

Executive Issues in Nonprofits 2005/2006

# Identifying Enablers of Nonprofit High Performance

## Executive Summary



*High performance. Delivered.*

Nonprofit organizations are a vital and growing part of every community in the United States. But they also face difficult times. Myriad challenges have ratcheted up the pressure on nonprofits to both find new sources of income and more effectively use the money they do have.

Within this context, Accenture surveyed more than 200 nonprofit executive directors and board members across a variety of nonprofit segments to get their thoughts on these and other critical issues. Drawing on survey responses and insights from Accenture experts and nonprofit executives, we shed light on the organizational issues that are of most concern to nonprofit leaders—as well as important issues they may not be considering.

- Consulting • Technology • Outsourcing

## Fundraising—and survival—dominate as top-of-mind issues

The survey shows that an overwhelming percentage of nonprofits in the United States are primarily focused on donors and fundraising, with three of the top five issues for survey participants related to simply generating income (Figure 1):

- Expanding the current donor base was the top issue for nonprofits, cited by 77 percent of all respondents.
- Increasing donations from current donors also finished highly in the survey, named by 40 percent of all survey participants.
- Increasing donor loyalty and retention was named by one-third of all respondents, which placed it fifth on the top issues list.

A fourth issue deemed considerably important—and one that likely is tightly tied to fundraising—is recruiting high-impact board members. Just over 60 percent of all respondents named this a top concern, which was enough to place it second on the overall issues list.

## Operational issues appear to be overlooked

However, as they focus on fundraising, most organizations represented in our survey appear to be overlooking ways to improve their own operations and more effectively leverage the funding they have. This is reflected in the low percentages of survey participants citing as top concerns the principal issues related to organizations' key operational areas (Figure 2).

**Operating model.** Only one-third of respondents indicated a strong focus on pursuing collaborative partnerships with public-sector groups or the private sector, and just eight percent said pursuing a merger with overlapping services or agencies was a major concern. Even more surprising was the nearly unanimous dismissal of outsourcing, cited by just four percent as a top issue.

**Information technology.** Using IT to reduce costs and improve value was cited by just 31 percent of all respondents.

**Marketing.** Despite the strong emphasis on donor relations, only 26 percent said applying marketing/

Figure 1: Top Current Issues Overall for Nonprofits

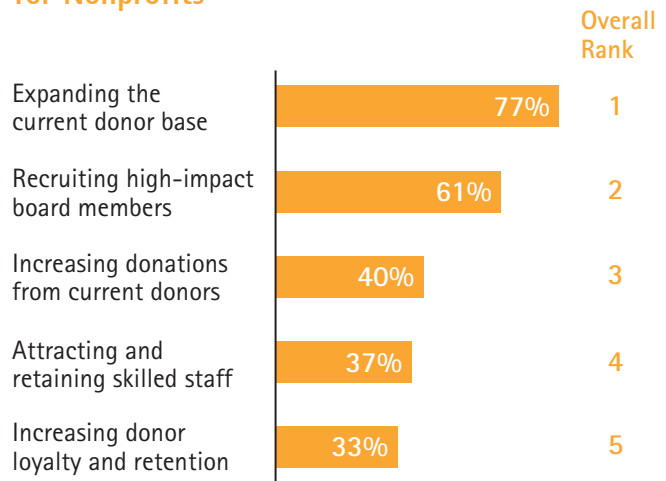
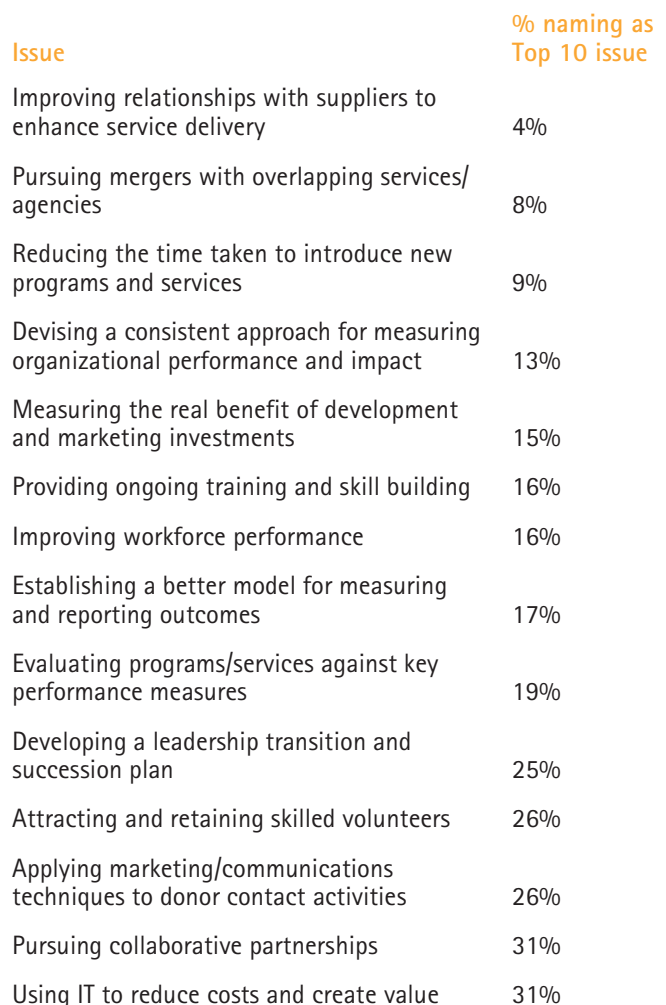


Figure 2: Key Operating Issues Overlooked



communications techniques to donor contact activities was a top issue. Even fewer—15 percent—were strongly interested in measuring the real benefit of their development and marketing investment.

