



Opportunity in Change: Preparing Boston for Leader Transitions and New Models of Nonprofit Leadership

Prepared by
Third Sector New England

for
The Boston
Foundation 

About the Boston Foundation | The Boston Foundation, Greater Boston's community foundation, is one of the largest community foundations in the nation, with net assets of about \$1 billion. In 2016, the Foundation and its donors paid \$100 million in grants to nonprofit organizations and received gifts of \$107 million. The Foundation is proud to be a partner in philanthropy, with more than 1,000 separate charitable funds established by donors either for the general benefit of the community or for special purposes. In celebration of its Centennial in 2015, the Boston Foundation launched the ongoing Campaign for Boston to strengthen the Permanent Fund for Boston, the only endowment fund focused on the most pressing needs of Greater Boston. The Boston Foundation also serves as a major civic leader, think tank and advocacy organization, commissioning research into the most critical issues of our time and helping to shape public policy designed to advance opportunity for everyone in Greater Boston. The Philanthropic Initiative (TPI), an operating unit of the Foundation, designs and implements customized philanthropic strategies for families, foundations and corporations both here and around the globe. For more information about the Boston Foundation and TPI, visit tbf.org or call 617.338.1700.

About Third Sector New England | Third Sector New England (TSNE, www.tsne.org) is a nonprofit organization working as a partner in social change. We assist a wide range of people, nonprofits and philanthropists in the social sector in strengthening their leadership, facilitating learning, building organizational capacity and guiding strategic thinking to make them more effective in achieving their missions and reaching their goals. Through a dynamic mix of training programs, management and consulting services, research, fiscal sponsorship and community-based investments, TSNE shares our knowledge and experience to enhance the capacity of our constituents to become more adaptive, think innovatively, discover new opportunities and advance social change.

TSNE is a partner, ally and incubator for an array of national and statewide capacity building networks, including the National Network of Fiscal Sponsors, the Nonprofit Centers Network, the Massachusetts Nonprofit Network, the Nonprofit Quarterly and a region-wide executive transitions practice that focuses on nonprofit effectiveness and leadership change.

TSNE has also published several groundbreaking original research reports that have been widely reviewed and shared with the sector, including *Leadership New England* study (2015), *Valuing Our Nonprofit Workforce* compensation study (2017, 2014 and 2010), *Funding Learning Networks for Community Impact* (2013), *Creative Disruption* sabbatical study (2009), *Step-by-Step Guide to Achieving Diversity* (2010) and *The Executive Directors' Guide* (2002, with the United Way of Massachusetts Bay).

UNDERSTANDING BOSTON is a series of forums, educational events and research sponsored by the Boston Foundation to provide information and insight into issues affecting Boston, its neighborhoods and the region. By working in collaboration with a wide range of partners, the Boston Foundation provides opportunities for people to come together to explore challenges facing our constantly changing community and to develop an informed civic agenda. Visit www.tbf.org to learn more about Understanding Boston and the Boston Foundation.

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Opportunity in Change: Preparing Boston for Leader Transitions and New Models of Nonprofit Leadership

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About This Report

This report was created in response to growing concern about the unprecedented number of leaders exiting from and transitioning within the nonprofit sector—a sector that struggles with chronic infrastructure challenges and is unprepared for these transitions—as well as the need to support a racially diverse group of people who will be stepping into these leadership roles.

This joint report by Third Sector New England (TSNE) and the Boston Foundation examines some of the critical issues facing Greater Boston nonprofit leadership identified in the 2015 TSNE report, *Leadership New England: Essential Shifts for a Thriving Nonprofit Sector* (LNE). For the New England report, Third Sector New England partnered with foundations and other nonprofits across the region to conduct a broad outreach campaign to their partners and grantee organizations. In response, 877 leaders (primarily executive directors)¹ and 330 board members of nonprofit organizations completed surveys aimed at advancing understanding of nonprofit leadership in New England. This report compares that regional data with data specific to Greater Boston. One hundred and eight leaders in the Greater Boston selection area and 33 board members contributed their responses. Feedback from these leaders is reported here and compared statistically to the region-wide results in the *Leadership New England* survey. Please refer to *Leadership New England: Essential Shifts for a Thriving Nonprofit Sector* for an understanding of the full key findings and data.

The 108 responses from Greater Boston selection area leaders represent 12% of the 877 total leader responses from New England; the 33 responses from Greater Boston selection area board members comprise 10% of the 330 total board responses.

The *Leadership New England* survey closely mirrored, with permission, key surveys conducted in other parts of the country² so that information from the New England region can be added to and compared with national data. Survey participants were asked a series of questions related to their specific role in their organizations as either a leader or a board member. The survey also asked key questions of nonprofit leaders about their tenure and transitions, the health of their organizations, and their satisfaction with their work, their boards and their lives.

This report highlights data not only from the *Leadership New England* survey on nonprofits in the Boston Foundation's Greater Boston catchment area, but also includes thinking and insights collected during a series of interviews and focus groups with more than 30 Greater Boston nonprofit leaders conducted by Boston Foundation staff in the fall of 2016. These conversations focused on an examination of leaders' current succession planning and readiness for transitions as well as organizational structure and talent development practices for staff at all levels with a focus on inclusion and diversity. Leaders were selected for the focus groups to provide a variety of perspectives from organizations representing a range of budget sizes, structures and length of leadership tenure. The feedback from the focus groups was analyzed and highlights are summarized in this report. Direct quotes or practices learned within these focus groups are not attributed to individuals for purposes of confidentiality.

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Introduction

Talk of the great Baby Boom retirement wave has been with us for years, including at Boston Foundation forums. While many factors have kept that wave from breaking as early as anticipated, the leadership transition in the nonprofit sector is now undeniably here. Senior leaders are retiring in increasing numbers, making this a crucial time for organizations to plan for succession and to address longstanding questions about diversity and inclusion in talent and leadership—even to reconsider their fundamental structures.

This is the fifth *Understanding Boston* report the Boston Foundation has published on the nonprofit sector over the course of the last decade. Our first, *Passion & Purpose*, was a primer on the importance of the role the sector plays and a call to action for increased fiscal fitness for nonprofits. Other reports have focused on workers' salaries and benefits and the resilience of the sector during hard financial times.

The challenges this report presents will not be new to nonprofit leaders, who every day face issues of staff burnout, uneven board performance and budget constraints, including a lack of resources for leadership development. There is also continuing anxiety that putting resources toward addressing these issues will be viewed as frivolous “overhead.” All of these are daily concerns for leaders as they are seeking to build organizations that accurately reflect the diversity and lived experiences of the communities and people they serve. Since talent and leadership are directly connected to an organization's effectiveness and impact, these are challenges that must be faced and transformed into opportunities.

We believe that now is the time to embrace new ways of building a strong staff and leadership pipeline for nonprofit organizations of all sizes and missions—to expand networks, collaborate across old boundaries and widen the search to bring new faces and diverse voices to the work. It is also time to invest in upcoming leaders—with the aim of strengthening the whole sector.

Nonprofit organizations take care of our children, train our workers, help residents stay healthy, strengthen our neighborhoods, lift our souls through art and assist people from their very earliest hours to their very last. In good times these activities are necessary; in hard times they are absolutely essential.

During this period of widespread leadership transition, we hope this report will be a catalyst for dialogue and action on the part of funders, donors, boards, leaders and their staff—and we pledge to engage in this crucial work within our own organization as well. The ultimate goal, of course, is to position our entire sector so that it is poised for a future of unprecedented effectiveness and impact.



Paul S. Grogan
President and CEO
The Boston Foundation

Executive Summary

This report was created to better understand how Greater Boston's nonprofits compare with nonprofits in the New England region, particularly around issues of leadership and talent development, and to identify what we can do now to prepare the sector for what's next. It is important to acknowledge that while the nonprofit sector is key to social change, it is by no means the exclusive lever by which progress is achieved. Indeed, we are at a moment in time when social change models other than the traditional nonprofit structure are gaining steam, such as public-private partnerships, for-profit social good organizations, and powerful citizen-led movements. For the purposes of this report and its accompanying data, however, traditional nonprofits are the focus and unit of analysis.

Greater Boston nonprofits stand at a historic inflection point given the unprecedented volume of leadership transition both within and outside the sector. This long-anticipated shift is now underway and brings with it uncertainty and challenges as well as myriad opportunities to strengthen individual leaders, organizations and ultimately the impact of the sector. **The actions that those of us who are committed to the health of the nonprofit sector take in the next year, two years, five years and beyond will determine whether the sector will merely survive or thrive and expand the hard won gains it has made toward social progress and change.**

Setting the Stage: Persistent Organizational Challenges

The leaders surveyed for this report identified three key challenges impacting their organizations' health and effectiveness. These findings come as no surprise to those who have been working in and supporting the sector for some time. Yet the fact that these dynamics have persisted for so long is itself worthy of note.

- **Fundraising cited as the biggest operational challenge.** Fund development remains a chronic pain point for leaders and their boards. In Greater Boston, 59% of leaders and 46% of board members identified fund development as their most challenging issue; it received five times more votes than the next most

challenging category. Nonprofit leaders reported that more support for their fund development efforts—from basics to advanced concepts—is the most pressing need for their organizations.

- **Nonprofits are undercapitalized.** A lack of essential leadership and staff development supports is often coupled with the need for significant operational repair or turnaround. Leaders reported operational challenges inherited from previous leaders when they took the helm at their organizations. Almost half of leaders in Greater Boston (45%) report inheriting organizations that were faltering, frail, dysfunctional or requiring a turnaround. This is not an indictment of nonprofits, but rather demonstrates an increased need for leadership development and transition supports to help ensure that leaders enter healthy, stable organizations and leave vibrant organizations behind for their successors when they exit.
- **Communication between boards and leaders needs improvement.** Boards of directors are a key component of a leader and organization's success, but while boards largely report satisfaction with executive leaders' performance, nearly one quarter of Greater Boston leaders report being dissatisfied or very dissatisfied with their board's performance—which is often cited as the top reason for a leader's departure. Leaders report that they need more from their boards, including fundraising support, organizational strategy and vision, productive performance feedback and a focus on improving overall governance.

What's Next? Change and Opportunity

It is within the context of the challenges described above that this report confirms another familiar and long-anticipated reality: 78% of leaders plan to leave their current jobs—either to retire or to move on to another organization or sector—by 2020. Some are planning to leave even sooner, with 36% of leaders planning to depart by 2018. While the percentage of leaders saying that they will leave their job within the next five years has remained fairly stable across national studies for a decade, their delay in actually leaving is widely thought to be due to the impact of the 2007-2008 financial crisis

on the organizations' and the leaders' savings and retirement funds, which seem to have stabilized for the moment.

It is unclear, however, that these organizations are prepared for the executive transitions they will soon face. More than seven in 10 Greater Boston leaders and board members report their organizations do not have succession plans in place. Surprisingly, the majority of leaders who reported having no succession plan say they intend to leave their organizations within five years.

While several reports over the past decade have predicted a "crisis" created by the mass exit of Baby Boomers and others from their nonprofit leadership roles, combined with insufficient investment in succession planning and leadership development within these organizations, we propose that these sobering realities be viewed through a new lens: not as a crisis, but as an opportunity.

Now is an auspicious moment to strengthen nonprofits and their leaders by addressing some of the issues that have long plagued the sector, particularly around organizational structure as well as staff diversity and inclusion. We believe the time is ripe to realize these opportunities, and that by doing so our organizations and leaders will be stronger, more effective and better prepared to address the other persistent organizational challenges related to fundraising, operations, undercapitalization and boards identified in the data.

Three opportunities for action:

1. Board, staff and funders: Start conversations now.

By and large, the sector is not addressing executive transitions—as mentioned above, more than 70% of Greater Boston nonprofits reported having no succession plans in place whatsoever. For staff and board members, the time is now to bravely broach the sometimes awkward subject of executive transition with one another and to treat succession as an organizational priority. What comes of these conversations may have expenses attached. Funders and donors have an imperative to fund a variety of transition supports, such as planning, sabbaticals, interim executive director costs and other approaches.

2. Use transitions as a catalyst to explore new opportunities. Succession planning alone is not the answer to this sector-wide shift, and may in fact result in unintended consequences such as encouraging

boards and staff to focus exclusively on who the organization's next leader will be, missing the chance to consider other options for leadership and/or organizational structure that could ready organizations to more effectively deliver on the organization's mission and better ensure the organization's sustainability into the future. But changing the status quo will take some doing. Just 16% of Greater Boston board members and leaders reported that in the event of a leadership change they would consider a change in management models such as shared or distributive leadership structures, and only 19% of Greater Boston board members and leaders report that they would consider a strategic alliance or merger with another organization in the event of an executive transition.

3. Develop an organizational talent lens that prioritizes greater diversity and inclusion. Though some on-the-job professional development is happening at nonprofit organizations, investment is at a rate 25–50% of what is spent in the corporate sector. It is then unsurprising that only one-third of leaders (34%) and about one-quarter of board members (27%) reported having a staff that is ready to take on leadership roles when called upon to do so. Perhaps most importantly, this sector-wide transition of leaders creates an imperative for us to ask: Who are the leaders we are developing and recruiting to take the reins? In stark contrast to the region's changing demographics, Greater Boston leader survey respondents predominantly (85%) identified as white and 26% of them describe their staffs as "not at all diverse." Yet data indicate that diverse staff teams can lead to better decisions³ and drive innovation.⁴ Now is the perfect time to prioritize building organizations' bench strength and ensuring that the next generation of nonprofit leaders is more diverse, inclusive and reflective of the populations they serve. The sector's ability to attract and retain a truly diverse staff and board will help ensure nonprofit organizations' resilience, impact and relevance to the communities they serve.

