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MY VIEW

Foundations Are Burning Out Charity CEO's

By Julie L. Rogers

Like well-meaning rich aunts, foundations are full of advice for nonprofit organizations and their leaders. From positions of relative financial security and isolated from the risks and challenges confronting most nonprofit executive directors, foundation leaders and program officers issue a constant stream of admonitions: Focus on finding dependable sources of income. Produce measurable results. Evaluate whether you are making a difference. Be strategic, not opportunistic. Build diverse boards. Spend more time on advocacy. Collaborate with other organizations.

Because of the power differential between grant makers and grant recipients, nonprofit executives are usually forced to nod in agreement, to accept advice from foundations as wise, and to act on it. Too often, communication is one-way: from the grant maker to the nonprofit executive. Candid, two-way conversations are rare. As a result, foundations risk losing the ability to listen — and to use their resources and influence to deal with the stark everyday realities facing nonprofit organizations and their leaders.

A new study of 2,000 nonprofit executive directors, conducted by my organization, the Eugene and Agnes E. Meyer Foundation, and CompassPoint Nonprofit Services, offers grant makers a glimpse of those realities and a powerful opportunity for listening. Executive directors in eight cities, primarily from small and mid-size nonprofit organizations, answered questions about their career paths, predicted tenure, management teams, and major challenges and frustrations.

Their answers are sobering.

Three-quarters of the executive directors plan to leave their jobs within the next five years, and most don't want to be an executive director again.

Many believe they have made a significant personal financial sacrifice to lead a nonprofit organization. Most executives do not have a strong strategic partnership with their boards of directors. They worry that their management ranks are not strong or diverse enough to produce enough leaders for the future, and they fear that the salaries and benefits their organizations offer are too meager to attract the best people to the job.

Anxiety about raising money and financial sustainability emerged as a theme throughout the survey responses. Executives cited fund raising and financial management as the aspects of their jobs they enjoy least, and the skills they most need to develop. An overwhelming number selected fund raising as the area in which improved board performance would help them most. (See a news article about the findings, "Charity CEO's Tales of Woe".)

For nonprofit veterans, this preoccupation with money won't come as a surprise.

Most nonprofit groups are financed through a complex patchwork of government grants and contracts, foundation grants, contributions from individuals, revenue from special events, and fees and other revenue charged for products and services that the organization provides. Each source of income, and often each grant or contract, has its own special communication, accounting, and reporting requirements, creating daunting challenges for even the best executive directors. General operating support is scarce, and most organizations operate without significant financial reserves that would help them through temporary cash-flow problems and unexpected losses of grants, donations, or other income.

What may surprise grant makers is the degree to which executive directors cited foundations and other grant makers as a leading source of frustration and fatigue.

Executive directors who participated in focus groups for the "Daring to Lead" report were explicit in their criticism. They were especially vocal about grant makers that require planning and evaluation, but don't provide money for such efforts, and about foundations whose interests and priorities shift every few years. They noted the difficulty of securing support for organizations to keep providing key services because most foundations prefer to finance new programs or want to see existing programs taken "to scale."

Faced with such pointed criticism, grant makers may be tempted not to listen at a moment when listening is critical. A growing number of foundations and other nonprofit leaders are worried about the imminent retirement of the baby-boom generation and the leadership deficit that may result.

Academic institutions, grant makers, and others are starting efforts to build a pipeline of younger leaders who have the skills to be effective executive directors. But such efforts amount to refilling a leaky bucket unless grant makers also take steps to deal with the underlying financial issues that undermine the leadership of many executive directors.

Foundations can play a pivotal role in changing the dynamics that executive directors find so challenging. Among the approaches grant makers should consider:

- Examining how all grant-making practices affect executive directors. Many grant makers immediately think of workshops, training, and formal leadership programs as the best ways to strengthen nonprofit leadership. However, grant makers should look at how their own practices support and strengthen executive directors, or contribute to burnout and failure. Survey respondents ranked providing more unrestricted and multiple-year support as the two actions that grant makers could take that would most help them in their work. Coaching and professional development were ranked lowest. That does not mean that coaching and training are not needed, but it does suggest that access to operating capital trumps most other challenges for executive directors.

- Making sure leadership development programs focus on critical issues. Foundation-sponsored leadership programs run the gamut from monthly gatherings to multiple-day retreats to yearlong fellowships. Often transformative and inspirational, they can also be disconnected from executive directors' day-to-day challenges and frustrations. At their worst, such programs add yet another demand on the time of a leader who is already pulled in a hundred directions without much management backup.
- Increasing support for planning executive transitions, and revisiting current practices for grantees in transition. With three-quarters of executive directors planning to leave within five years and many others being fired or encouraged to leave, leadership transitions remain a critical challenge for many organizations.

  Such transitions become even more difficult when an organization lacks money for an adequate search or when key donors withhold support because of a leadership change. Grant makers that support an organization during transition or provide money to a new executive director are taking a risk, but they can also make an important contribution to a new leader's success.

- Encouraging grantees to pay executive directors reasonable salaries and improve benefits. Half of "Daring to Lead" survey respondents had no retirement accounts, and most believed that their organization would need to offer a higher salary to their successors. Low salaries for executive directors contribute to stress and burnout, create a low salary ceiling for other senior employees, affect the caliber of applicants for positions, and create sudden financial potholes when organizations going through transition need to offer a competitive salary to attract a candidate.

Of course, grant makers that urge nonprofit groups to improve salaries and benefits need to offer grants at levels that can support that goal. Artificially low limits on overhead and restricted grants that support only direct services help create poorly managed organizations whose executive directors are undersupported, overextended, and ineffective.

Finally, foundations can support executive directors by continuing to listen. Many "Daring to Lead" survey respondents and focus-group participants expressed gratitude for the opportunity to talk about themselves and their roles.

Two-thirds of the executive directors felt that grant makers had only a weak or modest understanding of what the executive director's job entails. Conversations between executive directors and grant makers, if they are candid and the relationship is trusting, offer opportunities for grant makers to learn more about the executives' current challenges, watch for signs of burnout, and discuss succession planning and leadership bench strength. In turn, foundation leaders have the opportunity to be thoughtful and creative about what forms of support they can offer executive directors.

Leading a nonprofit organization is challenging even under the best circumstances. Executive directors are expected to be visionary leaders, skilled internal managers, successful fund raisers, and convincing advocates. The role requires knowledge about the nonprofit group's mission and skill in running programs, financial acumen, and communications expertise.

Despite the challenges inherent in the role, thousands of executive directors do the job well. Every day their organizations produce amazing results, often with woefully inadequate resources. These leaders help change lives and communities. They deserve recognition, respect, and attention from grant makers. Ensuring that nonprofit groups continue to attract and retain visionary and skilled leaders may require that grant makers do less talking and more listening — and that they act more like supportive partners and less like rich aunts.

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