

TROPMAN REPORT

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THE CHALLENGE OF NONPROFIT LEADERSHIP: A *Comparative Study of Nonprofit Executives in the Pittsburgh Region*

In 2002, The Forbes Funds published "Recruitment and Retention of Managerial Talent: Current Practices and Prospects for Nonprofits in Pittsburgh," in which Carolyn Ban, Alexis Drahnak, and Marcia Towers identified how nonprofits might better invest in human resources so as to attract, retain, and train top-quality staff. In 2003, spurred by nonprofit literature suggesting looming leadership crises, The Forbes Funds commissioned Carolyn Ban and Marcia Towers of the University of Pittsburgh's Graduate School of Public and International Affairs to advance their previous research by focusing specifically upon leadership at the top levels of agencies. Their survey results compare executive directors in the Pittsburgh region to those in five other regions and evidence some significant differences in career paths and future intentions.

RESEARCH DESIGN

Ban and Towers replicated a study conducted by CompassPoint Nonprofit Services, an organization based in San Francisco that provides services to nonprofits, which examined the past careers, present challenges, and future plans of executive directors in Dallas, Texas; Fresno, California; Hawaii; San Francisco Bay Area/Silicon Valley; and Washington, D.C. Ban and Towers mailed a shortened version of the questionnaire used in the earlier study to 735 executive directors in the Pittsburgh region and received usable responses from 287, for a response rate of 44 percent (somewhat higher than the response rate in the original study).

FINDINGS

A picture of the nonprofit community

The respondent organizations differ from those in the other cities studied in both size and age. While the majority of organizations, in both Pittsburgh and other cities, were medium-sized, Pittsburgh had more large organizations, both in terms of budget and staff size. For example, the mean staff size in the Pittsburgh organizations was 89, compared to a mean elsewhere of 52 staff members. Pittsburgh organizations were also, on average, older, with a mean year of founding of 1966, compared to 1990 in other regions. The overall picture for Pittsburgh is of a mature nonprofit community, which includes a significant number of large, reasonably well-funded and well-established organizations.

Characteristics of executive directors

As organizations differ, so do their leaders. Pittsburgh's executive directors have the highest level of academic preparation among the regions, with 69 percent reporting a Masters or Doctoral Degree. As might be expected, those with only a high school education are grouped completely in the smallest organizations, and education level increases with organization size. Pittsburgh executive directors surveyed have an average age of 51, not significantly different from Fresno and Hawaii. The region with the lowest average age was the San Francisco Bay/Silicon Valley area, with a mean age of 46.



Envisioning Pittsburgh's nonprofit sector as innovative, informed, and engaged, The Forbes Funds advance capacity-building within and among the region's nonprofit organizations.

THE COPELAND FUND FOR NONPROFIT MANAGEMENT

The mission of The Copeland Fund for Nonprofit Management is to strengthen the management and policymaking capacity of nonprofit human service organizations to serve better the needs of their communities.

- Management Enhancement Grants
- Emergency Grants
- Cohort (Professional Development) Grants

THE TROPMAN FUND FOR NONPROFIT RESEARCH

The mission of The Tropman Fund for Nonprofit Research is to support applied research on strategic issues that are likely to have profound effects on nonprofit management and governance, especially among human service and community development organizations.

- Applied Research Projects
- Annual Research Conference

THE WISHART FUND FOR NONPROFIT LEADERSHIP

The mission of The Wishart Fund for Nonprofit Leadership is to encourage pioneering nonprofit leadership by promoting public learning and discussion about issues critical to ethical and effective management, as well as by celebrating exemplary practices.

