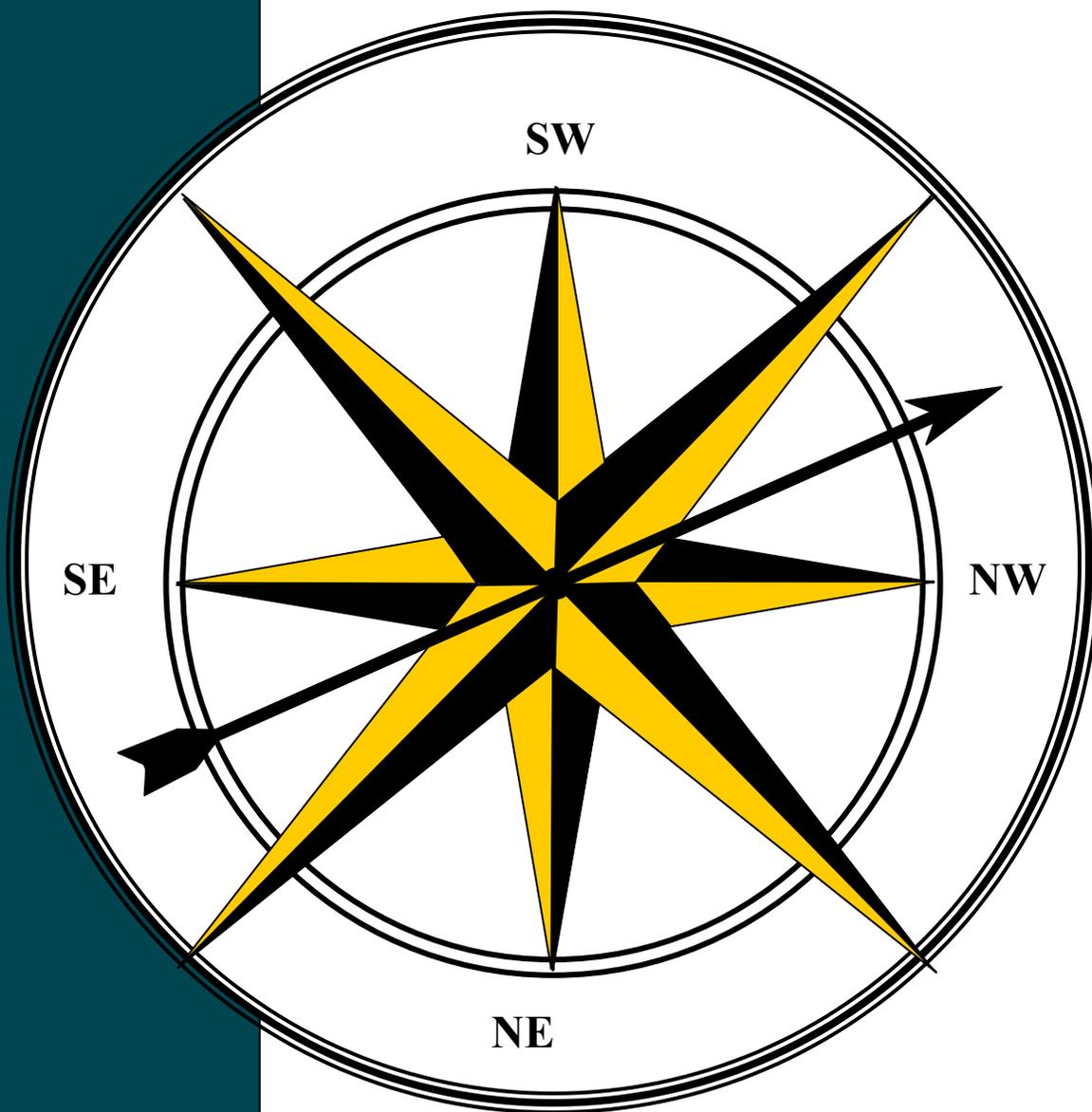




**VANTAGE  
ASSOCIATES, INC.**  
MANAGEMENT CONSULTANTS

# **Alabama Nonprofit Salary Survey Spring 2012**



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## **BACKGROUND**

This survey was conducted in April of 2012 and collected data from the 2011 calendar year. The survey was conducted online through the Vantage Associates website and all responses were completely anonymous. Organizations were invited to participate via an email request utilizing Vantage's mailing list and through the newsletter of the Alabama Association of Nonprofits. Participation was open to any Alabama nonprofit and local chapters or affiliates of national nonprofits. As an incentive to participate, respondents were offered a copy of the survey results. We received a total of 143 useable responses and 80 requests for the survey results. All responses were self-reported and because they were submitted anonymously it was not possible to crosscheck or verify survey responses. Some minor cleaning of the data was conducted prior to performing the analysis.

