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## Research Summary:

# Nonprofit Leadership in the Rural South

A Regional Study of Executive Transition and Next Generation Leadership

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Rural Support Partners and The Annie E. Casey Foundation

## ABSTRACT

This research summary presents a brief overview of findings from an online survey with 267 nonprofit organizations across the rural southeastern United States. The full research report is available from the authors, or from [www.ruralsupportpartners.com](http://www.ruralsupportpartners.com). This research focused on the generational shift occurring in nonprofits, as leaders over 50 move out and younger leaders move in. Around two-thirds of the executive directors we surveyed plan to leave their jobs within the next five years. Executive directors reported that they are overworked and underpaid. They lack adequate support from their boards, their fellow staff members, and their funders. Nonprofits lack the money they need to do their work well; they reported a particular need for more general operating support and multi-year grants. Even though the generational transition in executive leadership is occurring and will likely increase, many nonprofit organizations may not be ready for executive transitions. Many of the nonprofits we surveyed lack key organizational capacities needed to make smooth, effective transitions to new executive leadership. A key to a successful transfer of leadership in the nonprofit sector will be attracting the next generation of young leaders. In previous research, next generation leaders have outlined some of the changes in the sector that they would like to see. The nonprofits that we surveyed are doing some things to attract young leaders, but not many. Finally, our data suggest that rural nonprofits may need more support than urban nonprofits during this generational shift. In sum, rural southern nonprofits are overworked and underfunded. Executives are stretched too thin, with too many job responsibilities, inadequate salaries, and too little support. Most executives are planning to leave their jobs in the near future. Our findings suggest that collectively, as a sector, we may not yet be ready for the generational shift that is occurring.

# Introduction to the Research Summary

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This document summarizes a research study on nonprofit leadership, executive transitions, and next generation leadership in the rural southeastern United States. The full research report is available from the two partners that created the report, Rural Support Partners and The Annie E. Casey Foundation. The contact information for these two organizations is below.

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This document presents a summary of the major findings, recommendations, and conclusions from the larger report. We wanted to provide a brief overview of the study, a document that can be read more quickly than the full report. We do not present acknowledgements, tables, graphs, charts, or references in this summary; you can find these in the full report. We wrote this research summary to introduce the study and provide a synopsis of its main findings and implications.

The study that we conducted aims to shed some light on the capacities and leadership of nonprofit organizations in the rural U.S. Southeast.

Across the U.S., the nonprofit sector is experiencing a generational transfer of leadership. Broadly speaking, executive directors who are 50 and older are moving out of nonprofit leadership, and a new generation of younger people is moving in.

The previous research that has documented this generational transfer of leadership has focused on urban areas. There have been very few studies of nonprofit leadership, executive transitions, and next generation leadership in rural areas, and no studies that we know of in the rural Southeast.

Our study replicated two large, national, urban-based studies of executive transitions: a 2006 study conducted by CompassPoint Nonprofit Services and a 2004 study conducted by The Annie E. Casey Foundation. We took the questions asked in these studies and asked them to nonprofit executives across the rural South. Through these data, we can begin to get a sense of what might be similar or different about executive leadership, executive transitions, and next generation leadership in rural areas, particularly in the South.

This research study was conducted by Rural Support Partners, a social enterprise working across the U.S. Southeast to support rural nonprofits around management, evaluation, and strategy. The Annie E. Casey Foundation provided funding for the study. We worked in close partnership with The Mary Reynolds Babcock Foundation in designing the study and disseminating our online survey across the Southeast. Finally, a range of foundations from across the South helped us by disseminating the online survey to their grantees.

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# Overview of Major Findings

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This study consisted of an online survey disseminated by foundations to their grantees across the rural southeastern United States. Two hundred and sixty-seven (267) nonprofit organizations responded to the survey. These organizations represent rural communities from across the Southeast, from Virginia and West Virginia to Kentucky and Tennessee to Arkansas and Louisiana and over to Florida, and all points in between. Some of the major findings from this study confirmed earlier research. Other findings extended previous research. There are also some new findings. The full report from the study is organized to highlight findings in seven areas.

**1. Executives plan to leave their jobs, but not the nonprofit sector, within five years.** Sixty-three percent (63%) of executive directors responding to our survey plan to leave their job within the next five years; 7% were in the process of currently leaving. Despite the large number of executives considering leaving, only a third of respondents have discussed succession planning with their boards and only 15% have a succession plan in place. Few departing executives, only 28%, see themselves taking a position as executive director in another nonprofit; however, 75% see themselves staying in the nonprofit sector (i.e., working in nonprofits as an executive or in another role, working as a consultant, or working in a foundation).