- Leadership Roundtables
- The Frieda Shapira Medal
- Alfred W. Wishart, Jr., Award for Excellence in Nonprofit Management

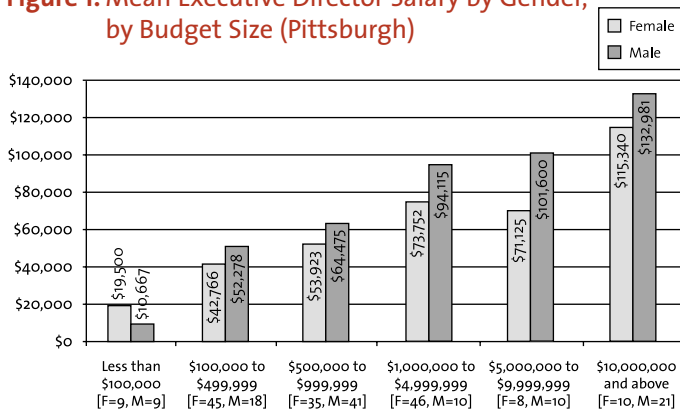
Pittsburgh had the second-lowest percentage of female executive directors, at 56 percent. Except for the smallest budget size (with many organizations led by volunteers), male representation grows steadily with budget size; of organizations with budgets over \$10,000,000, only slightly over 30 percent are led by women. African Americans are fairly well represented, at 14 percent, and their representation is not closely tied to budget size.

Salary

Along with higher levels of education come higher salaries, and the mean salary for executive directors in the Pittsburgh region was \$69,868, with a median of \$62,750 and a range from zero to \$250,000. In contrast, mean salaries for the other cities combined was \$59,517, with a median of \$55,000 and a range from zero to \$420,000. These figures may reflect the fact that the Pittsburgh surveys were conducted two years after those in the other regions. But this is not enough to explain a mean difference of close to \$10,000. Salaries were closely correlated with organizational size, with those at the largest organizations reporting a mean salary of over \$127,000.

Unfortunately, this study confirms what a number of previous studies have shown: women are still likely to receive lower salaries than men. Even when budget size is held constant, there is a clear gender difference, and the gap is actually greatest in the mid-size to larger organizations. These findings are disappointing, given the espoused values of most nonprofits. There is a smaller, but still significant, racial difference in salaries.

Figure 1: Mean Executive Director Salary by Gender, by Budget Size (Pittsburgh)



Career paths

Pittsburgh area nonprofit leaders have, on average, longer experience in the nonprofit sector than those elsewhere. More than 60 percent have worked in the nonprofit sector for more than 15 years, compared to 46 percent in other regions. Conversely, they were less likely to have had management experience in another sector, especially in business. This reinforces the image of a mature nonprofit sector with enough depth so that people are able to gain significant management experience within the sector. Pittsburgh-area executive directors have also, on average, served longer in their current positions. On the other hand, they are not more likely to have had a previous position as an executive director. In Pittsburgh and the other regions, 65 percent had no previous executive director

experience, and very few had more than two previous executive director positions.

In both Pittsburgh and other regions, a large majority of executive directors were hired from outside their current organization. This was particularly true in Pittsburgh, where only 30 percent were hired from within, compared to 36 percent in other regions. Of those hired from outside their organization, 60 percent came from within the nonprofit sector. This is consistent with earlier research showing that professional staff in nonprofit organizations tend to follow spiral career paths, moving across organizations in order to move up. Those who came from within did not follow any consistent career path. The largest number, 35 percent, had held a program director position, and 24 percent had been associate director. Others moved up from a development, financial, or administrative position, or a wide range of other posts.

The search process

The search process for executive directors is very similar to that used for professional staff in general. The largest number, over 40 percent, report being recruited personally. Word of mouth was the next most common method of recruitment, with 20 percent. Another 15 percent founded their organizations. Only 20 percent found out about the position "cold" (i.e., without any personal contact), either through an advertisement, the internet, or a listing in a professional organization. And a few had previously served on the organization's Board of Directors. The survey did not explicitly ask about the role of executive search firms.

Executive directors' motivation

Literature suggests that many professionals are attracted to nonprofits for altruistic reasons. This survey confirms that finding for executive directors in Pittsburgh, who list commitment to the organization's mission and 'giving back' as the most important motivators for accepting their current positions, as do those in the other five regions. While the numbers are small, there are interesting differences in motivation by age. Those below the age of 35 were more likely than older employees to rate opportunities for professional development and salary as important motivators.

