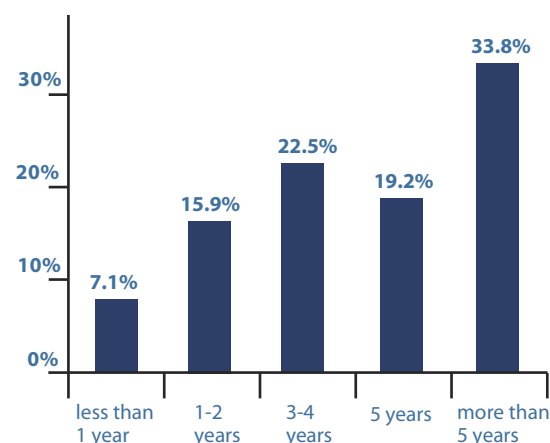




The Annie E. Casey Foundation

## LOOKING AHEAD: IMPLICATIONS FOR THE SECTOR

### ANTICIPATED YEARS REMAINING IN EXECUTIVE DIRECTOR POSITION



The growing incidence of executive transitions during the next several years will challenge many nonprofit organizations and the sector as a whole. Leadership transitions are often fraught with risk and can result in poor outcomes ranging from decreased service provision to outright closure. Preparation and support can mediate these risks. Our experience suggests that well managed transitions can create significant organizational opportunities. The data from this survey suggest that nonprofits should take immediate steps to begin (even long-term) planning for these pivotal periods.

Looking further into the future, even more serious structural problems loom. A national, cross-sector leadership shortage is probable<sup>4</sup>, and nonprofits will face significant challenges competing with government and for profit companies for talent.<sup>5</sup> This competition may have particular implications for seeking more diverse leadership in the sector. We believe that in order to meet these challenges, older leaders and their organizations must begin to groom and develop younger, middle managers to take up these roles and that organizations should review their compensation and benefits packages to ensure they remain at market levels. Finally, the sector should listen to younger leaders and staff and develop an understanding of what will motivate “tomorrow’s” leaders to stay engaged today<sup>6</sup>. These and other steps can help to ensure the long-term health and vitality of nonprofit organizations and the important work they do in our communities.

<sup>4</sup>Dohm, Arlene. (2000). “Managing the Labor Shortage: Finding and Keeping Good Young Employees” in Harvard Management Update Oct 1999. Boston: Harvard Business Press.; “Employers, Grant Makers, and Policy Makers Need to Face Shrinking Nonprofit Labor Pool, Says Researcher” in Chronicle of Philanthropy’s philanthroycareers, October 10, 2002. <sup>6</sup>Kunreuther, Frances. Up Next: Generation Change and the Leadership of Nonprofit Organizations. Baltimore, MD: The Annie E. Casey Foundation, 2005.



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# Change Ahead

THE 2004 NONPROFIT EXECUTIVE LEADERSHIP AND TRANSITIONS SURVEY

Effective leaders and leadership are critical to the health and well being of nonprofit organizations and the sector as a whole. During the next two decades, large numbers of today’s nonprofit leaders, members of the large Baby Boom generation, will seek new roles, new careers, or retire. To more clearly define the contours and potential consequences of this phenomenon, the Annie E. Casey Foundation commissioned the 2004 Nonprofit Executive Leadership and Transitions Survey which was conducted by Managance Consulting and TransitionGuides. With respondents including 2,200 executive directors from across the country, it is the largest study of these issues in the sector to date. The 2004 Nonprofit Executive Leadership and Transitions survey creates a strong set of baseline numbers with which to measure trends in leadership transitions over time. It represents an important opportunity to draw attention to the potentially disruptive implications that the growing number of leadership transitions will have for the nonprofit sector.

The survey builds on the Casey Foundation’s continued interest in nonprofit transitions. While they are normally associated with uncertainty, we believe leadership transitions are under-realized opportunities to find new and dynamic leaders, create stronger organizations, and get better results for children and families. Recognizing the growing incidence of executive transitions in its own network, the Foundation has provided transition consultant support to many grantees. The Casey Foundation has contributed to the development of a growing body of knowledge about executive transitions in nonprofits developed by the Neighborhood Reinvestment Corporation, CompassPoint Nonprofit Services, the Maryland Association of Nonprofit Organizations, the Building Movement Project, TransitionGuides and Managance Consulting. This research is creating a clearer, data-driven understanding of the contours, challenges and possibilities associated with the broad generational shift in nonprofit leadership that we can expect in the not-very-distant future.

## KEY FINDINGS

The 2004 Nonprofit Executive Leadership and Transitions Survey, which used a self-administered Web instrument, involved big networks of nonprofits serving children and families, several regional partners and their local networks, and grant recipients of the Annie E. Casey Foundation. The survey yielded a wealth of information about the leaders of today’s nonprofit organizations and the prospects for transitions during the next two decades. Key findings include:

- Representatives of the large Baby Boom generation now in their 40s and 50s comprise 72.5% of all nonprofit leaders, with 55% over the age of 50.
- Confirming earlier, smaller studies, the rate of executive transitions in the nonprofit sector is expected to increase during the next five years. Sixty-five percent of respondents said they are likely to go through a transition by 2009, while just 57% had experienced a transition during the past 10 years.
- The Baby Boom generation of leaders will transition out of the sector in two waves. The first is already beginning to occur and will continue through 2010. The second wave will occur later, peaking in 2020, as all Baby Boomers are approaching traditional retirement age.
- Substantiating a common observation, there is limited leadership diversity in the sector, as people of color lead just 16% of the organizations surveyed.

