

MATTHEW A. JENDIAN: Nonprofits bursting into growth industry

By Matthew A. Jendian

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Recently, The Bee contained powerful stories about the impact and value of nonprofit organizations serving Fresno and Central California.

From nonprofits working on affordable housing and urban renewal to preserving parkland and increasing public access to the San Joaquin River to teaching others about cultural diversity to caring for children's health to providing food for families, nonprofit organizations play vital roles in our community.

The nonprofit, or "independent," sector should be recognized for its significant contributions, not only in addressing our social needs, but also as an economic engine in the Valley and beyond. Fresno County has more than 2,029 registered nonprofit businesses which employ approximately 8% of our paid workforce and bring millions of dollars into the Valley to meet community needs.

Every sector -- government, private and nonprofit -- has its scandals, but these should not subtract from the good achieved by others in each sector. The public should be aware of the countless ways nonprofits positively impact our lives. Nonprofit organizations are often the driving force of social service and social change.

No longer to be taken lightly as the "third" sector, the nonprofit sector is a force to be reckoned with, and our local and national media should elevate coverage of nonprofits. From 1994-2004, the nonprofit sector experienced explosive and continuing growth, increasing 27%, from 1.1 million to 1.4 million organizations.

While the U.S. gross domestic product increased by less than 37% (inflation-adjusted) from 1994-2004, all three major financial measures for nonprofits -- revenues, assets and giving -- increased by at least 56%, according to the Nonprofit Almanac. In Fresno County, 700 nonprofits filing with the IRS in 2004 totaled more than \$2 billion in revenues and \$2.6 billion in assets, according to the National Center for Charitable Statistics.

Nationally, nonprofit organizations employed nearly 10 million paid workers in 2004, representing 7.2% of the country's paid workforce, outnumbering paid workers in utilities, wholesale trade and construction industries, and generating \$321.6 billion in wages -- more than the wages paid by each of those three industries and almost as much as the finance and insurance industry (\$355.8 billion). While overall U.S. employment declined 0.2% from 2002-2004, paid nonprofit employment grew 5.1%.

### **Leadership demand**

Recent surveys indicate a critical juncture for nonprofit leadership. Various studies have found between 40-75% of nonprofit CEOs plan to leave their jobs within 24-72 months and their boards have not discussed succession planning.

The Bridgespan Group's study of leadership requirements of nonprofits with revenues greater than \$250,000 (excluding hospitals and higher education institutions) found that over the next decade, these organizations, due to constrained supply and increasing demand, will need to attract and develop 640,000 new senior managers -- equivalent to 2.4 times the number currently employed.

American Humanics, Inc., with its national nonprofit and university partners, founded the Initiative for Nonprofit Sector Careers in 2004 to address pressing issues facing the nonprofit sector through collective action, national dialogues, research and education.

In response to increasingly difficult environments for nonprofit organizations -- decreased government support, increased competition, and demands by government and private funders to do more with less -- large and mid-sized organizations have become more complex and difficult to manage, while small organizations struggle to survive.

As a major leadership transition is underway, the nonprofit sector must be intentional about its future. The Annie E. Casey Foundation and Building Movement Project identified three themes related to leadership for consideration, if the needs of our communities and nation are to be adequately addressed by nonprofit organizations in the 21st century: organizational structure, the executive position, and leadership recognition.

Rather than emphasizing how to replace those planning to leave, the leadership "crisis" in nonprofits should focus us to create attractive organizational environments and doable jobs.

Toward this end, the American Humanities Nonprofit Administration Program at California State University, Fresno and Fresno Nonprofit Advancement Council are convening intergenerational groups of leaders, board members and funders on May 2 at University Business Center to candidly discuss organizational structures, benefits and obstacles in executive director/CEO positions, and ways to support leadership development in their organizations and beyond.

### **Ensure survival**

We must look beyond individual or even single-organization solutions to restructure our organizations. By addressing underlying structural problems nonprofit leaders face, we will ensure survival of this vital sector for its own benefit and that of the larger society.

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