

Part One

**GENERATIONS OF LEADERS**

COPYRIGHTED MATERIAL



# 1

## WHICH CRISIS?

There are some people who are lifers at the organization, and some who come and go within a couple of years. There's the old generation that's been there since the organization was founded, and there's the new generation that comes in, stays a couple of years and then leaves. Personally, I'm questioning how much longer I'm going to be involved—not because of my commitment to the community, but is there really an opportunity for me to make change there if the older generation isn't willing to give up some of that power; give us a real voice?

*Generation Xer*

Most of the talk about generation change in nonprofit leadership refers to the exodus of aging baby boomers whose anticipated departure has created enormous anxiety in the sector. The boomers are entering their sixties, an age that previous generations saw as a traditional time of retirement. That means the organizations this generation founded and built will need to find new executives to take their place.

But talk with a boomer, and the first thing he or she is likely to say is, "I'm not going anywhere!" In our workshops and discussion groups, most boomers were more worried about becoming obsolete than finding a suitable replacement. They were clear that they still had the energy, interest, and power to stay in their positions. And they certainly had no intention of leaving

until they decided it was the right time to go. So what is happening? Are boomers ready to leave their jobs behind to take a much-needed rest as they enter their twilight years? Or is this large and energetic cohort gearing up for two more decades at the helm of nonprofit and social change work?

### **What Is the Crisis?**

In 2001, a national study of nonprofit executive directors reported shocking results. Published by the California-based management support organization CompassPoint, *Daring to Lead* found that 75 percent of nonprofit executive directors planned to leave their jobs in the next five years.<sup>1</sup> The statistics were hard to ignore, especially when a series of follow-up studies confirmed their results. For example, a study of United Way of New York City grantees found 45 percent of executive director/chief executive officers planned to leave their positions within five years.<sup>2</sup> A national study commissioned by the Annie E. Casey Foundation reported 65 percent of nonprofit executives said they were leaving in the next five years.<sup>3</sup> In Alberta, Canada, 86 percent of nonprofit leaders surveyed stated they would leave their jobs within the next five years.<sup>4</sup> The University of San Diego found 68 percent of the area's nonprofit leaders expected to leave in the next five years.<sup>5</sup> And the New England Executive Transitions Partnership study stated that over 70 percent “imagined” they would leave their position within five years.<sup>6</sup>

It was demonstrated again and again in studies across the United States and Canada: executive directors were leaving, and the nonprofit sector was unprepared to handle their mass departure. To many it seemed obvious: the baby boom generation of leaders was aging, and retirement was just around the corner. Within a few years of the release of *Daring to Lead*, a new field, executive transition management (ETM), was developed to help nonprofit groups anticipate the impact of impending leadership transitions and support them through the process.<sup>7</sup>

The focus was not only on departing executives. Concerns about who would replace them gave new energy to initiatives designed to identify and train emerging leaders. There was also growing support for programs encouraging people to enter nonprofit work.<sup>8</sup> The emphasis was on grooming new talent who would be in the pipeline. They would be learning how to take on nonprofit leadership while aging executives prepared for their exit.

In 2006, another report, *The Leadership Deficit*, was published by Bridgespan, a nonprofit arm of the for-profit consulting firm Bain & Company. The report predicted there would be 640,000 vacant nonprofit senior management positions over the next ten years, more than double the number currently existing.<sup>9</sup> Using a statistical model based on the aging population and the figures on the number of new nonprofits that are formed each year, Bridgespan, with its corporate credentials, caught the attention of the nonprofit world, especially foundations. Where would the new leadership come from, and how was the sector going to survive?

### **A Closer Look**

Although there was growing alarm about the retiring boomers, few people were questioning the conclusions that were being drawn from these studies. Why would they? There was plenty of work for those providing ETM services from organizations putting into place succession plans or in the midst of dealing with leadership change. Programs and fellowships for those interested in learning the skills needed to lead were full of energetic talent of all ages. There was clearly a need and certainly a problem that was necessary to address.

The release of *Daring to Lead 2006* was the clue that there was more to the findings. This next installment of the study again asked a representative sample of nonprofit executives in the United States about their future plans. Once again there

was the dramatic finding: 75 percent of executive directors planned to leave their jobs within the next five years.<sup>10</sup> Yet surprisingly little attention was given to the fact that between the two reports, five years had elapsed and the predicted turnover had not occurred.

