



Investing in a New Era  
of Nonprofit Talent  
and Leadership

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April 26, 2012

## About Emerging Practitioners in Philanthropy (EPIP)

EPIP's mission is to develop extraordinary new leaders to enhance organized philanthropy and its impact on communities. EPIP envisions a day when all generations of practitioners in philanthropy collaborate effectively to build better foundations for a better world. EPIP focuses its efforts on three impact areas:

1. Generational change and multigenerationalism: Foundations should integrate the experience of senior leaders with the innovation of emerging leaders.
2. Professionalism and effectiveness in philanthropy: Practitioners in philanthropy should be educated and trained to act according to the highest ethical and professional standards.
3. Social impact to build a better world: Philanthropy should endeavor to create a more just, equitable and sustainable society.

For more information, please visit [epip.org/genchange](http://epip.org/genchange).

### About the Author

Putnam Community Investment Consulting, Inc., is a national, award-winning consulting and evaluation firm that partners with philanthropic foundations and nonprofit organizations to research, develop, manage and evaluate grantmaking strategies and philanthropic initiatives. For more information, please visit [www.putnamcic.com](http://www.putnamcic.com).

### Acknowledgments

Creation of this paper and the Generating Change initiative were inspired and led by Rusty Stahl, who served as executive director of EPIP for its first decade. Special thanks to Cynthia Gibson, PhD, for her early work helping to develop the initiative.

Thanks to all those who provided insight, information and guidance in the development of this concept paper, including Linda Wood, senior director, Leadership and Grantmaking, and Paula Morris, program director, Flexible Leadership Investment Program, both of the Evelyn and Walter Haas, Jr. Fund; Rafael López, associate director, Talent Management and Leadership Development, Annie E. Casey Foundation; Richard Brown, vice president, Philanthropy, and Christine Rhee, manager, Philanthropy, American Express; Claire Peeps, executive director, the Durfee Foundation; Phyllis Segal, vice president, Civic Ventures Encore Careers; Stephanie Clohesy, principal, Clohesy Consulting; and all of the other representatives from foundations and nonprofits who shared their wisdom and experiences with us.

Finally, this paper and the Generating Change initiative would not have been possible without the foresight and generous support of the W.K. Kellogg Foundation and the Kresge Foundation. We thank them for their investments in nonprofit talent and leadership development.



THE KRESGE FOUNDATION

## Foreword

Emerging Practitioners in Philanthropy developed this paper to provide a fresh, solutions-focused framework to help funders address the pressing issue of nonprofit leadership development in ways that are flexible and appropriate across the diversity of the foundation field.

Because EPIP is the funder network that develops new leaders for foundations, we know firsthand how imperative it is for the funding community to invest in the next generation—and all generations—of people who power their work. We all know that foundations are only as effective as the nonprofits they support, and grantees are only as effective as their leadership and talent. It is, therefore, clearly in the self-interest of foundations, as well as in the interest of the public good, for all funders—no matter their mission, size or geographic or program areas—to invest the resources needed to fill the nonprofit leadership pipeline, develop and harness talent and transition and reengage seasoned leaders.

We hope that the Generating Change initiative, and the promising practices and resources in this paper and the accompanying tool kit, will inform your work and inspire you to explore a new or expanded role in supporting talent and leadership development efforts within and beyond your existing funding priorities.

As you consider nonprofit workforce issues at your foundation, let us know how the EPIP network can help inform your discussions and deliberations. Our staff and consultants have in-depth knowledge and expertise to support your work. We can provide additional information resources, serve as a sounding board, organize funder briefings and connect you to colleagues with similar funding interests.

In addition to letting us know how we can help, we encourage you to engage with the EPIP community and other colleagues at [epip.org/genchange](http://epip.org/genchange), the home of the Generating Change tool kit. Designed for interactivity, this is the perfect place to share the action you take, find support to overcome challenges and to add what you're learning to our research data! We invite you to tell us how this paper and our tool kit resources are making a difference in your grantmaking and in your communities. We also invite you to contribute promising practices and other resources.

We welcome your questions, concerns, ideas and suggestions and look forward to being both a resource to and a partner in your talent-related grantmaking.

I want to take this opportunity to thank Trista Harris, EPIP chair, and James Weinberg, immediate past chair, and the entire board for their insights in shaping this initiative. I am grateful for the hard work of Putnam Community Investment Consulting, Inc., and my colleague Rebecca Schumer for making this initiative possible. Finally, Jessica Coloma and

Alandra Washington of the W.K. Kellogg Foundation and Caroline Altman Smith of the Kresge Foundation deserve recognition for their vision and support of this work.

**Rusty Morgen Stahl**

Founder and Executive Director  
Emerging Practitioners in Philanthropy

**Dedication**

I would like to dedicate this Generating Change framing paper to the memory of Ambassador Robert L. Payton, professor emeritus of Philanthropic Studies, and to Mrs. Pauline Payton. The Paytons gave me a chance, welcomed me into their library and kitchen and introduced me (and many other young people) to the nonprofit sector—warts and all.

—Rusty Morgen Stahl

# Table of Contents

<b>Executive Summary</b> .....	<b>v</b>
<b>Generating Change: Investing in a New Era of Nonprofit Talent and Leadership</b> .....	<b>1</b>
Why Supporting Nonprofit Talent and Leadership Development Is Critical for Funders .....	2
<b>I. Redefining the Problem</b> .....	<b>3</b>
Leaders Aren't Leaving . . . Yet .....	4
Nonprofits Compete Well for Talent . . . for Now.....	5
Generational Differences Merit Further Discussion .....	10
The Nonprofit Leadership Diversity Gap Persists.....	12
Preparing for Change.....	13
<b>II. Generating Change: Building a Nonprofit Talent and Leadership Development Pipeline</b> .....	<b>14</b>
Seven Areas of Practice Essential for Building a Healthy Nonprofit Talent and Leadership Development Pipeline .....	15
Fueling the Nonprofit Talent and Leadership Pipeline .....	17
Recruitment .....	17
Retention.....	19
Developing and Harnessing Leadership Talent.....	22
Development .....	22
Realignment.....	25
Renewal .....	29
Advancing New Leaders, Reengaging Retiring Ones .....	30
Succession and Transition.....	30
Reengagement.....	33
<b>III. Getting from Ideas to Action</b> .....	<b>35</b>
Breaking Through Barriers.....	35
The Right Amount of Investment.....	37
It's Time to Dive In.....	40
<b>References</b> .....	<b>41</b>

## Executive Summary

For the past several years, the nonprofit sector has functioned under a cloud of impending loss of leadership, as predicted by several credible sources. Reports such as *Daring to Lead 2006* (CompassPoint, 2006) and “The Nonprofit Sector’s Leadership Deficit” (Bridgespan Group, 2006) forecasted a drain of talent and leadership for the sector, mostly due to the anticipated retirements of leaders in the baby boomer generation.

To get an updated view, Emerging Practitioners in Philanthropy (EPIP) conducted its own analysis of current data on trends and realities in the sector and found four key points that reshape the conversation about the future of nonprofit leadership:

1. The baby boomers aren’t retiring as quickly as predicted. Due to a number of factors—most noticeably the Great Recession—older workers are remaining in their jobs longer than anticipated. Although they will retire eventually, the crisis of leadership loss has been temporarily averted.
2. Filling the nonprofit pipeline with emerging leadership talent seems less of a problem in the wake of the Great Recession than it was in the middle of the last decade, but intentional approaches to awareness-building and recruitment are still necessary.
3. Generational differences are less likely to be a divisive factor in the nonprofit workplace than some earlier findings predict, but perceived generational differences might overshadow essential commonalities and give way to age-based stereotypes.
4. The diversity gap among the ranks of nonprofit leaders and board members still persists, and it will require intentional efforts to advance emerging leaders of color.

Given this new analysis of the sector, EPIP asked the questions: What about the talent and leadership that currently exist in the sector? What can and should we be doing to strengthen what’s already there and attract and promote what’s not?

EPIP believes that these questions are critical to funders. Foundations are only as effective as their nonprofit partners, and a nonprofit’s effectiveness is driven almost entirely by the caliber of its leadership and staff. Therefore, if foundations wish to derive the greatest return on their charitable investments, it pays to support nonprofit talent and leadership development.

To help funders begin to address these questions, EPIP launched the **Generating Change** initiative, designed to create deep discussion about the challenges and opportunities for nonprofit talent and leadership development; to illuminate new ways funders can address this critical need at all levels; and to increase investment in talent and leadership development at the individual, organization, movement and sector levels.

As a cornerstone of Generating Change, EPIP developed the **Nonprofit Talent and Leadership Development Pipeline**, a comprehensive framework that represents opportunities to engage individuals in the nonprofit workforce at every stage in their careers and serves as a guide for funders who wish to strengthen their investment in individual leaders, individual nonprofits, networks of organizations or in the sector as a whole. The pipeline acknowledges seven components of nonprofit talent and leadership development:

1. **Recruitment** involves the range of activities needed to build awareness of work opportunities in the sector, then cultivate and enlist new talent into the nonprofit workforce.
2. **Retention** refers to efforts to retain emerging and established professionals and volunteers in organizations, movements and within the sector more broadly.
3. **Development** describes ongoing organizational and sector-wide strategies to nurture the skills, knowledge, competencies and agency of nonprofit talent.
4. **Realignment** pertains to the restructuring of nonprofit organizations to adopt new work practices and leadership models.
5. **Renewal** refers to efforts to reinvigorate nonprofit leaders in order to avoid burnout and ensure the long-term viability of meaningful careers and contributions to the field.
6. **Succession and transition** describe efforts to create viable and supportive pathways for executives and board members as they phase out of full-time work, and for nonprofits to identify new leaders and prepare internally for those new leaders to take the helm.
7. **Reengagement** considers efforts to reengage midlife or retirement-age nonprofit leaders, either into “encore” careers or into critical part-time or volunteer roles to support nonprofit organizations and the sector more broadly.

Each of these areas offers distinct challenges and opportunities for funder investment, at both the individual-organization level and across the nonprofit sector as a whole. Many funders are already engaged in supporting nonprofit talent and leadership development at different points along the continuum and with wide-ranging levels of financial investment.

## Generating Change

EPIP envisions a day when a commitment to nonprofit talent and leadership development is standard practice throughout the sector, and leadership development activities are broadly and enthusiastically supported by funders.

The following paper presents EPIP's research findings in detail, explores the seven components of the Nonprofit Talent and Leadership Development Pipeline and provides ideas and recommendations for how funders can become engaged and help create a sustained, highly effective nonprofit workforce. Recommendations range from simply starting conversations about talent and leadership development with grantees and other funders to creating full-scale programs that address one or more components of the Nonprofit Talent and Leadership Development Pipeline.

EPIP also strongly encourages funders to learn more about the Generating Change initiative and access the latest information at [epip.org/genchange](http://epip.org/genchange). This website features an online tool kit, including case studies, resources and ongoing discussions to help funders engage in the work of nonprofit talent and leadership development.



## Generating Change: Investing in a New Era of Nonprofit Talent and Leadership

For more than a decade, we've heard about the looming "leadership crisis" for the nonprofit sector as it confronts a changing workforce: An overwhelming number of nonprofit CEOs will retire in just a few years. We'll experience shortages of qualified workers to fill both executive and entry-level positions in nonprofit organizations. Generational differences will create tension in the workplace as four separate age cohorts work together for the first time in history. The diversity gap will persist between the racial and ethnic composition of nonprofit executive and board directors compared to the racial and ethnic composition of the sector overall. In short, we've been told the sky is falling on the nonprofit workforce.