SECTION ONE

Organizations and Leaders in Profile: New England vs. Greater Boston

Geography & Nonprofit Fields

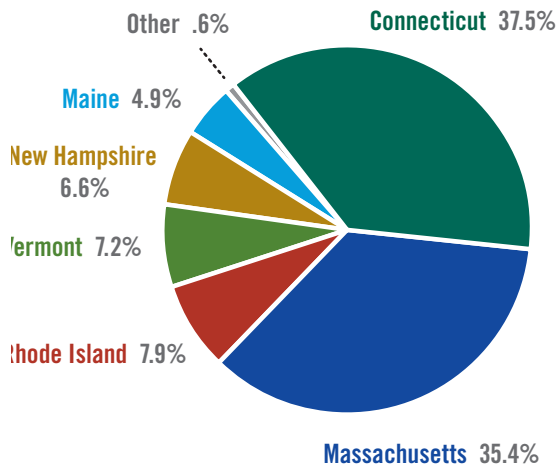
The *Leadership New England* leader and board responses are from all six New England states, with the majority from Connecticut and Massachusetts. The top five fields represented in the survey sample are education (39%), human services (28%), youth development (27%), community improvement and capacity building (22%) and the arts (21%). These fields are also among the seven largest nonprofit fields in New England.

The Greater Boston selection area (as defined here to reflect the Boston Foundation’s catchment area) includes selected cities and towns in Essex, Middlesex, Norfolk,

Plymouth and Suffolk counties in Massachusetts. This area includes responses from about 30 towns and cities; it does not include all municipalities in the above five counties.⁵ The responding leaders and board members in this region represent fields that are generally the most highly represented among New England respondents overall. Like the full New England sample, education, human services, youth development, and community improvement and capacity building are among the top areas represented by Greater Boston selection area respondents.

FIGURE 1

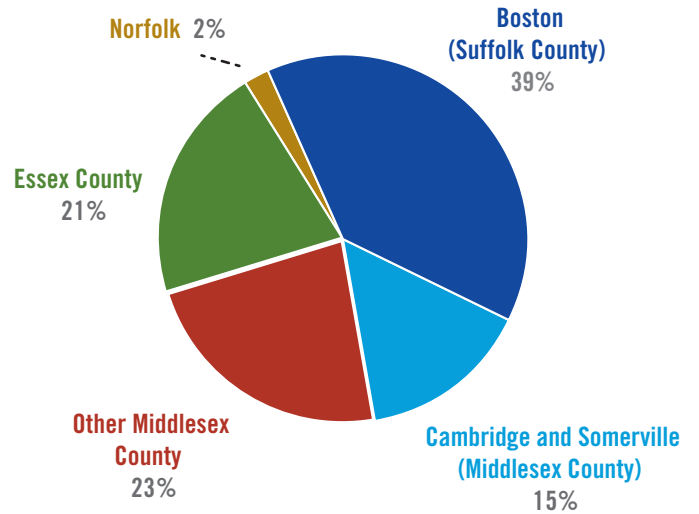
Leadership New England Responses by State



Source: TSNE

FIGURE 2

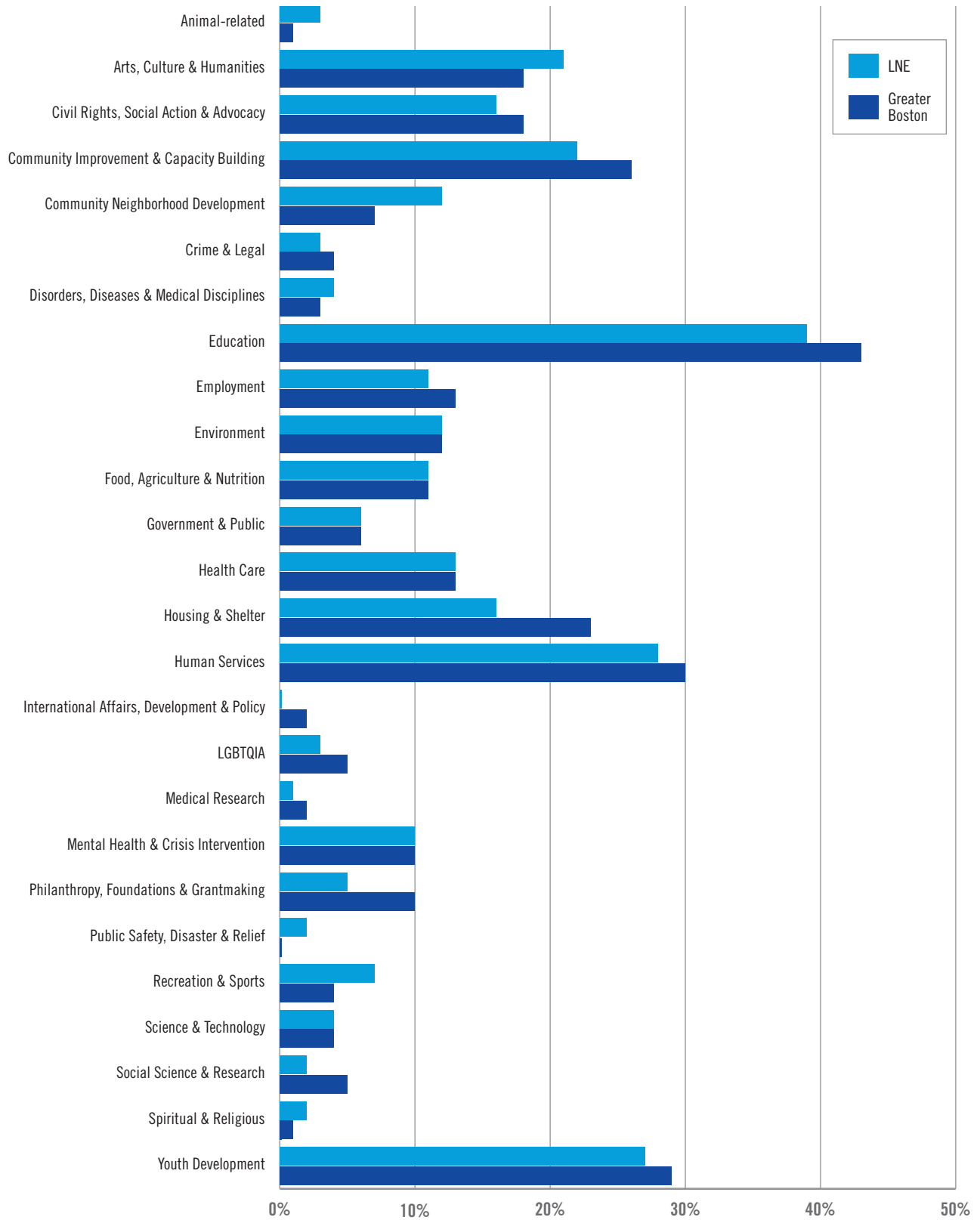
Greater Boston Leader Responses by Geographical Area



Source: TSNE

FIGURE 3

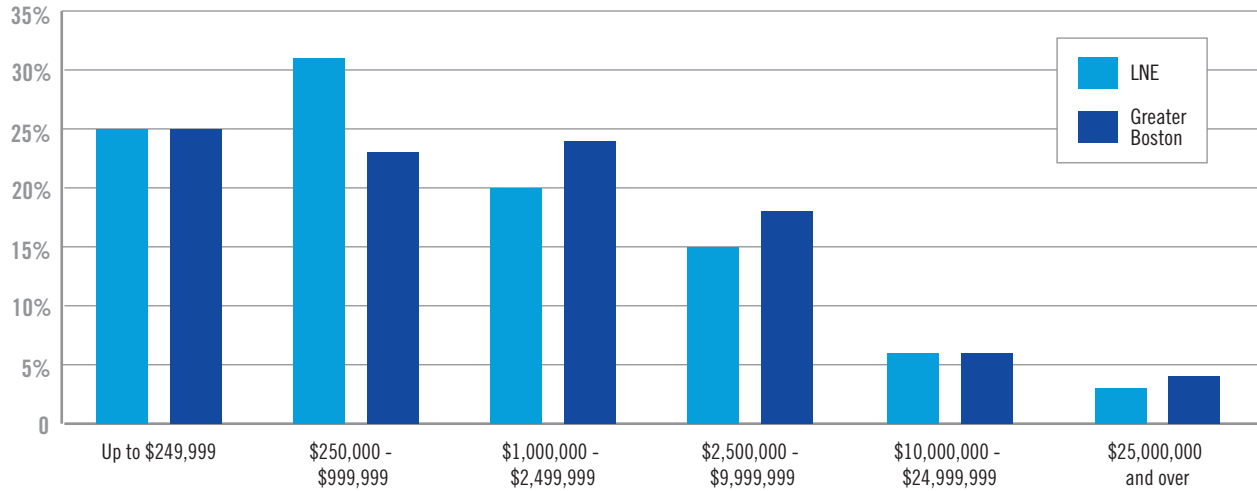
LNE and Greater Boston Leaders & Board Organization Fields



Source: TSNE

FIGURE 4

LNE and Greater Boston Organizations by Budget Size



Source: TSNE

Size of Budget and Staff

Based on budget size, the *Leadership New England* sample is statistically similar to both national and regional totals,⁶ and Greater Boston selection area organizations report similar results. Three out of four survey respondents (76%) across New England work with organizations that have budgets of less than \$2.5 million; the proportion for the Greater Boston selection area is 72%. A solid majority of respondents (81% for New England and 82% for Greater Boston selection area) report having 25 or fewer full-time staff in their organizations, and half (51% for New England and 46% for Greater Boston selection area) have five or fewer staff.

FIGURE 5

Leadership New England and Greater Boston Organizations by Staff Size

LNE	Greater Boston	LNE	Greater Boston	LNE	Greater Boston
51%	46%	81%	82%	19%	18%
<i>have 5 or fewer staff</i>		<i>have 25 or fewer staff</i>		<i>have 26 or more staff</i>	

Source: TSNE

Demographics and Diversity

As in New England overall, Greater Boston selection area leaders are predominantly white, with 87% and 85% of leaders, respectively, self-reporting as white. The lack of racial and ethnic diversity among survey respondents mirrors national findings about nonprofit leaders. For example, BoardSource’s 2014 national study, *Leading with Intent*, found that 89% of nonprofit CEOs were white, as were 90% of board chairs and 80% of board members.⁷

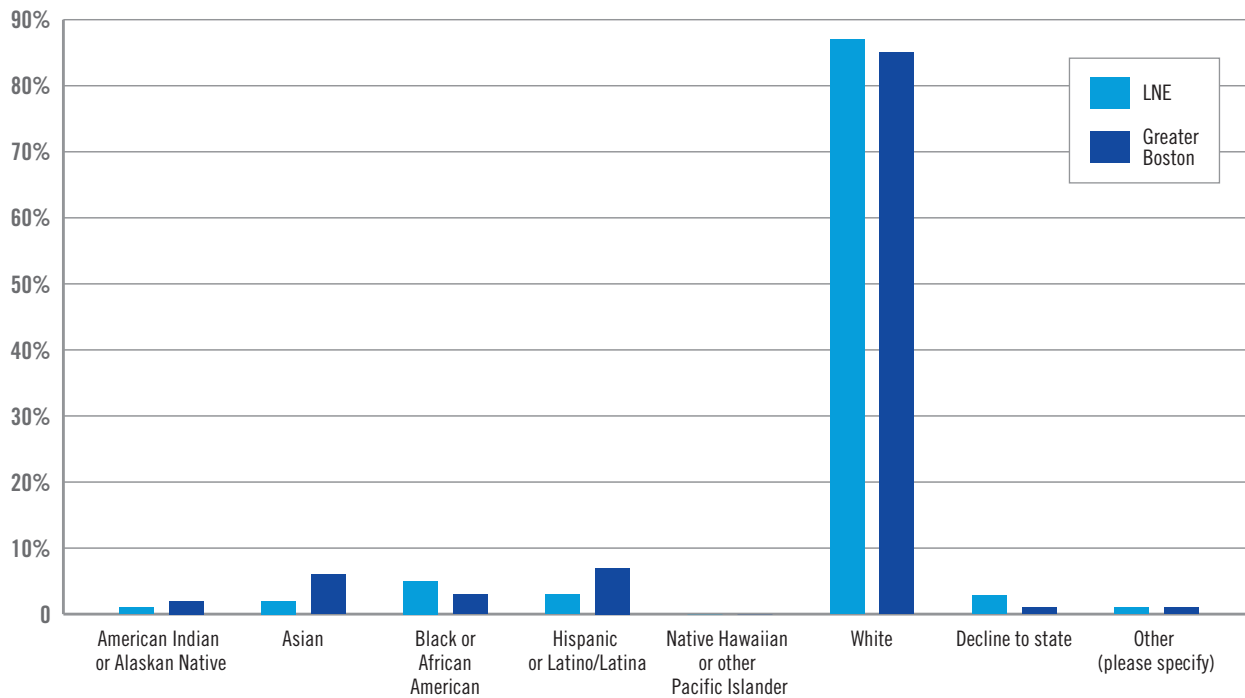
Greater Boston selection area leaders are slightly younger than the New England sample as a whole, with more falling into the “Under 45” range. More than half of New England leaders (53%) are 55 or older, compared to 45% of Greater Boston selection area leaders. Having

a younger cadre of leaders could position Greater Boston nonprofits to better prepare for the upcoming Baby Boomer leadership departures if organizations are intentional about succession and sustainability planning.