## SURVEY METHODOLOGY

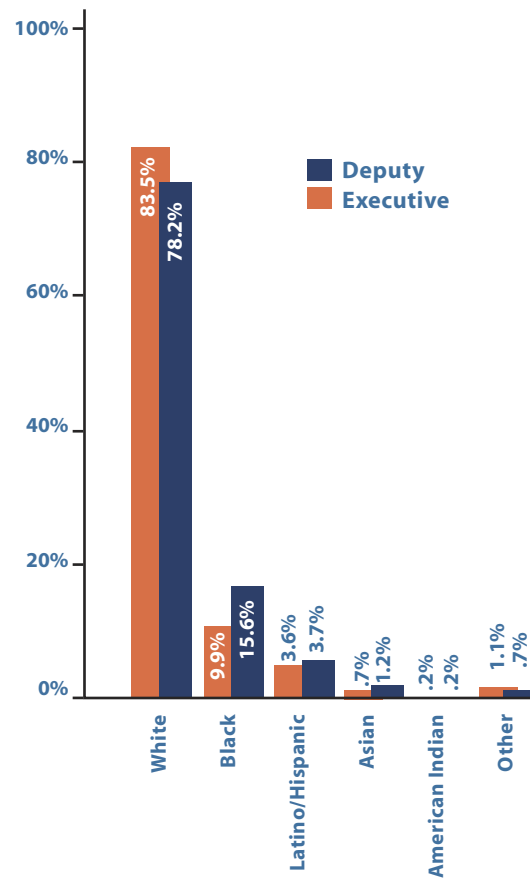
In all, 9,000 nonprofit organizations were invited to take the 2004 Nonprofit Executive Leadership and Transitions Survey.<sup>1</sup> More than 2,200 responded, a response rate of 25%. Survey respondents were fairly evenly split among small, medium, and large organizations.

A quarter of respondents were from human services organizations, and another 23% were from youth development organizations; 11% from neighborhood housing and economic development organizations, and 9% were from health or mental health organizations.

### Highlights

The largest study of transitions and leadership in the nonprofit sector, the 2004 Nonprofit Executive Leadership and Transitions Survey provides a provocative and comprehensive look at these issues. The survey's most important highlights and conclusions are presented here. For a full copy of the report, please see the Annie E. Casey Foundation's web site [www.aecf.org/publications](http://www.aecf.org/publications) (Select Leadership Development Publications).

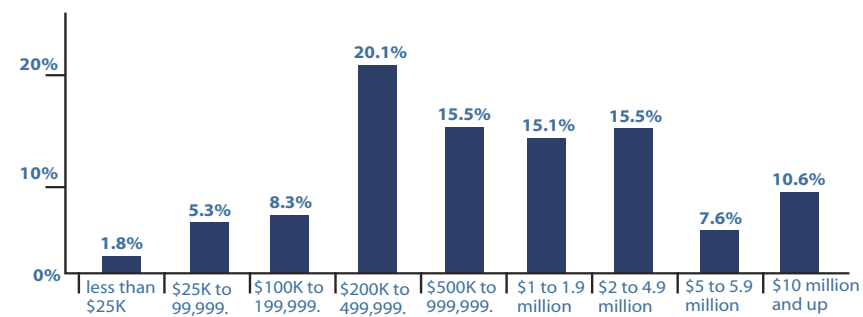
### EXECUTIVE AND DEPUTY DIRECTORS RACE/ETHNICITY



### Who Are the Leaders of Nonprofit Organizations?

- A third of executives are either long-time executives or founders.** Nineteen percent of executives indicate that they helped found their organizations, and 28% have been in their jobs for more than 10 years. Taking into account the overlap between the two groups, 34% of respondents either helped found their organizations or had been in their positions for more than 10 years.
- Most are first-time executives and less than a quarter plan to take another executive position in the nonprofit sector.** A majority of nonprofit executives are in their positions for the first time (60%). Many (42%) have had experience at some point in their careers in for-profit companies, and 73% have more than 10 years experience in the nonprofit sector. In the future, only 21% plan to take another executive job, and 38% plan to retire or semi-retire after leaving their current positions.
- Women executives outnumber men, but they run smaller organizations and make less money.** Women lead 58% of nonprofits. However, women more often head smaller organizations both in terms of staff and budget. On average, women earn \$60,000-69,000 versus men, who earn \$70,000-79,000.
- There is limited leadership diversity in the sector.** Eighty-four percent of executives are white; 10% are African American; and 4% are Hispanic/Latino. Deputy directors are slightly more ethnically and racially diverse than the executives. Fifteen percent of deputies are African-American compared to 10% of executives. Asian and Latino/Hispanic representation is similar among deputies and executives.

