three financial priorities for the upcoming year?



Meeting the challenge

Nonprofits can meet the widening talent and skills gap by reimagining their organizational structure and implementing a strong strategy for recruitment.

Why?

We must hire and accelerate the growth of millennials so they can step into the roles of baby boomers, who are retiring at a rate of 10,000 per day.

And once you get them, you have to have a workplace culture and high level of engagement to keep them.

While millennials want to use their professional skills to benefit a social cause, they do not want to work in a static culture or follow a linear career path.

Ask yourself, what opportunities and conversations are you opening up? How creative are you with your organizational structure and job duties? Are you offering employees gateways to pursue their interest in multiple departments?

Those are big – but important – questions we need to be asking that can help nonprofits start on a path to build the team that will help them thrive in the future.



10,000 baby boomers are retiring every day.

Organizational culture

In order to recruit and retain millennials and Gen Zers, nonprofits need to have a solid organizational structure and culture that allows potential and current employees to see themselves and their future in their organization.

These steps can help you do that:

1. **Strategy:** Establish a clear, actionable strategic plan and related priorities.
2. **Structure:** Ensure your organizational structure and design supports that strategic direction.
3. **Job descriptions:** Update your job descriptions to clearly define each role and responsibility, plus the knowledge skills and abilities needed in those roles.
4. **Talent assessment:** Assess the motivating needs, skills and competencies of your employees to succeed in the recently updated or developed job roles.
5. **Learning and development:** Create individual personal development plans for employees interested in growing with your organization to assume different or higher roles/responsibilities.
6. **Career pathing:** Develop a formal career-pathing process.
7. **Succession planning:** Once you've completed the first six, then you can evaluate the makeup of your talent to meet future leadership needs, align people to future roles and/or develop your bench more to meet future leadership needs.

Recruiting

With more than 12 million jobs in the nonprofit sector, how will you rise above the rest to hire the talent you need to thrive in the future?

Solid strategic work before you even post a job will help.

1. **Evaluate your workforce:** Determine what your needs are today and in the future to support your strategic plan. Determine which roles are the most critical to your mission, and put the majority of your resources and energy into those. The most critical roles might very well be those that are on the ground, delivering services to your beneficiaries, versus those in leadership.
2. **Polish your employment brand:** How you represent yourself online or in social media may help or hurt your hiring process. Also be aware of your reviews on other sites. Peer reviews can heavily influence job candidates.
3. **Compensation level:** Evaluate your compensation level. Is it competitive? Are the benefits competitive? Are there perks you can offer in lieu of salary?

4. **Establish a long-term recruiting plan:** Passively posting and hoping someone will apply isn't enough in today's competitive environment. You need to recruit at conferences, join networking groups, visit college campuses, develop internship programs and give talks at high schools so you can start building relationships today with people you'll need to hire tomorrow.
5. **Formalize your interview process:** Do not underestimate the impact your application and interviewing process has on candidates. You're not just screening them – they are screening you too. Make sure the people who interview candidates are good representatives of your organization and are trained to ask the right questions.
6. **Make it easy to apply:** Make sure it's easy to apply from a mobile device. Every technical barrier you put in an applicant's path is an opportunity for them to bail out.

The importance of organizational culture and the recruitment/retention of qualified talent will continue to be a primary trend for nonprofits – and for-profits – in the next few years. On the heels of baby boomers will be a wave of 65 million Gen Xers retiring, creating another talent gap for millennials to fill.



Key takeaway

Post and pray no longer works. Now you need to develop a proactive, strategic and long-term recruiting plan.

Conclusion: A roadmap for nonprofits

Disruption due to generational shifts and technology is a dual-edged sword.

Along with great advancements for our society, these disruptions are changing the very fabric of our lives — and the lives of the beneficiaries nonprofits serve.

Among the difficult, new challenges, there is hope.

More millennials and Gen Zers want to combine their passion for helping society with their professional lives. And they show deeper loyalty to employers who boldly tackle the issues that resonate with them, such as protecting the planet or helping people find jobs.

These generations are inspiring meaningful ideas that are changing the future of work as we know it.

They are hungry to learn. Their inquisitiveness and ability to embrace technology is opening new opportunities for nonprofits — if nonprofits are willing to reshape their culture.