We wanted to dig a little deeper. As it turns out, the sky isn't falling. Instead, when it comes to nonprofit talent and leadership development, the sky's the limit—if we are intentional about reaching it.

What we found wasn't a lack of *talented workers* available to the sector but rather a dearth of *resources* for doing more with the talent we've got. True, we're still most likely going to face a wave of top-level transitions, but we also have the opportunity to develop and fully harness talent and leadership at all levels within nonprofit organizations and the sector as a whole. If the nonprofit sector can be more intentional about growing the talent and leadership that exists within it, then leadership crises can be a thing of the past.

Leadership potential is available at all levels in the nonprofit sector, from executives and board members all the way down to entry-level employees and individuals who have not yet become aware of the opportunity to work full time for social change. As you will see in this paper, the need for leadership development is an issue for the sector as a whole, not just for individual organizations. For these reasons, we believe it is the job of funders to help develop and support that talent. We're not talking about moving people into a finite number of executive director positions but rather about increasing and nurturing talent that exists and can deliver at *every* level in an organization, in local communities and in the nonprofit sector as a whole.

EPIP envisions leadership not as the end goal of a nonprofit career but as an everyday way of working.

To that end, we've drawn on leading research and practices in the nonprofit sector to build a comprehensive framework for examining and funding talent and leadership development. We call it our Nonprofit Talent and Leadership Development Pipeline, described in detail below. This framework proposes a wide range of meaningful opportunities for funders of all sizes and interests to invest in the long-term strength and effectiveness of nonprofits—as individual entities or as an entire industry.

The Nonprofit Talent and Leadership Development Pipeline is the backbone of **Generating Change**, an initiative designed by EPIP to create deep discussion on the challenges and opportunities for nonprofit talent and leadership development; to illuminate new ways funders can address this critical need at all levels; and to increase investment in talent and leadership development at the individual, organization, movement and sector levels. This paper is part of the Generating Change online funder tool kit, available at [epip.org/genchange](http://epip.org/genchange).

### Why Supporting Nonprofit Talent and Leadership Development Is Critical for Funders

Foundations have invested billions in America's nonprofit sector to support programs, build organizational capacity and provide general operating support, especially in the wake of the Great Recession. But without serious investment in the human capital that will drive programs, lead capacity-building efforts and strengthen operations in the near and long term, returns on past investments could be greatly diminished.

On the flip side, organizations with the systems to build and support strong, creative leaders and talented staff are better equipped to achieve the outcomes that funders care about and therefore help funders achieve their missions and demonstrate the positive results of their work. As communities grow more diverse and the issues that confront them become more complex and interwoven, foundations will need to be more inventive, nimble, bold and strategic. They will require nonprofit partners who share those qualities.

As one foundation leader put it, "We have goals and objectives, but we can't achieve what we want without having strong nonprofit organizations that can engage in any number of strategies and tactics. And we can't have strong organizations without strong leaders and deep benches. It's fundamental. When we support nonprofit talent and leadership development, we get better organizations, a better work product and more results."

We couldn't agree more.

## I. Redefining the Problem

While the predictions of the past decade do hold some water, they haven't all panned out. We evaluated the "looming leadership crisis" with respect to available evidence to help redefine the nature and extent of the leadership talent challenges facing the nonprofit sector. Here's what we learned:

- The departure of a large number of retiring baby boomer executive directors is a problem deferred, not a crisis averted. The entire nonprofit sector must act urgently and proactively to expand leadership opportunities and ensure that new leaders are prepared to assume the helm of organizations and movements as older workers retire. It is also crucial to reengage retiring leaders and ensure multigenerational learning in order to sustain both the legacies of the boomers and the innovation represented by new generations.
- Filling the nonprofit pipeline with emerging leadership talent seems less of a problem in the wake of the Great Recession than it was in the middle of the last decade, but intentional approaches to awareness-building and recruitment are still necessary to ensure that the most diverse, mission-driven and skilled workers are attracted to the field. Furthermore, the challenges of retention, development and advancement remain stubborn in the sector and require creative solutions. Importantly, accepted wisdom that nonprofit recruitment and retention challenges are related to inadequate pay is not entirely based in fact.
- Differences among generational perspectives and work styles exist. But the potential of generational conflict producing chronic problems in nonprofit workplaces may be overblown. What seems of greater concern is how perceived generational differences might overshadow essential commonalities and give way to age-based stereotypes. Intentional efforts at multigenerational learning will help increase empathy and understanding across cohorts both within organizations and across fields of work.
- A persistent diversity gap exists within the nonprofit sector. Nonprofit executive and board leadership fails to match the demographic realities of workers in the sector and the communities they serve more broadly. This state of affairs beckons for a more concerted effort on the part of nonprofit executive directors, their boards, philanthropy and the sector as a whole to do a better job of recruiting, retaining, renewing and advancing emerging leaders of color to executive positions.

A deeper dive into each of these four points reveals how we developed these findings:

### **Leaders Aren't Leaving . . . Yet**

Based on a survey of nonprofit executive directors, *Daring to Lead 2006*, published by CompassPoint Nonprofit Services, found that fully three-quarters of nonprofit executive directors at that time planned to leave their current jobs within five years. Another study, conducted by the Bridgespan Group in 2006 and titled "The Nonprofit Sector's Leadership Deficit," estimated that 640,000 new senior managers would be needed in the sector over the next decade, largely to account for the anticipated impending retirement of baby boomers. However, at the end of five years the expected exodus of nonprofit executives failed to occur. One had only to review a few long-term retirement trends, as well as the acute realities of the Great Recession starting in late 2007, to discern why this was so.

The assumptions that undergirded the expected retirements of baby boomers in the nonprofit sector in the last decade ran headlong into a trend that had been in the making since 1995. In that year, for the first time in roughly a century, fewer workers of retirement age were actually retiring compared to the year before. That trend continued into the new millennium. According to a 2009 RAND study,<sup>1</sup> a number of factors contributed to this reversal: improved health and physical longevity, rising educational attainment, increased labor force participation rates for women, a shift in the structure of employee pensions from traditional defined benefit plans to defined contribution plans such as 401(k)s, the increase in the retirement age for social security and rising health care costs that prompted older workers to wait until they were Medicare-eligible before retiring.

In addition to longer-term trends, the Great Recession has also acutely affected the willingness and ability of baby boomers to retire. According to the Pew Research Center,<sup>2</sup> a third of adults age 62 or older have already had to delay retirement as a result of the economic downturn and close to 60 percent of those in their 50s say they may have to follow suit.

However, despite the long- and short-term trends that have conspired to delay baby boomer retirements in the near term, the reality is that this population will eventually retire. A 2009 study<sup>3</sup> found that 52 percent of nonprofit executives were 50 years of age or older in 2000 (making them at least age 62 years or older in 2012). It is highly likely that this group will retire over the next five to ten years (and perhaps sooner if the pace of the

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<sup>1</sup> Nicole Maestas and Julie Zissimopoulos, *How Longer Work Lives Ease the Crunch of Population Aging* (RAND, 2009)

<sup>2</sup> Pew Research Center, *How the Great Recession Has Changed Life in America* (Pew Research Center, June 2010)

<sup>3</sup> Janet L. Johnson, "The Nonprofit Leadership Deficit: A Case for More Optimism," *Nonprofit Management and Leadership*, 19 (Spring 2009), 285-304

economic recovery picks up), making the need to plan for leadership succession and transition strategies again a critical reality.

### **Nonprofits Compete Well for Talent . . . for Now**

In addition to the anticipated loss of seasoned nonprofit executive directors to retirement, several reports have cautioned that the nonprofit sector is poised to lose the “war for talent” with the for-profit and public sectors. This is in large part due to a perception that nonprofits are unable to offer the competitive compensation and advancement opportunities needed to recruit and retain workers.<sup>4</sup> However, there is some evidence to the contrary.

#### ***Recruitment***

Just as it significantly impacted the workforce experience of older workers, the Great Recession has dramatically reshaped the U.S. labor market for young educated workers. While economic pain was felt among most workers in the economy, the impact was particularly concentrated among those just entering the labor market. Whereas a “talent shortage” seemed a plausible concern in the mid-2000s, in 2012 young college-educated workers face a qualitatively different labor market that is one of the worst in more than 60 years.<sup>5</sup> The unemployment rate of college graduates who are under 25 and not enrolled in school averaged 5.4 percent in 2007 but jumped to 9.3 percent on average in 2010.<sup>6</sup>

Yet, even as young workers struggle to find jobs, the nonprofit sector has so far managed to avoid the same aggregate-level job loss seen in the for-profit sector, maintaining an average annual growth rate of 2.1 percent between 2000 and 2010 despite straddling two major recessions.<sup>7</sup> The for-profit sector, on the other hand, saw jobs decline by an average annual rate of 0.6 percent over the decade.<sup>8</sup>

Taken together, the high unemployment rates for recent college graduates combined with the pronounced growth in nonprofit employment suggests that the nonprofit sector *as a whole* is not likely to face significant challenges in recruiting and retaining young workers

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<sup>4</sup> Marla Cornelius, Patrick Covington and Albert Ruesga, *Ready to Lead? Next Generation Leaders Speak Out* (CompassPoint Nonprofit Services, 2008); R. Patrick Halpern, *Workforce Issues in the Nonprofit Sector* (American Humanics, 2006); Amanda Ballard, “Understanding the Next Generation of Nonprofit Employees: The Impact of Educational Debt” (Building Movement Project, 2005)

<sup>5</sup> Heidi Shierholz and Kathryn Anne Edwards, *The Class of 2011: Young Workers Face a Dire Labor Market Without a Safety Net* (Economic Policy Institute, 2011)

<sup>6</sup> Ibid

<sup>7</sup> Lester M. Salamon, S. Wojciech Sokolowski and Stephanie L. Geller, *Holding the Fort: Nonprofit Employment During a Decade of Turmoil* (Johns Hopkins University, 2011)

<sup>8</sup> Ibid

for the foreseeable future. However, the picture for the sector as a whole doesn't necessarily match the reality for all nonprofit subsectors, different geographic regions or certain types of nonprofit jobs. It is likely the case that many individual nonprofits and high-growth nonprofit fields (e.g., health care) face both persistent and acute challenges with recruiting talented workers in the midst of an overall abundance of talent available broadly to the sector. In other words, as is often anecdotally reported by many small and midsized organizations, nonprofits can face a veritable recruitment famine in the midst of a sectoral feast.<sup>9</sup>

The only real way to assess whether there are chronic or acute field- or occupational-level recruitment challenges is to examine changes in vacancy rates, average lengths of unfilled vacancies and wage levels for specific industries over time. However, despite ample anecdotal evidence, we lack nationally representative data for the nonprofit sector that can help us assess by nonprofit field where worker shortages might exist. Data that is suggestive but not nationally representative, drawn from surveys conducted by Opportunity Knocks and Nonprofit HR Solutions, shows that vacancy rates as well as "length of time required to fill positions" have been declining in the nonprofit sector over the past couple of years.<sup>10</sup> This trend, no doubt, is primarily attributable to the economic recession.

