



FIXES TO COMMON MISTAKES IN NONPROFIT MANAGEMENT



University of San Diego®

INTRO

Nonprofit organizations are responsible for some of the most valuable, community-enriching work that occurs in our country. And with missions devoted to anything from arts accessibility to wildlife rescue to helping vulnerable populations, there is no one way to manage a nonprofit group.

However, there are some mistakes that frequently occur in nonprofit management. This resource is designed to shine a spotlight on them and offer insights that will help you avoid them.

We'll also explore how capable leadership, best practices and expert training are the keys to helping nonprofits flourish and effectively work toward achieving their important goals. Here are some of those common missteps, and advice on how to avoid them when working in nonprofit management.

Missing the mark with fundraising

Nonprofits, by nature, are largely reliant on fundraising and philanthropy to fund their good works. This requires securing revenue from a variety of different sources – individuals, corporations, foundations and government agencies, and through a variety of different means. What frequently occurs, unfortunately, is that nonprofit managers don't fully understand the funding landscape, what it costs to fundraise and how to deploy different, successful strategies for various donors.

"For most organizations, if they are spending as much of their fundraising revenue as possible on providing programs and services, that is a good thing," says Joe Garecht of The Fundraising Authority, an online resource for nonprofits. "But when you dig down deeper, the true root cause is that many nonprofits don't place enough value in their fundraising efforts, and don't see their development operations as an investment, instead loathing the fundraising expenses they are 'forced' to incur."



Thankfully, the solution to these fundraising woes aren't all that complicated. It starts with a **purposeful fundraising strategy** driven by data — data that demonstrates what the nonprofit does, how funds help further that mission and the way that previous funds helped accomplish a project or goal. Donors want to and will be more apt to give to an organization that clearly demonstrates what impact their donation will have.



From there, nonprofit managers can then create segmented fundraising strategies based on different stakeholders and the cost benefit analysis of different fundraising events. Just like with a for-profit organization, decision making is much easier when managers have the data and insights to guide them in their work.



Underinvesting in human capital

Many nonprofits lack a comprehensive understanding of the talent management component of attracting, retaining and sustaining good employees within their organizations. Common issues managers run into when it comes to nonprofit employees include:

- **Poor hiring practices:** As the saying goes, good help is hard to find, but that doesn't mean nonprofits should settle for the first person that walks through the door. Never hire someone just to fill a position; this is likely a recipe for disaster.
- **Lack of employee engagement:** Managers are juggling many different responsibilities, and it's easy to let employee engagement fall by the wayside. Nonprofit managers should work to promote a positive, healthy workplace where employees are engaged and developed.
- **Lack of clarity around employment law:** This is a relatively new issue, but many nonprofit managers run into issues around understanding the differences between independent contractors and regular employees. There are new laws around independent contractors, so depending on the state a nonprofit operates in, managers should make it a priority to learn employment law.
- **Not valuing good employees:** Nonprofits are run by people, not computers, so managers must invest in their people. Unfortunately management oftentimes thinks they can underpay or fall into the trap of underpaying and stretching people way too thin, which results in burnout and the loss of good talent.



This all can be fixed, and it starts with rethinking how nonprofits find, retain and invest in their people. First and foremost, when hiring employees, look for team members who demonstrate a clear connection to the mission. In addition to technical skills, ideal nonprofit employees should possess emotional intelligence as well as the necessary soft skills required to work in a nonprofit environment: creative, analytical, strategic, empathetic, flexible and a team player.

3

Not understanding basic nonprofit finance

Nonprofit managers and their boards have multiple responsibilities and one of the most important is to ensure that the organization remains financially secure. While they don't necessarily need to have a financial management degree, successful nonprofit managers should have knowledge of basic accounting and must be able to accurately analyze and interpret required financial documents. Nonprofit managers should also understand multi-year budgeting and be able to report on the organization's financial position in a way that can be understood by key stakeholders.



One easy way to expand your financial knowledge is to take an introductory **nonprofit financial management** course. These courses are typically short-term, online programs that will give managers the basic knowledge they need to do things like apply basic accounting methods, prepare and manage budgets, and analyze performance against a budget.

4

Failing to manage the legal side



Nonprofits are incorporated entities and it can be difficult to fully understand the laws and guidelines related to operating nonprofit organizations. These laws will vary from state to state, but on the whole, managers can sometimes run into issues around employment law, nonprofit governance, finance, and self-dealing.

To remedy this issue, nonprofit managers must be sure they are well-versed and up-to-date on all state and federal laws applicable to nonprofits. They should also ensure that the bylaws of the nonprofit are structured appropriately, up-to-date and understood by all board members.

With this knowledge in hand, managers will be better equipped to ensure ethical and accountable practices within their organizations and they will be better positioned to avoid legal problems such as lawsuits.

5

Missing out on marketing

Effective marketing is critical for nonprofit success, but many managers of these organizations either lack an effective marketing strategy or don't prioritize it in their work. This can hold back nonprofits for a handful of reasons — first, they rely on awareness for fundraising and maintaining long-term relationships with donors, and second, they need to spread the message about their mission to recruit volunteers and beneficiaries of the cause.

Nonprofit managers can do a few things to improve upon their marketing plan.

- Understand the organization's "product" and impact and be able to articulate that impact.
- Be able to measure organization outcomes and collect data to demonstrate the effectiveness of the organization so that they have a good story to tell.
- Make connections with the media to help spread the organization's message and story.
- Market a social good – nonprofits market to change behavior or to raise money and should clearly communicate that message.

6

Settling for an ineffective board

According to the **National Council of Nonprofits**, nonprofit boards are responsible for steering the organization toward a sustainable future by adopting sound, ethical legal governance and financial management policies, as well as by making sure the nonprofit has adequate resources to advance its mission. However, the primary reason that nonprofits struggle with poor board governance is that board members have never been trained and often misunderstand their important governance role.

Nonprofit managers have a unique opportunity to act as a bridge between the day-to-day functions of the organization and the board. Using that position, **managers can help encourage a proactive board** that helps steer the organization toward success.

Managers should first and foremost leverage the power of the board and the power of the relationships on the board for fundraising, networking and marketing initiatives. Second, most boards are self-perpetuating, so managers should encourage purposeful recruiting and nominating processes to attract diverse candidates for board positions. Good board recruiting practices ensure new board members bring a wide variety of perspectives and experiences to the table to help the organization accomplish its goals. By determining the talents the nonprofit needs assistance with, the board and manager can work together to fill talent gaps that may have persisted due to a stagnant board.



Working in the nonprofit sector is hard but rewarding work. Whether you're an experienced nonprofit employee or a public or corporate professional transitioning to the nonprofit sector, these aforementioned mistakes, while common, are easily avoided.

One way we recommend sharpening your nonprofit management skills is by earning a Nonprofit Management Certificate from the University of San Diego's Division of Professional and Continuing Education. This program is designed to help you build the professional and practical skills and knowledge needed to support the sustainability and growth of nonprofit organizations while introducing you to all of the essential areas of nonprofit management. For more information about this program, please [contact us](#).

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