

The trials of transition

[Print](#)

By Pamela Ryckman

Published: May 31 2008 05:12 | Last updated: May 31 2008 05:12

There have been many changes since Steven McCullough took over three years ago as president and chief executive of Bethel New Life, a non-profit organisation serving low-income communities on Chicago's west side. He joined as chief operating officer in 2001 after gaining an MBA from the University of Chicago and many years in the for-profit arena. By that time, Bethel had grown from a volunteer church ministry with a \$9,000 budget to an independent agency with 350 employees and \$17m at its disposal.

"Bethel grew up filling gaps in the community. The philosophy was 'let's wing it', rather than thinking through opportunities and their consequences," McCullough says. As its chief, he has pursued a more business-like approach. "It's now a big, complex organisation, so I saw it as a great challenge to use everything I've learnt in the corporate world and apply it to the non-profit sector."

But he finds himself in a "culture war" as he tries to shift the ethos of an institution that clings to its founder's approach long after she retired. McCullough has been working to instal up-to-date systems, hire a new management team and build a board with a balance of community and corporate stakeholders. "Everything is in transition," he says. "It's like we're flying the plane and fixing the engine at the same time."

Bethel's transition struggle is echoed nationwide as baby-boomer founders and long-term leaders of the country's 1.5m non-profits begin to retire.

According to Daring to Lead, a 2006 study of non-profit executive leadership by the Meyer Foundation and CompassPoint Nonprofit Services, 75 per cent of executive directors plan to leave their jobs within the next five years, and incoming leaders face many challenges, including tight resources, inferior infrastructure, apathetic boards, misunderstandings between older and younger employees, and a lack of management training for next-generation leaders.

Ready to Lead, a follow-up study this year by the Meyer and Annie E. Casey foundations, in conjunction with CompassPoint and idealist.org, reports that many junior staff are dissatisfied with prospects for advancement. Add to this greater competition for top talent from government and business, and the non-profit sector is facing what some call a "leadership crisis".

The next generation of leaders is less likely to embrace the sector's culture of sacrifice. They are concerned about low salaries and fear they will be unable to support a family, purchase a home or retire comfortably. Executive directors' long and taxing working hours are equally discouraging.

Often a non-profit's founder has been doing three or four different jobs and is the sole point of contact for donors and board members. Resource constraints have left executive directors with little time to groom underlings, so junior workers lack opportunities to develop skills.

"In the non-profit sector we don't invest in talent. We think about it as a disposable, expendable resource we can burn through until the next crop of idealistic young interns graduates from college," says Patrick Corvington, senior associate in leadership development at the Casey Foundation and a former non-profit executive director.

Boomers and younger staff also have different attitudes toward work-life balance. "[Younger talent] is committed to a movement and a mission but also committed to other parts of life, like family," Corvington says. Many were raised as latch-key kids and have decided to spend more time with their own children. "Boomers thought they could win faster than they did. They acted like [social change] was a sprint but we've learnt it's a marathon. So we train differently, run the race differently."

As opposed to their boomer counterparts, next-generation leaders identify with causes and outcomes rather than particular organisations; they are more likely to job-hop within a general movement such as youth development and move from non-profit to corporate to government work in an effort to be most effective.

The generations also diverge on their definitions of credibility. Where boomers prized time spent at the barricades or marching in the streets, their underlings value advanced degrees and web-based networking. "Younger leaders view themselves as professionals who have been trained in leading and managing non-profits," says Rick Moyers, director of the the Meyer Foundation's Nonprofit Sector Fund. Generations X and Y protest that much of their work is invisible to their bosses.

Instead of organising physical protests or rallies, young people use the internet to disseminate information and raise awareness. "Boomers look at the streets and ask: 'What happened to our movement?' But the new generations are using technology," says Marla Cornelius, projects director at CompassPoint.

As a result, experts insist there is not a leadership deficit in non-profits; impassioned future leaders are simply redefining management's role. "I don't see it as a crisis. There's a lot of strength in the pipeline," Cornelius says. "We're trying to elevate the leadership that's happening beyond the executive director." Thirty-two per cent of non-profit employees have executive director aspirations and they need to be cultivated.

Some question whether executive director attrition will occur as quickly as data suggest. Many non-profit heads cannot afford to retire and others are reluctant to leave when they have spent their lives devoted to a cause. In spite of directors' intentions to depart, less than a third have discussed succession planning with their boards and 34 per cent are fired or forced out. So while younger leaders may covet top jobs, they cannot see a way up.

Because funders increasingly demand to see the tangible results of their donations, non-profits have funnelled money toward programmes and tried to stay lean. But this focus on accountability has an unintended consequence: eliminating training and middle management can starve the leadership pipeline and under-investing in administration leads to inefficient operations. "Non-profits use administrative costs as a measure of efficiency and they're really not. We need maintenance, training for staff and technology," Corvington says. "We need to make sure we can deliver services and, with only 10 to 12 per cent overhead, organisations haven't been able to raise salaries or attract talent or even provide benefits or retirement packages. We have to transform the way we think about general operating support for non-profits."

Boards and foundations are responding with various programmes to ensure valuable non-profits stay afloat, particularly during transitions. The Casey Foundation works with CompassPoint and the Meyer Foundation links with the Center for Non-profit Advancement and other independent consultants in the Washington, DC, area to bring transition services to their grantees. "We're trying to get succession planning to become standard organisational behaviour, like strategic planning and audits," Corvington says. "Sometimes we begin by talking about emergencies; for some founders it's less threatening to think about getting hit by a bus than it is to think about retiring."

Consultants often lead the search for incoming executive directors and advise agencies on how to redefine themselves. "We are trying to help organisations establish leadership throughout, including on the board, so succession planning is a leverage point. Hiring a new person is just one aspect," Cornelius says.

The Credit Suisse Americas Foundation pays 90 per cent of tuition for 18 middle-managers from its grantees to attend the Institute for Not-for-Profit Management at Columbia University Business School. "It's not a sexy thing to fund organisational development and capacity but more people are seeing the need," says Francine Lynch, the institute's director.

And this year, Milano The New School for Management and Urban Policy accepted 20 executive directors from the greater New York City area to its Tenenbaum Leadership Initiative, aimed specifically at "leading after the founder". "We stress the importance of developing a vision for the organisation – how to take it to the next level by respecting what came before but not feeling prisoner to it, and how to deal with the founder's ghost in the halls," says Fred Hochberg, Milano's dean.

Copyright The Financial Times Limited 2008

"FT" and "Financial Times" are trademarks of the Financial Times. [Privacy policy](#) | [Terms](#)
© Copyright [The Financial Times](#) Ltd 2008.