This rosy near-term picture may, however mask an important underlying challenge: The general public, including young adults entering the workforce, does not appear to be well informed about the existence of the nonprofit sector, much less about the real opportunities of a nonprofit career. A 2004 study commissioned by the Forbes Funds found that college students primarily view jobs in two categories: for-profit companies and "everything else." The study also found that nonprofits are not resourced or equipped to proactively engage in outreach and recruitment.<sup>11</sup> Rather than relying on unemployment to attract and keep new cadres of talent—an approach completely devoid of strategy—the situation calls for efforts to pair recruitment with education about the sector and nonprofit careers. As the economy improves, nonprofit leaders would be well served by effective

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<sup>9</sup> For example, the chronic shortage of registered nurses in the U.S. nonprofit sector is well documented. See Jeff Miles, "The Nursing Shortage: Wage Information Sharing Among Competing Hospitals, and the Antitrust Laws: The Nurse Wages Antitrust Litigation," *Houston Journal of Health Law & Policy* (2007). Registered nurses are the largest health care occupation, according to the Bureau of Labor Statistics, U.S. Department of Labor, *Occupational Outlook Handbook, 2010-11 edition, Registered Nurses*, retrieved from <http://www.bls.gov/oco/ocos083.htm> on January 15, 2012).

<sup>10</sup> Opportunity Knocks, *Opportunity Knocks 2010 Nonprofit Retention and Vacancy Report* (Opportunity Knocks, 2011) and Nonprofit HR Solutions, *2011 Nonprofit Employment Trends Survey* (Nonprofit HR Solutions, 2011)

<sup>11</sup> Shelly Cryer, *Recruiting and Retaining the Next Generation of Nonprofit Sector Leadership: A Study of the (Missed) Connections among Nonprofit Organizations, College Seniors, and Offices of Career Services*, (The Initiative for Nonprofit Sector Careers, 2004), page 33

outreach and recruitment strategies to remain competitive in attracting new talent to the sector.

### **Retention**

Alongside recruitment, staff retention has been cited as a major challenge for nonprofit organizations, whether it involves retaining workers in the nonprofit sector overall or retaining workers within particular nonprofit organizations.<sup>12</sup> While we can find no nationally representative data that can help us understand the patterns of turnover for the nonprofit sector as a whole, we do have surveys that indicate a significant percentage of nonprofit workers intend to leave their organizations at some point in the near future.

A 2007 survey of its members by Young Nonprofit Professionals Network showed that among nonprofit workers with four or more years of experience, 45 percent planned to leave their organization and the nonprofit sector entirely.<sup>13</sup> In *Ready to Lead?*, published in 2008, the authors reported that of those surveyed, 70 percent of people of color and 64 percent of whites indicated that they would be surprised if they were still employed at their current organization in three years.<sup>14</sup>

Among respondents from both surveys, the top reasons expressed for intending or expecting to leave their current organizations are inadequate compensation and limited career advancement opportunities. While notions about nonprofit compensation may be based more on assumptions than fact, the concern about advancement opportunities appears to be well founded. (For a deeper discussion about the complex realities of nonprofit pay, see “The Nonprofit Pay Gap: The Complicated Story Behind a Common Perception” sidebar.)

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<sup>12</sup> Opportunity Knocks (2011)

<sup>13</sup> Josh Solomon and Yarrow Sandahl, *Stepping Up or Stepping Out: A Report on the Readiness of Next Generation Nonprofit Leaders* (Young Nonprofit Professionals Network, 2007)

<sup>14</sup> One major limitation of both of these surveys for evaluating retention issues in nonprofits currently is that they were conducted prior to the onset of the Great Recession in December 2007, which has likely had an impact on turnover intentions among nonprofit workers.

## The Nonprofit Pay Gap: The Complicated Story Behind a Common Perception

The notion that nonprofit organizations pay less as a rule is almost accepted truth. Most nonprofit workers are likely to have a personal experience or anecdotal stories of others who have been poorly paid in a nonprofit job. We often take it as a simple truth that all or most nonprofit jobs pay less than their for-profit counterparts. The truth, however, is much more complicated. The short answer to whether nonprofit jobs pay less than for-profit jobs is: *sometimes*. The experience of a pay gap really depends on where you work in the nonprofit sector.

Three nationally representative studies of nonprofit compensation conducted over the past decade have generally arrived at a similar conclusion: Simply working in the nonprofit sector doesn't mean that you will earn less than working in the for-profit sector. It very much depends on what industry you work in (e.g., education, health care) and what type of work you do (youth counselor, registered nurse, heart surgeon). In fact, if we simply compare wage levels at the sector level, recent evidence shows that nonprofit workers on average make more than for-profit workers, but less on average than local government and state government workers.<sup>15</sup>

Using data from the 1994-98 Current Population Survey (U.S. Census Bureau), Ruhm and Borkoski in 2000 found that while there was a wage difference between nonprofit and for-profit workers in the aggregate, when the researchers controlled for the type of industry in which workers were employed (i.e. healthcare, education, social assistance, etc.), the wage differences disappeared. In 2001 Leete used data from the 1990 Census to explore the same question.<sup>16</sup> She found that for-profit workers earned more than nonprofit employees on an economy-wide basis, but when occupational categories were taken into account, there was basically little difference between the sectors in terms of wage levels.

More recent data supports these earlier findings. Butler (2009), using data from the 2007 National Compensation Survey conducted by the Bureau of Labor Statistics, found that the average hourly earnings of full-time nonprofit workers (\$21.68) was actually *slightly higher*

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<sup>15</sup> Amy Butler, "Wages in the Nonprofit Sector: Management, Professional and Administrative Support Occupations" (Bureau of Labor Statistics, 2009)

<sup>16</sup> Christopher J. Ruhm and Carey Boroski, "Compensation in the Nonprofit Sector" (National Bureau of Economic Research, 2000) and Laura Leete, "Whither the Nonprofit Wage Differential? Estimates from the 1990 Census," *Journal of Labor Economics*, 19 (1), 2001, 136-170



than for-profit workers (\$20.46), but lower than workers employed in state governments (\$23.77) and local governments (\$25.16).<sup>17</sup> However, with these sector-level comparisons, the devil is very much in the details.

In 2007, for example, a surgeon working in the for-profit sector earned considerably more per hour on average (\$86.63) than a surgeon working in the nonprofit (\$54.62) or state and local government (\$40.41) sectors. On the other hand, registered nurses and clinical laboratory technicians earned almost identical hourly wages regardless of what sector they worked in. Similarly, the for-profit sector rewarded those in legal occupations with average hourly wages (\$40.56) that significantly outstripped the average earnings of those same occupations in the nonprofit (\$33.53) and local government (\$26.99) sectors. For administrative support occupations, however, working in a for-profit or nonprofit job yielded nearly identical average hourly wages (around \$15.50). For architects and engineers, working in the nonprofit sector offered a better hourly wage (\$36.37) than working in any other sector, whether for-profit (\$33.36) or state (\$29.30) or local (\$29.64) government.<sup>18</sup>

One occupational category of great importance for nonprofit leadership that earns demonstrably less in the nonprofit sector as compared to any other sector is that of management jobs. Nonprofit managers earn, on average (\$34.24), less than state government managers (\$36.18) and significantly less than local government (\$39.75) and for-profit (\$41.86) managers.<sup>19</sup>

To summarize, whether working in the nonprofit sector pays less depends on what field one works in and the type of work one does. But the evidence clearly shows that nonprofit managers are the least compensated when compared to their counterparts in other sectors.

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<sup>17</sup> Amy Butler (Bureau of Labor Statistics, 2009)

<sup>18</sup> For all average wages cited, please see the following three reports: Amy Butler, “Wages in the Nonprofit Sector: Healthcare, Personal Care, and Social Service Occupations” (Bureau of Labor Statistics, 2009); Amy Butler, “Wages in the Nonprofit Sector: Management, Professional and Administrative Support Occupations” (Bureau of Labor Statistics, 2009); and Amy Butler, “Wages in the Nonprofit Sector: Occupations Typically Found in Educational and Research Institutions” (Bureau of Labor Statistics, 2009).

<sup>19</sup> Amy Butler, “Wages in the Nonprofit Sector: Management, Professional and Administrative Support Occupations” (Bureau of Labor Statistics, 2009)

### *Current Barriers to Career Advancement*

A lack of career advancement opportunities is an oft-cited challenge in the nonprofit sector. In a survey of its members, the Young Nonprofit Professionals Network reported in 2007 that 69 percent of survey respondents cited lack of career advancement as a reason they planned to leave the sector. In *Ready to Lead?* (2008), 91 percent of senior managers and directors surveyed indicated that they are not being explicitly developed to be their organization's next executive director, and only 12 percent rated it likely that they will become their organization's next executive director (p. 21).

Regarding whether nonprofit professionals *want* to advance to the executive director level, nonprofit research suggests that a lack of preparedness for assuming the position may be limiting the willingness of nonprofit workers to aspire to the executive director role. Both YNPN (2007) and *Ready to Lead?* (2008) find common "job readiness" factors that make nonprofit workers feel unprepared to assume the executive director role. These include: a) a lack of technical and management skills and experience, b) a lack of external networks and connections, c) inadequate leadership capabilities, and d) a lack of mentorship and support. The burdens of fund-raising—and working with boards that do not fund-raise—may also be disincentives for taking on the top job.

Whether the result of organizational hiring practices or inadequate preparation, nonprofits do indeed fail to offer adequate advancement and developmental opportunities for their workforce, according to the limited evidence we have.

### **Generational Differences Merit Further Discussion**

For more than a decade, popular books and reports have described a potential problem of generational conflict in the workplace deriving from a difference in values and approaches between generational groups (e.g., between "Millennials," Generation Xers, and baby boomers) based upon the years in which their worldviews and approaches to work were formed.<sup>20</sup> Among the criticisms of most studies highlighting generational differences are that their results can't be generalized to the greater workforce because they use qualitative methods and non-probability survey samples, or when they use generalizable survey samples they fail to control for the effects of age or career tenure on the workplace values

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<sup>20</sup> This has included Lynn C. Lancaster and David Stillman, *When Generations Collide* (New York: Harper Business, 2002); Bruce Tulgan, *Managing Generation X* (New York: Norton & Company, 2002); Eric Chester, *Employing Generation Why* (Chess Press, 2002); and studies done specifically in the nonprofit sector, such as Frances Kunreuther et al, *Working Across Generations: Defining the Future of Nonprofit Leadership* (Jossey Bass, 2008) and Frances Kunreuther, *Up Next: Generation Change and the Leadership of Nonprofit Organizations* (Annie E. Casey Foundation, 2005).

reported.<sup>21</sup> In other words, comparing the workplace values of a 25-year-old to a 55-year-old may surface differences based not on birth year but on how long each has spent in the labor force. For example, older workers are known to have a stronger preference for job security and to display higher levels of employer loyalty, whereas younger workers are more likely to pursue advancement by switching jobs and therefore appear less loyal to a particular employer. Yet, as younger “Millennials” age, they too may become more concerned about job security and display higher levels of loyalty—a function of age rather than birth year.

In a recent study, researchers attempted to overcome the limitations of past studies by using a nationally representative survey administered to high school seniors over the past 30 years.<sup>22</sup> The researchers were able to control for the effects of age and career tenure in estimating the effects of year of birth on workplace values. They did find that, on average, younger workers place greater value on leisure and less value on doing “meaningful work” than do baby boomers.<sup>23</sup> However, these differences weren’t particularly large.