**2. Executives lack support in their roles as executive director.** Executive directors in this study reported that they often lack adequate support from their boards, from fellow staff members, from funders, or from other outside supports. While 80% of executives feel personally supported by their board, only 42% feel that their board has experience managing a nonprofit organization, 45% feel that their board is an engaged leadership body, 51% feel that their board challenges them to be a more effective leader, and 54% feel that their board discusses strategic issues and direction. Although 61% of executives have a management team within their staff, only one-third of responding executives have a senior manager focused on fundraising, technology, or human resources. In terms of funders, respondents reported that the clearest support would be providing more multi-year support and providing more general operating support. Finally, while most executives have used outside training, support, and development (e.g., workshops and conferences, professional associations), these outside support resources appear to be a low priority for them – they listed increased funds for professional development as the lowest priority among potentially helpful actions that funders could take.

**3. Executives feel that they make significant sacrifices to lead nonprofits.** The average salary for nonprofit executive directors in the current study was \$54,000, compared to \$74,602 in a recent national, urban study of executive transitions. Seven percent (7%) of all executives surveyed in this study worked as volunteers, with no salary or payment. Executives in larger organizations generally earn higher salaries compared to executives in smaller organizations. In 45% of the organizations surveyed, the organization makes a contribution to the executive's retirement account; these contributions were more likely in larger organizations than in smaller ones. Sixty-two percent (62%) of executives surveyed feel they have made a significant financial sacrifice to work in the nonprofit sector. Money is not all that executive directors sacrifice, though: 38% of respondents feel that other aspects of their life (e.g., friends, family, and hobbies) suffer because of the demands of their work. Finally, while women lead nonprofits more often than men (56% of respondents' organizations were led by women, 44% by men), women make less money than men overall (\$48,738 on average for female executives, \$60,468 for males). Women are also noticeably more likely to feel that they make financial and non-financial sacrifices to work in the nonprofit sector.

**4. Executives are concerned about finding future leaders for their organizations.** It is not clear who will replace the executives that will be leaving over the next five years. A fair number of current executive directors came from within organizations' existing networks (31% hired internally from staff, 24% hired from former constituents, 20% hired from boards). Relatively few current executives (26%) are former executives. Of the organizations surveyed, 39% are actively developing other people in their organization to be an executive director and 55% of executives believe that a member of their management team could be a credible candidate for their job. Respondents in this study feel that the main barriers to hiring their successor are too many job responsibilities, difficulty raising operating support, and insufficient compensation. Two-thirds (67%) of respondents feel that their organization will have to pay their successor more, most likely between 11 and 20% more.

**5. Many nonprofits lack key capacities needed to transition well.** Publications on nonprofit executive transitions suggest that there are certain organizational capacities that a nonprofit needs to have in place if an executive transition is to go smoothly. The research on executive transitions, however, has not yet looked to see if the organizations have these capacities in place. Our research found that around 75% of nonprofits reported having a strategic plan and sound financial management in place, while around 50% reported having strong and diverse boards, shared responsibility for fundraising, cash reserves, and a management team. Very few organizations (14%) have a succession plan. In sum, many nonprofit organizations appear to lack capacities needed to make smooth, effective executive transitions. This is as true of larger organizations as it is for smaller organizations, although in different areas of organizational capacity.

**6. Nonprofits are doing some things that may attract the next generation of leaders, but not many.** Recent research has found that the next generation of leaders in the nonprofit sector is looking for certain characteristics in nonprofits if they are going to be willing to step into executive director roles. We explored the extent to which these characteristics currently exist in nonprofit organizations across the rural South. Beginning with the characteristics that are common in nonprofits, around 75% of respondents reported that they have young people working in their organizations and that they use participatory decision-making, at least some of the time. Around 50% of respondents reported that their organizations have young people on their management team, that they invest in the development of their young people, that they address multiple forms of oppression, and that they encourage executives to maintain a healthy balance between work and life. Lower numbers of respondents (generally between 30 and 40%) reported that their organization has an adequate compensation package for its executive, has considered rethinking traditional executive director roles, or has considered leadership models that are alternatives to traditional, hierarchical leadership.

