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Nonprofit Leadership Still Shaky, Study Finds

By Debra E. Blum

Despite years of warnings, nonprofit groups are unprepared to handle the wave of executive turnover about to hit them hard, according to a new survey of charity leaders. And with many organizations already shaken up by the recession, the stakes of a botched leadership changeover are high.

“Executive transitions aren’t inherently bad,” says Julie L. Rogers, president of Washington’s Eugene and Agnes E. Meyer Foundation, which sponsored the study. “They are a fact of life and can be a great opportunity. The sobering piece is that so many boards are significantly underperforming in key areas related to hiring and supporting new CEO’s, and their organizations no longer have a margin for error.”

About 2,000 of the roughly 3,000 executive directors in the new nationwide survey expect to leave their jobs within five years, including 10 percent who are already actively considering an exit.

At the same time, many of the leaders expressed concern that their boards are unfamiliar with the executive director’s roles and responsibilities, and just one-third said they were very confident that their boards would hire the right successor. Only 17 percent reported that their organizations had a written succession plan.

The survey, conducted late last year, is the third leadership study produced by the Meyer Foundation and CompassPoint Nonprofit Services, a management consulting group in San Francisco, over the past 10 years.

This latest survey highlighted the effects of the economic downturn. Among the findings:

- More than eight out of 10 leaders reported that their groups were negatively affected by the slow economy, with about one-quarter of the groups overall operating on a smaller budget in

2010 than in the previous year. Nearly half said they had fewer than three months of operating reserves.

- Sixty-five percent of chief executives reported significant levels of economy-related anxiety, and those at nonprofits with the smallest financial reserves were likely to report higher amounts of stress.
- Financial anxiety was also connected to feelings of job burnout: While 9 percent of executives overall described themselves as very burned out, 19 percent of the leaders who reported recession anxiety described themselves that way.
- Despite the high interest among CEO's in leaving their jobs, the recession has had what the report calls a "drag effect" on the rate of executive turnover. One in six of the executives surveyed was 60 years or older, and of that group, 22 percent reported that a loss in their retirement savings contributed to their decision to delay leaving their jobs.

Across all age groups, 12 percent reported that a shrinking job market contributed to a delay in leaving the top job, and 9 percent said their organizations' financial instability had prompted them to stay longer than planned.

Margi Dunlap, executive director of the International Institute of the Bay Area, in San Francisco, a group that serves immigrants and refugees, is going ahead with her retirement plans at the end of this year, when she turns 65. But she says that some colleagues her age are postponing retirement—a trend that she worries could lead to inertia in the nonprofit world.

"You have people who are, in a sense, in limbo, holding the line and not doing things that are new or different, not taking the chances they might take in a stable economy or at a different point in their careers," Ms. Dunlap says.

More Openings

But Tom Adams, president of TransitionGuides, an executive search firm for nonprofits, in Silver Spring, Md., says the drag effect may already be lifting. He has seen an uptick this year in openings for chief executives.

"People are only going to wait so long," says Mr. Adams, adding that there's no shortage of folks to take their place. Whereas he used to see 100 applications for a position, he notes, he might see two or three times that number now. (For more about Mr. Adams's views on the report "Daring to Lead," see his opinion article.)

Marla Cornelius, senior project director at CompassPoint and co-author of the new report, says that kind of interest in the top jobs proves there is not a “leadership deficit,” as some studies have shown, but rather what she calls a “leadership development deficit.”

“There’s not a vacuum; the remedy is not finding more people for the jobs,” Ms. Cornelius says. “The remedy is a deeper level of understanding from boards about what it takes to be an executive director and better attention paid to succession planning, bench strength, making the right hire, and providing ongoing support.” (Read more about the report’s findings on boards and executives.)

Investing in CEO’s

In addition to examining turnover among charity leaders, the Meyer Foundation and CompassPoint report looked at the ways executives work to better themselves while they are still on the job.

Nonprofit leaders rated executive coaching as the most effective professional-development activity, yet only one out of 10 executives said they were now working with a coach.

Peer networks and leadership-development programs also drew high ratings for professional development. But many charity heads say that time and money for such activities are limited.

Instead of hiring an executive coach, Phillip Kilbridge, executive director of Habitat for Humanity Greater San Francisco, says he found a mentor, a for-profit chief executive and former charity trustee, with whom he meets four times a year. He also got a grant from one of Habitat’s corporate backers, the financial company Citi, to take a two-week leadership program at Stanford University last March.

Mr. Kilbridge and other charity heads say such training, guidance, and support are invaluable in helping them cope with their complicated and stressful jobs. And many say that having even informal opportunities to interact with peers is critical.

In Chicago, Kate Lorenz, who became chief executive of the Hyde Park Art Center last year, gets together a few times a year with the heads of three other area cultural organizations for dinner, she says, just to share stories and friendship.

“The dinners are about us, our similar challenges, our similar passion,” Ms. Lorenz says. “The value is that it’s not structured; no one is listening in on our conversation. It’s just a stress reliever.”

Valarie Ashley, in her third year as executive director of Southeast Ministry, which provides education and employment services to low-income people in Washington, attends a once-a-month lunch group of charity executives that she, too, finds supportive and cathartic.

“I always encourage my colleagues to put money in the budget for their own development or do what they can to make it happen,” she says. “Because even when we want to put ourselves last behind our staff, the people we serve, our mission, the truth is that the better you function and the better the board functions, the better the agency functions, and the better it is for everyone.”

Copies of the full report, “Daring to Lead 2011: A National Study of Nonprofit Executive Leadership.” are available free at http://www.daringtolead.org.