Why were so many studies finding that nonprofit executive directors were planning to move on even though they continued to stay? What were these leaders telling us? If CEOs were not leaving, what motivated them to keep saying it was time to go? The answers lay squarely in the reports themselves and are confirmed in some of the observations made by the next generations.

The nonprofit leadership crisis, it turns out, is not simply about the baby boom generation aging out of jobs. Only 17 percent of directors in *Daring to Lead 2006* said they were planning to retire, a fact almost entirely overlooked by those pushing the crisis scenario.<sup>11</sup> Nor do those who say they will leave seem to want to pursue other interests outside the social sector. The vast majority want to continue working in nonprofits. It turns out that leaders don't want to retire or leave the sector; they just want to leave their jobs.

The anticipated exodus of nonprofit leaders—the one that still has not happened—is not about age; it is about the executive director position. Of course, the boomer cohort will start to step out of their job—and the nonprofit sector in the coming decades—but the focus on their exit has overshadowed how unhappy so many are in their current positions. Both *Daring to Lead* studies found that executive directors want to get out of their positions because of the amount of stress they experience on the job. Leaders find great pleasure in the impact their organizations have and the relationships they form with colleagues, but these rewards are outweighed by the unrelenting demand to raise funds, manage finances, and, in too many cases, work with unsupportive boards of directors. To meet these needs, executives work long hours with relatively low compensation. Even more disturbing is that nonprofit leaders worry not just about

making ends meet but about the assessment of their work by their boards. *Daring to Lead* 2006 found that one-third will be pushed out or fired before they voluntarily choose to walk out the door. Those leading larger and better-resourced organizations are significantly happier with the job, the pay, and the support they receive from both boards and funders. But most nonprofits are small to midsized groups, where leaders are responsible, often without much help, for keeping the doors open.

If the problem facing the sector is not that boomers are leaving, but that the demands of the work result in executives wanting to quit their jobs, then there are important implications for organizations and the sector as a whole. The analysis and assumptions we make about older leaders exiting and newer ones entering nonprofit organizations may be focused on the wrong issues.

### **Plans of the Next Generation**

In our conversations with younger leaders, they rarely discuss the crisis of baby boomers leaving the sector. When they talk of boomer leaders and veterans of change, they are much more likely to notice the stress in older directors who have dedicated themselves to keeping their organizations alive. Generation Xers and millennials watch these older leaders with mixed reactions. On the one hand, many cannot imagine that they would ever want to be in a similar position. Heading a nonprofit organization appears to be a thankless job with enormous demands on the leader's time that leaves little room for the pleasures that program work offers. On the other hand, younger workers are discouraged that the help and relief they can offer older leaders frequently goes unrecognized. They feel the skills they bring to the work are often left untapped by older directors, who are used to doing it all themselves.

Some of the studies on nonprofit leadership help to explain these observations. For example, the United Way study

in New York City asked directors to identify staff members they thought had the most leadership potential and then asked leaders whether these staffers were ready to take on the top role. Most of the boomer executives rated these potential leaders' skills far lower than this next tier rated themselves. Even if the older leaders were right in their assessments, they were reluctant, especially in small organizations, to offer development opportunities to this group, fearing it would result in their most talented employees leaving the organization.

A recent study by the membership group Young Nonprofit Professionals Network, which “engages and supports future nonprofit and community leaders,” asked members about their future plans. Forty-five percent of the respondents reported that they will leave the nonprofit sector. The reasons most often mentioned were burnout, low salaries, lack of career advancement, and job-related stress.<sup>12</sup> But leaving now did not mean staying away. In fact, 60 percent of those planning to leave and 65 percent who want to stay say they expect to be a nonprofit executive director in the future. That’s good news, except that many report that they “are ambivalent about taking on an executive director role,” fearing its impact on their quality of life.

Younger generations are wary. If they stay in the sector, they can work in organizations with a social mission—where they can make a real difference—but they may have to sacrifice both time and money, and there is no guarantee they will advance to leadership jobs.