## **PURPOSE**

One of the primary responsibilities of a nonprofit board is to hire, evaluate and compensate the Executive Director or CEO. Best practices require that the board consider external data when making compensation decisions. Unfortunately, that external data can be very difficult to obtain. As a board member and consultant to nonprofits, I have been involved in these decisions and have always felt that more objective data would greatly help in making some very difficult decisions. This survey has been conducted to provide the leadership of Alabama nonprofits with a data-driven perspective to supplement their knowledge of the history and performance of their organizations.

## **USE OF DATA TO MAKE DECISIONS**

It is important to remember that there are many factors that should be considered when making compensation decisions. There is a temptation to judge someone is overpaid or underpaid simply by comparing their compensation to other similar organizations. Other factors should also be considered. One of the most important is performance. Higher levels of performance justify higher than average compensation. Also, the capacity and resources of the organization from a practical standpoint must be considered. You can't pay more than the organization can afford. Issues like tenure and longevity are also considerations. Our guiding principle is very simple. Compensation should be externally competitive, internally fair and reward superior performance.

## **OVERVIEW OF DATA**

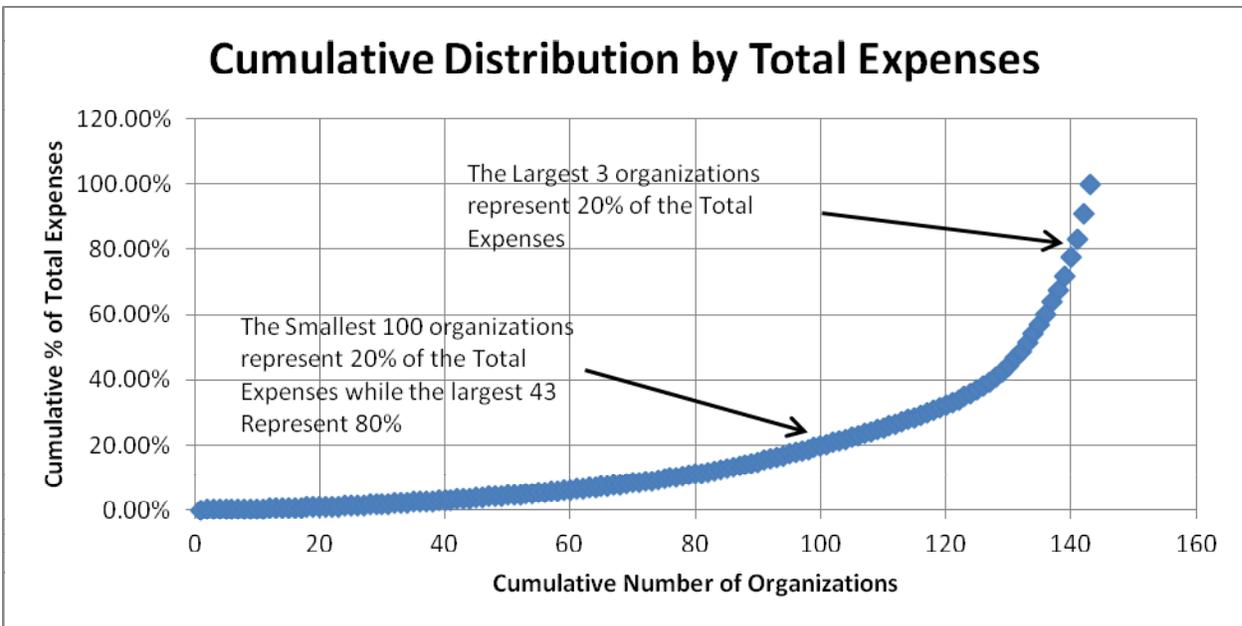
***All charts, tables and supporting data used in this report are available in an Excel Spreadsheet included with this report.*** The analysis that follows is based on responses from 143 organizations. A small number of responses were rejected. Failure to provide data for the Total Expenses of the organization or a Base Salary amount resulted in removing the response from the data set. Based

on these criteria, 10 submitted surveys were removed from the final data set.