The majority of New England (68%) and Greater Boston area (64%) leaders responding to the survey were female. The predominance of women leaders in New England echoes national data showing that gender diversity has improved on both nonprofit boards and in leadership positions. However, national studies show that women still hold fewer leadership positions at large nonprofit organizations, and they are paid less overall than male counterparts by anywhere from 11 to 36% depending on organization budget size.⁸

FIGURE 6

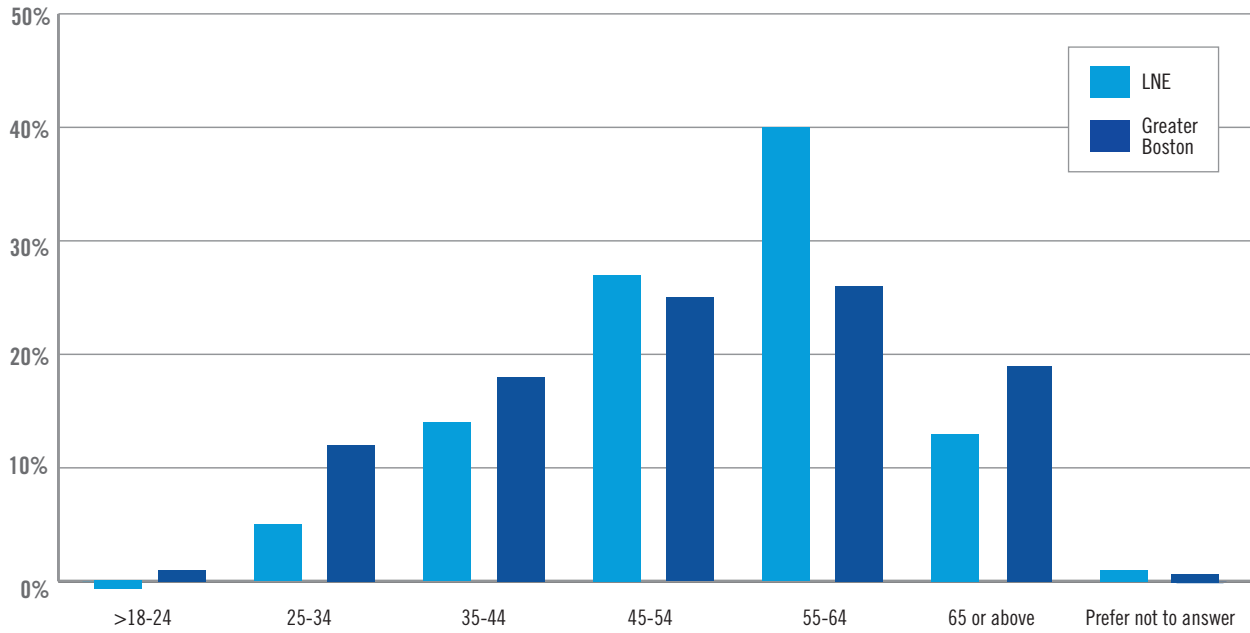
Leadership New England and Greater Boston Leaders: What is your race/ethnicity?



Source: TSNE

FIGURE 7

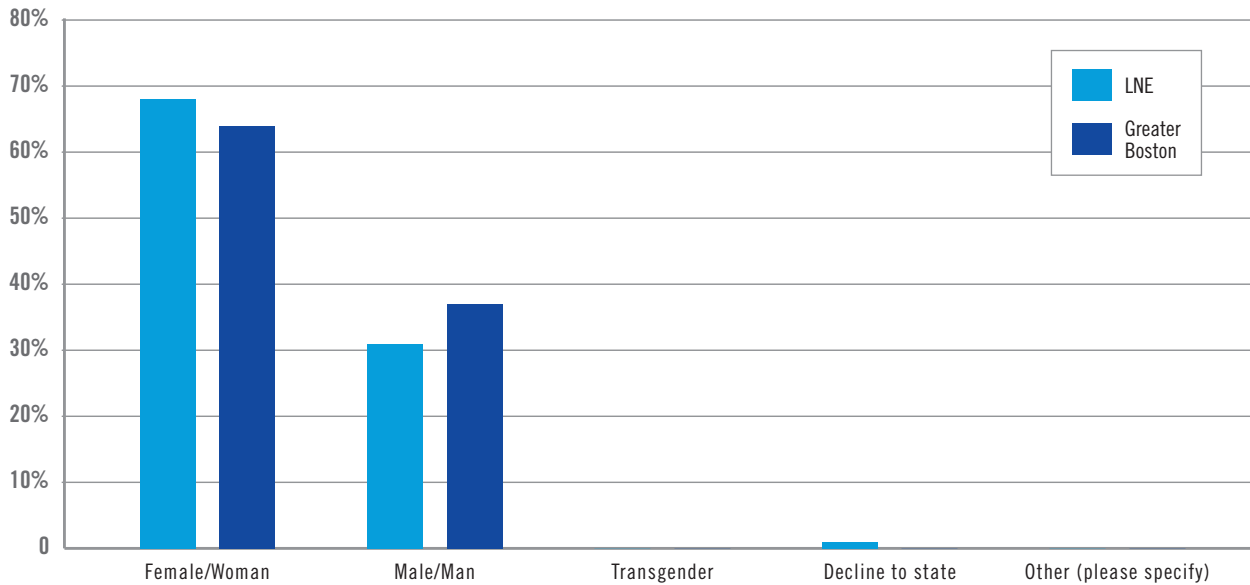
Leadership New England and Greater Boston Leaders: **What is your age?**



Source: TSNE

FIGURE 8

Leadership New England and Greater Boston Leaders: **What is your gender?**



Source: TSNE

SECTION TWO

Organizational Challenges

Undercapitalization

The nonprofit sector is undercapitalized—and a stark lack of investment in leadership development undermines nonprofit leaders. The reality of the sector’s undercapitalization becomes clear when we see that almost half of Boston selection area leaders say their organizations have three months or less of cash reserves, and one in five have one month or less.⁹

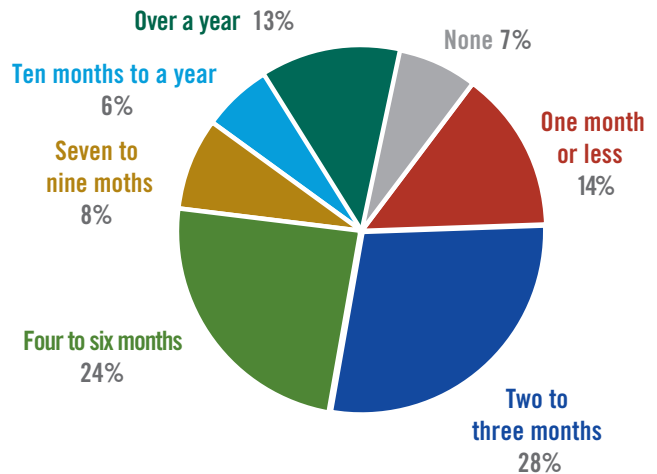
Greater Boston selection area leaders report about the same amount of cash reserves as New England leaders overall. About half of Greater Boston selection area leaders (54%) report having three months of cash reserves or less, compared with 49% of New England leaders. This percentage reflects national averages on reserve funds; in 2015, 53% of national nonprofits reported having three months of cash reserves or less.

With resources so tight, it is no wonder that fewer than six in 10 leaders in the Greater Boston selection area (58%) reported that their organizations budget for professional development of staff. While only 34% of leaders and 27% of board members said their organizations have enough people who are ready to step into leadership roles when needed, those who also reported investing in professional development were significantly more likely to think their organizations have enough bench strength. These findings are particularly concerning as the sector is now beginning to experience the departure of Baby Boomer leaders that has been predicted for years. In the face of these departures, investing in core operations and the leadership pipeline for nonprofits is essential, but foundation support for developing leaders in the nonprofit sector is scarce.¹⁰

The bottom line is that nonprofits can run great programs, but in order for them to be healthy and sustainable in the long term, leaders and funders alike need to face up to the realities of what it takes to lead and manage organizations—financial capital, leadership development, learning and innovation, and a well-compensated staff. The expectations placed on nonprofits and their leaders remain high, yet the core needs of organizations are often discounted with the

FIGURE 9

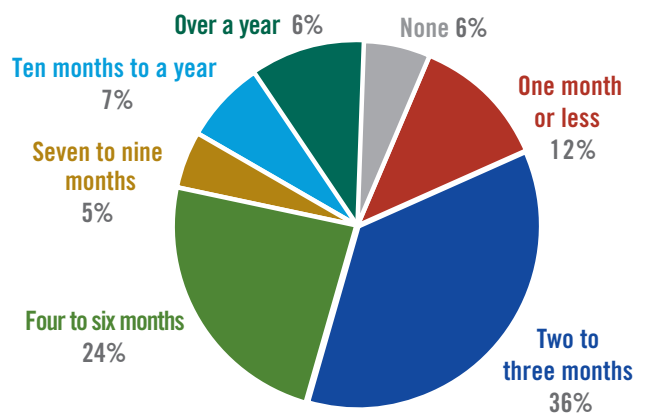
Leadership New England Leaders: How many months of cash reserves does your organization have?



Source: TSNE

FIGURE 10

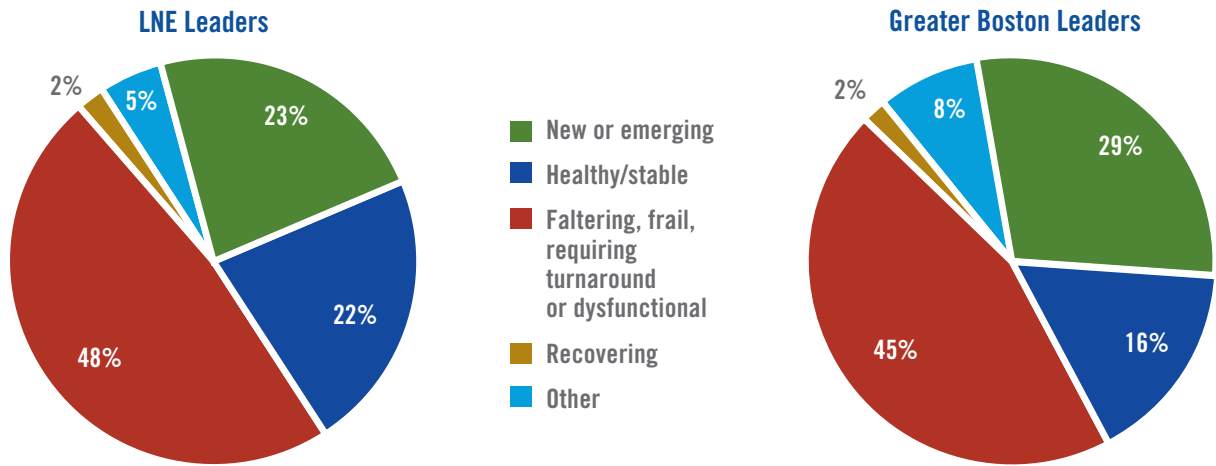
Greater Boston Leaders: How many months of cash reserves does your organization have?



Source: TSNE

FIGURE 11

**Leadership New England and Greater Boston Leaders:
What was the general situation you inherited when you assumed your leadership?**



Source: TSNE

outdated rationale and culture of thinking that low overhead equals efficient and effective management. The *Leadership New England* data affirms that it is time for funders, nonprofits and communities to invest in the infrastructure and leadership that organizations require to effectively fulfill their missions.

New England leaders' responses showed that overall, financial issues were by far their biggest concerns when they assumed leadership. Other common concerns included leadership, vision, staff satisfaction and infrastructure. Even those who considered their organizations "healthy" identified areas of need.

The fact that so many leaders in New England and the Greater Boston selection area are taking the reins at "challenged organizations" points to the need for better preparation for leadership transition to help ensure that more leaders walk into organizations that are healthy and stable. These challenges also indicate a need for boards to improve their governance knowledge and implementation skills, work to strengthen their organizations, and provide robust leadership support. Such improvement in skills and quality of involvement on the part of boards will result in moving away from the unsustainable cycle of relying on "heroic leaders" to singlehandedly turn nonprofits around.

Fund Development

Fundraising remains a chronic pain point for leaders and their boards, both in New England and across the country. The *Leadership New England* survey affirms that fundraising is a challenge for leaders across the region and in the Greater Boston selection area, as well as a possible source of tension in executive-board relations. Compared with their New England counterparts, Greater Boston selection area leaders were significantly more likely to say that increased fundraising supports might make them consider staying longer in their jobs. Leaders across the region have high expectations of boards regarding fundraising, and board members feel they need more fund development supports in order to increase their effectiveness.

The degree to which fundraising is a challenge for many New England nonprofits can be seen in the survey's findings about the tenuous financial health of these organizations described above.

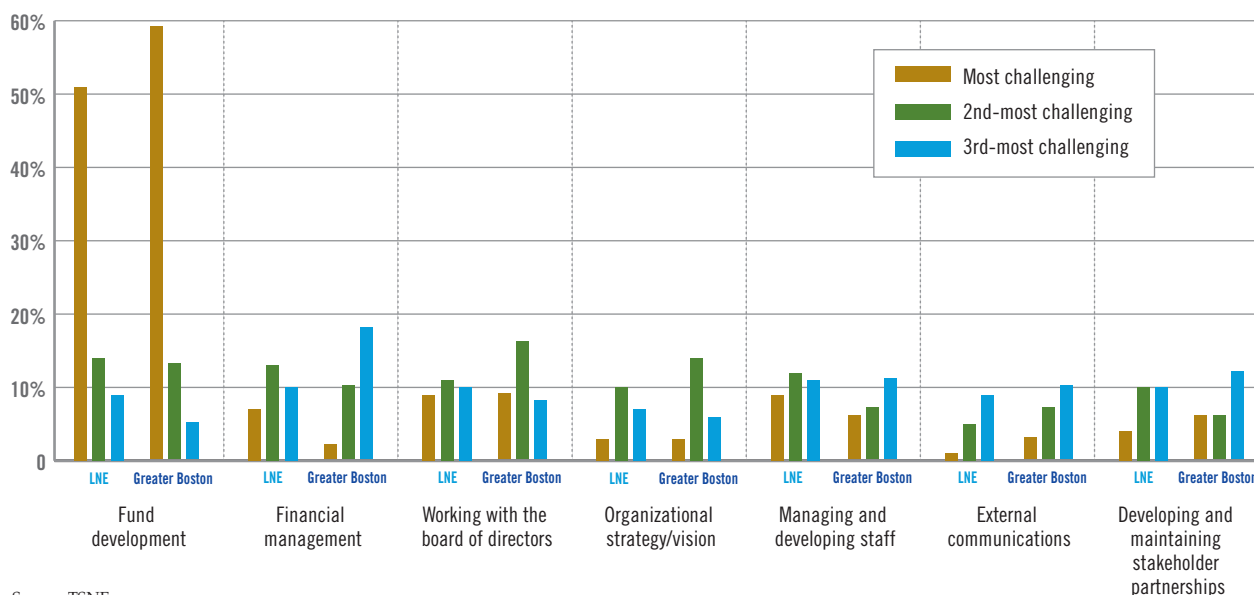
It's not surprising, then, that 54% of New England board members (and 46% for the Greater Boston selection area) ranked fund development as the most challenging issue facing their organization's leader. Leaders themselves agreed, with 51% of New England leaders and 59% of Greater Boston selection area leaders identifying fund development as their most challenging issue; it received five times more votes than the next most challenging category.

