



## Nonprofit Heart, Business Mindset Mission-Driven Growth

**In business and economics**, the concept of supply and demand is simple. Supply will rise or fall to meet demand, and the price of a service or commodity adjusts accordingly.

But in the nonprofit world, it's not so easy. Demand for nonprofit services is ever-increasing, and supply depends on more than market opportunity and on more than the intention of the mission.

To thrive long-term, organizations must take inspiration from for-profit management practices, without losing sight of their core mission. Part of this business mindset also requires adapting to the changing social and economic landscape. These waves of upheaval increase demand for nonprofit services, and at the same time, demand an evolution in the way nonprofits operate.

To grow in the nonprofit world is to meet demand through scale, not just supply.

### **What's the formula for a strong, sustainable nonprofit?**

**Put simply, balancing a nonprofit heart with a business mindset.**

### **How Can Nonprofits Achieve Mission-Driven Growth?**

Innovation and disruption are buzzwords across every industry, and the nonprofit space is no exception.

However, nonprofit organizations often don't know where to start when it comes to innovation and they lack the resources for-profit companies have at their disposal. Ultimately, nonprofits want to focus investment on expanding programming and furthering the mission, but have little or no flexibility for failure.

But nonprofits don't need to be afraid to explore innovation and growth—as long as efforts align with both mission and business strategy.

### **Nonprofits Need to:**

#### **FOCUS on Channels That Maximize Efficiency & Impact**



New programs are not always the best way to grow your organization's operations or abilities. Sometimes, tactics like strategic partnerships are better positioned to optimize impact.

#### **FUNDRAISE Smarter**



Embrace the future of fundraising through investment in strategic new channels and tools that meet the needs of millennial and Gen Z donors.

#### **FUTURE-PROOF Your Talent**



Enhance efforts to recruit and retain the next generation of nonprofit employees.



## Focus on Channels That Maximize Efficiency & Impact

Once an organization has achieved a certain level of stability—or is faced with new demand for programming—the question becomes one of efficacy and need. *How can my organization maximize our impact and grow further in pursuit of our mission?*

Nonprofits are concerned about their ability to meet the demands of their constituents: Nearly half of the respondents in BDO's latest [Nonprofit Standards](#) benchmarking survey named it a moderate to high challenge for the coming year. The most common approach to meeting this demand is introducing new programming, planned by over half of nonprofits. Of those who plan to increase their programming, over 60% plan to do so without eliminating any existing programs.

These are bold bets, with high stakes. Adding new programming is more akin to branching into a new industry than simply adding a stockkeeping unit to your product line. It often means new geographies, expanded headcount or additional skills, in addition to the fundraising to support it.

When assessing whether program expansion is the right growth strategy, nonprofits must consider mission impact in addition to financial viability. Will the demand and financial backing you forecast now still be there a year from now? Are you the right organization to meet the demand on your own, or would a partnership be beneficial to meeting your goals? Does this new program support or detract from your primary mission?

## Pursuing Strategic Partnerships and Acquisitions

Nonprofit organizations have historically tried to expand programs on their own, which can result in an expansion of operations into areas that are not core strengths and can place pressure on already thin reserves. At the same time, investment in critical infrastructure is often set aside in favor of programmatic spending—which, when combined with low reserves over time, can result in organizations falling into the “[starvation cycle](#)”—a phenomenon in which organizations dig themselves into the red by prioritizing high programmatic spending over fundamental operational investments.

To grow in a way that ensures long-term success, nonprofits should consider collaboration with nonprofit peers or like-minded for-profit organizations for partnerships, mergers or joint ventures. These partnerships can take many forms, from resource and staff-sharing, to joint programs or

corporate sponsorship. While nonprofits may be reticent to merge with another organization, or use their limited resources to acquire a competitor, partnerships with either other nonprofits or for-profit organizations can allow nonprofits to scale their programs and operations with less capital investment and spread the risk. A partnership can also allow an organization to get up to scale more quickly than building a new program on its own.

Consider the power of resources when a nonprofit's mission aligns with a corporation's values. For example, Kroger's core purpose is to “feed the human spirit,” and they have partnered with Feeding America, a nonprofit network of more than 200 food banks, to help solve the hunger crisis. One important strategy of Feeding America is reducing food waste, which directly aligns with Kroger's vision of eliminating waste across their stores by 2025. Combining resources and brand power means more access to food supply, more stock for food banks across the country and greater awareness of the mission's needs and opportunities to help.

However, these strategies for growth remain largely untapped opportunities for nonprofits. According to BDO's survey, 69% of nonprofits say it's unlikely they'll merge with another nonprofit, and 96% say they're unlikely to merge with a for-profit. When it comes to strategic partnerships, however, 40% say they're somewhat or very likely to partner with another nonprofit, while roughly one fourth say the same about partnering with a for-profit.

For organizations considering a merger, acquisition, joint venture or similar partnership, we recommend considering the following steps and best practices:

- **Find your friends:** Merging or partnering organizations must have compatible missions and a shared culture of excellence.
- **Start with the board:** Boards of both organizations need to be heavily involved in guiding the process from ideation to execution to integration.
- **Go toe—not headfirst—into pursuing a merger or acquisition:** Explore strategic partnerships first, which can be a great option as they allow for resource sharing without going through the massive change of a merger, and gives you a chance to test drive cultural integration, as well.
- **Explore outside your lanes, too:** Nonprofits are increasingly looking to for-profit or public partners when it comes to pairing up. This can be especially helpful when addressing digital transformation in the industry.



## Fundraise Smarter

The hard truth for nonprofits is that there will never be a time where the supply of resources for your programs and operations fully meets the demands and requests for them. As a result, when planning for growth, optimizing fundraising is a critical part of the strategy.

