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The Nonprofit Pipeline Problem
A Myth or Reality for Utah’s Charities?
by Nancy Winemiller Basinger, PhD

The National Picture
Nationwide, many charitable nonprofits are beginning to worry about the pending retirement of their leaders. National studies show that baby-boomers in their 40s and 50s now comprise 72.5% of all nonprofit leaders and over two-thirds plan to leave their current position within the next five years.[1] Less than 35% of nonprofits, however, report having engaged in any sort of succession planning.[2] In a 2006 study, CompassPoint found that currently 9% of nonprofit executives are leaving their positions annually.[3] This number is expected to increase by 15% or more before the end of the decade.[4] When organizations begin to look at succession planning, there is often a realization that the executive director has taken on so many responsibilities over his/her years in the position, that two or even three employees will be needed to fill his/her shoes. Within many nonprofits, leadership development is not a priority that rises to the top as scarce resources are allocated.[5] Therefore, not only will the nonprofit sector lose the experience of these long-time leaders, but many believe that there is no “pipeline” of middle managers waiting to take over once the baby-boomers are gone. The pipeline problem is caused both by this constrained supply and increased demand as the sector grows.[6]

Despite this seemingly overwhelming evidence of the pipeline problem, some recent research has begun to question whether the pipeline is indeed the problem. Despite survey responses by many nonprofit executives that they plan to leave within five years, they sometimes stay.[7] In focus groups, directors often report that they are afraid to leave for one of two reasons – they do not know what will happen to the organization if they go, or they do not know what their own next career step would be if they left. The Generation Xers, currently filling many of the senior management positions, report that they feel ready to lead but the current executive director refuses to leave.[8]

So, is there really a pipeline problem in Utah’s charitable nonprofits? Using the results of the recent wage and benefits survey[9], co-produced by the University of Utah’s Center for Public Policy and Administration and the Utah Nonprofits Association, we seek to shed some light on this question.

Examining Utah’s Pipeline
Although anecdotes may lead us to believe that nonprofit leaders often stay in their positions for 20 years of more, the average tenure as Executive Director/CEO in Utah’s charities is 7 years (see Table One). The most common senior management positions[10] are the Deputy Director or COO, the Chief Financial Officer or CFO, the Development Director, and the Program Directors.
There is a statistically significant difference in the number of years the executive directors have held their positions, and the average tenure of those currently holding the four most common senior manager positions among Utah’s charities. This provides some evidence in support of a pipeline problem in Utah. As executive transitions occur, Utah’s nonprofits will suffer some loss of leadership experience and institutional memory.

It is also important to understand whether or not those senior managers have prepared themselves for future leadership. The differences in incoming experience and education levels expected were examined for the ED/CEO position and the senior management positions in Utah’s nonprofits. When hiring a new ED/CEO, on average, organizations require a minimum of 3 to 5 years relevant experience (See Table Two). While 47% of organizations required 3 to 5 years of experience, an additional 22% preferred at least 6 to 8 years, and 16% sought a minimum of at least 9 years of experience when hiring for the ED/CEO position. On average, nonprofits expected substantially less experience in the Program Director and Development Director positions and these differences are statistically significant. This difference in experience expected is considerably less when comparing the CFO and COO to the ED. The CFO and COO positions require similar levels of experience to that of the ED/CEO position. This suggests that the COO, or Deputy Director position, and the CFO, or Financial Director position, are seen as key positions in the organization. As organizations expect on average an additional 2.5 years of experience for these two positions within the senior management ranks, Utah’s nonprofits clearly treat these two positions as the most important in grooming the next organizational leader. National data suggests that this sort of leadership development is most likely in large nonprofits and this holds true in Utah. Our data shows that only 41 organizations report having a COO and 58 report having a CFO and those they are generally the larger organizations.
Finally, we considered the benefits of education in preparing the next generation of leaders and examined the educational expectations of organizations hiring senior managers as compared to executive directors (See Table Three). The mean minimum degree preferred for the ED/CEO position is just above the Bachelor level, with 56% of organizations requiring at least a Bachelor’s degree and an additional 30% requiring at least a Master’s degree when hiring a new ED/CEO. Similarly, all four of the senior management positions have a mean expected education level at or above a Bachelor’s degree. In our sample, the COO position was actually slightly more likely to require a Master’s degree than the ED/CEO position. This is explained by the smaller sample size of organizations that have a COO-type position, as they tend to be larger organizations. Thus, as the size of the organization’s budget and the number of employees increase, the degree expectations also increase for candidates applying for ED/CEO and COO positions in Utah’s nonprofits.

### Table Three: Mean Expected Degree for Position

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<thead>
<tr>
<th>Position</th>
<th>HS diploma</th>
<th>Associate</th>
<th>Bachelor</th>
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<td>Program Director</td>
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<td>ED/CEO</td>
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**Discussion and Recommendations**

It is important to note that our data do not allow us to examine whether or not those in senior management positions are, in fact, more qualified than they are required to be by their organizations, in terms of total number of years of experience or in terms of the degrees they have attained. We are only able to conclude that the senior managers, when hired, are required to have the same minimum level of education as the ED/CEO and that two of the four senior
management positions have similar experiential requirements as well.

Despite the limitations of the data we are able to shed some light on Utah’s pipeline problem. First, we have shown that there would be a loss of knowledge of the specific organization if the executive were to leave. This loss of institutional memory could present problems for some organizations. We have also shown, however, that the senior managers are educated at very similar levels to the current executives. In addition, the ED/CEO, CFO and COO positions have very similar levels of relevant experience when entering the position. For example, Utah’s nonprofit CFOs and COOs have 6.4 and 5.7 average years in their current positions respectively. This means for the 50 largest organizations in our survey, the next generation of leaders is currently ready to enter the executive position with an average of at least 10.5 years of experience. With appropriate succession planning, these organizations are likely to weather the transition period well.

The medium and small nonprofits, however, do not have positions that so clearly lend themselves to leadership development. The internal human resource capacity is less likely to be able to support a transition in these organizations. Our recommendations from the analysis of the available data suggest that succession planning will be important for all of Utah’s nonprofits. It will be especially important that policy makers, board members, funders, and support organizations pay special attention to those nonprofit organizations without a clear layer of senior management. These organizations will need additional assistance for longer term succession planning to identify and develop their future leaders.