Despite finding differences that could be characterized as generational, there are significant limitations to this study’s findings, and they highlight some of the dangers involved in using generational typologies to develop workforce recruitment and retention strategies. For example, these findings don’t describe each individual from a particular generation but rather describe *average* differences between generational groups in the aggregate. So, for example, it would be a mistake to assume that any particular individual from the Millennial generation actually holds the “average” values from that generation or has values that are different from the “average” values of another generation. In fact, a nonprofit could conceivably hire dozens of Millennials and find that none of them displayed the characteristics associated with an average Millennial stereotype. Additionally, it turns out there is more variability *within* defined generations than *between* them.<sup>24</sup> So, there is a high probability that two people drawn at random from the baby boomer generation and the Millennial generation share similar rather than different workplace values.

An overall takeaway from our review of generational research studies claiming to describe differences in workplace values between different birth-year cohorts is that these findings

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<sup>21</sup> Jean M. Twenge, “Generation Me: The Origins of Birth Cohort Differences in Personality Traits and Cross-Temporal Meta-Analysis,” *Social and Personality Psychology*, 2 (2008)

<sup>22</sup> Jean M. Twenge et al, “Generational Differences in Work Values: Leisure and Extrinsic Values Increasing, Social and Intrinsic Values Decreasing,” *Journal of Management*, 36 (September 2010), 1117-1142

<sup>23</sup> Ibid

<sup>24</sup> Kali Trzesniewski and M. Brent Donellan, “Rethinking ‘Generation Me’: A Study of Cohort Effects from 1976-2006,” *Perspectives in Psychological Sciences* (2010), 58-75

are generally of little practical utility in designing recruitment, retention, development and other HR strategies within nonprofit organizations or the sector more broadly.

Furthermore, they may also pave the way to age-based stereotypes that do more harm than good by reinforcing differences rather than commonalities.<sup>25</sup> A better approach might be to build awareness of the different social contexts in which people develop their perspectives, challenge stereotypes that may arise related to youth or seniority and encourage opportunities for nonprofit workers across age groups to learn from each other. A worker's values are likely shaped by a combination of generational cohort, age, career tenure, socioeconomic standing, geography and experience, among a variety of other factors. While generational differences are an important factor to consider in facilitating workplace collaboration, you can't make hiring decisions based upon stereotypes. Employees in the nonprofit workplace bring multiple life and historical perspectives that enrich nonprofit work. We oversimplify generational differences at our peril. Generations are not monolithic, and we should strive to focus on commonalities that unite diverse perspectives.

Indeed, this is another example of where the "crisis" of generational conflict may really be an opportunity to take advantage of the rich generational and experiential diversity around the table to cross-train and spread institutional knowledge. This may be particularly appropriate in the interorganizational context of national or regional networks and social movements, where multidirectional mentoring can take place outside the context of management hierarchies.

### **The Nonprofit Leadership Diversity Gap Persists**

Racial and ethnic diversity in senior management and board positions remains a challenge within the nonprofit sector. The research evidence presented below shows that a *leadership diversity gap* exists between the racial and ethnic composition of executive and nonprofit board directors and the racial and ethnic makeup of the sector's paid workforce.

According to data from 2002, people of color make up roughly 19 percent of the nonprofit workforce,<sup>26</sup> yet data from the 2000 Current Population Survey show that they constitute just 11 percent of the sector's executive directors. Furthermore, a national Urban Institute Survey conducted in 2005 found that, on average, 86 percent of nonprofit board directors

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<sup>25</sup> Siva Vaidhyanathan, "Generational Myth" (*Chronicle of Higher Education*, September 19, 2008)

<sup>26</sup> R. Patrick Halpern, "Workforce Issues in the Nonprofit Sector: Generational Leadership Change and Diversity" (American Humanics, 2006)

were white and, strikingly, fully 45 percent of nonprofit boards located in metropolitan areas included no people of color.<sup>27</sup>

We lack more recent national data about the nonprofit sector that can better illuminate the nature and extent of the nonprofit leadership diversity gap. However, a couple of recent studies have explored the gap at state and local levels, and their findings are illuminating. In California in 2009, for example, 55 percent of the nonprofit paid workforce was composed of people of color, compared to 25 percent of executive directors and 28 percent of board directors. Similarly, in the Baltimore metropolitan region, 51 percent of the paid nonprofit workforce was composed of people of color in 2010, compared to 22 percent of executive directors and 27 percent of board directors.<sup>28</sup>

This sharp discrepancy between the racial/ethnic composition of the nonprofit paid workforce and nonprofit executives suggests a pronounced problem in the ability of the sector to advance nonprofit leaders of color to executive roles. A possibility that nonprofit leaders of color may be less willing to aspire to advance to executive roles is belied by findings presented in *Ready to Lead?* (2008). The authors report that of those surveyed, people of color (17 percent) were significantly more likely than whites (11 percent) to express a strong desire to be executive directors someday.<sup>29</sup>

### **Preparing for Change**

EPIP believes that the environment described by the findings above is not one of crisis but rather one of great opportunity. Rather than a leadership deficit, we have numerous talent assets to build upon. As older workers plan to retire (some seeking reengagement into new roles within the sector) and newer workers are eagerly looking for employment, the nonprofit sector has a chance to generate significant changes in the way that we go about recruiting, developing and promoting talented people at all levels. We also have the opportunity to engage multiple generations of leaders—of myriad ages and diverse backgrounds—who share common values and characteristics as they relate to nonprofit work. If the nonprofit sector can seize this opportunity and build an effective, mission-driven, multigenerational workforce, its ability to generate change will be strong indeed.

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<sup>27</sup> Francie Ostower, *Nonprofit Governance in the United States: Findings on Performance and Accountability from the First National Representative Study* (Urban Institute, 2007)

<sup>28</sup> Carole J. De Vita and Katie L. Roeger, *Measuring Racial-Ethnic Diversity in California's Nonprofit Sector* (Urban Institute, 2009) and Carole J. De Vita and Katie L. Roeger, *Measuring Racial-Ethnic Diversity in the Baltimore-Washington Region's Nonprofit Sector* (Urban Institute, 2010)

<sup>29</sup> Marla Cornelius, Patrick Covington and Albert Ruesga (CompassPoint Nonprofit Services, 2008)

## II. Generating Change: Building a Nonprofit Talent and Leadership Development Pipeline

While it is helpful for foundations to invest in occasional programs or instances of professional development at nonprofits, EPIP envisions an entire Nonprofit Talent and Leadership Development Pipeline that acknowledges opportunities to engage individuals in the nonprofit workforce at every stage in their careers and serves as a guide for funders who wish to strengthen their investment in individual nonprofit organizations or in the sector as a whole. Grantmakers could select targeted opportunities advanced by the framework at a size appropriate to available resources, core competencies, geographic parameters and other mitigating factors. We believe that through a broad, intentional effort, funders and nonprofits can work together to help the sector:

- **Fill the leadership pipeline.** Recruit diverse and effective emerging leadership talent into nonprofits and retain them within those organizations, in their fields of work and in the sector more broadly.
- **Develop and harness leadership talent.** Accelerate the development of the next generation of emerging and experienced nonprofit leaders, particularly nonprofit managers, to fill leadership gaps across all layers of nonprofit organizations.
- **Advance new leaders while reengaging retiring ones.** Create effective succession pathways and transition strategies for up-and-coming nonprofit leadership talent as well as for mid-career or retiring nonprofit leaders; reengage “emeritus” nonprofit leaders to offer mentorship and knowledge transfer to both their successors and the sector as a whole.

The Nonprofit Talent and Leadership Development Pipeline must be more than just a system for filling nonprofit positions. It should be, as described by David V. Day in *Developing Leadership Talent: A Guide to Succession Planning and Leadership Development* (2007), an integrated system for not only designing jobs but developing employees to assume those jobs.<sup>30</sup>

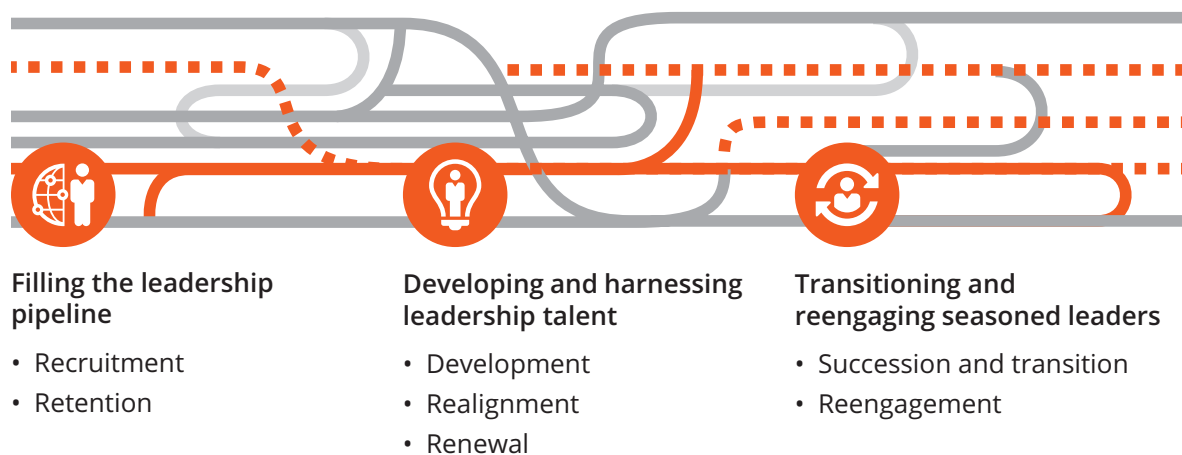
This means that nonprofits require robust leadership development systems as well as healthy succession planning and management systems in order to create an effective pipeline for leadership talent. Building a hierarchy of increasingly responsible positions

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<sup>30</sup> Jay Conger and Robert M. Fulmer, “Developing Your Leadership Pipeline,” *Harvard Business Review*, 81 (2003), 56-64

without developing employees to assume those positions threatens to leave nonprofits without the competencies they'll need. Likewise, instituting episodic or incoherent leadership development activities without a clear sense of current and evolving job requirements can lead to unsustainable and unfocused outcomes that can ultimately have a negative impact on mission.

## Seven Areas of Practice Essential for Building a Healthy Nonprofit Talent and Leadership Development Pipeline



There are seven areas of practice essential for building a healthy pipeline of human capital. These practices are core to building an integrated succession management and leadership development system that supports and manages nonprofit leaders. They can be described as follows:

1. **Recruitment** involves the range of activities needed to build awareness of rewarding and meaningful work opportunities in the sector, then cultivate and enlist new talent into the nonprofit workforce.
2. **Retention** refers to efforts to retain emerging and established professionals and volunteers in organizations, movements and the sector overall.
3. **Development** describes ongoing organizational and sector-wide strategies to nurture the skills, knowledge, competencies, voice and agency of nonprofit talent.

4. **Realignment** pertains to the restructuring of nonprofit organizations to adopt new work practices and leadership models, ensuring that the workforce and the institutions it sustains are aligned.
5. **Renewal** refers to efforts to reinvigorate nonprofit leaders in order to avoid burnout and ensure the long-term viability of meaningful and impactful civic careers.
6. **Succession and transition** describe efforts to create viable and supportive pathways for executives and board members as they phase out of full-time work, and for nonprofits to identify new leaders and prepare internally for those new leaders to take the helm.
7. **Reengagement** considers efforts to reengage midlife or retirement-age nonprofit leaders, either into “encore” careers or into critical part-time or volunteer roles to support nonprofit organizations and the sector more broadly.