### **Redefining the Problem**

So is the problem that boomers are exiting? Or is it that the executive director job is too stressful? Are there too few younger leaders to take on positions as older leaders retire? Or are younger leaders' skills left untapped by current CEOs? We suggest that there is no one problem that we are trying to solve. The studies reveal that the issue is more complex than we might

have originally believed. What makes this time of transition both confusing and exciting is that it is multilayered. There are several ways to define the problem, and each leads to a different set of solutions.<sup>13</sup> To illustrate this, let's look at five ways to think of generational shifts in nonprofit leadership and the implications of each on the future of the sector.

### **Baby Boom Leaders Are Leaving**

The most common scenario about nonprofit leadership is that the sector is facing a crisis because the baby boomers are aging and will soon leave their leadership jobs—in *droves*. This exodus will create a vacuum at the top and put nonprofit organizations and the entire nonprofit sector in peril. This scenario implicitly assumes that the problem is a people problem, that is, there are not enough people to take the jobs that will be vacated. The solution to this crisis is the *replacement theory*: if leaders are leaving, we need to find new ones to take their place. One person goes out and another comes in. We then develop a pipeline—a place of preparation where new leaders are given training and support. But a pipeline does not conjure up images of innovation or new ideas. It readies people to fill a spot and contains those waiting for their turn.

If the crisis is that baby boomers are leaving their jobs, the solution is to develop new leaders across different age groups and sectors. Some suggest targeting young M.B.A.s, others prefer a focus on recruiting college students to the social sector, and still others encourage retired for-profit executives to try their hand at nonprofit work. The skilled pool will increase, the jobs will be filled, and the sector will be saved!

### **No Room at the Top**

Another view, especially from newer generations, does not see the problem as the boomers leaving; rather it is that the boomers

are *not* leaving. They see a powerful generation living longer, staying healthier, and maintaining interest in both making a difference and making a salary. In this *staying on top* situation, boomers want to continue to be in charge, especially after years of building their organizations. In addition, they may need to keep, or at least see no reason to give up, their earning power.

If boomers are staying on top, then the problem is that there is no place for newer generations to run organizations, share their ideas, or define the future of the sector. Unless they start their own groups, they will remain a poor second to a boomer-dominated sector for years to come. The ideas and observations of the oldest will dominate, and younger generations' interest in nonprofit work will wane.

If this is the problem, the solution is to find ways that new generations with fresh views and youthful energy can make a meaningful impact on the sector's organizations and work. Boomers who are coasting will be helped to find places in the organization or in other nonprofits where they can still contribute while new generations lead. Others who are making a difference will be tapped for their thoughts on how to include new people in significant roles. Younger leaders will find positions of authority and responsibility to make a significant impact, and the sector will be saved!

### **It's the Position, Stupid!**

A different take on the problem focuses on the role of the top executive. In this scenario, the crisis is that the position of executive director as it is currently conceived is no longer viable. What worked forty years ago will not hold up to new generations. The work has changed, the positions have grown, and the context has shifted.

What is needed is to *redefine the position*. This scenario calls for very different solutions. Here we need to look at why the job is not viable and how it could be redefined. It means searching

for new models for structuring the work. There need to be changes in the culture, education of boards, and support for a new norm of what is expected from those in the top positions. It is a risky business; yet, like generational change, some of these shifts are already taking place. For example, we found several organizations run by younger leaders who had codirectors, flattened hierarchies, and different types of team approaches. These groups are trying to distribute the responsibilities of the executive position among a small group to lessen the pressures of the job and allow leaders to have more time away from work.

A focus on reworking the executive director position would mean that nonprofits would take untenable jobs and redesign them so they are attractive to new leaders. There would be less burnout and more enthusiasm, and nonprofits would be improved overall. The sector will be saved!

### **You Don't Know What You've Got 'til It's Gone!**

Another way to look at the issue of leadership change is the *recognition problem*. Here, older leaders and boards are blind to a new generation of potential leaders right under their noses. Rather than focus on recruitment, the solution to the recognition problem is to turn inward and scan existing organizations to find and polish the hidden gems. Part of the issue for older leaders, whether paid staff or board members, is their image of how leadership looks. These mental models are extremely powerful and can obscure recognition of those who may be eager to begin learning and practicing leadership skills.