With these new generations entering the workforce, we have an opportunity to imagine what if we build our nonprofit fresh today?

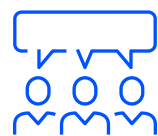
Would we have the same jobs? Would we do everything the same way?

Nonprofit organizations that turn these challenges into opportunities will be the ones that close the talent and skills gap and emerge stronger.

Reimagine your organization



1. Understand and prioritize your culture



2. Become proactive versus reactive



3. Improve career pathing



4. Improve your recruiting process



5. Improve your retention rates

Additional resources

Articles

[Succession planning: A critical talent retention strategy](#)

[Align performance management and compensation systems](#)

[Highly effective boards and the strategic mindset](#)

[How talent assessments can ID your future leaders — and retain mission critical employees](#)

[How to modernize your transition plan](#)

[HR Strategy: Create a proactive people plan that speaks to your leaders' real goals](#)

Wipfli web pages for solutions:

[Talent and change management solutions](#)

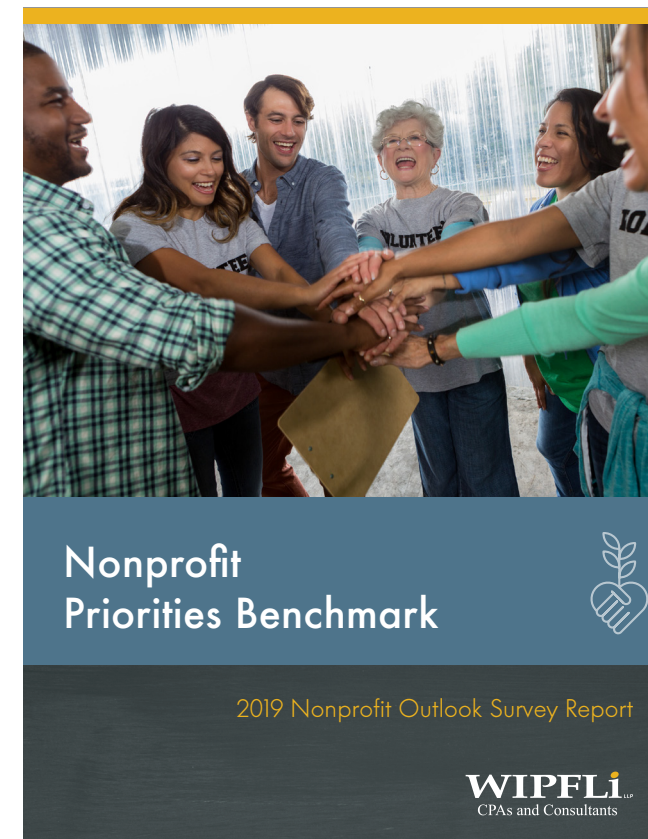
[How to reshape your strategy and operations](#)

[Design Thinking: Transforming nonprofits with human-centric solutions](#)

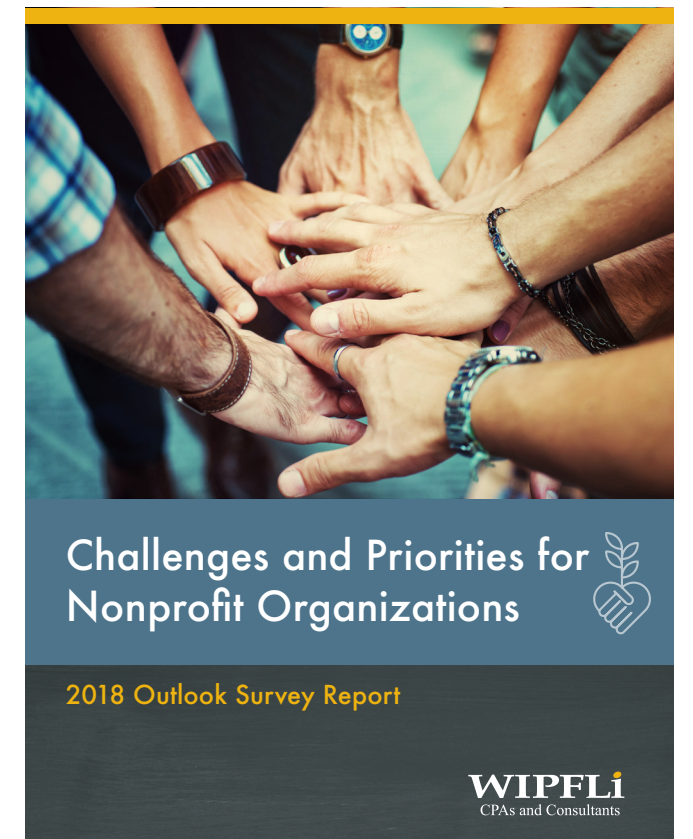
Downloadable guides

[How to reshape your culture](#)