The 143 organizations in the survey reported total expenses of \$248 million in 2011 and employed a total of 3,017 FTEs (full time equivalents). Total compensation for the ED/CEO position was \$11,635,640. Of that amount, a total of \$240 thousand in bonuses were paid and \$1.09 million was paid in benefits.

### Size

The average size of the organizations responding was \$1,735,428 in total expenses. This is obviously on the high end of all nonprofits in the state. The average was influenced by a relatively small number of very large organizations. 20% of the Total Expenses is represented by the 3 largest respondents. The smallest 100 organizations represent 20% of Total Expenses.



### Bonus

Of the 143 respondents, 40 reported receiving a bonus. Bonuses ranged from \$100 to \$30,000. For those that did report a bonus, the average bonus was equal to 8.1% of the base compensation while the range was from 0.2% to 56.3% of base compensation.

### Benefits

Of the 143 respondents, 101 received benefits. Benefits ranges from \$562 to \$45,000. For those that did pay benefits, the average benefit payment was 13.3% of base compensation while the range was from 0.8% to 42.9%

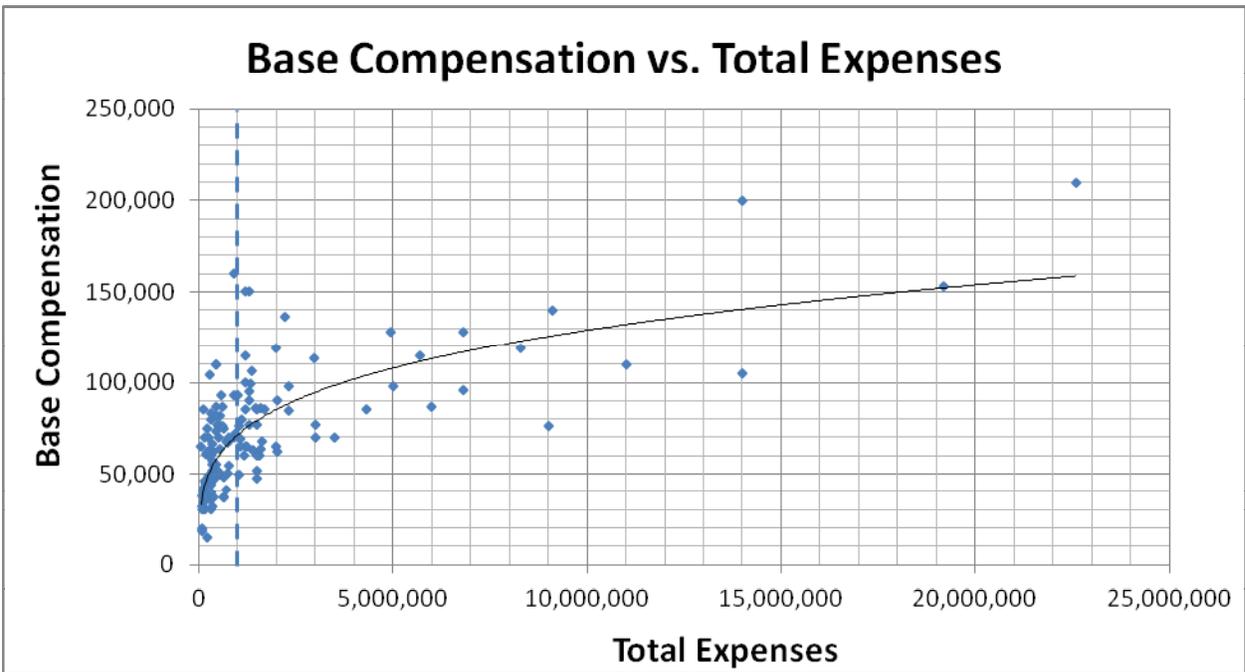
## Type of Organization

The following table provides a breakdown of the respondents by type of organization. The largest category by far was Human Services. Religion and Professional/Trade Association tied for the smallest. The significance of the Humans Services category was even greater when measured by Total Expenses. Although it was 40% of the respondents, it represented 60% of the Total Expenses of all respondents.

