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## Money, People, and Reputation: Risk Management for Nonprofits

When it comes to risk management, identifying risk is only part of the battle. Once risks are recognized, you need a plan to address them with changes in policy or procedures. While adequate insurance is essential to managing risk, your organization must also assess activities which, if poorly managed, might get in the way of its mission.

### Money & Financial Management

Fundraising—as well as fund management—is a big focus for nonprofit risk managers. The laws governing solicitation are complex and require high levels of record keeping. In-kind donations, especially real property, are another area of potential risk because not all nonprofit organizations can properly conduct the due diligence necessary to assess value and environmental liability.



Fundraising events can have a high reward if everything goes according to plan. To mitigate risk, there should be an event director supported by a dedicated committee to review safety, logistics, communication, and coordination and evaluate the need for special event insurance.

In terms of financial management, internal controls, including separation of duties, should also be in place to adequately control the risk of fraud and waste. Budgets prepared by staff or partners with strong financial backgrounds will provide an accurate picture of the organization’s financial risk, and an internal controls study can illuminate areas of concern regarding fraud.

### Volunteers & Employees

For many, volunteers not only provide the means of delivering the main service or mission but also provide guidance and management through board membership. In either case, the mere dedication of these people cannot be the only determinant of success. All volunteers should meet certain criteria clearly communicated through policy. Volunteer education is also important. Volunteers should be onboarded with some form of mandatory training.

People attracted to employment opportunities at nonprofit organizations might be motivated by the notion of carrying out a greater good. This idea may unfairly translate into an expectation that a nonprofit would be a more nurturing, supportive, and easygoing place to work.

However, effective nonprofit organizations are just as strict with their human resource policies as they are with their financial policies. The board must regularly review and update employment policies, job descriptions, performance evaluations, employee handbooks, and whistle-blower protection policies.

### Reputation Preservation

A strong reputation improves demands for services, volunteer and donor support, and options for partnering. To reduce reputational risk, leaders must create and maintain open and trusted communications with all constituents and staff. If a reputation-damaging event does occur, a well-prepared crisis management plan and public relations partner can help mitigate risk after the fact. Of course, a proactive approach is always better.

Cybersecurity has reached new risk levels with remote work during the pandemic: Every organization should require annual cybersecurity training for employees and volunteers who have access to the network.



## Building a Talent Pipeline

Every organization survives and thrives on the talent of its employees. That's why it's strategically important to have a steady pipeline of talented people ready to assume the next important role in your organization. This is true from the very bottom to the tip-top of the organizational chart. You want the best people for every job, knowing that some positions will be easier than others to fill.

### Look Everywhere

For years, conventional wisdom dictated that nonprofit organizations would benefit greatly by recruiting from the for-profit market. But this approach has had mixed results.

On the plus side, nonprofits have the attraction of social responsibility and doing good in the world. Positions in nonprofits also tend to have greater responsibilities than their for-profit counterparts. However, that additional responsibility usually comes with lower compensation, which often factors into the failure rate of those making the transition.



### Know What You Need

Where do you need to build your bench? Being strategic in your hiring and talent development means aligning the organization's strategic plan with talent needs and looking a few years out to understand the skills necessary to be successful.

This requires precise and focused job descriptions, an understanding of which positions have the greatest impact, and expected outcomes for every role in your organization.

### Build Your Channels

With a strategic talent plan, it's easier to develop sources for your pipeline. Your local chamber of commerce and other professional organizations are great places to

network and build visibility within your community. These groups often host a wide variety of events and, by their mission, are designed to make connections.

Universities and student organizations are other good channels. Schools can be a great source for volunteers, but many also now have philanthropic studies programs. Most of these programs focus on social responsibility and entrepreneurship, and some offer degrees in social work and nonprofit administration.

### Always Be Connecting

Your board, advisory committee, and staff all have connections. Create a formal discussion around the importance of connecting to individuals' networks. Be direct and provide specific updates on talent needs. Make the talent pipeline a shared responsibility so that the entire organization is aware of the types of skills needed.