[How nonprofits are solving big challenges using the cloud](#)



[2019 report](#)

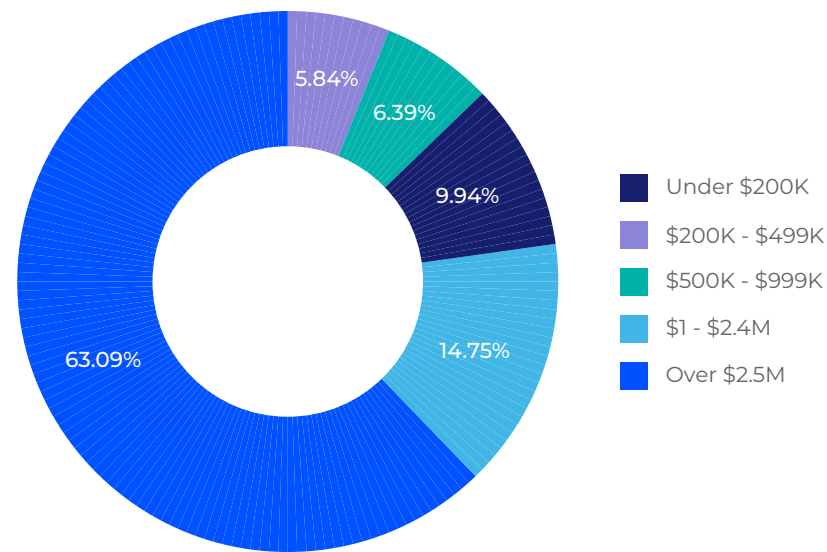


[2018 report](#)

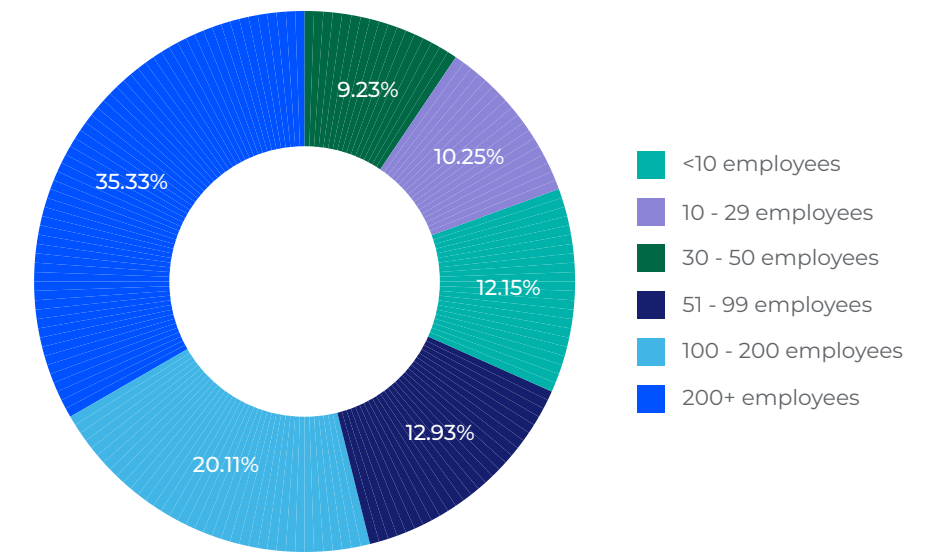
Appendix: The participants

For this report, we sent out surveys to nonprofit employees. We received more than 1,250 responses. Here is a breakdown of the data on the participants.

