



WHAT NOW?

**HOW WILL THE IMPENDING RETIREMENT OF
NONPROFIT LEADERS CHANGE THE SECTOR?**

A WHITE PAPER

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**BAYER CENTER FOR
NONPROFIT MANAGEMENT**

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IN THE SUMMER OF 2017, AS PART OF BAYER CENTER FOR NONPROFIT MANAGEMENT AT ROBERT MORRIS UNIVERSITY RESEARCH FOR WHAT NOW?: HOW WILL THE IMPENDING RETIREMENT OF NONPROFIT LEADERS CHANGE THE SECTOR? PROJECT, 11 REPRESENTATIVES OF THE FUNDING COMMUNITY OF GREATER PITTSBURGH FOUND TIME TO DISCUSS THIS LOOMING QUESTION. IT IS ONE OF REAL SIGNIFICANCE TO THEIR CORE MISSION OF INVESTMENT IN STRONG COMMUNITIES LED BY EFFECTIVE LEADERS. TOGETHER, THESE FUNDERS STEWARD ASSETS IN EXCESS OF \$7 BILLION.

The 11 represented foundations with broad missions and grantmaking as well as specialty missions. Those interviewed include:

Gregg Behr
Grable Foundation

Diana Bucco
Buhl Foundation

Michele Cooper
McAuley Ministries

Lucille Dabney
Program to
Aid Citizen Enterprise

John Dawes
Foundation for
PA Watersheds

Sylvia Fields
Eden Hall Foundation

Scott Izzo
Richard King Mellon
Foundation

Max King
The Pittsburgh Foundation

Mark Lewis
POISE Foundation

**Grant Oliphant and
Wayne Jones**
Heinz Endowments

Each one of these leaders contributed rich insight and a breadth of concern that bodes well for our collective future.

INSIGHTS FROM THE FUNDING COMMUNITY

Why talk to funders? Their work provides a daily overview of the sector with its successes and challenges. Making judgments about quality of its leaders is implicit in their job descriptions. They spend their days using their own knowledge of organizational challenges, making evaluation of organizational effectiveness and measuring results. Those insights are baked into their investment decisions.

Pittsburgh is a particularly fruitful place to pursue these conversations with key funders. While it is ranked number 12 in the nation in foundation total assets, it is fourth in foundation assets per capita after only Seattle, San Francisco and New York City. But it is first in investment per capita (Grantmakers of Western Pennsylvania 2014 report).

Pittsburgh foundations play a disproportionate role in the fate of the nonprofit sector by spending a disproportionate amount of their wealth right here at home. These foundation professionals know, love and invest in this region in a vitally important way. Most of these senior and long tenured funders know their grantees well and have been investors in their agencies for a long time. Their agency partners are often long and valued collaborators. They know this community and the people who lead it. This makes their insights potent.

THE IMPORTANCE OF THE ISSUES

Why is talking about retirement so hard? In a close-knit community built by people of a common age, it can be uncomfortably personal. After all, no one wants the role of lame duck. Perhaps because of these considerations, in all of the research conducted for this study, **there was a curious lack of felt or expressed urgency**. From the survey results of “*I don’t know*” to the challenges of getting people to participate in the case studies to the continuing denial of those 65 years old and over to put in place the tools for succession planning, there was an undercurrent of Scarlett O’Hara’s timeless solution to unpleasant reality, “I’ll think about that tomorrow!”

In these funder conversations, perceptions varied widely about the urgency of the issue based on their estimation of the percentage of leadership to be affected. In addition to our own findings, a review of the literature on nonprofit retirement show over half of senior leaders will leave their leadership positions over the next decade. Local funder estimates ranged from anywhere from 15% to 65%. Most felt it would be 20-25%. **Our study shows the rate could be as much as 69%.**

WHO'S LEAVING & WHO CARES?

The rate of retirement is seemed less important to those interviewed than the loss of key individuals from our public discourse. When asked about individuals nearing conventional retirement age whose loss would be felt, there was a long and powerful list of stellar community leaders mentioned. **There will be loss of leadership across all types of nonprofits, educational, human services, arts and other cultural amenities, the environment.**

These well-respected leaders are known to have depth of experience, savvy and canny leadership. Many grew up with the sector. Just as with today's younger leaders, these were big mission, but low financial stakes jobs. They grew their organizations to multi-million dollar budgets with multiple government contracts, affecting the lives and futures of thousands. Their successors don't have the same luxury of learning and growing on the job. They inherit a very different world with even higher stakes for decency and improved quality of life in an often hostile political environment.