Category	TotExp	TotEmp	BaseComp	Bonus	Benefits	Salary + Bonus	# Org
Advocacy	5,850,172	92	788,793	6,100	42,432	794,893	14
Arts	8,345,063	92	659,300	29,000	98,128	688,300	9
Education	11,822,689	126	1,054,860	3,000	102,259	1,057,860	17
Human Services	149,069,574	2,010	4,402,652	121,780	452,883	4,524,432	57
Other	40,167,019	404	2,362,355	30,821	189,695	2,393,176	34
Prof/Trade Assoc	16,611,677	68	572,900	39,000	123,522	611,900	6
Religious	16,300,000	226	463,660	10,500	82,000	474,160	6
Grand Total	248,166,194	3,017	10,304,520	240,201	1,090,919	10,544,721	143
Advocacy	2%	3%	8%	3%	4%	8%	10%
Arts	3%	3%	6%	12%	9%	7%	6%
Education	5%	4%	10%	1%	9%	10%	12%
Human Services	60%	67%	43%	51%	42%	43%	40%
Other	16%	13%	23%	13%	17%	23%	24%
Prof/Trade Assoc	7%	2%	6%	16%	11%	6%	4%
Religious	7%	7%	4%	4%	8%	4%	4%
Grand Total	100%	100%	100%	100%	100%	100%	100%

## BASE COMPENSATION

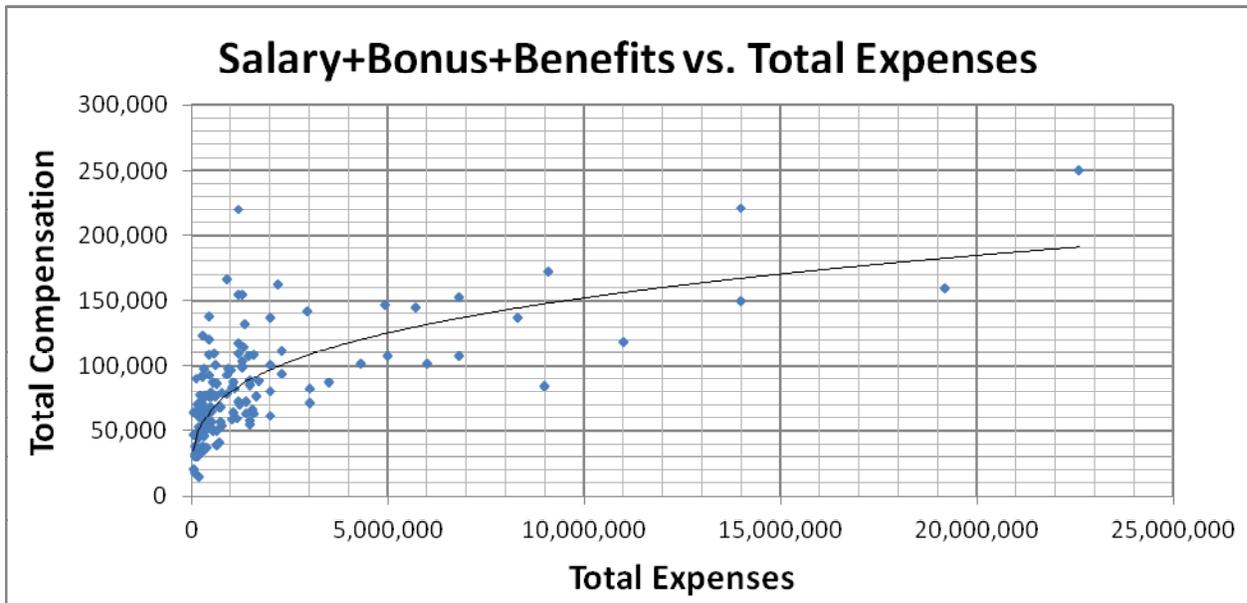
There are many ways to look at and compare Compensation. There is a correlation between compensation and the size of the organization. That correlation however is not as strong as you might think. The following graph compares Base Compensation to Total Expenses.



It is easy to find points along the Total Expenses axis where Base Compensation varies by as much as 100%. For example take the \$1 million point on the horizontal axis. You see a point at \$50,000 in compensation and another above \$150,000 for the same size organization. As mentioned earlier, there may be many other reasons for the variation and it is important to emphasize that Total Expenses is just one of many.

