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Charities face more empty chairs

Group proposes pool of interim executives to fill expected shortage of top-level leaders

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At 68, Duane Etienne is among an estimated 75 percent of not-for-profit executives who plan to leave their jobs within the next five years. "We already have a succession plan devised, in case I fall over dead tomorrow," said Etienne, fluent in the gallows humor of a not-for-profit veteran. For 28 years, he's been president and CEO of CICOA Aging & In-Home Solutions. But unlike Etienne and CICOA, only 29 percent of executives have discussed a transition plan with their boards, according to a study by San Francisco-based CompassPoint Nonprofit Services. Converging with this lack of preparedness is an approaching deficit of leaders. Organizations will need to attract and develop 640,000 new senior managers over the next decade-nearly 2-1/2 times the number working now, according to a 2006 study by The Bridgespan Group in Boston. The executive deficit has alarm bells sounding among local not-forprofits. One Indianapolis group, Trustee Leadership Development Inc., proposes creating a program to help boards and CEOs of central Indiana's 17,000 organizations handle transition planning-and creating a local pool of interim executives who could step in to fill the gaps. Consultants such as Bryan Orander of Indianapolis-based Charitable Advisors LLC, which is assisting TLD, do some of that work now. But given the magnitude of the problem, Orander said, "I feel we need a more established organization" stepping in.

On the way out

Some high-profile CEOs already have announced retirement plans. Martha Lamkin, head of Indianapolisbased Lumina Foundation for Education, for example, said she will leave at the end of the year. And others are nearing retirement age, like Etienne and James McClelland, CEO of Goodwill Industries of Central Indiana for 33 years. Goodwill estimates that, within five years, an average of two of its 171 CEOs around the nation will retire each month. The heads of its five largest regions, including Indianapolis, range in age from 58 to 67. McClelland, the 63-yearold dynamo behind Goodwill's recent rapid growth, wants to work at least five more years. Of course, he said, "If you want to make God laugh, tell Him your long-range plans. I don't take anything for granted."

Neither should other notfor-profits, experts say. "We don't have any information locally other than anecdotal, but we believe ... we're going to be experiencing the same kind of deficit," said Ruth Purcell-Jones, president of TLD, which originated from the Lilly Endowment Leadership Education Program in 1989. "During the next 15 years, there's going to be a turnover because people will be retiring, just like other areas of the economy," concurred Gene Tempel, director of the Center on Philanthropy at Indiana University. Creating an interim pool of executives "is certainly a great idea," Tempel added.

Temporary help

Not-for-profit executives and consultants say interim CEOs have played an important role in recent years. Tempel points to Ervin Picha as an example of the successful interim CEO. Picha filled in for six months at Indiana Grantmakers Alliance, after 23 years as CEO of Noble of Indiana. "I felt that, because I had a lot of years of experience, I had a sense for how an organization should operate. I was a fairly quick study," said Picha, who, with his wife, CJ, runs Picha Solutions, a private consulting firm serving not-for-profits. The grantmakers group eventually tapped Marissa Manlove to take the reins.

Pat Wachtel is another example of the type of interim CEO likely to be seen in coming years. She was chairwoman of Historic Landmarks Foundation of Indiana in 2005 when fellow board members asked her to become interim CEO. Landmarks' 31-year leader, J. Reid Williamson, gave four months' notice that he was retiring. To many, Williamson was the organization-an overachiever from fund raising to lobbying. "You don't just ask someone to step into his shoes five minutes after leaving the building," said Wachtel, now president of Girls Inc. "He was off the chart on every one of them. Reid was brilliant." Wachtel said Historic Landmarks' board intentionally dragged out the search for a "permanent" successor for about a year. For one, it gave staff the experience of answering to a voice other than Williamson's. The delay also gave the board time to ask what direction the organization was heading. "When that type of leader leaves, it's time to look at your current needs," she said. Landmarks tapped a consultant, who convened meetings of its chapters statewide to identify new opportunities and priorities. Last year, the nation's largest statewide preservation organization tapped as CEO Marsh Davis, who headed the Galveston Historical Foundation and used to work at the Indiana agency. In some cases, an interim CEO can clean up and do some mending to help make an organization more attractive to a candidate, said consultant Orander. Otherwise, he said, "the next person who comes in can't win."

Shrinking supply, growing demand

Finding a suitable new executive to take the reins might be a challenge itself.

The first wave of 80 million baby boomers is now turning 60. While the pool of people age 34 to 54 grew by 35 million between 1980 and 2000, the number of these folks in the senior-executive age will grow by just 3 million in the 20 years ending in 2020, according to Bridgespan Group. As the pool of potential executives shrinks, the number of not-for-profits grows-tripling over the last 20 years. Increasingly, the organizations springing up tend to focus on a clearly defined niche. Some in the not-for-profit world thought upstarts would create too much competition for fund-raising dollars, and that a wave of consolidation would result. "Ten years ago, we thought we'd be in merger mania. But that hasn't happened," Orander said. Preparation for the expected executive exodus can take different forms. At CICOA, the succession plan includes a set of procedures and time lines. The organization has an outside consultant in tow and is trying to define exactly what kind of individual it wants to take over. While CICOA has the sophistication to carry out such preparations, other agencies-particularly smaller ones-could use some help. Etienne proposed that a foundation make grants to a consulting organization to help cover the costs of delivering transition-planning services.

Planning to plan

But just getting a not-for-profit that's focused on near-term survival to the point of transition planning isn't easy, Picha said. "Board members may feel like, 'Gee, if you spend time doing this, do we send the wrong message to our [current] leader?'" he said.

Careful communications with the CEO can ease the potential for misunderstanding, Picha said. And if the matter is still awkward, the board could consider turning to a third party to handle it. At Goodwill, the board regularly discusses the topic of executive transition planning, McClelland said. "When the time comes, this board will be prepared." And one of those discussions involves just what kind of leader the organization will need in the years ahead. One of McClelland's predecessors came from a clergy background, while he has an industrial engineering degree and a penchant for being entrepreneurial. Whether planned or not, the board apparently picked the right guy as Goodwill expanded its offerings and size-adding 800 employees to its 2,200-person central Indiana work force in the last year alone. But if he were to apply for the job at age 30 today, McClelland thinks his experience might be an issue, as expectations at not-for-profits are rising. McClelland was 30 when tapped for the top job and figures today the best he'd qualify for would be a middle-management position. "These have become very complex, larger organizations," he said. As to where not-for-profits go fishing for executive talent in a shrinking executive pool, one more popular source might be around the bend-in for-profit business.

For-profit executives already have experience managing people, which translates to not-for-profits. On the other hand, they are accustomed to managing toward profit, rather than "toward a mission," Tempel said. And not-for-profit constituencies are different. "Most of the time, they find out it's not a piece of cake," he added.

Grow your own

One place organizations might be overlooking is that crop of bright, young leaders from within. "I'm suggesting maybe they're in our back yard" already, Etienne said. He recommended not-for-profits identify and nurture potential leaders. It doesn't necessarily have to be expensive, he said-sometimes just a matter of mentoring or "giving the staff the experience" at different operations. "I probably haven't done as good a job at that," he confessed. "It's something that nonprofits don't do a good job of." To accomplish that, though, not-forprofits might have to direct a greater portion of overhead to training executives-which means making a targeted pitch to donors. The good news from funders, said TLD's Jones, "is they do understand this [shortage] is coming."

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