One of the biggest barriers to visibility is race. For some, this is a conundrum. Everyone talks about wanting to hire people of color, especially in social change work. So how is it that new leaders of color are not in line for top jobs? Here we come back to the mental models. As described in the following story, the images we hold of who will be a good and able leader are very powerful. The *Daring to Lead 2006* report found the percentage

of executive directors of color has remained at 17 percent, even among new and younger leaders. Yet we know that the U.S. population is becoming more diverse. Something is deeply amiss.

### **Who Can Do the Job?**

*Susan had been heading Youth for Change for almost seven years when she was offered a year-long fellowship to develop her leadership skills. Her deputy director, Ann, generously offered to be an interim director while Susan was gone. Ann had worked for Youth for Change for four years and had extensive experience running programs for youth. She had a special connection to the youth based on her own background growing up in an African American family where resources were scarce. She was loyal to the organization and to Susan, but most important, she was loyal to the kids. When Susan took her leave, she was not sure whether she would return to Youth for Change. After all, a year was a long time to be away. But she worried that the board would not consider Ann executive director material. Susan knew how difficult it had been for her as a white woman to convince some of her male board members that she could raise money from corporate executives. Although the board would never admit it, Susan suspected they would worry that Ann's race and class background might not mesh with their large donor base. So Susan was surprised when halfway through her fellowship, she received a call from the board chair. He wanted to know how the fellowship was proceeding and whether she was still planning to return to Youth for Change. Sensing there was more to the call, Susan suggested they meet. It was then that the board chair confessed the board was excited by how well Ann had been received by donors and the success of her leadership. More money was coming in, and they were*

*impressed with her business-like style. He made it clear that he would gladly hold the job for Susan, but if she did not plan to return, he wanted to let Ann know that she was in line for the position. Soon after this meeting, Susan resigned, and Ann was appointed the new head of Youth for Change.*

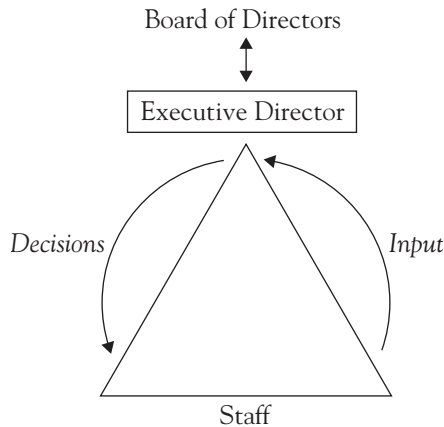
Race is not the only barrier to recognizing new leaders. Many younger leaders experience their age as a significant barrier to overcome. They want to be acknowledged for their contributions and feel ready to take on new challenges. But older directors seem unwilling to acknowledge new leadership—partly because they are so busy, partly because they are stuck in their own mental models, and partly because they don't have the skills and support needed to help younger leaders advance in the field.

In this scenario, the problem is identifying, encouraging, and training younger leaders who already work in the nonprofit sector. Once they are visible and supported, they will be hired for nonprofit leadership positions. Then the sector will be saved!

### **Another Organizational Form Is Possible!**

There is yet another way to define the problem. In this scenario, the way nonprofit groups are structured and operate is outdated. Recruits to the sector find decision making cumbersome and unappealing, and there is little support from boards or funders to make change. As a result, new leaders are reluctant to take on the top jobs in these organizations.

When the nonprofit sector experienced its wave of growth in the 1960s and 1970s, new leaders often adopted a kind of modified corporation structure. They had a hierarchy with lines of authority that resulted in a triangular structure (see Figure 1.1),

**Figure 1.1. Hierarchy with Input**

a common organizational form that was popular with the business sector at the time. The executive director was at the top, and staff fell in line underneath. To open up this top-down approach, nonprofit directors sought input and feedback for their actions. They would listen to all the ideas and then make the final decision.

Yet somewhere along the way, as organizations grew and aged, this model started to become more bureaucratic. It took too long for information to flow up to the director. Staffers found their input unheeded and called for more transparency about the decision-making process. However, to this day, there are few alternatives, and even the smallest organizations adopt this model as they prepare for growth. As a result, new staffers yearn for what they imagine they could find in for-profit organizations that appear more flexible, open, and innovative. Executives would like to devolve more decision making but have trouble figuring out how to hold staff accountable for work when the bottom line in nonprofits is so often not clearly defined. In addition, accountability to the board and funders rests with the top leader, and that responsibility makes it difficult to let go.