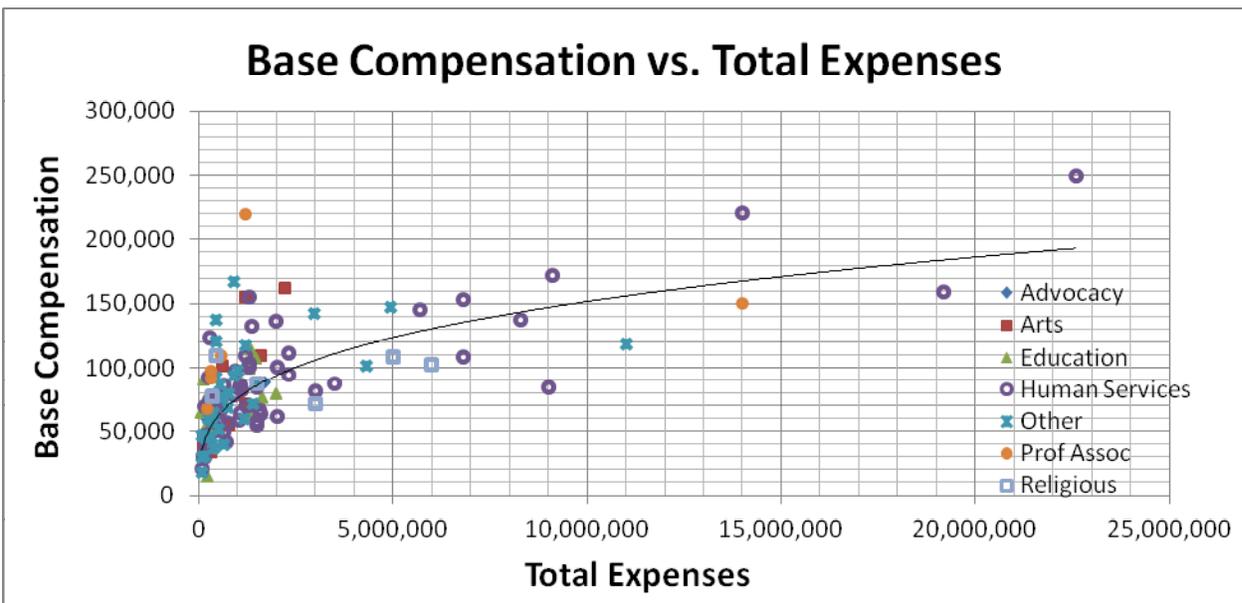
Instead of Total Expenses, I also looked at number of employees (FTEs) as a measure of size. The correlation between number of employees and Base Compensation was about the same. (See accompanying spreadsheet.)

When analyzing compensation it is important to look beyond Base Compensation to also include bonus and benefits. This is even more important today because benefits vary greatly and are often customized to the needs of the individual. During the process of negotiating compensation, benefits and bonus potential are an integral part of the discussion. Organizations are often willing to adjust base compensation up or down depending on the benefit needs and preferences of the individual. Here is a look at Total Compensation compared to Total Expenses.



The pattern is almost identical. However, you can see that the scale of the vertical axis has shifted upward.

There is one more view worth considering. An attempt was made to determine if there is a difference in the level of compensation for the different types of nonprofits? Unfortunately, other than Human Services, the number of responses per category is relatively small. The chart is very difficult to read at this scale. A more legible chart is available in the spreadsheet.



## RANK CORRELATION

Ranking the data may also provide some insights. The following table contains only a portion of the data and is provided as an example. The full table is available in the attached spreadsheet.