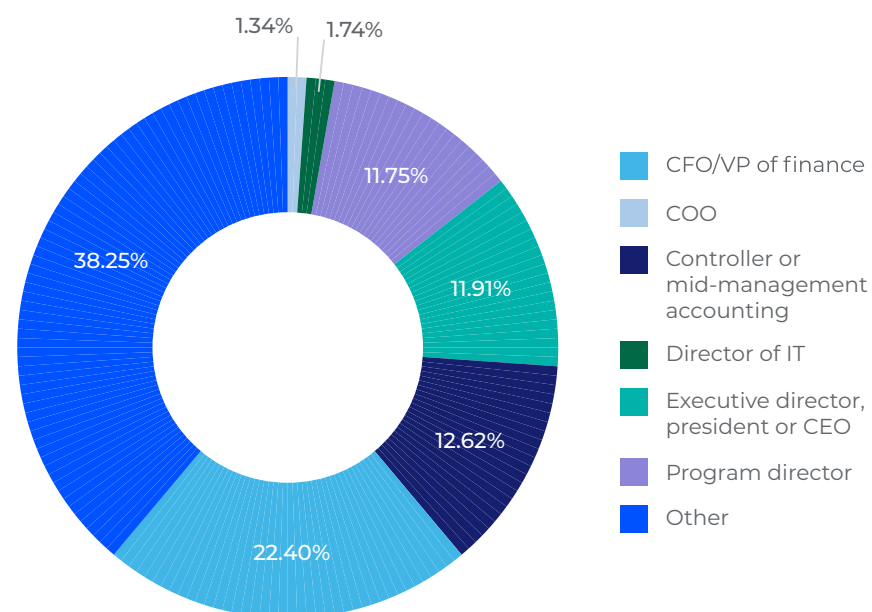
Which best describes your organization's revenues?



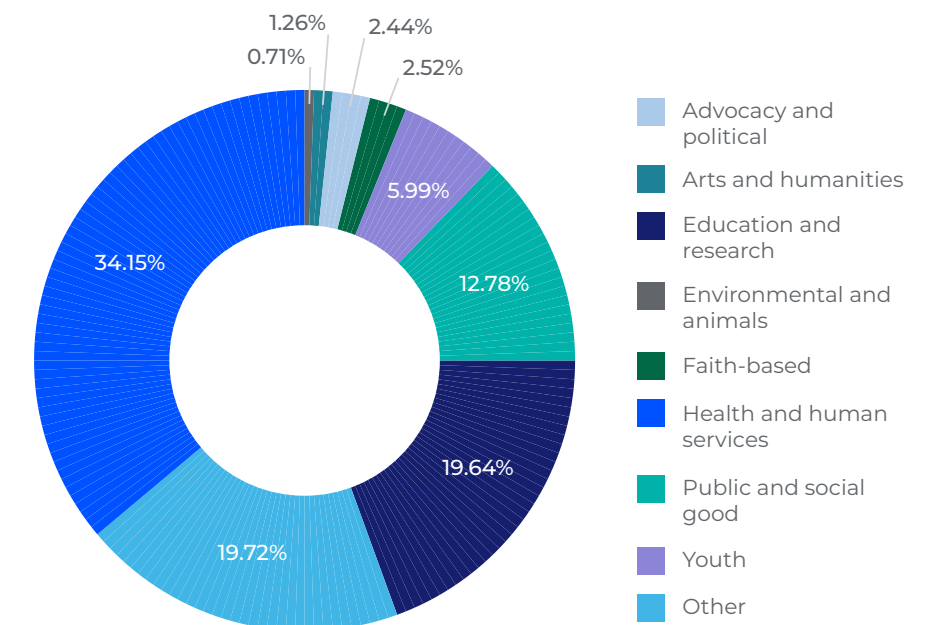
Which best describes your organization's number of full-time employees?



Which best describes your role within your organization?



What is the primary focus of your nonprofit's mission?



Wipfli's nonprofit consulting specialists bring experience, knowledge and best practices to empower your nonprofit. Whether it's through developing a volunteer management system, helping you navigate changing compliance regulations or optimizing your team's skills, Wipfli can help you create the future you desire, fueling your imagination to realize your dreams.

- Audit and tax
- Strategic planning and visioning
- Organizational development
- Risk management
- Succession planning
- Professional coaching
- Employee handbooks
- Financial systems
- Compensation design and benchmarking
- Compliance reviews
- HR analysis and personnel selection
- Performance management
- Webinars and on-site training
- IT integration and software
- Cybersecurity

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Results that transform

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