Leaders responding to the survey also were asked to identify two or three areas where they need the most support in order to lead their organizations more effectively. Support for fund development (from the basics to figuring out major donor campaigns) was the number-one area where New England respondents said they need support, followed by board development. Financial and fundraising issues were also identified by 30% of New England leaders as critical areas they

needed to contend with when they first entered their leadership roles. In fact, some of the leaders seeking support for board development specified that they wanted help to get their boards to fundraise more effectively or to help the leader with fundraising. Board members agreed, with 54% in the larger New England sample responding that their boards need significant support with fund development, and 41% responding that they need at least some support.

FIGURE 12

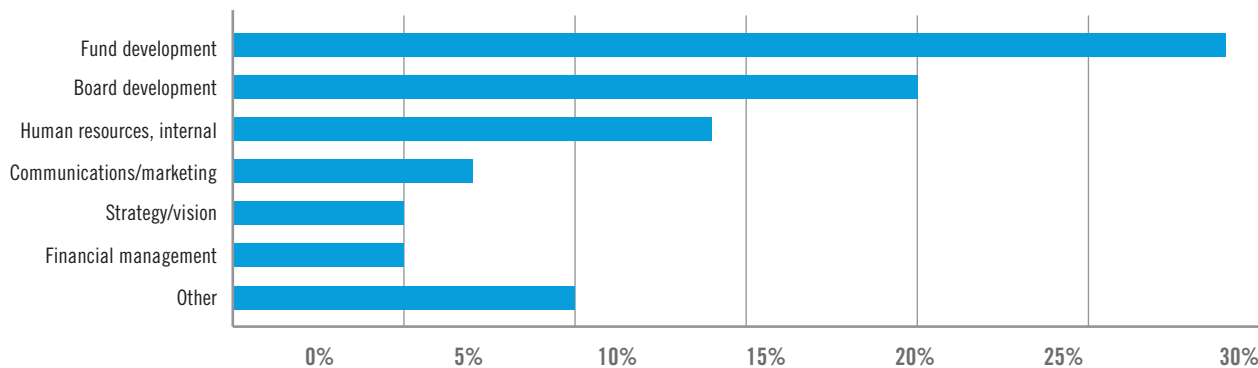
**Leadership New England and Greater Boston Leaders:
Which parts of your job do you find the most challenging?**



Source: TSNE

FIGURE 13

**Leadership New England and Greater Boston Leaders:
In what areas do you need the most support to lead your organization more effectively?**



Source: TSNE

Board Effectiveness and Board-Executive Relations

Board members in New England and the Greater Boston selection area appear to be mainly satisfied with the leaders of their organizations, while leaders are more neutral about their boards. In both the New England and Greater Boston selection area samples, leader and board responses on board effectiveness diverged significantly on almost all measures. For some leaders, particularly those planning to leave within two years, frustration with boards ranks as a top reason for their planning to depart. The mismatched perceptions of the board-executive relationship indicate that leaders and boards are not spending enough time developing shared vision, assuring organizational alignment, checking in with each other on meaningful matters and clarifying assumptions. The bottom line: The relationship between leaders and boards is lacking in healthy and effective communication.

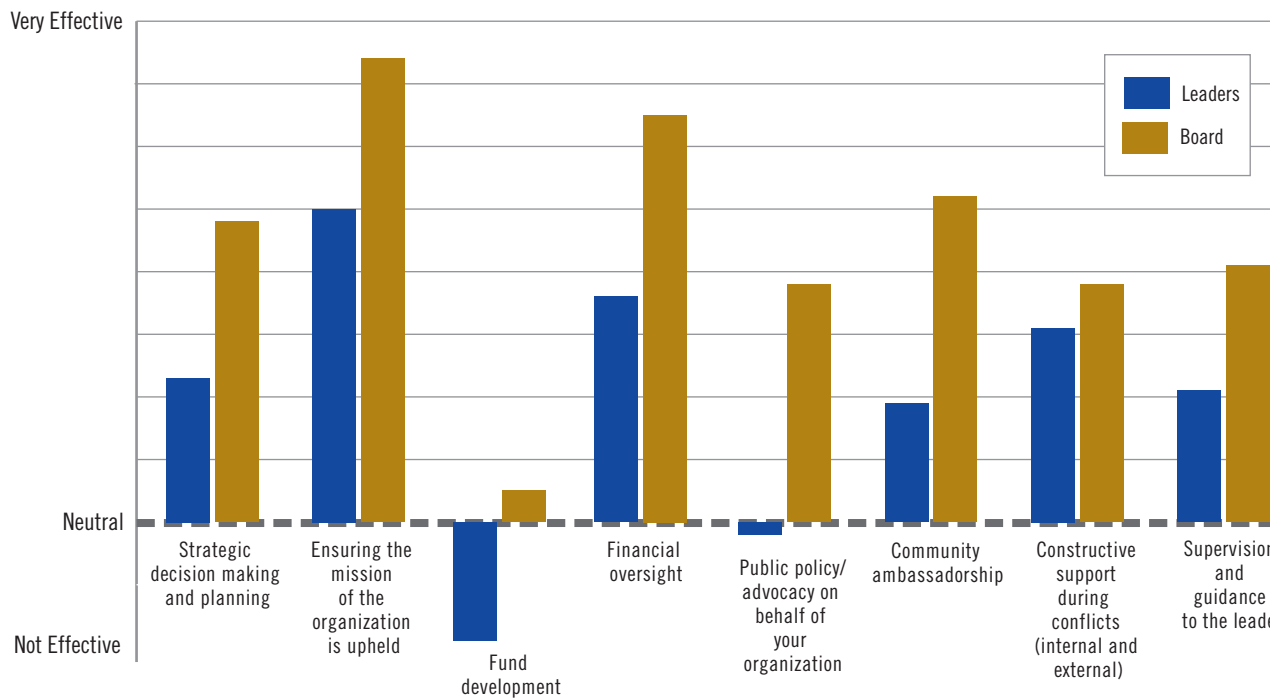
Overall, only a slight majority of nonprofit leaders (59%) in the Greater Boston selection area said they are

satisfied or very satisfied with their board’s general performance, and nearly a quarter of leaders (22%) are dissatisfied or very dissatisfied with their boards. What leaders want from their boards are more fundraising supports, organizational strategy and vision, effective performance feedback and a focus on improving overall governance. Boards report being satisfied with their leaders and want tools to support fund development and strategic decision making and planning.

Leadership New England surfaced general agreement among responding board members and leaders that boards are most effective at upholding the mission of the organization and overseeing its finances. The biggest gaps between board and leader ratings of board effectiveness were on the issues of public policy and advocacy (28-point gap), supervision and guidance (22-point gap) and fundraising (22-point gap). Not surprisingly, leaders and board members alike tended to rate themselves as slightly more effective than they were rated by their counterparts on all issues. New England leaders planning to leave their posts within two years ranked working with the board of directors

FIGURE 14

Leadership New England and Greater Boston Leaders: How would you rank the board’s effectiveness?



Source: TSNE

as the second biggest challenge after fund development; by comparison, it ranked as the fifth biggest challenge among all leaders.

Reflecting the region-wide trend, Greater Boston selection area leaders rated their boards significantly lower than board members rated themselves on all criteria for board effectiveness except “constructive support during conflicts.” The gaps in perceived effectiveness were around both external and internal organizational issues, with the largest divergence between leaders and boards in the areas of public policy advocacy, community ambassadorship and financial oversight.

In a related finding, leaders want increased assistance with fundraising and more frequent and meaningful executive evaluation and feedback. Four out of 10 New England leaders (40%) report never having received a performance review; in the Greater Boston selection area, significantly more leaders (51%) say they have never had a review. Of those who have had reviews, about one-third of both Greater Boston selection area and New England leaders overall found them only slightly useful or not at all useful. Of board members who reported conducting annual performance reviews of their leaders, many reported some level

***“Even if I won the lottery,
I’d probably just
stay there and work.”***

—Nonprofit leader on her dedication to her organization and mission

of dissatisfaction with the effectiveness of the review, especially in the area of succession planning.

Conducting an annual performance review of the chief executive is one of the hallmarks of effective board governance and ethical nonprofit practice.¹¹ The absence of annual reviews reveals a need for increased training and commitment to key governance responsibilities. When boards and leaders are not communicating about performance in a structured way, it not only can create a lack of mutual vision, but also contribute to decreased accountability and a reputation for insufficient oversight and public accountability in the sector. Finally, if board members are not engaging with the leader in annual reviews, it is likely they do not have a solid understanding of the leader’s job, which can negatively impact the preparedness of the board to lead an executive transition.

Leading Challenged Organizations

Many nonprofit leaders walk into challenging scenarios from the very start of their tenure, as they are often tasked with strengthening struggling organizations or resolving problems that developed under a previous leader. Others are founders or are faced with moving a very young organization to a new phase of stability or growth. Almost one in five New England leaders in the survey reported that their organizations were financially or organizationally frail now, and almost a quarter required turnarounds. These findings affirm a need for more support for these leaders to meet the lofty expectations of funders, boards and communities.

One in five New England leaders (22%) described inheriting healthy, vibrant organizations; the comparable figure for the Greater Boston selection area was 16%. Almost half of leaders in New England (47%) and the Greater Boston selection area (45%) report inheriting organizations that were faltering, frail, dysfunctional or requiring a turnaround. More than likely, these leaders assumed their positions needing to address challenging situations that contributed to the end of their predecessors’ tenure. From the very start, these leaders were forced to play catch-up before they could lead from a place of organizational stability. When New England leaders were asked about their first priority upon assuming leadership, “stabilization” came up more than any other response. These leaders spoke about inheriting organizations that needed to improve operations and management or restructure staffing.

This divergence in perception of board effectiveness between the leaders and boards resulted in the *Leadership New England* report's major recommendation to shift the vision for governance. Specifically, the report recommended that boards focus on building a shared vision, growing healthy communication between management and governance, and in particular partnering with the leader through an honest, two-way conversation about how to create consistent, quality feedback. The divergence in perception also speaks to the importance of creating situational or life-cycle governance models that are adaptive versus highly prescriptive, one-size-fits-all models that do not take into account an organization's current state or needs.

Taken in total, the survey illuminates board-leader disconnects that are widening in many nonprofits and that are often an unspoken—and unresolved—challenge to the success of organizations and the sector as a whole. In particular, a short-term focus on fundraising

appears to be undermining long-term sustainability and leads to continued dissatisfaction between leaders and their boards. This suggests that the expectations and responsibilities of boards need to shift in favor of governance over fundraising. Boards need to work with executive directors to develop a shared vision for their organizations, along with strategies to implement that vision, achieve operational excellence and, yes, find the resources to support the work.

This shift will not only require a shared understanding of what is effective and impactful governance, it also calls for a higher level of engagement and learning together between leaders and boards—changing what may be a transactional partnership into a generative and transformative one. Mutual understanding will help organizations be more sustainable and responsive, develop a healthy culture and serve their communities more effectively.

SECTION THREE

Upcoming Leadership Transitions Across the Sector

Executive Transitions

The nonprofit sector in New England, including the Greater Boston selection area, faces a looming leadership transition. A significant number of leaders across the region have served in their current positions for more than 10 years, over half are age 55 or older, and many have worked in the nonprofit sector for decades. With large numbers of leaders saying they will be leaving their current jobs in the next five years, the time is now to prepare organizations for these impending transitions and help them focus on how to attract and support new leaders for the decades to come. Yet another priority: addressing structural issues that make it hard for many leaders to envision staying in the sector over the long haul.

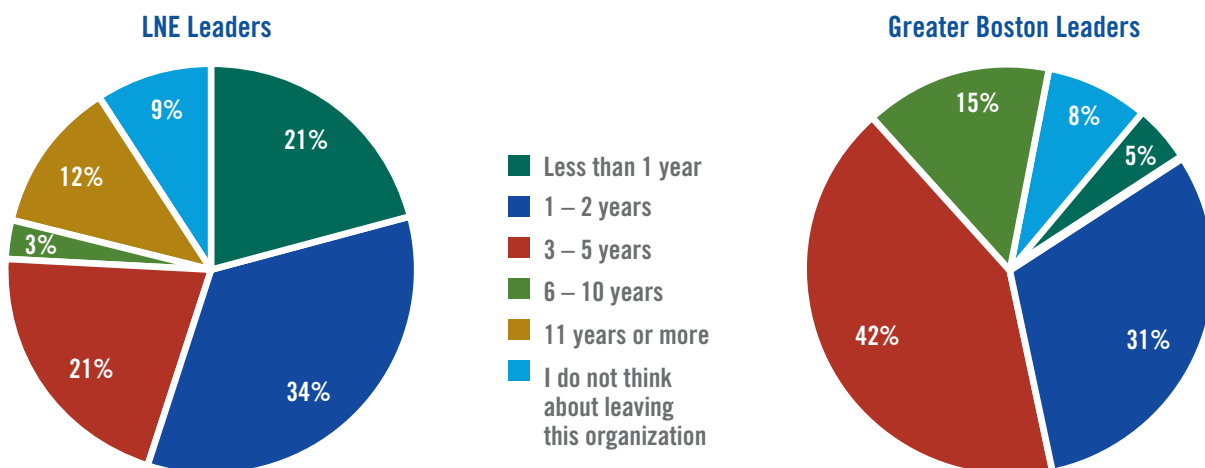
The nonprofit sector is on the verge of losing large numbers of leaders, and yet organizations are unprepared for transitions. A significant majority of

New England respondents (64%) said they will leave their current positions by 2020, and 30% reported they will leave by 2018. Compared with the New England sample, significantly more Greater Boston selection area leaders (78%) anticipate leaving their positions by 2020 and more than one-third (36%) are planning to depart by 2018. These statistics, which exceed the comparable figures for all of New England, underscore the importance of supporting organizations to prepare for and manage leadership transitions more effectively.

The percentage of nonprofit leaders saying they will leave their jobs in the next five years has remained fairly stable across national studies for a decade, and calls for better succession planning across the sector have been issued again and again in countless reports, blogs and other forums. *Yet more than seven in 10 Greater Boston selection area leaders and board members say their organizations do not have succession plans.*

FIGURE 15

Leadership New England and Greater Boston Leaders: How long do you foresee remaining in your current position?