### OPERATING BUDGETS OF RESPONDENTS



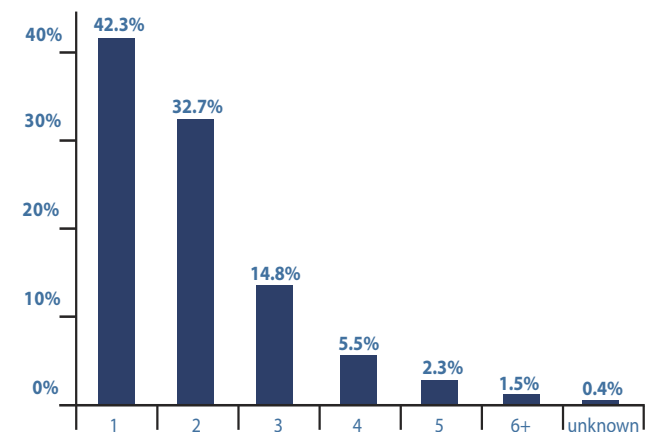
### What Does the Future Hold for Nonprofit Executive Transitions?

- The sector is moving from relative stability to instability at the top.** Among survey respondents, 65% said they are likely to go through an executive transition within five years. In comparison, just 57% of nonprofits had experienced an executive transition in the *past 10 years*. This is consistent with other research, which shows a transition rate of ten percent a year in the near term. The rate will then increase slowly.
- Transitions will likely occur in two waves.** This study confirms earlier indications that many executives of nonprofit organizations are in their 50s (55% are over 50) and that these baby-boomer executives are going to leave the sector in two waves—by 2010 and then another wave by 2020. Forming the first wave, a little over half of the baby-boomers (57%) in nonprofit executive director positions say they plan to leave by 2010, though they may remain a resource to the field as consultants or in other part-time roles. The second wave will be formed by the other 43% of baby-boomer executives as they hit retirement age. Four out of five of the baby-boomer executives who are staying in their current positions for more than 5 years plan to retire after leaving their positions. If recent transition patterns hold, most of these transitions will occur by 2020, when all but the youngest baby-boomers will have reached 62, the age when work force participation drops precipitously.<sup>2</sup>

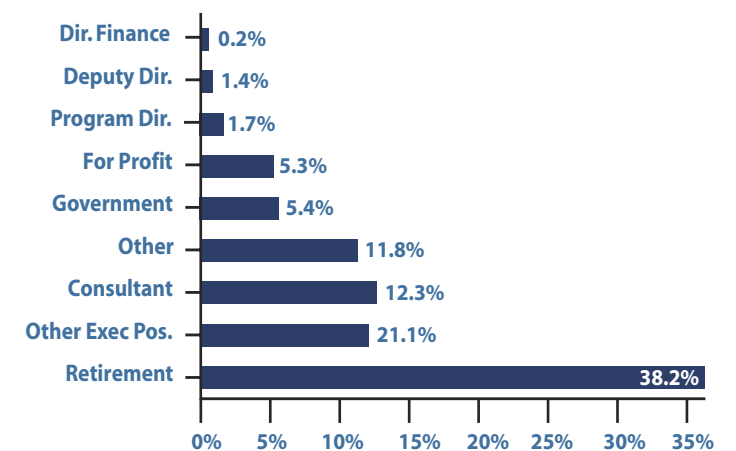
### How Prepared are Nonprofit Organizations for Transitions?

- Senior management positions exist, but are not extensive in many places.** Many organizations have some staff in senior management positions, which may serve as a training ground for future executives. About one third (36%) of the organizations have a deputy director or someone they consider to be the second in charge. A majority (74%) have a program director.
- Nonprofit organizations have relatively limited experience with transition planning and assistance; more have experience with succession planning.** Very few organizations used external assistance when they hired their current executive. The most commonly used resource was an executive search firm, employed by 10% of organizations. Another 9% used consultants. In terms of the transition process, 68% formed a board committee to manage their executive search process, and 12% interviewed external stakeholders as a part of the hiring process. On the other hand, 44% of organizations reported having a succession plan.<sup>3</sup>

### NUMBER OF EXECUTIVES IN PAST 10 YEARS



### ANTICIPATED NEXT POSITION



<sup>1</sup>The survey was promoted by a variety of partner organizations to their networks and to nonprofits in their communities. This includes 11 of the Annie E. Casey Foundation's National Partners in the Neighborhood Transformation/Family Development National Campaign and local partners in Georgia, Jacksonville, FL, New York, NY, Pittsburgh, PA, Milwaukee, WI, and Cleveland, OH. Foundation's grantees from 2002, 2003, or 2004 were also surveyed.

<sup>2</sup>Dohm, Arlene. "Gauging the labor force effects of retiring baby-boomers." In Monthly Labor Review July 2000. Washington, DC: Bureau of Labor Statistics.

<sup>3</sup>A succession plan was defined in the survey as providing guidance on what to do during a planned or unplanned departure of the current executive director.