

Vault



*How Nonprofits
and Organizations
Grow*

How Nonprofits and Organizations Grow

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Introduction

Nonprofit organizations have always faced obstacles to growth — but in today's environment, the challenges can appear greater than ever. The global pandemic essentially brought meetings and conferences to a standstill and, although we may be past the worst of the crisis, we're not out of the woods yet.

Against this backdrop, it's a great time to revisit one of the simplest, yet most elusive, keys to success: growth. Success in this area requires a high-wire balancing act of understanding members' needs, providing programming and services that members find relevant, and adapting to emerging opportunities and threats.

In this guide, we'll review some of the most common obstacles to organizational growth, and examine one of the most impactful sources of non-dues revenue. We'll also explore ways to manage growth and increase member engagement, and a variety of tools that can help spur growth.

»» CHAPTER 1

Nonprofit Growth Trends: 3 Reasons Organizations Stop Growing

Why do some nonprofits continue to grow, while others stagnate, or even contract? In many cases, the reasons underlying nonprofit growth trends have to do with fundamental strategies that span departments, programs and functions. In this chapter, we'll look at three of the most common reasons for stagnant growth.

Reason # 1: Not Keeping Up With Changing Member Needs

From our experience, the most common obstacle to a nonprofit association's growth is the failure to monitor and adapt to changing member needs. Many nonprofits have years, or even decades, of experience meeting member needs, and have developed a variety of programming, services, and products to meet them. That track record can also be a double-edged sword: inertia can cause an organization to continue offering programs and services even as they become less and less relevant to members.

This is why the most successful organizations monitor member needs and preferences on an ongoing basis. These insights allow them to make adjustments to current programs, discontinue ones that no longer meet member needs, and develop new offerings in response to emerging opportunities. There are a variety of effective methods of tracking changing member needs, including analysis of historical data, focus groups, member surveys and polls, specialized task forces and more.



To translate data on member needs into actionable insights, one commonly-used approach is to create **member personas**. These are a shorthand way of characterizing the behaviors and attitudes shared by major categories of individuals within your membership. A typical persona includes some demographic information (such as job title, typical years in the industry, etc.) as well as some psychographics (attitudes about your organization or other key topics, price sensitivity, career aspirations, etc.). The value of these personas is that you can use them to effectively target and market to different segments of your membership, and develop tools and resources relevant to particular segments.

Reason # 2: Out-of-Date or Ineffective Technology

Another major factor driving nonprofit growth trends is when an organization falls behind in how it uses technology to serve its members. This can result in slower and less efficient business processes that can ultimately lead to poorer member satisfaction. It can also have a negative effect on the overall brand of the organization, making it seem stodgy or behind the times, and thus harming its appeal to the younger individuals it needs to bring in as new members.

To cite one powerful example, the social media landscape continues to evolve rapidly, with platforms gaining and losing ground in their popularity, often according to the age of the user. Currently, LinkedIn continues to dominate the field in terms of more senior professionals in most industries, but it remains to be seen how the social media preferences of the younger segments of the workforce will continue to evolve. For now, the safest bet is to assume that you'll need a continued presence on LinkedIn and Facebook — but keep your eyes open for emerging trends, especially among your younger members.

Reason # 3: Outdated Membership Structure

In many industries, nonprofit associations occasionally need to revisit their membership structure. Drivers for this strategy can range from economic downturns (whether broad or more industry- or region-specific), consolidation in the industry, new competing organizations or platforms that are siphoning off members, or other factors. Each association faces its own combination of factors, and no single solution is appropriate in all cases.



Member personas are a shorthand way of characterizing the behaviors and attitudes shared by major categories of individuals within your membership.

To cite a well-known example, several years ago the American Society of Association Executives (ASAE) initiated a major change to its membership structure, introducing a hybrid model for associations and Association Management Companies (AMCs). Under its new model, associations and AMCs could pay a single flat annual fee determined by staff size, and individual employees could choose to opt to join ASAE. The change was carefully considered, planned and implemented, and today the new structure has become the new normal for the organization.