### Who's Inside?

Hiring from within can have great benefits. Internal candidates are often delighted with a promotion or new opportunity and typically have a reduced learning curve.

In addition to current employees, canvas your former employees and your volunteer corps for candidates. These people know and appreciate your mission and, armed with an accurate description of the position, are likely to result in promising candidates.

Building your talent pipeline is a constant effort that should become part of your organization's DNA. With a strategic talent plan, you will be able to better source and select people who will have the most positive impact on your organization.



## How to Strengthen Your Donor Relations

It's not easy to get donors to come back. Indeed, just getting a donor to give once is a big first step. Continually strengthening donor relations is important to your ongoing success.

Consider the state of donor retention: According to the Fundraising Effectiveness Project, which is a quarterly report compiled by the Association of Fundraising Professionals and the Urban Institute, donor retention hovers around 45 percent.

This means that more than 50 percent of donors don't continue with a given cause. And it's no surprise that early reporting for 2020 indicates a further increase in attrition.

How can your organization buck this trend? Here are three steps to consider:

### Deliver Impact

Donors want their gifts to make an impact, and recent studies indicate that donors want to know the details of that impact from their very first gift.

According to a donor survey conducted by Gartner's donor management software, Software Advice, impact case studies are the most effective topic for engagement.

Aligning beneficiaries' successes with donors' interest is a strong connection.

### Deliver Recognition

The donor survey results also indicate that donors want to be recognized, regardless of the size of their gift. Thanking a donor is critical to nurturing the relationship. While it's not always possible to create a personalized reply, doing so has great impact.

Most donors prefer a personalized letter or note mailed to them. A personalized email is their second preference. It's interesting to note that a phone call is the least welcome way to receive thanks.

Recognizing donors publicly is the bookend to the immediate and personal thank you. Your website, annual report, newsletter, and social media profiles are all good outlets for this message.

In addition, providing a thank-you gift is a trend that continues to have some popularity. Of course, unique or larger donations require additional recognition.

### Deliver Engagement

Asking for additional support must be strategically timed. The Gartner survey indicated that organizations should wait at least seven months before asking for another donation, although your donor community might have a slightly different cadence.

Waiting to ask again doesn't mean you can't engage donors in other opportunities to support you. Birthdays, anniversaries, and other important dates can be a great way for donors to celebrate your mission.

Other fundraising events sponsored by your organization allow your donor community to continue to participate in fundraising without being solicited directly.

At the core, good old-fashioned communication drives all donor relationships. Think about your relationship with your giving community as a continuum that starts with the very first contact made, continues to the initial gift or event participation, and results in longer-term, repeat support.





## Five Ways to Improve Your Donation Page

Competition for donations is only getting tougher. With many in-person events canceled, a well-designed donation web page is essential.

Fundraising research firm Next After has many suggestions to make your donation page effective, engaging, and easy to use. Here are a few:

1. Keep the top of the page simple, with no way to skip to the donation form below.

A “donate now” button that takes visitors directly to the form actually reduces conversion and gift size.

2. Avoid video. While video is a popular form of media on most other web pages, it seems to distract from donations.

Having a central image is fine, but tests show that imagery doesn’t contribute to conversion.

3. In your headline, clearly express the impact of donor’s gifts, and continue that theme on the page.

Use bullet points for easy reading and a single call to action to start the donation process.

4. Let the donor enter the amount of the contribution, but don’t default to making the gift a recurring one. Tests show a negative impact if the recurring option is auto-selected.

Also, consider providing preset amounts. Use no more than five options and use larger boxes for better impact. Your gift array will be most effective if you have good distribution data on your gift sizes and can reflect an accurate dollar range.

5. Design your form so that sections are clear. Minimize scrolling. Indicate that the form is secure either with a lock icon or words in your section title.

If you are driving potential donors to your donation page with email campaigns, pre-fill the email field, but don’t make the phone number field required.

Remember, donors may be contributing online because they don’t want to talk on the phone!