**Organizational performance.** Establishing a better model for measuring and reporting outcomes and devising a consistent approach for measuring organizational performance and impact, were cited as top concerns by just 17 percent and 13 percent, respectively.

**Service creation and delivery.** Small percentages of respondents cited as top issues such service-related activities as establishing benchmarks and key performance measures for programs, reducing the time it takes to introduce a new program or service and improving relationships with suppliers to enhance services delivery.

**Workforce/human resources.** Human resources and workforce-related issues—such as attracting and retaining volunteers (26 percent), developing a leadership transition plan (25 percent) and cultivating a dynamic and effective culture among board members (32 percent)—do not appear as priorities for the survey respondents.

## Embracing basic business practices can help nonprofits shift from survival to sustainability

In Accenture's view, nonprofits must seize every opportunity to embrace basic business practices and tools that can help them use their money more effectively, ensure the sustainability of the organization and make a bigger impact on the communities and people they serve—recognizing the confines of nonprofits' funding and the aspects that are unique to the nonprofit sector. To that end, we believe there are six actions that nonprofits can take to improve their operations and address the internal and external challenges they face (Figure 3).

## Collaborating for High Performance

These certainly are challenging times for nonprofits. The needs that nonprofits fill continue to grow—often far outpacing organizations' abilities and resources. In reality, nonprofits face a vexing dilemma: how to build capacity when funding streams are at best, holding steady and at worst, slowly drying up?

## Figure 3: Steps to Improve Nonprofit Operations

1. Convince corporate and private-sector donors to fund operations instead of "signature" or "vanity" programs that may advance the donor's agenda but do little to help the organization's day-to-day financial viability.
2. Implement appropriate metrics that enable organizations to evaluate the success and impact of their delivery of services and programs.
3. Make better use of technology.
4. Engage board members to ensure that quality governance structures are in place that not only minimize the risk of inappropriate actions, but also help the organization create an effective and efficient operation that can be sustained over time.
5. Explore and adopt new collaborative business models with complementary organizations.
6. Overcome the inherent limitations in headcount by more effectively organizing and managing volunteers as an extension of paid staff.

We asked our survey respondents about this very thing: Money aside, what is the number one thing that the corporate sector could do to help build capacity in the nonprofit sector? Their responses by and large, over 75 percent in fact, had to do with volunteerism and access to employees' "high order" skills. That is, they want to be able to leverage the valuable work skills and talents of private sector employees and management; they'd like access to corporate training and pro bono support and want to see companies build a culture of corporate volunteerism at all levels.

Accenture's study demonstrates that, more than ever, nonprofits must rely on corporate America for support. And this support can—and must—take the form of an increased commitment to transferring expertise and people to nonprofits so they can adopt the basic business practices that are critical to not only the day-to-day operation of individual organizations, but also the long-term sustainability, viability and high performance of the nonprofit sector as a whole.

## About this Study

Accenture commissioned this US study of 232 senior executives involved in nonprofit organizations in the United States in an effort to help nonprofits identify and address key barriers to and accelerators for achieving high performance in the nonprofit sector.

This study offers unique insights in that it is one of the few to poll senior-level executives on both the nonprofit and for-profit sides: executive directors of nonprofit organizations and for-profit executives serving on nonprofit boards.

Respondents were asked to select their top 10 current issues as well as potential future issues out of 43 issues that spanned seven category areas: Donor Relations and Development, Services Management, Supplier and Asset Management, Nonprofit Sector Structure and Relationships, Human Resource Management, Board Relations and Governance, and Information Technology Management. Participants were also asked to respond to a few open-ended questions related to governance and capacity building within the sector.

As you will see from the study, there is increasing evidence that the for-profit and nonprofit sectors have much to learn from one another as they tackle many of the same challenges around operations, governance and sustainability.

This summary reports the highlights of our findings. A full copy of the report with detailed appendices, including top issues broken out by current vs. future, by board member vs. executive director, by US region, by category, by organization type and more can be requested on [www.accenture.com/community](http://www.accenture.com/community).

We would like to recognize and thank the individuals below who served on the Advisory Committee for our inaugural study. Their ongoing counsel, critical review and unmatched expertise were invaluable to the direction and development of this groundbreaking research initiative, and their guidance ensured we stayed the course.

- David S. Chernow, President & CEO, JA Worldwide
- Robert Egger, CEO & founder, DC Central Kitchen
- Robert Goodwin, President & CEO, Points of Light Foundation
- Stephen Jordan, Vice President & Executive Director, Business Civic Leadership Center
- Michelle Nunn, co-founder & CEO, Hands On Network
- Steve Rochlin, Director of Research and Policy Development, The Center for Corporate Citizenship at Boston College

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