Below we explore each of these areas of practice in greater depth and offer a sampling of effective practices gleaned from either the research literature or from the field. We also include recommendations for how and where funders might invest in each of these areas of practice. We invite you to also review the case studies that accompany this paper, organized according to these seven practices, in the Generating Change online tool kit at [epip.org/genchange](http://epip.org/genchange).

### **The Question of “Growing Your Own”: Developing or Buying Leadership Talent**

Nonprofit organizations are constantly faced with the choice of whether they should develop the leadership talent to assume a senior management position or whether they should simply buy the relevant talent available in the marketplace. A Bridgespan Group report suggests that nonprofits fill 30 to 40 percent of their senior positions internally, while for-profit companies average closer to 65 percent.<sup>31</sup> If the projected shortfall in qualified nonprofit executive talent comes to pass, many nonprofits may find that adequate, qualified management and executive talent is either unavailable or too expensive to buy in the marketplace. This may occur partly due to the relatively smaller cohort of midcareer or middle-manager workers in the sector and the workforce more broadly.<sup>32</sup> With every external hire for a management position, nonprofits increase their risk of poor organization or job fit, resulting in an employee’s premature departure. For senior manager and executive director positions, premature turnover not only can result in tremendous disruption for

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<sup>31</sup> Thomas J. Tierney, *The Nonprofit Sector’s Leadership Deficit*, The Bridgespan Group (March 2006)

<sup>32</sup> Ibid



an organization but, in some cases, can threaten its very survival.

A more prudent hedge against the prospect of fierce competition for nonprofit executive talent might be to focus on organizations “growing their own.” Internally developed candidates for executive directorships are more likely to possess “organizationally specific” human capital<sup>33</sup> (which includes knowledge, skills and experience that relate to resolving the specific types of challenges a particular nonprofit routinely faces) as well as social capital (the relationships of trust, reciprocity and shared history that enhance cooperation among both employees and those external to an organization, like funders and partners). In order to “grow their own,” organizations, networks and their funders must develop the will and resources to invest in emerging leaders for the long haul.

## Fueling the Nonprofit Talent and Leadership Pipeline

### Recruitment

Recruitment involves the range of activities from job postings to selection and socialization that help build a talented nonprofit workforce for individual organizations and for the sector as a whole. Rather than simply filling specific positions, however, the goal of nonprofit talent recruitment should be to recruit individuals into nonprofit careers. Doing so requires an eye to awareness-building and retention during the process of recruitment.

Because of the informality of nonprofit career pathways and the lack of intentionality in the recruitment process, potential future nonprofit workers are often unaware of how the nonprofit sector works, nor are they conscious of the possibility of successful, fulfilling and relatively prosperous nonprofit careers. We believe this lack of awareness creates an opportunity cost for the sector in terms of attracting talented individuals with skills who could benefit the work of nonprofit organizations, or those with perspectives and experience within communities served who could help enhance effectiveness. We therefore believe, based on our conversations with many young nonprofit professionals about the ways in which they “discovered” the sector, that awareness-raising is a critical precursor to traditional recruitment.

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<sup>33</sup> In the economics literature, this is known as “firm-specific human capital.” For a study of how firm-specific human capital interacts with turnover rates across industries, see Erwan Quintin and John J. Stevens, *Firm Specific Human Capital vs. Job Matching: A New Test* (Federal Reserve Bank of Dallas, 2003).

Recruitment efforts are more likely to be effective when nonprofits also consider retention during the recruitment process, sometimes referred to as “retention-informed recruitment.” Practices associated with retention-informed recruitment include: a) *realistic job previews* that involve the presentation of accurate information about both the positive and negative characteristics and potential challenges of nonprofit positions as well as organizational performance requirements<sup>34</sup> and b) socialization practices that help fully inform new hires about the values and culture of nonprofit organizations they are joining. Socialization is achieved through formal and informal relationship-building and exploration activities that help new employees gain a deeper sense of an organization’s values.

Developing job descriptions, advertising positions, selecting new hires, socializing them within the culture of the new organization and communicating and managing performance expectations are all bound up in the issue of recruitment. However, many of these functions are performed on an ad hoc basis because nonprofits, particularly small ones, lack staff dedicated to the human resources (HR) function. Instead, nonprofits need to develop strategic HR capacity (see “The Need for Strategic Nonprofit HR” sidebar to learn more).

### **Where Funders Can Invest**

From a sector-wide perspective, funders can support general recruitment efforts designed to attract workers to the nonprofit sector, such as nonprofit career fairs and online resources developed by intermediaries such as Idealist.org or OpportunityKnocks.org. One example of this comes from the Forbes Funds, which made a small grant to Idealist.org, enabling all nonprofits in the Pittsburgh area to post jobs on the site at no cost for a limited period of time.

Funders also can support career centers at colleges and universities—as well as academic centers focused on nonprofit management or philanthropic studies—to develop the knowledge of career counselors and written and online resources for careers in the local and national nonprofit sector. Many nonprofit-related academic centers can be found in the online membership list of the Nonprofit Academic Centers Council.

Educating nonprofits about the importance of building effective, strategic human resource capacity and providing resources to implement such efforts are also worthy investments for funders. Support for consulting, professional outsourcing or individual training are all potential ways to help nonprofits develop more effective and robust HR functions.

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<sup>34</sup> David G. Allen, *Retaining Talent: A Guide to Analyzing and Managing Employee Turnover* (Society for Human Resource Professionals, 2010)

On an individual basis, funders are supporting a variety of programs that encourage new talent to join the sector at multiple levels. Many foundations operate or support programs that place summer interns into local nonprofit organizations. Numerous community foundations have “youth philanthropy” committees that engage high school students in grantmaking. This is an organic opportunity to engage these young people in conversations about their life ambitions and provide opportunities to work in the nonprofit field (including but certainly not limited to work as grantmakers). Others support work at the other end of the pipeline, recruiting veteran leaders in “encore careers” in the nonprofit sector. Funders can also support individual nonprofits to conduct a review of existing HR capacity (or lack thereof) and develop strategic HR capacities and systems.

### Case in Point

The Cleveland Foundation introduces college students to nonprofit career possibilities through a 12-week summer internship program. “We felt that because our role is to support the nonprofit community, we should help supply talent to help build capacity,” says Nelson Beckford, program officer. “Our goal is to expose a wide range of students to the nonprofit sector.” Read more at [epip.org/genchange](http://epip.org/genchange).

## The Need for Strategic Nonprofit HR

Building an effective strategic human resource capacity within nonprofits and adopting impactful HR practices are among the most important strategies for improving the entire gamut of nonprofit workforce management. However, as a 2009 Nonprofit HR Solutions survey found, only one-third of nonprofits had a staff member dedicated to HR issues and 37 percent indicated that their primary HR staff was someone who “does other things” (Employment Trends, 2009). The HR role, particularly in smaller nonprofits, often falls on overtaxed executive directors and is reported as one of their most depleting tasks. In fact, in organizations of 6-25 staff members, there were only two functions for which a majority of executives reported having a senior manager other than themselves with primary responsibility: program (73 percent) and finance (53 percent) (*Daring to Lead 2011*).

Where HR professionals exist, their roles may need to change. Many HR departments in nonprofit organizations “have spent their time ensuring compliance with rules and regulations, so they lack the skills and competencies to act a strategic partner” for their organizations.<sup>35</sup> One option is for nonprofit to outsource many of the routine HR functions

<sup>35</sup> Joan E. Pynes, *Human Resources Management for Public and Nonprofit Organizations: A Strategic Approach* (Jossey-Bass, 2009)

and focus more attention on the strategic ones. HR outsourcing includes benefits consulting services; payroll software and services; health benefit services; recruiting, staffing and search services; relocation services for employees moving from one community to another; screening and workplace security services; Web-based HR information systems; incentive services; IT services; and Professional Employer Organizations and Administrative Services Organizations (firms providing outsourced HR and administrative services).

## Retention

Voluntary nonprofit turnover remains one of the most challenging factors to building an effective talent pipeline. Two top causes of turnover include dissatisfaction with supervisors and lack of clarity about one's role.

Turnover can be costly for organizations. Research suggests, for example, that the direct replacement costs (e.g., accrued paid time off, search and recruitment expenses) for a departing employee can amount to as much as 50 to 60 percent of an employee's annual salary.<sup>36</sup> Additionally, indirect costs are numerous and include HR staff time, temporary help or overtime for remaining employees, contagion effects (other employees deciding to leave), disruption of existing work teams, compensation for new hires, new employee orientation time and materials, HR intake and enrollment costs (payroll, benefits enrollment), formal training and socialization.<sup>37</sup>

A growing body of research links high turnover rates to deficits in organizational performance, and the effect is much more pronounced for smaller organizations.<sup>38</sup> In smaller organizations, for example:

- Workers who leave are likely to possess an essential skill or knowledge set that the organization depends upon.
- There is a smaller internal pool of employees to cover the lost employee's work.
- The organization may have fewer resources to cover the costs of replacing departing employees.

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<sup>36</sup> David G. Allen (Society for Human Resource Professionals, 2010)

<sup>37</sup> Ibid

<sup>38</sup> Ibid and Melissa S. Cardon and Christopher E. Stevens, "Managing Human Resources in Small Organizations: What Do We Know?", *Human Resources Management Review*, 14 (September 2004), 295-323

## Generating Change

- Employees perform multiple roles and the boundaries between them are often unclear, making hiring replacements particularly challenging.
- The absence of dedicated HR staff typically means that the recruitment of new talent detracts from the work performance of top organizational staff, particularly executive directors.

There are a number of things nonprofits can do to prevent and reduce turnover and retain talent. Building an effective human resource capacity and adopting meaningful HR practices are among the most important strategies. (See “The Need for Strategic Nonprofit HR” sidebar.) Providing ongoing training and development opportunities for employees and their supervisors is also critical. But strengthening employee engagement in nonprofit organizations can also help retain talent. Engaged employees are satisfied and committed to their jobs, and their discretionary contributions exceed the minimal performance requirements of their positions. They both enjoy their work and believe it is valued by their employers. Strategies to improve employee engagement should focus on designing jobs that are both meaningful and autonomous and yet incorporate sufficient coworker support, providing training and development that helps new employees establish relationships with their colleagues as well as communicates how employees’ jobs contribute to the organization’s mission, and performance management practices that involve defining challenging goals and providing feedback and recognition for contributions at all organizational levels.

### **Where Funders Can Invest**

At the individual level, funders can pay for coaching, retreats and personal development training for executives and emerging leaders at their grantee organizations. For a nominal cost, this can provide a transformative experience or resource that can go a long way in renewing and retaining those individuals.

Foundations can help nonprofits increase retention by helping to create or support specific programs that provide employees with a clear path up the career ladder and a higher level of engagement within their organizations. As mentioned earlier in this paper, one reason that potential leaders leave organizations or do not seek higher leadership roles is because they feel unprepared for those roles. Funders can help by supporting programs that help rising leaders develop skills and confidence.

Working on retention across networks of organizations, social movements or subsectors can be a powerful way to retain talent for the cause, even if individuals naturally circulate among the various institutions in that sphere of work. Funding useful convening or

trainings among these groups and enabling emerging staff to attend and contribute their voices to the proceedings can help build the visibility and networks of new leaders, increasing the likelihood that they will be retained within this community.