After nonprofits have considered the right program, partnership or path for growth, they should explore whether their current fundraising approach fits their needs for tomorrow. The right fundraising strategy varies by organization, but should build in the right tools, technologies, channels and audience needs to help grow the mission and report on impact.

## Investing for Growth

With so many worthy nonprofits, the demand for donor dollars is growing increasingly competitive. In addition, changes to tax law in 2017 have created some uncertainty around the impact on charitable giving. With these headwinds in mind, nonprofits must continue to reduce friction and engagement in their fundraising processes, including through technology investments to enhance growth.

When asked what technological investments they're prioritizing, 66% of nonprofits said they favor management platforms or software that assists with tasks like fundraising or social media. These investments are table stakes for nonprofit viability. When it comes to planning for growth, nonprofits should also carefully consider whether emerging technology investments could help them further their mission or scale.

From predictive data analytics, to automation and artificial intelligence, emerging technology can provide a host of potential benefits to nonprofits. These tools can help nonprofits improve their reach and find new sources of revenue and pools of donors, volunteers and advocates. They can enhance the "client experience" with constituents as well as reduce manual labor, help analyze existing fundraising programs to uncover weaknesses or opportunities for enhancement and boost fundraising by optimizing tactics based on positive outcomes.

Just as major retailers are focused on the consumer experience of their brand, growth-minded nonprofits need to consider their donor experience. This might mean enabling a one-click donation option for convenience, prompting recurring donations or leveraging data analytics to personalize requests based on individual donor needs or preferences.

While the tools will vary based on your mission, having the right mix of technology-enabled fundraising tactics is critical to reaching millennial and Gen Z donors and fundraising for your future growth.

## Instant Impact

Any conversation about fundraising must include consideration of impact. The expectations of both involvement and impact are fundamentally changing with the emergence of millennials and Gen Z. About one third of Gen Z, who have earned the nickname "Philanthro teens," already donate their own money, according to [Classy](#).

How nonprofits engage these constituents and donors through the fundraising and reporting process is transforming. Changes in technology and the ways in which individuals absorb information require additional creativity on the part of nonprofits across their social media, outreach and communications strategies. At the same time, new technologies and methods of communication can allow nonprofits to reach a wide donor base with just a few clicks of a mouse.

That level of access can be a double-edged sword, however. Millennials and Gen Z came of age in an instant gratification environment. Products delivered same day, answers provided as fast as you can type and on-demand entertainment are the norm. For nonprofits, this is translating to increased needs from donors for transparency and impact reporting. In fact, 84% of nonprofits say their funding sources requested more information on outcomes and impacts than in previous years.

When adjusting fundraising strategies and exploring innovative investments, remember that impact must be a part of that process. Organizations will need to respond not only to the preferences of the next generation, but also speak their language and meet their expectations in order to sustain fundraising involvement.

## Future-Proof Your Talent

Nonprofits know that the generational makeup of the workforce, just like their donors, is changing fast.

Millennials will make up 75% of the workforce by 2030, according to the Bureau of Labor Statistics. The good news is that studies have shown that both millennials and Gen Z are also more drawn to meaningful work. Nonprofits must tap into the energy and the passion of the next generation to ensure they have the support needed to achieve mission-driven growth.



For an industry that considers its greatest resource to be the passion and dedication of its people, effectively managing human resources needs to be top of mind for nonprofit organizations.

Nonprofits need to combat the perception that it is difficult to have a fulfilling career, both financially and personally, in the sector in order to maintain a steady pipeline of talent. Traditionally this has been an area where many have struggled—nearly a third of organizations say that staff retention and recruitment will be a high-level challenge this year.

As nonprofits seek to maintain employee satisfaction and recruit new talent, there are many issues to navigate. Compensation remains a high-level employee satisfaction issue for nearly a third of organizations (32%), and a moderate-level concern by nearly half of those surveyed (46%). Employee training and development is also a top issue, with 68% of organizations considering it a moderate to high challenge.

## The Value of Values

While there are certainly challenges, as nonprofits seek the right talent to plan for growth, they should play to their many advantages. The generational shift of the workforce has also brought a fundamental values shift. Workplace culture is more important than ever, and 60% of Gen Z say they want their work to make a difference, according to Classy. Even as major organizations on The Business Roundtable commit to improving stakeholder value, not just shareholder value, the younger generation's trust of big business is low. We believe connection to the mission is one thing nonprofits can offer employees that most for profit companies can't.

But nonprofits must not take that connection for granted. In addition to impact reporting for external stakeholders, it's critical to focus on impact reporting internally, as well. Each employee, from the "boots on the ground" program officers to the social media managers and accountants in the back office, need to see daily how their work is making a difference. This might mean investing in internal communications, celebrating mission successes and aligning career pathing with mission milestones.

In addition to offering meaningful work, nonprofits can also attract talent through workplace enhancements like flexible work options, including flexible schedules, remote work or telecommuting options. Both Gen Z and millennials value the flexibility they've seen in the gig economy—with on demand, self-selecting scheduling—but coupled with the stability of a role that also provides a team setting and benefits.

As the demands on nonprofits continue to grow and evolve, scaling your approach to supply services will be critical to long-term sustainability and mission fulfillment.

Scale often means making hard choices: pursuing the most viable path for expansion, not necessarily the most obvious or exciting one; seeking an outside partner to combine resources, rather than going it alone; increasing overhead costs in the short-term to invest in the technology that will better help you capture donors; and evolving your talent strategy and culture to meet the needs of tomorrow's workforce.

But the alternative to scale is the stagnation of mission and starvation of resources.

Applying a business mindset to these strategic choices will set your nonprofit up for mission-driven growth and long-term sustainability.