This loss of key leaders is coupled with the projected losses of personnel across the organizational spectrum. Related employee turnover is a reality as CFOs and bookkeepers, development directors and fundraisers, program directors and front line staff will also leave as leaders move on.

Talent acquisition and management are not words commonly used in a sector with 75% of its members have annual operating budgets of \$500,000 and staffs of fewer than 10 people. Many nonprofits have lacked a focus on HR, an unfunded and often invisible function of both management and governance. This now becomes an urgent concern.

As the largest age cohort in the history of the United States, the boomers built this burgeoning sector. In their experience, there were numerous applicants for every opening. It wasn't necessary to offer competitive salaries or good benefits to attract talent. And there was great opportunity to build a career by moving to the next place. Even though the Millennials are also a very large age cohort, the Gen Xers—many of whom have been working for nearly 20 years and are ready to step up and lead—are half the number of people than the Boomers.



Many areas of concern were raised by philanthropy professionals during our conversations. When asked about their perception of succession planning by NPOs, some words were most frequently used.

INCONSISTENT.

RELUCTANT.

AWKWARD.

VERY, VERY WEAK.

INTRUSIVE.

One funder spoke to another likely challenge. Many times during executive transition, there is a pause in funding. Sometimes, this pause is related to the ineffective leadership of the exiting executive. But sometimes this pause can be protracted by funding cycles or the time it takes a new leader to be introduced and the agency can lose vital funding. This funder wanted to alert his colleagues to be careful not to let too much time elapse for agencies who are doing important work - even if the new leader is not yet proven.

When asked if they had been approached by individuals or board members for help with insufficient retirement packages, several said sometimes or on occasion. While it is important to remember that foundations do not fund individuals, it has happened that respected individuals have been retained with vague consulting contracts or other post-career work in an effort to ameliorate inadequate retirement savings or if they are just outliving their money. But this is not common. There is not enough money for it to be common.

Other funders emphatically said it never happened or, at least, not on their watch. One candidly stated that facilitating a needed retirement may be wise where the individual is hanging on after the optimal time for transition because they cannot afford to retire.

But unfunded pension benefits are a sword hanging over society. The difference is that in nonprofits, many times people's livelihoods have been treated casually. So, unlike the public sector where there is a big and problematic number, in the nonprofit sector, there is not a quantifiable amount. But it is clear from our study that it would be a big number, if quantified.



LEARNING FROM THE FUNDING COMMUNITY ABOUT EXECUTIVE TRANSITION

Foundation leaders were concerned about the nonprofit state of preparation for retirement. So what can we learn about executive transition as now practiced in our local Foundation community? Some good models exist. Unlike many NPOs, the foundations have financial capacity to pay for a proper transition and they are staffed by sophisticated people who interact with business and corporate leaders who are working on similar issues.

All foundation leaders reported in detail about their work on building their own bench. Some have internal successors already being deliberately groomed to succeed them. Those people are given thoughtful assignments, being introduced to key stakeholders, and given regular access to the board. Others are working to change the whole culture. They provide high level training opportunities to a mix of staff, seeking to better understand who took these opportunities and ran with them. Some have succession plans with their board who annually requested updates. These plans include policies on giving notice both internal and to their grantees and other stakeholders. This type policy recognizes that with a change in leadership there will inevitably be a change in priorities which could negatively affect an agency's prospects.

It was good to hear this direct and intentional look within for leadership candidates. Research shows that **while for profits promote from within two thirds of the time, nonprofits promote from within only about**

half that frequently. In the present and accelerating war for talent, looking within is a strategy that needs development. But in small nonprofits with very small staffs, perhaps this strategy is better looking beside.

Pittsburgh has been characterized by long tenure and not a lot of movement in the senior ranks of its nonprofit community. Many local organizations have a second name and it is the Executive Director's. This may make the typical nonprofit career building strategy more challenging, that of advancing by moving around. Either we must as a sector take a cue from the funding community and grow our leaders from the seed, inside our organizations or we must strike the word "poaching" from our vocabulary.