### Case in Point

When the National Urban League wanted to retain more of its talent and move promising leaders into CEO positions at its 97 affiliates, American Express stepped up to help them develop and launch an Emerging Leaders Program. “We’re pleased to see how this program has boosted the Urban League’s ability to retain its talent,” says Richard Brown, vice president of Philanthropy, American Express. “We particularly liked that we could see how an organization of this size and breadth could take advantage of this to provide a pipeline of talented leaders.” Read more at [epip.org/genchange](http://epip.org/genchange).

## Developing and Harnessing Leadership Talent

### Development

Leadership *development* involves the “expansion of a person’s capacity to be effective in leadership roles and processes.”<sup>39</sup> Leadership competencies are both technical in nature as well as adaptive and can be developed in and exercised by employees at all levels of organizations.<sup>40</sup> Technical competencies, particularly in supervisory roles, are applied to technical or routine challenges in nonprofit organizations and are generally associated with the role of manager. They are, fundamentally, about applying known solutions to known problems. Adaptive competencies, in contrast, are associated with nonroutine challenges for which problems are novel or ill defined and potential solutions are unclear and wide ranging. In short, technical competencies are related to managing the stability of routine problem solving, like improving the efficiency and cost-effectiveness of an existing program, while adaptive competencies are oriented to leading *change*, like creating an entirely new program for addressing an emerging but poorly understood problem. While the concept of “leadership” is more strongly associated with adaptive competencies,

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<sup>39</sup> David V. Day, *Developing Leadership Talent: A Guide to Succession Planning and Leadership Development* (Society for Human Resource Management, 2007)

<sup>40</sup> Ronald Heifetz, Martin Linsky and Alexander Grashow, *The Practice of Adaptive Leadership: Tools and Tactics for Changing Your Organization* (Harvard Business Press, 2009) and John P. Kotter, *A Force for Change: How Leadership Differs from Management* (Free Press, 1990)

effective leadership development systems within organizations often have to develop technical competencies as the foundation for effective leadership.<sup>41</sup>

There are myriad programs that help instill and implement leadership competencies in a variety of settings and styles. They include classroom programs, personality inventories, multisource ratings/360-degree feedback (which measures perceptions of an individual's leadership performance from a circle of relevant viewpoints, including that of both superiors and subordinates), coaching, "stretch" job assignments and action learning (which involves teams working on significant organizational problems and learning in real time). In addition to management *training*, leadership development can entail *education* that provides an understanding of the history, ethics, philosophy, legal aspects and soft skills of the sector. While many nonprofits may request support for specific programs—and many of them are worthy of support and deliver significant returns—funders may wish to examine their support of leadership development using a more systemic lens.

### Where Funders Can Invest

While funders can choose to support individual programs for leadership development, it pays to keep in mind the broader perspective. Individual development *activities* are strongest when they are part of a leadership development *system*. Leadership development systems within nonprofits that are most likely to develop needed technical and adaptive competencies share certain characteristics that funders should look for. Specifically, effective leadership development *systems*:

- **Are ongoing, not episodic.** Developing leadership within nonprofit organizations is not a one-time event nor an episodic series of events. It is a continuous process of development that is connected to work-related activity. Thus, leader development programs and activities must be oriented to sustainable leadership change that is supported over time. One-on-one and group coaching are a few examples of leadership development interventions that work to support sustainable leadership change.<sup>42</sup>
- **Include a mix of in-context and out-of-context approaches.** Approaches to leadership development should be balanced between development practices that occur within the work context (like stretch-job assignments specifically designed to give

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<sup>41</sup> See Stephen J. Zaccaro and Richard J. Klimoski, *The Nature of Organizational Leadership: Understanding the Performance Imperatives Confronting Today's Leaders* (Jossey-Bass, 2001); regarding "adaptive" challenges, see Heifetz, Linsky and Grashow (Harvard Business Press, 2009)

<sup>42</sup> For a discussion of coaching interventions, see Sharon Ting and Peter Scisco, *The CCL Handbook of Coaching: A Guide for the Leader Coaching* (The Center for Creative Leadership, 2006); for group coaching, see Jennifer J. Britton, *Effective Group Coaching: Tried and Tested Tools and Resources for Optimum Coaching Results* (2010).

employees the opportunity to develop new skills and take on greater leadership roles) and those that occur outside of the work context (classroom-based training, coaching, conference presenting or association leadership).<sup>43</sup>

- **Are grounded in succession management.** As noted earlier in this paper, nonprofit leadership development systems should be closely aligned with nonprofit succession planning and management practices. Development programs that focus on individual positions in isolation can produce disjointed and ineffective results.
- **Provide on-the-job support.** Nonprofit must provide on-the-job support for developmental activities, particularly those that take place out of context.
- **Involve assessment, challenge and support.** To be potent developmental experiences, leadership development practices should include elements of assessment, challenge and support.<sup>44</sup> A good reference guide is the Center for Creative Leadership's *Handbook of Leadership Development* (2010) for further reading on the Assessment-Challenge-Support model.

Looking beyond organization-based opportunities, membership associations such as Young Nonprofit Professionals Network (YNPN), Resource Generation, Emerging Leaders in the Arts, AmeriCorps Alums, Mobilize.org, Net Impact, EPIP or others provide important opportunities for peer support and building leadership skills such as program planning, meeting facilitation, public speaking and more. Funders can provide small amounts of money to enable emerging leaders and other staff to join and participate in these important learning communities.

No matter which development activity or system a funder chooses to support, any investment in leadership development should be a logical extension of building a bench of talent and succession planning, based on the organization's strategy, and should be feasible given the organization's size and resources.

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<sup>43</sup> For examples of developmental or "stretch" job assignments, see Cynthia McCauley, *Developmental Assignments: Creating Learning Experiences without Changing Jobs* (Center for Creative Leadership, 2006).

<sup>44</sup> Ellen Van Velsor, Cynthia D. McCauley and Marian N. Ruderman, *The Center for Creative Leadership Handbook of Leadership Development* (Wiley, 2010)



### Case in Point

The Gill Foundation funds a yearlong leadership development program specifically targeted to lesbian, gay, bisexual and transgender (LGBT) leaders of color who want to rise in their organizations and/or become leaders in the national LGBT movement. “If you’re a true student of what constitutes good leadership development practices, you come to understand that you can’t just go to a seminar and come out a good leader. Leadership is a matter of practice over time,” says Katherine Peck, senior vice president for programs. Read more at [epip.org/genchange](http://epip.org/genchange).

## Realignment

Realignment focuses on the restructuring of nonprofit organizations to adopt new work practices and leadership models. As noted in *Next Shift*<sup>45</sup> by focusing on the nonprofit “leadership crisis” over the past decade, we have neglected the question of whether nonprofits are *organized* in the best way to do the work that their mission requires.

One major area of concern involves whether traditional hierarchical models are potentially overloading the executive director position while failing to adequately develop successors.<sup>46</sup> A number of recent reports have highlighted organizations that have created executive management teams built around a “shared leadership” model exemplified by a more pronounced delegation of executive director responsibilities to program directors.<sup>47</sup>

Realignment to a shared leadership model can take many forms, depending on the organization in question and the kinds of changes desired in leadership. In general, they should include “high-performance workplace practices”—organizational practices that increase employee engagement and commitment and in turn yield better organizational outcomes. High-performance workplace practices elicit greater employee engagement by:

- Providing opportunities to participate meaningfully in decisions, through structural innovations such as collaborative work in both self-directed work teams and “offline” problem-solving committees.

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<sup>45</sup> Frances Kunreuther and Patrick A. Corvington, *Next Shift: Beyond the Nonprofit Leadership Crisis* (Annie E. Casey Foundation, 2008)

<sup>46</sup> Ibid

<sup>47</sup> Caroline McAndrews, Frances Kunreuther and Shifra Bronznick, *Structuring Leadership: Alternative Models for Distributing Power and Decision-Making in Nonprofit Organizations* (Building Movement Project, 2011); Michael Allison, Susan Misra and Elissa Perry, “Doing More with More: Putting Shared Leadership Into Practice,” *The Nonprofit Quarterly*, Summer 2011

## Generating Change

- Creating the capacity to participate in decision-making by providing opportunities for skill acquisition such as cross-training and job rotation.
- Including incentives that motivate employees to make use of their enhanced skills and capacities, generally by aligning worker and employer interests via providing performance bonuses or pay for learning new skills.

Realignment can also occur in other ways that involve shifts of focus or culture, regardless of whether leadership is hierarchical or shared.

In terms of focus realignment, a nonprofit leader may decide to restructure his or her entire organization around new or sharper guiding principles, mission, vision or a theory of change. This changes how employees and board members engage within the organization as they work to achieve a new or more sharply defined purpose. One trend noted by the Evelyn and Walter Haas, Jr. Fund with regard to this particular type of realignment is the shift of younger leaders from a focus on what's best for the organization to a focus on what's best for the success of the particular movement it supports.

Cultural realignment occurs when a leader changes the expectations of staff and board around workplace practices: for example, de-emphasizing a 60-hour workweek or encouraging more employee wellness activities.

### **Realignment and Achieving Diversity**

One way in which realignment strategies are particularly important for nonprofit leadership is in how they can be used to improve the racial and ethnic diversity of nonprofit managerial leadership. The D5 Coalition, a consortium of philanthropic organizations focused on advancing diversity, equity and inclusion within philanthropy, is at the forefront of advancing more effective diversity practices within the philanthropic and nonprofit sectors. In its research, the coalition has found that foundations generally do not have policies focused on increasing diversity and that the research on best practices in this regard is scant.<sup>48</sup>

The for-profit sector has been the laboratory for a variety of diversity initiatives over the past several years, but the lessons learned from those experiences have not fully filtered into the nonprofit sector. The most compelling research that has emerged in recent years points to two critical factors for building nonprofit and philanthropic organizations that enhance managerial diversity:

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<sup>48</sup> D5 Coalition, *State of the Work 2011* (2011)

1. Diversity initiatives can be impactful in increasing nonprofit management diversity, *if* they institutionalize organizational responsibility for ensuring diversity outcomes versus merely adopting practices that may enhance managerial diversity. A study that examined more than 700 organizations between 1971 and 2002 found that programs that focused on diversity training to reduce managerial stereotyping and provided networking and mentoring programs designed to reduce the social isolation of women and minorities yielded modest to negligible increases in managerial diversity.

Programs that proved most effective in increasing managerial diversity were those that established organizational responsibility for diversity outcomes, such as diversity staff and diversity task forces.<sup>49</sup>

2. Within organizations across sectors, people of color are often channeled into jobs that yield few promotion opportunities.<sup>50</sup> This pattern has not been specifically documented in the nonprofit sector, but the leadership diversity gap described earlier in this paper suggests that the nonprofit sector does not provide adequate advancement opportunities for people of color within nonprofit organizations.