Source: TSNE

Aging Boards, Younger Leaders

Overall, New England board members are older than the leaders who report to them; 61% of board members were over 55 at the time of the survey, and 30% of board members were 65 or over, compared to 13% of leaders being 65 or over. Greater Boston selection area board members are about the same age on average as those across New England, with 61% over 55 and 39% 65 or over.

Nationally, a 2015 report by BoardSource covering more than 800 organizations found that 15% of board members (and 27% of board chairs) were age 65 or over, and 43% were between the ages of 50 and 64.¹⁴ Board members in New England and across the country are likely to skew older for many years given these national and regional numbers. Among the factors at play in these trends: Older generations and retirees will likely continue to serve on boards, and bringing on board members under age 35 is often a challenge.

This data suggests that the sector will need to pay attention not only to staff leader transitions, but also to board transitions and what they mean for how boards adapt to younger membership and younger leaders, develop new governance practices and adjust management styles and structures. The sector needs robust strategies for cultivating effective and adaptive boards, addressing the short supply of younger as well as racially diverse board members, and addressing the challenges arising from generational differences in outlook and working styles.

Board recruitment is increasingly difficult, due to several factors ranging from increased nonprofit scrutiny and board liability to people having less time to serve on boards due to longer work days and busy lives. Research shows that nonprofit boards have shrunk in size and about two-thirds of boards are self-perpetuating¹⁵ as opposed to reaching out to bring in people from outside their immediate networks. A self-perpetuating board can stem from and lead to “affinity bias,” in which people tend to favor those who are similar to them or someone they know—a problematic dynamic not only in recruitment but in hiring as well.¹⁶ To turn the tide toward a thriving social sector, strategic board recruitment must become a priority, with a deliberate emphasis on including younger board members from diverse backgrounds and board members who come to the role with varying social identities, life experiences, perspectives and ideas on engaging effectively and governing nonprofit organizations well for the long term.^{17,18}

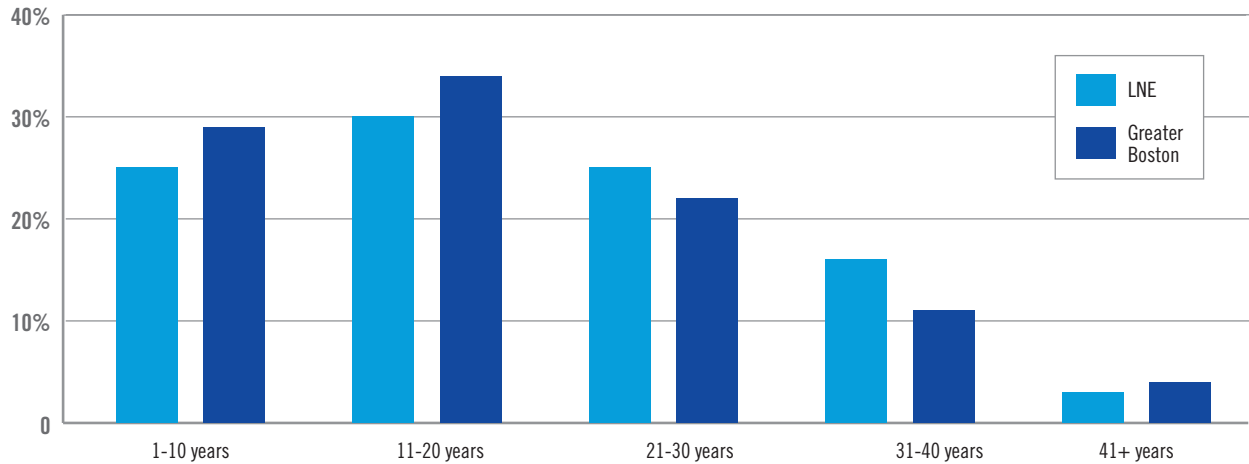
More than anything else, leaders appear to want two things so they can better prepare for the inevitable transitions their organizations will face. The first is more support to develop sustainability strategies, and the second is support to develop and grow their leadership bench, which in many organizations is exceedingly slim.

The upcoming transition of Baby Boomer leaders has been a focus of sector-wide discussion for many years, triggered by research such as the 2006 and 2011 *Daring to Lead* reports from CompassPoint Nonprofit Services.¹² The fact that so many New England leaders are considering their exit strategies should therefore come as no surprise. That said, there has been a notable

delay in the Boomer transitions that have been predicted over the past decade. This could be due to several economic and sector-wide issues. First, leaders may have stayed on to see their organizations through the recession. Second, many leaders’ retirement funds were less than expected due to the recession so they needed to stay in the workforce longer. And third, research shows that longtime nonprofit leaders want to stay engaged in social mission work, although with less responsibility and more flexibility.¹³ These leaders may have delayed departure because there is not a clear pathway for the next chapter of life for social sector leaders who do not intend to fully retire soon.

FIGURE 16

**Leadership New England and Greater Boston Leaders:
How long have you worked in the nonprofit sector?**



Source: TSNE

There will certainly be some turbulence as leaders depart. Some organizations may not survive—particularly ones where the purpose of the organization is likely to diminish upon the exit of a passionate founder or ones that have survived only through overreliance on a heroic leader. In sectors or regions where leaders are all of a similar age and have built trusting relationships that enable them to collaborate easily with each other, use shorthand, and at times create collective impact, those networks will need to be re-populated. As good as they might be, however, no one leader or generation of leaders is indispensable.

the Greater Boston selection area are 26% and 32%, respectively. A substantial number of leaders report long tenures in the nonprofit sector, with 74% of New England leaders and 71% of Greater Boston selection area leaders holding sector jobs for 11 years or more; 44% and 37%, respectively, have worked in the sector 21 years or more.

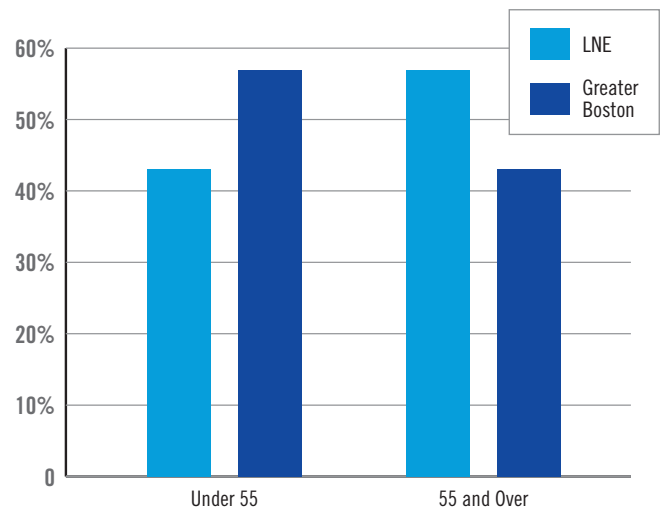
Tenure and Age

The *Leadership New England* survey found that there is no correlation between age or tenure in leaders' current positions and how long they intend to stay. However, the survey found that the longer leaders have been in the nonprofit sector, the more likely they are to say they will stay in their position for a longer period. At the same time, those who are newest to the sector are the most likely to say they are not considering leaving their positions.

One-third of nonprofit leaders in New England (32%) have been in their current jobs for 10 years or more, while one in four (27%) have been in their current jobs for two years or less. The comparable figures for

FIGURE 17

**Leadership New England and Greater Boston Leaders leaving in 5 years or less:
What is your age?**



Source: TSNE

SECTION FOUR

What's Next for Transitioning Leaders and Organizations

While Greater Boston selection area leaders are slightly younger on average than their New England counterparts, there are no significant differences between how leaders in the two samples answer the question, “What do you think is next for you?”

Many leaders planning on a transition said they want to shift to teaching, and some plan to remain at their organizations in a capacity that reduces their leadership responsibilities. Others want to move into a position with more influence, or make a lateral move to a different nonprofit organization with new challenges. Striking a better level of life-work balance is a consistent focus among these transitioning leaders.

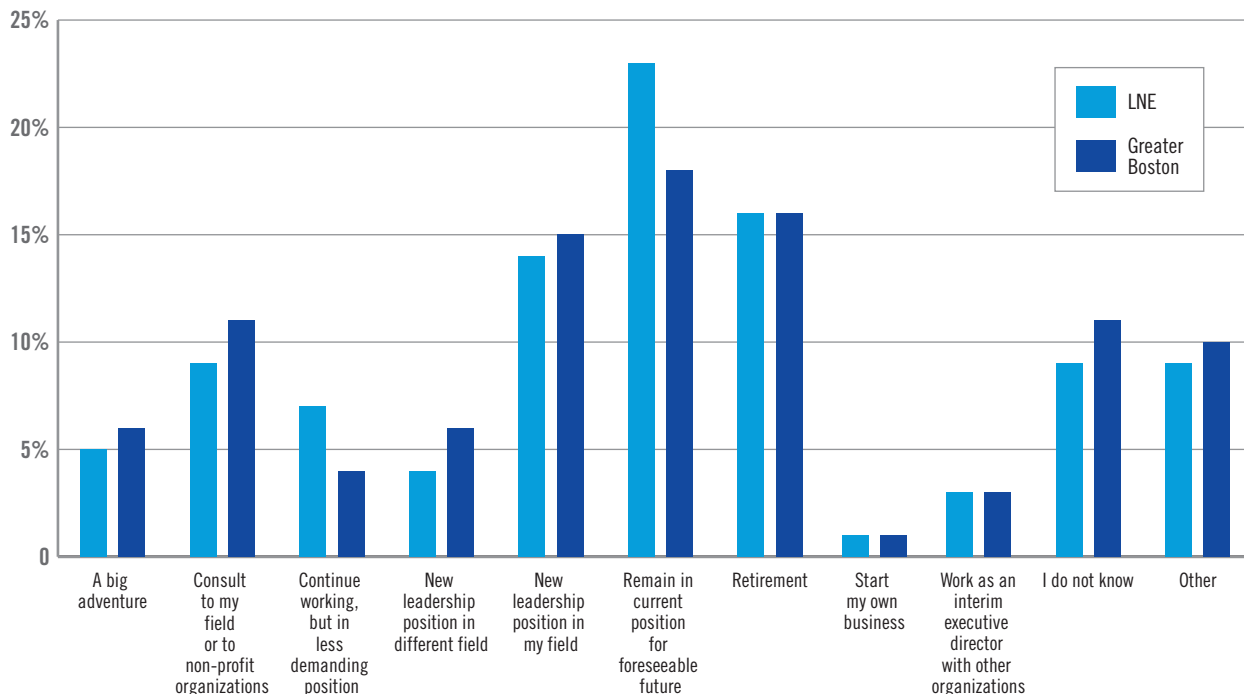
With strong healthcare and education sectors, as well as rich educational opportunities, Greater Boston may

provide more options for mid-career leaders who want to move away from organizations challenged with fundraising and underperforming boards, but who still seek mission-driven work.

Massachusetts’ overall unemployment rate in 2014 was similar to the rest of the nation, but the Boston area had a lower unemployment rate than other major metropolitan areas in southern New England, at 5.3% compared to 6% in Hartford and New Haven and 6.2% in Providence.²⁰ Also, the Greater Boston area in particular has a significant number of nonprofit organizations, with 11,910 nonprofits compared to Hartford’s 7,222 or New Haven’s 6,381.²¹ This may contribute to Greater Boston selection area leaders believing they have more options after leaving their current organizations.

FIGURE 18

Leadership New England and Greater Boston Leaders: What do you think is next for you?



Source: TSNE

Succession Planning

Succession planning has been a hot topic in the nonprofit sector for many years, with funders, sector leaders and capacity builders regularly making the case that organizations should make it a priority. But even as the sector faces a looming leadership transition, New England nonprofits appear unprepared for the challenge of finding and grooming future leaders.

Despite the inevitability of a leader's departure and a decade's worth of increased information and expert support, about six in 10 New England leaders (58%) and board members (62%) said their organizations do not have any type of succession plan in place. In a related finding, 32% of board members reported that their organization is not effective at ensuring that emergency, planned and permanent succession is discussed at the leader's annual evaluation. Moreover, a 2016 Alliance for Nonprofit Management report focused on a survey of 635 board chairs found that 51% of board chairs did nothing to prepare for their role, which speaks to the need for board-specific succession planning.²²

The Long Goodbye

Many Boomer nonprofit leaders who are leaving their jobs will want to continue doing meaningful work in ways that provide flexibility and less responsibility. Some of these leaders may be interested in staying involved in the organization and many board members may want the same. Learnings from the field of executive transition management suggest it is not best practice for the departing leader to stay engaged with the organization. As reported in the Building Movement Project's *The Long Goodbye*,¹⁹ many leaders and organizations are caught by surprise at the difficulty of extending a role to the departing leader. The report outlines that if an organization is considering engaging the exiting leader post their departure, it is critical that the board, exiting leader and incoming leader are all in conversation about the goals, accountability and work—and that the ultimate focus needs to be on what is best for the organization's mission.

*“How did we not think of it before?
We’ve just been really busy.”*

—Nonprofit leader on how prioritizing executive transition conversations can be difficult given day-to-day demands

Greater Boston selection area leaders are more likely than other New England leaders to report that they have no succession plans at their organizations, and even for those who do have plans, they are significantly less likely to have emergency succession plans.