Of course, such a change is a complex, high-stakes decision and can't be taken lightly or achieved quickly. But if your membership numbers have been experiencing problems for some time — for example, even before the pandemic and its devastating effect on meetings and conferences — it may be worth reevaluating your membership structure.

Keep Your Eyes On the Prize

Following the pandemic-driven economic downturn that began in the spring of 2020, nonprofit growth trends have faced unprecedented challenges and pressures. It's likely that your association's board is already reviewing revenue and membership numbers and exploring options. But if not, it may be worth doing some initial exploration of various responses — including changes to your membership structure, as noted above, or strategic alliances with other organizations.

Sustained growth has never been easy, but the current environment makes it a greater challenge than ever. Fortunately, by keeping an up-to-date understanding of member needs and preferences, maintaining an effective technology profile, and periodically reviewing your membership structure, you can help your organization make it through the tough times and come out stronger on the other side.



In order to stay ahead of the curve, it may be worth exploring changes to your membership structure or strategic alliances with other organizations.

»» CHAPTER 2

Generating Revenue for Nonprofit Organizations: Converting Industry Data into Non-dues Revenue

For most nonprofits, finding and nurturing sources of non-dues revenue is a perennial challenge. One of the most promising practices we've seen among our association and nonprofit clients involves collecting and analyzing industry data, and then sharing the resulting insights (usually at a price) with members and other interested parties. Doing so is neither simple nor easy; but when planned and executed well, the effort can not only result in recurring non-dues revenue, but can also help to increase the organization's visibility and credibility in its industry.

Your nonprofit is hopefully already recognized as an authority in your members' industry. However, by sponsoring your own research initiative using actual data provided by your members, you could begin producing reports with a quality and scope that make it even more beneficial to members, and far more valuable than any other source.

Producing a well-researched industry report isn't easy — and that's exactly why it's rare and valuable to your members. As a result, it can deliver two very positive outcomes for your organization. First, your research report can help your members make better-informed business decisions and stay competitive. Second, it can generate valuable non-dues revenue for your association. In this chapter, we'll share some strategic and logistical tips for generating revenue for nonprofit organizations.



Five Association Research Program Best Practices

1. LET MEMBERS GUIDE THE WAY

One of the most effective methods for generating revenue for nonprofit organizations is to structure and operate your research in a way that lets members have a central role in guiding its development. In most industries, companies are constantly looking for fresh and reliable market data that will allow them to understand where they fit in their market, and insights about how their most successful competitors allocate their time and resources. For best results, be inclusive. Make sure to solicit the involvement of the major players in your industry. But at the same time, strive to create a task force that's broadly representative of the industry as a whole.



In most industries, companies are constantly looking for fresh and reliable market data that will allow them to understand where they fit in their market.

2. GIVE MEMBERS WHAT THEY WANT BY CUSTOMIZING YOUR RESEARCH

More than likely, your members are constantly trying to determine how they stack up against the competition. Your reports can help them by making it easy to benchmark their company's performance against other industry players. You can also segment your results, so they can quickly compare themselves against their closest peers. You could also create interactive online dashboards to let individual members further slice and dice their own data.

3. CONSIDER OUTSOURCING SOME OR ALL OF YOUR RESEARCH EFFORT

Some associations create benchmarking and industry surveys annually, using a combination of in-house staff and external partners. The more confidential and competitively-sensitive the data being collected, the more likely the association is to hire trusted third-party research firms to conduct the survey. Doing so can give your members greater confidence in the privacy of any data they share, and also help you avoid the potential for data leaks.