The funders interviewed were equally clear that they would not have nor would they seek to specifically identify their successor. They recognized the importance of having the board fall in love with the new person and be deeply invested in their success. Most welcome modest involvement at the beginning of the process, aiming to help define immediate organizational needs and the broad outlines of future direction. However, they would not support having a fully determined strategic plan that seemed to be seeking to dictate to their successor. They hope that any worthy successor would have lots of ideas of their own!



POSITIONAL POWER AND PURPOSE IN THE NONPROFIT SECTOR

The foundation community in Pittsburgh is a recognized political force. Those who are leaders are given great power to set the agenda for the larger community and experience tremendous deference from others. In many cases, this deference is not sought and the power can be a burden, but it is real and growing in this current climate of dysfunctional government. So each interviewee was asked, “How important is positional power to you? And how might your self- image change upon retirement?” These questions elicited a variety of responses.

While most fully recognized that the position colored other people’s response to them and those responses would change immediately upon vacating the seat, they acknowledged concern at their own potential loss of power and purpose. Most already have retirement projects in mind, ranging from time for woodworking to finally having time for writing to continued community leadership through board service. However, this change of jobs with meaning and ability to affect change is a real loss.

This potential loss of respect and purpose is a key concept in all discussions of nonprofit retirement. In one of the *Building Movement* white papers, a recently retired executive said, “It was like I died when I retired.”

Loss of relevance, purpose and valued relationships is a heavy load to contemplate and at the same time, the effects of aging in a youth glorifying culture. The funder interviews reflected this reality as part of the puzzle people confront at the end of a successful and valued career. So, the question is **What Now?**



WHY DON'T WE INTENTIONALLY BUILD OUR BENCH?

Why don't we build our bench? In Pirates' loving Pittsburgh, the analogy for grooming younger professionals was "Grow them from a Triple A team to the Majors!" Many funders say that they invest in leaders, not organizations, but the investment in building the capacity of those leaders has traditionally been minimal. **More than one of those interviewed began to discuss a more intentional approach by grantmakers to supporting effective succession and building the strength of new leaders.**

There was a skepticism expressed about traditional mentoring programs. A desire for genuine and transparent mentoring opportunities to be available to a much larger and critically more diverse pool of next generation leaders was a key component of the discussion. The awareness of the difficulty of the reality of the ease of replacing seasoned, passionate leadership grew as the conversation continued.

But there was a healthy excitement about younger leaders. **Younger people were seen as agents of reinvention, disruption and impatience with certain nonprofit conventions.** Entrepreneurial and eager participants in the sharing economy, they challenge the fragile nonprofit business model. It was striking that while the list of seasoned professionals rolled off the tongues of every funder interviewed, names of younger individuals were far less frequently mentioned. Many of the most promising leaders may well be as yet unknown.

As one funder said, "They want the Up Prize, not the United Way." But **Pittsburgh has long been a town in which it has been hard to be taken seriously if you are not at least 50...**and that is still often true. Still, there was pleasure and energy in the voices as they considered the future with these skilled younger leaders. These leaders are seen to be directly involved with their constituents and characterized as tied to mission passion who often ask **Why Not?** We need this impatience and healthy skepticism.

The size of the age cohort and the intensity of purpose in the Millennials made some doubt that the Gen Xers who have been working and waiting for the Boomers to move over would ever get their turn. An age cohort half the size of both the Boomers and the Millennials, Gen X is the logical pool for new leadership. It is distressing to hear this generation express their frustration at the vice in which they live, **stuck between the seasoned Boomers and the sexy Millennials.**

Often already doing great work in the sector, Gen Xers had analog childhoods and digital adulthoods. They are the bridge that can **combine appropriate institutional memory with technical savvy and depth of relationships.** Those skills have long been tools for success in the deeply relational world of nonprofits so I would not rule out their ascendancy as the Boomers exit the scene over the next 10 years.



NEW MODELS OF LEADERSHIP NEEDED

There is nothing simple in this new equations of leadership, sustainability and effectiveness. Perhaps the new hybrid values-driven business organizations may flourish with new models of leadership. Because many younger people report that they do not want the Executive Director job!