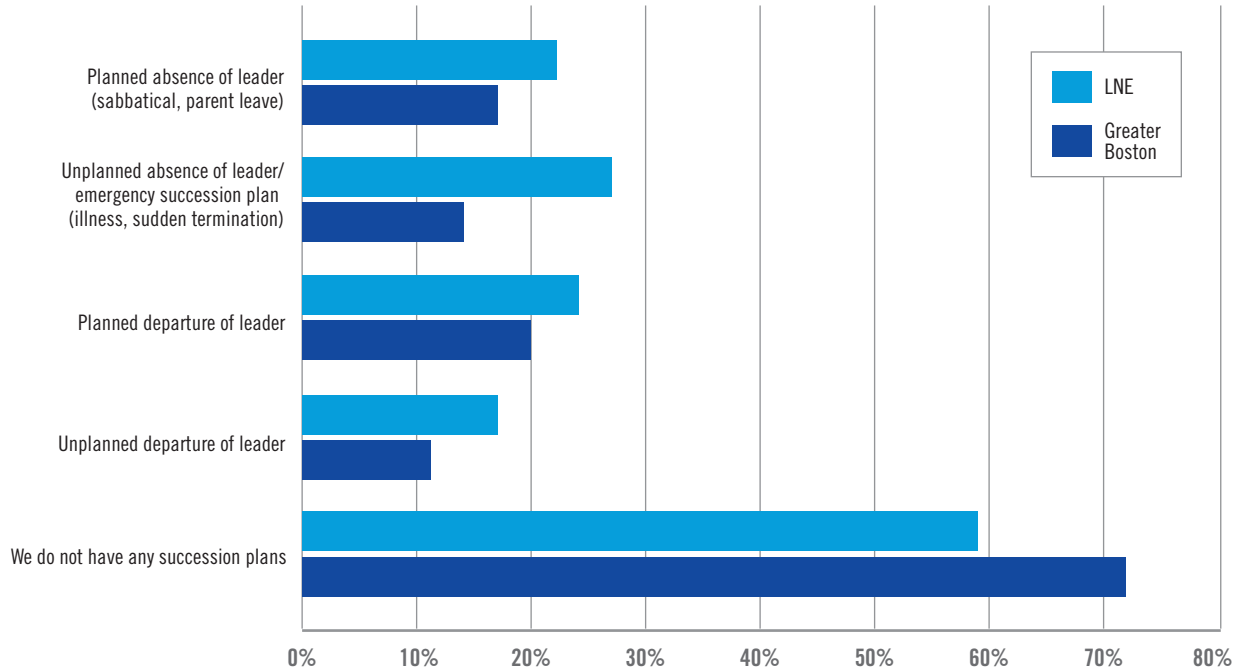
One might expect that the lack of succession plans would be more prevalent among organizations with leaders who plan to stay in their positions for a long time. However, of the large majority (72%) of Greater Boston selection area leaders who said they have no succession plans, most are leaders who anticipate leaving their positions within five years. This is supported by data from the Boston Foundation's Giving Common, which indicates that only approximately 10% of nonprofits report having a succession plan.²³

Leadership New England found that the lack of succession planning among so many organizations may be attributed to multiple factors: a lack of resources to support the work, weak communication between leaders and the board (particularly because the topic of a leader departing is a sensitive one) and misperceptions about what succession planning is. When asked to rank what they think are essential supports their organization needs in order to prepare for a leadership transition, New England leaders and board members selected the same top five supports from a list of eight but in different order of priority. At the top of the list for both groups: supporting the organization around sustainability strategies, providing funds for professional development and funding for organizational change work.

Greater Boston selection area leaders are slightly less likely than their counterparts across New England to identify coaching for themselves on the next steps in their careers as a useful transition support. However, leaders and boards in both samples say that coaching for current and emerging leaders would be useful, along with support and funding in the areas of succession planning, professional development for staff, sustainability strategies and organizational change. As in the New England sample, support for sabbaticals is the least likely transition support anticipated by Greater

FIGURE 19

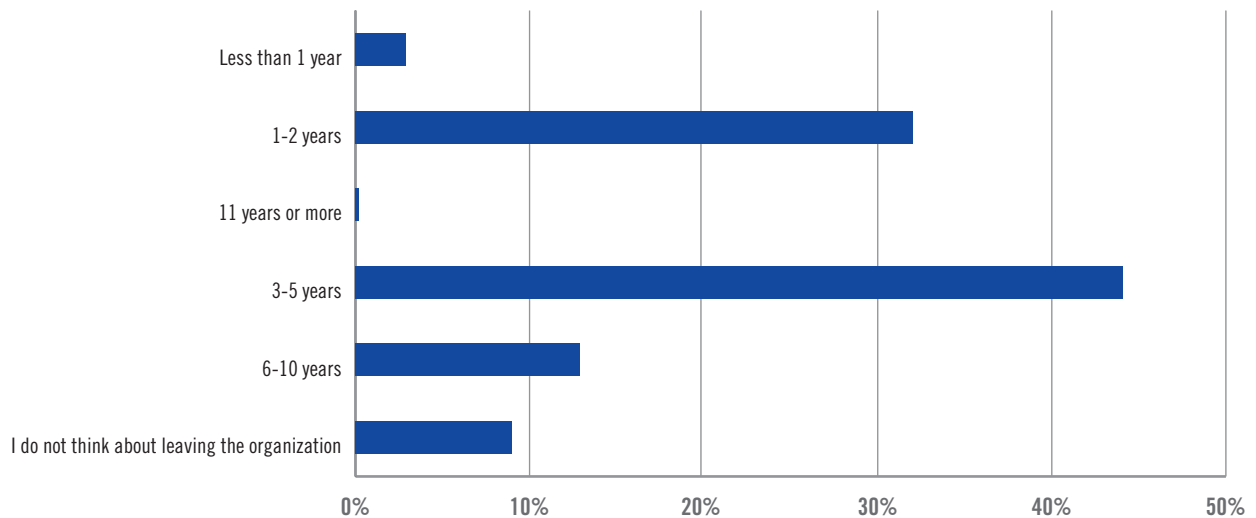
Leadership New England and Greater Boston Leaders: Does your organization have a succession plan for any of the following situations?



Source: TSNE

FIGURE 20

Greater Boston Leaders: The majority of the Greater Boston leaders without a succession plan anticipate leaving their current positions in five years or less.



Source: TSNE

Boston selection area leaders and board members. However, it is important to note that national studies of sabbatical programs have shown that removing the leader from the organization for three months typically rejuvenates the leader and adds time to his or her tenure at the organization, while also strengthening the board of directors and the management teams who in both cases step up and take on new responsibilities while the leader is absent.²⁴

New England leaders and board members offered mostly similar recommendations about how their organizations should proceed with a transition, but board members were more likely to recommend finding an external successor and less likely to recommend a strategic alliance with another organization. Sixty percent (60%) of New England nonprofit leaders and 70% of board members say they would recommend looking externally for candidates in the event of a leadership transition. The recommendations from leaders in the Greater Boston selection area mirrored the regional responses, with 61% of leaders and 67% of board members recommending looking for an external

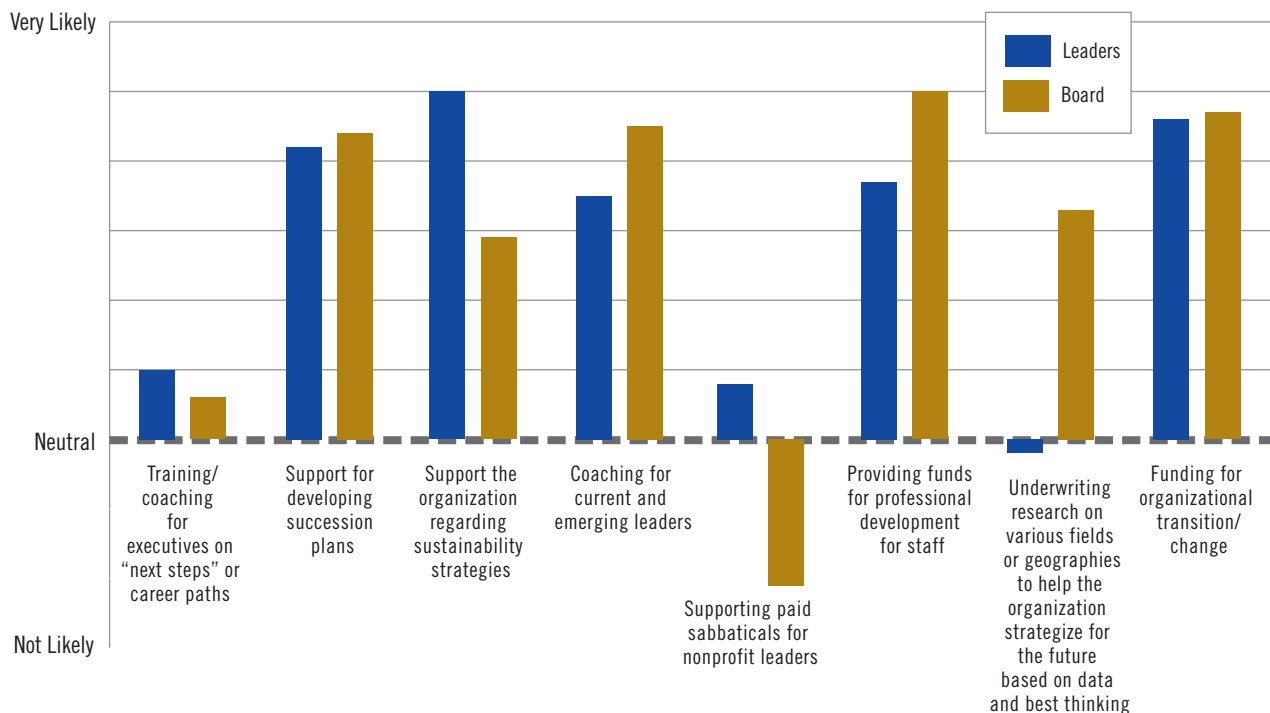
candidate. Forty-five percent of Greater Boston selection area leaders and board members would promote a successor from within, assuming one exists; 17% of these leaders and 15% of board members would consider a different management model; and 17% and 21%, respectively, would consider a strategic alliance with another organization.

Consider Structure

An executive leadership transition can be the ideal moment for an organization to consider restructuring. Even with the large number of leaders anticipating leaving the sector in the next few years, the majority of New England and Greater Boston leaders and board members state that in the event of the leader's departure, they would recommend that the organization identify either an internal or external successor. These leaders and board members indicate a reluctance to consider alternative management structures or approach a strategic alliance, such as merger, with another organization.

FIGURE 21

Greater Boston Leaders & Board: What support are you or your organization likely to need in preparing for a leadership transition?



Source: TSNE

Case Study: The Catalyst Fund for Nonprofits

In 2011 The Boston Foundation, in partnership with other local funders the Hyams Foundation, Boston LISC and the United Way of Massachusetts Bay and Merrimack Valley, embarked on an experiment to support nonprofits considering mergers and deep strategic collaborations. The Catalyst Fund was conceived during the 2008 recession and designed as a new way to respond to the structural and funding challenges facing the nonprofit sector, including its fragmented merger and collaboration market.

The fund grew to include a combined commitment of \$1.95 million from five funders including the Kresge Foundation, and the Nonprofit Finance Fund served as the fund manager providing administrative oversight and applicant support. The two primary goals of the Catalyst Fund were to:

- support deep, strategic collaborations and mergers through technical assistance for feasibility exploration, planning, due diligence and implementation; and
- normalize the practice of collaboration and merger as a strategy to preserve, improve or expand services, rather than as a sign of failure or crisis.

In keeping with the Fund's original design it closed after five years of operation, at the end of 2015. The fund's work supported 42 engagements among 88 nonprofit organizations that resulted in 20 collaborative ventures including 13 mergers and an additional six ventures that are still in exploratory phases. (The full combined funder commitment was not invested due to a lack of qualified applicants.)

While this collaborative effort has become a national model, the consensus is that there is still enormous opportunity to realize the Fund's original objectives (outlined in the Fund's final assessment²⁸). As the *Leadership New England* data indicates, a minority of boards and exiting leaders would consider recommending a strategic alliance or merger on the occasion of an executive transition. However, it should be noted that several successful Catalyst Fund mergers included CEOs and executive directors planning to leave their organization, including the widely celebrated hopeFound/Pine Street Inn merger.²⁹ **Given the current widespread leadership transitions taking place in the nonprofit sector, the time is now to seriously consider mergers and deep strategic collaborations as viable options to preserve or expand impact.**

Following are a few ways to better understand whether merger or deep strategic collaboration may be right for your organization.

Nonprofit Leaders:

- Get to know the landscape of peer organizations doing complementary or duplicative work and start to imagine what it would take to expand your impact in partnership with others.
- Talk with your board and funders about inorganic opportunities for expanded impact.

Board Members:

- Ask your board colleagues what your potential for mission-related impact is as you are currently structured and what it could be if you deeply collaborated or merged with another entity.
- Be aware of your own pre-conceived notions around organizational identity—try to focus on mission delivery and community-level impact rather than your personal or familial affinity for or connection to organizational name, structure, etc.

Funders:

- Restructuring and/or merging can be expensive: Ask questions about the operational and financial tradeoffs for these organizations and consider supporting the true costs from the feasibility through planning and implementation phases as well as follow on support for the merged entity.

Leadership transitions create a natural inflection point for organizations to assess their systems and structures and either confirm or reimagine how their current way of working, including programming and management models, create impact for the communities they serve. However, only approximately 16% of Greater Boston board members and leaders reported that they would consider a change to management models in the event of a leadership change, including an alternative management model such as shared or distributive leadership structures. In addition, only about 19% of Greater Boston board members and leaders would consider a strategic alliance with another organization.

