

Thrive Guide

Six Essential Steps to Fiscal Fitness in 2011

Vital insight into current trends
and the steps nonprofit leaders
must take today to ensure
future success.

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Six Essential Steps to Fiscal Fitness in 2011

Beyond the Bottom Line has identified ways to go from treading water to taking control, garnering success and strength for years to come.

Trends suggest that 2011 could be a make or break year for nonprofits across the board. While most will continue to do more with less, our recent survey of nonprofit leaders shows that larger organizations expect overall growth as well as staff expansion while many executive directors of small to mid-sized nonprofits predicted baseline staff maintenance and no growth at all.

With these insights in mind, here are the six most vital steps nonprofits of all sizes should take to remain strong and productive in 2011.

Step 1—Stand Up and Stand Out

With more and more nonprofits vying for a slice of the ever-shrinking financial pie, organizations must work harder than ever to distinguish themselves from others in their sector. Make sure your mission and program metrics are communicated clearly to potential donors through a variety of communication tools – from donor packages and newsletters to social media (such as Twitter and Facebook) and your website.

Step 2—Cut Through the Red Tape

While government funding has been cut or depleted, there are grants and other sources of revenue that still exist. Take the time to explore the grants that are available as well as the application process – you'll find the time well spent.

Step 3—Reward Your Talent

Nearly 40 percent of nonprofits surveyed reduced staff and salaries in 2010, which means remaining internal teams are working harder than ever. Nonprofit leaders need to recognize the efforts of their employees and spend more time with their stars—64 percent of those surveyed list retaining and motivating staff as a top priority. As the strongest nonprofits and corporations start rehiring, those that have been overworked or ignored may be tempted to leave.

Step 4—Assess Your Team

Fifty percent of the nonprofits surveyed had less than 20 employees. With teams this size, there is no margin for error - every employee must possess the skills and expertise to execute their role. Take the time to evaluate your staff now and your organization will benefit in the long run.

Step 5—Think Like an Entrepreneur

Much of the growth in the nonprofit sector in 2011 will stem from a more entrepreneurial business approach. Consider starting another 501(c)(3) under a parent organization or a for-profit subsidiary or partner with one of the new generation of mission-oriented for profits, B Corps and L3Cs (low-profit limited liability companies) in order to pursue more innovative revenue generation strategies.

Step 6—Adapt and Evolve

Cash-strapped nonprofits may have to change in significant ways to survive. These organizations should consider pursuing lines of credit to reduce reliance on donor and foundation funding or even merging with larger entities to keep their mission alive.

Nonprofit Executive Outlook for 2011

Highlights from 2011 Nonprofit Executive Outlook Study conducted by Beyond the Bottom Line. Profile of participants: 75% executive directors, presidents and board of directors, 12% financial and operational leaders, 10% VP or directors, 2% nonprofit advisors.

After a year spent working to reduce costs and increase efficiencies, growth is on the horizon for top-tier nonprofits in 2011. New revenue generation has taken a front seat for those poised to expand, while most recognize a need to keep top talent enthusiastic and engaged. Where do your priorities fall compare to nonprofits nationwide?

Top Financial Priorities for 2011

- Diversify Funding & New Revenue Generation (75%)—up from 58% in 2010
- Expand Fundraising & Development (70%)—down from 80% in 2010
- Improve Program Results & Metrics (60%)—up from 46% in 2010
- Improve Cash Flow (46%)
- Implement Operational Efficiencies (42%)—down from 63% in 2010
- Reduce Operational Costs (38%)
- Improve Financial Reporting (29%)
- Accessing Financing (16%)

Top Development Priorities for 2011

- Diversify Funding Sources (69%)
- New Revenue Generation Strategies (64%)
- Pursue New Development Initiatives (57%)
- Increase Online & Social Media Giving (44%)
- Pursue Earned Income Ventures (31%)
- Expand Development Team (25%)
- Increase Program Results Transparency (19%)

Top Employment Priorities for 2011

- Retain & Motivate Top Talent (64%)
- Improve Organizational Culture (45%)
- Improve Accountability & Performance Metrics Use (43%)
- Access Talent Needs (38%)
- Recruiting Top Talent (24%)
- Tap Outsourced Talent (16%)

Growth Outlook in 2011

- Planning to Grow (68%)—up from 58% in 2010
- Slow Growth (34%)
- Moderate Growth (28%)
- Rapid Growth (6%)
- Planning to Maintain (19%)
- Planning to Contract (13%)

Hiring Outlook in 2011

- Planning to Grow (41%)
- Hire 1-2 Staff (26%)—up from 21% in 2010
- Hire 3+ Staff (15%)
- Planning to Maintain (48%)
- Planning to Contract (11%)

Priorities for the Coming Year

- “Diversify funding sources... find new alternatives”
- “Distinguish ourselves from competition”
- “Clearly articulate program results to donors”
- “Collaborative partnerships... strategic ventures & mergers”
- “Consider corporate structure change to L3C”
- “Instill a culture of accountability... align donor priorities with our initiatives”
- “Reward our high performers”
- “Increase earned income”
- “Maintain adequate reserves with reserved funds constraints... access capital”

The Bottom Line: 2011 will see significant changes within the nonprofit ecosystem. While larger and more entrenched nonprofits kick-start their growth engine, smaller organizations have to stay streamlined and strategic in order to thrive, always searching for ways to stand out among their peers, remaining fiscally vigilant and open to entrepreneurial revenue opportunities.

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Beyond the Bottom Line is an interim CFO and executive search firm focused on nonprofits and social enterprises. We fill a common need providing objective, hands-on, senior-level financial help on an as-needed basis through financial assessments, interim CFOs, outsourced accounting teams and executive search. Since 1998, we've helped 175 organizations take control of their finances so they can achieve greater success and advance their missions.