A generation that often places a high priority on work-life balance has closely observed work-stressed elders coping with governance and funding challenges, working long hours for low pay and now not able to retire. They have some understandable criticism of the way the sector is currently built.

New models of agency leadership need to be explored while these questions are raised:

- Are there better ways to structure agencies?
- How can responsibility and tasks be better divided?
- What are the implications of these changes for accountability by staff and board?
- Can the social justice sector create more justice within its own house that further enables greater justice without?

Those institutions that seek to build the capacity of vital nonprofit organizations need to take this sea change of leadership, of business models and of structure seriously. Serious challenges demand serious problem solving. From these interviews and decades of work in capacity building, here are possibilities to address the challenges on the near horizon.

1. Direct service help is needed for the exiting leaders. The number one request of the executives who responded to our survey was for executive transition assistance. Currently, there is no focal point for finding interim directors for helping boards and staffs better understand orderly transition. Protocols and policies about effective transition need to be widely adopted. An example of such a policy is interim directors should work for the stabilization of the organization, not to position themselves as the next leader. These practices are proven to making the sector's transition more productive. Such leaders would be more open to merger and the loss of one executive position. They would have a different and powerful voice with the board. Boards would have trained and sturdy partners as they go through what may be for some the most challenging time of their board service.

2. Tap the wisdom of the exiting leadership. In a national study, "Daring to Lead", the vast majority of nonprofit leaders did not want to leave the sector after formal retirement. While it is seldom a good idea for the leader, especially long-tenured or founding executive to remain in the agency they built, they could provide guidance, relationship coaching and other practical strategies learned on the job as a part-time employee, running a program or keeping the books at another agency.

The Bayer Center's Wage & Benefit Study as well as other industry research, documents a sector that employs fewer part-time employees than does business. Meaningful, fairly compensated part-time work should be encouraged. An employee "agency" that facilitates the process for agencies and individuals, both in unfamiliar territory would open the marketplace and accelerate productive change.

3. Funders were thoughtful of and critical of current professional development efforts. There was a feeling that too many programs were not sufficiently specific or rooted in reality. There needs to be real thought given to program development for the next generation of leaders. **In addition to skills building activities, a new style of coaching driven by the changes in the workplace, the funding environment and the evolving cast of leadership characters needs to be developed and made financially available to younger nonprofit leaders.**

4. Greater financial sophistication for both organizations and individuals is needed.

The lack of knowledge and attention to financial reality is at the heart of the current situation. Using a model like the Executive Service Corps, former CFOs and other skilled individuals could provide custom financial management skills building to the new generation of leaders. Financial management professionals could be engaged as volunteers to assist nonprofit professionals in individual financial planning on an on-going and individual basis.

- 5.** Nelson Mandela and Jimmy Carter and other very distinguished public servants formed The Elders 10 years ago. This group has led a discussion about how the world, a decent and humane world, should work. They have written opinion pieces, staged actions, been interviewed by the world press. Admittedly, they are big names, but big names that recognized the power in affiliation and association to advance their aspirations for the world.

The nonprofit world as we know it is in a perilous place. The significant loss of leadership is threatening. **Could there be a group of senior community leaders who meet, discuss, share their experiences, write Op-Eds and seek deliberately to influence the thinking of new decision makers and makers of public policy?**

This group would draw upon the biggest names in nonprofits... foundation leaders, senior nonprofit executives, people who had given their whole lives in service to their community... that are now freed from the responsibility of leadership in one organization to give voice to truth and seek justice. Isn't that the place that many Boomers started?

Isn't this the time that demands courage and vision and voice?

THANKS TO:

Gregg Behr

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Lucille Dabney

Program to Aid Citizen Enterprise

John Dawes

Foundation for PA Watersheds

Sylvia Fields

Eden Hall Foundation

Scott Izzo

Richard King Mellon Foundation

Max King

The Pittsburgh Foundation

Mark Lewis

POISE Foundation

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The future is always bright, always perilous, always unknown. The nonprofit sector has been characterized by resourcefulness, by the power and beauty of dreams for the greater good. Those who have led and those now leading and those yet to lead must be heard.

The responsibility of the sector that is not business, not government, but is mutual benefit, is the social sector must endure, serve with intelligence and passion and protect the lives of the vulnerable. This is consequential work.

We must pass the torch with care.



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