4. BE TRANSPARENT ABOUT WHAT YOU'RE DOING – BUT DISCREET ABOUT YOUR FINDINGS

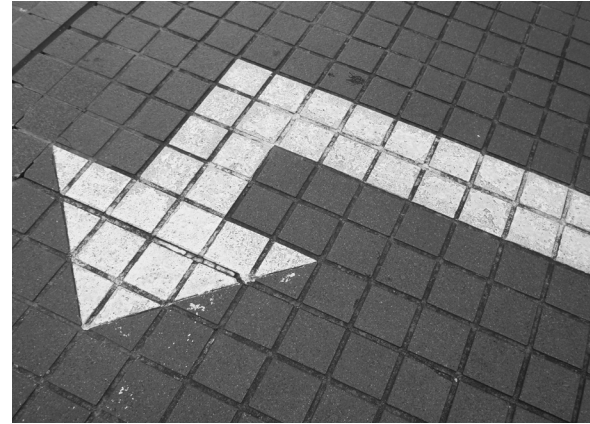
Especially if you're handling sensitive and confidential data from members, you may want to consider hiring a trusted third-party to do your research. Have your task force develop and periodically review Standard Operating Procedures (SOPs) about your research program to ensure the reports are accurate and to give your program

credibility. Make sure all research participants sign the SOP. Set up secure portals for data submissions, with encryption and password logins. Restrict access to confidential data to a limited number of carefully approved staff. Establish and follow a clear data retention policy.

5. FLIP THE SCRIPT ON FUNDING

Typically, most associations conducting research programs have viewed them as cost centers, even though such research could also provide significant value for both members and the organization itself, including:

- » Attracting and retaining members
- » Promoting best practices, and
- » Creating heightened visibility through media coverage



By choosing the right funding model, however, an organization can transform a research initiative into a new revenue stream. Here are some questions to consider that are key to generating revenue for nonprofit organizations:

»» WHAT'S YOUR COMPETITION?

Are there other existing products and data sources (including those from other associations, industry consultants, or government agencies) that can compete with your association's research program?

»» WHAT REVENUE MODEL MAKES THE MOST SENSE? OPTIONS INCLUDE:

- » Your association funds or subsidizes the research with little or no impact on member dues or fees
- » Participating members cover the total cost through fees or subscriptions; individual members may pay more for custom research
- » Strategic partners underwrite your research costs in exchange for recognition and visibility
- » Your association defrays program costs and generates revenue through annual subscriptions and customized research fees

»» CAN YOU PACKAGE YOUR REPORT FOR GREATER RELEVANCE AND APPEAL?

Explore options like generating customized reports and/or interactive, dynamic online reports.

»» WHAT'S YOUR DISTRIBUTION PLAN?

You could offer your findings in forums such as webinars, conference sessions and panel discussions to spur discussion and enhance engagement of participants and subscribers.

»» HOW WILL YOU PROMOTE YOUR RESEARCH PRODUCTS?

Consider sending custom messages to different membership segments promoting your research and featuring high-level findings in press releases and membership materials. You could also market your reports to other interested parties (such as supply chain partners, consultants, government agencies and educational institutions).

»» WHAT'S A FAIR PRICE?

Determine how your research compares to alternate sources, and what value members will place on it. Based on your unique value proposition, decide how to price your program.

Best of Luck On Your Research Journey

In many industries, businesses are desperate for reliable intelligence that will allow them to benchmark their business against their larger competitive environment. Generally, this type of insight is available at a steep price, and one that puts it out of reach for the great majority of businesses.

However, your organization is in a unique and powerful position to meet your members' needs for market intelligence. At the same time, doing so can help you achieve considerable gains for your organization itself, including a significant source of non-dues revenue for your organization. It can also help you achieve a greater level of visibility and credibility within your industry, which in turn can help add energy around your membership and retention efforts.



»» CHAPTER 3

Managing Growth in Nonprofits: What Organizations Need to Know

Another fundamental imperative for organizations is the need to grow — in spite of the many challenges discussed in Chapter 1. Often, keeping your organization on a solid growth path requires maintaining a clear-eyed, comprehensive view of your organization's strengths, weaknesses, opportunities and threats. These insights are crucial to not only overcoming growth obstacles, but also to anticipating where trends are heading, and taking proactive steps at a time when they can be most effective.

It's been observed that the most difficult concept for a fish to understand may be the concept of water itself. In other words, it's often difficult to see one's organization with enough perspective to truly understand the environment that surrounds and defines you.