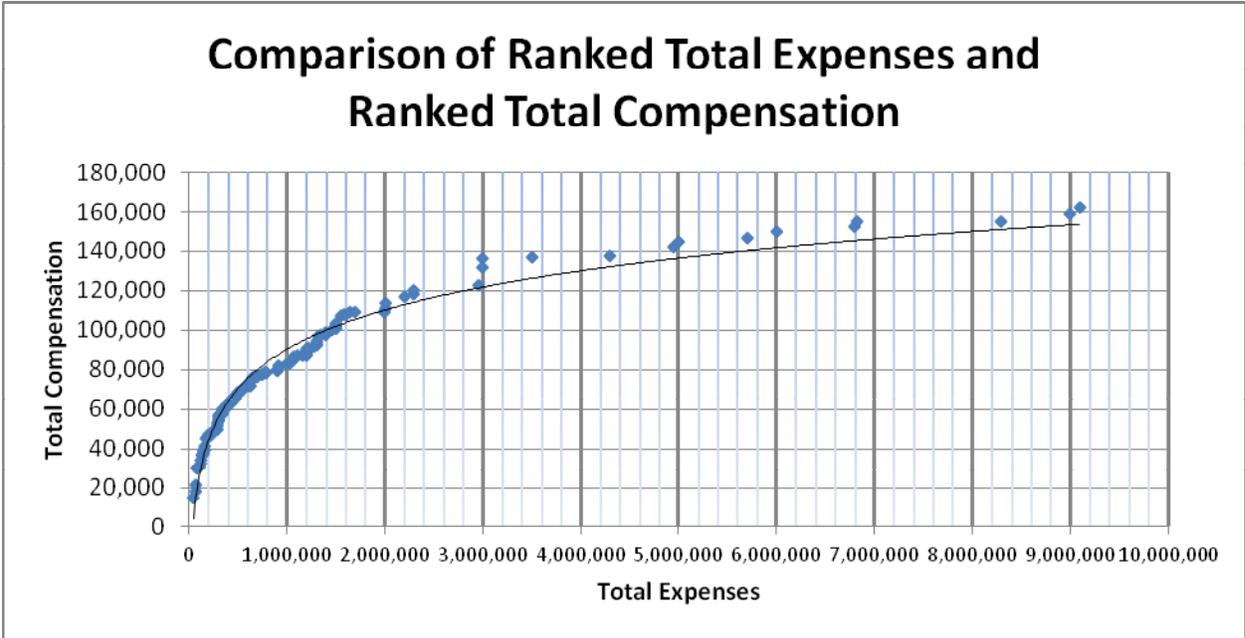
Rank	Percentile	Total Exp	Total Comp	Exp as % of Tot	Cum % of Tot Exp
69	47.9%	582,000	71,410	0.23%	8.00%
70	48.6%	600,000	71,500	0.24%	8.25%
71	49.3%	611,500	72,000	0.25%	8.49%
72	50.0%	632,488	72,000	0.25%	8.75%
73	50.7%	633,041	74,244	0.26%	9.00%
74	51.4%	650,000	75,900	0.26%	9.26%
75	52.1%	650,000	76,000	0.26%	9.53%
76	52.8%	694,072	76,480	0.28%	9.81%
77	53.5%	700,000	76,660	0.28%	10.09%
78	54.2%	740,794	77,280	0.30%	10.39%
79	54.9%	750,000	77,660	0.30%	10.69%
80	55.6%	782,000	78,500	0.32%	11.00%
81	56.3%	785,000	79,130	0.32%	11.32%
82	57.0%	900,000	79,245	0.36%	11.68%
83	57.7%	900,000	79,400	0.36%	12.04%
84	58.5%	900,000	80,000	0.36%	12.41%
85	59.2%	919,527	82,000	0.37%	12.78%
86	59.9%	997,000	82,400	0.40%	13.18%
87	60.6%	1,037,502	83,444	0.42%	13.60%

This table extracts the Total Expenses for each organization and orders them from smallest to largest. The Percentile column indicates for each Expense, the percentage of organizations in the sample that have lower Total Expenses.

Total Compensation can also be extracted and ranked from smallest to largest. When matched side by side, the two data points, Expenses and Compensation share the same rank in the ordered list.

So now the data has been manipulated to create a theoretical data set. This is what the data would look like if the rank correlation for Total Expenses and Total Compensation were 1. So for each Total Expense amount, the table indicates the Total Compensation expected for an organization of that size if size were the only consideration. The Total Compensation can also be used to find the expected Total Expenses for an organization paying that level of compensation.