If the problem is the organizational structure—the way decisions are made and the operations—then the solution is to reevaluate how the organizations are run and look for more

suitable structures for the future. This is the *new structures and practices* solution. We should be researching and imagining how groups can operate in ways that will advance the sector's work, attract and support staff, and build new leaders. One approach would be to comb the for-profit literature, especially on small business, for examples that could be applied to nonprofit work, following the lead of many young social entrepreneurs. We could also look at models from both within and outside the United States and start to encourage and teach these new methods. There could be meetings with for-profit and nonprofit scholars to see if they can find ways to advance the field.

Addressing the questions about form with new structures and practices would result in organizations that are innovative, flexible, and fun to work in and lead. That would attract leaders to nonprofit work. The sector will be saved!

### **What Do We Do Next?**

There is no magic bullet that will make generational shifts in leadership seamless, but these different scenarios show the many different aspects of the leadership transition that are contributing to anxiety about these changes. The challenge is to find a set of solutions that will address immediate and long-term needs.

This calls for our best thinking and most creative ideas. The social sector as a whole needs to be open to the new and think about the future in a way that is different from that of the past. Just as the way we frame the problem will define the solution, the attitude with which we approach these changes will certainly shape the outcomes.

Exercise 1.1, "Finding Leaders, Finding Solutions," is one way to engage a group in a discussion about the crisis in nonprofit leadership. (The exercise can also be modified as an individual reflection.) In the exercise, the group members (or the individual) identify what they see as the problems in finding new leaders. Then they look at personal, organizational, and structural solutions.



## Exercise 1.1 Finding Leaders, Finding Solutions

This exercise can be used at a staff or board retreat or in workshops for nonprofit leaders. We recommend using a facilitator to help keep the group on track and encourage people to move beyond their comfort zone. The exercise starts with a large group brainstorm, and then divides participants into small groups for discussion. The large group reconvenes for a report back and synthesis and ends with a discussion of next steps.

### Step 1: Brainstorm

Start the exercise by asking, "What do you think are some of the problems facing the nonprofit sector in finding leaders?"

List responses on a flip chart.

*Helpful hint:* To help set the context for the exercise, ask participants to think about some of the challenges they have faced in their role as a nonprofit leader, when they try to take on more leadership, in making a decision about whether they would like to be a social sector leader. Here are some of the examples of problems we've raised in this chapter:

#### *Problems Facing Nonprofits in Finding Leaders*

1. Baby boomers are retiring, and there are not enough new leaders in the nonprofit sector to take their place.
2. Younger generations interested in nonprofit leadership have trouble breaking into high-level positions.
3. The top leadership position in nonprofits seems to be all work, no fun, and lots of sacrifice. Who would want those jobs?
4. Young leaders want (too) high salaries, and the sector cannot pay them enough.
5. Newer leaders don't have the training or skills to take on new leadership jobs.

**Step 2: Cluster Responses**

Organize the problems raised into clusters of similar issue areas. Transfer each cluster of problems on to separate sheets of flip chart paper, and post the clusters side by side.

**Step 3: Small Group Assignment**

Break into small groups by asking the participants to gather around the topics that they feel most drawn to. If there is a big imbalance among groups, ask some people to move to another issue they are also interested in.

Have the small groups take their list of problems and place them in different corners of the room. Provide flip chart paper and markers, and ask each group to choose a facilitator to keep time and a recorder.

**Step 4: Small Group Brainstorm**

Ask the participants in the small groups to brainstorm solutions to the problems posed. Push them to think creatively. Allow fifteen minutes, but extend the time if the groups are large. The recorder should write brainstorm suggestions on the flip chart paper for all to see.

After brainstorming solutions, each group reviews the responses.

Ask the group whether there is any variation in their responses by generation.

Then ask them to categorize each solution:

- Personal
- Organizational
- Structural

Some solutions may fall into more than one category. This part should be ten minutes.

*Helpful hint:* If the problem is that new potential leaders don't have enough training or skills to be executives, a *personal solution* would be for new potential leaders to seek out ways to build

(continued)



## Exercise 1.1

### Finding Leaders, Finding Solutions (*continued*)

their leadership capacity. An *organizational solution* would be for the organization to start a training program for new potential leaders. A *structural or sectorwide solution* would be to make low-cost and effective training programs are made widely available.