While still fairly uncommon in most nonprofits, shared leadership models are beginning to show some benefits for certain types of organizations, including more involvement in decision making, better accountability, and eased stress for what has typically served as a “heroic leader” model for executive directors.²⁵ Instead of asking, “Who will be our new leader?” during executive transitions, nonprofits can shift the framing and use this natural transition point to ask themselves, “What should our new leadership structure look like?” In addition, organizations can include exploration of the board leadership structure as well. The 2016 Alliance for Nonprofit Management report that focused on board

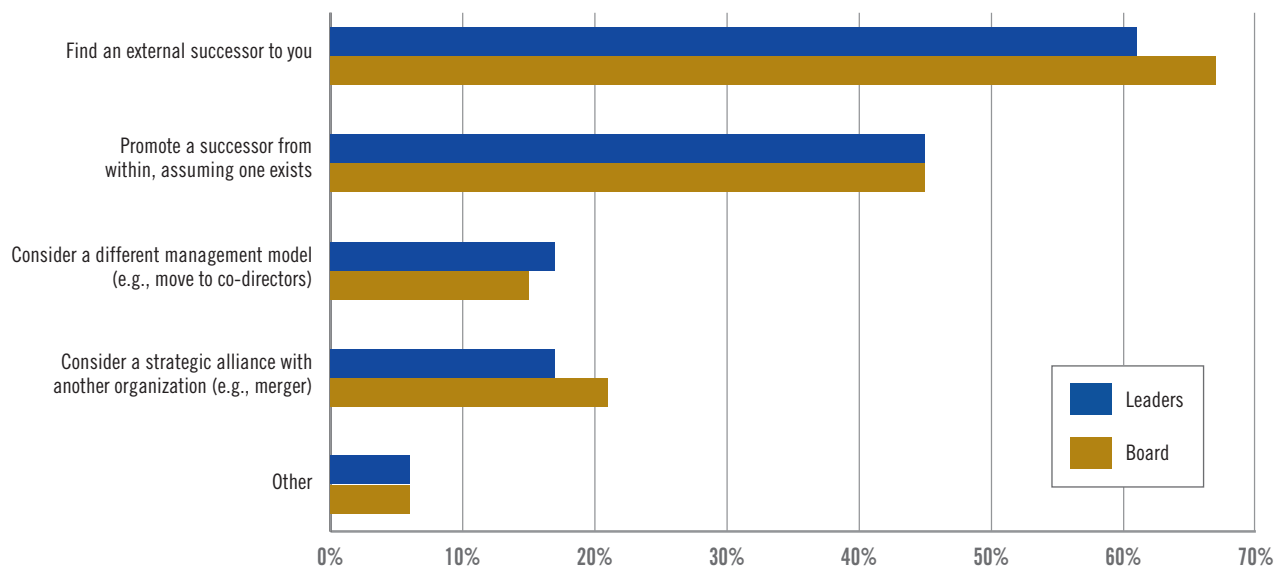
chairs found that just 6% of organizations worked with a co-chair structure, which again places a large burden of responsibility on one person.²⁶

Thinking outside the traditional leadership structures and management boxes can help organizations weather transitions well and be more sustainable. Among the possibilities: flatter organizations, shared leadership models, merger or strategic alliance. For organizations requiring a turnaround, it is critical to carefully review options such as skilled interim leadership, shared management models, merger or closing before seeking out the special leader who can put the organization back on its feet. There may be mythical leaders who can do this, but the sector is overly reliant on the heroic leader as the solution to the “frail” or failing nonprofit.

Changing nonprofit leadership structures will be essential both in ensuring organizational effectiveness and in attracting the next generation of strong leaders. Building Movement Project’s *Next Shift* report found that “younger leaders are more interested in co-directorships, flattened hierarchies (pushing down responsibility and authority), networked organizations and participatory approaches.”²⁷ The sector will benefit by investing in developing and supporting new kinds of structures and working environments.

FIGURE 22

**Greater Boston Leaders & Board:
If the leader were to leave the organization, what would you recommend to the board?**



Source: TSNE

Shift the Framework from Succession Planning to Sustainability Planning

The lack of organizations with a succession plan or an emergency succession plan combined with the large percentage (46%) of leaders reporting frail, operationally and financially challenged organizations suggests not only that organizations are unprepared for transitions, but that it is time to shift our focus to a more holistic organizational sustainability planning frame. A key challenge of the succession planning framework is that it often leads organizations to focus solely on the executive director role and “who” is next rather than the sustainability and impact of the organization. The topic of succession is often taboo because talking about a leader’s departure is not easy, and therefore avoided—but at a high cost. Shifting the framework to organizational sustainability supports boards, leaders and staff at all levels to engage in strengthening the organization and its impact.

Organizational sustainability planning includes succession planning, but it is focused on more broadly identifying and addressing key vulnerabilities so that the organization is not dependent on any one leader, funder, strategy or way of thinking in order to survive and grow. Organizational sustainability planning touches on everything from framing choices for the future (including asking whether the organization should exist or what different structure it should take) to building a more diverse staff and board leadership. In essence, it’s about all the core activities needed to support the success of the organization’s mission and its leaders over time.

Invest in Leaders and Staff

Experienced and skilled staff members are critical to nonprofit effectiveness. Yet the nonprofit sector lags behind the corporate sector when it comes to investing in staff and their development. The social sector would have to spend two to four times what it currently spends on leadership development to be in line with the corporate sector.³⁰

Over the past 20 years, annual foundation support for leadership development totaled just 1% of annual giving³¹—a bewildering level of underinvestment given the role that nonprofits play in our society and the high expectations of nonprofits and leaders. Other studies have also found that only 1% of the top U.S. foundations invest in leadership development.³² In addition, the Foundation Center estimated in 2011 that staff and leadership development was as low as .03% of annual nonprofit spending—an amount equal to just \$29 per person, less than a quarter of the \$120 per person spent in the private sector.³³ This lack of investment in leaders and staff inhibits the sector’s ability to attract a strong and diverse talent pool for its next generation of leaders.

For foundations that do support investing in leaders, there is a need for more communication between

nonprofits and funders about the leadership supports that have the most impact. A 2015 Bridgespan study of 50 foundations found that nearly two-thirds ranked leadership development as a high priority, but a separate survey of 438 nonprofits uncovered a mismatch between leadership support priorities. The funders often focused on supporting leadership by investing in external training and conferences for staff, but half the nonprofits surveyed prioritized support for internal talent development. This gap points to the need for clear communication about core needs and more time for funders and nonprofits to discuss leadership challenges and how to address them.³⁴

Bench Strength and Professional Development

The lack of investment in leadership is a trend clearly evident in the *Leadership New England* data. Across New England, only half of leaders (54%) said their organizations budget for professional development for all staff; the comparable figure for the Greater Boston selection area is 58%. Among organizations that do invest in professional development, leaders in both samples are significantly more likely to think their organizations have sufficient bench strength. In all, only about one-third of leaders (32%) and board respondents (37%) in

Ideas from Leaders: Start the Conversation Now

In September 2016 the Boston Foundation conducted a series of focus groups with more than 30 Greater Boston nonprofit executive directors/CEOs. The Foundation asked these leaders to share reflections on their experiences addressing and preparing for past, current and upcoming organizational leadership transitions. Responses mirrored local and national data: Many of the organizational leaders the Foundation spoke with are either not having proactive conversations about talent and succession planning or have only slowly begun to broach the subject with their board. However, some leaders from the focus groups reported success with these conversations, particularly when they started early and unfolded strategically and proactively.

The focus groups' nonprofit leaders suggested a variety of ideas that staff, board and funders can employ to take stock and lay the groundwork for healthy, productive executive transitions.

Ideas for Staff

Identify a trigger to jumpstart the conversation about succession planning with your board. Leaders in our focus groups acknowledged that starting a conversation with the board about transition can sometimes feel taboo. Leaders recommended a number of springboards for discussion, including:

- Executive directors with contracts can use *contract negotiation* as a natural point to start the conversation about tenure and transition with the board.
- Raise the issues as part of a natural *organizational planning* process, such as a strategic planning or an organizational assessment.
- Consider your own succession as you *hire for senior staff*. Ask yourself and your board, "Should I be thinking about this person as my successor?"
- Bring up succession as part of the *annual performance review* conversation with your board.

Ideas for Board Members

Normalize the practice of discussing transition as part of the executive director/CEO's annual performance evaluation.

Leaders reported that it felt most natural when their boards discussed transitions with them as a standing agenda item during their performance reviews. If a board is not conducting an annual performance review with the executive director/CEO, begin the practice now.

Understand and discuss the risks of an executive director/CEO unplanned departure with fellow board members.

At a minimum, leaders noted that it was helpful when boards begin conversations with them about an emergency succession plan, in the event of an unplanned or sudden departure. These conversations may help to catalyze broader conversations about an organization's long-term succession needs.

Consider hiring an interim executive director during transition. A good interim executive director/CEO will provide the organization with both stability and an objective lens on the organization's strengths and opportunities for growth until a new leader or leadership structure is selected.

Ideas for Funders

Ask your nonprofit partners about how they approach planning for executive transitions and pay attention to their responses. Leaders mentioned that external funding partners inquiring about transitions helped them more easily and naturally instigate conversation with their boards.

Reward transition planning. Recognize that planning for transitions takes your nonprofit partners time and effort. Fund your nonprofit partners either with unrestricted or, if possible, additional, specific support for transitions as they conduct this important work.

New England (and 34% and 27% for the Greater Boston selection area, respectively) said they believe there is “enough bench strength” in their organizations. The survey described bench strength as “people who can step into leadership/management roles if and when needed.” In addition, nearly two-thirds of leaders (64% for New England and 68% for the Greater Boston selection area) and half of board members (52% and 52%, respectively) said they do not believe there is someone on the staff who could succeed the executive. Of the 36% of New England leaders who do believe that someone from within could succeed them, over half (56%) were intentionally grooming that person to replace them.

Nine out of 10 New England leaders (90%) and 84% of Greater Boston selection area leaders said they delegate to someone, whether a management team, key staff or other individuals in the organization. For the leaders who reported that they do not have a management team, many said they delegate to COOs, program

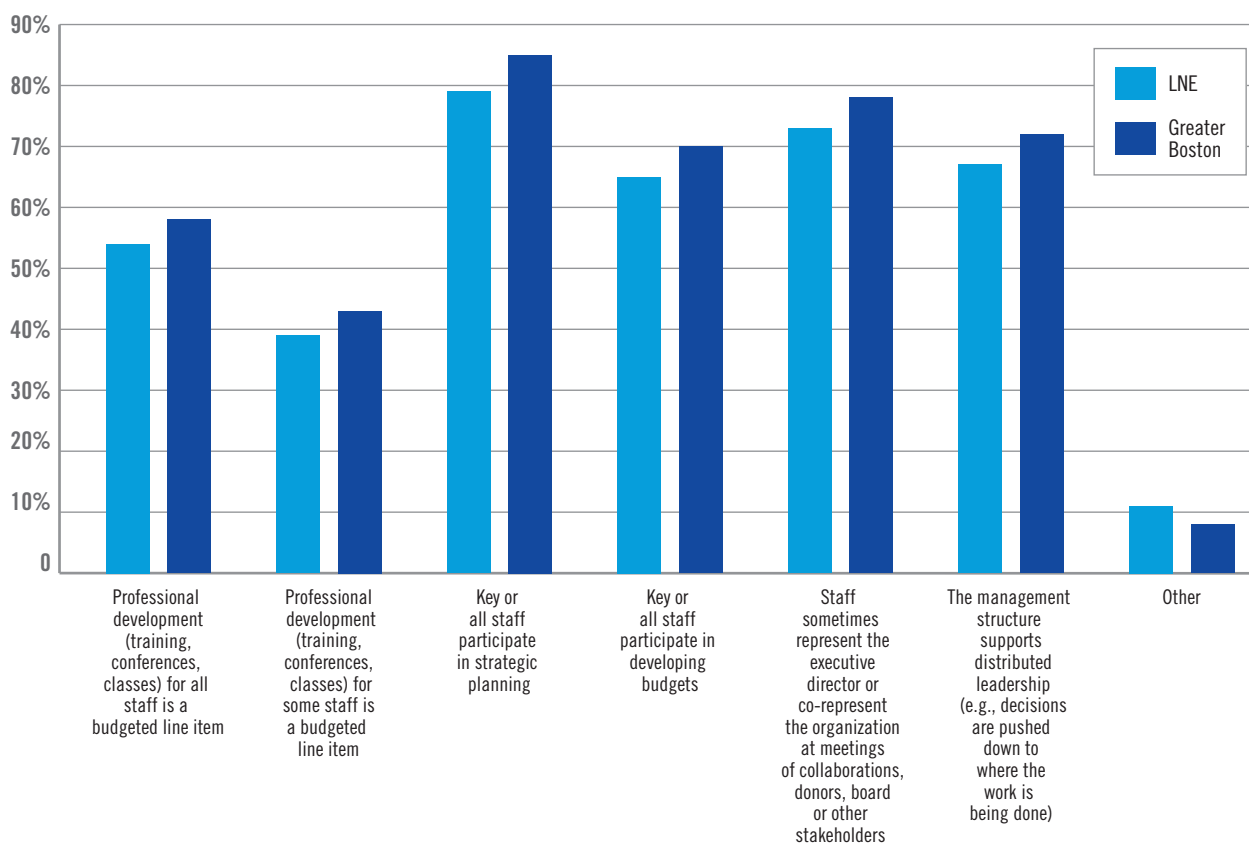
directors or finance managers/bookkeepers. Very few mentioned development directors and fewer still identified human resource directors, which illustrates how thin the layer of management is in many nonprofits. One leader put it very succinctly when asked to whom he or she regularly delegates tasks: “me.”

Many leaders planning to leave within two years commented on the need for more staff support; either they want current staff to step up and provide “stronger internal leadership and program delivery,” or they want more resources to hire the appropriate amount of staff. Among the comments of leaders planning departures: “[I need] more staff to do the program/administrative work, so I can do the executive director work.”

Leaders noted many creative responses to how they “fill the bench.” Some use volunteers, including board members; some fill in with consultants, and others use external partners. Many leaders added comments that

FIGURE 23

Leadership New England and Greater Boston Leaders: How does your organization strengthen its staff?



Source: TSNE

spoke to the challenges of having a thin staff or not having enough time or money to develop or retain them.