While an explicit commitment to diversity as demonstrated by assigning organizational responsibility to achieving it has proven most effective for increasing managerial diversity, a recent study shows that the structuring of work and job roles themselves also have important roles to play in increasing the representation of people of color in the management ranks. Alexandra Kalev, in a study of more than 800 organizations, recently found that work practices that involve self-directed work teams—in which employees work in collaborative work groups outside of their normal jobs to tackle major organizational challenges—and cross-training—in which employees are trained to perform multiple functions and roles within an organization (e.g. program, development, HR, communications) outside of their full-time job—leads to greater managerial racial diversity.<sup>51</sup>

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<sup>49</sup> Alexandra Kalev, Frank Dobbin and Erin Kelly, “Best Practices or Best Guesses? Assessing the Efficacy of Corporate Affirmative Action and Diversity Policies,” *American Sociological Review*, 71 (August 2006), 589-617

<sup>50</sup> Donald Tomaskovic-Devey, *Gender and Racial Inequality at Work: The Sources and Consequences of Job Segregation* (Industrial and Labor Relations Press, 1993)

<sup>51</sup> Alexandra Kalev, “Cracking the Glass Cages? Restructuring and Ascriptive Inequality at Work,” *American Journal of Sociology*, 114 (May 2009), 1591-1643

3. A major explanation for why this is so is that people of color are exposed to a broader cross-section of their organizations—revealing their skills and talents in a wide range of activities outside their formal job requirements—and simultaneously develop broader networks within their organizations that facilitate awareness of and advancement to leadership positions.<sup>52</sup> In short, as the author describes, collaborative work practices of this sort allow people of color to break out of their “glass cages” and obtain greater opportunities to advance to managerial roles.

### Where Funders Can Invest

Realignment is an organization-specific undertaking, so funder investment is most likely to occur in the form of grants to help individual organizations support their realignment work. This could mean supporting the use of consultants or coaches to help a new executive or management team through the realignment process or working with a board of directors to prepare and oversee a shift in leadership practices. Funders could also support training in or the implementation of new leadership or workplace practices that show promise. Additionally, funders can recognize that times of executive-level transition are often ripe for addressing leadership development needs, expanding leadership and realigning organizations for more shared leadership. Funders can discuss these opportunities and ways that a grant might be helpful when they learn of executive directors who are planning on leaving the organization.

One way funders can help to expand leadership opportunities within grantees is to work with the executive to begin meeting with other members of the staff, including mid-level managers and emerging leaders on staff. This creates a more transparent and inclusive relationship between the foundation and the nonprofit and begins to ensure that relationships with funders are more evenly distributed across the organization. In the case of executive transition, when funders have trusting relationships with an array of staff beyond the ED, the loss of a charismatic leader at the top does not become a reason for funders to lose faith in (and potentially draw back from funding) the organization as a whole.

Times of executive-level transition are often ripe for realignment work, providing the opportunity for a new leader to strengthen an organization by inculcating a new leadership model and new set of guiding principles or a significant change in culture.

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<sup>52</sup> Ibid

### Case in Point

When a new CEO took the helm at CompassPoint Nonprofit Services, she and her leadership team reinvented the organization from the top down, changing leadership styles and structures to better focus on its mission and results. The effort received considerable support from the Flexible Leadership Program of the Evelyn and Walter Haas, Jr. Fund. “We see this as catalytic funding,” says Linda Wood, senior director, Leadership and Grantmaking. “It was going to be a critical time for the organization, and we knew we were in the right place to help support some difficult but exciting work.” Read more at [epip.org/genchange](http://epip.org/genchange).

## Renewal

Nonprofit leadership can be incredibly demanding work, both mentally and emotionally. As executives grow organizations and take on greater responsibilities, burnout becomes a common challenge. Strategies to promote renewal for executive directors and all staff are critical ingredients for an overall healthy leadership talent and development pipeline. Programs such as sabbaticals and retreats are specifically designed to help leaders who are experiencing some level of burnout. As a well-developed strategy, executive director sabbaticals, according to *Creative Disruption: Sabbaticals for Capacity-Building and Leadership Development in the Sector*,<sup>53</sup> not only provide renewal for nonprofit executive directors, they offer a potent strategy for building organizational capacity for eventual succession as well as strengthening board governance.

According to *Creative Disruption*, 85 percent of executive directors who took sabbaticals reported that they shared a greater amount of decision-making with lower-level managers upon their return, and 84 percent were more comfortable delegating major responsibilities. Well over half restructured their management teams upon their return (69 percent) and/or restructured their job and delegated some of their duties to others (64 percent). Likewise, a vast majority of staff who served as interim leaders during an executive’s sabbatical said that they now had better skills, more responsibility and more authority.<sup>54</sup>

Retreats and personal leadership development trainings from groups such as Rockwood Leadership Institute, Stone Circles at the Stone House, Windcall Institute, Social Justice

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<sup>53</sup> Deborah S. Linnel and Tim Wolfred, *Creative Disruption: Sabbaticals for Capacity-Building and Leadership Development in the Nonprofit Sector* (CompassPoint Nonprofit Services, 2009)

<sup>54</sup> Ibid

Leadership and a variety of others offer a combination of time away from tasks, relaxation, personal and professional reflection, building skills for self-care and workplace efficiency and more. A comprehensive list of available programs is available through the Leadership Learning Community ([www.leadershiplearning.org](http://www.leadershiplearning.org)).

### **Where Funders Can Invest**

One of the simplest ways that funders can support renewal is simply by encouraging grantee organizations to consider incorporating sabbaticals, retreats or other time away into their culture. Nonprofit leaders often have trouble giving themselves “permission” to consider renewal as a part of their work. A funder’s suggestion could help open that door.

For funders interested in exploring sabbatical options, the *Creative Disruption* report is a must-read. It offers a thorough look at best practices, lessons learned and challenges involved in creating sabbatical programs or supporting existing ones.

Funders can also invest in group-renewal programs, such as the aforementioned retreats, by either investing in the retreat providers or in individual participants.

Funder collaborations also exist to support renewal work. For example, the Seasons Fund for Social Transformation, a funder collaborative housed at Jewish Funds for Justice, is supported by several private foundations and a church.

#### **Case in Point**

Every two years, the Durfee Foundation helps six highly effective nonprofit executive directors recharge their batteries and renew their sense of purpose and commitment through a three-month sabbatical program. Durfee also uses the opportunity to support the leadership growth of other staff in the executive director’s absence. “We wish more foundations would support renewal. It has always been hard to work in this sector, but especially now when funding is tough and there’s such potential for burnout. People need to find their inner reserves. As work in the sector gets tougher, more people want to bail. This is a way to stem that tide,” says Claire Peeps, executive director. Read more at [epip.org/genchange](http://epip.org/genchange).

## Advancing New Leaders, Reengaging Retiring Ones

### **Succession and Transition**

Succession planning and management involves creating a system that prepares employees for more responsible future assignments. However, for many nonprofits, such systems do

not exist. In *Daring to Lead 2011: Inside the Executive Director's Job*, 36 percent of respondents said there would not be a credible staff candidate for the executive position should they leave today. Among executives with staffs larger than 100 people, 27 percent reported no credible candidate for their job on staff. The lack of a successor and/or succession strategy remains a big challenge for nonprofit organizations.

In fact, 94 percent of young nonprofit professionals recently surveyed by the Young Nonprofit Professional's Network felt that their nonprofit organizations need to do a better job investing in "bench strength" in the form of succession planning and leader development, particularly given the near-term professional transition of a large number of seasoned nonprofit leaders.<sup>55</sup>

Nonprofits and sector-wide organizations must work to create viable pathways to retirement for older nonprofit staff and leaders, as well as executive director succession planning and support for their replacements.

Succession planning and management offers at the very least a prudent approach to managing the risk to an organization if an executive director or senior manager has a sudden and extended absence or unplanned departure. To ensure the viability of a nonprofit organization, Tim Wolfred in *Building Leaderful Organizations: Succession Planning for Nonprofits* (CompassPoint 2008) suggests the need for three different types of succession planning: strategic leader development, emergency succession planning and departure-defined succession planning.

1. **Strategic leader development** entails developing an organization's strategic vision; determining the managerial and leadership competencies necessary to executing on that vision; and recruiting, retaining and developing the employees with those competencies.
2. **Emergency succession planning** helps organizations prepare to fill critical leadership roles when there is a temporary, unplanned absence of a critical middle or senior manager.
3. **Departure-defined succession planning** is recommended when an executive director announces his or her departure two or more years in advance. Preparing for this transition entails assessing the organization's vision and goals, preparing the capacity of the board to manage this transition and helping to develop the capacity of managers and systems to sustain program funding beyond the tenure of the departing executive.

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<sup>55</sup> Dan Dobin and Trish Tchume, *Good in Theory, Problems in Practice: Young Professional's Views on Popular Leadership Development Strategies* (Young Nonprofit Professionals Network, 2011)

## Where Funders Can Invest

As with other components of the Nonprofit Talent and Leadership Development Pipeline, many opportunities for investing in succession and transition come via support for consultants or coaches to help individual nonprofits prepare new leaders and weather leadership changes. However, funders might also develop or support trainings for multiple nonprofit board or staff leaders to help them think about and plan for transition. Funders might also help underwrite certain activities within individual nonprofits to help institute succession strategies, such as creating more deputy director positions, allowing overlap of terms for incoming and outgoing directors or recruiting and training board members as a potential pathway into organizational leadership roles. Funders can learn more by reviewing series of monographs on executive transition management that are available on the Annie E. Casey Foundation website (funded in part by the Casey Foundation and the Evelyn and Walter Haas, Jr. Fund). In fact, when EPIP Founder and Executive Director Rusty Stahl began working on his departure planning, the Annie E. Casey Foundation supported EPIP to contract with TransitionGuides for executive director coaching and to work with the board on departure-defined planning. This offered a critical external resource at a critical time and was an important initial signal that supporters would not walk away but rather would engage and be helpful during the transition process.

At the sector or subsector level, funders might consider what infrastructure could be put into place to ensure that emerging and midcareer nonprofit professionals have access to retirement savings and benefits, so that the economic anxiety related to retirement is minimized.

### Case in Point

When one of the key research and advocacy organizations in its national Kids Count program was at risk of closing, the Annie E. Casey Foundation called on its network of consultants and made a small but strategic investment in transition support services that helped find and support a new CEO through a remarkable turnaround. “We’ve discovered that systems often aren’t in place to allow for a seamless transition from one leader to another,” says Rafael López, associate director of Talent Management and Leadership. “New leaders have to both build systems and bring a new culture that sets a future course. It’s a difficult and delicate balance.” Read more at [epip.org/genchange](http://epip.org/genchange).



## Reengagement

Reengagement practices involve programs to reengage mid-life or retirement-age nonprofit leaders, either into an “encore career” or into critical roles to support nonprofit organizations and the sector more broadly. Current research being conducted by the Building Movement Project, Civic Ventures and Clohesy Consulting looks closely at long-term organizational leaders in the nonprofit sector who are now in their 50s and older. Overall, the leaders interviewed thought the idea of total retirement—no longer working either for pay or as a volunteer—was anachronistic. And for the many nonprofit leaders who see this life stage as involving continued work, seven out of ten describe it as the “beginning of a new chapter . . . in which I can use my skills and experience to help others in a paid or volunteer position.”<sup>56</sup>

According to the research, there are eight general ways in which nonprofit leaders view their reentry into the sector after retirement or earlier departures from their leadership roles. These are:

1. A desire to keep building their careers, regardless of age.
2. Downsizing responsibility (e.g., leaving the CEO position of a larger organization to lead a much smaller one).
3. Reducing work hours, including becoming part-time employees or working only on special projects.
4. Limiting the scope of commitment (e.g., through interim directorships).
5. Serving as a coach or consultant.
6. Engaging in “adventure service,” such as through the Peace Corps, AmeriCorps or the National Parks Service Corps.
7. Becoming social entrepreneurs.
8. Seeking out volunteering or internship opportunities that provide for ongoing learning.

These findings will be further explored in a forthcoming book by Clohesy et al.

