2020 Risk Forecast: Risk Trends Facing Nonprofits

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The jovial celebration of each passing year also ushers in a sense of unease and uncertainty: what will we face next? In 2020, nonprofit teams face new risks brought on by global megatrends as well as a few familiar risks that continue to morph and present new challenges.

The NRMC team anticipates these risk trends as the forefront issues for nonprofit leaders to address and overcome. We invite you to critique our predictions and share your own risk forecast with NRMC's Executive Director, Melanie Lockwood Herman, at Melanie@nonprofitrisk.org.

1. Ignite the Reskilling Revolution

The World Economic Forum calls for a reskilling revolution to empower workers around the world to remain competitive as employers develop "the talent they need for the jobs of the future." Reskilling and upskilling enable employees to survive in the new work world where traditional roles continue to morph or decline, largely due to the influence of technology. Smart employers are eager to invest in reskilling existing employees as they begin to recognize the potential skills gaps their teams will face in the future. To support a reskilling revolution, thought leaders call for new leadership philosophies and environmental support that give greater agency to individual team members. As a global collective, individual contributors have already demonstrated their self-efficacy and desire to learn and apply new skills in their existing roles (upskilling) and in new roles (reskilling).



Not surprisingly, willingness to learn is influenced by factors such as an individual worker's type of employment as well as the person's underlying beliefs about how global economic shifts might affect their livelihood. According to "Why Companies Are Failing At Reskilling," by Lauren Weber (*The Wall Street Journal*, April 2019), each nation's economic strategies influence the realities of reskilling, with some workforces benefiting from longstanding taxpayer-funded training programs for workers across their lifespans, unlike the US government, which supports public education through age 18. The article also highlights major US employers now striving to anticipate the learning capacities of their existing workforces, recognizing that mass layoffs and new hires may no longer be the most affordable or fruitful approaches to filling looming skills gaps. To better conceptualize the future of the global workforce and anticipate the skills gaps your nonprofit might face, explore these additional resources:

- What the Next 20 Years Will Mean for Jobs and How to Prepare (World Economic Forum)
- These 4 Scenarios Show How We Might be Working in the Future (World Economic Forum)
- Boosting the Accessibility of Workplace Reskilling (McKinsey & Company)
- It's Time for a C-Level Role Dedicated to Reskilling Workers (*Harvard Business Review*)

2. Hone Hyper-Vigilance Against Cyber Threats

As data privacy breaches and acts of cyber terrorism continue to grow in complexity and prevalence, nonprofit cybersecurity controls and contingency plans must keep pace. Defining, quantifying, and adequately preparing for these nebulous exposures is arguably impossible. According to recent research by McKinsey and the World Economic Forum, "… most technology executives believe that they are losing ground to attackers. Organizations large and small lack the facts to make effective decisions, and traditional 'protect the perimeter' technology strategies are proving insufficient." The research also indicates that poorly managed corporate responses to data breaches often result in more harm than the actual breaches, yet leaders continue to delay investing in technology solutions and other preventive measures. Another growing cyber risk to advocacy organizations is Internet vigilantism: when a person or group launches a targeted attack online against an individual or organization with whom they disagree philosophically or politically. Startling cyber statistics include:

- Worldwide spending on cybersecurity is forecasted to reach $133.7 billion in 2022. (Gartner)
- 62% of businesses experienced phishing and social engineering attacks in 2018. (Cybint Solutions)

- 68% of business leaders feel their cybersecurity risks are increasing. (Accenture)
- Data breaches exposed 4.1 billion records in the first half of 2019. (RiskBased)

The news isn't *all* bad when it comes to technology. Nonprofits teams are beginning to adopt Artificial Intelligence software to streamline administrative processes, identify qualified job candidates, identify and prevent fraud and abuse, and more. Sector leaders must remain vigilant against cyber threats while reaping the rewards of innovative technologies. Learn more from these resources:

- Can Technology Transform the Nonprofit Sector? (Yale Insights)
- Risk and Responsibility in a Hyperconnected World (McKinsey & World Economic Forum)
- 2018 State of Nonprofit Cybersecurity (NTEN)

3. Double Down on Discerning Demographic Shifts

The call for increased diversity and inclusion in the workplace often fails to include a clear analysis of the changing demographics of the US population. The US is comprised of vastly different people and cultural groups than it was thirty years ago, but nonprofit sector leadership looks more or less the same. Aside from the challenge of cultivating representative leadership, the sector has long been challenged to effectively fundraise during demographic shifts, when community attitudes about philanthropy impact giving practices even more than economic fluctuations. While changing demographics influence the sustainability and reputation of most charitable organizations, all nonprofits currently face a crucial call to revamp their programs and services to better meet the needs and uplift the cultural values of the communities they represent. The communities you once knew intimately might now be filled with new faces, new personalities, new belief systems and values, new hopes and dreams for the future, and new struggles that define daily existence in America. Any nonprofit not yet invested in demographic research should thoroughly assess the changing needs and expectations of the community it serves.

4. Clash or Collaborate with Competitors

The rise of the B-corporation signaled an era of entrepreneurship focused on cultivating social impact *and* financial gain. As for-profits grow their CSR campaigns or participate in social and environmental causes, they further encroach on territory that was once reserved for nonprofit missions. The growing cadre of social-good for-profits represents substitutable competitors that fill the needs of the same communities many charitable organizations serve. This richer selection of service providers offers greater capacity to help those in need. Healthy competition will also serve to hold nonprofit leaders accountable while encouraging programmatic innovation and disruption of any service models that demonstrate questionable community impact. In 2020 and beyond, be ready to prove your organization's stewardship and impact capacity against that of your competitors, or be ready to turn those competitors into cooperative co-stewards of your mission. Be careful not to self-sabotage by relying on your nonprofit status as a differentiator.

5. Contribute to Climate Action and Other Causes

More than ever before, the American public demands institutions take a stand against global threats and in support of social justice initiatives, even those seemingly unrelated to an institution's primary business or cause. Combined with today's polarizing partisan political landscape, charitable organizations are expected to serve as advocates for the communities they serve and for the future of the globe itself. Eurasia Group, a firm specializing in geopolitical risk management, shared its 2020 top risks predicting that "civil society will be unforgiving of investors and companies they believe are moving too slowly" to address—and take ownership for their contributions to—climate change. While fundraising remains a challenge for climate organizations—partly due to the issue being politicized and misunderstood as a foundation for many other charitable causes—climate change activism continues to grow and some lawmakers are repositioning themselves as more active participants in the climate conversation. Moving into 2020, we should consider every charity a climate advocacy organization; you're either helping or hurting the cause.

6. Ready for Reputation Unravel

Adjacent to every risk trend is the possibility of reputational damage careening a nonprofit's mission and public

approval into existential limbo. Martin Levine's article, "You Choose: Gift Acceptance Policies Now or Public Scorn Later?" (*Nonprofit Quarterly*, January 2020) perfectly illustrates how "the environment is changing and becoming less forgiving of such moral relativism" that led university staff at MIT and Tufts to accept gifts from a convicted sex offender and a family made rich by opioid sales, respectively. Nonprofit leaders are being scrutinized left and right for their own questionable judgments but also for guilt by association—when a charitable cause is tainted by the actions of its partners, funders, and other external stakeholders. Facing the hammer after such judgment calls is a sure way to drain mission-driving support from the communities invested in your cause. As reputation remains the primary currency of any nonprofit, nonprofit leaders must choose between competing priorities (i.e., ethical standards versus fundraising goals) and empower staff to safeguard their organization's lasting reputation over pursuing shortsighted gains. Corporate decision-makers can no longer expect to keep their choices private nor can they avoid facing the consequences of those choices. To learn more about managing reputation risk, read:

- View to the Horizon: Managing Reputation Risk for Hyperconnected Organizations (NRMC)
- Don't Faint at Complaints: How Negative Feedback Can Enhance Your Reputation (NRMC)
- Social Distortion, Personal Responsibility, and Reputational Risk (NRMC)

7. Tap into Transition Planning

Planning to manage staff turnover feels like living out the plot of Groundhog Day without the lovable, humorous Bill Murray to guide you through. There's no end in sight and we keep grinding the same wheels wondering why it never gets easier. Turnover is not an unpredictable risk per se, but a certainty, a fact of life. Yet most nonprofit teams struggle to make succession planning and knowledge transfer a top priority—and an effective practice—often resulting in a literal holding period on programmatic and operational momentum each time a team member departs. As boomers continue to retire in record numbers, gaps are filled by younger generations whose shorter tenures and distinct workplace values challenge the status quo. Increasing competition for nonprofit talent by employers across other sectors (i.e., for-profits, public entities) exacerbates transition challenges. Instead of focusing on turnover itself as a discrete event, nonprofit teams should shift focus to *transition planning* including a much broader realm of management practices such as exit planning (aka off-boarding), knowledge sharing, and rethinking the relevance of roles before rushing to fill gaps.

- Exit Planning aka Off-boarding: Too many planned departures involve onerous, low-impact activities like writing a tome titled *How To Do My Job*. A new hire probably won't have time to read that tome anyway, nor will a departing employee have time or desire to complete that transition task. For employees enjoying planned departures, ask them directly how they could best use the remainder of their time to deliver the greatest impact to your mission. By enabling an individual to begin or complete a dream project or innovative initiative, you're scoring great work as well as a wonderful last impression before the individual says goodbye to your brand. Empathy and personal connection during exit planning keeps the door open for future re-hire or another relationship.
- Knowledge Sharing: Conventional exit planning focuses on what the departing individual is doing during their last weeks, but what is the employer's responsibility during this time? Finishing projects and handing off relationships might be crucial tasks for the individual to complete, but perhaps the employer's most crucial task is downloading and sharing the individual's specialized knowledge about the role, the workplace, and everything in between. Much of this knowledge lives within the individual and is not formally documented. Give departing employees opportunities to share their quirkiest skills and insights with their team members, and give team members opportunities to observe and collaborate with their departing peers. Transferring knowledge from mind to mind still keeps this powerful currency within your institution, even if it never lands on paper.
- Rethinking Roles: Most teams are guilty of rushing to hire and fill the gap of a departing employee before taking the time to reflect on the relevance of the role itself. A former NRMC consulting client disrupted this practice by instilling a cultural value of *obsolescence* across its organization. Team members were taught to stop conflating the existence of one's job role with one's contribution to the organization. If a role was no longer appropriate or necessary for the future of the organization, the individual in that role had the opportunity to recognize the need for change and contribute to designing—and potentially filling—new roles that better suited the organization's trajectory. This progressive approach might not come easily to the rest of us, but we can start by rebelling against the tendency to speedily hire before reflecting on the continued relevance of the role in question.

To learn more about transition planning, read more from NRMC and other thought leaders:

- Avoid Transition Trauma with a Succession Plan (NRMC)
- Is Your Executive Onboarding Program Effective and Sane? (NRMC)
- Transition Planning for NOT the CEO (NRMC)
- The Right Way to Off-Board a Departing Employee (Harvard Business Review)
- Your Company Needs a Process for Offboarding Gracefully (Harvard Business Review)
- Six Strategies for Nonprofit Leadership Transition (Stanford Social Innovation Review)
- Don’t Just Capture Knowledge—Put It To Work (Harvard Business Review)
- Strategies for Tacit Knowledge Transfer (The eLearning Coach)
- Leveraging Collective Knowledge: NASA’s Constellation Program (Nancy Dixon)
- The Complexity of Transferring Lessons Learned from Projects (Nancy Dixon)