While a lack of self-awareness can be limiting for an individual, for an organization it can be much more significant — and even stand in the way of growth. In this chapter, we'll look at four key areas in which gaining additional insight can make a measurable difference in managing growth in nonprofits.



It's often difficult to see one's organization with enough perspective to truly understand the environment that surrounds and defines you.

1. Know Your Revenue Situation and Tools

Some of the most commonly tracked metrics in managing growth in nonprofits include total dues and non-dues revenue, and renewal rates. Additional revenue metrics could include sales of any intellectual property your organization creates, such as industry survey results/analysis, the effectiveness of various marketing messages, and so on.

Fortunately, association management systems (AMS), and accounting systems more broadly, are designed specifically to offer these types of insights, in a variety of formats. So if you're not getting the insights you feel you need, consult with your accounting team to identify ways to improve the information you're receiving.

2. Know Your Members and Their Needs

Insight into members and their needs is perhaps the most essential type of knowledge a member organization can have. It's also one that can change over time, so it's a good strategy to update your findings regularly. For example, what mattered most to your members in 2019 may bear little resemblance to what they care about most now as their businesses continue to emerge from the recent economic downturn.

It's also important to understand not only what services your members want from your organization, but also how and when they prefer to engage with your organization. Insights into the types of involvement members prefer, and at what age or career points they engage with you, can help you finetune your membership and engagement lifecycle, so that you can remain relevant to members throughout their careers. In addition, there are often meaningful differences in needs between members of one generation and then next, regardless of where an individual may be in their own career.

Last but not least, managing growth in nonprofits relies on having an accurate understanding of how your organization is perceived by both members as well as non-members. If you haven't conducted a survey of such perceptions recently, you may be unaware of changes that could affect your ability to attract and retain members.



The most essential type of knowledge a member organization can have is insight into members and their needs. Needs can change over time, so update your findings regularly.

3. Your Competitive Landscape

Some association professionals may find it odd to think about their organization as having competition. But even if you're the only association serving professionals in your given field, those professionals still have other options. With the broad success of platforms such as LinkedIn and others, members may be able to create their own professional network. Still others may find that subscribing to key industry publications, user groups, or news feeds can serve to keep them in touch with important trends and issues.

For this reason, conducting competitive analyses, focus groups, and surveys can help you understand where your organization fits as an option for members — and how to convey your unique value proposition to both members and non-members.

4. Your Internal Processes and Efficiencies — and Where They Can Be Improved

At a more fundamental level, your organization's growth depends on continually improving core processes — beginning with any functions that constitute a "touch" experienced by your members. It pays to periodically review processes for any disconnects or bottlenecks, and address them before they become issues that affect members' experiences when interacting with you.

Not only does improving efficiencies in this way help you respond better and faster to members, but doing so also helps you reduce error, waste and rework. Therefore, at a minimum you need to review any areas where you're experiencing problems, and look for technology or other solutions that can help you generate better results.



The Stakes Are High — So Start Addressing Your Knowledge Gaps Today

By recognizing any areas where your organization's knowledge comes up short, and acting to gather the missing information, you can make better decisions on behalf of your members and create a better value proposition. At a time when your members may be reevaluating every expense, including their membership fees, following these recommendations can mean the difference between just hanging on, and staying on a steady path of growth.

»» CHAPTER 4

4 Ways to Increase Member Engagement

*The preceding chapter explored several areas of insight that allow organization leaders to remain focused on growth. There's an additional aspect of operations that is so critical to member retention that it deserves its own chapter. **Engagement** can take many forms and involve a variety of functions within an organization. In this chapter, we'll discuss some underlying strategies for guiding and supporting member engagement.*

Among your most important value propositions to members are the multiple ways that you help them engage with others in their industry. Effective engagement addresses multiple needs for the member – fostering their growth and professional development, building their professional networks, and gaining greater visibility for themselves in the industry. When you succeed at fostering engagement, you not only meet the member's immediate needs, but you also strengthen your organization's brand as a critical resource in the industry.