**7. Rural nonprofits differ from urban nonprofits in some intriguing ways.** Most of the organizations participating in this study (72%) were based in rural areas, but some were not. Few previous studies of executive transitions focused on rural organizations; this sample therefore provides a chance to explore whether or not rural nonprofit organizations tend to differ in noticeable ways from urban organizations. In our sample, rural organizations tended to be smaller, more likely to have an executive who does not work full-time, and more likely to have an executive who is a founder. Rural executives also earn less than urban executives, and they feel that they make greater financial sacrifices to work in the nonprofit sector. Rural executives are also more likely to be leaving the nonprofit sector when they leave their current job. Finally, rural executives reported that they see few potential candidates to replace them when they leave, because the pool of potential qualified applicants is much smaller in rural areas than in urban areas.

# Recommendations

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Below we have some recommendations for executives, boards of directors, funders, and organizations or individuals that support nonprofits. We created these recommendations as we collected, analyzed, made sense of, and presented the data in this study. Given the richness of these data, we could have made many other recommendations. These are the ones that seemed most pressing to us.

**1. Executives need jobs that are feasible.** Nearly two-thirds of executives we surveyed are planning to leave their job within the next five years. When asked about barriers to hiring their successor, they listed *too many job responsibilities* as the greatest barrier. The executive roles that they found particularly burdensome were fundraising, financial management, and management of staff. While 75% of current executive directors plan to stay in the nonprofit sector when they leave their current job, only 28% see themselves taking another executive director position. The data in this study suggest that while people want to work in the nonprofit sector, they generally do not want to work as an executive director. It may be the case that executive directors' job descriptions and roles are not capable of being fulfilled with a reasonable amount of effort and work.

Nonprofit executives are too overworked, stretched too thin. The next generation of nonprofit leaders realizes this. In previous research, next generation leaders identified rethinking executive director roles and considering non-hierarchical organizational structures as high priorities for them. Yet only 31% of nonprofits surveyed in this study have considered ways to rethink executive director job descriptions and roles, and only 39% have considered alternative, non-hierarchical structures or leadership models. We understand why nonprofits rely on conventional executive director roles, because the work of managing a nonprofit has to be done. Someone has to raise the money, manage and oversee the finances, work with the board, and manage staff. But all of this work does not need to fall on one person. Even in small organizations, roles and responsibilities can be shared among staff or among teams. Boards and executives can develop an executive director job description that pares down the executive workload to make it achievable and shares the work among other staff, board members, or volunteers. Other possibilities include alternative leadership structures such as co-directors or non-hierarchical organizational structures (e.g., decentralized leadership teams with shared responsibilities and authority). To make executive director jobs sustainable, we may have to take some work off of executives' plates. To create jobs that the next generation of leaders will want to step into, we may have to re-structure executive director positions as they currently exist and make them more doable.

**2. Executives need to be paid fairly, especially women.** Executive directors are overworked and underpaid – this for us is the core challenge facing the nonprofit sector. This challenge was echoed in a recent article outlining the cycle of nonprofit starvation, where nonprofits settle into a “low pay, make do, and do without” culture. Women may suffer particularly in this culture of nonprofit starvation. Our data suggest that even though there are more women working as executive directors, women earn less than men, especially in larger organizations, where salaries are highest. Compared to men, women feel that they are making more sacrifices, both financial and non-financial, to work in the nonprofit sector. Regardless of gender, two-thirds of executives (67%) believe that their board will have to pay their successor more; 25% estimate that the board will have to raise the executive salary by 30% or more for their successor. Only 31% of executives see their current salary as adequate. It is hard to think about raising salaries when nonprofits' funding is so scarce. But raising executives' salaries is an investment in our organizations, and in the sector as a whole. If we are to attract and keep the next generation of nonprofit leaders, we will have to pay them fairly. We may as well start now.

**3. Nonprofits need multi-year grants and general operating support grants.** For funders, this was a clear message from the current study. More than anything, executive directors and nonprofit organizations need multi-year grants and general operating support grants. When thinking about supporting executives and building organizations' capacities, funders are often more comfortable thinking about interventions such as workshops, trainings, and leadership development programs. From executives' point of view, these are low priorities. What they really want and need is multi-year grants and general operating support grants. This may be a stretch for many foundations, and it potentially represents a new way of doing business for some. But if nonprofits may need to change (by making the executive position more doable and increasing salaries), then foundations may need to change as well. If funders could make one change to support nonprofits and executives during the generational transition that we are experiencing, this would be it: restructuring their grantmaking to include more multi-year grants and general operating support grants.