At an organizational or subsector level, the opportunity to have access to the knowledge and skills of a seasoned leader can provide a critical link to the history of the work, lessons learned and other institutional knowledge. The mentorship, door-opening and role-modeling that these reengaged leaders can provide to new and emerging leaders is a critical link back to awareness-building, recruitment and retention. Thus, we believe reengagement isn’t necessarily an endpoint on the Nonprofit Talent and Leadership

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<sup>56</sup> Clohesy et al, from forthcoming research

Development Pipeline but often a way for seasoned leaders relaunch themselves into new ways to support the sector.

### **Where Funders Can Invest**

While there are many individuals who have chosen their own paths for reengagement after temporarily leaving the sector, formal programs to encourage and support reengagement efforts are few and far between. Civic Ventures focuses on “encore careers,” both in the for-profit and nonprofit sectors as a way to incorporate the idea of meaningful reengagement into society as a whole. Its Encore Fellowships place skilled, experienced professionals at the end of their midlife careers with social-purpose organizations. In Chicago, the Executive Service Corps places former nonprofit executive directors into interim director roles.

Creating more programs like these is an area with huge potential for growth in terms of human capital for the nonprofit sector, one in which funders could take the lead. Funders could also help support or promote networks of consultants and coaches who have former hands-on leadership experience as nonprofit executive directors and wish to continue to share their work and wisdom with the sector.

#### **Case in Point**

With support from the Field Foundation, the Executive Service Corps of Chicago (ESC) created an Interim Executive Program that places highly experienced former nonprofit executive directors into interim leadership positions for area nonprofits in transition. On several occasions, the interims have been able to stabilize organizations on the brink of financial collapse; in all cases, they have successfully prepared the way for strong new leadership. “Part of appeal to us was that ESC planned from the outset to make the interim program part of its regular operations,” says Field Foundation Senior Program Officer Kim Van Horn. “We knew it was an important role they could play.” Read more at [epip.org/genchange](http://epip.org/genchange).

### III. Getting from Ideas to Action

Nonprofit talent and leadership development is a huge area of need, and it can be daunting to know where to start. In this section, you'll find simple suggestions, ideas for breaking through some of the barriers foundations may experience when beginning the work of supporting nonprofit talent and leadership development, as well as a sampling of ways to get involved with minimum, midrange or maximum investment.

Don't be intimidated; beginning a practice of investment in nonprofit talent and leadership can be as simple as initiating or joining a conversation. To that end, we encourage you to circulate the information presented here and in the online Generating Change tool kit ([epip.org/genchange](http://epip.org/genchange)) with your colleagues and to share your questions, experiences and lessons learned to help inform and enrich the Generating Change initiative.

#### Breaking Through Barriers

Here are some common obstacles that funders may encounter and ways to get past them to make a meaningful investment in nonprofit leadership.

- **Barrier: I'm the only person at my foundation who thinks nonprofit leadership development is important.**

**Solution: Arm yourself with information from your community.**

As you conduct your due diligence in other grantmaking, ask your grantees about their leadership needs and challenges. Learn more about what some of the problems are in their communities. Ask

other foundations in your community or field how they are supporting leadership—especially those that are highly respected by your own foundation. You can also find examples of how foundations support leadership at [epip.org/genchange](http://epip.org/genchange). Then, as you

#### Five Things You Can Do Right Now to Support Nonprofit Talent and Leadership Development

1. **Start talking.** One way to increase awareness and learn more about the need for leadership development is to start the conversation in your community. Grantees may be reluctant to bring up issues of talent and leadership until they know you're receptive and willing to discuss them. Listen to what they have to say.
2. **Get up to speed.** There is a growing body of research and thought about nonprofit talent and leadership that can inform your own opinions and plans.
3. **Reach out.** Other funders who are working in talent and leadership development are eager to share their stories. Ask and learn!
4. **Question yourself.** What does your foundation do to promote talent and leadership internally? What's worked well? How could that experience translate to your grantees?
5. **Conduct an environmental scan.** What nonprofit talent and leadership development programs exist in your community currently and what do they cost? How do the programs offered compare to the needs you've heard about from nonprofits?

find opportunities, share your newfound information with internal colleagues, executive leaders and with other users of the Generating Change website. Provide a gentle reminder that supporting nonprofit talent and leadership development isn't a luxury but an essential part of strengthening your foundation's impact.

- **Barrier: We want to support nonprofit leadership, but we don't know where to start.**

**Solution: Start small.** Begin planning your work by talking to grantees about leadership and talent challenges, either individually or as an informal focus group. Brainstorming needs and opportunities with grantees might identify some interesting options. Call on your colleagues at other foundations to discuss their experience with leadership support—learn what worked and what didn't. Next, plan a brainstorming session with colleagues at your foundation. Examine the Nonprofit Talent and Leadership Development Pipeline at [epip.org/genchange](http://epip.org/genchange) and determine a single area of practice that provides the most natural fit for your foundation. Discuss what you collectively see as common leadership challenges and ways that you can address them, either in each program area or by the foundation as a whole. Finally, make a few grants related to leadership development and see how they go. Learn from them and then expand your strategy.

- **Barrier: This report was helpful, but I don't have enough information about leadership development to know if this is right for our foundation.**

**Solution: Learn more.** Visit [epip.org/genchange](http://epip.org/genchange) and review the case studies, videos and resource documents in our online tool kit. Attend national conferences and local workshops that include a focus on leadership development, such as the Young Nonprofit Professionals Network National Leadership Conference, the BoardSource Leadership Forum, the Independent Sector's NGen Conference, the Emerging Practitioners in Philanthropy National Conference; nonprofit leadership webinars hosted by the Leadership Learning Community; and workshops sponsored by your local regional association of grantmakers. Get involved in the Initiative for Nonprofit Talent and Leadership, sponsored by Independent Sector and a coalition of funders and nonprofits. And most importantly, talk to colleagues who fund leadership development. Funding leadership involves a certain amount of risk, but we believe it's a risk well worth taking.

- **Barrier: We don't have a lot of money to fund this.**

**Solution: Don't assume a huge investment is required.** Supporting nonprofit talent and leadership development doesn't have to be expensive or comprehensive at the outset. In some cases, an investment of just a few hundred or thousand dollars to support a professional development program or the work of an expert consultant can

spark an organizational transformation. Consider setting aside a small portion of your grants budget for proposals related to leadership development. Invest in executive coaching for key leaders. Add a small additional sum, either a few thousand dollars or an additional 5 percent, to each grant to support leadership development. And remember, talking is free! Simply talking to your grantees (or adding questions to your proposal forms) about leadership development can open the door to new ideas and creative approaches.

- **Barrier: I think some of our grantees are experiencing leadership challenges, but I don't know how to bring it up with them.**

**Solution: Be direct—but diplomatic.** Acknowledging leadership challenges and discussing them openly requires a great deal of trust. Let grantees know at the outset that your interest in leadership development isn't a criticism or a threat but an opportunity to strengthen your relationship with them. Be open and honest. Share resources you find at [epip.org/genchange](http://epip.org/genchange) to help the leader recognize he or she is not alone. Offer to help pay for an executive coach who might help the leader identify needs.

- **Barrier: We don't fund what we can't evaluate—how do you evaluate leadership?**

**Solution: Look for contribution, not attribution.** You can't know for sure that your grant to support leadership development was completely responsible for differences in a grantee organization, but you certainly can see that it contributes. Additionally, it is possible to evaluate leadership development programs. *The Handbook of Nonprofit Leadership Development Evaluation* (Reinelt, Martineau and Hannum, 2006) is a great place to start.

Remember, there is no “one size fits all” approach to supporting nonprofit talent and leadership development. Every funder has an exciting and catalytic role to play, determined by its mission and spheres of influence. The best approach for your foundation is the one that fits with your foundation's goals, makes the most sense for the community you serve and meets the needs of the nonprofits and issues you fund.

## The Right Amount of Investment

Opportunities to support nonprofit talent and leadership development come with a wide variety of price tags, as illustrated below. These examples provide *just a glimpse* of the many ways and levels at which funders can invest. The highest cost, however, will come if we make no investment at all.

Generating Change

	<b>Minimal Investment</b>	<b>Midrange Investment</b>	<b>Extensive Investment</b>
<b>Recruitment</b>	Help a nonprofit promote its own internship program.	Sponsor the costs of one or two interns at an existing program.	Create and manage an internship program.
<b>Retention</b>	Host a discussion about retention challenges with nonprofit leaders.	Identify a nonprofit with retention challenges in your community, explore the problem together and provide funding for an agreed-upon approach.	Develop and underwrite a new leadership retention program at a large nonprofit or intermediary.
<b>Development</b>	Pay for the cost of one or two emerging or established leaders to engage in training, coaching, a conference, membership organization or retreat.	Explore ways to strengthen existing leadership development programs in your community.	Create a new leadership program for a specific group that is critical to your foundation's mission (e.g., environmental leaders, arts leaders, leaders of color).
<b>Realignment</b>	Research differences between traditional and shared leadership models and discuss findings with grantees.	Work closely with one nonprofit on realignment and provide support for expert consultation or coaching.	Underwrite the cost of a full range of coaching and consulting services for nonprofits that are undergoing realignment.
<b>Renewal</b>	Let grantees know that you consider executive renewal to be a wise decision and not a sign of weakness.	Help fund sabbaticals or retreat experiences for a small number of nonprofit leaders.	Develop and fund a foundation-sponsored sabbatical program in your community.

Generating Change

	<b>Minimal Investment</b>	<b>Midrange Investment</b>	<b>Extensive Investment</b>
<b>Transition</b>	Pay for one executive coaching session for a transitioning leader or create a “stable” of transition consultants for referrals.	Support a consultant to the board and executive throughout a transition situation.	Fund a network of leaders with transition experience that can coach other organizations.
<b>Transition</b>	Pay for one executive coaching session for a transitioning leader or create a “stable” of transition consultants for referrals.	Support a consultant to the board and executive throughout a transition situation.	Fund a network of leaders with transition experience that can coach other organizations.
<b>Reengagement</b>	Discuss opportunities for reengagement with leaders who have retired or left the sector midcareer.	Help create an interim director program in your community.	Work with other funders to develop comprehensive new programs for reengagement, beyond interim service.
<b>Across the Pipeline</b>	Share information about talent and leadership development with grantees; respond to grantee requests to fund leadership development opportunities.	Host a series of discussions about nonprofit talent and leadership. Make significant secondary grants available to grantees specifically for leadership and talent matters.	Make talent and leadership development a new grantmaking focus area or join with other funders to create sector-wide initiatives.

## It's Time to Dive In

America's nonprofits aren't challenged by a lack of potential talent and leadership but by their inability to nurture emerging talent, keep productive leaders engaged long-term and reengage those who have left to share their knowledge and nurture emerging talent. When there's no space for leaders to emerge and grow, they will turn elsewhere. Building a strong Nonprofit Talent and Leadership Development Pipeline will ensure that the nonprofits that foundations depend upon will have the most effective and inspired leaders and leadership teams to tackle the ever-evolving problems our communities face.

The choice is ours. Do we invest in talent and leadership *now*, so that the predicted nonprofit leadership crisis transforms into a golden opportunity? Or do we wait and not take action, so that the leadership deficit becomes a reality?

Emerging Practitioners in Philanthropy invites funders of all types, sizes, generations and areas of focus to explore the Generating Change initiative. Visit [epip.org/genchange](http://epip.org/genchange), find the place in the pipeline that makes sense to you and dive in with us! Together, we can invest in the strong, multigenerational nonprofit workforce we need to achieve our missions in the communities we serve.



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