By adopting the following industry best practices, you can encourage and reward engagement, and make it a vital part of your organization's culture.



1. Create an Engagement Ecosystem

One way to increase member engagement is to treat it as an ecosystem — an interconnected array of opportunities, programs and services that offer value to members no matter where they are in their career. Just as in an ecosystem in nature, the various elements connect with and support each other.

For example, to serve members who have just started in their careers, your engagement ecosystem might include a peer mentorship program, in which more senior members volunteer to talk one-on-one with the younger members, answering questions and providing advice. As members grow more experienced, you can offer them additional opportunities, such as joining a task force, committee, or even a board. Later still, they might even be encouraged to mentor a younger member themselves, bringing their engagement journey full cycle.



2. Keep the Communication Flowing

Use communication to drive engagement, by creating relevant messaging everywhere that members could possibly go to get started. This means your website needs to clearly direct and provide paths for members to follow if they want to engage more with their community peers. It also means having supporting messages clearly articulated on your LinkedIn and Facebook pages and any other social media platforms where your members are active.

Another strategy to increase member engagement is to put the word out that you want to help members celebrate successes in their careers. Beyond straightforward recognition in a newsletter or discussion list, some associations have had success creating targeted awards or recognition programs. For example, one of our clients established an annual safety recognition program for companies that had met safety regulations for the previous year. Members complete a brief survey on a multipurpose portal where they can also access other membership resources. Each recognition program will look a little different, based on the particular industry and the needs of your members. It usually doesn't take a lot of resources or staff time to support such a program, but it can mean a great deal to members to be recognized among their peers.

3. Use Member Personas to Improve Engagement

Your organization is in a unique position to offer opportunities for members to share information and build business connections and peer networks. The key is understanding your audience's needs and personas, and making sure that you offer something for all the major personas that collectively define your membership.

To cite just one example, it's a smart idea to promote engagement connections and options that appeal to all the different age bands within your membership. Gen Xers, Millennials and Gen Zers have all embraced social media, but differ widely in their choices of platforms and the extent to which they use them. Your membership, communication, and marketing staff should be on the lookout for emerging trends in communication preferences, and ensure that you're highlighting engagement opportunities on each, with links back to relevant resources.

4. Offer Discussion Lists or Bulletin Boards

Another popular way to increase member engagement is to host and promote a discussion forum or bulletin board as a member benefit. Offering such a venue can take relatively little effort on the part of staff, yet by allowing members to both ask and answer questions, it can significantly increase the value of membership.

You can make the discussion forum more effective by establishing and enforcing clear rules. For example, many associations prohibit certain types of announcements, such as members trying to promote their own company's services or upcoming events. Ideally, the discussion among members will create its own buzz and energy. If you notice that activity has slowed down, it may help to throw out a provocative idea from time to time and ask members to share their opinions about it. Examples include new programming that members would like to see the association offer, questions they have about the association, and others. This type of insight can also help generate ideas for future programming or member resources.



A discussion forum or bulletin board can significantly increase the value of membership. It allows members to both ask and answer questions.

Time to Reenergize Your Engagement Efforts?

Often, engagement does not generate a lot of direct revenue. But that doesn't mean that it is without value.

Members who are engaged are more connected to their community, and more likely to see their membership as intricately linked with their place in the community. The greater a member's level of engagement, the more likely they are to renew, speak well of the organization to peers, and even encourage others to join.

By following these suggestions, you can increase the energy around member engagement — and even move it toward becoming a self-sustaining part of your association's culture.



»» CHAPTER 5

Automated Accounting Systems and Other Tools to Support Growth

No discussion of organizational growth is complete without a review of the underlying technology infrastructure necessary for growth. While some of these functions and processes may not currently rise to the level of strategic priorities, collectively they can position you for a reliable path forward. In this chapter, we'll look at three of the most reliable tools for growth we've seen in use by our clients.

If you're concerned about the growth of your organization, it's only natural to focus on topics like membership recruitment and retention, marketing efforts, and ramping up your presence on social media.