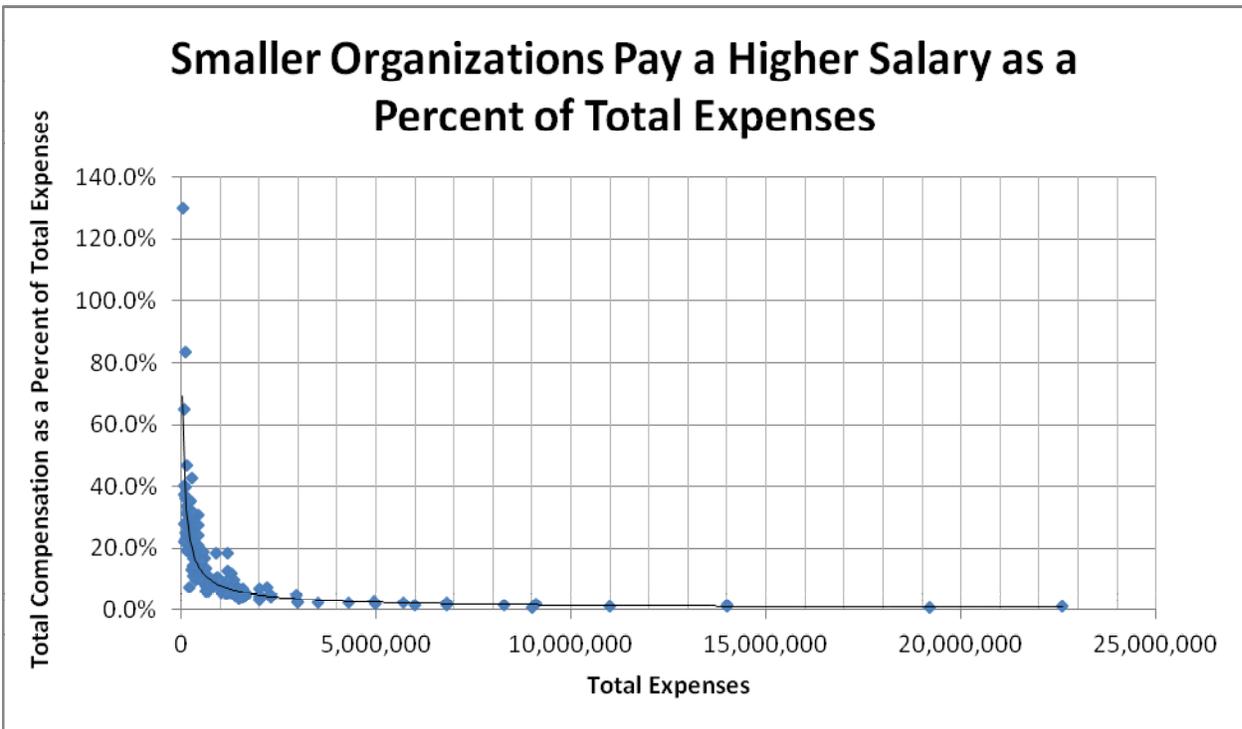
The following table provides this same data in a graphical form. To make it more readable, the five largest organizations have been omitted from the chart.



If you plot your Total Expenses and Total Compensation on the graph and it falls above the data points, then your rank in Total Compensation exceeds your rank in Total Expenses. If your organization falls below the line, your rank in Total Compensation is lower than your rank in Total Expenses. Remember that this is theoretical and actual compensation should be influenced by several factors in addition to the size of the organization. It is appropriate to discuss why the actual compensation is greater or less than the theoretical number.

**CONSTRAINTS OF SMALLER ORGANIZATIONS**

The results of the survey also highlight one of the challenges of smaller organizations. A higher percent of its resources are consumed by ED Compensation. The following chart compares Total Compensation as a percent of Total Expenses to Total Expenses. Smaller organizations pay a significantly higher percent of Total Expenses in compensation.



**CONCLUSION**

Compensation decisions are some of the most important and most difficult decisions board members are called on to make. Survey data and analysis can help boards make better decisions but it will never replace the understanding, experience and judgment of the board. The best way to use this information is to start a conversation about how its compensation compares to others and why.

**James D. Sisson**



*Jim holds a B.S. in Civil Engineering, University of South Alabama, 1980 and an M.B.A., Harvard Graduate School of Business Administration, 1985. He is a founding Partner of Vantage Associates established in 1990. Since 1985 he has focused his consulting practice in the areas of strategic planning, marketing, sales training, and organizational design. Although he works in all industries, he has extensive experience with non-profits, professional associations, and healthcare. As a strategic planning facilitator, he guides top management through the process of identifying and evaluating strategic options and reaching consensus on the critical issues that must be addressed to be successful.*