Women experience this underinvestment in professional development and leadership training even more acutely. Women are still underrepresented on boards and in senior leadership positions compared to staff positions—according to the Boston Foundation’s Giving Common data, 72% of nonprofit staff are women but only 46% of board members are women.³⁵ The Boston Club’s 2015 study of women in nonprofit leadership roles for the largest 150 nonprofits indicates that only 23% of chief executives are women, up by just 3% from 2013.³⁶

This trend of lack of investment in nonprofit leadership is especially problematic given the prevalence of nonprofit staff in the Massachusetts workforce—one in six workers in the state work in nonprofits. On average, Greater Boston selection area organizations do not have larger budgets than the rest of the New England sample—but the organizations that do have larger budgets are significantly more likely than those with smaller budgets to invest in professional development for all staff, engage staff participation in budgeting and practice distributed leadership. Most Massachusetts organizations, however, are small, with an average of seven staff members and a median of 50 volunteers,³⁷ so they have few resources for expanding investments in professional and leadership development. The need to invest more in developing staff is not just an issue for Massachusetts.³⁸

Build More Diversity and Inclusion

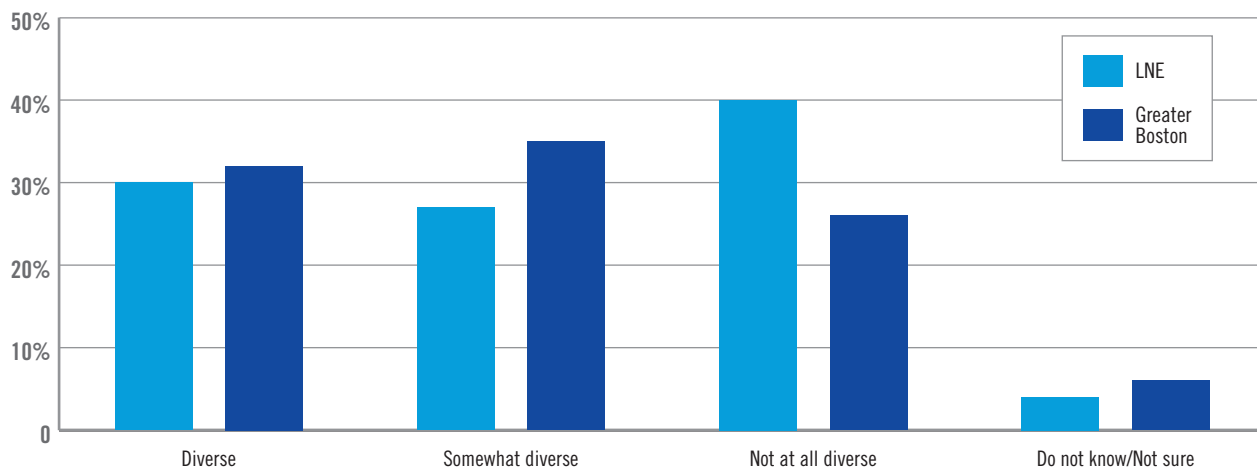
Reflective of the region’s overall demographics, Greater Boston’s nonprofit leaders are a mostly homogeneous group, with a large majority of white leaders. But the communities and constituents served by Greater Boston nonprofits—and indeed by nonprofits across the nation—are rapidly changing. A continued lack of racial and ethnic diversity in leadership (of both staff and board) remains a significant barrier to effectiveness for the nonprofit sector. The sector’s ability to attract and retain racially diverse staff and board is critical to the ability of nonprofit organizations to be relevant in their communities and achieve their missions. In fact, data indicates that diverse staff teams can lead to better decisions³⁹ and drive innovation.⁴⁰ Nonprofit staff, leadership and boards have a great deal of hard work ahead of them in order to engage and meaningfully include diverse communities, identities and perspectives.

As in New England overall, Greater Boston selection area leaders are predominantly white, with 87% and 85% of leaders, respectively, self-reporting as white. The lack of racial and ethnic diversity among survey respondents mirrors national findings about nonprofit leaders. For example, BoardSource’s 2014 national study, *Leading with Intent*, found that 89% of nonprofit CEOs were white, as were 90% of board chairs and 80% of board members.⁴¹

Compared with the full New England sample, Greater Boston selection area leaders are more apt to report that they perceive their organizations as racially diverse at

FIGURE 24

Leadership New England and Greater Boston Leaders: Report on Staff Racial Diversity



Source: TSNE

the staff level: 40% of New England leaders report that they perceive their staff is “not at all diverse” compared to 26% of Greater Boston selection area leaders. These results are confirmed by the Boston Foundation’s data from the Giving Common, which reports that staff (72%) and boards (87%) of Greater Boston nonprofits remain mostly white.

New England and Greater Boston selection area leaders offer statistically similar perspectives on the diversity of their organizations’ staffs in terms of gender, sexuality and class, with leaders reporting that they think their organizations are the most diverse in terms of class. About one-third of New England leaders (32%) and one-quarter of Greater Boston selection area leaders (23%) think their staff is not at all diverse in terms of sexual orientation. Twenty-seven percent and 17% think their staff is not at all gender diverse, and a still smaller proportion (15% and 8%, respectively) said they think their staff is not at all class diverse.

These findings speak to the need to strengthen the pool of potential leaders who represent the quickly rising diversity of southern New England’s population. In Rhode Island and Connecticut, for example, the population of people of color increased by 31% and 45%, respectively, between 2000 and 2010, while the white population decreased by 4% in both states.⁴² In Massachusetts, the last decade saw a 40% increase in the population of people of color, with a 2% decrease in the white population.⁴³ While the state of Massachusetts overall is about 80% white, the city of Boston is 54% white.⁴⁴ Research shows that failure to address racial and ethnic diversity creates manifold negative outcomes. According to a joint report by Commongood Careers and Level Playing Field Institute, these outcomes include a decreased ability to attract people of color, increased employee dissatisfaction, and inability to retain top talent.⁴⁵

Organizations in the Greater Boston selection area seem to have an edge on those across New England when it comes to the racial diversity of staff. Nevertheless, intentionality about investing in diverse future leadership will be essential as Greater Boston selection area organizations approach a generational shift along with the rest of New England.

Increasing diversity among board and staff leaders requires nonprofits to assess their engagement with diverse communities at all levels. Most organizations—whether for-profit or nonprofit—often are composed

“We’re trying to make it like flossing—a practice that we’re doing all the time.”

—Nonprofit leader, on making talent development a priority.

of people who are already in the same networks and working together for a common cause. The resultant networking can be a source of strength in some regards but can also lead to insularity. Sixty percent of New England board members reported having had some previous engagement with the organization, 31% reported previously serving on a committee of the board and 38% reported serving as a volunteer. Similarly, in both the Greater Boston selection area and New England overall, about half of leaders (56% and 49%, respectively) also were involved with the organization prior to assuming their executive role—as board members, paid staff or volunteers. This data suggests that organizations need to invest in time and strategies to go outside of their networks to engage with new communities.

To ensure inclusivity and equity, nonprofit board nomination committees, staff working to onboard volunteers, and hiring managers should be aware of the syndrome of implicit biases, such as the affinity bias also known as the “mini-me” syndrome.⁴⁶ Implicit unconscious bias tends to result in recruiters and hiring managers favoring people like themselves in terms of demographic background, hobbies and even style.⁴⁷ Racial and cultural biases in hiring have been studied and discussed widely. The negative impact of implicit biases occurs not only once during hiring decisions—with their own long-term ramifications—but can continue to unfold in choices about promotion and mentorship, and to unwittingly inform performance evaluations.

Restructuring status quo operations and emphasizing learning for an organization in order to attract and retain truly diverse teams will bring enormous benefit and help to ensure the organization’s resilience, impact and relevance to community members. Supporting capacity to build diversity and shift organizational culture to ensure meaningful inclusion among staff, volunteers, boards, management teams and the “bench” of nonprofit organizations will help develop leadership pipelines that are more diverse and reflective of the region’s demographics.

Ideas from Leaders: Develop an Inclusive Talent Lens for Recruitment and Retention

While we recognize that there are significant and entrenched structural challenges facing individual organizations, the broader nonprofit sector and indeed the country, nonprofit talent recruitment and retention serve as major levers of impact and provide the perfect opportunity for nonprofits to build inclusive cultures and ensure nonprofit talent is diverse and reflective of the communities served.

The 30 leaders the Boston Foundation spoke with in focus groups in the fall of 2016 highlighted several promising approaches to talent development that they employ at their own organizations. These ideas span varying levels of commitment and cost.

Ideas for Staff

Develop staff-led recruitment efforts that focus on diversity, equity and inclusion for staff at all levels of the organization. Some of the practices mentioned by nonprofit leaders include:

- Set *benchmarks for staff diversity* that reflect the community served. Leaders shared that it is difficult to know whether their organization is making progress toward a more diverse talent pool unless they intentionally identify what that means for their organizations—in other words, if you don't know where you are going, it is hard to know whether you have arrived.
- Hold off on hiring from a pool of applicants unless the *pool reflects the community the organization serves*. In some cases, leaders reported this led to positions left vacant for long periods of time due to the reality that an inclusive recruitment approach can be more time consuming and expensive, but ultimately interviewing from a diverse pool of applicants led to better hiring outcomes.
- Develop early, strategic entry points into your organization through *well-paid internships and fellowships*, with a focus on diversity, equity and inclusion. Long seen as a way that young professionals “paid their dues,” unpaid internships still often serve as first on-ramps to the nonprofit sector, presenting barriers for talented young professionals who may lack the material privilege needed to take on unpaid work. Leaders spoke about the importance of making sure these entry points into nonprofit service are meaningfully compensated and supported.
- Better understand the ways that your staff experience working at your organization through *anonymous feedback mechanisms*. Some leaders reported that after using anonymous surveys, they found that some staff—including junior-level staff and people of color—reported lower satisfaction with the workplace than their colleagues. Leaders noted that this anonymous feedback helped them to better understand, learn from and then explore steps to address concerns and ensure a more inclusive workplace.
- Make more *formal mentorship and/or coaching* available to all staff. Leaders reported better staff retention when they created more formal ways to connect staff with one another through mentorships or with outside technical assistance through coaching. Depending on the structure and the approach, this could either be a high-cost or low-cost endeavor.
- Consider other *free or low-cost perks* for staff. In focus groups, leaders identified nonprofit sector work as some of the most challenging and emotionally taxing work out there. Recognizing this, leaders spoke about their use

One practice gaining steam in the nonprofit sector is recruiting the expertise of retired leaders—sometimes called Encore Fellows or Reservists—from multiple sectors to take on specific tasks and roles. Engaging retired adults provides nonprofits with the capacity to fill needed functions while engaging in the long-term work of building leadership pipelines.

of low-cost ways such as generous paid time off—sometimes dedicated for specific purposes like community volunteerism—as a way to retain staff. Engage with your staff to determine what meaningful perks look like for your organization.

- Integrate conversations about staff's *professional development opportunities* into their performance reviews. Leaders mentioned that professional development often can be easily deprioritized given pressing day-to-day demands in nonprofit organizations. In their view, the easiest way to prioritize professional development is to explicitly discuss and make a plan for it as a part of ongoing performance review conversations.

Ideas for Board Members

Know your metrics for both board and staff. Leaders discussed the importance of boards remaining updated on staff and board diversity metrics as well as organizational turnover rates. Leaders identified that it was helpful to have the board engaged in the process—along with staff leadership—to set explicit, committed goals for the organization related to recruiting and retaining a diverse board and staff. Leaders also shared that boards not only need to be a part of goal setting, but should also regularly check in on progress on those goals throughout the year.

Offer executive director/CEO sabbaticals. Leaders mentioned that the discussion about sabbatical benefits often centers on the opportunity for current executive directors/CEOs to rejuvenate, reflect and plan. It is well-documented that sabbaticals are useful for these reasons.⁴⁸ Leaders also noted other sabbatical benefits, however: Sabbaticals prepare other staff for additional leadership roles through the opportunity to take on stretch assignments as they maintain the organization's operations in a leader's absence. Leaders also shared that sabbaticals may help organizations scout internal prospects for potential successors in the event of an executive transition.

Ideas for Funders

Ask yourself, “Am I structuring my funding in a way that prevents organizations from investing in their talent?”

Leaders noted the obvious constraints involved in investing in their talent; most notably, leaders detailed that many funders still see this investment as “overhead” or unnecessary costs. As has been discussed at length in public forums, funding adequate staffing systems, structures and development is critical to ensuring strong nonprofit programmatic and operational excellence. Leaders noted that it would be helpful for funders to acknowledge this, reflect on their funding practices, analyze any current restrictions and consider more unrestricted funding.

Provide dedicated, flexible funding for talent needs, in addition to programmatic needs. Leaders mentioned that few opportunities exist in the Greater Boston funding landscape to directly work on talent development capacity-building. Leaders strongly encouraged funders to support and even co-fund these efforts, including talent audits, succession or executive transition planning, executive coaching, staff professional development and training, or other nonprofit-identified talent development opportunities. Signal your support for these types of investments in your grant-making materials, on your website or in other visible places.

Add a talent lens during due diligence and regular conversations. Leaders reported that funders who ask questions about talent development, either when considering a grant or during check-ins with funded nonprofit partners, help their organizations continuously prioritize their long-term development efforts in tandem with real-time, day-to-day demands. Leaders encouraged funders to forge a relationship of trust with grantees so nonprofits feel comfortable sharing the real opportunities and challenges they face in developing systems that support diverse and inclusive talent efforts.

Conclusion

While the data presented above does illuminate some disquieting trends that will require thoughtful examination and action for nonprofit staff, boards and funders alike, it also demonstrates the sector's unwavering commitment under a myriad of constraints. The impact of Greater Boston's nonprofit sector is undeniable and spans cutting-edge health care, unparalleled public green and harbor space, vibrant arts and culture opportunities and a national model for education. These contributions are in no small part owing to the passion and tireless work of Greater Boston's nonprofit workforce, those who are working under great pressure in undercapitalized organizations, often neither compensated nor supported at the rates of their peers in the private or public sector, and whose very salaries are questioned by some to be unnecessary "overhead."

This is a moment of uncertainty but also of opportunity to prepare Boston for new models of nonprofit leadership. We cannot continue to expect nonprofits to realize their potential under current constraints, particularly with the added stress of impending leadership transition; and we cannot expect the best leaders to be willing to take the reins of these organizations under these conditions.

In the coming weeks and months, it is our hope that this report will catalyze conversation and action among core social change stakeholders (nonprofit staff, board members, donors and funders) around challenges and opportunities (some new and others pre-existing) made more urgent by the leadership shift.

What can you do in your next performance review, board meeting or site visit to ask thoughtful questions and spark honest, open conversations about the issues presented in this report? What can you do to ensure the sector has the resources it needs to strengthen its talent development with intention and create more diverse and sustainable organizations? We believe that if we continue asking these questions of ourselves and one another, the resulting conversations will ultimately lead to a more effective sector poised for unprecedented positive impact for Greater Boston's residents and communities.

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Endnotes

1. The word *leader* is used in this report to describe those people who are serving in an executive function within the organization. Among *Leadership New England* (LNE) leaders, 83% described themselves as executive directors or presidents/CEOs, while 8% reported being co-directors or members of management teams that co-manage the organization, and 5% described themselves as founders or co-founders. The remaining leaders identified as artistic directors, pastors, regional directors for national organizations or other executive functions, <http://tsne.org/leadership-new-england>.
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