Job satisfaction

Overall, satisfaction with salary is very high, with an overall mean of 4.4 on a scale of one to five. Not surprisingly, the level of satisfaction generally rises as salary rises. Most directors also enjoy their jobs, and the average response on an enjoyment scale is also 4.4. There is a very strong correlation between respondents' assessment of their own skill level on the job and their enjoyment of the job. When asked about factors they disliked and that had a negative impact on them in their current positions, they expressed moderate dissatisfaction about finances and fundraising, and moderate levels of general stress and of problems in managing personnel. Contrary to expectations, reports of dissatisfaction were not strongly related to budget size.

Support and training

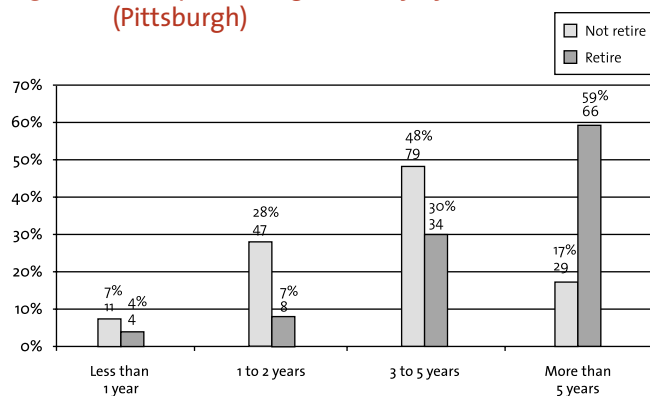
Executive directors reported the three most important sources of support and training: support of the Board of Directors,

relationship with the management team, and peer networking. The relationship of executive directors to their Boards of Directors is fairly positive in both Pittsburgh and other regions. Executive directors rate the board relationship least effective in fundraising and most effective in personal support of them as executive directors.

Tenure

Pittsburgh executive directors differ significantly from their peers in other regions in how they think about their futures. First, they expect to stay in their current positions for a longer period of time. Over one-third expect to stay more than five years, compared to less than one-fourth of those in other regions. And more expect that this will be their last job. Forty percent of Pittsburgh executives plan to retire upon leaving their current job, compared to only 30 percent elsewhere. These findings reflect the maturity of the executive director cadre in Pittsburgh, as well as their relative satisfaction with their positions. Those who see this as their final position do not expect to retire soon; as figure 2 shows, 59 percent plan to remain in their position more than five years, and only 11 percent plan to leave within two years. In contrast, only 17 percent of those who do not plan to retire expect to be in the same position for more than five years.

Figure 2: Anticipated Length of Stay by Retirement (Pittsburgh)



Future employment plans

Of those who do not plan to retire, most plan to stay in the nonprofit sector (76 percent in Pittsburgh, compared to 72 percent elsewhere). In Pittsburgh, more executives report they are likely to take their next job in the for-profit sector (23 percent) than in government (17 percent), as opposed to other regions, where executives are more likely to go to government (15 percent) than the for-profit sector (13 percent).

One of the more striking findings of the CompassPoint Nonprofit Services study was that only 50 percent of executive directors said that their next job would be as an executive director. Again, the story in Pittsburgh is somewhat different. When one combines those who said they expected to stay at the director level with those who marked both executive director and another position, a total of 59 percent said their next position might be as an executive director. Age was an important factor here. Sixty-one percent of Pittsburgh executive directors under 55 expect to take another executive director position, while only 47 percent of respondents over 55 expect to do so. Job enjoyment is also an

important determinant of future plans. Only 33 percent of those who report little enjoyment expect that their next job will be as a director, as opposed to 62 percent of those rating their enjoyment as very high.

While Pittsburgh is not facing a crisis of executive director transitions, the findings still reflect the need for development of a strong next generation of leadership. Summarizing the above findings, 40 percent of the sample expect to retire from their jobs. Of the remaining 60 percent, 59 percent may be available in the future for other executive director positions. Thus, at best only one-third of our respondents will be available, in the future, for other executive director positions. This means that the career pattern we reported above is likely to hold true in the future — about two-thirds of executive director positions will continue to be filled by people moving up into a directorship for the first time.

CONCLUSIONS

Pittsburgh executive directors are more stable, as a group, than those elsewhere and more likely to move to another executive director position.