While each of those processes matters a great deal, it's important to not overlook some of the behind-the-scenes technology and capabilities that enable you to keep the lights on in the first place. In this chapter, we'll focus on three key technology considerations that can impact your ability to grow, and share some related best practices.



It's important to not overlook some of the behind-the-scenes technology and capabilities that enable you to keep the lights on.

Integrate Technology Across Your Organization

One of the most important priorities for most organizations is to make sure their various systems can talk with each other. Most associations have some combination of core systems, usually beginning with accounting, Association Management Systems (AMS), and Customer Relationship Management (CRM), and sometimes extending to automated accounting systems and other solutions. Often these systems have been acquired and developed incrementally over the course of years, and in some cases they interact effectively enough. But in other instances, there are disconnects and incompatibilities. When systems are unable to talk with each other effectively, it can mean rework, errors, and worst of all, poor-quality member service.

If you are having problems with systems that don't interact effectively, there may be technology solutions that can help. Rather than simply create more workarounds, sometimes the best approach is to speak with a technology integrator and explain your challenges.



Reducing the Need for Paper Documentation

A technology solution that can deliver real value for your members and partners is to automate aspects of your accounting system – in particular, your accounts payable function. Transitioning to automated accounting systems can help you move toward a paperless (or nearly paperless) process for documentation and online bill payment. That can free up staff time so that they can focus on solving more complex problems that members are having related to payments or reporting.

While your bank may be able to provide partial solutions, in many cases the supporting documentation doesn't automatically transfer to your internal accounting software. More effective solutions essentially come with their own bill management and payment lifecycle, creating audit trails at the same time they're generating payments. The solutions also provide staff in operating units greater visibility into their own budgets, while effectively safeguarding your organization's assets.

Cloud-Based and SaaS Solutions

Another area you may want to look into is moving to a cloud-based and or Software-as-a-Service (SaaS) system. This trend has been developing for some time, but it's becoming increasingly important – especially in terms of data security. In the past, some associations were able to operate with systems that lagged behind the most recent software release. Unfortunately, the increasing incidence of hacking and ransomware attacks makes it more important than ever to keep your system up-to-date. Cloud-based systems can address this need automatically.

A Few Additional Words of Advice

It's worth pointing out that not all technology enhancements have the same impact on efficiency and member service. Don't be taken in by the lure of the new and shiny. For example, you might get advice to install the newest, flashiest Learning Management System or enhancements to your website. However, these enhancements may not measurably improve your ability to meet member needs – and they also come at a cost. Investing in new technology is only smart to the extent it helps you accomplish your mission.

When it comes to technology, it pays to question everything and be open to change. With the variety of automated accounting systems and specialized tools on the market today, you almost certainly have options today that you haven't considered before.

»» CONCLUSION

Time to Get Growing?

As long as associations and other nonprofit organizations have existed, a complex array of challenges has often limited not only their ability to grow, but even to sustain themselves from year to year. The current economic environment has been especially hard on associations – but even if and when business “returns to normal,” other challenges will almost certainly emerge. Associations that embrace this reality are one step closer to developing and implementing alternate solutions for sustained growth.

As we've attempted to show in this guide, there are a variety of best practices and models that can point the way to better outcomes. The stakes couldn't be higher – but by adhering to these best practices and incorporating them into your management strategy, you can optimize your organization's likelihood of success.

The Vault logo is displayed in a bold, orange, italicized serif font. It is positioned on the left side of a light gray rectangular area that contains the company's description. To the left of this area is a vertical strip showing green leaves and a blue sky.

At Vault, the nation's leading accounting and research firm for nonprofits and associations, we help organizations thrive and grow. We establish the sound financial foundation you need to address today's most urgent challenges. We also conduct the original research it takes to understand the changing needs of your members, engage them more deeply, and uncover potentially lucrative new opportunities. Vault offers more than financial expertise; we deliver a powerful new perspective and a clearer path forward. Vault serves clients nationwide with offices in DC and Charlotte. To learn more about Vault, please visit our website at vaultconsulting.com.