**4. Nonprofits can focus on organizational development.** For nonprofit executives, board members, and staff members, it is hard to find the time to focus on organizational development. Program work or community work always comes first, as it should. But as we think about the inevitable transitions that will occur in nonprofits across the rural Southeast as two-thirds of executives leave over the next five years, it is likely that these transitions will go more smoothly if organizations are relatively stable. This may mean focusing on organizational development now, before an actual transition has begun or is even on the organization's radar screen. Concretely, organizations can make sure they have a solid strategic plan, a succession plan, a fundraising plan, a strong fundraising system, a strong financial management system, a diverse board that governs well, and so on. Many organizations also take the time to ensure that someone in the organization other than the executive director understands the details of all of these organizational management systems. Building solid organizations now will make it easy to transition the management of these organizations to the next generation of leaders over the next few years.

**5. Nonprofits can be thinking about the next generation of leaders.** Around two-thirds (65%) of executive directors responding to this survey are above 50. Sixty-three percent (63%) plan to leave their jobs within five years. The current generation of nonprofit leaders across the rural South is aging, soon to be replaced by the next generation of leaders. Research has shown clearly that the next generation of nonprofit leadership has little interest in the status quo as it exists in the nonprofit sector today. They want to have more doable executive job descriptions, and they want nonprofits where work, power, authority, and responsibility are shared among staff members or teams. They want to be fairly paid, and they want to maintain a healthy balance between work and the rest of their lives. As a sector, we have not yet fully realized that this is what young people are looking for in nonprofit jobs. It is probably time to start listening carefully to what next generation leaders are saying they want, and restructuring our executive positions and our organizations to fit their expectations and goals. If we don't, we may fail to attract the next generation of leaders that we need.

**6. Rural nonprofits need attention and support from funders and capacity builders.** This study lifted up some distinctive characteristics of rural nonprofits. Compared to urban nonprofits, rural nonprofits are smaller, more likely to have a part-time executive, more likely to have a lower-paid executive, and more likely to have an executive who feels like he or she makes financial sacrifices to work in the nonprofit sector. Rural executives are more likely to be planning to leave the nonprofit sector. They also feel that there is a small pool of people locally who could potentially replace them when they leave. Overall, it appears that rural nonprofits, and rural nonprofit executive directors, may be in particular need of support from foundations and capacity builders.

# Conclusion

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Executives in nonprofit organizations across the rural South are overworked and underpaid. Yet the executives who participated in this study generally enjoy their work and find it rewarding.

And the work they do is crucial. Rural nonprofit organizations are the backbone of community-based change in the rural Southeast. They bring about significant results, despite having limited resources.

Rural nonprofits are a key national resource. If rural areas are to thrive, we will need strong nonprofit organizations and strong nonprofit executives.

Currently rural nonprofits lack the funding and support they need to become as strong as they could potentially be. While 17% of the U.S. population lives in rural areas, rural nonprofits receive around 0.2% of domestic funding from U.S. private foundations.

To complicate matters, poverty is particularly high in the rural Southeast. Across the U.S., poverty is higher in rural areas than in urban areas, and 68% of the country's rural counties with the highest poverty rates are located in the southern states that were the focus of this study. Given these high rates of poverty, it seems particularly important to invest in nonprofits in the rural Southeast. Rural southern nonprofits are working with too little funding in the highest poverty areas in the U.S.

In addition, our research found that, compared to urban nonprofits, rural southern nonprofits are smaller, more likely to have lower-paid and part-time executives, and more likely to have executives who feel that they make financial sacrifices to work in the nonprofit sector. Rural executives are more likely to be planning to leave the nonprofit sector, and they believe there are few people locally who could potentially replace them when they leave.

In sum, rural southern nonprofits are working hard to move people and places out of poverty in our country's highest poverty areas. They are disproportionately underfunded, and their executives are more likely to be overworked, underpaid, and planning to transition out of their organization. As a result, rural nonprofits may be in particular need of support from foundations and capacity builders.

It's easy to overlook nonprofits in the rural South. It's important that we begin to pay attention to them.

We worry about the dearth of funding available to rural nonprofits. While we are not sure what to do about this, we believe that some form of collective advocacy among funders and nonprofits could be effective.

Based on the findings from this study, we also worry that executives are leaving nonprofits across the rural South, without an adequate pool of new leaders to step into these positions. We envision some form of collective effort to strengthen nonprofits' capacities and build next generation leadership in rural areas across the South. Next generation leadership development programs could potentially address both of these challenges, by simultaneously building the current capacities of nonprofits while also preparing young leaders to step into executive positions in the future.

The issues and challenges lifted up in our research cannot remain unnoticed. While the solutions to these concerns are not immediately apparent, it seems to us that something must be done.