The CompassPoint Nonprofit Services study painted a worrisome picture, in which many executive directors expected to be leaving in the next two years, and in which only half expected to move into another executive director position. The story in Pittsburgh is quite different. There is not a stampede to leave positions. In fact, many executive directors expect to stay in their current positions until they retire, and most of those plan to stay on the job for more than five years. And a higher percentage of those not planning retirement expect that their next position might be as an executive director of another organization.

In spite of these generally positive findings, there remain individual reports of organizations struggling to find or retain executive directors. Boards and current directors do need to focus on the issue of succession planning, even if the director is not planning an imminent departure.

Pittsburgh executive directors show a higher level of professionalism.

Pittsburgh executive directors are more likely to have graduate degrees and have, on average, longer experience in the nonprofit sector. Pittsburghers have also been in their current position, on average, for longer than directors elsewhere. But, as elsewhere, there is no consistent career path to a directorship. And for most, their current position is the first as an executive director.

Because Pittsburgh has a large and mature nonprofit community, there may be more opportunities here for organizations to combine efforts and to work with local management support organizations and universities to continue to build the professional management skills of current executive directors and to offer management training programs to develop the next generation of nonprofit leaders.

The gender gap remains a serious problem.

In Pittsburgh, as elsewhere, the number of women in directorships goes down as the size of the organizations goes up. The same pattern is not true for African Americans, who are fairly well-represented across all organizational sizes. And women

consistently receive lower salaries, no matter what the size of the organization. In fact, the gap is higher for larger organizations. This finding is consistent with the CompassPoint Nonprofit Services study as well as other research, and it remains deeply disturbing.

It is the responsibility of Boards of Directors to set salaries, and they should be benchmarking against other organizations of similar size to make sure that they are not shortchanging women. But, as the conclusions in the CompassPoint Nonprofit Services study make clear, it is also the responsibility of women in executive director positions to search out the data on salaries, which are now publicly available, and to insist that they be paid comparably to men. We all need to realize that Pittsburgh continues to have a reputation as a tough environment for women at higher levels, and by our actions, to ensure that women are treated fairly. Doing so will help retain high-achieving women in the area and attract women into top positions from outside the region.

Boards play a key role in supporting executive directors.

The findings strengthen our understanding of the relationship between boards and executive directors. Boards play critical roles in selecting executive directors and in setting their salaries. They also, ideally, provide individual support and coaching, monitor performance, and assist in fundraising. Boards play different roles depending on the size of the organization, but at all levels the board should also monitor both executive director performance and job satisfaction and should work with the director on succession planning. Finally, the findings identified cases where board membership served as a training ground for future organizational leaders.

The health of the nonprofit sector depends on the quality of executive leadership.

This study focused on the directors themselves. Research across sectors has demonstrated the importance of leadership for organizational effectiveness. As the role of nonprofits in our communities grows, the quality of leadership becomes more critical. Pittsburgh already has a strong nonprofit community. The region has the opportunity to be a national leader in supporting and developing an outstanding cadre of nonprofit leaders, leaders who meld strong values of public service with solid management skills, who cope gracefully with the stresses of high-level positions, and who bring innovative approaches to the management of their organizations.

This TROPMAN REPORT is one of a series of briefing papers generated by The Tropman Fund for Nonprofit Research. TROPMAN REPORTS in this 2003 series are:

1. The Precarious Billion Dollar Sector: *Nonprofit Human Services in the Pittsburgh Metropolitan Area*
2. Strategic Restructuring: *A Tool for Improving Organizational Effectiveness*
3. Identifying Financing Opportunities for Pittsburgh-based Social Enterprises: *Challenges and Opportunities for Capitalizing Entrepreneurial Ventures*
4. Keeping Our Promise: *The Use of Modern Quality Assurance in Nonprofit Management*
5. **The Challenge of Nonprofit Leadership: A Comparative Study of Nonprofit Executives in the Pittsburgh Region**
6. When the Current Is Strong, Only the Big Fish Swim: *The 2002 Wage & Benefit Survey of Southwestern PA Nonprofits*
7. The Insurance Muddle: *Addressing Healthcare Costs for Nonprofit Sector Employees*
8. Diversity Within and Among Nonprofit Boards in Allegheny County, PA

To read the full text of this study, log onto The Forbes Funds' web site at www.forbesfunds.org.