#### Step 5: Reconvene the Large Group

Come back together as a large group, and ask each small group to report back on any generational differences. Then have them report on the personal, organizational, and structural solutions to the problems they were addressing. Have a recorder note their answers on separate flip chart sheets with these headings: personal, organizational, and structural solutions.

Have the facilitator ask the group to think about what steps are needed to implement these solutions on personal, organizational, and structural levels. This can be done first as an individual writing exercise or in small groups (with people from the same organization) with a report back to the larger group. Or it can be held as a large-group discussion.

*Helpful hint:* It might help participants if you structured the conversation by asking:

- What can people [or people in my organization] do to make these personal solutions to the problem of finding leaders possible?
- What can organizations [or my organization] do to implement these organizational solutions to finding leaders?
- What changes are needed in the nonprofit sector to implement these structural solutions to finding leaders?

#### Step 6: Report Back and Close

Report back to the full group the solutions that people came up with and see if there are personal and organizational commitments participants want to make before they leave.

Now that we have started the discussion on different views of the problem of nonprofit leadership, we turn to the generations. In the next chapter, we present information on how the different cohorts came to work for social change, their experiences in the sector, and their feelings about leadership and social sector work.

## Notes

1. Peters, J., and Wolfred, T. *Daring to Lead: Nonprofit Executive Directors and Their Work Experience*. San Francisco: CompassPoint Nonprofit Services, 2001.
2. Birdwell, D. S., and Muzzio, D. *The Next Leaders: UWNYP Grantee Leadership Development and Succession Management Needs*. New York: United Way of New York City, 2003.
3. Teegarden, P. H. *Nonprofit Executive Leadership and Transitions Survey 2004: Milwaukee*. Baltimore: Annie E. Casey Foundation, 2005.
4. Boland, P., Jensen, C., and Meyers, B. *Addressing the Leadership Challenge: Non-Profit Executive Directors' Views on Tenure and Transition in Alberta*. Calgary, AB: Calgary Centre for Non-Profit Management, 2005.
5. Dietrick, L., and Creager, P. *Executive Transition in San Diego's Nonprofit Sector*. San Diego: University of San Diego, Center of Applied Nonprofit Research, 2006.
6. Ancrum, R., Liss, K., Maas, S., and Randall, G. *Executive Director Tenure and Transition in Southern New England*. Worcester: Greater Worcester Community Foundation, 2004.
7. See [www.aecf.org/knowledgecenter/publicationseries/executive-transition-monographs](http://www.aecf.org/knowledgecenter/publicationseries/executive-transition-monographs). Other examples include [www.supportctr.org](http://www.supportctr.org), [www.transitionguides.org](http://www.transitionguides.org), [www.compasspoint.org](http://www.compasspoint.org).
8. Many of these programs were started before these studies were released. For information about leadership programs, see the Leadership Learning Community ([www.leadershiplearning.org](http://www.leadershiplearning.org)). Information on workforce development can be found at American Humanics Nonprofit Workforce Coalition [www](http://www)

- .humanics.org/coalition). See also: Cryer, S. *The Nonprofit Career Guide: How to Land a Job That Makes a Difference*. St. Paul: Fieldstone Alliance, 2008.
9. Tierney, T. "The Leadership Deficit." *Stanford Social Innovation Review*, Summer 2006. The report's analysis excluded hospitals and higher education.
  10. Bell, J., Moyers, R., and Wolfred, T. *Daring to Lead: A National Study of Nonprofit Executive Leadership*. San Francisco: CompassPoint Nonprofit Services and The Meyer Foundation, 2006.
  11. To be fair, this was not the case in all of the studies. For example, in San Diego, almost two-thirds of those who anticipated leaving said they would like to retire.
  12. Solomon, J., and Sandahl, Y. *Stepping Up or Stepping Out: A Report on the Readiness of Next Generation Nonprofit Leaders*. Washington, D.C.: Young Nonprofit Professionals Network, 2007. Respondents could answer more than once. Although they said they would leave nonprofit work, many indicated they would like to consult or work for a foundation, showing that they may indeed stay in the sector.
  13. Thanks to Patrick Corvington for his help in developing these ideas.