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Executive Transition in the San Diego Nonprofit Sector

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Executive Summary

National and regional studies have found that between sixty-two to seventy-eight percent of nonprofit executive directors¹ will be leaving their positions in the next five years (Volgelsang, 2005). Like other sectors, many of these transitions will occur as baby boomers begin to retire (Teegarden, 2004).

These studies also found that nonprofits have done very little to prepare for a leadership exodus of this magnitude. Because of these findings, it is important for San Diego nonprofits to understand where they are situated in terms of this trend. Can San Diego nonprofits expect such a high rate of transition over the next five years? To what extent has the sector that provides the majority of the county's most important social services prepared itself to handle such a precarious time of organizational change?

Survey and Sample

- Data for this report gathered through the use of an internet survey.
- A twenty-five question survey was developed.
- Sample was drawn from organizations that reported income over \$500,000 in tax year 2004
- Email addresses were gathered for as many executive directors on that list as possible.
- Using the IRS business master file 838 initial organizations were identified. From that group, all single family foundations and those nonprofits that had ceased doing business were removed from the list. That left 711 in the sample.
- Of that group, direct exclusive emails addresses for 394 executive directors were identified. Emails were also sent to 152 organizations and made attention to the Executive Director. The survey was sent to 546 ED's.
- The overall response rate was 31%.

¹ An executive transition is defined as the departure of the key organizational figure, often referred to interchangeably as the director, CEO, president, or executive director. For purposes of clarity, the term executive director will be used to refer to this position throughout the paper.

The following chart demonstrates that survey responders are a good representation of the overall sample as it relates to organizational type.

| Organization NTEE Code | Type | Sample as % of Total | Respondents as % of Total |
|------------------------|----------------------------|----------------------|---------------------------|
| 1 | Arts, Culture & Humanities | 7.3 | 13.2 |
| 2 | Education | 15.5 | 19.8 |
| 3 | Environment/Animals | 3.5 | 5.4 |
| 4 | Health | 15.7 | 13.2 |
| 5 | Human Services | 28.6 | 30.5 |
| 6 | International | 3.5 | 2.4 |
| 7 | Public/Societal Benefit | 23.2 | 12.6 |
| 8 | Religion Related | 2.9 | 2.4 |
| 9 | Mutual/Membership Benefit | 0 | .6 |

Key Findings for San Diego Nonprofits

- 68% of ED's anticipate leaving their position within the next five years.
- Respondents cite next position will be:
 - Retirement (56%)
 - Consultant (41%)
- Reasons for leaving current position:
 - Better opportunities for professional growth (32%)
 - To receive a higher salary (32%)
 - To work less hours (28%)
- 63% of responding organizations have had the same ED/CEO for the last five years.
- 76% of ED's feel that it would be somewhat or very difficult to find someone qualified to take on their job should they leave.
- 68% of ED's rate the available ED candidate pool in San Diego as weak to very weak.
- Top barriers to recruiting qualified ED candidates:
 - Cost of living (67%)
 - Difficult to find someone with the appropriate nonprofit management experience (64%)
 - Competitive benefits and salaries not offered (56%)
- Only 12% of organizations report having formal, defined transition procedures in place.
- 63% of ED's report Board level of involvement in succession planning to be minimal or not at all.

Comparison of San Diego Study Findings to Annie E. Casey Foundation National Study

| | San Diego Sector | National |
|---|------------------|----------|
| Percent of ED's who anticipate leaving position within five years | 68% | 66% |
| ED age 51 or over | 58% | 55% |
| Over 15 years experience in nonprofit sector | 54% | 58% |
| Anticipated next position is retirement | 56% | 38% |
| Anticipated next position is consultant | 41% | 12% |

Conclusions

The descriptive data is telling a compelling story to nonprofit leaders.

- Executive transition in the nonprofit sector has been relatively stable in the last five years but that is about to change as baby-boomers near retirement age.
- Boards have not done sufficient succession planning
- Candidate pool for qualified recruits is viewed as weak to very weak.
- The subject of succession planning is rarely discussed or acknowledged between the executive director and the board.
- Cost of living, inadequate training, and lack of competitive salaries are barriers to attracting qualified candidates

Recommendations

Use this data to move from a reactionary position to one of strategy.

- Nonprofit executive directors should advise their boards on these findings.
- Capacity building in this area should be undertaken sector-wide.
- Grantmakers and individual donors should investigate funding leadership development for nonprofit managers as well as training in the area of succession planning and executive transition.
- Organizations providing such services to San Diego nonprofits should ensure that their curriculums are designed to include succession and transition planning.
- Likewise, nonprofit organizations should continue to develop leadership capacity of those existing employees in the 35-to44-year-old age range.
- Further, short-term solutions, such as phased retirement and/or flex-time, should be adopted thereby taking advantage of the large pool of respondents that indicate they would like to stay in the sector in a consultancy role or part-time role.
- Review newly developed programs for other best practice solutions i.e. Casey, CompassPoint.

- Continue to source out new labor pools and market the sector as a desirable place to make a career. This has great implications for undergraduate and graduate degree programs that specialize in nonprofit management.
- Emerging trends and practices in the for-profit sector should be investigated for feasibility in the nonprofit sector; i.e., talents pools, rotational assignments, action learning, mentoring, high potential assessment, assessment centers, developmental experiences, and competency models.

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